Contradicting Commitments

How the Achievement of Education For All is Being Undermined by the International Monetary Fund

SEPTEMBER 2005
Acronyms

AAI  ActionAid International
EFA  Education For All
EFA-FTI  Education For All Fast Track Initiative
FY  Fiscal Year
GAO  General Accounting Office
GCE  Global Campaign for Education
GDP  Gross Domestic Product
GER  Gross Enrolment Rate
HIPC  Heavily Indebted Poor Countries
IMF  International Monetary Fund
MDG  Millennium Development Goal
MOE  Ministry of Education
MOF  Ministry of Finance
MTEF  Medium Term Expenditure Framework
PRGF  Poverty Reduction Growth Facility
PRSP  Poverty Reduction Strategy Paper
SAP  Structural Adjustment Programme
UK  United Kingdom
UNCTAD  United Nations Conference on Trade and Development
UNDP  United Nations Development Programme
UNICEF  United Nations Children’s Fund
UPC  Universal Primary Completion
US  United States
VAT  Value-Added Tax
WB  World Bank
WDM  World Development Movement

ACKNOWLEDGEMENTS

This report was written by Akanksha A. Marphatia and David Archer of ActionAid’s International Education Team. It was developed through guidance from Rick Rowden at ActionAid International USA.

Special thanks are due to the Board of the Global Campaign for Education.

Colleagues leading country case studies made this report possible: Balaraba Aliyu, Samuel Bangura, Daniel Bekele, Elias Berhanu, Francisco Cabrera, Berhanu Denu, Chinwuba Ezike, Osman Gbla, Maria Khan, Diana Egbe Eno Magna, Wambua Nzioka, Tennyson Williams, Professor Praveen Jha, Fernando Ical, Asjadul Kibria, Lawrence Khiskishy Mausumi Mahapatro, Niraj Seth, Gorgui Sov, Mohammed Muntasim Tanvir, Khawaza Main Uddin, Francis Vernyuy and Samson Webi.


Special thanks to Emma Pearce’s thoughtful and careful editing.

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his paper intends to demonstrate the International Monetary Fund’s (IMF) role in constraining countries from increasing public expenditure in education to meet the Education For All (EFA) goals and the education-related Millennium Development Goals (MDGs). The findings are based on research and country case studies undertaken by ActionAid International offices in Guatemala, Bangladesh, India, Cameroon, Ethiopia, Kenya, Nigeria and Sierra Leone during 2004-05. These findings are complemented by similar research by the Global Campaign for Education GCE. A comprehensive examination of the IMF’s macroeconomic policies and an exposition of alternative macroeconomic policy ideas can be found in “Changing Course: The need for New Macroeconomic Policies to Fight HIV/AIDS and Achieve National Economic Development. An Exploration of Alternatives” published by ActionAid International USA. Please visit: www.actionaidusa.org

Education is a critical and fundamental human right. All children should have free access to quality education within an equitable system. Schools should be places where children’s rights, especially those of girls, are respected, injustices are challenged and lives transformed. By attending school, children can acquire the confidence and knowledge to better access and make use of information that can improve their lives. The dignity and self-confidence gained can help them to challenge discriminatory and biased gender roles and relations. We know that education can also provide girls with the knowledge and confidence needed to help reduce maternal and child mortality, violence and HIV/AIDS transmission. Furthermore, good quality education is essential for enabling countries to achieve the level of economic growth required to tackle poverty and make sustainable development a reality.

It was with these factors in mind that in 2000, global leaders set the first Millennium Development Goal of achieving gender parity in primary and secondary school in 2005. Leaders recognized that getting girls into school is key to achieving all the other MDGs. For this reason the goal of gender parity in schooling was set ten years in advance of the other MDGs. In 2005, however, almost two thirds of the 100 million children that are not in school are girls and over 70 countries have failed to achieve this internationally agreed goal. Unless urgent decisive action is taken now the credibility of the entire MDG framework will be called into question.

Southern countries need to ensure that new schools are built and millions of teachers are trained and hired. Obstacles to access such as user fees need to be eliminated. Schools need to be transformed so they are more accessible, and offer friendly environments for girls, disabled children, pastoralists, and minorities who are presently excluded. Moreover, to successfully educate their citizenry, countries will have to invest in the full “Education For All” agenda, as there is great

1 The Millennium Development Goals are a set of eight vital goals, each linked to time-bound targets. There are two education related goals: Goal 2: Ensure that all boys and girls complete a full course of primary schooling by 2015. and Goal 3: Eliminate gender disparites in primary education preferably by 2005, and at all levels by 2015. http://www.un.org/millenniumgoals
Contradicting Commitments

Inter-dependency of different aspects of education. Investing in early childhood education is key to making primary schools effective (especially for the poorest sectors of society). Women’s literacy and empowerment programmes have a key role to play in ensuring girls are enrolled and retained in schools. Growth in secondary education is essential if primary schooling is not to become a dead end for most children.

All this will require more and better-allocated resources than are currently available. The scarcity of domestic and external financing is an important challenge to achieving progress on education. Conservative estimates suggest that it will cost $5.6 billion in new aid per year (if governments are able to correspondingly increase their investments in education) for every girl and boy to complete a full cycle of primary school by 2015.² While the $48 billion in new aid pledged by the G8 leaders in July 2005 appears to be a step forward, it is still far from clear how much of this sum, if any, will end up supporting education. And increasing the resources is only half the battle. Countries must adopt more ambitious expansionary fiscal and monetary policies if there is to be the fiscal space needed for the increased spending to meet the MDGs.³ This refers to a need to change the way countries manage their public sector expenditure, which until now has been incompatible with the big spending increases projected to be needed to fund the MDGs.

³ McKinley, T. 2005, MDG-Based PRSPs Need More Ambitious Economic Policies Policy discussion paper, UNDP.
In this paper we explore the direct and indirect consequences of the IMF’s policies. The case studies show that the IMF’s stringent monetary and fiscal policies, which are attached as binding conditions for loans and agreed upon and implemented by Finance Ministries and Central Banks, present serious challenges for the ability of countries to generate more revenues, and correspondingly increase spending on education, health and HIV/AIDS. On the one hand they are expected to honour their national commitments and achieve internationally agreed goals on education, gender and health. But on the other hand, the IMF tells them that they cannot increase their spending to a level necessary to achieve these goals.

The IMF will lend to countries if they agree to limit overall public expenditure in order to meet the IMF’s disputed and analytically unsound definition of “macroeconomic stability”. Such policies as tight limits on fiscal deficits and monetary policies that seek to get inflation down to unjustifiably low levels, among others, have placed many borrowing countries into a difficult position. Bangladesh, for example, the government has officially acknowledged the importance of education and outlined a plan to meet the MDGs. This acknowledgement, however, is not reflected in its subsequent national budget allocations. The policies Bangladesh agreed to pursue in its IMF loan arrangement undermine achievement of the MDGs because of the restrictions placed on public spending levels. The result is that children are denied their basic right to education and the long-term prospects for national economic development are sacrificed.

The IMF’s controversial tight fiscal and monetary policies have not spurred economic growth nor have they reduced poverty, as has long been claimed by the institution. As a Ministry of Education official in our Sierra Leone survey explained, “IMF policies create and sustain poverty. IMF/World Bank policies are diametrically opposed as the former stymied the realization of the latter.” The impact on education has been cutbacks in the overall budget allocation to the sector, and reductions in the number of teachers who are employed or the salaries they are paid. To compensate, countries have turned to hiring non-professional teachers and have allowed class sizes to rise to levels where no teaching can take place. Important reforms to improve the quality of education are sacrificed due to the lack of funding. Special initiatives to ensure that all children have access to education, especially girls and those presently excluded (children living in remote rural areas, the disabled, extremely poor, pastoralists, conflict-affected children etc.) are not being fully implemented.

The IMF has stated a commitment to ensuring appropriate flexibility in fiscal targets so the MDGs can be met. However, as Jeffrey Sachs, Director of the Millennium Project has stated, "International Monetary Fund program design has paid almost no systematic attention to the Goals when considering a country’s budget or macroeconomic framework. In the vast number of country programs supported by the IMF since the adoption of the Goals, there has been almost no discussion about whether the plans are consistent with achieving them." This is despite the recognition by leaders such as Gordon Brown, the UK Chancellor of the Exchequer, that education is also the soundest investment that can be made: “Universal education is a fundamental birthright, the best anti-poverty strategy and the best economic development programme.” It is perplexing and contradictory that the IMF continues to develop economic policies into countries’ IMF loan arrangements that prohibit the increases in spending required to meet the MDGs. While G8 leaders in July 2005 urged that poor countries be free to decide their own economic policies, we have yet to see this happen in practice. Education for all will remain a distant dream until these contradictory international pressures are removed once and for all.

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5 The Millennium Project, 2005, Investing in Development: A Practical Plan to Achieve the Millennium Development Goals.

6 Gleneagles Communiqué, July 2005
ActionAid International has been working in the field of education for over 30 years. We have forged alliances to successfully challenge unjust and inequitable education systems. We have helped to mobilize citizens to hold governments and international bodies to account for failing to respect and meet this basic human right. We are founding members of the Global Campaign for Education (GCE) which has been campaigning for the achievement of Education for All since 1999. Our experience has led us to ask fundamental questions about the provision of education in the developing world. If we know that education is the key to overcoming poverty and inequality, then why are so many children still denied access to school? If we are aware of the various obstacles to education and of how to overcome them, why are so many girls still being denied this basic right? Such questions form the basis of this report on the impact that macroeconomic policies advocated by the International Monetary Fund (IMF) are having on education in some of the world’s poorest countries.

In 2004, we set out to explore the degree to which the current monetary policies favoured by the IMF and implemented by finance ministries and central banks may be preventing governments from increasing spending to the level required to educate all children. For a more comprehensive examination of the IMF’s macroeconomic policies and an exposition of alternative ideas, see the companion report by ActionAid International USA, “Changing Course: The Need for New Macroeconomic Policies to Fight HIV/AIDS and Achieve National Economic Development.”

ActionAid International offices in Guatemala, Bangladesh, India, Ethiopia, Kenya, Nigeria and Sierra Leone teamed up with local economists to conduct case studies on the impact of the IMF’s monetary policies on education in their respective countries. As well as research on individual country arrangements with the IMF, interviews were conducted with officials at central banks and finance and education ministries, with the aim of understanding the main obstacles to education and the role of the IMF in setting countries’ macroeconomic policies.

Our research identified several fundamental constraints that make real and lasting change in education unlikely. For example, we found that IMF limits on public sector wages prevented countries from employing adequate numbers of trained teachers. Our case studies show uniformity in IMF policies across different countries despite the unique and specific challenges each faces in the effort to educate its citizens. The tight macroeconomic policies imposed by the IMF in return for loans prevent countries from increasing public spending, making it difficult or impossible to provide education for all citizens. Many are therefore unable to meet their obligation to fulfil the fundamental right of free, basic education for all children, despite their commitment to do so in international agreements such as the Millennium Development Goals (MDGs) and under their own constitutions. Although governments recognize the sacrifices they have to make in order to meet the IMF’s
loan conditionalities, they have tended to consider the consequences of not abiding by these arrangements to be too heavy to bear.\footnote{Often the consequences for failure to satisfactorily comply with IMF loan conditions can result in a suspension of debt-relief programs, and/or a cut-off of aid and credit from most other official bilateral and multilateral donor agencies. This reflects the inordinate power of the IMF’s ‘signal effect’ to other major donors and creditors, a process recently questioned by a 2005 joint UK Treasury/DFID paper on loan conditionality.}

Failure to satisfactorily comply with IMF loan conditions can result in a suspension of debt-relief programs, and/or a cut-off of aid and credit from most other official bilateral and multilateral donor agencies. The IMF’s control over the access of low-income countries to foreign aid flows is being questioned by the UK Treasury and recently, even by the G8 leaders, who have recognized the need for countries to control their own economies and make decisions based on national development goals. Yet many of these same countries continue to promote IMF policies that prevent borrowers from determining their own economic policies.

Leading economists, academics and government officials are now questioning the trade-off between achieving the IMF’s definition of macroeconomic stability and being able to spend more money on social sectors such as education and health. Our interviews with officials from the Central Bank and Ministry of Finance in a number of countries revealed that many were keen to explore alternative monetary policies that would allow for significant increases in social spending. They believed that the IMF’s monetary policies were too tight and that a middle ground can indeed exist.

Our overall analysis focuses specifically on the Millennium Development Goals because these underpin the official international and domestic approach to development policy today. Sadly, the IMF’s macroeconomic framework
may actually be preventing the achievement of the MDGs. Although these externally imposed timelines may not be adequate—they ignore for example the long-term process of changing education systems and the impact of entrenched attitudes and power relations around gender roles in different societies—they remain crucial reference points in development efforts. Please see ActionAid International’s People’s Report on the MDGs, forthcoming September 2005, for a full critique of the MDG framework. The MDGs were set by heads of state just five years ago, so it is shocking that they have been so rapidly forgotten or ignored.

This report is specifically written for advocates and policy makers gathering at the UN Millennium + 5 Summit in New York in September 2005. It is a reminder of the challenges that still exist in achieving the MDGs. It is also targeted at the annual meetings of the World Bank and IMF that take place in Washington later in September 2005. Above all, it is appeal to all those concerned with fighting poverty and achieving education for all to question the appropriateness of the current macroeconomic framework for the MDGs. As Hillary Benn, the British Secretary of State for International Development, has stated, it is time for the international community to revitalise efforts: “At the turn of the Millennium, the international community promised that by 2005, there would be as many girls as boys in school. Later this year, when leaders from around the world come together to take stock of the Millennium Development Goals there will be no escaping the fact that we have collectively failed to keep this promise”.8

Secretary of State, UK, Rt. Hon. Hillary Benn, DFID, 2005.
BOX 1
SIERRA LEONE, THE IMF AND EDUCATIONAL ACHIEVEMENT

Sierra Leone is a small West African country with a total landmass of 72,000 sq km and an estimated population of 4.7 million. It has abundant natural resources. However, the country’s 11-year war (1991-2002) has left thousands dead, injured and maimed and displaced over 2 million. Seventy percent of the population now lives in poverty. The country remains at the bottom of the UNDP Human Development Index with the lowest literacy rate (23% for females and 37% for males), school enrolment of 40% for girls and 50% for boys, the highest infant mortality rate in the world (17%), a malnutrition rate of 34% and a life expectancy of 37 years. About 5% of the population is HIV infected. Only 40% of the population has access to health facilities. Some 65% lacks access to safe drinking water.

President Kabbah and the Ministries of Education and Finance have committed to educating every child in Sierra Leone. “When elected this government made a number of promises. Majority of these revolved around the provision of education. We are showing by our actions today that as long as we are able to access the needed funds, we will deliver on every single promise.”


As a post-conflict country, Sierra Leone faces numerous challenges in its efforts to educate all children and make primary education free of charge. These include reconstruction of war damaged educational infrastructure (approximately 50% were vandalized), recruitment of more trained and qualified teachers (to reduce teacher a pupil ratio of 60:1), adequate teaching and learning materials and special programmes for combatants, amputees, orphans, widows and traumatized individuals. There is also the task of revising curricula to include human rights, peace and reconciliation learning.

These laudable goals will however be difficult to implement in the face of stringent IMF and World Bank policies. Compelled by economic distress in late 1989, the government embarked in a World Bank/IMF Structural Adjustment Programme (SAP). The Memorandum of Understanding and Economic and Financial Policies of 2004 and latest Letter of Intent in 2005 clearly spell out the Government’s priorities, which include among other things, the promotion of economic growth and improvement of public services delivery. The Medium Term Expenditure Framework Programme (MTEF) of 2004 reflects these priorities and advises against expenditure cuts in critical areas like health, education and social services. It is however disquieting to know that these same documents constrain the government’s plans to increase educational access, ensure delivery and achievement.

In-depth interviews with officials of the Ministries of Finance, Education, the Central Bank, Health and the HIV/AIDS Secretariat reveal how the IMF’s policies directly and indirectly hamper the realization of education for all. The IMF policies prioritize debt repayment, single digit inflation and low public sector wage bills in an attempt to ensure macroeconomic stability:

- The 4.7% targeted inflation rate is compromising increased investment in education, which could be made if the rate were allowed to increase to 9%.
- A budget ceiling of 8.4% on education hampers further investment.
- The policies also impose ceilings on the public sector wage bill. In 2003, an estimated additional 8,000 teachers were required in the country but with the MOF ceiling of 25,000 teachers already met; only 3,000 teachers were hired in 2004.
- Policies are also exacerbating the debt overhang in the country as they prioritize debt repayment over public sector spending. Sierra Leone should be getting debt relief.
- Budget deficit spending is severely limited.
- The level of devaluation of the country’s currency, the Leone, has reduced people’s earning capacities.

The Poverty Reduction Growth Facility (PRGF) sets quantitative and structural performance criteria to be met before disbursement of loans by the IMF and other International Financial Institutions. As a result, the Central Bank is adopting a tight monetary policy in line with the IMF’s conditionalities. Prioritizing macroeconomic stability over human development and investment in education in a post-war country however is unrealistic and present a contradiction to national goals. The IMF’s policies are major stumbling blocks for meeting the education MDGs in Sierra Leone.

Case study by Osman Gbla for ActionAid International Sierra Leone, July 2005.

10 Ibid.
12 Sierra Leone Vision 2025, Sweet Salone, August 2003, p. XXIII.
13 Statement delivered by the Minister of Education, Science and Technology at National Symposium, 2003, Sierra Leone.
14 Sierra Leone National Recovery Strategy Assessment 2003, p.44.
Respecting and Fulfilling the Right to Education

In 2000, Heads of State from around the world pledged themselves to a common development agenda to eradicate poverty. Seven Millennium Development Goals (MDGs) were set for 2015, with one goal prioritized for achievement in 2005: gender parity in primary and secondary education. Unfortunately with very little progress in the past five years, over 70 countries will fail to achieve this goal.

First and foremost, education is a basic human right. It is not a favour or a privilege but a fundamental right, which should be made available to everyone. This basic right should be viewed as a social contract between the government and its citizens. The government, having signed numerous international declarations has a responsibility to ensure that the right to education of women, men, boys and girls is protected and respected. Citizens, on their part, can demand this right from the government. When governments fail to provide free education for all children, they have in effect violated a citizen’s basic right.

The challenge to educate all children and devote additional resources to ensure that schools support a vibrant learning environment free of gender bias and injustice is growing every year. Over 100 million children remain out of school and 57% of these are girls. Girls’ participation in schooling remains low, with only 76% completing primary school (compared to 85% of boys). If education is considered to be the key to a better life, then the chance that girls have of overcoming disadvantage are slim. The consequence of this failure is even more alarming because we know that education paves the way to achieving gender equality, reducing poverty and improving the overall well being of children and families. Gordon Brown, the UK Chancellor has recently stated, “Universal education is a fundamental birthright, the best anti-poverty strategy and the best economic development programme.”

Despite positive declarations, the facts are alarming:

- This year alone, failure to reach the 2005 UN girls’ education goal will result in over 1 million unnecessary child and maternal deaths; 10 million over a decade.
- HIV/AIDS infection rates are doubled among young people who do not finish primary school. If every girl and boy received a complete primary education, at least 7 million new cases of HIV could be prevented in a decade.
- Education is a key economic asset for individuals and for nations. Every year of schooling lost represents a 10 to 20% reduction in girls’ future incomes. Countries could raise per capita economic growth by about 0.3 percentage points per year—or 3 percentage points in the next decade—if they simply attained parity in girls’ and boys’ enrollments.

15 http://www.un.org/millenniumgoals/
17 The references are made from Educate to end poverty! Why the UN must make girls’ education its number one priority at the Millennium +5 Summit. A Global Campaign for Education briefing with ActionAid International.
Failure to educate girls and women perpetuates needless hunger. Gains in women’s education contributed most to reducing malnutrition between 1970–1995, playing a more important role than increased food availability.21

**Progress is too slow**

A complex set of factors explains why so many children, particularly girls, are out of school. Some are linked directly to the availability and quality of education, while others refer to broader underlying inequities in society. However, for the most part, whatever interventions or reforms are needed in different contexts, there is a uniform need for considerably more resources. This is where the constraints imposed by the IMF’s macroeconomic framework end up directly impacting on educational achievement.

Unfortunately this year we now know that over 70 countries have failed to get every girl and boy into school. A further 86 countries are unlikely to be able to ensure that all children complete primary schooling by 2015.22 Girls’ enrollments at primary level are still less than 90% of boys’ in Sub-Saharan Africa, South Asia, and the Middle East and North Africa (see figure below). At secondary level, only Central Asia has achieved enrolment parity.23

- Overall, only **76% of girls currently complete primary school**, compared to 85% of boys. These rates are much lower than enrolment rates, indicating that many children drop out of school (most after grade 1).24
- An estimated **150 million children** currently enrolled in school **will drop out** before completing primary school—at least **100 million are girls.**25

As of 2003, the completion rate for girls was still more than 15% below that of boys in Sub-Saharan Africa and South Asia.

With over 50% of girls not completing primary schooling in Africa, it is no surprise that it will take the continent until 2150 to achieve this goal.

Getting children to school is the first step, but it’s not sufficient. If the root causes of the problem are not addressed, many will still fail to complete their primary education.

**Challenges in achieving education for all**

**Gender inequity**

Education policies have often addressed girls’ and women’s immediate needs for education without challenging the underlying structures and cultural beliefs that reinforce inequality. These include the belief that girls’ education is not a “good investment” for the family as a woman’s role is to tend to the home and children. Current quantitative goals on gender parity in schooling must be complemented by work to alter systems of power that operate to limit girls’ and women’s right to education.

**Lack of access**

There is still an inadequate number of schools within a safe distance. The poor quality of infrastructure (e.g. with building materials unsuited for local weather, poor maintenance and a lack of toilets for girls) makes schools inhospitable. Certain categories of children tend to be excluded from the formal schooling system altogether—children from the poorest families, the landless, working children, children of minority and tribal groups, children of migrant or pastoralist families, orphans, children affected by HIV/AIDS, those with physical and mental disabilities and those living in conflict zones (either because schools are unsafe, no longer exist, or because they are recruited into battle).

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22 Bruns et al., 2003.


Cost of schooling

Although considerable efforts have been taken to eliminate school fees in some countries, many continue to impose fees and other costs on parents as a result of insufficient public sector education budgets. A recent survey of 79 countries by the World Bank found that 77 countries charge one or more type of fee. Forty% continue to charge tuition. These charges come in a variety of forms, including registration and examination fees, contributions to teacher salaries, purchase of uniforms, textbooks and learning materials, the construction and maintenance of schools and mid-day meals and transportation. Girls suffer from these costs disproportionately as parents faced with limited choices prefer to send boys to school. When costs have been reduced or eliminated, children, especially girls, will enrol in millions. In Uganda, Tanzania and Kenya over 7 million children enrolled following the abolition of fees.

Poor quality of schooling

Getting children to school is the first step, but it’s not enough to keep them there. For all children to succeed education needs to be of high quality, relevant, inclusive and child centred. In many countries significant reforms are needed in the curricula, teacher training and classroom practices if schools are to become places for children to acquire reading, writing and cognitive skills appropriate for each level of education. In almost every country there is work to be done on learning materials and teaching practices to ensure that they are free of

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26 Kattan, RB and Burnett, N. 2004, User fees in primary education
Education Sector, Human Development Network, World Bank,
Washington DC.
gender bias and discrimination. The school environment and experience itself needs to be transformed to combat discrimination and sexual violence against girls and to promote gender equality and inter-cultural relations. A focus on active learning and the greater participation of pupils will contribute to a quality, useful education for girls as well as boys.

**Lack of adequately trained teachers**

The scope for reforming schools will hinge upon the availability of more and better-trained teachers. In addition, many countries do not have enough female teachers—the prevalence of which has been proven to boost girls’ enrollment, particularly in rural areas. Although a growing phenomenon, “para-teachers” are not the answer as they are often community teachers and volunteers with little training, offered fixed term contracts with low job security and at lower wages than regular teachers.

**HIV/AIDS**

The HIV/AIDS pandemic severely undermines the provision of good education contributing to teacher absenteeism and to school dropout amongst children affected. Young people aged 15 to 24 now account for 60% of all new HIV infections. Girls, who are vulnerable to contracting HIV for a host of social, cultural, physiological and economic reasons comprise of almost two-thirds of this group. Education is a powerful tool for reducing this vulnerability. Basic education can equip children with the skills and knowledge they need to avoid and survive infection. The Global Campaign for Education estimates that if all children received primary education, as many as 700,000 cases of HIV could be prevented each year.

**Lack of resources**

Overcoming the obstacles described above will require political will, national leadership and substantial increases in public expenditures. So far, the international community and national governments have failed to increase resources for education to levels required to educate all children. Despite commitments to increase education spending to 6% of GDP, countries in Africa and South and West Asia devote less than 3.5% to education. Grants, loans and debt relief have often been inadequate (or rather pledges have not been kept), arrived too little, and too late and are not aligned with government strategies.

Estimates of the resource gap for achieving universal primary completion range from $5.6 billion to $17 billion per year. An estimated $7 to $8 billion is needed each year to achieve the education goals in Africa alone. This calculation is premised on Southern governments increasing their own investments in education—and does not include necessary investments in the rest of the EFA agenda. To date there has been little, if any, serious progress towards addressing this resource gap despite the high-profile official donors’ pledge in Dakar in 2000 to provide adequate resources to any country with a viable plan to achieve EFA. Even countries that have put proper policies and plans in place and have received approval from the Education for All Fast Track Initiative (EFA-FTI) have not been funded as promised by donors. The first 12 EFA–FTI partner countries are currently facing a collective aid shortfall of about $300 million per year. Forty% of promised aid has never arrived—meaning that ambitious plans remain unfulfilled. In 2005, as many as 25 additional countries could meet the EFA-FTI endorsement requirements (PRSP and agreed education plan). However, donors have shown no credible indication that they will provide the estimated $1.7 billion needed in 2005 and $3 billion for 2006.

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29 Millennium Project, 2005a.


31 GCE 2005, Missing the Mark.

At the G8 Summit in July 2005, leaders proclaimed that their “aim is that every FTI–elected country will develop the capacity and have the resources necessary to implement their sustainable education strategies”. They pledged $48 billion more in annual foreign aid disbursements by 2010, with $25 billion of that increase to be targeted for Africa. However, the G8 actively avoided any agreement on amounts to be given to education and any associated time-bound promise. While any promise of new aid is welcome, it is already clear that less than half of this supposedly new funding, between $15-20 billion, is genuinely new money (as opposed to aid increases that were already announced and approved earlier). Rich countries have also yet to deliver on their promise to increase aid budgets to 0.7% of GDP as agreed more than 30 years ago.

There is no explicit commitment made to ensure that new aid is delivered in a long-term and predictable fashion. This is particularly crucial for education because the big priority in most countries is to recruit more professional teachers—and governments cannot recruit such teachers based on short-term promises of aid. The case for better quality and longer-term sustained aid has been made many times over. Donors must radically improve the quality of their aid if it is to effectively contribute to meeting the education MDGs. A recent publication by ActionAid International uncovers that “runaway spending on overpriced technical assistance from international consultants, tying aid to purchases from the donor country’s own firms, cumbersome and ill-coordinated planning, implementation, monitoring and reporting requirements, excessive administrative costs, late and partial disbursements, double counting of debt relief as aid, and aid spending on immigration services all deflate the value of aid.”

New mechanisms are sorely needed to improve the volume and predictability of aid.

The most serious problem, however, is that these pledges for increased donor funding come with a precondition that the recipient country must first have an “on-track” IMF arrangement in place. As this report shows, it is Ministries of Finance and not Education that allocate funds. Sector budgets are increasingly being determined not by need or by the national education plan, but rather by the IMF’s macroeconomic frameworks to which the Finance Ministries and Central Banks are accountable. IMF loan conditions such as caps on the national budget, combined with pressures to maintain a low fiscal deficit (or build a fiscal surplus in some cases) and prioritize foreign debt repayments, have often resulted in unnecessarily low levels of public spending for development goals. For example, in order to achieve key monetary goals such as very low inflation targets, caps are set on public sector wages, which occupy the bulk of health and education budgets.

33 Gleneagles Communiqué, 2005.
34 ActionAid International Press Releases, July 8, 2005 Justice for Africa postponed. The campaign continues. Hints towards cutting strings on aid and ActionAid’s reaction to the G8 outcome.
Because of the IMF’s stringent macroeconomic policies, substantial progress in education is unlikely to happen. The primary mission of the IMF is to maintain its own disputed definition of macroeconomic stability, which involves countries having "current-account and fiscal balances consistent with low and declining debt levels, inflation in the low single digits and rising per capita GDP." One of the main monetary policies of the IMF is to achieve and maintain a low, single-digit rate of inflation. According to the IMF, levels of inflation above 10% hurt the poor because they raise the prices of basic consumer goods, drive away foreign investors, and undermine the prospects for future economic growth rates.

In April 2005 ActionAid International USA used country documents available on the IMF’s external website to survey 63 current IMF arrangements with developing countries. Of the 63 arrangements examined, 45 had either already achieved or were targeting inflation rates at 5% per year or below, regardless of their different national contexts or specific challenges and national and human development goals. ActionAid International’s recent studies similarly showed that in 2005, not only were countries still being asked to reduce their inflation rates below 10%; but in a number of cases there were specific plans to reduce and maintain the rate below 5%, as was the case in Bangladesh, Ethiopia, Kenya, Sierra Leone, and Uganda.

There are two major problems with the IMF’s approach to inflation policy: The first is that the IMF’s position that inflation must be in the low single-digits is not based on any consensus in economics. The second problem is related to the speed with which countries must reduce inflation from high or moderate levels down into the low single-digits level. Countries who actively follow IMF loan conditions to drive inflation from a moderate range down into the low single-digits very quickly (over 3-year IMF loan program) suffer a loss of economic output in order to achieve the lower inflation goal, referred to by economists as “the sacrifice ratio”.

Whilst economists agree low inflation yields benefits, there remains a great deal of open debate on the appropriate levels of inflation among economists and in the economics literature. While most studies have shown that very high inflation above 20-40% per year can be extremely harmful to economic growth rates, there is little empirical evidence to suggest that inflation rates below 20% per year negatively impact countries’ economic growth. In fact, contrary to the IMF’s position, historical record indicates that moderate inflation can be compatible with growth, particularly in developing countries with under utilized economic capacity. Many developing countries, such as in Latin America in the 1950s and 1960s, have shown impressive economic growth despite rates of inflation reaching up to 20%. Japan and Korea enjoyed high rates


38 Chang, H., and Grabel, I. 2004
of economic growth in the 1960s and 1970s while experiencing inflation rates of about 20%.\textsuperscript{39} Robert Barro, a leading expert, found that inflation rates of 10–20\% per year have only low costs to overall economic growth and rates below 10\% have no discernable negative impact on growth.\textsuperscript{40} Former World bank Chief Economist Michael Bruno and World Bank researcher William Easterly showed that rates of inflation between 15–30 percent, considered “moderate”, could be sustained for long periods of time without damaging economic growth rates.\textsuperscript{41} Additionally, a major World Bank study on the link between inflation and economic growth in 127 countries from 1960 to 1992 found that inflation rates below 20\% had no obvious negative impacts for long-term economic growth rates.\textsuperscript{42}

Today it’s widely accepted by economists that lower inflation rates give rise to long-term benefits for society. However, at the same time there is also a strong belief that conducting monetary policy to slow down inflation involves some short-term costs in terms of loss in output —“the sacrifice ratio”. The cost of reducing inflation can be many times greater than the cost of inflation itself. For example, a University of California study showed that an increase in inflation in the US from 3\% to 10\% would cost about 1.3\% of GDP whereas the lost output associated with reducing inflation from 10\% to 3\% was calculated at about 16\% of GDP.\textsuperscript{43} So when Sierra Leone agrees to reduce inflation from the current 8.5\% in 2005 to 4.7\%, and Bangladesh from 6.5\% to 5\% in 2008, these countries are consciously choosing to forgo higher spending, higher employment and economic growth rates over the next three years simply in order to achieve the targeted inflation rate at low levels... levels that are not even deemed necessary by current economics literature.

A 2001 report by the United States General Accounting Office (GAO) stated, “...The Fund and the World Bank consider macroeconomic stability to be a necessary prerequisite for economic growth and poverty reduction, although not sufficient on its own to achieve those goals...The concern over the negative effects of macroeconomic instability underlies the Fund’s continuing goal that a country’s macroeconomic framework should work to maintain stability, once achieved. However, policies that are overly concerned with macroeconomic stability may turn out to be too austere, lowering economic growth from its optimal level and impeding progress on poverty reduction.”\textsuperscript{44} According to the GAO report, the IFIs explained that a “substantial grey area” exists between monetary policies that are too austere and those that are too loose.\textsuperscript{45} This policy space is particularly important if progress is to be made on HIV/AIDS, health and education. Countries need to be able to explore this grey area for themselves and find an effective mix of alternative policies consistent with their medium-term national goals.

\textbf{What this means for education}

If civil society, parliamentarians and the domestic media were more involved in raising the profile of this issue, and this evidence were to inform national budgeting, then countries could consider the trade offs, for example allowing inflation rates to stay at moderate levels and substantially increasing their public spending on education by not having to suffer a sacrifice ratio associated with unjustified deflationary policies.\textsuperscript{46} Ministry of Finance officials in Bangladesh and Ethiopia are increasingly suggesting that maintaining slightly higher inflation rates would make it possible to increase budget allocations to education—whilst not threatening economic stability.

Officials at the Ministry of Finance and Economic Development and the National Bank of Ethiopia

\textsuperscript{39} Ibid.
\textsuperscript{41} Chang, H., and Grabel, I., 2004
\textsuperscript{42} Bruno, M. 1995.
\textsuperscript{45} Ibid.
September 2005

The period 1997-2001 provides the best reflection of what can happen when fiscal policy is restrained and subordinated to a tight monetary policy aimed at curtailing inflation. For Kenya, this plunged the country into a prolonged recession, increased the ratio of people falling below the poverty line and led to a near collapse of the private sector due to subdued consumption from the public. All of these are reflections of the expected “sacrifice ratio” associated with achieving deflationary monetary policies.

In 2003 the Government introduced a liberal and expansionist monetary policy, which resulted in a higher inflation rate of 16% (CBK Report, 2005) but which improved the growth rates from 0.2% in 2001 to 4.3% in 2004. Over the same period, interest rates have remained below 10% on Government instruments causing an increased growth in private sector borrowings and therefore capacity to produce goods and services. This contrasts with the period preceding the coming to power of the current government when inflation was held low at 5% and interest rates were excessively high (above 26%). These facts show that higher inflation may not after all be bad for a depressed economy.

Irrespective of these findings, the current agreed-upon goal for the rate of inflation in the IMF arrangement is 3.5%. It should be noted that this rate has not been achieved “not because Kenya follows a loose monetary policy, but due to . . . external shocks in oil prices, other major imports and the environmental conditions like drought”. (Official at the Treasury)—ActionAid International Kenya

boxed

OUTCOMES OF KENYA’S EXPANSIONARY MONETARY POLICY

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discussed the need for the IMF to allow for adequate and appropriate flexibility in the inflation rate based on the specific condition of the country: “The single digit rate is accepted as being necessary for economic stability, but now there is a view that inflation might go up to 10% to stimulate economic growth. There is a trade-off between GDP and low inflation. The very low (3-5%) rate of inflation may lead to arresting economic growth, but a rate of inflation up to 10% might be safe enough for stability of the economy.” Although there are indications that a looser policy may be considered, officials approach the exercising of this choice with caution because a “green light from the IMF [on a country’s economic policies] is a key to finding soft loans.” Similarly, officials at the Ministry of Education in Ghana agree that there is a trade-off between low-inflation levels and increased spending to hire the adequate number of teachers. The inflation argument, however, wins out. “Yes, there is a trade-off. But if more were spent, it might be inflationary in the long-term. If there were to be an increase in expenditure for salaries, etc. this will lead to an increase in money supply. Can the economy deal with the inflationary effect?”

After nearly 20 years of satisfying IMF demands to achieve and maintain low inflation levels even at the cost of sacrificing possibly higher levels of economic growth rates and employment, in April 2002, finance ministers from the most heavily-indebted poor countries (HIPC) declared their desire to see more “flexible growth-oriented macroeconomic frameworks… to think more closely about ways to increase growth and employment rather than further reducing inflation.” In most cases, countries borrowing from the IMF cannot freely consider these kinds of possible trade-offs, as low inflation is an absolute condition insisted upon by the IMF. Which comes first—achieving the MDGs or the enforcement of an ideologically fixed (and hotly contested and unjustifiable) low inflation rate?


47 ActionAid International Ghana case study on IMF conditionalities.

Contradicting Commitments

Beyond its insistence on unjustifiably low inflation levels, the IMF often places specific limits on public spending in the form of caps on deficit spending. The IMF believes that too much of an increase in public expenditure can lead to higher rates of inflation, and that higher deficits will lead to higher interest rates and cause macroeconomic instability. According to the IMF, in order to maintain the ideal inflation rate, other key measures (maintaining a low fiscal deficit, limits on public spending) must be disciplined. These collectively result in limiting the national budget, and subsequently the budgets for health and education. The IMF’s policies allow for countries to only increase spending at a slow rate. But the existing budgets and slowly increasing budgets under IMF macroeconomic frameworks are completely insufficient for achieving the MDGs. For example, the rate of growth of the education budget in Guatemala is extremely slow (from 1.6% of GDP in 2002 to 1.9% in 2004) and the possibilities for increasing the amount any further are scant given the limits placed on the national budget.\footnote{Source: CNPRE, 2004, as quoted in ActionAid International Guatemala IMF case study.}

This level of funding makes it impossible to tackle the education challenges faced by Guatemala. So although education does not appear within the IMF’s expertise, the Fund’s influence over public finances greatly impacts the sector negatively. The 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.

Since the agreement of PRGFs, many countries have actually seen a decline in spending on education. Although Bangladesh has estimated that $1.32 billion will be needed each year to meet the MDGs, there has been a drop in public expenditure in education since the first year of implementation of the PRGF in 2004. This is despite the fact that GDP has grown by 5%. From 2001–2003, the share of education from the total revenue and development budget grew from 14.8% of GDP to 15.3%. At the inception of the PRGF in 2004, this amount decreased to 13.7% of GDP and 13.4% in 2005. With less money overall for education, expenditure per student dropped from 8.4% of per capita GDP in 2003 to 7.1% in the post-PRGF year of 2004. Given these limitations, it will be nearly impossible for Bangladesh to achieve the projected increase (which remains below the target 100% rate of the MDGs) in primary completion rates from 66% to 83% by 2015.

Given the emerging mismatch between the need to increase budgets to educate all children and what is currently available, one of the questions we asked of the Ministries of Education and Health was how the budget allocations were decided. They gave similar responses: “We can only ask for what is in the national budget, and with the current ceiling, we are unable to undertake our plans to meet the MDGs.” For further detail on this point see Part 3 (The consequences of IMF policies–Limiting policy space).
The IMF's encouragement of increased investment in social sectors is however difficult to achieve given these policies. Monetary policy is being geared to reducing inflation to the 4-6% range. A key objective of the programme is to keep the fiscal deficit below 2% of GDP. The budget deficit will be limited to 1.8% of GDP in 2005, and reduced to 1.5% thereafter as additional fiscal resources are mobilized. Although there was no specific mention of a cap on budget increases, the Stand-by Arrangement’s ceilings have no doubt impacted social sector spending (which the IMF agrees should be increased) a commitment to reduce public expenditure of 13.8% to 12.8% of GDP in 2002 and to limit expenditure in 2003 to 13.1%.

For a country such as Guatemala, with such levels of poverty and extreme poverty, it is both inappropriate and untimely to put such tight limits on public spending. Especially in education, this IMF-influenced macroeconomic model prevents the development of a financial plan of sustained and significant growth, which is necessary to cover the still great deficits of coverage and quality.

**Guatemala has one of the greatest levels of inequality in Latin America. According to the 2001 Poverty Reduction Strategy, general poverty (measured by level of income) affects 56.7% of the population. The urban population has a poverty level of 28.4%, whilst rural poverty levels reach 75.3%. Extreme poverty affects 26.8%; 7.1% of the urban population and 39.8% of the rural population. The United Nations Verification Mission to Guatemala –MINUGUA- in its 2000 report, stated that poverty in the non-indigenous population is 40.9%, whilst in the indigenous population it reaches 74.1%.

Although Guatemala is close to achieving the goal of gender parity in primary school, a closer look reveals substantial challenges for ensuring all children complete this level of education and succeed in secondary school. In 2003 the Gross Enrolment Rate for primary school (Ministry of Education, Statistical Yearbooks 2000 and 2003) was 109 (Net Enrolment Rate is 89); girls represented 47.4% and boys 52.6%. However, by the end of the school year some 49,648 girls had dropped out. Enrolment takes a dive when looking at secondary education, where it stands at 50%. In 2004, the government invested 1.9% of GDP in education (CNPRE 2004). Approximately 60% of the education budget is allotted to primary level, which explains the drop in enrolment at the secondary level.

Guatemala’s Stand-by Arrangement with the IMF ended in March 2004. In 2005, the IMF completed its Article IV consultations, which confirmed that public sector investment should be increased. However, an advisor to the Ministry of Public Finance explains how this is difficult because “The Arrangement signed with the IMF proposes a reduction in public spending and although it indicates the need to protect social spending it includes a reduction in the same as well as increased focusing and efficiency. Social policies are marginalized and the ultimate goal is economic stability and fiscal discipline, so any increase in salaries or in the number of public sector employees is also prohibited.”

“The government has set forth a comprehensive and ambitious reform agenda in the Vamos Guatemala plan...to realize the growth dividends of the reform agenda, fiscal reform measures should be supported by prudent monetary policy to control inflation, while structural reforms should aim at increasing competitiveness and enhancing the investment climate."

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Case Study by ActionAid International Guatemala, 2005.
Evidence suggests that the IMF also either implicitly or in many countries, explicitly places caps on certain types of expenditure, such as public sector wages. In some instances, the IMF might not directly tell the government to cut salaries or hire only a certain number of teachers. However, as teachers are the largest group of public sector workers hired by many governments of low-income countries, any cuts in the wage bill will directly affect them. Also contributing to these caps is the recommended wage level for teachers of 3.5% of GDP established by the Education for All—Fast Track Initiative. This limit has little credible basis and has been widely challenged, and yet it is still used as a reference point in discussions between international donors and national governments. The effect has been to maintain pressure on governments in some countries to reduce wages.

Cutting public sector wage bills in education can be done by at least four means. Firstly, governments can limit or reduce the number of teachers they employ. Secondly, governments can freeze or reduce teacher salaries—often forcing teachers to take supplementary jobs to earn a living wage. Thirdly, they can change the standard teaching contract and recruit “contract teachers” on an annual basis—paying them for just 10 months each year. Fourthly, they can employ unqualified people as “para-professional teachers”, and pay them less than a third of the wage a qualified teacher would be paid. Each of these has a devastating impact on the quality of education—yet many countries are forced to use a combination of these measures in order to keep down public sector wages.

This pressure on the wage bill for teachers is particularly problematic when put in the context of countries desperately needing to expand their education systems in order to educate all children (and to be in line with international goals such as the MDGs). One of the main policies being promoted to increase enrollment, often with good cause, is the abolition of user fees. Whilst the World Bank and IMF supported “cost-sharing” and the imposition of fees in primary education for about 20 years, the World Bank at least has now reversed this position and advocates for free primary education. The abrupt removal of fees in some countries has led to dramatic increases in enrollment—for example, 7 million more children enrolled in Kenya, Uganda and Tanzania following the removal of fees in recent years. This puts major new pressures on education systems. More classrooms are needed and more teachers need to be recruited. But most governments cannot respond to these urgent needs because they cannot increase their spending and they specifically cannot employ an adequate number of new teachers. The result is massive rises in class sizes—often over one hundred children per...
teacher in the early grades of primary school. In the end, in such situations, almost no one learns. In Bangladesh and Kenya the average ratio stands at 1 teacher per 60 students. Some countries try to limit teacher-pupil ratios (as are often suggested as 1:40 by the EFI-FTI) but then schools run out of places to offer and children are turned away. The only real solution is to employ more teachers but IMF policies present massive obstacles for countries that wish to do this.

- Kenya, in the wake of eliminating user fees, is unable to hire the estimated 60,000 teachers required to staff the expanding number of students enrolled in schools. The reason? To contain recurrent expenditure to “sustainable levels” (as defined by the IMF), meaning that teacher numbers were to be frozen at the 1998 level. In 2005 the IMF continued to recommend that the wage bill be reduced from 8.5% of GDP in 2005/6 to 7.2% by 2007/8.  

- In Nepal, UNICEF has agreed with the World Bank that the number of teachers should not exceed 78,000 until 2009. The problem is that this is the present number of teachers and with the successful 2005 School Enrollment Campaign bringing an additional 200,000 students into school, an estimated 4,000 extra classes and 4,000 extra teachers will be required to ensure these children learn.  

- The government of Sierra Leone has projected a decrease in the public sector wage bill from 8.4% of GDP to 5.8% by 2008 in order to abide by IMF policies. In 2003, an estimated additional 8,000 teachers were required in the country. However, with the MOF ceiling of 25,000 teachers already reached at the time, only 3,000 teachers could be hired in 2004. In 2005, the teacher ceiling for both primary and secondary schools is 28,000. The MoE’s current policy (imposed by the IMF’s ceiling) of not replacing teachers who go for in-service training is also unhelpful. The lack of resources has also prevented the MoE from providing accommodation for teachers to return to their posts after the war. Communities must cover the cost of untrained teachers despite the availability of qualified teachers. 

- The low salaries offered to teachers and health professionals have caused an exodus in Bangladesh, Ethiopia, Ghana and Nigeria. Due to a freeze on salary increments for all civil service employees since June 2002, Ethiopia is faced with a brain drain. In Nigeria, the lack of wages or secure employment is resulting in teachers leaving public schools for higher paid positions in private institutions.

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54 IMF, January 2005, Kenya: PRSP, IMF Country Report No. 05/11
55 Interview with UNICEF/Nepal in June 2005.
56 Sierra Leone National Recovery Strategy Assessment Final Report 2003, p.44.
57 Interview with the EFA National Co-ordinator.
Contradicting Commitments

The IMF-funded Poverty Reduction and Growth Facility programme (2004-2007) in Zambia aims to reduce government borrowing to facilitate a fall in interest rates, to limit growth in the domestic debt burden which is high relative to external debt payments. This implies cuts in government spending despite the government’s commitment to increase spending in priority social sectors such as education and health. The main area to be effected is the public sector wage bill, which consumes over 40% of recurrent expenditure. In 2004, the government agreed with the IMF to cap spending at 8% of GDP. This condition was also mandatory in order for Zambia to receive its full debt relief under the HIPC initiative. In 2003, the IMF froze lending to Zambia and delayed debt relief after implementation of a long-overdue increase in teacher remuneration and an introduction of a housing allowance scheme for civil servants. This, and other salary increases, increased the wage bill to 9% and pushed the budget deficit to 1% higher than was agreed with the IMF.

The IMF argues that a reorganization of civil service could allow for the hiring of priority staff (such as teachers). Although the government has reorganized the MoE, the number of people, particularly at the top, has not declined. Where resources were saved, they were used to recruit staff at the Ministry of Finance and National Planning and the Office of the President rather than teachers. In 2004, the Ministry of Finance forced the Ministry of Education to cancel its previous wage increases and ban the hiring of new teachers. As a result, 9,000 teachers remained unemployed, leaving hundreds of schools understaffed and a teacher/pupil ratio of up to 100 to 1 in some schools. The progress towards universal primary education had effectively been halted. According to Stephen Lewis, UN Special Envoy for HIV/AIDS, Zambia’s attempt to comply with fund requirements has caused “staggering damage to the social sector”.

Under pressure from civil society, donors and the government, the IMF did relax the ceiling on the public sector wage bill to 8.11% of GDP in 2005. This and an emergency relief package provided by the Dutch government (to pay severance benefits to 7,000 retired teachers) enabled the employment of an additional 5,000 teachers. Currently, there are about 7,000 unemployed teachers and by the end of this year, 5,000 more teachers will graduate. Conservative estimates suggest that a further 6,000–7,000 teachers (it could be twice as high) are needed in basic education if the pupil teacher ratio is to reach the desired 40:1 level.

As the wage reform has failed to produce the intended “public sector reform” the burden of keeping salaries within the ceiling has fallen on schools and teachers. This could be solved if the IMF were to allow further flexibility explicitly to hire teachers. More resources for education could also be raised if the government did not have to pay $377 million in debt repayments; $247 million of which is owed directly to the IMF. This is $156 million more than the government spends on education ($221 million) this year. The IMF’s rigid policies continue, indicating that ultimately what is important is not the wage ceiling nor ensuring that all children are in school, but that the government’s deficit level is sustainable, that it refrains from borrowing from domestic sources and that any increase in spending is financed with donor grants (preferably) or concessional loans. Also prescribed are a long line of free market policy interventions such as privatization (e.g. of public utilities in the energy and telecommunications sectors), trade liberalization (e.g. lowering tariffs on textile products and removal of all tariffs on used clothes), and removal of subsidies (e.g. on maize and agriculture) supported by the World Bank and the IMF.


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An unacceptable alternative: non-professional teachers

The alternative, if a government cannot employ more teachers but is under pressure to expand access (from the donor community pushing a Universal Primary Schooling agenda) is to hire either contract or non-professional teachers. The recruitment procedures, remuneration and service conditions of contract teachers are entirely different from regular teachers. Essentially, these teachers make up a flexible labour market, ranging from those hired in formal schools to those employed in a variety of part time and ad hoc education programs. Although non-professional teachers can provide an important stopgap for staffing inadequacies, especially in remote, rural areas and in post conflict situations, these untrained, poorly compensated teachers are struggling to provide quality education. What might be an acceptable short term or transitional measure is becoming a permanent feature of national education plans. The problem lies not so much in the lack of trained teachers (although this does exist in some countries), but rather the inability of countries to hire enough teachers at a fair, livable wage because of IMF caps on the public sector wage bills.

The hiring of para-teachers has become a widespread phenomenon. And the countries that are increasingly hiring para-teachers are the ones that can least afford it. They have large numbers of out-of-school children, high teacher/pupil ratios, poor quality of learning, and limited resources. However, in light of severe budget shortages and constraints, they have little choice but to cut costs by offering short-term contracts at reduced salaries to individuals who lack proper training or experience. Not only are contract teachers becoming more of the norm but the policy itself is being advocated by the World Bank and by the IMF in its loan conditions as a way of keeping recurrent expenditures at sustainable levels.

Countries now find themselves in a bind because a sudden elimination of non-professional teachers could further deteriorate the quality of education. A carefully resourced and planned policy to turn this new cadre of teachers into professional teachers is required.

- In Nigeria, new graduates of teacher training colleges only obtain 2-year contracts, as opposed to long-term contracts. The inflow of this new cadre of teachers factionalizes the bargaining power of teacher unions with regards to fair, livable wages and proper working conditions. Increased privatization of higher education has also led to fewer qualified teachers, as many cannot afford the costs of schooling. In Guatemala, the trend is moving towards contract teachers and hiring those that are less trained. Although health and education sectors were exempt from the limit placed on public sector employee numbers, they were still included in the salary freeze.

- The example of India below shows that not only are the number of non-professional teachers increasing, they now represent a parallel labour market for several states.

The impact on the teaching profession

The recruitment of non-professional contract teachers is only the visible side of the iceberg. While the government recruits the contract teachers based on a certain level of education, there are many other categories of teachers recruited at different levels and under varying conditions. In many cases governments are simply opting out of the process of recruitment. Where there are classrooms but no teachers, community leaders, the headmaster or a local NGO can recruit somebody to do the job. The academic level of the teacher then depends on the level of pay, the person or institution recruiting and the range of possible candidates. This situation creates inequality

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Contradicting Commitments

in terms of the right to education. In the same country, children have access to different qualities of education depending on where they live and where they go to school. There may be national standards and structures but quality of instruction will vary greatly according to the teacher.

Although attempting to do the same work as their colleagues, most of the time it is clear that the non-professional teachers don’t have a lot of options to improve their conditions of service. Although their number is increasing, they don’t have the right to collective bargaining. In some countries in West Africa the professionals now represent less than 30 per cent of the teaching population. After a transitional period of a few years, the teachers unions, especially in Africa, are trying to cope with the situation by including issues related to the unprofessional teachers in discussions with the government. But the tendency is for further splintering of unions with the non-professional teachers organizing themselves in associations rather than unions. The result is to alter the bargaining power of unions so they can no longer negotiate liveable wages, fair contracts and decent working conditions. Everyone loses. Teachers can no longer afford to teach and the teaching force of a country is no longer organized enough to respond effectively to major new challenges facing the profession (e.g. universalizing access or responding to HIV/AIDS).

Overall, this situation creates a sort of inequality in the delivering of education and consequently, in the respect of the right to education. In the same country, in the same education system, children have access to different qualities of education based on the area they live in or the schools they can afford to go to.

India provides a good example of how the implementation of IMF policies can lead to the hiring of para-teachers. After the launch of the World Bank supported ‘District Primary Education Programme’ in the 1990’s, India has witnessed a phenomenal rise in the number of para-teachers from primary to senior secondary schools. The most recent figures from the Ministry of Human Resource Development record that more than 220,000 para-teachers were engaged in full time/regular schools during the period from 1994-1999. In Andhra Pradesh—35,000; Assam —2,332; Gujarat—26,485; Himachal Pradesh—10,961; Kerala—385; Madhya Pradesh—1,18,000; Orissa—380; West Bengal—8,065; Uttar Pradesh—19,758; Rajasthan—18,269.

Given that this practice is now firmly entrenched in almost every state of the country, the present count is likely to be substantially higher. Unofficial estimates put it in excess of 500,000.

Recruitment procedures and service conditions of these teachers, variously known as ‘Shiksha Karmi’, ‘Guruji’ ‘Vidya Sahayak’, ‘Shikhan Sevaks’, ‘Vidya Volunteers’ ‘Sahyoginis’, ‘community teacher’, ‘Voluntary teachers’ etc. vary considerably across the states, as does the underlying stated rationale. In some states, such schemes were seen as interim or exceptional measures, whereas in others they are long-term policy. Madhya Pradesh comes in the latter category, where the regular teacher cadre is disappearing. Gradually, the exception appears to become the ‘norm’ all over the country. Often such a move is justified in financial terms as for one regular teacher’s salary, 3 to 5 para-teachers can be appointed, and the governments’ liability does not extend beyond salary.

However, there are now a large number of field-studies that suggest that such schemes have little merit. As well as creating ‘dualism’ within the public provisioning, the damage to educational quality has been huge. World Bank reports are completely contradictory to these field-studies and view Madhya Pradesh as providing “the most promising developments in primary education where communities have been allowed to hire informal teachers at much lower wages than possible in the civil service with much better performance in terms of attendance as well as educational outcomes”.

BOX 5
THE CASE OF PARA–TEACHERS IN INDIA

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Given that this practice is now firmly entrenched in almost every state of the country, the present count is likely to be substantially higher. Unofficial estimates put it in excess of 500,000.

Recruitment procedures and service conditions of these teachers, variously known as ‘Shiksha Karmi’, ‘Guruji’ ‘Vidya Sahayak’, ‘Shikhan Sevaks’, ‘Vidya Volunteers’ ‘Sahyoginis’, ‘community teacher’, ‘Voluntary teachers’ etc. vary considerably across the states, as does the underlying stated rationale. In some states, such schemes were seen as interim or exceptional measures, whereas in others they are long-term policy. Madhya Pradesh comes in the latter category, where the regular teacher cadre is disappearing. Gradually, the exception appears to become the ‘norm’ all over the country. Often such a move is justified in financial terms as for one regular teacher’s salary, 3 to 5 para-teachers can be appointed, and the governments’ liability does not extend beyond salary.

However, there are now a large number of field-studies that suggest that such schemes have little merit. As well as creating ‘dualism’ within the public provisioning, the damage to educational quality has been huge. World Bank reports are completely contradictory to these field-studies and view Madhya Pradesh as providing “the most promising developments in primary education where communities have been allowed to hire informal teachers at much lower wages than possible in the civil service with much better performance in terms of attendance as well as educational outcomes”.

Most macroeconomic policies require deficits to be well-managed and large deficits to be reduced to sustainable levels. Usually, this means that government expenditures cannot exceed domestic revenue levels by too much. However, conventional macroeconomic programmes of the IMF have aimed for excessively low public deficits, raising serious concerns about the methods and speed with which the IMF insists that borrowers’ deficits are reduced while seeming to pay little attention to the impact this has on pro-poor spending. Over the years the IMF has put increasingly strict limits on how much of a fiscal budget deficit a country can maintain. An Oxfam survey of IMF lending in 20 countries showed that 15 out of the 20 countries had declining fiscal deficit targets over the three years of IMF programs. The average reduction was around 2% of GDP. Recent country studies undertaken by ActionAid International similarly show that countries are obliged to maintain deficits below 5% of GDP: Guatemala’s deficit has been fixed to 1.7%; for Kenya it is below 3%; in Nigeria it is 2.9%; in Sierra Leone it is 5% of GDP; in Bangladesh the goal is to reduce the current deficit from 5% to 3.5%; and in Uganda fiscal deficit is to be reduced to 6.5% of GDP by 2009/10.

In recent years, the IMF has insisted that some low-income countries cannot run any budget deficit at all. In some cases, it has even insisted that countries actually run a budget surplus and put the extra money into reserves. This policy has limited the capacity and freedom of governments to expand budgetary allocations to meet their national plans for education, health, etc. For example, an IMF loan condition for Rwanda requires a reduction in the budget deficit from 9.9% of GDP to 8.0% (reflecting a reduction in GDP of 1.9%) over three years. However, that 1.9% of GDP that the IMF determined should be spent lowering the deficit could have been used instead to double Rwanda’s health and education budget in each of the three years of the loan period. Similarly, in Senegal, a 3.5—4.0% reduction in the deficit over three years (0.5% reduction in GDP) could have doubled the total education and health expenditure in one year.

In recent years, there has been some rhetorical evidence that the IMF has reconsidered some of its excessive restrictions on fiscal deficits through the Poverty Reduction Growth Facility (PRGF) agreements in Rwanda, Uganda and Tanzania. Many other countries, however, have had to adhere to the conventional tight austerity in IMF loan conditions. This can be seen, for example, in the IMF arrangements for Ghana, Kenya, Mozambique, Vietnam and Zambia. The deficit phobia of the IMF is preventing Ministries of Education from planning ambitious projects to improve education because their Ministry of Finance will not...
approve such requests for funding. Although aware of the trade-offs to running a slightly higher deficit and increasing public spending, the Ministry has very little flexibility, if any, from the IMF’s decree. ActionAid’s interviews with Ministry of Finance officials show that they also have their hands tied and must adhere to IMF policies. An official from Bangladesh’s Ministry of Finance said that they could, “…in no way exceed the biblical ceiling of maximum amount of the budget deficit set at 5% of GDP”. As a result, the Ministry of Education has been advised to limit its budget increase to a maximum of 10% per annum.

Placing ceilings on domestic borrowing has been another tactic used by the IMF to maintain low deficit levels. An official at the Ministry of Finance and Economic Development in Ethiopia said that, “one problem with the IMF ceilings is their ‘one-size for all’ approach. One point of contention is the ceiling on domestic borrowing. They [IMF] disapprove of domestic borrowing because it may result in higher inflation. In Ethiopia, borrowing from domestic banks was limited to 1 billion Birr, which was to be used to promote food security.” Similarly, an official from the National Bank of Ethiopia said, “The placing of ceilings on domestic borrowing and the ceiling on the fiscal deficit constrains the fiscal space of the public sector.” A recent study points to this unjustified rule: “As long as revenue covers current expenditures, governments can usefully borrow to finance such investment. This is standard practice for private corporations. Why not for governments? Fiscal deficits should remain sustainable as ensuring growth boosts revenue collection.”

It should be noted that ActionAid is not advocating excessive deficits or massive borrowing (either from international or domestic sources) generally. This would be irresponsible if higher deficits were spent on short-term consumption rather than on long-term productive investments—a distinction the IMF refuses to make. But as the rich countries and other successfully industrialized countries in East Asia have shown over the decades, there is a reasonable place for counter-cyclical policies and higher deficit spending when that spending is directed to long-term productive investments such as education, particularly during economic recessions. Therefore, rather than dismissing deficit spending as always bad, it is crucial to distinguish the quality of the deficit spending. For example, it is of crucial importance is to consider the trade offs between the short-term cost of servicing slightly higher deficits and long-term benefits to economic growth of increased spending on education. These are considerations that are forbidden in the current context of the IMF negotiations with central banks and finance ministries, but which HIV/AIDS, health and education advocates must bring into the centre of public debate.

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GOVERNMENTS NEED TO RAISE ADEQUATE REVENUE FROM DOMESTIC SOURCES (AND ALLOCATE FUNDS EFFECTIVELY) IN ORDER TO INCREASE SPENDING ON EDUCATION OR ANY OTHER SECTOR. RESEARCH SHOWS THAT IF TAX SYSTEMS WERE REFORMED AND MORE EQUITABLY DISTRIBUTED THEN LOW-INCOME COUNTRIES COULD RAISE SIGNIFICANTLY MORE REVENUE. THE LARGEST PROBLEM IN POOR COUNTRIES OF SOUTH ASIA AND SUB-SAHARAN AFRICA, HOWEVER, IS THE LOSS OF REVENUE FROM TRADE TAXES DUE TO LIBERALIZATION.

Many low-income countries have experienced a steady reduction in trade tax revenue over the past 20 years because of multilateral trade agreements, IMF and World Bank loan conditions requiring unilateral trade liberalization. Trade liberalization has been part of conditions attached to foreign aid, loans and debt relief advocated by the IMF and World Bank ever since the IFIs began their policy of ‘adjustment lending’ in the 1980s. “In reality, PRGF conditions frequently follow standard prescriptions of liberalization and deregulation, with little attempt to link those to poverty reduction.”

While most rich countries collect the majority of their revenue from individual and business income taxes, most low-income countries have traditionally collected the bulk of their revenue from import and export taxes. In South Asia, for example, international trade taxes make up 37% of total government revenue. In sub-Saharan Africa it is 27%. For all low-income countries, the figure is 22.5%. If tariffs are reduced or eliminated, as advocated by new World Trade Organization agreements, then countries will completely lose this source of income. According to United Nations Conference on Trade and Development (UNCTAD) simulations, some sub-Saharan African countries could see tariff revenue cut by 7 to 33% depending on the tariff reduction formula adopted. South Asia, the region most dependent on revenue from trade taxes, could stand to lose between 5 to 26%.

There is now overwhelming support for the view that rapid trade liberalisation has been introduced without sufficient concern for the loss of government revenue in countries where the need for stable and higher revenue streams is critical. The 2005 UK Commission on Africa Report attests to the need to end liberalisation pressure on the poorest Sub-Saharan countries, “Liberalization must not be enforced on Africa through trade or aid conditionalities and must be done in a way that reduces reciprocal demands to a minimum.” A recent study by the IMF’s Fiscal Affairs Department has recommended, “Further trade liberalization in many developing and emerging markets may be stymied—

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69 Baunsgaard, T. and Keen, M. 2004, Tax Revenue and (or?) trade liberalization. Fiscal Affairs Division, International Monetary Fund.
74 Fernandez de Cordoba, S., et al., 2004
76 UK Commission’s Africa Report 2005, Page 290 as quoted in Cobham, A., 2005
perhaps, in some cases, should be stymied—unless they are able to develop sources of revenue alternative to the trade taxes upon which they remain heavily dependent....” It adds that low-income countries have not been able to recover any of the lost revenue from trade taxes lost through rapid trade liberalizations. “The problem is a real one...which has received little attention from analysts and policy-makers alike.”

Experience shows that in most low-income countries where trade tariffs have been reduced, the lost income has not been recovered. Even in middle-income countries, only 35-55% of lost revenue is recovered. The ability to collect taxes from other sources remains limited, in part because of dependency on regressive tax systems in many of low-income countries.

The income tax base in poor countries is currently very low. For example, Bangladesh, Guinea, Chad and Nepal each generate below 10% of their revenues from this source. Numerous loopholes, exemptions and deductions let the wealthy (the largest income earners) off the hook. The tax burden then falls disproportionately on the poor in the form of Value-Added Tax on the consumption of goods and services (from which luxury goods are often exempt). There is a need to reform inequitable and inefficient tax systems. As long as the regressive tax systems exist and there are harmful trade practices, which limit tax collection in order to boost foreign investment, poor countries will never be able to create the fiscal space necessary to increase national resources for education.

77 Baunsgaard, T., and Keen, M., 2004
78 Baunsgaard, T. and Keen, M. 2004
79 World Development Indicators, 2001, 2002, 2004, Table 5.6
3.2 AID PESSIMISM

There are several factors that prevent countries from taking advantage of promised increases in aid for education. The first is the broken promises of donor countries for increased aid. With several new aid pledges on the table, this may change. But even if donors were to deliver on their commitments, countries might not be able to spend the funds. This is because of the IMF’s fears that increased aid, and thus increased spending, might lead to higher rates of inflation. A related issue that could block new aid is how fiscal deficits are currently calculated under IMF guidance. Additional concerns voiced by the IMF around the lack of absorptive capacity in low-income countries do not always stand up to scrutiny. Our research shows that donors are equally at fault and need to reform funding approaches and systems so aid is provided on a longer term basis, is much more streamlined and predictable over a much longer term, and that it is “untied” from conditions to purchase goods and services from the donor country. The recent attempt to harmonize aid systems through ‘donor consortiums’ is a step forward, but must be taken with caution. Experience shows that more often than not, these joint efforts encroach on the ability of countries to determine their own education plans and thus resource requirements.

Between 2002-2003, the Ugandan Finance Ministry attempted to reject a $52 million grant awarded by the Global Fund to Fight AIDS, TB and Malaria in order to abide by the inflation, money supply and budget constraints. ActionAid International’s research on making aid work suggests that there is a need for a new international aid agreement to make aid real and accountable. Measures include clear policies from developing countries on the criteria for accepting aid; mutual commitments monitored transparently at the country level in place of one-sided conditionality; national and international forums where donors and recipients can review progress on equal footing; and mechanisms to substantially increase the volume and predictability of aid.

**BOX 6  
AID AND SOVEREIGNTY**

Foreign aid is increasingly being provided through donor ‘consortiums’ - which coordinate funds from multiple bilateral and multi-lateral agencies for a given country - and which support sector-wide programmes and budget support. While these are positive steps, reducing duplication and excessive reporting requirements, one unintended outcome is to grant donors a great deal of leverage in defining national education policies. Ministries of Education can find it difficult to resist the collective voice of the donor community. If a country deviates from international norms (e.g. on macro-economics) the donor community (influenced by their foreign policy or trade agendas) might threaten to withhold aid – thereby tearing the heart out of the government’s budget.

Part of the problem also lies with the IMF and the conditionalities it places on its loans, which restrict the overall amount countries are able to spend. This limitation drives the amount of resources requested in the PRSP, which is further reduced by what donors are willing to provide. Countries own national priorities take a back seat.

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 spending constraints it had agreed to in its IMF arrangement. The Ugandan government feared that if it accepted the increased spending and deviated from the agreed constraints it would face a negative rating by the IMF, thereby threatening all other incoming foreign aid. By holding up the grant, the Ministry of Finance undermined efforts to more effectively and quickly fight HIV/AIDS.

Could a similar situation unfold for education? Our case studies indicated that recent interest expressed by the African Development Bank to construct 35 secondary schools in Uganda was turned down, as it would exceed the US $7 million ceiling placed on the education sector budget through the MTEF. A further two to three donors were turned down for the same reason.

Absorptive Capacity
The IMF and other major donors argue that countries lack the ‘absorptive capacity’ to effectively distribute large sums of development assistance from the national to local level. Some countries do indeed struggle with adequate capacity, especially in light of decentralization (pushed by the IMF and World Bank) and the transfer of responsibility from the central government to districts, often before the proper technical and administrative infrastructure exists at these lower levels. Donor agencies however contribute to this problem by over-burdening governments with complicated aid management, distribution and reporting systems that further weaken national capacities. In many countries, these requirements create parallel systems not geared towards national priorities. And although donors are working towards more coordinated aid packages, they still continue to place multiple, uncoordinated demands on governments.

However, there is a disturbing circular logic to the IMF’s handling of the recent discussions about “absorptive capacity constraints”. On the one hand the IMF says countries cannot handle more foreign aid because they do not have the necessary human resources. At the same time, it prevents countries from hiring additional doctors, nurses, teachers and administrators because of fears of higher inflation or macroeconomic instability. However, “Building up absorptive capacity involves increased expenditures, particularly during the early stages, on personnel and governance institutions and increased investments in a foundation of social and physical infrastructure.” A further issue is that aid money is not predictable enough to recruit proper teachers and keep them consistently paid. Moves towards broader “budget support” from donors may ease this problem, but the macroeconomic constraints on employing more teachers will remain. The result may well be that desperately needed aid money for education will remain unspent unless alternative macroeconomic policies are considered.

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80 Rowden, R., 2004., 2004
82 Ministry of Education official, Uganda as quoted in “Assessing the influence of monetary policy on public expenditure and the search for alternatives: The Case of Uganda Health and Education Sectors.” ActionAid International Uganda.
84 Nebbie, Gustave. 2004 “Aid, Absorptive Capacity and the Millennium Development Goals.” Draft paper; May, Dakar UNDP SURF. As referenced to in McKinley, T. 2005 pp 5
85 McKinley, T. 2005 pp 5
Another option for increasing spending on education is to reallocate funds in the national budget from other sectors. In addition to defense spending, the most obvious area for re-allocation is the repayment of debt, which eats up a large portion of the budget for many countries. If the debt burden of countries were alleviated, then governments could potentially increase funds for education. Once again, the IMF’s loan conditions, which pressure governments to prioritize debt repayments over everything else, are the primary constraint to reallocating national budget so more money is available for education. The Ministry of Finance, Planning and Economic Development in Uganda has clearly stated, “repayment of arrears and interest will receive first consideration. Therefore, the resources available for allocation between sectors are net of these expenditures.”

Of the Shs. 3,799 billion Uganda has in its national budget, once domestic arrears and interest payments are made (equally Shs. 376 billion), Shs. 3,423 will be available to support economic and social development.

Present debt reduction strategies such as the Heavily Indebted Poor Countries Initiative have not gone far enough and in fact have sometimes contributed to problems (it has become another means for the IMF to continue imposing its macroeconomic conditions).

There is growing momentum to demand debt cancellation where it is clear that payment of debt undermines the capacity of poor countries to make progress on the MDGs. Another problem is that not enough countries are benefiting from existing debt relief programs. The recent announcement by G8 Finance Ministers in June 2005 of the cancellation of multilateral debts for 18 countries is encouraging. But this addresses only 10% of the problem. Over 60 countries still desperately need full debt cancellation. Unfortunately, debt relief for these 18 countries and others who hope to qualify will still come with strings. A recent policy brief by the World Development Movement explains, “Poor countries are now faced with an international financial landscape where loans, debt relief and aid are all subject to meeting economic policy conditions determined by the IMF and World Bank.”

In Honduras and Tanzania, debt has blocked increased aid and public investment in education. Honduras was chosen as one of the first recipients of the Education for All–Fast Track Initiative. Concurrently, Honduras increased teacher wages. This measure increased the public sector wage bill over the 9.1% GDP ceiling imposed by the IMF as a condition for the country to benefit from the HIPC program. The resulting suspension of HIPC funds cost Honduras $194 million dollars in interim debt relief. This amount would fulfill

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86 MFPED 2005, page 34, as quoted in ActionAid International Uganda.
88 HIPC II declaration, 2002.
89 Jones, Tim and Hardstaff, P. May 2005, D.
Contradicting Commitments

the projected financing gap for EFA three times over. Tanzania is struggling to implement a plan to provide universal free education, as $434 million in debt servicing must be paid up to 2004, despite the fact that the country is an HIPC participating country. This sum equals Tanzania’s external financing gap over the same period for implementing its primary education plan. As Tanzanian President Benjamin Mkapa said: “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.”

AAI case studies similarly show the high percentage of debt repayment in comparison with the education budget:

- In Guatemala, 19% of the budget is earmarked for debt repayment; debt repayments are 33.5% more than education budget.
- Nigeria, which is not part of HIPC, pays out 5% of its GDP or $1.34 billion per year (of its $34 billion total debt). This is three times the education budget and nine times the amount spent on health.
- The $1 billion required to meet EFA in Bangladesh is what the country spends to service its external debts.
- Despite participation in the HIPC programme, Sierra Leone was obliged to increase expenditure on debt repayments from 2.2% to 2.7% of GDP.
- The Government of Kenya spends a quarter of its revenues to service international and domestic debt, which amounted to 36.7% in 2004. This amount could double the budgets of health and HIV/AIDS.

91 Coalition for Health and Education Rights.
92 As cited in Hertz, N., 2004, IOU, the debt threat and why we must defuse it. Fourth Estate Publishers, London; p. 131
In order to satisfy the IMF’s macroeconomic policy loan conditions, borrowing governments are unable to pursue other solutions to increase spending on education. Although this report has discussed the consequences of IMF policies on education throughout each section, a few points merit further attention.

**Reallocating funds within the education budget**

Under pressure to make progress towards universal primary education most countries are left with little choice but to reallocate funds from within their existing education budget. To satisfy the MDG framework, investment in primary education has to take precedence over other areas of the education budget. This leads to governments compromising the integrity of their education budget and overall investment in the education system. The distribution of the Ministry of Education Budget (2003) in Guatemala below shows that primary education gets the bulk of funding. The fall of GER (Gross Enrollment Rate) from 109% at the primary level to 50% at the basic level shows the consequence of this policy.

The prioritization of primary education and corresponding reallocation of funds within the education budget contributes significantly to several problems. The overall effect is a decline in the quality of education and a loss of coherence in the education system. If countries can only increase investment in one part of the system by taking from some other part of the system, inconsistencies and incoherence will inevitably follow. System-wide reform becomes impossible. Diminishing funds for secondary school and universities in order to finance more primary education is not going to get a country far in terms of

<table>
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<th>PROGRAMS</th>
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<td>Pre-Primary</td>
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<td>Primary</td>
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<tr>
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<td>Common and Central Activities</td>
<td>15.4</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
</tr>
</tbody>
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This includes technical activities that are common to some, or all of the programs, such as the activities in the central offices/staff.

Source: CNPRE: 2004
Contradicting Commitments

long-term economic development, but donors seem content with this inadequate state of affairs. Specific problems that arise include:

- Bottlenecks in access and constraints to improving secondary schooling, which progressively undermine parental confidence in the value of primary education, especially for girls.

- An inability to expand investment in early childhood education. As with secondary education, this is a consequence of needing to focus on the Universal Primary Completion (UPC) goal. In Kenya, the declaration of free primary education led to poorer parents withdrawing their children from early childhood centres as they were still expected to

Over the past few decades, the IMF's policies have continued to influence the amount of resources social sectors such as education are allocated. Kenya had a free primary education policy in place as early as the 1970's. However, in the 1980s, the government signed the Structural Adjustment Programme (SAP), which, among other things, introduced cost sharing as a way of maintaining the growth of the recurrent education budget at sustainable levels. This resulted in the transference of extra costs to parents. The Government, with a lot of pressure from civil society, enacted the Children's Act (2001), which clearly states that it is the right of every child to access education in Kenya. In 2003, the Kibaki administration enacted this into policy. As a result, there was a 1.5 million rise in the number of pupils enrolled in primary schools across the country.

Currently 40% of the national budget is allocated to the Ministry of Education, Science and Technology. This however does not translate to adequate funding for all children. The financing gap for the sector will grow from Ksh. 1.9 billion in 2006 to Ksh. 6.8 billion, Ksh.11.5 billion, Ksh 10.6 billion and Ksh. 9.5 billion in the years up to 2010. Approximately 98% of these resources are reserved for salaries and a mere 2% covers other costs such as textbooks and school facilities. Even with the capitation grant of $12.75 provided by the government under the Free Primary Education, there is still a shortfall of $66 per child that parents have to put in to support direct cost of schooling. Independent research by the Elimu Yetu Coalition (August 2004) revealed that for quality to be assured, $78.75 per pupil would be required.

In real terms, it can be estimated that within the last decade, Kenya has jeopardized the education of over nine million children. Only about half of those who register in class one finish class eight, and out of that figure, only half access secondary education. This year, over 340,000 could not be admitted in secondary schools. Over 1.5 million children are still out of school due to school-related expenses that poor families are ill equipped to afford.

Despite the clear urgency of increasing investment in education, the government agreed upon the following policies with the IMF:

- An inflation rate below 5%
- Downsizing of the civil service–eliminating 32,000 civil servants (15.2% reduction of the civil service and a freeze on the employment of teachers)
- Broadening privatization to include telecommunications, power generation and distribution
- Low overall deficit (1.5% of GDP)
- Respect the ceiling on additional social sector spending at 0.5% of GDP
- Increase VAT from 15% to 18% in 2000-01 FY
- Liberalize tea and coffee sectors
- Enact bill on code of ethics for public officers and economic crimes bill

While the government could have better planned for the surge of enrollment following the abolition of fees, the main problem is the constraint placed on spending as a result of IMF conditionality and corresponding strict monetary and fiscal policies of the Ministry of Finance. As a result, classrooms are overcrowded with an average pupil to teacher ratio of over 60:1 (and class sizes in lower grades often exceeding 100 children). The quality of learning is deeply affected by such ratios. Yet the Kenyan teaching force has not absorbed new entrants since 1998 because of a ceiling on the public sector wage bill imposed through the IMF (which is even more shocking given other factors such as teacher attrition owing to HIV/AIDS).

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- Liberalize tea and coffee sectors
- Enact bill on code of ethics for public officers and economic crimes bill

While the government could have better planned for the surge of enrollment following the abolition of fees, the main problem is the constraint placed on spending as a result of IMF conditionality and corresponding strict monetary and fiscal policies of the Ministry of Finance. As a result, classrooms are overcrowded with an average pupil to teacher ratio of over 60:1 (and class sizes in lower grades often exceeding 100 children). The quality of learning is deeply affected by such ratios. Yet the Kenyan teaching force has not absorbed new entrants since 1998 because of a ceiling on the public sector wage bill imposed through the IMF (which is even more shocking given other factors such as teacher attrition owing to HIV/AIDS).

In real terms, it can be estimated that within the last decade, Kenya has jeopardized the education of over nine million children. Only about half of those who register in class one finish class eight, and out of that figure, only half access secondary education. This year, over 340,000 could not be admitted in secondary schools. Over 1.5 million children are still out of school due to school-related expenses that poor families are ill equipped to afford.
cover costs. Yet students from poor and marginalized communities are those who most urgently need access to early learning opportunities if they are to enter primary school on a level playing field with children from better-off areas. This is acutely true in the case of linguistic minorities who cannot access primary schools in their mother tongue.

- Pressure to ignore adult literacy (even if governments believe it is a priority), which will leave entire generations of adults without education. Since gains in women’s literacy are closely linked to increased enrolment and retention of girls in schools, cutting these programmes will maintain the vicious cycle of illiteracy.

Jeopardizing the right to free, quality education

Many countries have eliminated or substantially reduced fees and other costs for education. However, due to tight budget constraints resulting from the IMF’s policies, many countries have no choice but to continue imposing some sort of charge in order to raise resources. The availability of more resources is all the more important as more countries make education free. Although Kenya has followed this policy since 2003, budget constraints posed by IMF policies are slowly eroding progress on education.

Increasing inequity and eroding the role of the State through rapid privatization

Private schools are mushrooming around the world. This is partly because of lack of resources for public education. This policy has also been insisted upon by the World Bank in many of its education programmes and has become an explicit criterion in IMF loans. In India, between 1970 and 2002, the number of private schools increased six fold whilst the number of Government or public schools decreased by 10%. In the former, enrolment increased by 9.5% and in the latter by 1.4%. Nigeria has an explicit goal for privatizing 50% of its schools, many of which are owned by Government officials. This has increased inequity in access and achievement.

For low-income and poor countries such as Guatemala, it is both inappropriate and untimely to put limits on public spending, given that the public services are used
The administration of President Olusegun Obasanjo inherited an education system on the verge of collapse: “In Nigeria, our administration is fully conscious of the decline of our educational standards and the decay of the whole system within the last couple of decades. Our educational system is as it stands a living proof of the damages that bad governance can do to our society and social structure”. One of the first policies of the new administration was the Universal Basic Education (UBE) Programme. At the launch of UBE in 1999, about 17.9 million children were enrolled in primary schools. This increased to 19.2 million in 2000 and 19.4 million in 2001.

The current Federal Government's National Economic Empowerment and Development Strategy (NEEDS) enunciates the IMF policies on macro-economic stability and market-driven growth. It is a short term plan (2003–7) envisioning incremental expansions of social services and infrastructure rather than the long term needs-based, goal-oriented investment framework needed to achieve the education MDGs. Although NEEDS pledges “faithful implementation of the Free, Compulsory Universal Basic Education”, it proposes diversification of funding including the promotion of private sector funding and consideration of more appropriate pricing of facilities and services. This is in stark contrast to the compulsory, Free Universal Basic Education Act 2004 which defines services to be provided free of charge as “books, instructional materials, classrooms, furniture and free lunch”.

One of the six education goals in NEEDS is “developing appropriate partnerships, unleashing the energies of the private sector, and reducing the burden on the public sector”. This is stated in response to the inadequate public spending on education and the inability of the government to bear the burden of providing education alone. Private schools however are costlier than public schools. As a result, Nigeria is witnessing the development of two parallel systems of education—one for those that can afford it and another for those that cannot. While a proper record of the number of private schools nationwide is not available, certain states illustrate the increase in private schools. In Ekiti State, private schools were 17% of all primary and 14% of all secondary schools. In Enugu State the proportions were 16% and 14%, and in Kano State they were 17% and 27%. NEEDS also commodifies higher education including teacher training and its reform agenda includes “right-sizing” of the public sector. Finally, the privatization of paper mills, printing presses and commercialization of public media of mass communication (radio, TV and newspapers) has had an effect on the cost of books, instructional materials and distance learning programs.

Limiting policy space

Despite current debates about the appropriate level of inflation and what defines macroeconomic stability, the IMF continues to insist that borrowers sacrifice potentially higher economic output in order to achieve its analytically unjustified low-inflation monetary policies. In Southern countries, economic policy is not open to public debate, and is more or less derived from IMF dictum. The Poverty Reduction Strategy Papers (PRSP), created by the IFIs in 1999, was supposed to reflect a “country-owned” plan to prioritize poverty-reduction measures in a national strategy. However, evidence clearly shows that the content of PRSP documents, especially their references to fiscal and monetary policies, continues to be determined by the IMF loan program—the Poverty Reduction Growth Facility (PRGF), which has often

95 FME baseline survey data.
96 FME/UBE/CSB 2002
99 Civil society views on Needs by GSCOPE, 2004
In Guatemala, the privatization of schools has been seen as a way of reducing the fiscal deficit (as agreed with the IMF) and still providing education for all. Pronade (National Programme for Community-Managed Education), a World Bank supported programme, has become the main strategy for increasing basic education coverage in rural Guatemala. The programme serves approximately 400,000 (20%) pre-primary and primary pupils and at its current rate of growth, this number will have greatly increased by the time the present government’s term finishes (2007) given that it is the only model under which new schools are being created.

Pronade’s strategy is based on rapidly setting up schools and handing over management responsibilities (by obtaining a legal status to administer funds) to communities who set up education committees (Coeducas). Resources are provided for the hiring of teachers and technical support is also provided, often by an NGO. Pronade also aims to reduce bureaucracy and increase efficiency.

However, Pronade has become a controversial programme, mainly because of the way it has reduced the role of the State and transferred responsibilities and costs to the rural population. Essentially, Pronade has created a parallel system of education, which affects the quality of education and creates greater inequalities in the education available to the students (Prodessa, Congecoop e Ins. Educación, salud, tierra: hacia soluciones en el espíritu de los Acuerdos de Paz. 2004):

- **ROLE OF THE STATE**
  Under this model, the State’s role in delivering education has diminished. The State has a purely regulatory and delegatory role. Key elements of the program come under private control (educational quality, capacity of Coeducas, administration of resources).

- **TRANSFER OF COSTS TO COMMUNITIES**
  In a survey by Prodessa in Ixcán, Quiché, Barillas and Huehuetenango, communities shared that they covered:
  1) enrollment charges and other additional economic contributions, 2) indirect costs or work related to the Coeduca and 3) opportunity costs in relation to voluntary unpaid work for the Coeduca.

- **QUALITY**
  The 2000 Pronere report (National Programme for the Evaluation of School Achievement) showed the poorest performing schools to be those from the Digebi (Directorate of Bilingual Education) and Pronade. Pronade teachers are often not fully trained and many are teaching assistants or have other qualifications (secretaries).

- **COMMUNITY PARTICIPATION**
  Communities, especially those managing schools, should take part in decision-making, planning and overseeing education. The Pronade model of participation is fundamentally instrumentalist; communities are not consulted about the design or programmes, and are often limited to fulfilling administrative responsibilities.

- **LABOUR FLEXIBILITY**
  Teachers who work within the Pronade system are hired on temporary contracts, which can be rescinded at any time. The contract may not exceed 12 months, although it can be renewed. These teachers do not enjoy the same conditions and benefits as teachers working in the public school system. Pronade also prevents the organization of workers in trade unions, causing them to become fragmented and to lose their voice.

As a result, Pronade has deeply impacted the right to free, equal and high quality education. Pronade effectively contradicts the Constitution, which recognises education as a human right. While coverage is expanded, concerns over inequality, bilingual education, gender equity and quality are not addressed and often exacerbated.

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**Box 10**

**PRIVATIZATION OF SCHOOLS IN GUATEMALA: A MOVE AWAY FROM EQUALITY?**

Huehuetenango, communities shared that they covered:

been agreed upon with the IMF even before the PRSP document is drafted. A recent study found that in the vast majority of cases (16 out of 20 by March 2003), the IMF wrote its PRGF prior to any discussions or participation with the developing country in question.  

The World Development Movement’s review of the official government-led consultations with civil society organizations for 42 PRSPs showed how the consultations focused on the structure of poverty and included debates over how limited resources should be allocated. The issue of why the budget was so small, key fiscal and monetary policies, privatization and trade liberalization were simply not open to public debate in most countries. Only in five countries did Parliaments actually vote on the PRSP. Even the IMF’s Independent Evaluation Office has stated that “the PRS processes has had limited impact in generating meaningful discussions, outside the official circle, of alternative policy options with respect to the macroeconomic framework and macro-relevant structural reforms.”

Joseph Stiglitz, former chief economist at the World Bank similarly stated:

“The IMF likes to go about its business without outsiders asking too many questions. In theory, the fund supports democratic institutions in the nations it assists. In practice, it undermines the democratic process by imposing policies. Officially, of course, the IMF doesn’t “impose” anything. It “negotiates” the conditions for receiving aid, but all the power in the negotiations is on one side—the IMF’s—and the fund rarely allows sufficient time for broad consensus-building or even widespread consultations with either parliaments or civil society. Sometimes the IMF dispenses with the pretence of openness altogether and negotiates secret covenants.”

Interviews with officials from the Ministry of Finance, Central Bank and civil society representatives raised similar concerns about the need to open the PRGF consultations to the public and to consider the macroeconomic framework in respect to national goals for education.

- In Ethiopia, it is very difficult for citizens to know when the IMF’s influence gives way to the autonomy of the government in the decision-making process on the size of the national budget. Lack of sufficient knowledge on the subject and the too narrow mechanism available for open discussions on the subject overshadow people’s understanding of the matter. This limited dialogue lowers the “country ownership of the GPRF.”

- A Central Bank of Nigeria Official said, “The IMF should be more transparent in terms of not enforcing unrealistic economic policies on developing countries across board. Rather, it should seek to consider the special economic peculiarities/circumstances of individual countries and avoid the adoption of “one cap fits all” policy. This would engender local ownership and enable people to decide feasible economic priorities as against enforcing policies that appear workable in developed or middle economies.”

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Ethiopia is home to 73 million people. The proportion of people living on less than one dollar a day is estimated at 89%. Life expectancy at birth is 53.4 years for males and 55.4 years for females. The adult literacy rate is 42.5%, 49.2% for males and 33.8% for females. The HIV/AIDS prevalence rate is estimated at 7.3% (about 12.6% for urban and 2.6% for rural areas) for 2004.

Education is seen as a key factor in the implementation of the Sustainable Development and Poverty Reduction Programme (SDPRP) in Ethiopia. In 2005, the World Bank estimated that if all adults get grade 4 levels of education, poverty will decline by 18%. The Education Sector Development Programme (ESDP II) has designed measures to be implemented in order to achieve universal primary education (MDG 2) by 2015. In 2003-04 the GER for primary education was 68.4% (77.4% boys and 59.1% girls). For secondary school, the rate drops to about 22.1%. In 2004, the Ministry of Finance and Economic Development (MOFED) and the UN country team affirmed that, “Given the trend in GER in the last 4 decades, it is highly probable that Ethiopia could achieve universal primary education by 2010. Forecasts based on this trend shows that the country may achieve a GER of 72, 95 and 124 by years 2005, 2010 and 2015.” However, a recent World Bank report approached this statement with caution and reminded that with a survival rate up to grade eight of 20%, achieving UPC by 2015 will be “impractical.”

Education Budget
Over the last decade, expenditure in education has increased and currently amounts to 14.6% of the national budget, or 1.9% of GDP. A total of US $9.4 billion is required for education (for the entire MDG programme, an estimated US $37 billion is required). Greater resources are needed if the quality of education is to be improved. At present, 57.7% of primary schools use the shift system, 47.9% have no water supply, 14.7% have no latrines, 96.5% have no clinics, 53.2% have no libraries and 11% have no pedagogical centres. In 2003/04, the proportion of the qualified teachers for grades 1-4 was 96.5% and 41.7% for grades 5-8. The PTR for primary education was 65. High rates of repetition (4%) and dropouts (19.2% for grades 1-8 in 2002/3) indicate high wastage of scarce resources.

Negotiating Budgets
First, the macroeconomic framework is outlined for three years by MOFED departments and the National Bank of Ethiopia. Estimates are made on the amount of revenue, expected external resources, expenditure and the expected growth rate of the GDP. Then the maximum ceilings for budget requests are set and passed on to every ministry, which submits and discusses their budget estimates to MOFED. The budget document is then consolidated into a single document and is passed to the Council of Ministers for approval. The approved budget is then passed on to the House of Representatives for discussion before it is printed in the Negarit Gazzeta.

The IMF's Role
One important point that needs to be raised is where and how the role of the IMF comes into the process of decision-making on the size of the national budget. A Technical Committee (MOFED and NBE official as chairperson) suggests the targets for the main macroeconomic variables (GDP, government budget deficit, rate of inflation, growth rate of money supply). Then discussions and negotiations are made with the IMF. The Technical Committee passes these proposals on to higher-level officials in the Macroeconomic Steering Committee (Economic Advisor to the Prime Minister, MOFED and NBE high officials). Finally, an agreement is reached with the IMF on the targets and ceilings to which both parties agree. The resulting Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding are posted on the IMF web page.

The rate of inflation was projected at 5.5% for 2004. The cap for the total wage bill was set at 7.8% of GDP and this could have lowered the government’s capacity to hire more teachers and health professionals. The fiscal deficit with grants was projected at 7.5% and domestic borrowing by the government was limited to Br.1 billion, which was to finance programs targeted for strengthening food security. The external current account deficit was projected at 6.7% of GDP. Officials from the Ministry of Finance and Economic Development and the National Bank of Ethiopia shared the following:

“The prior setting of macroeconomic targets by the IMF undoubtedly has impacts on the fiscal activities of countries that make use of IMF-supported programs. The placing of ceilings on domestic borrowing and on fiscal deficit constrains the fiscal space of the public sector. The problem with the IMF ceilings is their “one size-fit for all” approach. The government cannot spend funds in excess of the amount provided for in the medium term expenditure framework ... This observation draws from the fact that the country is heavily dependent on foreign resources and it cannot risk its relationship with the IMF on whose ratings depends the access to soft loans. The decision to exercise fiscal discipline is one important measure expected from governments in the developing world. However, there should be a proper balance between low public expenditure and the resulting sacrifices in terms of output, employment and reduction in poverty.”

At present there is no agreement between the IMF and Ethiopia. The 3rd GPRF program came to an end in December 2004. A new arrangement does not yet exist. So, at the moment, the government has decided on the levels of the macroeconomic variables without considering the IMF caps, but overall the macroeconomic targets and framework stay little changed. These ceilings on public expenditure make it unlikely that Ethiopia will be able to increase spending levels to those required to fill the resource gap for education. The 2015 goal of UPC will most likely go unmet.
A Ministry of Education official in Kenya explains, “Education and Health sectors are powerless when it comes to resource allocation and have to comply with the ceilings issued [by the Ministry of Finance]. The only time when the public is involved in the budgetary process is through MTEF public hearings of the various sectors and ministries...at no point are they consulted about the macroeconomic framework. At the very least national Parliament should serve as a watchdog of the government but they too are left out in the finer IMF / Government deliberations. The general feeling among the citizenry is that the government decisions are subordinate to the IMF rules and directions and that the country is held captive by these decisions without much recourse.”

In addition to the IMF imposing its policies through conditions attached to loans, our research shows that these policies are further internalised by Ministries of Finance and Central Bank officials given the revolving door that exists between the IMF and national ministries. In Uganda, civil society organizations have noted that the “Finance Ministry partners are mainly ‘experts’ from the IMF and World Bank.” The extent of the relationship between Central Bank officials with the IMF in Nigeria is that there are programmes whereby, “...on account of Nigeria’s relative importance, officials are seconded to the IMF as senior advisers. Ministry of Finance officials on the other hand are sent to the World Bank.” These findings raise the issue of democratic governance, and the control the IMF experts over the economies and decision-makers in the South.

To educate all children by 2015, countries will need to substantially increase their public spending and seek external resources that are sustained consistently over a decade or two. But this paper suggests that such spending increases would not be possible within the current constraints of the IMF macroeconomic framework and corresponding monetary and fiscal policies of Ministries of Finance and Central Banks. The international community has already failed in its proclaimed effort to achieve gender parity in education in 2005 and is certain to fail on achieving universal primary education by 2015 if the IMF’s macroeconomic framework continues to subordinate human and economic development goals to the disputed definition of “macroeconomic stability”. The contradictions have never been clearer—and yet remarkably the IMF itself professes to be committed to the MDG framework. It is incumbent on civil society generally, and HIV/AIDS, health and education advocates in particular, to raise these contradictions and demand that creative solutions and alternative macroeconomic policies be publicly debated. It is time also for the IMF to take bold steps in resolving the contradictory pressures put on countries.

The extraordinary control the IMF maintains over the economies of Southern countries because of its role as the de facto head of the donor aid cartel, and its "signalling effect" to donors, is particularly disturbing because it threatens national sovereignty and democratic decision-making. Southern governments are unable to challenge and resist IMF policies that constrain their ability to increase spending on the MDGs. If a country fails to abide by the IMF loan conditions (extreme deficit reduction, unjustified low inflation rates, prioritization of debt repayments, etc) the IMF deems it to be at risk of macroeconomic instability. The IMF can effectively ‘switch off’ foreign aid flows to any country that it feels is not satisfactorily adhering to the agreed macroeconomic framework (as witnessed by Zambia and Honduras). Because of the immense power of this “gate-keeper” role, few people in Ministries of borrowing countries will ever openly challenge the IMF.

Indeed, the power of the IMF now extends far beyond the explicit conditions attached to its loans. There is a level of hegemonic control over the discourse, particularly within Ministries of Finance and Central Banks. This influence is so acute that even a country like India that is not tied to IMF loan conditions and which is fiercely proud of its sovereignty, conforms to most of the prescriptions that are popularized and perpetuated by the IMF.
ActionAid International’s research in 10 very different countries, has shown that many people in Ministries of Finance and Central Banks in the South would like to openly join economists in the North in making a global call for an open debate about the need for more expansionary public-investment led economic policies. They are aware of the overwhelming need for alternative, nationally derived economic policies oriented towards much higher growth rates and supporting the poor to climb out of poverty. But very few will dare to say so openly because of the consequences of a cut-off in aid or debt-relief through IMF discipline.

If the international community is serious about mustering the political will to make achievement of the MDGs a reality, the time has come for the IMF to work with governments towards finding alternative macroeconomic policies to increase investment for education. The contradiction between the MDG framework and the existing macroeconomic policies of the IMF has never been clearer. If the global community is seriously committed to making progress on girls’ education, as must be done if the MDGs are to have any credibility, then the first step must be to address this striking contradiction.
Ways Forward/Actions

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 scrutinize IFI loan agreements including conditions.  

- 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.

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109 See ‘Parliamentarians’ Petition www.ippinfo.org

110 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
• 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 G8 governments have expressed the need for developing countries to guide their own economic policies. Yet these same governments dominate decision-making in the IMF and perpetuate the present system that reinforces macroeconomic conditionality. Citizens in the North can play a key role in putting pressure on their governments about the actions being taken (or not) by their official representatives on the IMF and World Bank Executive Boards of Directors:

• 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 liberalization conditionality 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.