IMF stresses commitment to help fight HIV/AIDS

The IMF has been battling perceptions that it is holding back critical health spending—including on HIV/AIDS—in countries with IMF-supported adjustment programs. To increase awareness about its approach, the IMF's Fiscal Affairs Department invited donors, international agencies, and nongovernmental organizations (NGOs) to discuss the issue on January 19.

This workshop, a follow-up to one last year (*IMF Survey*, July 12, 2004), focused on problems experienced in boosting aid to four countries: Honduras, Kenya, Uganda, and Zambia. Participants told IMF mission chiefs for these countries—all of which have economic programs supported by the IMF's Poverty Reduction and Growth Facility—about problems ranging from a lack of health care professionals (for instance, graduating nurses in Zambia account for just 2 percent of all nurses, while graduating teachers represent almost 10 percent of all teachers) to inadequate treatment facilities and an unreliable supply of drugs and other medical supplies. Countries were also sometimes reluctant to increase spending on HIV/ AIDS, pointing to the need to comply with fiscal ceilings in IMF programs.

IMF staff told participants that IMF-supported programs usually contain a ceiling on net credit to governments designed to help countries achieve fiscal stability, which is essential for economic growth. Each country then decides on specific spending priorities, and IMF-supported programs do not specify hard budget ceilings on health care spending. If more money becomes available for critical social programs, especially in the form of grants, the IMF will help the country revise its spending plans.

IMF staff also said that countries need help to develop their capacity to absorb larger amounts of aid. While money might be flowing into the country, this doesn't help if there aren't enough trained nurses and other health workers.

Another issue is that aid flows are unpredictable, which often makes it difficult for countries to manage their budgets from one year to the next and makes them wary about making long-term commitments. For instance, many governments are reluctant to hire more health workers without donor assurances of continued financing. Kenya eliminated school fees as part of a program to achieve universal primary education, only to experience a sharp reduction in aid flows that then forced the government to reallocate scarce domestic revenues to the education sector.

Workshop participants pointed out that they deal mainly with health ministries, while IMF staff typically work with finance ministry officials. Participants suggested that discussions about budget priorities in the health sector include as many stakeholders as possible, not least the ministry of finance. Greater clarity is needed on the factors determining the sectoral spending priorities of ministries of finance and on the impact of fiscal ceilings set in the context of IMF programs.

Participants also said the IMF needs to do more to clarify its role. Because most IMF country reports do not explicitly discuss the health sector, they give the impression that the IMF has not considered the need to ensure fiscal space for health spending. Participants suggested that the IMF work with donors and NGOs to clarify how fiscal ceilings are decided. The IMF should also reassure governments that program ceilings are flexible and can accommodate additional spending if new financing becomes available, as long as it is compatible with fiscal and debt sustainability. ■

Who attended?

The workshop included representatives from a wide variety of agencies involved in HIV/AIDS work, including policy research institutes (Center for Global Development, Fogarty Center of the National Institutes of Health, and The Futures Group); nongovernmental organizations (NGOs) (Catholic Relief Agencies, DATA, the Global Fight, and Project Hope); the Global Fund to Fight AIDS, Tuberculosis, and Malaria; and UNAIDS and World Health Organization; as well as developing countries (staff from the IMF Executive Directors' offices for the African constituencies); donor countries (Belgium, European Commission, staff from IMF Executive Directors' offices for the Nordic countries); the U.S. government's Presidential Emergency Plan for AIDS Relief; and the World Bank.

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