



Structural adjustment and health: A conceptual framework and evidence on pathways



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ABSTRACT

Economic reform programs designed by the International Monetary Fund and the World Bank—so-called ‘structural adjustment programs’—have formed one of the most influential policy agendas of the past four decades. To gain access to financial support from these organizations, countries—often in economic crisis—have reduced public spending, limited the role of the state, and deregulated economic activity. This article identifies the multiple components of structural adjustment, and presents a conceptual framework linking them to health systems and outcomes. Based on a comprehensive review of the academic literature, the article identifies three main pathways through which structural adjustment affects health: policies directly targeting health systems; policies indirectly impacting health systems; and policies affecting the social determinants of health. The cogency of the framework is illustrated by revisiting Greece’s recent experience with structural adjustment, drawing on original IMF reports and secondary literature. Overall, the framework offers a lens through which to analyze the health consequences of structural adjustment across time, space and levels of socioeconomic development, and can be utilized in *ex ante* health impact assessments of these policies.

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1. Introduction

Thirty years ago, UNICEF published a landmark report documenting how ‘structural adjustment’ programs of the International Monetary Fund (IMF) and the World Bank affected population health (Cornia et al., 1987). Following the debt crises of the early 1980s, such programs achieved notoriety for requiring low- and middle-income countries to move away from state-led development models towards free market-oriented ones, premised on reducing public spending, limiting the role of the state, and deregulating economic activity (Babb and Kentikelenis, 2017). But, according to recent reports and public statements of these powerful international financial institutions (IFIs), that era has long since passed (e.g., IMF, 2014). After the turn of the millennium, tarnished structural adjustment programs were replaced by pro-poor ‘poverty reduction and growth’ loans that purportedly devoted attention to social policies and vulnerable populations, and considered input of local authorities and civil society.

Is the structural adjustment policy paradigm indeed irrelevant today? Since the onset of the global financial crisis in 2008, the IMF and the World Bank reemerged as key actors shaping the policy trajectory of countries in economic crisis, and critics have pointed to the many parallels with the IFIs’ previous *modus operandi* (Babb and Kentikelenis, 2017; Greer, 2014; Labonté and Stuckler, 2016; Patel and Phillips, 2015; Ruckert and Labonté, 2012a). In this context, long-standing concerns about the effects of these policies on health systems and outcomes have returned to the fore (De Vogli, 2011; Greer, 2014; Kentikelenis et al., 2016; Labonté and Stuckler, 2016; Ortiz et al., 2011; Pfeiffer and Chapman, 2010; Ruckert and Labonté, 2012a).

This article identifies the multiple components of IMF and World Bank structural adjustment programs, and presents a conceptual framework linking them to health systems and outcomes. Drawing on a comprehensive review of the academic literature, the article identifies three main pathways through which structural adjustment affects health: policies directly targeting health systems; policies indirectly impacting health systems; and policies affecting the social determinants of health. These general pathways are relevant to the structural adjustment experience of countries across time, space, and level of socioeconomic development. The

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cogeneity of this framework is illustrated with empirical material drawn from Greece's recent experience.

The framework presented here has implications for designing economic reform packages that are sensitive to public health. The pathways identified can be scrutinized by policymakers—country officials, international organization staff, and donors—in *ex ante* estimations of how different policies may affect health systems and outcomes. The World Bank's recent move towards incorporating a health safeguard in its investment projects is a first step in this direction (World Bank, 2016), and can be also taken up by other IFIs by institutionalizing health impact assessments for their programs (Stuckler et al., 2010a).

2. A short introduction to structural adjustment

The term 'structural adjustment' is shorthand for the wide array of reforms designed to effect a fundamental, comprehensive and enduring overhaul of a country's policy arrangements (Pfeiffer and Chapman, 2010). Commonly, these policies are bundled in ambitious policy packages, that are 'directed at the four "...ations"—stabilization, liberalization, deregulation, privatization' (Summers and Pritchett, 1993, p. 383). *Stabilization* entails fiscal, monetary and exchange rate policies aiming to restore balance-of-payments and currency stability, and control inflation; these include what are known as fiscal consolidation measures or—simply—'austerity' (Stuckler and Basu, 2013). Trade and capital account *liberalization* reduces barriers to trade, and facilitates foreign direct investment. Economic *deregulation* limits state interference in the workings of the free market; for example, by adopting business-friendly legislation. Finally, state-owned enterprise and natural resource *privatization* is intended to improve economic performance of industries hitherto sheltered from market forces.

Even though structural adjustment targets national or sub-national policies and institutions, the key agents propagating this policy agenda operate beyond the state level: IFIs design, administer and oversee reforms through loans that come with strings attached. Borrowing governments—often facing dire economic circumstances—commit to implementing a range of policy reforms, collectively known as 'conditionality' (Babb and Carruthers, 2008; Greer, 2014). Among IFIs, the IMF and the World Bank have been the key agents promoting the structural adjustment agenda, as outlined in Box 1.

Similarities in Fund- and Bank-mandated structural adjustment across time and space should not be overstated (Greer, 2014). These organizations design tailored programs that reflect country specificities and depend on a host of political-economic factors (Kentikelenis et al., 2016). Nevertheless, constant across the experiences of low-, middle-, and high-income countries with structural adjustment programs is the compliance tool used—conditionality—and the free market-orientation of mandated reforms (Babb and Carruthers, 2008; De Vogli, 2011; Greer, 2014; Kentikelenis et al., 2016; Labonté and Stuckler, 2016; Pfeiffer and Chapman, 2010; Ruckert and Labonté, 2012a).

3. Disentangling the ties that bind: structural adjustment and health

To trace how structural adjustment affects health policy and outcomes, this article draws on a comprehensive literature review. A search on the Web of Science database yielded 720 articles ("structural adjustment" OR "International Monetary Fund" OR "World Bank" AND health). Articles were considered for inclusion if they were: (i) descriptive or analytic observational studies, commentaries, or reviews; (ii) published in the fields of public health or the sociology of health; and (iii) published in English prior to 1

Box 1

The Origins and Evolution of Structural Adjustment Programs.

Established in 1945, the IMF and the World Bank have a mandate to maintain global financial stability and finance development projects, respectively. To meet this mandate, both organizations became eventually involved in promoting market-liberalizing reforms as part of their lending in support of policy reforms or specific projects (Babb, 2009; Babb and Kentikelenis, 2017). In the 1970s and 1980s, these IFIs introduced lending programs targeting structural change: Structural Adjustment Loans at the World Bank, and the Structural Adjustment Facility (later, Enhanced Structural Adjustment Facility) at the IMF. These programs became ubiquitous in the 1980s, especially among low-income countries. In the 1990s, structural adjustment programs became staple vehicles for implementing the transition to capitalism in post-communist countries.

By the early 2000s and following extensive criticisms, structural adjustment programs became clad in new rhetoric (Schrecker, 2016): they demonstrated 'flexible' policy design, 'streamlined' conditionality, borrowing-country 'ownership,' and 'pro-poor' orientation (IMF, 2009; World Bank, 2009). Indeed, they were revamped as Poverty Reduction and Growth programs in 1999, and—more recently—as nondescript IMF Extended Credit Arrangements and World Bank Development Policy Loans. After 2009 and the onset of sovereign debt crises in Europe, the IMF—together with European Union institutions—designed so-called Economic Adjustment Programs for troubled European economies (Greece, Ireland, Portugal, and Cyprus). These programs were similar to structural adjustment programs advocated by the Fund and the World Bank in other regions (Greer, 2014), insofar as they relied on extensive market-liberalizing conditionalities.

Recent evidence suggests that newer incarnations of Fund and Bank programs still propagate core elements of the structural adjustment agenda (Schrecker, 2016). The IMF's advertised changes to conditionality have been shown to primarily represent window-dressing, with few departures from the organization's standard market-liberalizing policy advice (Kentikelenis et al., 2016; Ruckert and Labonté, 2012a). The World Bank continues to offer access to loans contingent on the degree of countries' market liberalization (Babb and Kentikelenis, 2017).

August 2016. All titles and abstracts were assessed, and 93 studies were directly relevant for the present article. Reference lists of these articles and Google Scholar searches revealed additional literature. Only the most relevant and recent studies are cited here. The method used is a narrative synthesis (Mays et al., 2005), in order to map pathways, populate the framework, and identify directions for future research.

As outlined in Figure 1, analysis of the reviewed studies found evidence of three general pathways through which structural adjustment affects health. Several past works have examined related questions of how economic crises affect health (e.g., Karanikolos et al., 2013, 2016; Kentikelenis et al., 2015a; Maresso et al., 2015; Mladovsky et al., 2012; Ruckert and Labonté, 2012b; Thomson et al., 2015); this ground is covered here only as it relates to policies introduced through IFI conditionalities.

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