# How the IMF jeopardizes the right to free education

*by Akanksha Marphatia*

**Education is a fundamental human right, not a privilege. It should be available to all children free of charge and should be of high quality. Many countries have recognized this basic human right in their constitutions. Yet 100 million children have never been to school, two-thirds of them girls. If the international goals on education (set in Dakar and reaffirmed as Millennium Development Goals) are to be achieved by 2015 then investment in education will have to rise. New teachers will need to be recruited and new classrooms built. But for many countries it is almost impossible to increase spending on education because of the tight economic policies imposed by the International Monetary Fund (IMF). The contradictions between IMF policies and agreed international development goals are documented in our new report *Contradicting Commitments: How the achievement of EFA is being undermined by the IMF.***

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**What compels countries to make the choice between investing in education and adhering to IMF policies?**
*"Our country is heavily dependent on foreign resources and it cannot risk its relationship with the IMF on whose ratings it depends for access to soft loans."* – National Bank of Ethiopia

**What are some of the consequences of these policies?**
*"Intervention of the IMF, in search of macroeconomic stability, has become an obstacle for educational development and the right to education through conditionalities that oblige the country to limit and even reduce public spending."* – Ministry of Finance, Guatemala

**Where does this leave national governments?**
*"We are caught between a rock and a hard place in terms of managing IMF requirements and then dealing with the demands of our electorate."* Tanzanian President Benjamin Mkapa

**IMF held to account with release of new reports**

Since 2004, ActionAid's International Education Team has been undertaking research on the impact of IMF policies on education financing and achievement. The final report, *Contradicting Commitments: how the achievement of education for all is being undermined by the International Monetary Fund*, was published in September 2005 in partnership with the Global Campaign for Education (GCE)[1]. It was made possible in large part due to the efforts of country education staff and partners in Guatemala, Bangladesh, India, Cameroon, Ethiopia, Kenya, Nigeria and Sierra Leone.

The final report was launched on September 16th alongside the companion report by ActionAid International USA, *Changing Course: alternative approaches to achieve the Millennium Development Goals and fight HIV/AIDS*[2]. This report questions the role of the IMF as the leading authority over macroeconomic discourse, especially since many of it's policies have not led to social or economic development. IMF-led development has in fact failed the poor. The report looks at how these policies are both debated and contested among economists worldwide, signaling that in order for change to happen, countries must explore alternative policies.

These policies could provide countries with the space to spend more on education, HIV/AIDS and health.

The launch of the two reports was timed with the last day of the UN Millennium Summit to remind policy makers and advocates that unless there are changes to the monetary and fiscal policies of the IMF, countries will not be able to increase spending to levels necessary to meet the MDGs by 2015.[3] Although the target date is 10 years away, the goals demand immediate action if they are to be met. Achieving universal primary education and gender parity requires major scaling up of resources now in order to ensure access and success through the entire primary school cycle and entry into secondary education.

A follow-on conference in Washington DC tackled exactly how this scaling up can happen. The day-long meeting brought together education, HIV/AIDS and health advocates with progressive economists.[4] Participants discussed alternative economic policies and advocacy strategies for holding the IMF and governments accountable for low expenditure on social sectors. The panel included speakers from eight different organizations around the world who have undertaken similar case studies illustrating the devastating impact of IMF policies.[5] This meeting was a first step to a longer-term process of bringing advocates and economists to the same table to discuss viable strategies for increasing spending on education while ensuring macroeconomic stability. On the morning of the meeting, the IMF made an angry response to a letter in the Washington Post by David Archer (see box), showing their vulnerability and sensitivity on these issues.

1 *http://www.actionaidusa.org/pdf/ContradictingCommit8663C.pdf*
2 *http://www.actionaidusa.org/pdf/Changing Course Report.pdf*
3 *http://www.soros.org/initiatives/women/events/anotherway_20050907*
4 *http://www.actionaidusa.org/pdf/IFIconferenceInvite2.pdf*

*September 21st 2005*
*Washington Post: letter to the editor from David Archer*

**The IMF's barriers to education**

**The Sept. 16 KidsPost notice about Kimani Nganga going to elementary school at 85, after the Kenyan government finally made education free for all its citizens, was inspiring. Unfortunately, children in 92 countries still must pay to go to school, and most may not be able to afford school until they reach a similarly octogenarian age.**

**In most of these countries, governments pass on costs to parents because they cannot increase their own spending on education. The strict conditions imposed by the International Monetary Fund often are the biggest constraint. To keep the IMF happy, for example, nations are often forced to keep their inflation levels almost impossibly low, even if this means leaving children without a school or teacher.**

**Five years ago, at the U.N. Millennium Summit, 100 million children were promised an education by 2015. The contradictions between the international development goals and IMF conditions should be addressed now.**

***"The general feeling among the citizenry is that government decisions are subordinate to the IMF rules and directives and that the country is held captive by these decisions without much recourse."*** **– Ministry of Education, Kenya.**

### Consequences of IMF policies: missing teachers

The research that fed into *Contradicting Commitments* came from eight countries. In all eight countries the research showed that IMF policies both directly and indirectly impact the number of teachers a country can hire, their contract terms and salaries. The golden rule for the IMF is that inflation must be kept low (preferably under 5%) even though this is not a justifiable position if one reviews economics literature. The impact of this is that countries cannot increase spending on education at the rate needed to make a real difference, because to do so would be inflationary.

There are strict limits put on public spending in order to control inflation and this leads to a cap on public sector wage bills. As teachers and health workers are the largest group of public sector workers, their jobs or salaries are the first to be cut.

The report shows the consequences of this. Under pressure from the IMF, countries needing to make savings on teacher salaries choose one of four options:

- Limiting teacher numbers. Kenya needs 60,000 new teachers to deal with rising enrolments but teacher numbers are frozen at 1998 levels. Nepal is not allowed to employ any more teachers until 2009 even though enrolment campaigns have recently meant 200,000 more children are in school.
- Freezing teacher wages – often driving wages below the level at which teachers can make a living and thus contributing to the brain drain from countries like Ghana, Ethiopia and Bangladesh to Europe or the US. Sierra Leone has agreed to decrease its wage bill from 8.4% of GDP to 5.8% of GDP by 2008.
- Employing only 'contract teachers' on short term contracts – whether the two year contract (with no benefits and lower pay) now routinely offered to teachers in Nigeria or 10 month contracts offered in some other contexts.
- Employing non-professional teachers, paying people with little or no qualification a third of a proper teacher's salary – such as in India where at least 220,000 non-professionals have now been introduced leading to major concerns about quality. The status of teachers is undermined and the bargaining power of teachers unions is destroyed as non-professionals are not allowed to unionise.

### Denying democracy?

There are many other policies imposed by the IMF that contribute to the constraints on education budgets such as enforced trade liberalisation (which undermine core government revenue from import tariffs) and strict limits to deficits (which prevent poor countries from adjusting spending levels across an economic cycle as is often done in wealthy countries). In this context, can we be surprised that so many countries are forced to charge children to go to primary school? As Katarina Tomasevski has documented (see separate article), 92 countries charge children for the right to go to school and this excludes large numbers of children. The control that the IMF, one organization, retains over the monetary and fiscal policies of other countries is astonishing. If countries do not abide by their policies, then all aid can and has been cut off. This raises major issues around North-South power relations.

- Policies are not decided by national goals. Education may be recognized as a fundamental right in the constitution, but this priority is not reflected in budget allocations because of the constraints imposed by IMF policies.
- As a result, policy space is severely limited, throwing into question a country's right to democratic governance and control over their own economy. Parliaments are often not consulted on the agreements made between the IMF and the Central Bank and Ministry of Finance.
- All this contributes to eroding the role of the state in providing education. This is further supported by both World Bank

*Education Reform and Education Councils, Guatemala; Medecins Sans Frontieres (MSF), Belgium; Physicians for Human Rights, USA; Global AIDS Alliance, USA; ChristianAid, UK; Save the Children, UK; WEMOS, Netherlands and ISODEC, Ghana.*

and IMF policies and conditionalities promoting privatization.

Poor countries are under ever more international pressure to reduce poverty, especially to invest in actions to address the Millennium Development Goals. Yet the same international community is directly responsible for blocking this investment. There are even suggestions that if large amounts of new aid are mobilized for education (as promised by the G8), many countries will not be allowed to accept it as to do so would increase inflationary pressures. These absurd contradictions need to be exposed and they need to be urgently resolved.

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## WAYS FORWARD

### Actions in Africa, Asia and Latin America

- Promoting a domestic public debate at the time of the periodic Article IV consultations when Ministries of Finance and Central Bank officials negotiate macroeconomic policies with the visiting mission from the IMF.
- Demanding that governments are open about the trade-offs and sacrifices they have made when agreeing low-inflation/low-spending approaches with the IMF.
- Encouraging a dialogue between Ministries of Education, Health and those addressing HIV/AIDS (the areas most affected by ceilings placed on national budgets), regarding alternatives, especially around the time that budgets are formulated or presented.
- Supporting capacity building of southern parliamentarians ability to scrutinise IFI loan agreements including conditions.[6]
- Pressuring the Ministries of Finance to take responsibility for their budget cutting actions. Helping to expose the contradictions between present fiscal policies of the Ministry of Finance and achievement of the MDGs.
- Urging the acceptance of new aid for education and contesting any suggestion that this will impact on deficit or lead to excessive inflation.
- Building the capacity of civil society groups and the media to understand these 'big picture' questions around the financing of education with greatly scaled-up economic literacy training on top of the budget tracking work that has become increasingly popular in recent years.[7]
- Making the case that education is the soundest investment for long-term economic growth – something which is widely agreed and then all too widely ignored.

### Actions in G8 countries/ the North

- Urging your country's representatives to the IFI boards to demand a revision to the IMF's definition of macroeconomic stability – accepting that the current framework prevents proper investments in education (and health and HIV/AIDS).
- Questioning the impact of subordinating long-term fiscal policy tools to short-term monetary policy goals, and encouraging the move to 'real economic targeting' based on employment levels, growth and human development indicators, rather than only basing monetary policy goals on very low inflation.
- Questioning the impact on sovereignty, democracy and good governance produced by the IMF's inordinate degree of influence over the economic policies of borrowers.
- Encouraging other rich countries to follow the lead of the recent UK Treasury/DFID paper that openly questioned the efficacy of all other rich country donors deferring to the IMF signal.
- Demanding complete cancellation of debt for the poorest countries and encouraging debt swaps for education and other social sector spending.
- Ceasing trade liberalisation conditionalities in aid.
- Supporting the need for *comprehensive* Poverty and Social Impact Assessments on macroeconomic policy recommendations, which include assessments of multiple policy options and scenarios.

6 *See 'Parliamentarians' Petition www.ippinfo.org*
7 *Such work has already begun in Bangladesh with the publication of several articles on the IMF on the front page of the New Age Daily Newspaper (http://www.newagebd.com/2005/apr/30/front.html#1).*