



A time to act; HDT now works with partners to engage in IMF macro policies

.....IMF policies and restrictive conditionality in poor countries has increases both morbidity and mortality. Since IMF is now facing both a budget crisis and a crisis of legitimacy, this is the time to press for open and expansive pro poor policies. Both member state and US congress have a stake and potential power to influence IMF now than ever....HDT will be working through the AIDS Forum to raise these concrete issues in Tanzania.

1. Preamble:

HDT will be working in partnership with Result Education Fund in Washington DC and Ifakara Health Institute to educate government, parliament and civil society on adverse impact of IMF policies on out come of TB and HIV. Similar policy actions will be done in Kenya and Zambia and initiatives have started in Mexico city during AIDS conference by Results Education Fund.

Evidence from poor in poor countries (a study now being concluded by Ifakara Health Institute) already indicate that macroeconomic policies championed by the IMF and implemented in poor countries have an indirect yet potentially significant effect on health spending. A growing number of HIV/AIDS activists recognize this as an issue that impacts their efforts and impedes progress toward MDG targets. However, more voices and coordinated action are needed to ensure that countries have the resources needed to address HIV/AIDS and other urgent health needs.

An IMF program is a set of macroeconomic policies negotiated between the IMF and a recipient country's Ministry of Finance and central bank authorities. IMF programs set key macroeconomic targets, such as for reducing deficit spending and inflation, which can restrict national spending to unnecessarily low levels. Reducing the size of the national budget can restrict the sizes of sector budgets, including health. *This tightening of "fiscal space"* also impacts the use of new aid, which might not be spent and absorbed if a country has not met the economic targets set by its IMF program.

2. Evidence That The IMF Constrains Spending (documentary reports)

In April 2007, the International Monetary Fund's Independent Evaluation Office (IEO) released *The IMF and Aid to Sub-Saharan Africa*,¹ a report which shows that IMF programs restrict spending and absorbing of aid. The IEO examined 29 countries in sub-Saharan Africa with IMF programs from 1999-2005. It found, on average, only 27 cents of each anticipated new dollar of aid were spent and absorbed. The remaining aid was re-directed to build cash reserves or to pay domestic debts. Only countries meeting the deficit and inflation-reduction targets set by IMF programs spent and absorbed nearly all anticipated increases in foreign aid.

¹ <http://www.ieo-imf.org/eval/complete/pdf/03122007/report.pdf>



A June 2007 report from the Center for Global Development, *Does the IMF Constrain Health Spending in Poor Countries? Evidence and an Agenda for Action*,² found that IMF programs in sub-Saharan Africa were overly conservative, targeted inflation rates at “very low levels” that “[e]mpirical evidence does not justify,” and were not negotiated transparently. In the African programs it evaluated, it found, “In several important ways, the IMF has often been too restrictive by ruling out potentially viable policy options without sufficient consideration...More ambitious but still potentially feasible fiscal options for higher spending were usually not explored.”

In 2006 the UN Development Program’s International Poverty Center evaluated the World Bank and IMF policy restrictions (i.e., “conditionalities”) implemented in Zambia as required for debt relief through HIPC.³ It found the Zambian government had “little leeway to choose its own fiscal policies, despite donor rhetoric about ‘national ownership’ of poverty-reduction policies,” and that “due to associated policy conditionalities and other factors,” Zambia would actually have *less* capacity to invest in human needs. The UNDP provided an alternative, expansionary macroeconomic policy framework that prioritizes human development needs, while also promoting growth and economic stability. It holds that Zambia could achieve the MDGs through more expansionary policies, minus the policy constraints imposed by the World Bank and IMF.

3. Preliminary advocacy messages:

IMF programs **MUST** give countries more flexibility to explore and implement more expansionary policies so they can use aid as intended and generate more domestic resources for health. The IMF must support countries that desire to explore more expansionary, development-oriented macroeconomic policies.

The process by which IMF programs are negotiated must become more transparent and inclusive; involve input from public, civil society organizations, parliament and media.

4. Get Involved!

Join with advocacy group in Tanzania to advocate for favourable policies in Tanzania and mobilize new resources for health.

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² http://www.cgdev.org/doc/IMF/IMF_Report.pdf

³ Does Debt Relief Increase Fiscal Space in Zambia? The MDG Implications. <http://www.undp-povertycentre.org/pub/IPCCountryStudy5.pdf>