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Written submission to the International Development Select Committee Inquiry on coronavirus in developing countries: secondary impacts

Summary

As the coronavirus pandemic continues to unfold, its devastating impacts – particularly on the rights of marginalised women and girls – are considerable. At this stage of the pandemic, while many developing countries are still combatting the health epidemic – and its social and economic fallout – international financial institutions (IFIs) have stepped in and provided much needed emergency loans. Although debt repayments have been temporarily suspended for some of the poorest countries, the failure to provide the emergency relief in the form of grants will only accelerate the looming global debt crisis when these repayments (along with interest) become due. Furthermore, these emergency loans include renewed calls from IFIs for further fiscal consolidation measures. At a time when many developing countries are in urgent need of financial resources to adequately respond to the unprecedented needs of their residents, such policy responses from IFIs severely undermine their abilities to fulfil basic human rights obligations. Meanwhile, the impending global debt crisis poses further demands on already stretched government resources. In such cases, it is often women and girls who are hardest hit due to their socially assigned caring roles and reliance on publicly funded public services.

This submission will assess the following secondary economic impacts of the coronavirus pandemic in developing countries, looking particularly at the effects on women and girls. It briefly examines:

1. the current macroeconomic context in many developing countries.
2. the dangers of the renewed calls for fiscal consolidation by IFIs.
3. the impacts of fiscal consolidation and the new global debt crisis on women's human rights, including healthcare, social protection systems and unpaid care work.

The submission concludes with a set of recommendations for the UK government, given its important role within the multilateral system. The recommendations focus on the urgent need for debt cancellation and an easing of fiscal consolidation reforms so as to ensure that developing countries have the resources to tackle the ongoing economic, social and health challenges posed by the coronavirus pandemic.

Introduction

This submission is written by Nawi-Afrifem Macroeconomics Collective and the Gender and Development Network (GADN). Nawi-Afrifem Macroeconomics Collective is a newly launched pan-African feminist initiative bringing together individuals and organisations across the continent to influence, analyse, deconstruct and reconstruct macroeconomic policies and narratives. GADN is a network of leading UK-based non-governmental organisations, academics and experts working on gender, development and women's rights issues.

We welcome the opportunity to respond to the Inquiry on the secondary impacts of coronavirus on developing countries. The submission focuses on the impacts of the economic recession caused by the coronavirus pandemic and, in particular, the impending global debt crisis as many developing countries continue to scramble for sufficient resources to respond to the pandemic. The submission also addresses the challenges that the pandemic is posing to the longer-term economic recovery, and the need to incorporate gender equality and the provision of care within new and more sustainable economic alternatives models.

The macroeconomic context

The coronavirus pandemic has had widespread impacts on economies globally including, for example, a downturn in tourism – a vital source of revenue for many developing countries – a drop in commodity prices, including oil, currency devaluations, and a significant decrease in remittances. All the while, almost half of low income countries were already in full debt distress or at high-risk of it by the end of 2019.¹ Thus, cumulatively, the pandemic has been disastrous for the economies of many developing countries at a time when resources are essential for addressing the health epidemic as well as the impacts of nation-wide lockdown measures and long-term economic recoveries.

Due to the discrimination women face in the world of work and in accessing economic assets, this economic downturn has hit women hardest. However, it is important not to see women and girls merely as a vulnerable group because they, as well as women's rights organisations, have already acted as frontline responders during this pandemic, helping to fill the gaps in key service provisions where the state had retreated.² The pandemic has further increased reliance on their critical and often life-saving work.

Moreover, the coronavirus pandemic has had the effect of compounding a host of long-standing challenges faced by many developing countries, including the unfair international financial architecture which has severely hampered their preparedness to respond to the pandemic. Decades of conditionalities imposed by IFIs, including the privatisation of key public services such as healthcare and the continued demands for fiscal consolidation, have weakened the ability of states to adequately respond to crises as well as resulted in a lack of vital resources to sufficiently finance human rights. There appears real danger that this trend could continue under the IFIs new emergency funding.

¹ Jubilee Debt Campaign. 2019. Crisis deepens as global South debt payments increase by 85% <http://www.cadtm.org/Crisis-deepens-as-global-South-debt-payments-increase-by-85>

² Gender and Development Network. 2020. Covid-19: A feminist response to a global pandemic. <https://gadnetwork.org/gadn-resources/covid-19-a-feminist-response-to-a-global-pandemic>

International Financial Institutions and renewed fiscal consolidation measures

In the effort to stave off an unprecedented global recession, IFIs including the International Monetary Fund (IMF) were quick to provide critical emergency loans at the start of the pandemic, including providing debt relief to 25 of its poorest member states.³ These actions were matched by strong rhetoric⁴ from the IMF and these emergency measures were warmly welcomed even though they simply added to many developing countries' existing debt burdens and merely postponed the looming debt crisis.

However, upon further inspection, 76 out of 91 of these emergency loans (84 percent) encourage, and in some instances require, recipient governments to implement new or renewed fiscal consolidation measures once the immediate health crisis has been addressed.⁵ This has the potential of further exacerbating the already turbulent macroeconomic environment that many highly-indebted developing countries were facing pre-pandemic.

Further analysis demonstrates that 80 countries intend to implement fiscal consolidation measures and more than half of these planned austerity measures are scheduled to take place in 2021 – before the pandemic is under control – while 40 countries have already cut public budgets to afford a response to the pandemic.⁶

In addition, recent analysis from the World Bank suggests that 150 million people could be pushed into extreme poverty by 2021.⁷ We know from past experience the

³ IMF. 2020. Press Release: IMF Board Approves Immediate Debt Relief for 25 Countries. IMF, Washington D.C. <https://www.imf.org/en/News/Articles/2020/04/13/pr20151-imf-executive-board-approves-immediate-debt-relief-for-25-countries>

⁴ International Monetary Fund. 2020. The Great Lockdown: Worst Economic Downturn Since the Great Depression. <https://www.imf.org/en/News/Articles/2020/03/23/pr2098-imf-managing-director-statement-following-a-g20-ministerial-call-on-the-coronavirus-emergency>

Kristalina Georgieva. 2020. 'A Global Crisis Like No Other Needs a Global Response Like No Other', *International Monetary Fund*. 20 April. <https://blogs.imf.org/2020/04/20/a-global-crisis-like-no-other-needs-a-global-response-like-no-other/>

⁵ Oxfam. 2020. IMF paves the way for new era of austerity post-COVID-19. <https://www.oxfam.org/en/press-releases/imf-paves-way-new-era-austerity-post-covid-19#:~:text=New%20analysis%20by%20Oxfam%20finds,such%20as%20doctors%2C%20nurses%20and>

⁶ Daniel Munevar. 2020. Arrested Development: International Monetary Fund Lending and austerity post Covid-19. Eurodad https://www.eurodad.org/arrested_development

⁷ World Bank. 2020. Covid-19 to add as many as 150 million extreme poor by 2021. <https://www.worldbank.org/en/news/press-release/2020/10/07/covid-19-to-add-as-many-as-150-million-extreme-poor-by-2021>

devastating impacts this will have on gender equality and women's rights, particularly through their unpaid caring roles. Therefore, a return to the IMF's 'business as usual' model will only further accelerate this decline thereby making it impossible to meet many of the Sustainable Development Goals targets - particularly those on eliminating global poverty and attaining gender equality by 2030.

The debt crisis, fiscal consolidation, and their impact on developing countries' abilities to fulfil human rights obligations

The IMF's renewed recommendations of fiscal consolidation, particularly in the midst of an unprecedented global pandemic, is likely to have harmful consequences in countries that are in receipt of its loans. As critical resources are redirected towards servicing debts, drastic cuts will continue to be made in public expenditure to compensate for this. Such measures are likely to disproportionately disadvantage poor and older women who are overly reliant on public services provided by the state, including healthcare as well as water and sanitation. This is because, typically, women are unable to afford market substitutes through paid employment or work benefits due to their disproportionate roles in providing unpaid care.

Below are some examples of the likely impacts that prioritising debt servicing will have on women's rights and gender equality.

Healthcare

The coronavirus pandemic has seen many healthcare systems stretched to breaking point, highlighting that the provision of comprehensive, universal healthcare is a critical component of all countries' responses to the pandemic. However, IFI loan conditionalities have long encouraged the privatisation of key public services such as healthcare which, especially during this health epidemic, has meant that life-saving coronavirus treatments are inaccessible and unaffordable for the majority of women. Women make up the majority of all frontline responders, accounting for approximately 70 percent of all health and social care workers.⁸ However, despite unprecedented

⁸ Boniol M., Mclsaac M., Xu L., Wuliji T., Diallo K., and Campbell J. 2020. 'Gender equity in the health workforce: analysis of 104 countries.' Working paper 1. Geneva: World Health Organization; (WHO/HIS/HWF/Gender/WP1/2019.1).

demands for health and social care workers, the IMF's recommendations of fiscal consolidation discourage and even prevent countries from recruiting more public sector workers.⁹ Such jobs are an integral part of the care economy and an important source of employment for many women who are over-represented in public sector employment, including in developing countries.¹⁰ Thus, efforts to freeze public sector wage bills will have a disproportionate impact on women's employment and earnings in the public sector, where they provide critical public services. In addition to the increased demands placed on health and social care workers in the midst of a dangerous health epidemic (which could see them fall ill or die), women are also having to shoulder the increased care responsibilities within their households brought on by the pandemic.

While restrictions have now been eased in many countries, the closure of sexual and reproductive health and rights (SRHR) facilities, especially at a time of increased financial hardship, travel restrictions and spikes in domestic and intimate partner violence leading to unwanted pregnancies, has severely affected women throughout the course of this pandemic. However, there are ongoing concerns that funds for already limited existing SRHR services will be redirected to the continued coronavirus health response¹¹ and coupled with further fiscal consolidation measures, this clearly undermines women's sexual and reproductive health and rights.

Social protection systems

The coronavirus pandemic has highlighted the importance of having universal, non-contributory social protection systems to mitigate both the health and economic impacts of the pandemic.

Women's disproportionate unpaid care responsibilities means that they are less likely to be in formal paid employment that provides them with important legal protections such as sick leave and health insurance. Furthermore, the contributory nature of some

<https://apps.who.int/iris/bitstream/handle/10665/311314/WHO-HIS-HWF-Gender-WP1-2019.1-eng.pdf?sequence=1&isAllowed=y>

⁹ ActionAid International. 2020. The Pandemic and the Public Sector.

<https://actionaid.org/publications/2020/pandemic-and-public-sector>

¹⁰ UN Women. 2015. Progress of the World's Women 2015-2016: Transforming Economies, Realising Rights.

<https://www.unwomen.org/en/digital-library/publications/2015/4/progress-of-the-worlds-women-2015>

¹¹ United Nations Population Fund. 2020. 'COVID-19: a gender lens protecting sexual and reproductive health and rights and promoting gender equality'. <https://www.unfpa.org/resources/covid-19-gender-lens>

social protection system schemes unfairly disadvantages these very same women. For those women who are able to secure paid employment, the majority of them are employed in the informal economy with little to no social protections in place.¹² Workers in the informal economy often depend on their daily earnings to survive — whether they are self-employed, wage workers, casual day labourers or dependent contractors — and face the risk of falling into extreme poverty as a result of ongoing government-ordered lockdowns and the subsequent downturn in the global economy. Thus, whilst women are often most in need of state support, they are also often the ones less able to access it.¹³

At a time of increased economic uncertainty, non-contributory universal social protection is an important human right that must be fulfilled. However, particularly in times of crisis, IFIs have taken a narrow view of social protection as being only a safety net, there to step in when the market fails to protect those in extreme poverty.¹⁴ Therefore, fiscal consolidation measures are unlikely to recognise and respond to the need for social protection systems to be universal thereby increasing the numbers of women who fall into poverty.

Unpaid care

The coronavirus pandemic has exposed the global systemic crisis of care provision and the central role of the care economy as part of the global ambition to ‘build back better’. Even before the coronavirus pandemic, women have disproportionately shouldered the responsibility of unpaid care work and, globally, do up to three times that of men.¹⁵ The pandemic has further intensified these responsibilities with care burdens shifted from the public to the domestic sphere, including the increased demands of childcare, domestic work and looking after the sick and vulnerable.

¹² Bonnet, F., Vanek, J., and Chen, M. 2019. ‘Women and Men in the Informal Economy: A Statistical Brief’, International Labour Organisation and Women in Informal Employment: Globalizing and Organising. <https://www.wiego.org/sites/default/files/publications/files/Women%20and%20Men%20in%20the%20Informal%20Economy%20-%20A%20Statistical%20Brief%20-%20for%20web.pdf>

¹³ UN Women. 2018. Turning promises into action: Gender equality in the 2030 Agenda for Sustainable Development. <http://www.unwomen.org/en/digital-library/publications/2018/2/gender-equality-in-the-2030-agenda-for-sustainable-development-2018>

¹⁴ Razavi, S. 2011. Engendering social security and protection: challenges for making social security and protection gender equitable. Bonn: Friedrich Ebert Stiftung. <https://library.fes.de/pdf-files/iez/08212-20120125.pdf>

¹⁵ Samman, E., Presler-Marshall, E., and Jones, N. 2016. Women’s work: mothers, children and the global childcare crisis. Overseas Development Institute. <https://www.odi.org/publications/10349-women-s-work-mothers-children-and-global-childcare-crisis>

Therefore, when fiscal consolidation measures require cutting public services like childcare, healthcare and education it is typically women who shoulder the burden of filling these service gaps. Typically, women do this work unpaid, thus further increasing their unpaid care burdens and - in turn - exacerbating gender inequality.¹⁶ Economic policy making continues to assume that women's unpaid labour is unlimited and has little regard for the impact these added care burdens have on women's time, and wellbeing.

Recommendations for the UK government:

The UK Government plays a leading role in the multilateral system and has significant influence within the G7, G20, as well as on the Boards of the World Bank Group and the IMF thus being able to shape decisions on global macroeconomic policy. At this secondary stage of the coronavirus pandemic, we propose the UK government use its influence to achieve the following recommendations.

Debt cancellation

Cancelling debt payments is the fastest way to keep money in developing countries and free up resources to tackle the urgent health, social and economic crises resulting from the global coronavirus pandemic.

- When the UK hosts the G7 in 2021, it must lead the global call for the permanent cancellation of all principal, interest and charges on sovereign external debt due in 2020 and ensure that they do not accrue into the future.
- On the Boards of the World Bank and IMF, ensure all emergency loans provided by the World Bank and IMF are converted to grants so as not to accelerate the current global debt crisis.
- Provide global leadership on a universally agreed, multilateral debt workout mechanism to help prevent future debt crises, or resolve them in a fair, responsible and sustainable way if they do occur.¹⁷

¹⁶ Gender and Development Network. 2017. Sharing the load: women's unpaid care work and women's economic empowerment. <http://gadnetwork.org/s/GADN-Sharing-the-load-briefing-2017-final.pdf>

¹⁷ UNCTAD. 2015. Sovereign Debt Workouts: Going Forward. http://unctad.org/en/PublicationsLibrary/qdsddf2015misc1_en.pdf

Fiscal policy reforms

The imposition of further fiscal consolidation measures on some of the world's most highly-indebted countries will inevitably result in a massive funding deficit for critical public services that are desperately needed during the course of this pandemic.

- Call for the introduction of gender and economic inequality impact assessments of fiscal policy reforms recommended by the IMF and World Bank.
- Ensure that IFIs learn from the mistakes they made in their response to the 2008 financial crisis. This can be done by prioritising and protecting investment in social infrastructure and the care economy in order to maintain levels of care provision, increase decent work for women and reduce unpaid care burdens.¹⁸
- Support the Global Social Protection Fund to help kickstart affordable national social protection systems. Current commitments from donor governments represent only 0.0047 per cent of the GNI of OECD/DAC countries in 2017 so this could be increased and targeted towards building social protection systems.¹⁹

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¹⁸ Women's Budget Group. 2020. Creating a caring economy: A call to action. <https://wbg.org.uk/commission/>

¹⁹ ITUC. 2020. ITUC Campaign Brief – A global social protection fund is possible. <https://www.ituc-csi.org/global-social-protection-fund>