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Foreign Policy Institute for State Legislators

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International Financial Institutions (IFIs) and their impact on women around the world

Thank you honorable US state legislators for attending this session on the International Financial Institutions (IFIs) and their impact on women around the world. I feel honored to both share ideas with you and be among such a distinguished series of speakers.

CWPS asked me to present background on the IFIs, and say something about the influence that the US wields as a member of the IFIs. Also, I will describe Gender Action's programs on the impacts of IFI investments on women. After I present, I look forward to exchanging ideas with you.

1. Background on the IFIs

The IFIs are the largest public taxpayer-funded international development agencies in the world. Among the IFIs, you have heard most about the World Bank and International Monetary Fund known as the IMF. Some other prominent IFIs include the regional development banks such as the AfDB (African Development Bank), ADB (Asian Development Bank), EBRD (European Bank of Reconstruction and Development) and IDB (Inter-American Development Bank)

The US is the largest shareholder in each of these IFIs. Although US shares in the IFIs today are about 17 %, and have declined over the years, the US still maintains the largest voice in the IFIs and is the only country holding veto power in IFI decision-making. The US makes grants to the IFIs through tri-annual appropriations which I will discuss later on.

The World Bank and IMF each have over 180 member countries which they divide into creditor countries like the US, and borrower or debtor countries which are concentrated in Africa, Asia, MENA (Middle East and North Africa) and LAC (Latin America and Caribbean).

The World Bank and regional development banks mostly make loans. Under pressure from civil society, the development banks recently started making tiny grants which represent less than one percent of their portfolios. Civil society wishes to end IFI loans for development purposes because the loans have a record of burdening poor countries with debt owed to the IFIs. Poor country debt repayments to the IFIs has significantly reduced or eliminated poor countries' public funding for health, education and other social needs. The IMF strictly makes loans without any grants in its portfolio. I will soon say more about debts owed the IFIs.

Because the IMF is currently a very hot topic in the US Congress and administration, I will first discuss the IMF, and then will introduce Gender Action's programs addressing the gender impacts of IFI investments in poor countries. I actually know much more about the World Bank than about the IMF, but because the IMF's current role is so critical in the global financial crisis, the US is the power behind the IMF's massive new role, and the IMF is an opaque, mysterious institution, I will dwell on the IMF for a few minutes.

Recent IMF History and the Current IMF Debate

IMF loans are supposed to ensure that countries budgets are balanced, that countries' revenues are sufficient to cover expenditures. But while IMF loans may add to countries' revenues, they also increase countries' debt. Both poor countries' debt repayments to the IMF and IMF loan conditions have had extremely harmful impacts on the poor, and especially on women.

Typical IMF loan conditions include requiring poor countries to cut public spending including through imposing public sector wage ceilings which reduces the number of health workers and doctors, and privatizing education and health services which reduces or eliminates public or subsidized services for the poor. Being involved in states' budgets, I am sure you understand the meaning of these social sector cuts. Think of them being imposed in the poorest countries having per capita incomes of $300 to $500 annually. These countries start with under funded social programs which IMF policies decimate.

Because of such onerous IMF loan conditions, in the last decade many developing countries decided to avoid IMF loans if they could. According to Nobel Prize winning economist Joseph Stiglitz and many other highly respected economists, bad IMF loan conditions were largely responsible for the East Asian financial crisis. Therefore, some East Asian countries built up large foreign exchange reserves to avoid IMF borrowing in future.

In the East Asian crisis, the IMF imposed contractionary spending policies which deepened the Asian downturn. It then did so in other countries as the contagion spread. After that experience, many middle-income countries piled up reserves so that they would never have to depend on the Fund again. A number of Asian and Latin American countries repaid loans to the IMF early and announced they would avoid future IMF loans. By 2007, the IMF portfolio had plummeted from about $100 billion dollars in loans annually to only about $50 billion in annual loans. By 2007, Turkey was taking more than half of IMF loans. We started calling the IMF the Turkish bank.

That was 2007 when nobody foresaw the current global financial crisis. By 2007, many civil society groups and journalists believed that the IMF was on its last leg. Civil society organizations (CSOs) established the IMF Sink or Shrink Campaign, in the hope that the IMF would die of attrition. That hope is history since the global financial crisis hit the world and the IMF is receiving its largest funding replenishments ever. To address the global financial crisis, in April 2008 the G20 committed to increase IMF resources to about $750 billion. The IMF track record seems to have been almost completely ignored by the G20 when it committed to vastly expand IMF resources.

The IMF claims that it has changed, but a look at nine "standby arrangements" - its basic short-term loan agreement -- that it has negotiated since September of last year reveals it is making the same mistakes that it made in previous crises. Recent IMF loans to poor countries require spending cuts, despite the IMF's avowed commitment to a worldwide fiscal stimulus.

In response to the global financial crisis, close civil society tracking indicates that the IMF has been making two types of loans: The first, to better-off countries like Iceland, which do not contain mandatory reform conditions and encourage stimulus spending. Second, the IMF's loans to poor countries including El Salvador and Pakistan, require spending cuts, the opposite of stimulus packages. You can see a double standard at play here. El Salvador and Pakistan must cut spending despite negative shocks to the economy. Richer countries can increase debt but not poor countries. This is the history of IMF spending over decades. In the global financial crisis, poor countries badly need stimulus packages, just like the US does.

As we speak a battle is being fought between Congress on the one hand, and the White House and Treasury on the other, where economic matters are run by Larry Summers, former World Bank Chief Economist, and Tim Geithner, former manager at the IMF, with hardly any media attention on this battle. Gender Action and other groups concerned with global economic justice have been monitoring this situation.

Last month Obama signed the war appropriations supplemental to which was tacked a US$108 billion grant to the IMF. Thanks to an initiative by scores of congresspersons who actually know what the IMF does, led by Representative Maxine Waters, the IMF grant included language instructing the Treasury, which is the principal overseer of the IMF, to demand IMF reforms in exchange for the $108 billion gift.

Congress demanded a set of IMF reforms:

- Permitting poor developing country borrowers of IMF loans to undertake stimulus packages during periods of economic difficulties, instead of contractionary policies which past and recent IMF loans have required. Such policies squeeze poor countries' spending on health, education and other social services.
- Debt relief for the poorest countries that are suffering from a global financial crisis not of their making, but which pushes these countries to borrow from the IMF to survive the crisis, incurring new heavy debt. Repaying debt to the IMF also squeezes poor countries' spending on social services.
- Democratic IMF loan signing processes with borrower countries' parliaments in place of unilateral agreements with these countries' executive arms.
- Greater IMF transparency since the taxpayer-supported IMF remains an opaque, secretive public organization.

But President Obama and Treasury have refused to require any IMF reforms. When President Obama signed the bill appropriating funds to the IMF, he provided a signing statement saying the administration would ignore the IMF reforms requested by Congress.

This triggered a heated ongoing debate between Congress and the administration about whether the US should give the IMF a blank check or require the above IMF reforms.

The US should not donate more money to the IMF without requiring the IMF itself to change its policies.

Segueing from describing the current IMF saga, it makes sense to shift to:

2. Gender Action's programs on the impacts of IFI investments on women.

We have four main programs which I will introduce in turn, first by discussing first Gender Action's program on:

1) Gender and Economic Reforms so we can continue talking a little bit more on the IMF: This program involves Gender Action and its partner organizations in briefing Congress. Gender Action co-founded and collaborated in the IMF Campaign we just discussed and in the IDA-15 Coalition which I will describe.[1] These civil society coalition efforts educate US congresspersons to promote eliminating bad IFI conditions in their appropriations to the IFIs.

In addition to the just-mentioned US$108 billion approved for the IMF without requiring that the IMF reform in any way, the IMF wishes to sell some of its massive stores of gold, close to a $1 trillion in gold, to finance its operations. Our civil society IMF campaign is asking congress to ensure that a portion of IMF gold sales is used for poor countries' debt relief to free up their resources for spending on health, education, clean water and other urgent social needs.

Let's now move to the World Bank.

Every three years, the US government appropriates a large grant to the World Bank Group's IDA or the International Development Association. IDA is the concessional lending arm of the World Bank Group which targets least developed countries with low-interest loans. Our latest coalition is called the IDA-15 Coalition because we are now in the 15th tri-annual rich country funding replenishment for IDA.

Gender Action contributed to the IDA-15 Coalition by preparing a briefing paper for Congress highlighting IDA, which is World Bank, loan conditions which impede poor people's access to health care, water and other essential services. Our IDA-15 Coalition is achieving some success in getting the US government to stop approving World Bank loans with harmful conditions.

Finally, Gender Action is a proud member of the Jubilee USA Debt Network Council. The Jubilee campaign aims to cancel the illegitimate debt of poor countries, debt which is illegitimate because it is debt from loans made by illegitimate dictators who used the funds for personal use and left loan repayments to poor citizens. To date, Jubilee has succeeded in achieving debt cancellation for about 25 highly-indebted poor countries and partial debt relief for several more such countries.

One of Gender Action's economic-focused publications is our popular ***Gender Guide to World Bank and IMF Policy-Based Lending*** which in user-friendly language highlights the gendered impacts of World Bank and International Monetary Fund policy-based loans which are fast-disbursing loans meant to improve countries' revenue and spending imbalances. It shows that these loans impose "conditionalities" on borrowing countries such as decreasing public

[1] IDA or the International Development Association is the concessional lending arm of the World Bank which targets least developed countries with low-interest loans.

spending, privatizing essential services and unilaterally liberalizing trade which often deepen poverty, undermine gender equality, contribute to the spread of HIV/AIDS, and increase violence against women. Our colleagues at the Third World Institute in Latin America voluntarily translated this Guide into Spanish.

You can learn about other Gender Action projects which have an economic focus on our website, for example a series of reports on *The Gender Dimensions of Post-Conflict Reconstruction (PCR):* which focus on donors broadly*, and specifically on* the World Bank. They sadly demonstrate a track record of ignoring the needs of women in donor PCR projects.

Moving from economic reforms which affect all country spending to specific spending on:

2) Reproductive Health and HIV/AIDS: Gender Action's RH and H/A projects' long-term goal is to increase the number of poor women, men, boys and girls with access to high-quality family planning and reproductive health, and related HIV/AIDS services in the global South to which the taxpayer-funded IFIs contribute funding and influence policy. Gender Action did considerable research which demonstrates that IFI spending for RH and H/A has been declining and composes a mere fraction of one percent of their total spending; ignores gender issues despite the gender sensitivity of RH and H/A; and IFI conditionalities undermine spending on RH and H/A. Based on Gender Action's research reports (show Mapping; a new paper called Closing the Gap will appear soon) Gender Action just launched an advocacy campaign -- Leveraging MDB Funds for Reproductive Health & HIV/AIDS which aims to: (1) Increase IFI Funding for Population, Reproductive Health and Related HIV/AIDS Services; (2) Improve the Quality of IFI Population, Reproductive Health, and Related HIV/AIDS Projects; (3) and End IFI Policy Conditionalities. -- to pressure MDBs to increase and improve their funds for reproductive health and HIV/AIDS, as well as remove their loan conditionalities which impede progress toward achieving the reproductive health and HIV/AIDS goals. For example, I encountered a World Bank health sector loan for Ghana which promoted universal fees for anti-retroviral drugs, making them unaffordable to the poor.

Gender Action's reproductive health and HIV/AIDS campaign is bringing IFIs into the advocacy activities of powerful women's rights coalitions for the first time. As of now, about 35 member organizations signed onto the Campaign including CWPS, IPPF, NCWO, the Feminist Majority, NOW, PAI and other terrific organizations. We are launching a new publication, "Increasing and Improving Multilateral Development Banks' Funding for Reproductive Health and HIV/AIDS: *TOOLKIT FOR ADVOCACY*" (2009) which provides tools needed to build the capacity of campaign members to pressure IFIs to increase and improve spending. Gender Action is also currently circulating a sign-on letter addressed to World Bank President Zoellick demanding more and better World Bank spending in the form of grants only, no loans to avoid debt, which has already garnered over 70 signatures to date. We will send it to Zoellick once we have over 100 signatures which should be very soon. Please let me know if you would like to sign this letter already signed by a few congresspersons. NCWO has offered to feature the campaign as a special NCWO project over the next year. This momentum demonstrates how a tiny organization like Gender Action can have huge convening power if the issue is urgent.

3) Linking IFI-Watchers and Gender Justice Groups:
Through our Reproductive Health & HIV/AIDS program which I just discussed, Gender Action is bringing IFIs into the work of gender justice and women's groups which have not yet addressed IFIs very much previously. Through the program I will describe now, Gender Action is bringing

gender into the agendas of IFI watcher groups which traditionally focus on environment, transparency and accountability issues but neglect gender dimensions. This project offers an opportunity to multiply Gender Action's effectiveness in ensuring IFI investments benefit and do not harm poor men and women.

We are in the second of a three year IFI-Watcher Gender Capacity Project which is providing training and technical assistance to six IFI-watchers groups (the Bank Information Center (BIC); BankTrack; Bretton Woods Project (BWP); Central and Eastern Europe (CEE) Bankwatch; Global Transparency Initiative (GTI); and the NGO Forum on the ADB, to ensure that these IFI watcher groups routinely consider gender dimensions in all their work.) To support this project, Gender Action has conducted participatory gender audits for these organizations, convened a capacity-building workshop for 30 participants, and launched an electronic "Gender Toolkit for International-Finance Watchers" in 2009 containing tools for gender analysis of IFI investments including sector approaches, glossaries, women's rights treaties, links to gender-disaggregated data, etc. Oxfam and several gender experts said this is the best gender toolkit in existence. We also launched a listserv where all partners will exchange experiences and seek guidance on engendering their IFI-gender advocacy. GA is now providing continuous technical assistance and monitoring partners' work to strengthen their gender capacity.

In another project, GA with the Center for International Environmental Law (CIEL) jointly-produced a comparative guide contrasting IFI gender policies and accountability mechanisms titled, "Gender Justice: A Citizens' Guide to Gender Accountability at the International Financial Institutions,". As follow up, GA and CIEL are jointly developing a user-friendly "Preventing Gender Impacts: A How-to Guide for Local Communities Dealing with International Financial Institutions". This Guide will help people harmed by gender discrimination in IFI projects to take their complaints to IFI accountability mechanisms for the first time.

4) Gender and Climate Change*:* Finally, but of great importance, Gender Action has a gender and climate change program. Last year, the World Bank Group increased spending on oil, coal and gas by 94%, while at the same time, the WBG became the manager of multiplying climate investment funds created by the US and other rich countries. To raise literacy and do advocacy on the gender impacts of these developments, Gender Action just produced three outputs: (1) *Doubling the Damage: World Bank Climate Investment Funds (CIFs) Undermine Climate and Gender Justice*, a paper which explores the linkages between climate change, gender justice and the International Financial Institutions (IFIs), connecting three previously fragmented arguments: a) The World Bank administered Climate Investment Funds run a grave risk of exacerbating climate change; b) Climate change uniquely and disproportionately affects poor women; and c) Gender justice suffers under the CIFs which will significantly set back climate and gender justice goals; (2) A *Gender, International Finance and Climate Change Link* that provides resources on the gender impacts of IFI investments in sectors heavily impacted by climate change: agriculture, health, care work, and post-conflict and post-disaster reconstruction. The Link offers suggestions for improving gender justice in the face of climate change and 'dirty' IFI investments. It provides tools for cooperative action among international finance watchers, climate change and gender justice activists; and (3) A *Gender, International Finance and Extractive Industries Link which* introduces the gender impacts of IFI investments in the extractive sector, including coal, oil, gas and logging. The Link specifically examines the gender dimensions of labor discrimination, unequal benefits, physical and sexual exploitation and disease in communities affected by IFI-financed extractive projects.

We are planning two new complementary climate change initiatives: First, to monitor the gender impacts of the CIFs; and, second, to prepare an "engendering" toolkit for the multitudes of IFI watching groups, mostly environmental groups, which are monitoring CIFs. Other recent Gender and Climate Change program outputs include: (1) Our 2008 analysis of World Bank-managed post-Tsunami projects in our 2008 "Empty Promises: Gender Scorecard of World Bank-managed Post-Tsunami Reconstruction in Indonesia". We found that none of these projects include gender equality goals in project objectives, despite considerable scope for doing so. A majority of projects insufficiently address gender issues in project components. We are conducting advocacy to promote gender sensitive post-Tsunami project implementation and persuade the World Bank to systematically live up to its commitment to promote gender equality. (2) Our project in China, one of the largest IFI borrowers for infrastructure investments, especially in extractive industries, where civil society previously had not monitored IFI investments. In 2008 GA provided capacity building a local partner, the Women's Law Studies and Legal Aid Center (WLSLAC), on holding IFIs accountable for gender and climate change impacts. Then GA and WLSLAC conducted a joint gender audit of World Bank, International Finance Corporation and Asian Development Bank projects addressing gender, other social, and environmental impacts such as involuntary resettlement. Based on the audit, we prepared the "IFI Gender Audit and Advocacy: A Toolkit for Chinese Civil Society Organizations". This year WLSLAC will conduct field assessments of gender impacts of IFI investments in China and next year we plan to extend capacity building to a larger number of Chinese civil society groups who could hold IFIs accountable for social, including gender, and environmental impacts of IFI investments. The World Bank itself classified over 85 percent of its active projects in China as likely to cause harm or potential hazards to people and ecosystems. The Bank does not comparably classify potential negative gender impacts but our audit demonstrates that the majority of IFI investments in China neglect to consider gender impacts.

Another important report on the climate change theme is our *Boom Time Blues: Big Oil's Gendered Impacts in Azerbaijan, Georgia and Sakhalin*. Based on fieldwork we showed how IFC (International Finance Corporation) and EBRD-financed oil pipelines are a conduit for trafficking in women, prostitution, HIV/AIDS, domestic violence and other ills that did not exist before the pipelines.

You can access Boom Time Blues and all other Gender Action publications on our website publications page, www.genderaction.org.

Thank you for listening!