Financing for Gender Equality
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Financing Gender Equality Is Financing Development

Gender equality is recognized as being essential to human development, making it critical to ensure that all aspects of development financing, domestic and international, fully recognize women's economic contributions, and support their economic security and rights. Hence, macroeconomic policies, which influence the volume and distribution of resources for development, must promote both employment generation and productive growth, reduce income and asset disparities, moderate vulnerabilities related to changes in the global economy, protect against environmental and social risks, and explore innovative sources of financing.

This paper is a contribution to the discussion on Financing for Gender Equality and Women's Empowerment, to be taken up by the Commission on the Status of Women, 25 February – 7 March 2008. It is in the process of review; comments are welcome.

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Introduction: making money work for women

Financing for gender equality is a critical part of the discussion on financing for development. All national and international economic policies affect women, in ways that serve to advance or hinder their livelihoods. At the same time, economic growth and human development, to be sustainable, require women's full participation in the economy, making it necessary to tailor development finance to the needs of both women and men. Sustainable development depends on tapping the talents of everyone in society, even as equality and social justice mark stable, flourishing societies.

Regardless of their development status, all countries rely on two basic sources of financing: domestic and international. Governments and the international community manage these through macroeconomic and trade policies, and international agreements. Domestically, macroeconomic policies set parameters for the national economy. They guide the mobilization of domestic resources, set public expenditures and moderate the money supply, acting as levers to raise or lower barriers to different kinds of financial flows. International financing comprises foreign direct investment and private capital flows, international trade, and external assistance, mainly through official development assistance (ODA) that includes cancellation of debt repayment obligations. For many low-income countries, ODA and debt cancellation will be priorities. Emerging economies may be more focused on private capital flows and trade, relying less on external borrowing because they are able to access private capital markets more easily or they have relatively more robust domestic resource mobilization strategies, although some middle-income countries continue to bear a large debt repayment burdens.

Ongoing discussions on financing for development often highlight how economic growth will spur progress towards the Millennium Development Goals (MDGs), including poverty reduction and gender equality. Many national development strategies continue to stress economic growth and stability, maintained in part by tight controls on inflation.

This approach, however, has led to cuts in public investments that play a critical role in development. And it has a mixed record in redressing inequalities. In many countries, poverty continues to increase, despite improved macroeconomic management. Gaps between the rich and poor are widening[1], owing in part to growth that fails to generate adequate employment.

Today, there is growing recognition of the need to foster high-quality economic growth that is equitable and sustainable. Many countries are promoting more inclusive financial sectors, and per capita social expenditures are increasing. International agreements, including the Millennium Declaration and the Monterrey Consensus, have endorsed financing policies that move beyond narrow definitions of income growth to embrace the more comprehensive goal of human development, that is, expanding people's choices to improve their lives.

While gender equality is acknowledged as essential to human development, much more needs to be done to ensure that all aspects of development financing, whether domestic or international, fully recognize women's economic contributions, and support their economic security and rights. Towards that end, policy alternatives must constitute ways to promote both employment generation and productive growth, reduce unfair disparities in incomes and assets, moderate vulnerabilities related to the profound changes in the global economy, protect against environmental and social risks, and explore innovative sources of financing[2]. All countries have a responsibility to advance gender equality goals. The specific policy mix adopted to achieve these, however, will differ depending on overall development objectives, as choices appropriate for low-come, middle-income and high-income countries will not be the same.

[1] For an in-depth discussion, see Nissanke and Thorbecke (2005).
[2] Cagatay and Erturk (2004).

Set a balanced domestic economic policy agenda

The Monterrey Consensus highlighted domestic resource mobilization, both public and private, as essential for sustaining productive investment and increasing human capacities. These investments and capacities should lead towards the kind of diversified economic growth that provides opportunities for people at all levels to lead better lives. The domestic public policy tools that can guide this process include targeted public investments, fiscal and monetary instruments to moderate economic downturns, and policies to promote decent work.

The balanced use of these tools provides an alternative to the conventional policy goal of holding inflation in check[3]. The tools used to contain inflation--raising interest rates and cutting public spending--have negative implications for gender equality and poverty reduction, as well as for the stability of the economy as a whole. While controlling inflation has helped restore fiscal credibility to many countries, an overly rigid application of this strategy can suppress growth, raise unemployment and encourage over-dependence on short-term external finance, thereby increasing economic volatility[4]. This puts women at a particular disadvantage, since women already face steep barriers to credit, assets, employment and services.

A more balanced policy framework can provide opportunities for governments to improve the overall economic outlook, and meet national and international poverty reduction and gender equality commitments. Gender analysis, strategies and data still remain mostly absent from major public policy statements, including poverty reduction strategy papers, but several methods have emerged to encourage greater balance. These include gender responsive budgets, endorsed by the Monterrey Consensus, and results-based public expenditure management, a key part of economic governance approaches designed to foster public accountability. Gender–specific outcome indicators can measure how domestic resource allocations are advancing gender equality, assisting countries to comply with the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). Ongoing analysis of market and non-market forces should track gender differences related to labour, income and access to public services, so that policy adjustments can be made accordingly.

Emphasize employment and decent work

Among the trade-offs of macroeconomic policies narrowly focused on inflation is stagnant or slowed employment growth, often failing to keep pace with economic growth overall. Not only does this contribute to widening income disparities, the uncertainty it creates risks putting a brake on continued economic growth.

Tight employment markets generally hurt unskilled workers first and hardest[5]. Women not only tend to be less skilled than men, they also tend to be last hired and first fired, since their earnings are still often seen as supplementary. This partly explains the fact that while record numbers of women have entered the labour market in recent years, female unemployment rates are higher than male rates in almost all parts of the world. Even in industries where women make up the great majority of the workforce, albeit in poorly paid and insecure jobs, their share has declined as tight job markets oblige men to accept these same conditions[6].

National economic policies need to foster the creation of decent work for all as a key

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3 Suggestions for alternatives to inflation-targeting are found in a series of papers produced by the Political Economy Research Institute at the University of Massachusetts-Amherst. See www.peri.umass.edu.

4 For a more detailed discussion, see Spiegel (2006).

5 Spiegel, Shari (2006).

6 Standing, Guy (1989; 1999), Barrientos, Stephanie, et.al. (2004), Heintz, James (2006).

step towards poverty reduction, gender equality and equitable growth. This includes training that improves women's options across different sectors of the labour market, and access to finance for women entrepreneurs, especially in small and medium enterprises. Policies to create decent work should fully account for rapid changes in labour markets and opportunities related to trade liberalization. Particular efforts are needed to reach the large numbers of women in informal work. And in putting in place the social safety nets that ensure the efficient functioning of labour markets, attention must be given to the need for quality jobs with flexible time schedules and affordable child care that may be more critical for women than men.

Make public investments that enhance economic productivity

In general, macroeconomic stabilization plans, promoted by international financial institutions (IFIs), have tended to severely constrain public investment, often leading to drastic shortfalls in public services[7]. A common argument in favour of such plans is that public investment crowds out private investment, thus hindering economic development. Yet there is considerable evidence of the value of targeted public investments to development. The expectation that the private sector will fill gaps in services traditionally provided through public funding has proven overly optimistic.

This last notion has been particularly burdensome in lower income countries lacking the economic strength needed to attract private capital, and even in middle-income countries without sufficiently developed capacity to encourage investments through the mitigation of potential risks. There are also serious questions about whether private sector provisioning increases the quality, reliability and accessibility of services, and whether budgetary positions actually improve. Many public-private partnerships have guarantees, subsidies and financial incentives that could become government liabilities, so while expenditures are cut in the short term, potential burdens from liabilities increase[8].

Public investments can foster economic expansion and stimulate employment through the management of economic demand, and the development of individual and national capacities. They can provide the basic goods and services required to jump start and sustain economic growth. Supportive national policies can also strengthen market forces associated with innovation and technological advances, and help different productive sectors form mutually beneficial links.

A gendered approach to public investments could look at the gaps in women's economic participation and productivity. Women have specific needs in terms of health care, education, employment and infrastructure. The lack of these services makes it more difficult for women to contribute as full economic agents. Public investment in infrastructure, for example, requires planning that takes into account gender-specific needs for mobility and security. Safe public transport may facilitate women's access to employment, education and health care services.

Invest in socially reproductive activities, and broaden social insurance and protection

Women working outside the home often take on a double burden, as in most cases they continue to be responsible for household and care-giving tasks. This arrangement is convenient for markets and states, since it lessens pressure on these institutions to share in the responsibilities for care. It also preserves the consolidation of property and other assets under mostly male control, since these have never been associated with reproduction—women's labour being considered the only asset necessary. Women therefore have limited employment options and tend to cluster in part-time or home-based work that lack security and benefits.

[7] Roy, Rathin, et al. (2006).
[8] Bayliss, Kate and Tim Kessler (2006).

Socially reproductive activities are not only about women's household labour. A broader perspective—encompassing how a society provides care to its members through the combined work of states, markets and households—needs to be part of macroeconomic policy-making. This starts with the recognition of the significant economic contribution made by socially reproductive activities, and the fact that while everyone benefits from these, the responsibilities are not equally shared.

Increasing government investment in socially reproductive activities can be seen as a contribution to the effectiveness of fiscal policy[9]. In developing countries where many households and firms are cash and credit-constrained, the ability of economic agents to access benefits through publicly provided services can have a strong multiplier effect on GDP, since these households and firms will spend all or most of what they receive. In a developing country context, programmes supporting socially reproductive activities will be cost-effective as production costs tend to be low.

Encourage equitable access to assets

Equitable access to assets such as land, capital and natural resources establishes a more level economic playing field. It ensures that all members of a society have opportunities to increase their capabilities, better their own lives, and contribute their talents and capacities to the society as a whole. Guided by appropriate policies, this helps unleash competition that can lead to efficiencies in production and balanced growth.

Gender inequalities in access to land and other assets need to be taken into account in efforts to level the economic playing field, including through redistribution mechanisms. Land reform programmes, for example, may need to take into account inheritance or divorce laws and customs, which may continue to permit de jure or de facto gender discrimination[10]. Land and other assets can serve as a capital base from which women can generate wealth.

Social insurance and protection mechanisms, which perform redistribution functions by transferring wealth from richer to poorer households, often include regulations that reinforce gender inequalities. Many issues that limit women's access to benefits relate to the nature of women's participation in the labour market, which can be punctuated by departures due to child bearing, characterized by part-time work and marked by lower contributions due to lower wages—even as women generally live longer than men.

Moderate economic cycles

Countercyclical policies, designed to counter economic downturns, are an important tool for lessening the negative social and economic impacts of such downturns. Cuts in interest rates for example, can be used to slow economic decline by making credit more available, while at the same time fiscal policy is loosened in order to continue to maintain public investments. Several tools are available to trigger countercyclical policies depending on a country's administrative capacity and level of development. Middle-income countries, for example, can use an estimate of their "full employment deficit" as a target so that fiscal tightening will not be as severe as when current fiscal deficits are the basis. Least developed countries can focus on primary fiscal deficits (fiscal deficits minus interest payments) if international financial institutions agree to finance the interest costs. Another method is the judicial use of fiscal stabilization funds that are reserve pools generated when an economy is growing. These funds may be useful for

[9] Adesina (2007) discusses how retrenchment in state provisioning of health and educational services was borne by end-users, particularly women who have the obligation to provide nurturing and childcare. Adesina (2007) also discusses the how the increased imposition of use-fee charges have increased social exclusion.

[10] Nyamu-Musembi, Celestine (2005).

countries that are dependent on export commodities that face wide fluctuations in global prices. The objective here is to minimize the procyclical bias of fiscal policy in order to free up resources needed to sustain social and investment policies[11].

In countries where governments provide little social protection, countercyclical policies can serve this function by lowering the probabilities of job losses and income declines. In general, however, countercyclical policies should be accompanied by social protection mechanisms. Otherwise, should a recession occur, individuals will bear the full brunt as they join the ranks of the unemployed, with few options for assistance. The lack of social protection or insurance often forces low-income people to draw upon informal mechanisms of support[12], such as selling assets that they would ordinarily need to be economically productive. This kind of practice can serve as a temporary survival tactic, but it may deepen the poverty of individuals over the long term and provide no net benefit to the economy as a whole.

Women with few skills and assets may find it even harder to bounce back. Social protection gaps combined with inadequate public services oblige women to take on additional care-giving responsibilities, which further limit their options for paid employment or other income-generating activities.

Adopt progressive tax regimes

To support adequate, efficient and equitable public investments, developing countries need to diversify their tax bases and strengthen their tax administration. Taxes remain the main source of domestic public resources, but developing countries currently lose billions of dollars a year to tax systems that do not reach the wealthy, tax exemptions for foreign investors, accounting practices that allow transnational corporations to favour countries with low taxes, capital flight to tax havens and declining tariffs due to trade liberalization.

Progressive tax regimes can optimize revenues, while easing the income disparities that have marked growth in many countries. They need to have effective and fair collection mechanisms, and account for varied impacts on different social groups, including women. They should be situated within the broader economic context. Many countries, for example, have attempted to attract capital through tax holidays and the poor implementation of labour laws, on the expectation that this will generate employment. But the jobs that result are often of poor quality and limited duration because of mobile foreign employers, as women in the garment industry can attest. In these cases, tax losses may be difficult to rationalize.

Trade liberalization has had a negative impact on tax revenues, as the International Monetary Fund estimates that taxes have only be able to make up for 30 percent of the revenues lost from declines in trade tariffs[13]. Many low-income countries were heavily dependent on trade taxes, which are relatively easy to collect. To reduce the shortfall, some have turned to instruments such as the value-added tax (VAT). To the extent that women and men have variable consumption patterns, the VAT will affect them differently, often to the detriment of household expenditure needs. Tax breaks or subsidies may be needed for essential goods and services. In this context, a gender-sensitive tax regime encourages redistribution from holders of financial assets when applying capital gains taxes and from rentiers when taxing gains from natural resource exploitation. Redistribution just as important an attribute even when, In both industries, the differential holdings of assets and rents between men and women might actually be significant.

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[11] Spiegel, Shari (2006).
[12] Commission on Human Security (2003).
[13] Spiegel (2006).

Make foreign aid flows more predictable

Compared to private capital flows and trade, Official Development Assistance (ODA) is now a smaller presence on the financing landscape, topping just over $100 billion per year. But in poorer countries, aid can constitute half the national budget. It remains essential to achieving the MDGs as well as the other internationally agreed commitments made at UN conferences. The current sum also falls short of internationally agreed targets, and is not predicted to be adequate for the full realization of the MDGs.

Gender equality programmes are funded by both bilateral and multilateral donor agencies. A study by the Organisation for Economic Co-operation and Development (OECD), however, found that two-thirds of bilateral aid for gender equality programmes by sector was devoted to health and education. Less attention has been paid to infrastructure, agriculture and finance, although these are critical for women's economic advancement.

Aid flows are generally considered to be among the most volatile of macroeconomic variables. In developing countries heavily dependent on ODA, this threatens the continuity of development interventions, particularly for complex and long-term goals such as gender equality. Indicator 7 adopted in the 2005 Paris Declaration on Aid Effectiveness is a proxy for the predictability of aid flows[14]. Studies are needed to understand how this indicator may affect steps to achieve gender equality when applied to aid-supported programmes and projects, as well as to answer questions regarding declining levels of aid to work supporting gender equality.

With the shift to new aid modalities, including harmonization of donor funds through direct support to national budgets, mechanisms are required at the national level to ensure that sufficient resources flow to gender equality programmes, and that accountability for results can be upheld. Particular concerns have been raised over sectoral support, where links to gender may not be clearly articulated. The focus on providing support primarily through governments presents a risk of reduced access to individual grants for women's groups, particularly those who question discriminatory national policies. More importantly, the aid effectiveness agenda needs to be more clear on how it will contribute to development effectiveness apart from efficiency considerations attached to the reduction of transactions cost.

Align trade liberalization policy with domestic productive capacity

World merchandise exports passed $11 trillion in 2005, having doubled since 1995. The share of trade of developing countries reached an all-time record, including through flourishing South-South trade relationships. Poorer countries, however, have not been able to grasp the benefits of trade liberalization. The share of global trade for the 50 poorest countries began declining in 1960, and has hovered at around only 0.5 percent since 1995.

Unfettered trade liberalization has clearly not been a blanket benefit to all economies. Some new approaches now emphasize a flexible mix of policies individually tailored to achieve national development targets[15]. Policy options might include the identification of specific industries for support; the encouragement of foreign direct investment that supports development targets; some amount of trade protection through reasonable tariffs and related measures that help domestic producers develop their capacities; and the upgrading of skills and technology so that a country's competitive advantage is not based solely on low-cost labour and other inputs, but also on technological and human development[16].

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[14] Per cent of aid disbursements released according to agreed schedules in annual or multi-year frameworks. The target for 2010 is to halve the proportion of aid not disbursed within the fiscal year for which it was scheduled.

[15] UNCTAD (2006).

[16] Lall, Sanjaya (2003; 2001), UNCTAD (2007).

Trade affects gender equality through employment and income opportunities or losses, as well as shifts in the costs of basic goods and services. There is as yet no mechanism to monitor the extent to which current trade policies have worked to reduce gender inequalities, but trade liberalization, which is normally accompanied by lower revenue collection from tariffs, can slow investments in public services and shift tax burdens towards labour in ways that limit women's productivity. Some industries favoured by trade improve women's employment prospects as a general principle, but others, including some high-tech sectors that offer better wages, may not benefit women because of persistent gender biases that reduce women's chances of cultivating appropriate skills. This is seen in the widely criticized practice of export-oriented industries of regarding women as low-cost inputs into production. Gender equality is not promoted when an industrialization strategy relies on women as "starter" workers to establish competitive positions in global markets only to be replaced by men when industries move into higher productivity activities with greater capital intensity

As countries grow in their ability to integrate into the global economy, the international environment must support their newly emerging capacities. All international trade agreements should make allowances for countries to address varying national development circumstances and, hence, apply special and differential treatment and less-than-full reciprocity as principles for negotiations. Aid for trade should help strengthen productive capacities and mitigate adjustment costs. It should not become a tool to impose new policy conditionalities, as would be the case if the Integrated Framework for Least Developed Countries promotes the mainstreaming of trade liberalization in poverty reduction strategies.

Expand policy space

In order to pursue the above recommendations, an expanded policy space is essential[17]. These recommendations contribute to the enhancement of domestic resource mobilization that forms the core of financial policies in national development strategies that are committed to the reduction of inequalities. Reduced reliance on external sources of finance strengthens the democratic ownership of development policies. More so, if women and other excluded groups engage strongly with formulation and implementation of financing policies.

An expanded policy space provides governments with room to initiate public action for financing gender equality and achieving the Millennium Development Goals. Expanded policy space also provides gender equality advocates with the latitude to use innovative policy approaches that ensure that responsibilities for social provisioning and care are shared more equally between women and men, between the public and private sectors, and between states and markets. An expanded policy space is an inclusive policy space.

[17] UNCTAD (2007).

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