



International Financial Institutions and Using Country Systems: Implications for Gender Equality

Online-Seminar

International Financial Institutions such as the International Monetary Fund and the World Bank are powerful entities. Their programmes and policies impact the lives of millions of children, women and men in developing countries. Undeniably, the policy and programmatic requirements, including conditionalities, they devise for supporting governments help to shape policies and practices as well as rule setting. In times of emergencies such as the current Covid-19 pandemic, countries lean heavily on the IFIs. The International Monetary Fund, which on an average approves 18 programs a year, has more than 100 (of its 189 members) knocking on its door this year. At the same time, regional and national developing banks' activities are on the rise and may present alternative (and or complementary) sources of finance for some national governments, localities and businesses. An important actor in this regard is the New Development Bank (NDB), created by the BRICS in 2015.

However, while independent in most regards, entities such as the NDB are also influenced by and committed to the approaches of the World Bank and the other IFIs, including the resort by these entities to an approach based on "country system". For the last 15 years, IFIs led by the World Bank, have implemented "using country systems" approach. Country systems emphasize the centrality of national regulation and domestic public policies, in not only of social and environmental regulation, but also of financial management procedures that include procurement, taxes, and profit remittance. The idea of country systems has also received an impetus in various other forums and institutions, including in the arena of development effectiveness. The Busan Partnership For Effective Development Cooperation (2011), for example, committed to the principle of "Use country public financial management systems as the default option for development financing, and support the strengthening of these systems where necessary."¹

Country systems are invoked in a range of fields that are "deemed essential for better development effectiveness: public financial management, national competitive bidding, social and environmental safeguards, international competitive bidding and the selection of consultancies."² It is also well used in the context of infrastructural development.

Feminists have argued that IFIs policy-based loans disproportionately harm poor women, who often become "shock absorbers" for policy changes such as privatization of public enterprises, social spending cutbacks, trade liberalisation and financial sector reforms. Feminists have hence advocated for reform of the IFIs and the integration of gender, human rights and sustainable development principles as key drivers of the operations of these financial entities. It is not clear how the approach of using country systems moves the IFIs into this direction or how it will contribute to the achievements of the SDGs?

¹ 4th High Level Forum for Aid Effectiveness. (2011, December 1). The Busan Partnership for Effective Development Cooperation (p.5) <https://www.oecd.org/development/effectiveness/Busanpartnership.htm>

²Conectas Human Rights. (2018, May). Country Systems and Environmental and Social Safeguards in Development Finance Institutions: Assessment of the Brazilian System and Ways Forward for the New Development Bank. (p.37) https://rightsindevelopment.org/wp-content/uploads/2018/05/Conectas_Country_Systems_DFIs_Brazil_NDB-Final.pdf

This Online-seminar examines the potential and limitations of the using of country systems by IFIs including New Development Bank (NDB) through a critical gender lens, and offers key think-points on possible ways in which these MDBs can proactively and effectively centre gender issues within a sustainable development and SDG friendly approach to lending and macroeconomic support policies of these organization.

In this Seminar we will examine the following:

- What is the genesis and trajectory of the idea and use of country systems by International Financial Institutions?
- Which sectors and economic activities are primarily funded? What is the gendered understanding/underpinnings of these activities?
- How do these project leverage and/or strength of country systems? What are the gender implications of these?
- Are the gaps between national and the international standards addressed, especially in terms of respecting, protecting and fulfilling women's rights?
- What has been the experience on the ground of women who have been impacted by these projects?
- How accountable is the NDB to the public, including transparency of information concerning business activities and accountability for the adverse impacts for communities so affected? What are the remedies available for populations that are affected by projects?
- How has NDB, such as the New Development Bank, elaborated and implemented country systems in its operations?

Background and Concept Note

Multilateral Development Banks are viewed as key actors that can support “efforts to translate the SDGs into meaningful country-level targets, policies, programs, and projects needed to achieve them contribute to the achievement of SDGs”. However, there are also concerns that the MDBs impose policies and projects especially around infrastructural development, that contribute to environmental degradation and human rights violations. Infrastructure development is often viewed as gender-neutral though BRICS Feminist Watch research has proved otherwise. Strong voices from civil society can push for “fostering social inclusion, gender equality and women's economic empowerment in the design, execution, supervision and evaluation of their infrastructure investments.”³

One of the youngest Multilateral Development Bank, the BRICS New Development Bank (NDB) has become a significant player for a variety of reasons. The institutional architecture of the NDB is unique in that the founding members equally share quotas and all founding members are both borrower and donor countries. The other defining aspect of NDB is its firm commitment to using country systems.⁴ There is, therefore, a need to understand the use of country systems and how the agenda of sustainability, gender equality and human rights in general, can be advanced within the institution.

The New Development Bank was initiated by BRICS bloc, (and has since become more independent) and based on South-South Corporation, has expressed its core commitment to country safeguard systems. It states that as a principle “National sovereignty is of paramount importance to NDB in its interactions with member countries.”⁵ and that projects will be funded “in line with the borrowing country's overall development agenda”⁶. This principle is further translated into its practices when its strategy document says it will “use the borrowing country's laws and, regulations and oversight procedures”⁷.

“The Bank's policies are directed toward the goal of using and strengthening country systems. Instead of starting from an externally designed set of standards, NDB will take a country's systems as the starting point, and see where weaknesses may need to be addressed to meet the Bank's requirements”⁸

³<https://documents.worldbank.org/en/publication/documents-reports/documentdetail/804571468181488166/a-companion-note-for-gender-and-infrastructure-tools>

⁴ Serrano Oswald, O. R. (2018). The new architects: Brazil, China, and innovation in multilateral development lending. Public Administration and Development, 39(4–5), 203–214. <https://doi.org/10.1002/pad.1837>

⁵ New Development Bank. (2017). NDB's General Strategy: 2017 – 2021. (p.11) <https://www.ndb.int/wp-content/uploads/2017/08/NDB-Strategy.pdf>

⁶ Ibid p3

⁷ Ibid p16

⁸ Ibid p16

Vazquez *et al* assert that the NDB, objective of using country systems, besides strengthening the borrower's capacities is also aimed at "avoiding the misuse of project resources and the creation of negative impacts on the environment and vulnerable groups."⁹ The NDB, therefore, has formulated its specific requirements, including, for instance, the protection of minorities and vulnerable groups.

The idea of using country systems holds financial and non-financial advantages as well as drawbacks.

Assumed Benefits

Using country systems became the preferred practices as it was supposed to respect the sovereignty of its members as their no imposition of rules on financial management and environmental and social safeguards'.¹⁰ It also moves away from a one-size-fits all approach to allow for the contextualising the approach.¹¹ The other main advantages that are touted are the building of ownership by the countries as they have greater control over processes,¹² the enhancement of local capacities to manage complex projects,¹³ the saving of costs by not needing to put into place parallel regulatory framework and paying expensive consultancy fees,¹⁴ and a more rapid and flexible response to situations.

Limitations and risks

While adopting the country systems are seen as a desired step in the evolution of the MDBs activists, practitioners, and scholars have also pointed to the pitfalls of such an approach. The issues they raise include, that MDBs abdicates responsibility for any failure to meet global standards in social and environmental safeguards as the burden shifts to the borrower,¹⁵ it may incentivize deregulation as countries will be motivated to attract investments, it may lead to a path of "downward harmonisation" of project standards¹⁶. Analyses of the World Bank's practices warn us that while improvements to the national safeguards systems of borrowing countries are proposed, the implementation is inadequate.¹⁷ Country systems may be weakened by changes in the regulatory frameworks – for example, diluting environmental laws to ease the running of industrial activities and hollowing out of institutions that play watchdog roles.

The gender lens

While there is some research on the use of country systems, there is little gendered analysis of the implications of the using this approach. This primary question that we seek to explore is –How is the country system approach used by the NDB? What are its impact and effect on the most vulnerable economic actors and decision makers, – especially, women. Will the use of country systems allow for greater participation of marginalized groups especially women? Will it make it easier for affected communities especially within the context of infrastructure megaprojects, to raise their concerns?

PWESCR on behalf of BRICS Feminist Watch and in partnership with the South Centre, IWRAP Asia Pacific, the Inequality Movement and Gen Dev Centre for Research and Innovation will host an Online-Seminar – **International Financial Institutions and Using Country Systems: Implications for Gender Equality—on Tuesday, October 20th from 6 PM to 8 PM IST (2:30 PM CEST).**

The Seminar will draw on experts from different parts of the world. It will be pitched at the level of those who are interested in MDBs but may not have much familiarity with the processes and architecture.

⁹ Vazquez, K. C., Roychoudhury, S., & Borges, C. (2017, November). Building Infrastructure for the 21st Century Sustainable Development: Lessons and Opportunities for The BRICS-Led New Development Bank. (p 45) http://dspace.jgu.edu.in:8080/jspui/bitstream/10739/2110/1/building_infrastructure_for_21st_century.pdf

¹⁰ Conectas Human Rights. (2018, May). Country Systems and Environmental and Social Safeguards in Development Finance Institutions: Assessment of the Brazilian System and Ways Forward for the New Development Bank. (p.12)

https://rightsindevelopment.org/wp-content/uploads/2018/05/Conectas_Country_Systems_DFIs_Brazil_NDB-Final.pdf

¹¹ Prinsloo, C (2017, August). Informing the Approach of Multilateral Development Banks to Use of Country Systems. Global Economic Governance Africa. https://media.africaportal.org/documents/GA_Th1_PB2_prinsloo_20170901.pdf

¹² OECD Publishing. (2010, January). Development Co-operation Report 2010. (p 49) <https://doi.org/10.1787/20747721>

¹³ Ibid

¹⁴ Ibid

¹⁵ Guerrero, D. G., & Manji, F. M. (2008). China's New Role in Africa and the South. (p 33) Amsterdam University Press.

¹⁶ Guerrero, D. G., & Manji, F. M. (2008). China's New Role in Africa and the South. (p 33) Amsterdam University Press.

¹⁷ Elaine Zuckerman

It will aim to:

- Increasing understanding around MDBs, especially on using country systems, among feminist practitioners, scholars and activists.
- Increase capacity for advocacy with the NDB and other MDBs particularly with respect to addressing the recovery post COVID-19 and beyond.

The following will be covered:

- The historicity around the idea of using country systems in the context of Environmental and social safeguard (ESS), women's empowerment and gender equality
- The potential and pitfalls in using country systems for advancing women's rights
- Ground realities: What does that point to in terms of country systems?
- Good practices and suggestions/advocacy points for NDB

The Seminar will be a mix of a panel and an interactive session. The Seminar will continue to be available as a resource after the event.

The event is organized by the financial support of Heinrich Boell Stiftung India.