

# **IMF Policies and their Impacts on Health Financing**

**by**

**Rick Rowden, ActionAid International USA**

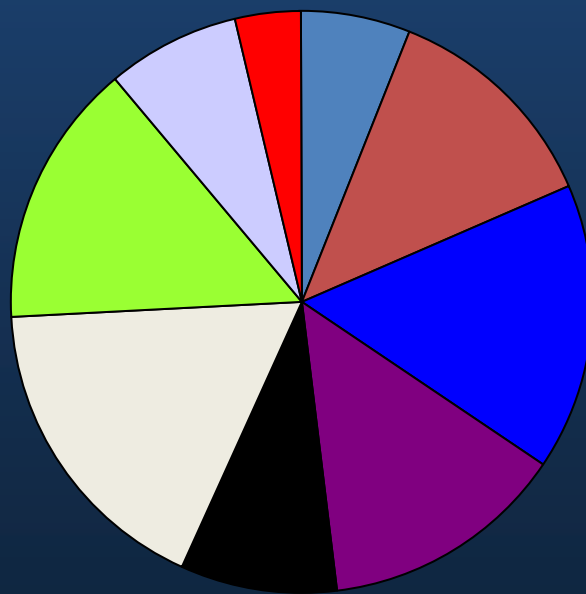
**Health Alliance International  
Macroeconomic Literacy Training  
University of Washington, Seattle  
June 19-20, 2008**

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**“The IMF, World Bank and Ugandan Finance Ministry have decided that protecting against inflation is more important than [protecting] peoples' lives”**

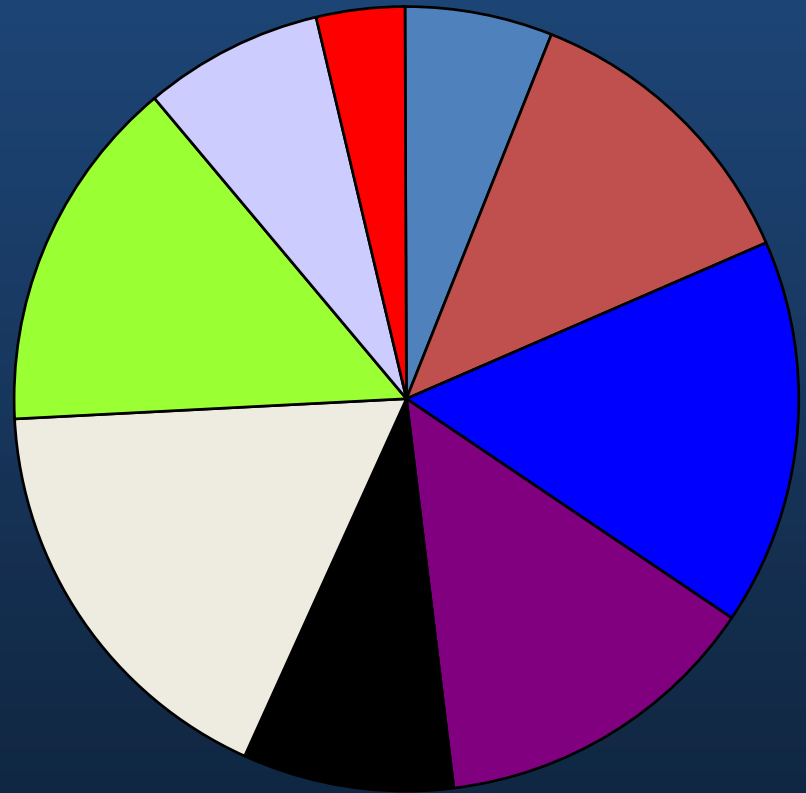
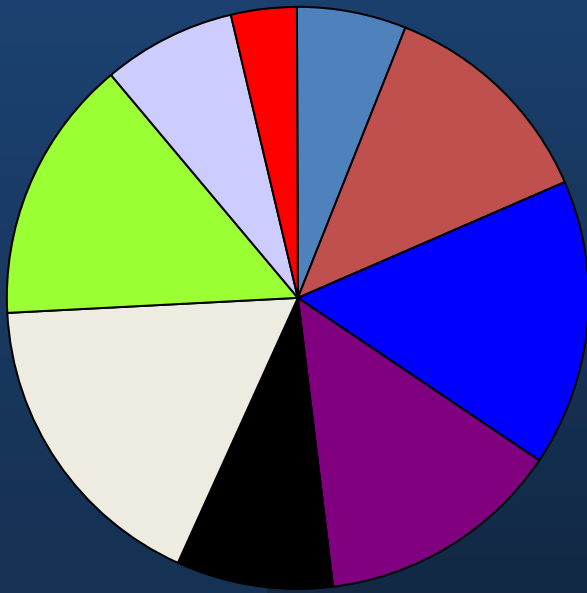
**Francis Omaswa  
Uganda Health Ministry  
Interview, October 2001**

# National Budget



# National Budget

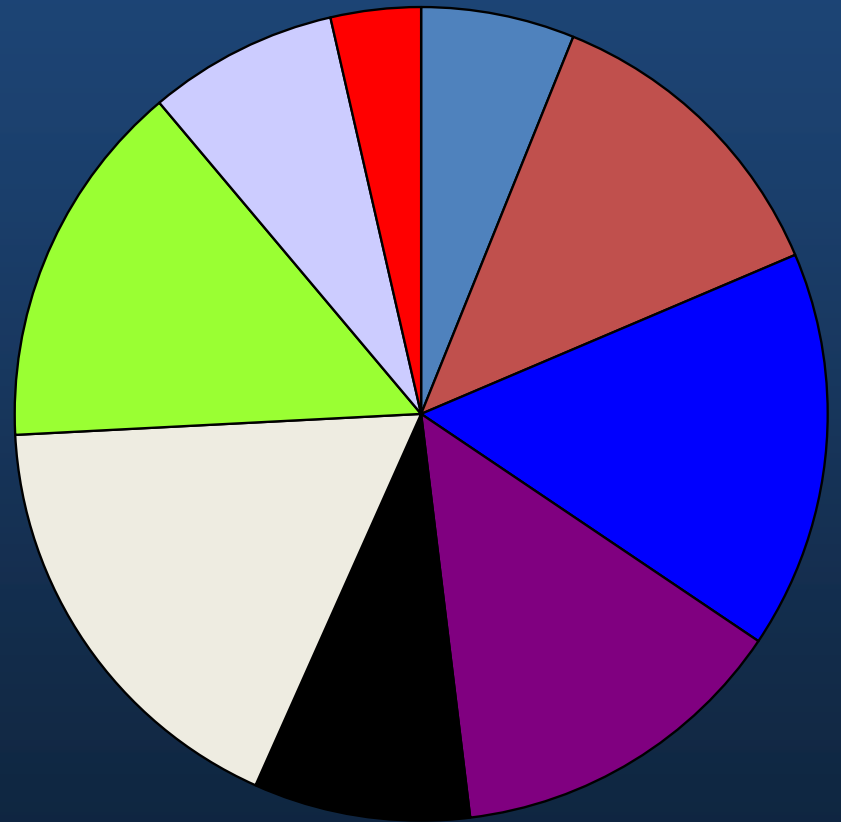
## National Budget



# National Budget

## IMF Fiscal Policy

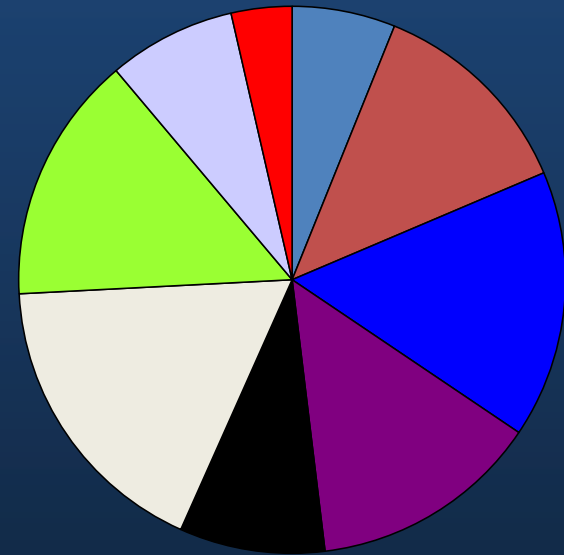
- deficit-reduction targets



# National Budget

## IMF Fiscal Policy

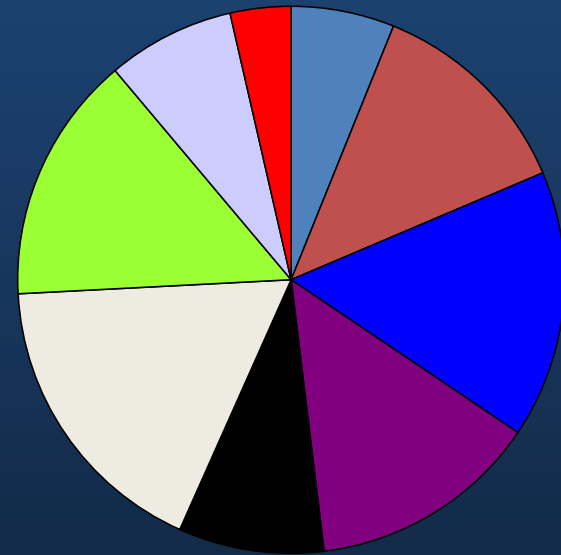
- deficit-reduction targets



# National Budget

## IMF Fiscal Policy

- deficit-reduction targets ✓ ✓
- inflation-reduction targets ✓

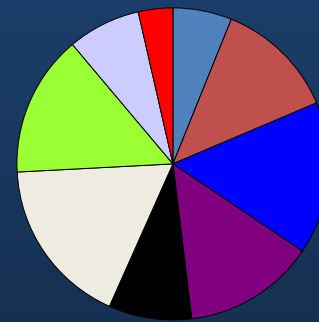


# National Budget

## IMF Fiscal Policy

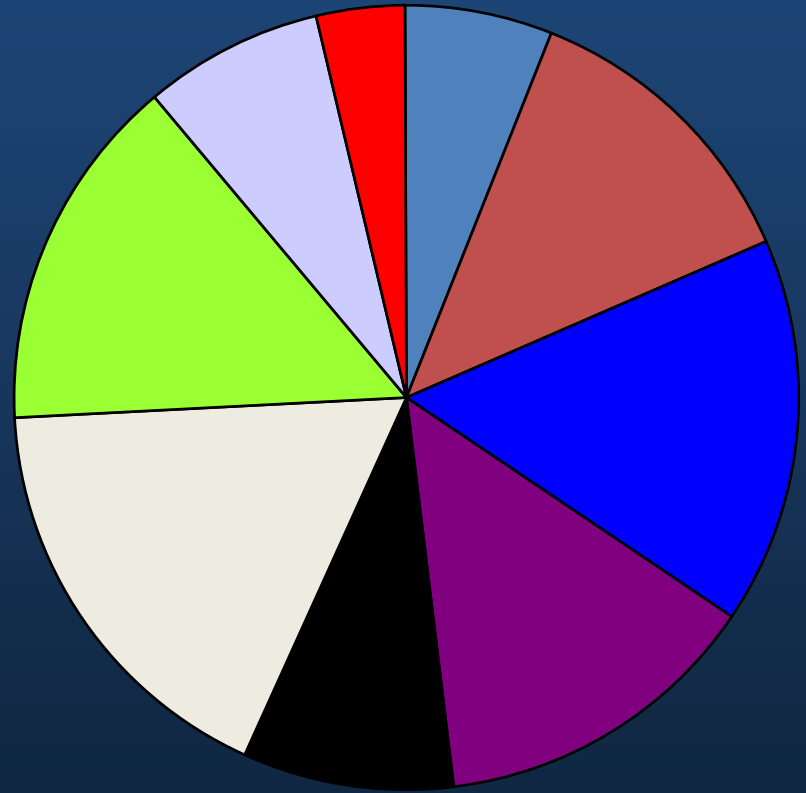
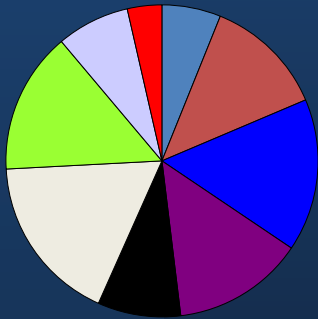
- deficit-reduction targets

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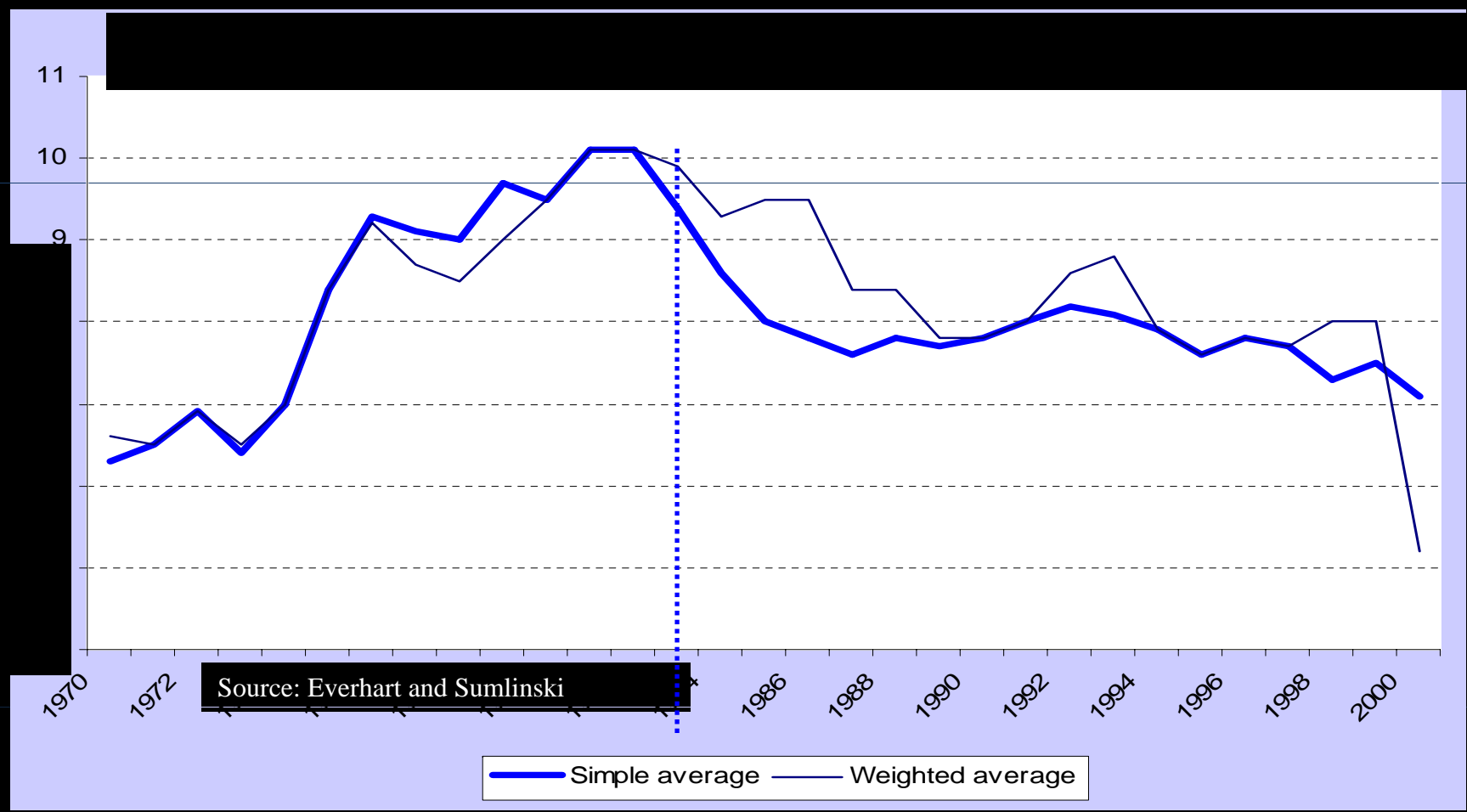


# National Budget

## National Budget

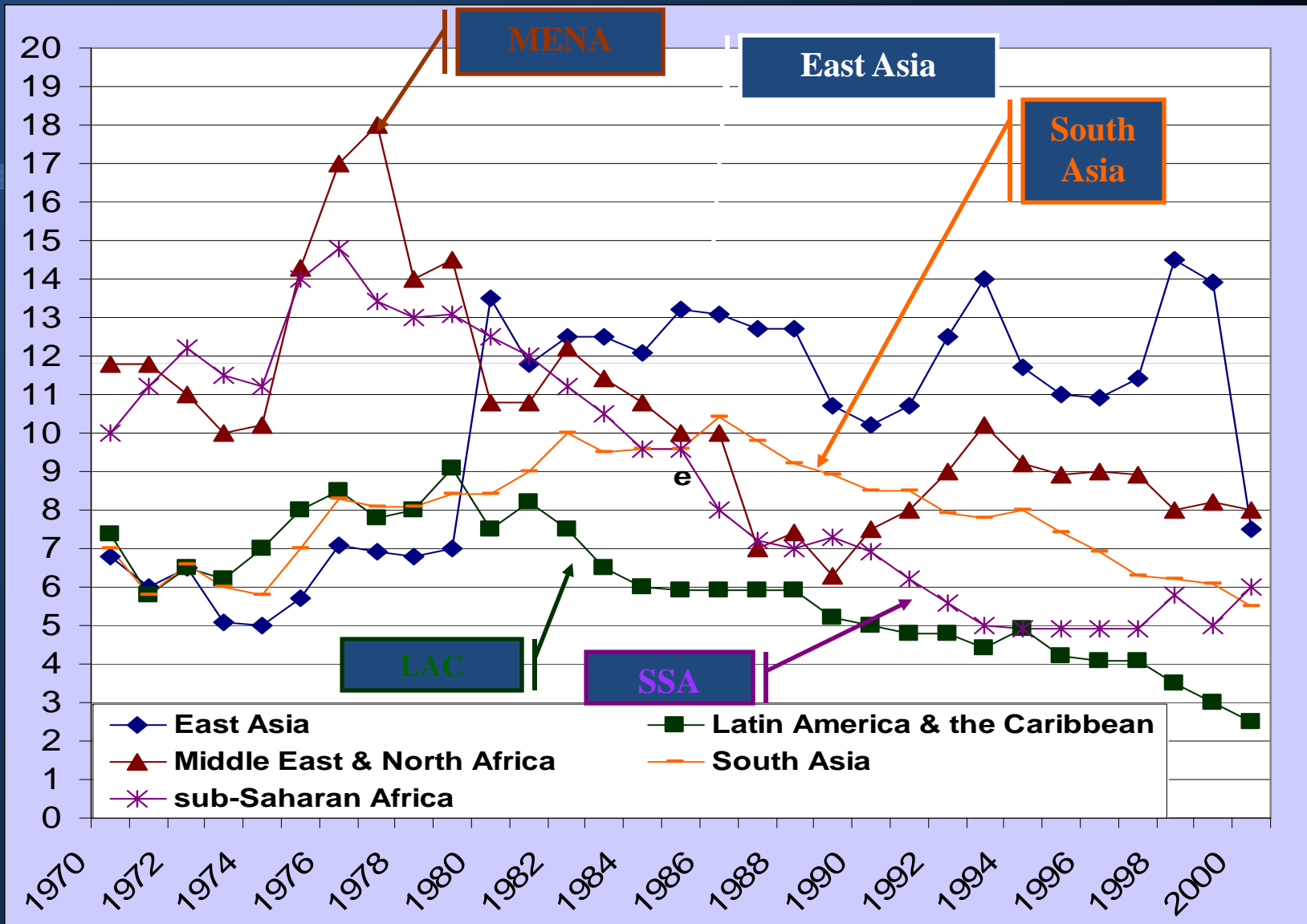


# Public investment spending has been declining since the 1980s



# UNDP: Public Investment by Developing Region, 1970-2000

as a % of GDP (weighted averages)



# New York Times

**“There is a desperate need for greater policy coherence in a period when many national governments, including Washington, are sensibly exhorting African governments to spend more on primary health care and education while international financial institutions largely controlled by those same Western governments have been pressing African countries to shrink their government payrolls, including teachers and health care workers.”**

**The New York Times. “Africa at the Summit,” July 2005**

**macroeconomic  
stability**

**macroeconomic  
instability**

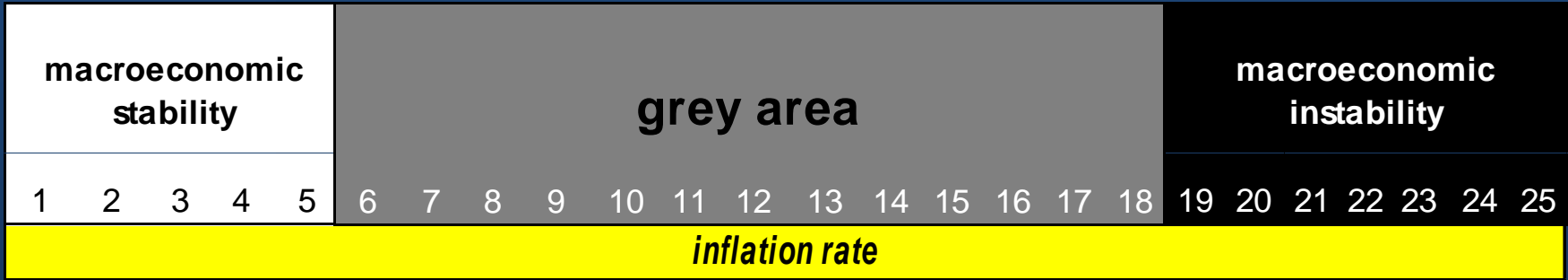
1 2 3 4 5

6 7 8 9 10 11 12 13 14 15 16 17 18 19 20

***inflation rate***

# Review of Inflation Literature

Some empirical studies on 'kinks' in the relationship between inflation and growth



# US GAO on Inflation

**“Policies that are overly concerned with macroeconomic stability may turn out to be too austere, lowering economic growth from its optimal level and impeding progress on poverty reduction.”**

**“Few Changes Evident in Design of New Lending Program for Poor Countries”**

**US Government Accountability Office (GAO), 2001**

# World Bank on Inflation

**“...the search for macro stability, narrowly defined, may in some cases have actually been inimical to growth. Preoccupation with reducing inflation quickly induced some countries to adopt exchange rate regimes that ultimately conflicted with the goal of outcomes-based stability. Others pursued macro stability at the expense of growth enhancing policies such as adequate provision of public goods, as well as social investments that might have both increased the growth payoff and made stability more durable.”**

**“Economic Growth in the 1990s: Learning from a Decade of Reform”  
Roberto Zaghera, PREM, World Bank, 2005.**

# **UMASS Amherst on Inflation**

**“There is no justification for inflation targeting policies as they are currently being practiced throughout the middle- and low-income countries.”**

**PERI Network  
University of Massachusetts, Amherst**

# **IEO Report**

**“An Evaluation of The IMF and Aid to  
Sub-Saharan Africa”**

**- Independent Evaluation Office, IMF**

**2007**

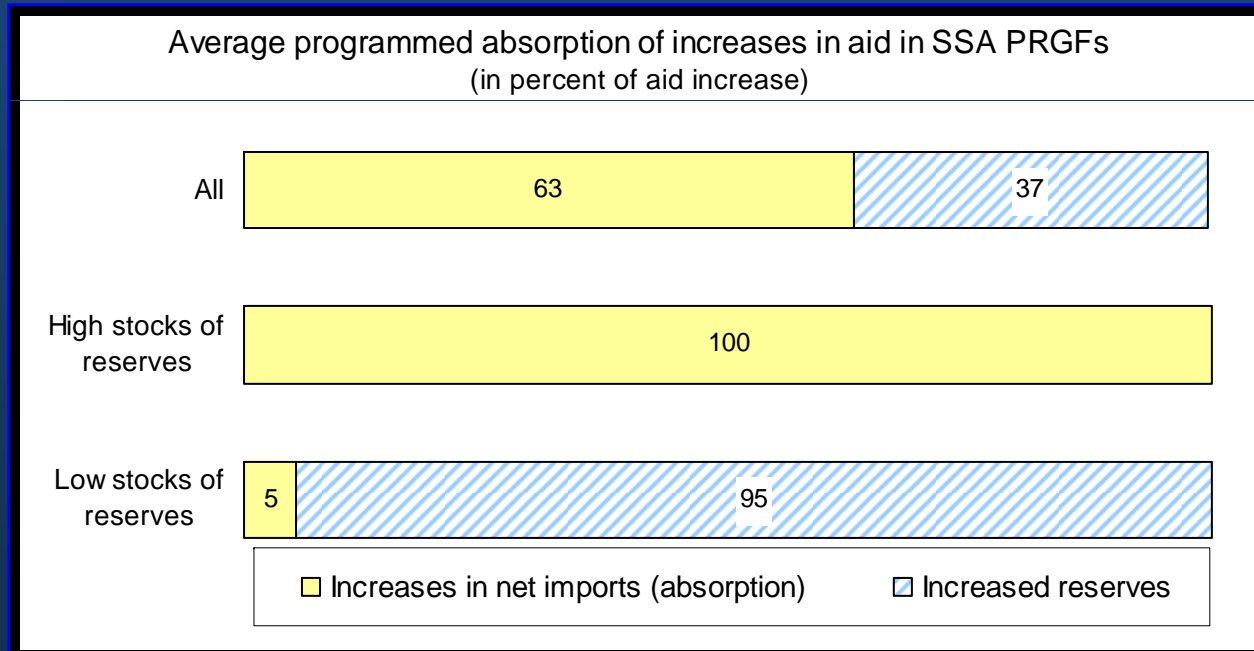
# **IEO: A Disconnect**

**Underlying the theme of disconnect is a larger issue of attempted—but ultimately unsuccessful—  
institutional change. When the PRGF was introduced, it was meant to be more than a name change...But in the face of a weakening consensus in the Board and a staff professional culture strongly focused on macroeconomic stability—and, most important, changes in senior management and a resulting lack of focused institutional leadership and follow-through—the IMF gravitated back to business as usual.**

**IEO Report, Executive Summary**

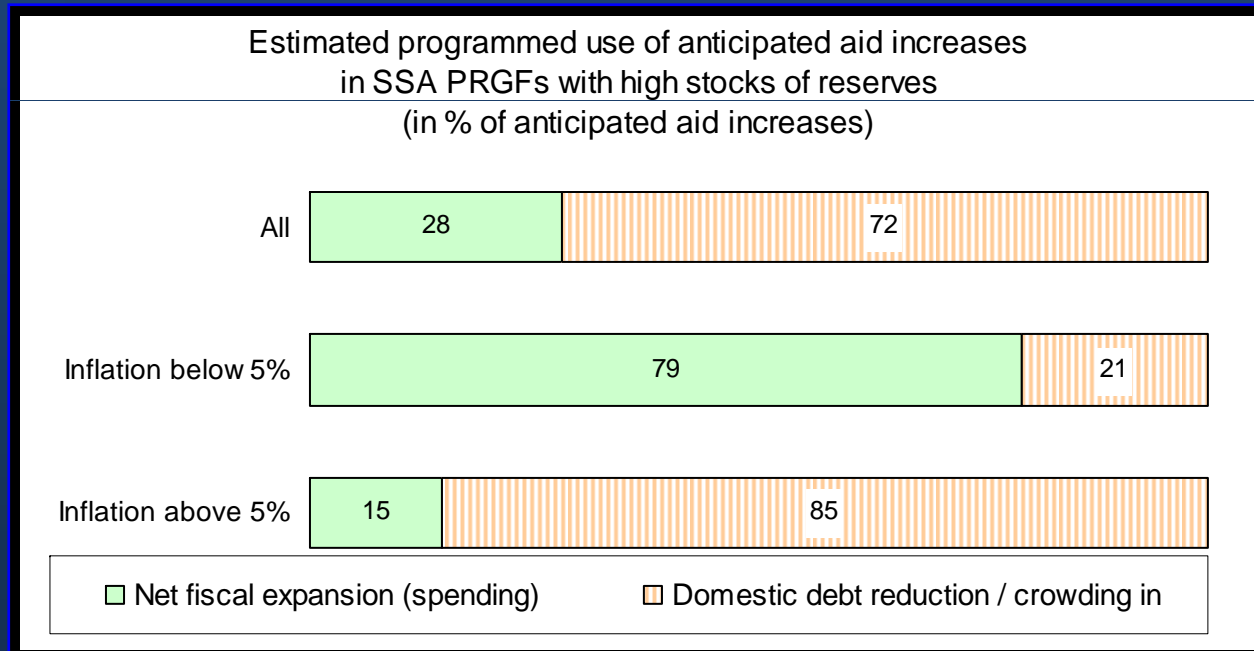
# IEO Report, page 9 Figure 2.2

## Programmed Absorption of Aid Increases



# IEO Report, page 9 Figure 2.3

## Programmed Spending of Aid Increases



# **IEO Report: Low Inflation Blocks Aid Spending**

**“Within the average, the evidence points to inflation concerns as a major driver of cross-country differences in programmed spending of incremental aid....countries with inflation rates below 5 percent get to spend 79 percent of anticipated aid increases, on average, whereas countries with higher inflation get to spend only 15 percent of such increases, on average.”**

**IEO Report, page 10**

# IMF Board Policy on Inflation

**“The estimated inflation threshold for determining whether the country got to spend or save additional aid lies within the 5–7 percent range. These findings are consistent with Board-approved policy on the accommodation of aid, management guidance and feedback to staff, and staff views...”**

**IEO Report, Executive Summary**

# **CGD Report**

**“Does the IMF Constrain Health  
Spending in Poor Countries?  
Evidence and an Agenda For Action”**

**Center for Global Development**

**2007**

# **CGD Report on Inflation**

**“Empirical evidence does not justify pushing inflation to these levels in low-income countries.”**

**CGD Report, page 8**

# CGD Report on Deficits

**“Key fiscal decisions are taken with little understanding of potential consequences for the health sector and health ministries typically cannot make an effective case for increased budgetary priority”**

**CGD Report**

# Yale & Cambridge Report

**“IMF economic reform programs are associated with significantly worsened TB incidence, prevalence and mortality rates in 21 Post-communist Eastern European countries, independent of other political, socioeconomic, demographic and health changes in these countries.”**

**Forthcoming in *PLoS Medicine*  
July 2008**

# **GHWA**

**“Governments [must] increase their own financing of the health workforce, with international institutions relaxing the macroeconomic constraints on their doing so.”**

**Global Health Workforce Alliance (GHWA)  
Declaration, March 2008**

# MSF

**“National spending limits must be lifted by ministries of finance and international finance institutions, such as the IMF, to ensure governments can increase salaries, increase the health workforce.”**

**“Help Wanted: Confronting the health care worker crisis”**  
*Medecins Sans Frontieres 2007*

# Oxfam

**“IMF policies present massive obstacles for poor countries trying to employ more teachers and health workers...While the IMF is right that countries should manage their economies carefully, its overly rigid stance is incompatible with achieving the Millennium Development Goals on health [and] education...”**

**“In the Public Interest,”  
OXFAM International, 2006**

# US Congress

**“We are concerned by the IMF’s adherence to overly-rigid macroeconomic targets” in low-income countries, and “It is particularly troubling to us that the IMF's policy positions do not reflect any consensus view among economists on appropriate inflation targets.”**

**House Financial Services Committee  
Letter to the IMF  
November 2007**

**From: “The IMF and the Millennium Goals - Failing to deliver for low income countries” Oxfam International, Sept 2003**

Country	Fiscal Deficit Targets over 3-year IMF Program	Reduction % GDP	What this could buy for one year
<b>Cameroon</b>	<b>-0.7 to 0.7</b>	<b>-1.4</b>	Could have doubled health expenditure
<b>Ghana</b>	<b>-9.7 to -5.7</b>	<b>-4.0</b>	Could have doubled primary healthcare expenditure each year of the 3-year program
<b>Mauritania</b>	<b>-4.4 to -1.6</b>	<b>-2.8</b>	Could have almost doubled health expenditure in any one program year
<b>Rwanda</b>	<b>-9.9 to -8.0</b>	<b>-1.9</b>	Could double the health and education budget in each of three program years
<b>Senegal</b>	<b>-4.0 to -3.5</b>	<b>-0.5</b>	Could have doubled the total education and health expenditure in one year or doubled the health budget in each year of the three year program

# Policy Space

**Poor countries need to have "enough space to craft their own economic policy" and "adequate room for policy autonomy and experimentation."**

**Nancy Birdsall, Dani Rodrik, and Arvind Subramanian,  
"How to Help Poor Countries," *Foreign Affairs*, 2005**

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