

**REVIVING THE INTERNATIONAL MONETARY FUND:
CONCERNS FOR THE HEALTH OF THE POOR**

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Despite optimism about the potential for a “new economic order,” the outcomes of the G20 summit of April 2009 do not deviate from the neoliberal path. The main outcome, the G20’s commitment to the International Monetary Fund (IMF), does not change the lending practices and core economic assumptions of the IMF. Further, this new funding commitment will do little to help the poorest countries, as it is not available to them and comes with high interest. Institutions that more actively consider health, such as the World Bank and World Health Organization, may have failed to win resources and authority because they have not demonstrated how they could expand or modify their activities, and because of broader ideological debates pitting social protection against economic stimulus. Reforms in IMF practices and economic assumptions may provide some limited protection of health spending. These reforms can allow for inclusion of the benefits of health programs in economic forecasting, dismissal of the assumption that aid will be short-term, and removal of indirect limits on public sector health spending. These reforms in IMF practices are urgently needed, but fall short of making health and social protection an integral component of efforts promoting economic stability.

The global financial crisis has tested many of our assumptions about financial regulation, the role of government in the market, and global economic cooperation. Perhaps nowhere were these issues more central than at the G20 Leaders Summit in April 2009. Some in public health have interpreted the outcome of the G20 summit positively, pointing out how the G20’s recognition of failures in financial regulation repudiates the Washington Consensus that had been promoted by the International Monetary Fund (IMF). Sources for optimism were found in

the rhetoric of G20 leaders, and prominent analysts saw an opportunity “to bring social justice and environmental concerns to bear on the kind of new global economic order.” This new economic order, it was hoped, could help “achieve a fair distribution of power, money and resources” (1).

Yet, a look at the hard facts of the agreements achieved at the summit shows neither a repudiation of IMF assumptions on economic growth nor a process of redistribution to the world’s poorest. Though the G20 leaders committed US\$750 billion directly to a nearly bankrupt IMF (2), they did nothing to change the practices and assumptions of the Fund. The commitments to the Fund will provide much-needed emergency funding to emerging economies, and this deserves some applause. But, in making a massive commitment to the IMF, the G20 did not deliver what was needed for global health.

THE INTERNATIONAL MONETARY FUND IS NOT PLACED TO SUPPORT FINANCING FOR HEALTH SYSTEMS

What was, and still is, critically needed in health is interest-free financing for the poorest countries. Health in developing countries is under direct threat. The economic downturn, combined with rising food prices (3), is likely to impoverish many, worsen nutrition, and elevate risks of disease among the already vulnerable. Public health needs are likely to rise, as is demand for public services as private insurance coverage and insurance provided through employment drops. At the same time, countries where most of the poor live are seeing their health budgets threatened by a collapse of foreign direct investment, reduced remittances, reduced value of aid, and, most likely, reduced multilateral financing (4). With these challenges, and rising fiscal deficits, poor-country governments need reliable and unrestricted external funding if they are to maintain health and social sector spending. As discussed in Ooms and Hammonds’s article in this issue (p. 795), long-term external funding will be needed to provide global social protection.

The new funding for the IMF will provide restricted support to emerging economies, but there is very little new funding for the poorest countries. While US\$50 billion will be made available to low-income nations, this funding is largely not new and comes with interest, a slow disbursement timeline, and uncertainty on whether it will materialize (5). Of the US\$50 billion, US\$21 billion is in increased currency reserves through Special Drawing Rights allocations, which boosts reserves but not funding. Most importantly, the financial transfer—and certainly any new financial transfer—to poor countries is probably too small to make a real difference.

When the G20 met in Washington, DC, in November 2008, the group declared support for the World Bank’s efforts in development. Yet, the G20 made no commitment to increase the funding available to the World Bank. The Bank—and not the IMF—has the capability to deliver emergency financing to poor countries,

as the Bank is able to provide long-term, interest-free loans through its International Development Association (6). British Prime Minister Gordon Brown, who hosted the April 2009 G20 summit, co-chairs the High Level Taskforce on Innovative Financing for Health Systems, along with World Bank President Robert Zoellick. Neither financing for health systems nor World Bank development efforts were supported by the G20 commitments to the IMF.

There are long-standing concerns with the IMF in relation to public health. First, the Fund places spending ceilings, limiting the amount that a country can spend on public sector wages (7). In its attempt to “wean” countries off this external funding, the IMF has too often pushed for reduced government health spending to avoid “unsustainable” growth in the health sector. While the Fund does not demand cuts in health spending directly, governments are often left with little choice but to cut public sector spending in health to meet IMF targets. For a few emerging economies, such as Mexico and South Africa, which have already adopted many IMF policies, qualification for loans will be based on existing policies rather than on required future adjustments. The IMF has recently announced the elimination of loan conditions, including spending ceilings, for developing countries that have low inflation, moderate levels of foreign debt, and sound public finances (8), indicating some progress has been made as a result of global criticism and attempts at oversight.

A second, and related, concern is that the IMF’s analysis, used to guide loan conditions, does not adequately consider the short- and medium-term economic benefits of investing in health. This is unlike the World Bank, which includes, for example, analysis on the global economic benefits of tuberculosis control, when making policy recommendations (9). The World Bank has had missteps as it attempted to implement centrally guided health and economic policy in diverse country settings, with sometimes disastrous results (10). But the Bank at least places the protection and promotion of health firmly on the agenda for economic development and social protection.

REFORMING INTERNATIONAL INSTITUTIONS TO PROTECT HEALTH

Why have institutions that value health failed to win the resources and authority to protect the health and economies of poor and emerging countries? It may be that these institutions have not adequately acted with existing resources and mandates, or that they were not well prepared for the recent G20 meeting. In health, international institutions have been focusing on the production of knowledge and analysis in this crisis, but they have not substantively expanded or modified their activities. Despite the reports from institutions concerned with health, including the WHO and the World Bank, about the scale of the financial crisis, no serious proposals for greatly expanded activities—such as a scale-up of grants, loans, or even country-specific analysis—have emerged.

Part of the failure of institutions that promote social protection to win resources may have to do with broader, sometimes ideological, debates. The preference for the IMF, which can provide limited fiscal stimulus, over organizations (such as the World Bank) that provide social protection parallels the debate that pits France and Germany against the United States. These European states have argued that their social welfare programs lessen the effects of the economic crisis, making the case against domestic fiscal stimulus. When this ideological debate went global at the G20 summit, fiscal stimulus won, social protection lost, and the health of the poor was placed at risk.

Changes in the practices and assumptions of international institutions can protect health during the financial crisis (4). As suggested earlier, the IMF can incorporate the benefits of health programs in economic forecasting, refrain from indirectly limiting public sector health spending, and dismiss the assumption that aid will be short-term. The World Bank can play expanded roles in supporting national health systems and interventions, using its favorable credit rating to raise capital and provide counter-cyclical financing during crisis. The WHO can monitor the health impacts of the crisis and facilitate communication among international institutions and country governments, actions to which it has committed (11). More generally, a process that involves the World Bank and WHO can better devise a strategy for scaling up and supporting community-based actors, including nongovernmental organizations, that provide social protection. To win attention and resources from forums such as the G20, these groups need to create a more united and strategic plan.

The financial crisis makes focused reforms in international institutions urgent. The crisis also presents an opportunity to shape policy freed from failed ideologies and discredited special interests. It is no secret that reforms being pushed domestically and internationally will outlast the financial crisis. That's the point. A failure by public health-minded institutions to lay out policy options and demonstrate their ability to take action will mean that these institutions could become increasingly irrelevant. The World Bank's loss vis-à-vis the IMF is an early casualty. Further failure to articulate clear proposals for institutional reform could hamper global public health efforts until a time when the financial crisis is a distant memory.

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