

IMF loan policies ‘hampering aid efforts’

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A study has tested whether aid to tackle disease and improve healthcare actually translates into a better health system for the countries that receive it.

The Oxford-led study found that aid that went to some of the poorest countries was not used to supplement existing spending on public health projects, but instead aid often displaced state spending. Countries that relied on loans from the International Monetary Fund (IMF) were found to channel the least aid towards its intended purpose.

The study published in the *International Journal of Health Services* examines 119 countries and finds, in line with previous studies, that a proportion of aid was displaced. This latest research, led by Dr. David Stuckler from Oxford University with Dr Sanjay Basu at University of California San Francisco and Prof Martin McKee at London School of

Hygiene and Tropical Medicine, also compares 34 low and lower-middle income countries which were borrowing from the IMF with 101 similar income countries that did not rely on loans from the IMF. The researchers discovered that borrowers' spending on the health system grew at half the speed of non-IMF borrowers.

The study suggests that one likely explanation is that IMF loan conditions, which aim to keep government spending low, are so limiting for finance ministers in countries that borrow that aid substitutes for state spending on some public health projects.

Governments in countries that borrowed from the IMF were found to provide just one cent more towards funding the health system for every US dollar received in [health aid](#). By contrast, countries that did not borrow from the IMF channelled an additional 45 cents into the [health system](#) for every dollar of aid received.

The authors note that countries that borrow from the IMF do so at a time when their economies are struggling and need health aid the most. They conclude that changes need to be made to loan policies so finance ministers have more 'fiscal space' to enable them to use health aid for the purpose for which it was intended – to tackle disease and support [public health](#) projects.

Dr. Stuckler and his colleagues also found that aid channelled through governments was associated with lower public spending than when it was routed through private nongovernmental organizations.

The study comes at a time when there is serious concern about whether developing countries will meet the Millennium Development Goals (MDGs) on global health by 2015. According to the authors, this study offers 'a new rationale that reconciles the failure to achieve the MDGs despite increasing amounts of aid'.

Dr. David Stuckler, from the University of Oxford, said: "Countries seeking IMF support are likely to differ from countries that are not and a request for an IMF loan is often associated with severe economic problems. Nonetheless, even in such circumstances, it is reasonable to expect aid from donors to have at least some positive impact on health funding, especially given that health needs are often greatest at such times. This study suggests that countries relying on IMF loans are not spending the aid in the way it was intended. A change in loan policies is needed to lift the existing restrictions on finance ministers so they are no longer prevented from spending health aid on the people that urgently need medical help."

The authors have cautioned against drawing far-reaching conclusions as the data used in the study is limited to measuring pledges of aid rather than data that provides a full picture of what was actually paid. However, the researchers note that they tracked similar patterns of aid displacement from the limited data available on disbursements.

Provided by Oxford University

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