

22 October 2007

ENGLISH only

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**United Nations**  
**Division for the Advancement of Women**  
**Expert Group Meeting on financing for gender equality**  
**and the empowerment of women**  
**Oslo, Norway**  
**4-7 September 2007**

**FINANCING FOR DEVELOPMENT, GENDER EQUALITY,  
AND THE FOLLOW-UP TO THE MONTERREY CONSENSUS**

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*\* The views expressed in this paper are those of the author and do not necessarily represent those of the United Nations.*

## **Background**

The aim of the 2002 United Nations International Conference on Financing for Development held in Monterrey, Mexico was to discuss how to mobilize and channel financial resources to meet the various commitments that international community has agreed to over the period of years. Particular attention was paid to the 2000 Millennium Development Goals adopted just two years earlier. The intense global lobbying campaign and the presence at the meeting of representatives of civil society and women's organizations had ensured that among the many financial commitments that were promised was that to gender equality and the empowerment of women. Five years have passed since then, how much have actually been achieved? What are the gaps and challenges? And consequently, what are the main issues that should be brought into the 2008 Follow-up Conference of Financing for Development?

## **Gender Aspects of the Monterrey Consensus**

The Conference's resolution known as the *Monterrey Consensus* is described as a 'landmark framework for global development partnership in which the developed and developing countries agreed to take joint actions for poverty reduction'. It recognizes both the need for developing countries to take responsibility for their own poverty reduction and the necessity for developed countries to encourage and support such effort with more open trade and increased financial aid. The Monterrey Consensus explicitly stated an overall commitment to gender equality, and encouraged gender perspectives to be mainstreamed into development policies. However, within each of the main themes addressing financing issues, key gender concerns are either left out, glossed over, or discussed mainly from a positive point of view, as will be set out in this paper, focusing with the focus on four themes.<sup>1</sup>

### **1. Mobilization of Domestic Financial Resources for Development**

To mobilize domestic savings, government tend to employ stabilization macroeconomic policies that keep down aggregate demand and avoid the risk of high inflation in order to encourage higher savings. A budget deficit, which represents negative public saving, also needs to be kept in check – such strategy often requires cutback in public expenditure. The social sector, particularly health and education, is most vulnerable to the cut. Families and communities are subsequently forced to figure out a way to substitute for the services formerly provided by the public sector. In both developed and developing countries, the burden will fall on the traditional caregivers – women, who will be expected to provide home care for the sick and the elderly as well as to be responsible for the necessary home education. This additional burden not only can cause women's own health and welfare to suffer in the process but the extra time and efforts that are required also can act as a serious constraint on their ability to participate in paid work outside the home, and thus diminish their earnings and independence.

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<sup>1</sup> A detailed examination of the Monterrey Consensus using gender approach is INSTRAW Occasional Paper Series No. 3, Gender Issues and Concerns in Financing for Development, by Mario Floro, Nilufer Cagatay, John Willoughby and Korkut Erturk, 2004

## **2. Mobilization of International Resources for Development: Foreign direct investment and other private flows**

In cases where the capacity of developing countries to mobilize domestic financial resources are constrained by their limited availability, foreign direct investment can most often turn out to be instrumental in expanding investment and generating employment for both skilled and unskilled workforce. Several studies have shown, however, that these positive impacts are gender-differentiated. Most foreign direct investment that flow into developing countries has been attracted by the possibility of labour-intensive manufacturing activities using low cost, less organized workers. These flows of foreign investment have undeniably increased the access of women in developing countries to paid work in the formal economy and later on increasingly to the informal economy – as part-time workers, subcontractors or homeworkers. Globalization, lower transportation cost, improved communication and advancement in information technology have recently extended women's employment opportunities to the service sector, especially tourism and data processing. On the surface, these service jobs seem to be more desirable than those in manufacturing since they tend to be accorded higher social status, but when working condition, pay and job security are carefully taken into consideration, the difference may in fact be insignificant<sup>2</sup>.

Furthermore, whatever gains women in developing countries have made in terms of employment and earnings, may be short-lived. As the governments' industrial strategy has become more oriented towards capital-intensive or more skilled-intensive activities in response to global competition, workers who are displaced from labour-intensive jobs may find it very difficult to upgrade their skills quickly enough to meet the requirement of the labour market. The precariousness of women's employment was much evident in East Asian economies such as Republic of Korea, Hong Kong and Singapore where manufacturing firms reacted to rising wages simply by relocating to lower wage countries in Southeast Asia or Central America.<sup>3</sup>

## **3. International trade as an engine for development**

Trade liberalization has become the order of the day for most countries, either because of their memberships in the World Trade Organization or regional trading blocs. On top of that, many countries have increasingly chosen to enter into bilateral trade agreements which mandate liberalization in a number of key economic sectors. Given the dominance of traditional gender-specific employment pattern where women and men are encouraged by prevailing social and cultural attitudes to engage in different type of occupations, coupled with their inequitable access to resources and ownership of assets, the impacts of these trade agreements on women and men are found to be markedly differentiated.

In the past decade, women's opportunities for paid employment in the export manufacturing sector substantially increased particularly in countries such as Bangladesh, Cambodia, Laos PDR and Fiji where the textile and clothing sector have been expanding almost exponentially. Women in all those countries are much more likely than men to be found in low-skilled jobs, where the lack bargaining power means that they have no option but to work under the condition of low and unstable wages, with very limited social protection.

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<sup>2</sup> United Nations Research Institute for Social Development, Gender Equality: Striving for Justice in an Unequal World, February 2005, P.37

<sup>3</sup> Ibid.

The phasing out of Multifibre Arrangement (MFA) at the end of 2004 meant that smaller developing countries that have in the past benefited from preferential quota for their textile and clothing exports now find themselves unfavourably exposed to the full force of competition in the global market, particularly from China. From the evidence thus far, the much-feared negative impacts have not yet materialized or at least not in a significant scale. The future, however, remain uncertain as the developed countries have started to impose temporary restrictions while developing countries are faced with the pressing need to upgrade the industry through increased workers' skills, updated technology and improved working conditions under the demand from fair-trade organizations.

For over a decade, Asia and the Pacific has enjoyed the highest growth rate in the world, its regional economy was expanding by more than 7 percent annually during 1990-2003. In the 1970s East Asia was at the forefront in terms of liberalization with average tariffs falling to 8 percent by 2000 while South Asia lagged considerably behind and only begun to accelerate in the 1990s with average tariff falling to 18 percent by 2000.<sup>4</sup> Gender relations in the region has been strongly affected by this rapid trade expansion. In culture that restricts women's mobility, demand for their labour and the accompanied high wages may conveniently serve to encourage the ending of such 'economically inefficient' practice and subsequently result in increasing women's influence in household decision making.<sup>5</sup> The income they now earned may have given women more independence but it is likely that the housework will also continue to be their responsibility which means that most women end up finding themselves having to cope with the double burden. Women 'face a 'time squeeze, spending more time at work, both in and out of the home, than men do.'<sup>6</sup>

In recent years, although international trade continues to expand for most countries of Asia Pacific, employment has not kept pace. In Southeast Asia, the rate of unemployment increased from 3.9 percent to 6.3 percent in the decade between 1993-2003, and in most countries, women's unemployment rates are higher than those of men. In this category, the countries of South Asia fare better than the rest of the region with employment remaining on the upward trend but it is probably because they continue to rely on traditional labour-intensive and natural-based industries.

#### **4. Increasing international financial cooperation and technology for development**

In case of countries that have been lagging behind in the progress towards the achievements of the Millennium Development Goals, it is necessary to have a substantial increase in the amount of development assistance. Donor countries are expected to commit to the target of allocating 0.7 percent of their Gross National Income to ODA. This theme of the Monterrey Consensus corresponds with Goal eight of MDGs – *Develop a Global Partnership for Development* - which covers several areas and targets including trade, finance, and sovereign debt. It also has strong gender implications.

The five-year review of the Millennium Development Goals generated progress reports on countries' achievements or lack thereof. Among the gaps and challenges that have been reported are the need for improved donor coordination and problems associated with aid dependency. An Asian Development Bank's study reported that in some countries of Asia

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<sup>4</sup> UNDP, Asia Pacific Human Development Report, 2006, p.3

<sup>5</sup> The World Bank, World Development Report, 2006, p. 54

<sup>6</sup> Ibid. p. 53

and the Pacific, donor-funded health programs are concentrated mainly in the more accessible provinces, causing the variation of provincial health indicators to widen. Evidence on gender-related activities of ODA is found for one country, Kazakhstan, where it was reported to represent only 1 percent of technical assistance given to the country. In the Philippines, the phasing out of USAID's support for contraceptives also means that new funding is needed for its reproductive health programs.<sup>7</sup>

On a global level, estimates of bilateral assistance that has gender equality as a principal or secondary objective found it to be just 18 percent with slightly more than one-third going to health and education while 15 percent go to the traditional 'women in development' projects. For Asia, however, it is reported that gender focus is present in only half of basic health and education programs that benefit from bilateral assistance.<sup>8</sup>

In particular sectors where the key role of women is recognized by donors, gender equality tends to be included among the objectives of their assistance. Those sectors include agriculture, water and finance while sectors such as energy, transport and communications are unlikely to have gender concerns included in objectives of ODA. It should also be noted that the reported figure for gender focus in assistance to the water sector in Asia is only 10 percent.<sup>9</sup>

For multilateral assistance, the same ADB report reveals that just 12 percent of loans that were approved during 1998-2004 had a gender theme with the additional 17 percent of loans have mainstreamed gender concerns. Similar pattern as mentioned above are also reported to be found in bilateral assistance, that is, there are specific sectors where gender concern is highly visible, particularly health, education and agriculture while gender concern hardly appears in energy, transport and communications.

### **Remaining gaps to ensure gender equality is central to macroeconomics policies**

After five years, several of the key commitments of the 2002 Monterrey Consensus still remain unfulfilled, with gender perspective being among the most disturbing gaps. The persistent belief among leading international financial institutions in the power and benefits of free market and liberalization has had a great influence on government policy makers and caused them to ignore or overlook many of the well-publicized gender differentiated impacts of macroeconomic policies.

National women machineries in many countries have been downgraded after their governments undertook the effort to 'mainstream' gender equality into regular function of line ministries. That is unfortunate indeed. Adequate funding and continuing support for national women's machineries should be considered as an effective way to mainstream gender and to influence macroeconomic policy and thus accorded a high priority. Gender mainstreaming is not a one time lesson to be given to persons responsible for promoting gender equality but is 'a long-term process, and that technical soundness, instrumental rationales, and financial incentives all help with the mainstreaming task.'<sup>10</sup>

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<sup>7</sup> Asian Development Bank, Pursuing Gender Equality through the Millennium Development Goals in Asia and the Pacific, 2006, p. 38

<sup>8</sup> Ibid.

<sup>9</sup> Ibid. p.39

<sup>10</sup> The World Bank, Global Monitoring Report 2007, p. 143

In order to evaluate the gender implications of micro and macro economic policies, it is essential that regular and timely assessment is conducted. The handling of such assessment could be a shared responsibility of several parties: the national women's machineries, line ministries, academics and civil society—all of whom urgently need the necessary expertise. It is also equally important that the above mentioned parties have the capability and confidence to negotiate with the finance and planning ministries for the inclusion of gender perspectives in national plans and budgets. Funding should be sufficiently provided to build up the capacity of the women machineries as well as of all the line ministries, academics and civil society organizations. They should be encouraged and supported to work together as a team since such strategy could greatly enhance both their credibility and bargaining power with the finance and planning ministries.

At the same time, it is crucial that officials of the planning and finance ministries as well as parliamentarians recognize the significance of and have the opportunity to undertake capacity-building exercise to raise awareness on gender issues and impacts of macroeconomic policies. Such activities will serve to ensure the commitments to gender equality and mutual understanding of gender aspects of economic policies at all levels which will facilitate the efforts of the national women's machineries and their team.

Evaluation in many countries of their mainstreaming efforts into functions of line ministries have shown that the activities rarely go beyond gender analysis training and the collection of basic sex-disaggregated statistics. Line ministries should be allocated sufficient budget for regular training in the technical aspects of promoting gender equality, particularly in assessing gender impacts of all programs and projects implemented by the ministries. Furthermore, since mainstreaming can make it difficult to track the amount of resources allocated to promote gender equality, it is important to have public scrutiny of budgets from a gender perspective in order to influence policy making and hold government accountable.<sup>11</sup>

Gender equality advocates should be provided with support to enable their systematic and sustained participation at key levels of policy debates, discussions and planning, including policy dialogues on Development Strategies and Poverty Reduction Strategy Papers. This will ensure that gender equality and women's empowerment are well-addressed in program formulation and implementation.<sup>12</sup>

### **Main issues that should be brought into the 2008 Follow-up to the Financing for Development Conference**

For poor countries to increase their potential to reap the benefits from trade, it has consistently been emphasized that the critical engine is improved market access. The key promise of the Doha Development Round had been market access to poor developing countries but it suffered a regrettable series of setbacks and failures throughout the six years since it was launched in the year 2001. Demand made by rich countries were found to be untenable and so unfair that civil society organizations have strongly demanded that the Doha round is declared to be a failure which does not mean the system is to end but merely given a chance to start fresh with new model that would incorporate consideration of people rights

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<sup>11</sup> Ibid. p. 144

<sup>12</sup> Further recommendations can be found in The Jakarta Declaration on Gender Equality and Aid Effectiveness: Contribution to the Third High Level Forum on Aid Effectiveness and the Accra Agenda for Action 2008, adopted on 24 August 2007

rather than that of private corporations in rich countries. Gender equality which has never been part of the debate should also have a chance to be brought in and the gender-differentiated impacts of trade fully integrated into the discussion at all levels.

Commitments to gender equality and the empowerment of women need to be translated to policies and programs and sufficient resources must be allocated for their implementation. International debt relief initiatives have gone a long way to help reduce debt burdens for low-income countries. To further help those countries maintain their external debt at sustainable level and to meet the Millennium Development Goals, a joint framework has been developed and adopted since early 2005 by the International Monetary Fund and the World Bank, known as Debt Sustainability Framework (DSF). The DSF is aimed to help guide countries and donors in mobilizing the financing of low-income countries' development needs, while reducing the chances of an excessive build-up of debt in the future. Under the DSF, debt sustainability analyses are conducted regularly to assess a country's projected debt burden, its vulnerability to external and policy shocks, and risk of debt distress. The DSF is considered important for the IMF's assessment of macroeconomic stability, the long term sustainability of fiscal policy and overall debt sustainability. It is also taken into account to determine access to IMF financing.<sup>13</sup>

Although the DSF is an improvement over the Heavily Indebted Poor Countries (HIPC) Initiative which has been criticized for its failures to provide lasting solution to external debt problems of poor countries, it has given rise to some other criticisms, for example, the DSF does not have a mechanism to effectively vulnerable countries against impacts from external shocks and it is feared it will again fail to help Low Income Countries meet the aim of debt sustainability<sup>14</sup>. Critics are also concerned that the new framework may reinforce the power of IMF/World Bank to influence macroeconomic policies of low income countries since its application can lead to the imposition of conditions and structural adjustment policies in case of countries that are judged to be 'at risk of debt distress.' As numerous studies have shown, when such conditions are imposed on a country, the negative effects on women are much stronger than on men.

A proposal has been made that a human development approach to debt sustainability should take precedence over debt payments and calls for human development needs to be placed not only at the centre of debt sustainability but also at the centre of the design and implementation of all international economic policies<sup>15</sup>. Therefore, in the Follow-up to the Financing for Development Conference, the DSF needs to be brought up and explored in further details.

Finally, the issue of the process through which financing is made available to low income countries should also be brought into consideration since it can be just as important as the amount itself. Given the increasingly significant and beneficial contributions made by civil society and organizations that work for gender equality, funding agencies should be generous in providing opportunities for them to play a role as partners.

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<sup>13</sup> Factsheet, May 2007, <http://imf.org/dsa>

<sup>14</sup> Benno Ferrarini, The Shortcomings of the New Debt Sustainability Framework in Light of Macroeconomic Vulnerability, Swiss National Centre of Competence in Research, Working Paper No. 2007/13, April 2007.

<sup>15</sup> The New World Bank/IMF Debt Sustainability Framework: A Human Development Assessment, A CIDSE Background Paper, April 2006.