POLICY SPACE AND THE GENDERED IMPACTS OF INTERNATIONAL FINANCIAL INSTITUTIONS

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For over a quarter of a century, the international financial institutions (IFIs) have been constraining country sovereignty and national policy space—the ability of a country to have options and flexibilities in designing national policies.[1] This protracted process has exacerbated poverty in the world's poorest countries, instead of reducing it, despite IFI claims to the contrary. This paper first discusses IFI policy space occupation, and second, its gendered impacts, which are illustrated by country-level case studies.

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THE POLICY SPACE OCCUPATION OF IFI CONDITIONALITIES

This section illustrates IFI policy space occupation through examining "conditionalities" and debt cancellation and reduction.

Conditionalities

Since 1980, the primary vehicle that IFIs have used to squeeze borrowing governments' policy space is the "conditionalities" attached to IFI Structural Adjustment Loans (SALs) and projects. SALs are an early name for policy-based loans that IFIs have used to impose conditionalities on developing and transition countries.[2] Besides financing policy-based loans that significantly restrict policy space, the World Bank and other Multilateral Development Banks (MDBs) also use project loans to impose conditionalities on economic policies.[3] Agricultural, rural development, water supply, sanitation, education, health and virtually every type of conventional IFI project imposes conditionalities such as requiring developing countries to privatize services and drop tariffs unilaterally without developed country reciprocity. Increasingly popular non-project-specific sector-wide loans also inflict IFI conditionalities that squeeze country policy space.

Over time, IFIs have responded to persistent civil society and citizen complaints, including popular street protests, which have vociferously criticized IFI policy conditionalities for their harmful social and gendered impacts. IFI responses include avoiding using the names "SALs" and "conditionalities" and claiming that conditionalities have been eliminated.[4] IFIs have actually increased the number of conditionalities through bundling several conditionalities into one, and renaming them, for example by calling them benchmarks.

DEBT CANCELLATION AND REDUCTION

Another recent IFI policy space issue that has attracted significant press coverage is the cancellation and/or reduction by IFIs of poor countries' debts. Many civil society organizations (CSOs) applaud an increasing series of IFI debt cancellations, as unconditional debt cancellation can free up policy space, permitting countries to choose policies that advance human development instead of spending their national revenues to repay IFI debts. Debt relief can release otherwise debt-locked public resources for spending on education, health, and other critical development programs.

Two types of IFI debt cancellation are being discussed: those initiated by countries themselves and those resulting from debt cancellation or reduction by the IFIs and other creditors. First, regarding debt cancellation initiated by countries themselves, Gender Action and many civil society partners celebrate that a cascade of countries have been paying off their debts to the International Monetary Fund (IMF), and announcing an end to their ties to the IMF. Since 2003, some of the IMF's largest debtor countries have decided to pay off their IMF debts ahead of schedule. These countries include Argentina, Brazil, Colombia, Indonesia, Serbia and

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Uruguay. For example, in 2006 Brazil paid its total debt of $15.5 billion, Argentina its debt of $9.5 billion, and Uruguay its debt of 1.08 billion to the IMF. Ecuador has vowed to repay, or restructure, its IMF debt of $10.28 billion.[5] These Latin American countries have found unconditional alternative financing from oil-rich Venezuela. Several of these countries announced that they no longer want, or need, IMF control over their policy space due to the sharply negative impacts of IMF loan conditionality on their national growth and development processes.

These debt cancellations have placed the IMF in a legitimacy, relevancy and budget crisis. The IMF is searching for a new mandate and for ways to survive.[6] IMF supporters, particularly the Group of Eight countries (G-8), are attempting to reinvent the IMF by creating new IMF programs. Taking advantage of the timing of the IMF crisis, hundreds of CSOs around the world have launched a campaign in 2006 titled "The IMF: Shrink or Sink It!"[7] The involved CSOs believe that the IMF needs comprehensive reform at the least, and if that fails, it should close. The campaign aims to eliminate the IMF's "gatekeeper" function: its powerful role as head of an aid cartel. Without the IMF's "green light," or signaling power, endorsing a government's policies, most multilateral and bilateral donors and creditors, as well as the private sector, withdraw aid to that government. Policies comprising the IMF's overarching market-driven development strategy occupy national policy space. These policies—imposed as conditionalities—call for deregulation, privatization and public spending reductions, among other economic reforms. In many African countries, these conditionalities have resulted in annual per capita incomes falling by over 50 percent in the last two decades.

Anti-IMF campaign recommendations involve the following points: First, to refuse to sign new loan agreements or enter into new programs with the IMF. Second, to conduct citizen, parliamentary, and other government audits of IMF performance and impacts. The campaign popularizes the option of withdrawing from the IMF altogether. Citizen pressure has led to the poorest countries receiving IFI debt cancellation, in order to relieve low-income countries that are burdened by illegitimate IFI debt. In 2005 the G-8 countries decided to cancel African Development Bank, World Bank, and IMF debts of 18 Highly Indebted Poor Countries (HIPC) countries. In early 2007, the Inter-American Development Bank cancelled debts amounting to US$6.5 billion out of a total of US$15 billion that five Latin American countries owed the bank. To become eligible for debt relief, countries must comply with IFI-imposed policy reforms, further giving up policy space.

To date, only one country, Bolivia, among the poor countries receiving debt relief, has publicly announced its intention to break with IMF policies. Another low-income country, Ghana, announced that it would not renew its Poverty Reduction Growth Facility (PRGF) agreement with the IMF upon its imminent expiration. Following up could open Ghana's nationally-owned policy space to determine the design of its economic and social policies, for example, on revenue-raising and social sector spending priorities. Most countries want and deserve to regain sovereign control of their policy space and resources, instead of spending their resources on massive debt repayments to IFI creditors. However, countries receiving debt relief need to be on guard of attempts by the IMF, World Bank, and other IFIs to impose new conditionalities through new arrangements. Debt-relieved countries must carefully retain their ability to determine national economic policies, even after debt relief is implemented.

GENDERED IMPACTS

This section discusses the gendered impacts of IFI policy conditionalities through examining poverty reduction strategies and operations and several country cases. Framed by the above picture of IFIs squeezing national policy space and sovereignty, Gender Action's starting point is that the 70 percent of the world's poor who are women bear a disproportionate amount of the burdens of IFI economic reform conditionalities. IFI loan conditionalities to poor developing countries not only impinge on country-level sovereignty by requiring governments to comply with their creditors notions of how to reform economic, financial and trade policies, but they also contribute to the feminization of poverty. Not only have over a trillion dollars of IFI development loans not reduced poverty, rather the loans have in many instances deepened poverty, especially among women.[8] For example, IFI-mandated tariff reductions undermine the livelihood of farmers, the majority of whom are women in the world's poorest countries. In Africa, most of the 80 percent of farmers who are women have experienced income drops due to conditionalities such as required tariff reductions.

Until recently, Gender Action monitored Poverty Reduction Strategy Papers (PRSPs) for the gender impacts of economic policies contained within the programs. Both the IMF and World Bank require that low-income country governments prepare national development plans called "PRSPs." PRSPs are a prerequisite for accessing virtually all development aid. Although the IMF and World Bank constantly state that PRSPs are country-owned, PRSPs must meet World Bank and IMF specifications and obtain Fund and Bank Board approval. Gender Action found that PRSPs address gender issues unsystematically. Since realizing that PRSPs policies are not enforceable, Gender Action stopped engaging in PRSPs, shifting attention to Poverty Reduction Growth Facilities (PRGFs) and Poverty Reduction Support Credits (PRSCs), described below, because they contain enforceable conditionalities. PRSPs are aspirational in comparison. Gender Action also continues to focus on mandatory IFI sector project loan conditionalities—for example conditionalities requiring countries to privatize services and/or adopt user fees in post-conflict reconstruction, health, education, agriculture and other sector loans.

In 1999 the IMF renamed its macroeconomic stabilization loans for the poorest countries, known as Enhanced Structural Adjustment Facilities, to Poverty Reduction Growth Facility (PRGF) Arrangements. The World Bank renamed some of its SALs Poverty Reduction Support Credits (PRSCs). These name changes were intended to announce a greater emphasis on poverty reduction. Despite their rhetoric about reducing poverty, macroeconomic policies in PRSPs, PRSCs and PRGF Arrangements continue two decades of IMF and World Bank conditionalities that prioritize decreasing government spending and increasing government revenue to repay debts owed to the IFIs and other creditors over reducing poverty. Ironically, the World Bank's new Gender Action Plan committed the Bank to address gender issues in policy-based loans.[9] However, the World Bank's paramount Operational Policy on Gender and Development waives policy-based loans from its requirement that all Bank loans promote gender equality.[10]

GENDERED IMPACTS IN COUNTRY-LEVEL CASES

The following country-level cases illustrate the foregoing discussion of the gendered impacts of IFI-mandated policy reforms.

Democratic Republic of the Congo

The Democratic Republic of the Congo (DRC) provides an example of IFI loans that guarantee corporate investments in mine privatization and restructuring with tragic incomes for women. The gender dimension is missing in IFI policy discussions governing mining loan conditionalities and revenues. The major beneficiaries of IFI mining operations are transnational corporations and local elites who turn a blind eye to harmful gendered outcomes that include forced household displacements, sexual slavery and mass rape.

For example, the World Bank Group's Multilateral International Guarantee Agency provides political risk insurance to private mining companies operating in the DRC; the World Bank Group's International Development Association makes loans to the DRC to "restructure" the mining sector including laying off tens of thousands of workers.[11] These reinforcing policy conditionalities affect the economic livelihoods of women and girls who are involved in labor and services attached to dangerous mining activities, sometimes involving children as young as seven years old. Their livelihoods are also undermined by the environmental destruction caused by mining. These environmental effects require local women in surrounding communities to have to walk even farther to find firewood—an endeavor that increases their exposure to rape and other forms of violence. Households, and particularly the women and girls in them, face a daunting array of needs for physical safety. IFI loans do not address these gendered outcomes of their loan operations.

Malawi

For years, the Bank and Fund have been forcing Malawi to privatize ADMARC—the state marketing board—and the Strategic Grain Reserve (SGR), which used to keep the price of maize affordable. Privatization of ADMARC and the SGR has contributed to a food crisis in Malawi.[12] Women, forced to wait into the night in long lines at ADMARC to buy maize, risk attack on their way home from the queue. When women cannot afford to buy maize, women must scavenge for leaves and boil tubers and roots to feed themselves and their families.

Chronic hunger has also forced desperate rural Malawian women and girls into sex work and early marriage, and increased their exposure to HIV/AIDS. The excess supply of sex workers has glutted the market; sex workers claim that prior to the food crisis they could charge US$8 for unprotected sex and

US$1-2 for sex with a condom. Since the food crisis, rates have sharply plummeted to US$0.80 without a condom. Workers would rather die a little later from AIDS than die from hunger today.

Mozambique

Mozambique's successive IMF PRGF and World Bank PRSCs—the policy-based loans described above—mandated a new labor law which increases labor flexibility in five ways. One, retrenchment costs are reduced, including severance pay. Two, wages are paid in the form of piece-rates rather than fixed wages based on hours worked. Three, company-led downsizing and the use of short-term labor is facilitated. Four, hiring practices become contractual rather than secured through long-term employment contracts; and, five, employing foreign nationals is made easier. It is unexpected for a country that has maintained an average per capita income growth rate of about ten percent for a decade to be as impoverished as Mozambique is, with extraordinarily high rates of illiteracy and HIV/AIDs, especially among females. Although Mozambique did endure a deep civil war, it has achieved a postwar decade of high-rate growth. This anomaly exists because a handful of transnational corporations (TNCs) owns a few large capital-intensive and export-oriented projects that employ only a small percentage of Mozambique's total population and enrich only a minority elite and the TNCs. IFI policies and loans that support TNCs and elites, rather than the poor, have deepened poverty in Mozambique especially among women who compose the majority of the poor, the illiterate, and the ill.

Serbia and Montenegro

Serbia and Montenegro are now two independent republics but when Gender Action reviewed their World Bank policy-based loans in 2004, the two republics were united. In Serbia and Montenegro, World Bank and IMF structural adjustment loans (SALs) formed the primary response to a devastating decade of civil war. After Serbia and Montenegro rejoined the World Bank in 2001, at least 80 percent of initial Bank operations were SALs. This high proportion of adjustment operations characterizes economic reforms in transition countries more broadly. Gender Action's analysis shows how Serbia and Montenegro's SALs fail to acknowledge or mitigate the harmful impacts on men and women.[13] Here are a couple of examples:

- In Serbia and Montenegro, women comprise the majority of service sector workers providing finance, education, and health services, and the majority of textile industry employees. The World Bank Private and Financial Sector Adjustment Credit required the governments to privatize the textile industry and smaller enterprises and downsize the public sector including finance, health, and education without regard for the gender impacts. Women's precarious economic position in these enterprises and government jobs made them especially vulnerable to lay-offs. They constituted the majority of the unemployed and informal sector employees with few assets to become self-employed.

- The World Bank Serbia Social Sector Structural Adjustment Credit reforms pension, labor, and employment laws. It encourages self-employment but fails to acknowledge the barriers that prevent women from succeeding in small businesses. It diminishes protection from discrimination for women and other workers in weak positions in the labor market. For example, women lack the collateral to access loans since men own most of the property. Serbia's new labor law eliminates previously required collective bargaining and weakens labor's power. Women now comprise a larger percentage of the unemployed. Women have been hurt most by the Bank policy conditions.

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Tanzania

Tanzania has borrowed over US$5.8 billion for 45 operations from the African Development Bank, the International Monetary Fund, and the World Bank since the year 2000. At least half of these operations, comprising over a quarter of loan funds, appear to be loans containing potentially harmful components.

For example, World Bank projects in Tanzania include the following:

- A Secondary Education Development Program approved in 2004 for $150 million, and includes resettlement, administrative decentralization, decreasing costs per pupil, and increasing class sizes.

- The Primary Education Development Program approved in 2001 for $150 million imposes double-shift teaching on 50% of primary schools, increasing student enrollment but limiting instruction time per student.

- The World Bank's Second Health Sector Development Project approved in 2003 for $65 million introduces user fees.

- The Bank's Dar es Salaam Water Supply and Sanitation Project approved in 2003 for $62 million includes retrenchment of workers, price increases, and resettlement of unauthorized water users. Women who already comprise the vast majority of poor Tanzanians are hardest hit by these conditionalities.

Civil society and governments worldwide must hold the publicly-financed IFIs accountable.

In another operation, to comply with World Bank and IMF loan requirements, the Tanzanian government sold the management of the Dar es Salaam Urban Water and Sewerage Authority (DAWASA) to City Water, a joint venture between private companies based in Germany, Britain and Tanzania.[14] After City Water took over in 2003, tariffs increased. Although women were primarily responsible for fetching water in Tanzania, an Action Aid report found that the City Water privatization scheme utterly neglected to consider household gender relations or the needs of women and girls in the reform. The primary benefits of high water prices were reaped by the corporation, City Water, and owners of private water wells while poor women and girls continued to have to walk often long distances to carry water without remuneration. Women and girls who could not walk long distances for affordable water were forced to spend the majority of their household income on water instead of much-needed food supplies and education. Bowing to public complaints, in 2005 the government of Tanzania was forced to cancel its contract with City Water.

CONCLUSIONS

The burdens on women in accessing essential services, such as water, show how basic human needs remain unfulfilled in Africa. How is it that the IFIs, despite the billions of dollars they have allocated to water supply and transportation projects in Africa, hardly succeed in relieving poor women and girls from having to carry water on their heads barefoot on unpaved roads? First-hand testimonies by African women have revealed that carrying water for hours every day significantly diminishes the amount of time that they have for income-generating work. As the Tanzanian example above illustrates, IFI investments in privatizing water monopolies increases poverty and corporate profits. The programs and loans of the IFIs have diminished or eliminated opportunities of women and young girls to earn income and attend school, respectively.

Why are such IFI policy conditionalities so persistent and so sticky? Why do the IFIs do everything to camouflage the continuation of conditionalities? Our case examples demonstrate that a key reason is that IFI conditionalities open up developing country markets to profitable TNC investments. In IFI loans the main beneficiaries have been the TNCs that win IFI contracts and local elites, not the poor whom the IFIs claim are the beneficiaries. If the poor were the beneficiaries of the $100 billion that IFIs disburse annually, there would be much less poverty in this world.

In 1989, the World Bank had a task force that laid the groundwork for the 1990 World Development Report on poverty.[15] The task force concluded that reducing poverty requires asset and income redistribution. Asset ownership has become more concentrated and income distribution gaps have widened in most countries since the late 1980s. IFI policies and loans that cater to TNCs and elites, not the poor whom they claim to serve, help explain why poverty and income distribution have worsened.

ENDNOTES

1. That the Woodrow Wilson International Center for Scholars first invited me to present in 1987 and again almost 20 years later on this topic underscores the long intractability of IFI occupation of poor countries' policy space.
2. For a description of the many names IFIs use for policy-based loans since launching SALs, see Vladisavljevic, Aleksandra and Elaine Zuckerman, "Structural Adjustment's Gendered Impacts: The Case of Serbia and Montegnegro," Gender Action, 2004, http://www.genderaction.org/images/Gender-SALs-Serbia&Mont.PDF.
3. All IFIs support both SALs or policy-based loans as well as investment projects except the IMF that only makes loans for the former.
4. Vladisavljevic, Aleksandra and Elaine Zuckerman, "Structural Adjustment's Gendered Impacts: The Case of Serbia and Montegnegro."
5. Manuela Badawy, "Venezuela: A Financing Center for Latin America-Fitch," Reuters, February 6, 2007, http://www.veninfo.org/news/02-06-07reu.html.
6. The International Monetary Fund, "Eminent Persons Group Outlines Long-Term Revenue Plan to Finance IMF Activities," IMF Press Release No. 07/18, January 31, 2007, http://www.imf.org/external/np/sec/pr/2007/pr0718.htm; and "Funding the Fund: Putting

the IMF's own house in order," *The Economist*. February 3, 2007.

7. Gender Action is a founding member of the first concerted anti-IMF campaign that citizens' groups launched during the September 2006 annual World Bank-IMF meetings. See the initial campaign document, "The IMF: Shrink it or Sink it: A Consensus Declaration," July 2006, http://www.genderaction.org.
8. Suzanna Dennis and Elaine Zuckerman, "Gender Guide to World Bank and IMF Policy-Based Lending," Gender Action and the Heinrich Boell Foundation, December 2006, http://www.genderaction.org/publications.html.
9. The World Bank Group, "Gender Equality as Smart Economics: A World Bank Group Gender Action Plan (Fiscal years 2007–10)," September 2006, http://siteresources.worldbank.org/INTGENDER/Resources/GAPNov2.pdf.
10. World Bank mandatory Operational Policies have precedence over action plans.
11. For example, the World Bank Group's Multilateral International Guarantee Agency provides political risk insurance to private mining companies operating in the DRC: http://www.cao-ombudsman.org/html-english/DemocraticRepublicofCongo.htm; the World Bank Group's International Development Association makes loans to the DRC to "restructure" the mining sector, including laying off 10,000 workers; information on this is available at: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/AFR/2004/12/15/8793B0DBCBC1CC658 5256F030017596D/1_0/Rendered/PDF/38150DRC1CONFORMED.pdf and http://www.bicusa.org/Legacy/DRCWorldBank_August_2003.pdf.
12. Suzanna Dennis and Elaine Zuckerman, "Gender Guide to World Bank and IMF Policy-Based Lending."
13. Ibid.
14. Ibid.
15. The World Development Report, the World Bank's annual flagship publication, highlights a different theme each year and is available at http://www.worldbank.org/wdr.