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POLICY BRIEF

WRONG POLICIES AT THE WRONG TIME

IMPACTS OF IMF POLICIES ON NATIONAL EDUCATION BUDGETS AND TEACHERS

Report by Rick Rowden (2011) EI Research Institute

Even before the current global recession triggered by economic crisis of 2008, the controversial policies of the International Monetary Fund had long been resulting in national budget austerity, cutbacks in education budgets, restrictions on increases to the public sector wage bills and teachers' wages, increased use on contract teachers, and other adverse effects on education financing, teachers and the quality of education in many developing countries. Crisis has been catalyst of such policies.

IMPACTS OF CRISIS

A 2010 background paper prepared for the Education for All Global Monitoring Report 2011 examined the impact of the global economic crisis on national education financing and found that many low-income countries (LICs) responded to the crisis by increasing their fiscal deficits in 2009 but began implementing harsh deficit-reductions in 2010 and projected even sharper reductions in 2011, with 60% of all LICs and 75% of African LICs targeted to cut deficits in 2010-11. It concluded that it will be vital for "fiscal space" to be reopened and indeed expanded considerably, especially by setting higher deficit targets in International Monetary Fund (IMF) programs, if countries are to reach Education for All (EFA) goals.

According to UNICEF, low pay is a key factor behind teaching staff absenteeism, informal user fees being charged and the brain drain of qualified teachers from the teaching profession. In past economic crises, pay levels for teachers and health workers have fallen in real terms, adversely impacting children in high-poverty areas. Similarly, during the current crisis, UNICEF has reported that initial evidence suggests that real pay levels are falling. Comparing salaries of primary teachers and nurses in over twenty countries revealed that in 2009 many were already near the poverty line. Further, a desk review of recent IMF reports reveals that most countries were being advised by the IMF to cap or cut public sector wage bills in 2009-11.

The 2011 EFA Global Monitoring Report also found that about 40% of low-income countries with available data had cut education spending in 2009, and the global economic crisis has led to major threats to EFA goals and education. Among the threats identified are: greater stress on household budgets may be pushing children out of school; studies indicate that an additional 350,000 students could fail to complete primary school as a result of the crisis, with most likely to come from poor households; teacher motivation may have suffered as a result of real salary declines; and increased poverty and malnutrition will undermine learning and participation in school. Most troubling of all, however, the 2011 EFA Global Monitoring Report found that, "Fiscal adjustment is set to become the dominant theme in public finance," and that future fiscal consolidation could threaten progress in education.

The EFA GMR report correctly warns about the unnecessarily harsh consequences for adopting IMF-type budget austerity at the wrong time: "The danger is that slower economic growth and fiscal adjustment will become self-reinforcing, with reduced spending undermining economic recovery, which in turn would limit revenue collection." However, education advocates should be aware that there are alternatives to adopting budget austerity during economic crises.

The heavy focus on international aid often deflects attention from the fact that government revenue is the main source of spending on education. Even in the poorest countries, the mobilization of domestic resources and decisions over the allocation of those resources through the national budget far outweigh development assistance in national budgets. Therefore, the real questions for education advocates to be asking are why the national budgets of so many countries remained so small and what has gone so wrong with the current development model that has undermined the ability of countries to more successfully increase their domestic tax bases?

CAUSES OF IMPACTS

Although particular IMF policies and loan conditions are at issue, the ideas behind IMF policies are of much greater concern than the IMF per se. In many ways, the IMF as an institution is representative of a much broader school of thought that has come to dominate economics in the recent period. This is why IMF-like policies are willingly adopted even in many countries without formal IMF loan programs. This entire school of thought about macroeconomic policy that is narrowly focused on restrictive and short-term macroeconomic stability issues must be challenged by education advocates and their allies to make way for broader public discussions about alternative approaches to macroeconomic policy that can better support national economic development and increased public investment in education.

There has been an inordinate overemphasis by education advocates to call for more foreign aid for education. While foreign aid is absolutely necessary, this overemphasis has led to a neglect of broader development policies, and to important questions such as why the currently dominant development model has failed in so many countries. The key to realizing increases in future education financing is to enable countries themselves to adopt alternative development policies that can lead to better mobilization of domestic resources while reducing their dependence on foreign aid for education over time.

The dominant free trade and free markets approach to development of the last 30 years has displaced earlier and more successful notions of national economic development by insisting instead that developing countries must blindly integrate with the global economy irrespective of their current state of development. An alternative to this approach would reestablish the importance of prioritizing national economic development, including policies for supporting successful industrialization and economic diversification while increasing jobs, wages and building up the domestic tax base over time. Under such alternative approaches to the dominant development model, countries can instead carefully manage and sequence their integration with the global economy in a strategic way that supports such industrialization, diversification and job creation over time. However, the recent overemphasis on "poverty reduction" and foreign aid to ameliorate human suffering and the Millennium Development Goals (MDGs) has focused solely on social indicators, while largely omitting such national economic development strategies from the development and aid agendas. But "poverty reduction" is not the same thing as successful economic development, and cannot be a replacement for a successful national economic development strategy. Education advocates must work with others to refocus on such approaches to more successful national economic development strategies in order to make better progress towards achieving their education goals.

FUTURE STRATEGIES

There are several steps that education advocates can take to develop new national and international advocacy strategies against the current free trade/free markets approach to development and restrictive IMF macroeconomic policies.

Such strategies could include:

- **Building national and international alliances with other economic policy advocates and to increase national public dialogues on alternative approaches.**
- **National economic policy "audits" which take a "rights-based approach" to economic policy making.**

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