

IMF Conditionalities And Feminization Of Poverty

Nafisa Bano

Women's Studies
University of Karachi

Naheed Abrar

Department of Social Work
Urdu University

*Excuse me friends, I must catch my jet-
I'm off to the Development Set;
My bags are packed, and I've had all my shots,
I have travellers' cheques and pills of all sorts*

*The Development Set is bright and noble,
Our thoughts are deep and our vision global;
Although we move with the better classes,
Our thoughts are always with the masses*

*We discuss malnutrition over steaks
And plan hunger talks during coffee breaks.
Whether Asian floods or African drought,
We face each issue with an open mouth.*

*The language of the Development Set,
Stretches the English alphabet
We use heavy words like econometrics,
'Macro' and 'Micro' and debt and genetics*

*Enough of these verses- on with the mission!
Our task is as broad as the human condition!
Just pray to God the biblical promise is true.
The poor ye shall always have with you.*

(Ross Coggins / Shirkat Gah, 2003)

Abstract

When the International Monetary Fund (IMF) was established as a part of United Nations (UN) System, it aroused hopes for the futures. The developed world in general and developing world in particular expected that the IMF would come for rescue during crisis times. However hopes turned into disillusionment, when IMF offered its conditionalities along with monetary help and assistance. Soon after, critical studies regarding IMF Conditionalities and their impact upon the receiving states proliferated all around. Unfortunately, the global debate about IMF Conditionalities neglected the effect of such conditionalities upon the women and it is only recently that the issue has been taken up for research and study. Clearly, need for serious and scholarly works is there. Keeping in view, this paper focuses on the

impact of IMF Conditionalities on women. It, however, also deals with a related issue: Do the countries have to accept such conditionalities which might affect the women adversely?

تلخیص المقالہ

جب اقوام متحدہ کے ذیلی ادارے کی حیثیت سے بین الاقوامی مالیاتی فنڈ یا آئی ایم ایف کا قیام عمل میں آیا تو مستقبل کے حوالے سے اُمیدیں پروان چڑھیں۔ عام طور پر ترقی یافتہ ممالک اور خصوصاً ترقی پذیر ممالک کو اُمید ہوئی کہ آئی ایم ایف بھرانوں کے زمانے میں ان کی مدد کے لیے آئے گا۔ لیکن اُمیدیں نا اُمیدی میں بدلتی گئیں جب آئی ایم ایف نے سخت شرائط کے ساتھ ملکوں کے مالیاتی امور میں بہتری لانے کی پالیسی اپنائی۔ جلد ہی ساری دنیا میں آئی ایم ایف کی شرائط کے خلاف تنقیدیں، مقالے اور کتابیں شائع ہونا شروع ہو گئیں۔ لیکن بد قسمتی سے آئی ایم ایف کی شرائط پر ہونے والے بین الاقوامی مباحثے نے عورتوں پر آئی ایم ایف کی شرائط کے اثرات جیسے موضوع کو کافی حد تک نظر انداز کیا اور موجودہ زمانے میں اس موضوع پر کچھ کام کیا گیا ہے۔ لیکن ظاہر ہے کہ اس مسئلہ پر ابھی بہت کچھ ریسرچ ہونا اور مطالعہ اور بحث ہونا باقی ہے۔

اسی خیال کی روشنی میں یہ مقالہ عورتوں پر آئی ایم ایف کی شرائط کے اثرات کا جائزہ لیتا ہے اس کے علاوہ یہ مقالہ ایک اور اہم سوال (جو درحقیقت اس موضوع سے متعلق ہے) کا جواب تلاش کرنے کی کوشش کرتا ہے۔ وہ سوال یہ ہے: کیا آئی ایم ایف کی امداد قبول کرنے والے ممالک کے لیے یہ لازم ہے کہ وہ آئی ایم ایف کی ان شرائط کو مان لیں جن کے منفی اثرات کا خواتین شکار ہیں؟

To evaluate the performance of a country over a period of few decades, one must think and consider what extra-ordinary change has taken place in the country's status. In case a change has taken place, then the questions that arise are: what kind of change has taken place; and how has the change been bought about? Or what has been the process of development or during the last few decades. While discussing the reasons of change, the process and mechanism of change, the directions, developments and dimensions of the process are few factors which are said to be the issue of change (Mahbub-ul-Haq, 2000). By analyzing these features responsible for change, one can have the idea of the different stages of development of a country.

While analyzing the process of development, it is necessary to find out the pace of development that has taken place in the economy of the country. At the same time it is necessary to evaluate the consequences and results of economic development. For example, does a country with rates of economic growth measured by per capita income for over a few decades with a largely illiterate, uneducated and unhealthy population represent progress? And in contrast, does a poorer country with low income growth, but with higher social and human capital, a literate, healthy and educated population, represent progress? So the question here arises as to how the economic development has taken place and for whom! If economic growth, development and prosperity are manifested mainly in buying arms, spending beyond one's means on defense, and

propping up a large military establishment, all at the expense of social sector and on the people, then no matter how dynamic the economic growth, it is quite irrelevant (Zaidi, 1999). The questions of human development and equitable distribution of resources are important. Economic development must be sustainable, participatory, environmentally responsible and distributive. Any form of development must be related with the development of the society and it recognizes that the main constituent of a society is the human being living in it.

In this context, it is important to critically examine the role of agents of change and ask certain relevant questions. For instance, who are the agents of change and what kind of change they aim to bring about? Is there any difference between what they say and what they do? Are they responsive and sensitive to more than 50% marginalized population of the world i.e. women? Viewed in this perspective, IMF's performance and role in women's development and empowerment is rather modest and unimpressive. This paper entitled "IMF Conditionalities and Feminization of Poverty" is an attempt to critically discuss what IMF claims to be doing for development, especially for women's development and what it really does. It is divided into three parts. The first part discusses the aims and objectives of IMF; the second part refers to the policies in conflict with the declared objectives; and the third attempts for IMF as a cause for multiplying the powerlessness, poverty and marginalization of women of the developing world. By any criterion, women's condition is deplorable. 70% of the world's poor are women, although women make up about 50% of the world's population (UN, 2004). Their deteriorating economic and social condition is referred to as feminization of poverty. So any policy that aims to reduce poverty must address levels of discrimination directed against women in the society, which leads to their poor and deprived status. In this context, it is important to discuss the impact of IMF policy based loans and its conditionalities on women.

The World Bank and IMF were founded in July 1944 at the Bretton Woods Conference in New Hampshire, U.S.A, as specialized agencies of the UN. It was established as part of UN system. The institutions run by government have grown to be the most powerful official creditors in the world. Since voting power at the World Bank and IMF is based on members' contribution, they are governed by the rich-country majority shareholders. The IMF and World Bank are often referred as the International Financial Institutions (IFI's), which play important role in shaping the global economy (UN, 2004).

The IMF, as a UN specialized agency, gives guidance to many countries, when internal or external factors undermine their balance of payment position, fiscal stability or capacity to meet debt service commitments. It offers advice and policy recommendations to overcome the problems and often makes financial routine available to a number of countries in support of economic reform progress. One of the important facilities which

IMF provides is Poverty Reduction and Growth Facility. It's a concessional facility designed for low income member countries with the main aim of reducing poverty. The member countries qualified for funding may borrow up to 140% of their quota under a 3 year arrangement and up to 155% under exceptional circumstances. Loans carry annual interest rate of 0.5%. Repayments are made within a specified period, beginning from 5.5 years and ending 10 year after disbursement. In this way UN system, one may point out here, has made poverty reduction a priority. (Commonwealth Secretariat).

One of the founding principles of the UN is the conviction that economic development for all people is the surest way to achieve political, economic and social security. It is assumed by the UN Organizations that nearly half of the world's population, mostly in Africa, Asia, Latin America and the Caribbean earn less than \$2 per day. Around 860 million people are illiterate, over 100 million children have no access to school, over 1 billion lack access to safe water, and some 2.4 billion people, more than a one-third of the world's population lack access to proper sanitation. At the end of 2002, 180 million workers were retrenched worldwide, while the number of those who earn less than \$2 a day had risen to 550 million (Commonwealth Secretariat).

Small wonder therefore that the UN's General Assembly proclaimed 1997-2006 the International Decade for the Eradication of poverty and one of the important organizations of UN, UNDP, has made great effort to alleviate poverty. According to UNDP, poverty is a complex phenomena involving people's lack of empowerment, income and deprivation of basic services. The UNDP's main approach is to make government and society organizations strong enough to fight against poverty. These include increasing food security, improving the availability of shelter and basic services, increasing employment opportunities, increasing people's access to land, credit, technology, training and markets and encouraging political participation. According to UNDP, the main remedy to eradicate poverty lies in empowering the poor. At the UN's Millennium Summit in September 2000, world leaders committed themselves for the eradication of poverty, disease and environmental degradation. And one of the targets was to promote gender equality and empowerment of women as ways to combat poverty, hunger and disease and to enhance sustainable development. So according to UN, gender equality is considered as the key for the achievement of all development goals. To overcome poverty, UN has started giving importance to women's role in economics and social development. For the advancement of women, The Commission on the Status of Women was established under Social and Economic Council (ECOSOC). It promotes women's rights in the political, economic, social and educational fields. The commission has organized four global conferences on women's issues and gender equality at Mexico City in 1975, Copenhagen in 1980, Nairobi in 1985 and Beijing in 1995, (UN 2004).

Established on 18 December 1979, the Committee on the Elimination of Discrimination Against Women (CEDAW) monitors and helps in understanding women's social and economical rights, their political and civil rights and the means to ensure the enjoyment of those rights. The Division for the Advancement of Women supports the efforts of the Commission on the status of women and CEDAW to encourage the global agenda for gender equality and strengthening the mainstreaming of gender issues (Pietila, 1990). The UN is thus quite focused and recognizes the importance of women's empowerment in betterment for the development of the world. Here the question that needs to be asked is this: how come IMF, a UN organization can harm the pace of women's development and ignore the process of gender equality in the name of eradicating poverty and promoting development. This perception is prevailing in the society. Another issue which needs to be addressed is whether IMF conditionalities alone are responsible for the negative impact on women or the developed societies or the loan receiving countries are also responsible. The following section deals with the issues in some detail.

The IMF was established to monitor and manage the global exchange rate system to prevent another financial crisis like the one that had caused world-wide depression in the 1930's. It started providing short-term loans to countries facing problems arising that of a negative balance of payment. The IMF also provides quick disbursing policy-based loans called stabilization loans which help a country to pay for imports and finance refunds (Commonwealth Secretariat).

In the late 1970's, the developing countries were strangled into a debt crisis due to irresponsible handlings. The Western banks were lending money to the developing countries, because the banks were fully supported by the OPEC countries. The newly independent countries in the global South borrowed money to fund schools, roads, hospitals and industries. By this time, the economies of most of the developing countries were able to continue growing with difficulty and in the early 1980's, very large imbalances developed in many countries' balance of payment. The unsustainability of the debt system caused problems and hurdles by early 1980's. So due to economic problems, the developing countries once again received loans to pay back old loans instead of investing it in the development process. The ultimate result was that the debt burden, the damaging economic situation and persistent balance of payment crisis needed major adjustments in most developing countries. Adjustment, one may point out here, means allocation of resources from one part of economy to another, redeployment of labour, creation of new skills to participate in new opportunities, leading to a changed economic structure and changing patterns of life. Hence, for adjusting their loans, the IMF requests the countries to reform their policies for loans, grants and debt relief (Denis & Zuckerman, 2006).

In 1999, IMF renamed its stabilization loans as Poverty Reduction Growth Facilities (PRGF's). It does this through policy based loans also known as Structural Adjustment Loans (SAL's) and development policy loans. They require tight macro-economic and fiscal policies, decreased governmental expenditure, downsizing the public sector, privatizing the state owned enterprises and liberalizing trade (Commonwealth Secretariat). It is important to note here that the IMF conditionalities totally ignored the gendered consequences of PRGF's and other policy-based loans and consequently Empowerment of women was undermined and gender equality was not achieved. So the economic crisis of the 1980, and the adjustment policies badly effected the progress in health, nutrition, education and incomes which the women had enjoyed in developing countries during earlier decades. In spite of the national and international commitments towards gender issues, most women suffered discrimination during the economic and social crisis that occurred in most of the developing countries in the 1990's and after.

Gender is considered an important determinant in both social and economic role, and in the ability of individuals to adjust to macroeconomic changes. Adjustment policies ignore women's productive role in the "unrecognized" economic activities that include managing the household, reproduction and raising children which limit women's responses to structural adjustment. The adjustment policies usually mandated by conditionality is cutting government expenditures in the form of employment, subsidies and social services on introducing "user-fees" for those services (Mullaney). Economic and social activities like, alleviating poverty, ensuring food security, reducing population growth, improving the quality of a country's future labour force and properly using the natural resources base depend substantially on women, yet all of these are under attack through the bank's adjustment programme. Given below are examples to illustrate as to how does the IMF Conditionalities and its gender blind policies impact upon the women of receiving countries:

Privatization

In many developing countries, the governments are in deep economic crisis because they are paying debts. To pay back the loan, countries privatize ownership and operation of public utilities and services such as water, sanitation, telecommunication, electricity, health care and education. Therefore, privatization results in price hike which exclude the poor from access to services. Many women and girls are forced to increase their unpaid labour when they cannot afford services. For example, due to increasing health care costs, women and girls are forced to drop out of school or leave their jobs to care for ailing family members. Women are also forced to increase household income through working long hours, usually in lowest earning informal sector job. Girls are also taken out of school to supplement family income. In some way access to services such as clean water is a basic human right and need. It is necessary for people's survival. But in most

developing countries including Pakistan, water tax is being paid by the people, while poor women and girls have to walk long distances to get water for no payment. Women and girls who cannot walk long distances to bring water have to spend a part of their household income on water instead of spending it on food and education.

Public Sector Downsizing

IMF conditionalities require the lending government to increase the revenue by imposing Value Added Tax (VAT) on goods and services. VAT is paid by the producers at each level of production and by consumers on the finished product. VAT is taxed on consumer's spending rather than on their income. So the lower an individual's income, the larger the percentage of his earning is given to VAT. Since women earn low salary and constitute the majority of the poor, VAT takes a larger portion of women's earnings.

Cut in subsidies is the impact of the policies related to structural adjustment. The removal of subsidies on food prices have aggravated the situation by making basic food inaccessible to the poor and government resources have shifted from social spending to debt receiving. So women have been disproportionately, socially and economically damaged by their policies. Worldwide, women are half of the world's population and head of one-third of all households. They are responsible for half of the world's food production, but they receive one-tenth of total income and one-hundredth of the world's property. Women, who constitute the poorest of the poor, face a disproportionate burden on them which has further contributed to the feminization of poverty (Commonwealth Secretariat).

Trade and Labour Policies

Trade liberalization may increase poverty and gender inequality. It means elimination of barriers earlier required for imports and supports for exports. Due to this liberty, the women are affected differently than men due to their secondary status in the society. Foreign goods generally capture the local domestic markets and due to free trade, massive job losses take place and women are generally retrenched first. Addition of tariffs on import also reduces government revenue that could be used for social services such as health and education. For women in Bangladesh, the end of preferential import quota in higher-income countries under the Multi Fibre Agreement in 2005 exposed the garment industry to fierce competition from textiles produced more cheaply in China and India, causing an estimated loss of 1 million jobs. Since 80% of garment workers in Bangladesh are women, they are surrounded by floods of problems and difficulties.

On one side, women are deprived of their jobs, on the other side in Export Processing Zones (EPZs), women are considered cheap labour and are exploited on the bases of hire

on short-term contracts without access to the benefits of long-term employment. They are forced to forego overtime pay and maternity leave, experience ill health due to poor working conditions and tolerate intimidation and sexual harassment in order to keep their jobs. This happens mainly due to the making of labour laws more flexible by the government to attract transnational companies to their countries. So there are impacts of the policies made by the government of the debtor countries to repay the loans taken from IMF. Here again the question arises that can't there be other policies introduced which may not be gender blind? As the global world is moving fast, changes in policies is also taking place. Internationally and nationally, each and every issue of the people is being discussed on gender perspective. So there is an urgent need of policies which may be helpful in eradicating poverty, making adjustments of different loans, improving the economic status of the country and minimizing the discrimination of women (Dennis, 2006).

Deforestation

Deforestation is another impact of structural adjustments. The effect of deforestation includes increased soil erosion and floods which in turn reduces the availability of fuel, fodder and water. The increased demand for fuel wood is caused by reduction of Kerosene subsidies as well as less availability of crop and animal waste for fire following the introduction of new agricultural technologies. For women, therefore, the environmental effect of structural adjustment has made their task of collecting fuel wood and water much more difficult. So the result of adjustment policies has not been beneficial to the social welfare and economic condition of developing countries and their people. Incomes have been reduced as a result of rising unemployment. (Commonwealth Secretariat)

Again, women are at the epicentre of the crisis and are the victim of adjustment policies. It is the women who are severely affected by the deteriorating balance between incomes and prices, and who have desperately sought means for the families to survive. Women have had to find extra work to supplement family income. They rearrange family budget, switch to cheaper food, economize on fuel, and dispose consumer durables when possible. So women are in the front-line of the crisis in the developing world.

The above discussion from gender perspective clearly shows that the needs of women have been overlooked. Proponents of economic policies and those in powers at all levels forget the important role women play in the economy and all other aspects of the society. So there is an urgent need to counter the negative effects of the IMF policies. And this can be done by the respective governments of each developing country.

First of all, the rulers and policies must not blame the IMF for every crisis and critically look out their own gender blind policies and failures. They must start realizing that they are responsible for the problem of their people and not to destroy their life. So the leaders must begin the process of eradicating poverty by paying income tax, property tax, agriculture tax, land tax, lessen the lavish style of living and must transfer some of their foreign accounts to their respective countries as recommended by Dr. Shahid Hasan Siddique, Chairman of the Research Institute of Islamic Banking and Finance. He also recommended to the overseas Pakistanis to bring their accounts back to Pakistan. This will definitely have a positive impact on the economy which will lessen the impact of IMF policies on the poor and women. The state of Pakistan's economy is not just the fault of the IMF (Rashid, 2010).

Secondly, the people themselves are also responsible for the present scenario. To counter the effect of IMF policies, the respective governments of the debtor countries must check the level of corruption in the country. This factor causes direct harm to the poor and discriminates people of the society that is women. Corruption is like a termite which can easily cause the collapse the existence of a society. Thus, it must be checked.

Thirdly, the government must consider the social dimensions of their country and while making policies to improve their economy, must include a gender perspective. The policy based on this approach will definitely help the country to have a better economic status. Women must get support in all their roles, emphasizing social equity. Women must be integrated into the decision-making process on structural adjustment and on other issues. Each and every policy to be implemented or planned must be done keeping in view the gender perspective. Its effect of women must be put into consideration before preparing and adopting the final draft.

Let us cite here the example of Asian countries like India and China. They were less affected by the economic crisis of 1950 as they were less dependant on the international economy. Sustained growth of agricultural production, fruit of improved policies, extensive investment and technical improvement in the earlier decades contributed to the development of their economy. Both India and China relied more on their own resources and both opted for development based on indigenous bases and through the collective efforts of their people. Again, both countries encouraged the involvement of women in their efforts for development. They relied less on the IMF and the World Bank. Furthermore, the IMF does not force the receiving countries to adopt anti-women policies and implement them. For example, South Korea, a country which took loans from IMF, wisely utilized them and is having a more developed economy. Hence, the countries have to blame themselves for their acceptance of the unreasonable IMF Conditionalities and for willing to act against the interest of the women.

The IMF conditionalities are not alone responsible for feminization of poverty. The respective governments and people of the countries are also responsible. IMF does not impose any condition to blow up schools and hospitals, does it?

References

Commonwealth Secretariat (n.d) Engendering Adjustment for the 1990's: Report. London: Commonwealth Secretariat.

Dennis, Suzanna and Zuchkerman, (2006). Gender Guide to World Bank and IMF Policy – Based Landing, Herinrich Boll Foundation.

Mahbub-ul-Haq Human Development Centre (2000) Human Development in South Asia: The Gender Question. Karachi: Oxford University Press.

Mullaney, Annette. The Effect of IMF Programs on Women. Available at www.politics.as.nyu.edu/docs/IO/4600/mullaney_thesis.pdf. (retrieved on, 1st July, 2010).

Pietila, Hilka and Jeanne Vickers, (1990) Making Women Matter: The Role of United Nations. London and New Jersey: Zed Books Ltd.

Rashid, Sadia. (2010) IMF Conditionalities: Curse or a cure? Available at <http://jang.com.pk/thenews/mar2010-weekly/busrev-01-03-2010/p8.htm> (retrieved on 10, July, 2010).

Sadeque, Najma (2003) To Colonization and back via Globalization: 3rd Food Security Engagement of The Green Eco and Globalization, Shirkat Gah.

United Nations, (2004) Basic Facts: About the United Nations, New York, United Nations.

Zaidi, S.Akbar (1999) Issues in Pakistan Economy, Oxford University Press, Karachi.

Nafisa Bano is Lecturer in the Centre of Excellence for Women's Studies, University of Karachi.

Dr. Naheed Abrar is Prof. in the Department of Social Work, Urdu University.