GenderAction

1875 Connecticut Ave. NW | Suite 500 | Washington DC 20009 USA
tel 202-939-5463 | www.genderaction.org

**NCWO Meeting, November 17, 2009**
**Global Task Force Presenatation**
**Elaine Zuckerman**

## I. Presentation on US, IFIs/IMF and Women

Dear NCWO Colleagues,

With Gender Action involved in the NCWO Global Task Force, you will hear a lot about the International Financial Institutions, called IFIs, because Gender Action is the only civil society organizations in the world dedicated to holding the IFIs accountable for the gender impacts of their investments.

Since the IFIs are the largest public taxpayer-funded international development agencies in the world, in my allocated seven minutes, I plan to spend a couple of minutes providing brief background information on the IFIs generally, and then delve into the dangerous role of the International Monetary Fund known as the IMF, because IMF policies particularly harm women who compose the majority of the poor in the Least Developed Countries or LDCs. I will conclude by sharing a fascinating conflict between Congress and the Administration over the IMF.

### 1. Very Short Background on the IFIs

Among the IFIs, you have heard most about the World Bank and 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 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 US is the largest shareholder in each of these IFIs. Although US shares in the IFIs today compose about 17 %, the US still maintains the largest voice in the IFIs and is the only country holding veto power in IFI decision-making.

IFIs normally make loans to Least Developed Countries and Emerging Economies. IFI loans have a record of burdening poor countries with debt which significantly reduces poor countries' public funding for health, education and other social needs. Under pressure from civil society, the World Bank recently started making tiny grants in addition to its traditional loans.

That is my quick introduction to the IFIs. Now let's turn to the IMF.

**Some Recent IMF History and the Current IMF Debate**

The IMF strictly makes loans without any grants in its portfolio.

For four reasons, I will discuss the IMF today. First, among the IFIs, least is known about the IMF, which is an opaque, non-transparent institution. Second, the US and other rich countries are providing massive funds to the IMF to address the global financial crisis around the world. Third, the US is the key power behind the IMF, both historically and during the current global financial crisis. Fourth, IMF loans to poor countries indebt these countries and squeeze poor country spending which harms the livelihood of poor women and children more than other groups. These are reasons why the NCWO community should be interested in the IMF.

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

Here is how poor women are impacted: Typical IMF loan conditions require poor countries to cut public spending including, for example, through cutting public sector wage bills which reduces the number of health workers and teachers. IMF loans push countries to privatize services including education, health and water which reduces or eliminates public or subsidized services for the poor. The poorest countries getting IMF loans have per capita incomes of less than $1,000 annually and sometimes as low as $200-300. 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. For example, in the late 1990s East Asian financial crisis, the IMF imposed its typical contractionary spending policies which deepened the Asian downturn. Contractionary policies are the opposite of stimulus or expansionary policies. Contractionary policies cut back rather than expand spending. After the East Asian IMF experience, many middle-income countries piled up reserves so that they would never have to depend on the IMF again. A number of Asian and Latin American countries repaid loans early to the IMF 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. In 2007, the IMF was suffering both an internal financial crisis and external legitimacy crisis.

In 2007, only a few prescient experts foresaw the current global financial crisis, for eg Nouriel Roubini, and our partners at the Center for Economic and Policy Research whose illustrious Board includes our own Heidi Hartmann. But the IMF did not foresee the impending massive economic downturn in the US and globally.

In 2007, many civil society groups and journalists believed that the IMF was on its last leg. That hope evaporated when the global financial crisis hit the world. Because of the global financial crisis, 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 at least $750 billion.

As a result, the IMF has been enormously expanding its volume of loans to countries hit by the financial crisis. Close civil society tracking of recent IMF loans indicates that the IMF has been making two types of loans: The first type of recent IMF loans, to better-off countries like Iceland, do not contain mandatory conditions and encourage stimulus spending. The second type of IMF loans, to poor countries such as El Salvador, Ethiopia and Pakistan, require spending cuts, the opposite of stimulus packages. You can see a double standard at play. El Salvador, Ethiopia and Pakistan must cut spending despite negative shocks to their economies, although during the global financial crisis, poor countries badly need stimulus packages, just like the US does.

The US is playing the largest role in expanding the powers of the IMF. Many civil society groups have long called the International Monetary Fund the US Monetary Fund because the US wields huge power in shaping IMF policy and practices. We women's groups need to ensure that the IMF stops requiring public sector cutbacks which eliminates or cuts poor country spending on combating HIV/AIDS, and other health, education and water supply services.

Recently a fascinating battle was fought over US funding for the IMF between Congress on the one hand, and the White House and Treasury on the other. In the White House, economic matters are run by Larry Summers, former World Bank Chief Economist. Treasury is run by Tim Geithner, a former IMF manager. The media has given this battle hardly any attention. Gender Action and other groups concerned with global economic justice have been monitoring this saga which I will share with you.

Last summer, President Obama signed the war appropriations supplemental for Iraq and Afghanistan, to which was tacked a $106 billion grant to the IMF. Obama himself called John Kerry, his former Senate buddy who heads the Senate Foreign Relations Committee to ask Congress to attach the $106 billion grant to the IMF into the war appropriations supplemental. Thanks to civil society advocacy to Congresspersons explaining that writing a blank check to the IMF was not a good idea because of the IMF's bad track record requiring poor countries to cut public spending during financial crises, scores of congresspersons, led by Representative Maxine Waters, added language to the IMF supplemental instructing the Treasury, which is the principal overseer of the IMF, to demand IMF reforms in exchange for the $106 billion gift.

Congress included a set of IMF reforms in the bill appropriating $106 billion for the IMF which required that the IMF:

1. Permit 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. As we discussed already, such policies squeeze poor countries' spending on health, education and other social services.
2. Congress demanded 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.
3. Congress' bill demanded a democratic process of IMF loan signing with borrower countries' parliaments to replace unilateral agreements between the IMF and borrower countries' executive arms.
4. Congress' bill demanded greater IMF transparency since the taxpayer-supported IMF remains an opaque, secretive taxpayer-supported organization.

Most incredibly, when President Obama signed the bill appropriating funds to the IMF, he added a signing statement saying the administration would ignore the IMF reforms requested by Congress.

In response, four key House leaders, including REP. BARNEY FRANK, Chair of the House Financial Services Committee, REP. DAVID R. OBEY, Chair of the House Appropriations Committee; REP. NITA M. LOWEY, Chair of the House Appropriations Subcommittee on State, Foreign Operations, and Related Programs; and REP. GREGORY W. MEEKS, Chair of the House Financial Services Subcommittee on International Monetary Policy, sent President Obama a strong letter protesting Obama's signing statement. I would like to share the final three sentences of these Honorable Representatives' letter to President Obama:

"Along with your assurances that you will respect these conditions, we request that you no longer assert the right to ignore provisions that Congress adds through the normal legislative process for funding for the international financial institutions.

If we are forced to conclude that you will not accept the terms and conditions under which the legislation passed, we must make clear that - both as a matter of the personal preference of those of us signing this letter and as a practical matter from the standpoint of getting sufficient votes to pass these measures in the future - it will make it virtually impossible to provide further allocations for these institutions. That is, the policy of using signing statements to assert the right of the White House to ignore certain provisions of legislation regarding the IMF, the World Bank, and other international financial institutions may result not in the invalidation of those various provisions, but rather in insufficient Congressional support for further funding of these institutions."

But Congress' strong message to Obama has had no effect. The administration is ignoring Congress' demanded reforms for the IMF. The administration has given the IMF a blank check to continue pushing its policies that harm poor women and men, boys and girls around the world.

In fact, the IMF is celebrating a double victory: (1) a massive increase in its loans; and (2) the IMF's latest head, DSK, who with former French socialist party credentials and considerable charisma, is convincing the world media that the IMF has a new pro-poverty approach despite the fact that the IMF is still imposing contractionary policies on poor countries which push increasing numbers of poor women into poverty and lays the basis for the next global debt crisis. In response to the global financial crisis, the IMF claims that it has changed, but recent IMF loans to poor countries require spending cuts which hurt poor women deeply.

We women's advocates must continue to urge the US to stop donating money to the IMF without requiring the IMF itself to improve its policies.

As a start, I visited Melanee Verveer during the Congress-White House/Treasury battle to request that she ask Hillary to weigh in on her former Senate colleagues by presenting a more progressive Administration voice than the White House's and Treasury's. Melanne agreed with me that State had not paid attention to the IMF in the past, or to the IFIs for that matter, and it was high time State did so. She promised to speak to Hillary but it seems that the White House and Treasury have won this battle of writing a blank check to the IMF and the IMF will continue its policies that further impoverish poor women in least developed countries.

## II. Global Task Force Update

Let me start by saying that for years, NCWO has asked Gender Action to chair NCWO's Global Task Force. Small Gender Action has always lacked the time and resources but Susan Scanlon's charms and persuasive powers were irresistible.

The one announcement I wish to make today is that NCWO and Gender Action are co-sponsoring a World Aids Day event at the Zambian Embassy on December 1 from 5-7 pm to which you are all invited. See the written invitations in front of you.

We have lined up a wonderful panel of expert speakers to address global spending for HIV/AIDS, including Regina Dumba, a gender and AIDS expert from Zimbabwe who is with us today, and Dr. Paul Zeitz, head of the Global Aids Alliance. Susan charmed the Zambian Ambassador into who is a feminist advocate to also make remarks.