GENDER PERSPECTIVES ON FINANCING FOR DEVELOPMENT

By

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"Equality between women and men is a matter of human rights and a condition for social justice and is also a necessary and fundamental prerequisite for equality, development and peace."
(Fourth World Conference on Women: Platform for Action, Beijing 1995)

INTRODUCTION

It is a pleasure for me to be here in this public hearing. I would like to thank the organizers for giving me this opportunity to address an important issue that remains inadequately addressed in the discussions and processess of mobilizing economic and financial resources for development. I refer to the critical **gender dimensions of financial and economic policies and actions** proposed in the recently agreed Monterrey Consensus outcome document. This document outlines the main points for discussion in the forthcoming summit-level meeting of Heads of State and Governments in Monterrey, Mexico.

We, as stakeholders and citizens of our countries and of a global community, need to understand and **adequately** address these gender concerns in economic policies and processes in order to ensure that the efforts toward financing development will promote human rights, gender equality and women's empowerment. This is the important and urgent challenge faced by governments, international bodies, private sector and civil society today. Gender inequalities and biases embedded in markets, institutions and economic processes remain and even are reinforced by development policies unless they are holistically and systematically addressed .

It is therefore imperative for governments and international bodies to understand the role of women's agency in the economic processes associated with development. The totality of women's work, roles and well-being –through their participation in the market economy and the unpaid care economy- needs to be recognized.

ISSUES

In this regard, I would like to make the following points:

1. The Monterey Consensus draft appropriately recognizes that development must be "sustainable, gender-sensitive and people centered" (para. 6, p. 2). It also recognizes that "gender equity" is essential (para 8, p. 2) as with "empowering women" and improving growth and distribution (para 9). It addresses the need for a more *gender-sensitive* allocation of investments in basic economic and social infrastructure including education, health, nutrition and social security programs (para 13, p. 3). Moreover, it

gives priority *to microfinance and credit for small and medium enterprises,* particularly for women (para 16. p. 3). These references reflect the growing awareness that gender inequality is costly not only to women, but also to children and to men. It leads to lower productivity, lower development of people's capacities, lower levels of well-being.

2. The draft document also commendably supports capacity building for "gender budget" analyses (para 17, p. 3) and this is a concrete step towards reducing gender-based inequalities in the allocation, access and use of economic and financial resources. It builds upon the growing body of evidence that, taxation policies and budgets affect women and men differently, since men and women generally perform different roles and have different lived experiences and social and economic positions.

EXAMPLE:

> For example, several studies such as those in Australia, United States and Sweden have shown that the balance between direct and indirect taxation, the progressiveness of the tax schedule and the availability of specific tax rebates or deduction such as childcare expenses have significant gender effects. The proportion of tax which is indirect such as sales tax and value added tax (VAT) as compared to direct taxation on both personal and business income have differential impact on the welfare of women and men. Some developing countries such as India, Philippines and parts of sub-Saharan Africa are heavily reliant on indirect taxation and derive a lower proportion of total tax collection from direct taxation. This is partly a result of the decline on tariff revenues under trade liberalization. Indirect taxation is also due to political and external pressures that limit the implementation of a progressive tax system as well as to the inefficient administration of tax audit and collection that makes tax avoidance easy.
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> This issue is relevant to women and low income groups because of its implication on the distribution of income and relative prices. Since low income groups tend to consume a higher proportion of their income than do high income groups, it can be assumed that low income earners would have a higher average tax rate than high income earners if all taxes were indirect. This impact will be reduced if taxes are imposed on luxury and non-essential goods while basic food and other items are exempt. Indirect taxes on the basic goods tend to reduce the proportion of household consumption met by market purchases as they become more expensive. This will likely increase the demand for women's unpaid work.
>
> The type of tax exemptions - which categories, institutions, individuals, and activities are affected - has gender and distributional implications as well. While gains from capital and currency transactions have been subject to little or no taxation, tax deductions for such expenses as child care costs are woefully lacking for most households in many countries.

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3. Gender Sensitive Budget Initiative can ensure that priorities reflected in budgets and taxation are arrived at in a democratic manner. It is an institutional innovation that transforms budgetary processes in a way that public spending and public investment become consistent with social priorities including gender equality and women=s empowerment. Transparent budget processes and effective public institutions can enhance accountability and legitimize revenue collection. ***After all, the extent to which governments can meet the needs of men, women and children for basic needs and essential services is a fundamental measure of any government=s legitimacy.***

4. "Gender-sensitive budget analysis" is a process of actively engaging women as political subjects and active citizens to ensure that their governments are held accountable to the agreed international commitments and national policy statements with regards to gender equality and poverty eradication. It is an institutional innovation that transforms budgetary processes in a way that public spending and public investment become consistent with social priorities including gender equality and women=s empowerment. Transparent budget processes and effective public institutions can enhance accountability and legitimize revenue collection.

BACKGROUND:

Australia has pioneered the work on gender-sensitive budget initiative over 15 years ago and since then, UNIFEM and the Commonwealth Secretariat, together with NGOs, leading scholars and UN bodies, have implemented gender budget initiatives over the last five years in:

Barbados	Fiji islands	Kenya
Malawi	Mozambique	South Africa
Sri Lanka	St Kitts/Nevis	Tanzania
Uganda	Canada	United Kingdom

Currently, this initiative is being expanded to:

Mexico	Peru	Ecuador
Brazil	India	Philippines
Senegal	Nigeria	

7. Gender-sensitive Budget Analysis provides innovative tools that can assist government officials and ministers to look at budgets in a new way, and governments to address gaps in the distribution, use and generation of public resources. These include:

- **Beneficiary Assessment**: Various forms of exercise ranging from opinion polls to surveys and group interviews to get public opinion and make the voice of the citizens as potential or actual beneficiaries of public services, be heard

- **Gender-Aware Policy Appraisal**: Officials and ministers are made to appraise policies and programmes funded by the budget, according to the following criterion: "In what ways are the policies and their associated resource allocation likely to reduce or increase gender inequalities? "

- **Public Expenditure Incidence Analysis**: Helps assess the gender distribution of public spending. For example, it compels government officials to examine the distribution of benefits of public spending among women and men, girls and boys. Similarly, it can suggest the likely gender impact of budget cuts that are typically assumed to be the same for everyone.

- **Revenue Incidence Analysis**: This can be used to examine the differential impact of taxation policies and varied forms of revenue raising on women and men.

- **Budget Impact on Time Use of Women and Men**: This tool makes use of time use survey data along with other information to help determine the likely effects of government allocation (or cuts) on certain projects or programs on the unpaid care work of families and communities.

8. What is covered, who participates and how the results are reported vary from country to country. What is clear though is that it is not merely a means of reformulating budget classification and shifting budget allocations from on item to another, It requires officials and ministers to think about the process of policy development and budget appropriations in a new way. It requires dialogue as well as statistical analysis. It involves altering the existing conceptual framework and methodological tools of analysis and data gathering used to prepare national budgets to take into account the following:

- Women's contributions to the economy are seriously underestimated if statistics on informal sector work and unpaid care work are not counted;

- There is a crucial interaction between paid, market and unpaid, non-market sectors of the economy.

- There are critical gender patterns of participation in the economy such as female versus male rates of labor force participation, sectoral and occupational distribution of men and women, earnings and unemployment and underemployment trends as well as patterns of involvement in unpaid work.

9. Despite the above gender considerations of the Monterrey Consensus draft, the current discussions on financing for development still need to consider the gender dimensions of broader national and international economic conditions to which mobilization of domestic resources is linked. This era of globalization has increasingly subject governments in their task of mobilizing and managing public finances to greater uncertainties in the international environment and to strong pressures of multilateral and financial institutions. It has also made the roles of **governments as actors and/or as referees in the provision of public goods and social services** even more critical.

10. The decrease in the level of government spending for essential social services has been a key element in public sector or government downsizing resulting from fiscal austerity measures and conditionalities imposed with debt financing. This is a far cry from the 20/20 Initiative endorsed by the 1995 World Summit for Social Development that called for 20 per cent of national budgets in developing countries and 20 per cent of donor aid to be allocated to social services.

Declines in government support for health care, education, housing, utilities, and sanitation in many countries have contributed to the unaffordability of basic goods and services that are vital for human maintenance. This has adverse consequences on household survival and serious, long-term effects on human development and economic growth. Government cuts in key social programs such as health care are likely to increase women=s unpaid work as care providers in families and communities and at the same time, raise the financial costs of human resource development in schools. Moreover, the special and urgent needs of women including domestic violence counseling and support for care of dependents (children and the sick including those with HIV/AIDS) are not being given any budget priority allocations.

11. The Monterrey Consensus also fails to address serious inconsistencies and important gendered implications of the types of policies, corporate governance and incentives that governments tend to use in attracting international private capital. It calls for governments to " create the necessary domestic and international conditions to facilitate direct investment flows…. (para 18, p. 4) which have strong budgetary implications for recipient countries.

For example, the reallocation of budget priorities towards infrastructure that would primarily benefit investors may constrain resources available to basic economic and social infrastructure such as education, health, sanitation and other social services. Also, the use of tax-based incentives, cheap labor and feeble labor standards to attract foreign capital leads to an inequitable distribution of benefits and costs. Unless these issues are explicitly addressed in the formulation of actions towards financing development, liberalization of capital flows will not be consistent with development objectives and implementation of internationally agreed commitments to human rights, standards and codes.

12. Financial liberalization also tends to promote a deflationary fiscal and monetary bias since it creates the expectation that there is unlimited supply of private capital and as a result, public investment can decline. Governments and international organizations need to take into account, however, the inherent gender biases found in the policies and operations of financial markets and financial institutions. Financial and capital markets are prone to market failures and the private interests of finance and capital markets can, and have, diverged from public and social interests. While many financial institutions are prone to excessive risk taking, they tend to be conservative when it comes to serving the poor and women. This is despite the fact that the poor, especially women have a much greater savings capacity than previously thought. The disadvantages faced by women in terms of access to credit, insurance and savings facilities reduce the effectiveness of domestic resource mobilization. For example, some financial institutions still require a husband's or male relative's signature for the loans that women are responsible for repaying.

13. The reduction of government role has led to the emergence of new markets and firms in public utilities, health services and education. In some countries, public-private sector partnerships have been forged to address poverty. The decline in public investments on these sectors has been accompanied by financial liberalization and the entry of foreign companies to provide essential services. As with government cuts in social services, the introduction of market-determined user fees have posed increased work burden for women in households that are too poor to pay them. Such approach towards financing development implicitly assumes an unlimited supply of female labor, available to make good any shortfalls in the provisioning of affordable basic services.

14. Likewise, the existing terms of external debt financing as well as the underlying SAP conditionality of having "sound" macroeconomic fundamentals still remain, inhibiting possibilities of any real and substantial change. Debt relief initiatives and debt financing measures as proposed by the Monterrey Consensus will work only if there is transparency (public hearing) and democratic participation in loan negotiations. Macroeconomic policies and external debt financing should not reflect old power relations between debtor, creditors and investors, industrialized and least developed countries, women and men.

At present, any poverty reduction strategies, including PRSPs, do not consider the balance of social power that underpins these policies. Major investors and creditors still retain much of the power in rules setting and policy decisionmaking of the multilateral financial institutions and thus promote "sound" macroeconomic policies that are more favorable on their terms. As a result, the intrinsic character of the loan conditionalities that yield unequal distribution of social and economic costs and benefits remain unaddressed.

It is therefore imperative that, finance ministries and monetary authorities of countries should not solely be involved in making loan decisions if this method of financing development is "truly country owned" and it is to promote "sustainable, people-centered, gender-sensitive development". *There is urgent need to ensure that women and their concerns are duly represented in the norm-setting and economic* *decision-making processes that have profound effects on their roles, work and well-being..*

15. It is imperative that the realization of human rights and the meeting of human needs in the areas of education, health care and essential social services be not compromised in favor of financial and monetary objectives. This, in essence, is what is involved in "fair burden sharing" that the Monterrey Consensus acknowledges (Para. 52, p. 10) as important in order to improve global governance and the coherence of global financial structures.

Gender concerns emphasizes the need to modify the standard costs-benefit analyses and include these significant social and "hidden" economic costs and to redress the imbalances in their distribution. Without a gender aware assessment of the distribution of adjustment (both social and economic) costs and benefits between debtors, creditors and investors as well among debtors. there is little chance that efforts to reduce and manage external debt will bring about substantial poverty eradication for both women and men. The invisibility of increased unpaid, non-market work burden, deterioration in health, and decline in women's capabilities are likely to give false impression of the effectiveness of policy and development strategies.

RECOMMENDATONS

Although there are concrete steps recommended by the Monterrey Consensus draft towards promoting gender equity, there is still need for specific measures that would ensure more active and indepth paritipation by developing countries citizens, particularly those from the more vulnerable countries and social groups including women. It is important therefore that governments and international bodies consider the following recommendationns in order to systematically address and eliminate gender-based inequalities concerning the distribution of access to and control over financial resources:

- ✓ Taking concrete steps towards the development and implementation of a comprehensive gender-aware framework for:

  1. decision-making on trade, fiscal and financial policies, and
  2. creation of more balanced monitoring of capital flows, aid use and management, and debt financing.

  Key institutional arrangements and structures that may emerge should include representatives that reflect concerns of poor women and other vulnerable groups.

- ✓ Altering the debt financing and sustainability assessments and reviews to include the social costs borne by the poor and women. These included unpaid work burden, decrease in schooling, deterioration of health, rise in the trafficking of women, and domestic violence. This requires capacity building and institutional development on the part of governments and international organizations towards monitoring these dimensions of adjustment.

- ✓ Eliminating conditionalities in debt relief initiatives and sustainable debt financing measures that increase or maintain gender inequalities and that lead to disproportionate burden of adjustment on women;
- ✓ Earmarking resources released by debt relief to address specific targets and benchmarks agreed upon in the Beijing Conference and the Millennium Declaration. Provisions towards the reduction of gender inequality in access to education, credit, employment and living wages could be included as targets in debt reduction and in poverty eradication commitments.
- ✓ Establishing a 'gender desk' with administrative and budgetary powers within the finance ministry to ensure that the above gender concerns are addressed at the formulation, implementation and evaluation stages of policymaking.
- ✓ Calling on multilateral financial institutions to formulate consistent and transparent rules, including surveillance of major industrial countries given the wide impact of their financial policies and currency stability on the rest of the world economy.
- ✓ Earmarking financial resources to meet multilaterally agreed development targets and benchmarks in the World Summit for Social Development and the Beijing Conference in crisis prevention.
- ✓ Developing gender-sensitive investment policies to ensure that gender equality is promoted and ensured in the mobilization of domestic as well as international resources. This requires:

    - Establishing monitoring mechanisms and instruments that can help assess the quality of engagement of foreign capital in support of gender equality and women's empowerment goals;
    - Providing concrete mechanisms for allocating revenues towards the provision of social protection and adjustment assistance programs to those who are displaced and adversely affected by capital flows, particularly women and children in poor households;
    - Establishing gender-sensitive guiding rules and policies in employment practices of foreign investors, including global corporations by building on existing agreed multilateral instruments such as the ILO Tripartite Declaration of Principles.