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**Financing and Investment for SDGs and Women Equity**

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## FINANCING AND INVESTMENT FOR SDGs AND WOMEN EQUITY

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The Sustainable Development approach, initiated in Rio Conference in 1992, has evolved throughout time and through different conferences and arenas, arriving mainly to the settlement of development goals as MDGs in 2000 and the recently SDGs in 2015 (known also as the Agenda 2030), which are certainly more ambitious.

The parallel process for this development agenda is the Finance for Development Conference (FfD), held at UN, focusing mainly on making compromises on the resources available for accomplishing these international development goals.

However, the objectives regarding the provision of financial resources do not seem to be as ambitious as the new development agenda. This paper will address the **financing for development issues and challenges** on aid, debt, tax and private finance, but also will talk about the challenges regarding the use of resources in developing countries, **the investment and distribution of incomes**. Both issues will use some Latin American data and perspective to enforce the analysis.

### 1. Finance for Development (FfD)

The FfD process, held in Monterrey (2002), Doha (2008) and Addis Ababa (2015) as a High Level Conference at UN has been a process which has set the main finance resources that will "guarantee" the implementation of the sustainable development agenda, today the Agenda 2030.

The scale and scope of commitments and the means of implementation are key to project some challenges on the achievement of this agenda, and infer the challenges towards a development focused on gender equality.

#### a. Debt

Ever since the financial crisis in 2008, debt is back on the global agenda, but more recently with the Argentina's case on hedge funds (known as "vulture funds") and the Greek crisis.

Unsustainable debt is not only a developing countries' problem. In the 1980s LA countries had an external debt stock around 90% of its GDP during its debt crisis, but now it is around 15%, with a trend to increase. However, developed countries are currently facing a debt crisis with even higher ratios, of 100% such as some European countries, but reaching 200% in the case of USA and Japan. So now the challenge to deal with current debt distress situations is global, it involves LICs, MICs and rich countries, that need to take measures to prevent the costs it could imply to solve them.

A bad managed debt cannot only result in economic impacts, but social as well. High debt levels or structural fiscal adjustments lead towards reduced public social spending, such as public health expenditures, which often means that women must spend more time taking care of sick family members which in turn reduces the amount of time available for remunerated work to make up for shortfalls in public services, and thus are being forced to work longer hours and to be immersed in the informal sector.

Some issues that are needed to be focused on, towards reducing the risk of debt social impacts, are:

**Debt restructuring processes** lead by the IMF have implied -and it is actually happening in some European countries- adjustment programmes with critical social impacts such as cuts in public spending on social investment (health, education, welfare assistance, development projects and other social expenditures), privatisation of state owned enterprises, liberalization of labour, among others, which have an impact on women in terms of access to public services and decent jobs.

As women rely more than men on public services and welfare assistance, they are disproportionately affected by spending cuts. Under such circumstances, several human rights, including the rights to education, health, adequate housing, work, food, water and sanitation, are placed under threat.

On the other hand, the hedge funds' demand to receive the whole payment of the not renegotiated debt undermines social expenditure as well. The IMF has an active role on the restructuring processes of debt distressed countries, and also has made recommendations<sup>1</sup> addressing the inclusion of Collective Action Clauses in future bonds issuance.

But current instruments to solve debt problems are certainly not enough to avoid the social impacts involved. The UN has recently approved nine principles on sovereign debt restructuring processes that could be applied in every country, as a basis towards a future fair, transparent and timely debt renegotiation mechanism, which could reduce the impacts of traditional fiscal adjustments.

Millennium Development Goals (MDGs) had the implementation of **debt cancellation** processes for 36 countries, which were decisive for them to achieve sustainability. According to AAAAA, the Agenda 2030 will not include such debt cancellations but cases of environmental and environmental and disease episodes (e.g. typhoon, Ebola) could be considered to have this treatment. Some developing countries are facing serious debt problems, moreover if they suffer episodes that need more resources to tackle negative impacts; circumstances where women are the most affected by damages and end up with more responsibility filling the gaps left in public services provision.

The trend of an increasing debt implies the need of taking measures towards the new debt burden. Service payments were in some experiences during the 80s and 90s higher than health and education expenditures, constraining the public capacity to promote social development and provide basic services, aggravating the feminization of poverty. Addressing **debt sustainability analysis** (DSA) to be carried out in every country before taking a new credit is crucial, moreover if there is the need to accomplish the Agenda 2030, it should also include the analysis of domestic debt and external private debt. There is currently not a DSA methodology with a SDG approach -nor was any with MDG approach- which should be another challenge to guarantee that the raise of debt will not endanger and generate a new social debt affecting next generations.

SDGs ratios are currently under elaboration, providing an opportunity to include **appropriate debt ratios**, to measure risk defaults timely and prevent crisis and its impacts. While many workers had to engage in lower-paid and riskier work in response to the crisis, women and girls were particularly vulnerable to risky, unprotected, and often informal employment, and the decline in primary school

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<sup>1</sup> <https://www.imf.org/external/np/pp/eng/2014/090214.pdf>

completion rates for girls exceeded that for boys, moreover, while evidence on the gendered impacts of the crisis vis-à-vis child labor is mixed, girls are more likely to be involved in highly vulnerable forms of work including domestic work and transactional or commercial sex work.<sup>2</sup>

But the allocation of debt resources within the public budget is also important, promoting **responsible lending and borrowing**, with no conditionalities, and making the environmental and social assessments timely to take the right measures.

The effects of debt-servicing and policy conditionalities are not gender-neutral. Owing to their traditional role in society, and the multiple forms of discrimination that they suffer, women tend to be disproportionately affected by debt.<sup>3</sup>

#### **b. Aid**

Since Monterrey Consensus in 2000, the commitment of donors was to deliver the 0.7% of its GNI as Official Development Assistance (ODA). Few countries have achieved this level; by 2014, ODA average was 0.29%, far from the commitment.

The overview for future aid is not optimistic, AAAA kept the same commitment of 0.7% and encouraged developed countries to accomplish it, but the crisis might prevent them from doing so. For some countries, as MICs in LA, it is very likely that it will be diminished, data displays a 14% of ODA for LAC in 1990s and 5% in 2012.

On average, between 2009 and 2013, 30% of aid from DAC donors financing has a gender equality orientation, considering as a criteria that its projects are principally or significantly intended to advance gender equality and women's empowerment or reduce discrimination and inequalities based on sex, where Government & Civil society and Education are the sectors with major allocations.<sup>4</sup> This will probably be a source less of funds that had at least a 30% of orientation to women rights.

For future aid, donors should strongly demand gender equality in the projects they finance, but also go further and be careful on the non-intentioned negative impacts on women.

#### **c. Tax**

Domestic resource mobilisation is the most important source of funds to achieve sustainable development, given that national fiscal incomes can deliver resources in the long term. But this is a big challenge, especially for developing countries.

The lack of new resources implied in the AAAA, should have been compensated with addressing changes in the current international tax system, opening the possibility to developing countries to adequately mobilizing their own domestic resources. The FfD conference did not bring the mechanisms to foster a reform towards democratising the international space for norm-setting on

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<sup>2</sup> Women, Work, and the Economy: Macroeconomic Gains From Gender Equity, IMF, September 2015.

<sup>3</sup> Effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights. Report of the independent expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights. United Nations, August 2012.

<sup>4</sup> Aid in Support of Gender Equality and Women's Empowerment - Donor Charts, March 2015, OEC-DAC.

tax cooperation, currently captured by the OECD, refusing to establish a UN tax body with participation of all countries.

Tax dodging and tax avoidance result in billions of dollars of flight capitals every year, money that could have been invested in the countries where it has been generated, especially in developing countries. LA capital flights to offshore is estimated in \$us 2000 bn in the last three decades, assuming this amount would have been invested in the region, therefore generated profit and paid taxes, it is estimated that it could have been collected twice as ODA flows for the region.

But national tax reforms are also crucial to boost domestic resources mobilisation. Such reforms should tackle the regressive systems, which currently are producing more inequalities, especially on women. LA, for instance, has a tax pressure of around 22%, half of OECD countries. In addition, tax system structure is highly regressive, about 2/3 of revenues come from indirect taxes, and only 1/3 from direct taxes<sup>5</sup>. The redistribution role of tax policy, and therefore the need for progressive tax reform is crucial for avoiding perpetuation or exacerbation of inequalities, especially on women, since they tend to have lower incomes than men, and since they make up the majority of the poor, regressive taxes take a larger proportion of their earnings. Moreover, since acquisition of basic goods and services are mainly in charge of women, regressive taxes have greater impact on their economies.

On the other hand, LA countries rely heavily on extractive industries, which implies a high investment on capital but not such investment on new jobs, which have also a social/gender-related impact in terms of fewer sources to create decent jobs for women.

Sustainable domestic resources can contribute to foster a sustainable social investment, which with the right approach could contribute to women equity public policies.

#### **d. Private Finance**

The discouraging landscape of available fresh resources to finance the Agenda 2030 is relying on giving a more active role to the private sector, particularly multinational companies, including initiatives as Public Private Partnerships (PPPs) that could entail economic risks.

Deceleration of the economy will imply the search for external resources from private sector. In the case of LA countries, Foreign Direct Investment has being reduced (by 16% as of June 2015<sup>6</sup>), though during the “boom” period it was mainly aimed to extractive industries. Developing countries might be forced then to conduct its policies towards more flexible laws for private investment and implement incentives to attract more capitals for the region. Regional Integration Initiatives as COSIPLAN (formerly IIRSA), that involves corridors and mega projects as dams, estimates for 2015 a 13% of financing from private sector and 10% from PPPs.<sup>7</sup>

Besides energy, telecommunications, agribusiness and extractive industries, sectors that might be promoted by private sector are infrastructure (which is currently financed mainly by public expenditure), but PPPs are starting to focus on water, education and health, which in most countries are constitutional rights. Participation of the private sector needs to be regulated, especially with

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<sup>5</sup> Latindadd, 2014.

<sup>6</sup> La Inversión Extranjera Directa en América Latina y el Caribe 2015, CEPAL.

<sup>7</sup> Cospilan, Plan de Trabajo 2015.

respect to access and quality of its services, developing countries need to deliver by-laws that not only focus on a better environment for private sector, but also on the conditions for the population and the economy.

A more active role of private sector, especially on health and education, should be prevented for not obstructing women's enjoyment of their rights, therefore, the implementation of international norms should be strongly encouraged, such as the Business and human rights principles, ILO labour standards, indigenous people rights, including the free and informed prior consultation.

Development Finance Institutions (DFIs) are financing private sector, one of the preferred sectors is the financial. In LA region, IadB, Latinamerican Development Bank (CAF) and others are also under this line. Though the private sector can make a contribution to development, the question is to what extent they can contribute to sustainable and equitable development, over its primary aim and nature, profitability.

Under this scope, women rights should be focused on the mega projects located mainly in protected areas, regarding the negative impacts from some investments, which are not only the loss of livelihoods, but also prostitution and human trafficking, rape or sexually transmitted diseases.

Nevertheless, regulation should make a difference between multinational companies and the micro and small enterprises, because they generate more formal jobs, and unlike the big companies, they are most likely to be run by women.

## **2. Distribution of incomes: Investment**

Despite poverty has been reduced, inequality has raised and therefore has become one of the main challenges to be addressed in the development agenda. LA is an example on this, given that it has been recording growth rates of 4% on average for the last years, even during the financial crisis, but according to the WB it is currently the most unequal region.

Studies demonstrate that inequality has an impact on GDP. There is ample evidence that when women are able to develop their full labour market potential, this can result in significant macroeconomic gains. GDP per capita losses attributable to gender gaps in the labour market have been estimated at up to 27 percent in certain regions.<sup>8</sup>

Certainly it is not only a matter of increased resources availability or to foster gender equality to increase the GDP. After having more and sustainable incomes, the next challenge is to make the right decisions on a distribution that promotes equality, which could be one link between the macro analysis on finance for development and the micro analysis regarding the impact on women. Some issues to be considered, from an analysis on the LA experience, are:

- Diversification: Exports of non renewable natural resources account for up to 14% of GDP in some LA countries, becoming therefore one of the main sources of income, therefore, it also gets the benefits from more public investment. But extractive industries does not provide new jobs, and it is most likely that generates more jobs for men than women. Therefore, diversification policies are very important to foster other sectors that can bring

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<sup>8</sup> Women, Work, and the Economy: Macroeconomic Gains from Gender Equity, IMF Staff Discussion Note, September 2013.

more sustainability to the economy, but also generate jobs in the productive sector, where women can have a more active role.

- Informal sector: Women dominate the informal sector, which is characterized by unstable earnings, vulnerability in employment status, and low degree of social protection. This can be tackled by fostering a diversification of the current productive matrix, however it also implies to insert women in decent job conditions, with access to social security and other benefits, not only for them but for their family.
- Infrastructure: There is an infrastructure gap in developing countries and estimations expect an annually 3% of GDP are needed to fill this gap. Now it is part of the Agenda 2030, but for a long time it has already been already a priority for developing countries, especially regarding transportation (corridors and highways). The concern is that mega projects on energy and extractive industries are now at the top of the list, with huge negative social and environmental impacts that have a heavier burden on women, especially in local communities. In addition, most sources of funds are aiming to finance infrastructure, from multilateral, bilateral, regional and national sources, through credits and PPPs.
- Disaggregated gender information: There is not this kind of information at national levels, in a manner that could contribute to make better decisions during the budget elaboration process and the public investment plans. Therefore, it is crucial to promote the adoption of gender-responsive public management, including gender budgeting systems.
- Social investment with gender approach: Although there are several policies applied, such as conditional cash transfers, more focused actions could be taken specifically on women and girls, such as conditional cash transfers for girls attendance to school, or other policies like better access to comprehensive, affordable, and high-quality child care, that could free up women's time for formal employment. Ideally, a gender focus social investment, expressed in an investment plan as part of a national development plan, should address access to quality health services, to quality education, to water sanitation, and thus resulting in better gender ratios.
- Participation and advocacy: More participation of women in public jobs could deliver more social policies in public management<sup>9</sup>. Though Planning and Justice Ministries are more aware of gender equality discussions, there is still a huge gap in gender responsiveness policies from the economic management offices, reason for what it is important to advocate on Ministries of Economy, which finally defines every year the public budget and its structure.

### Final reflections

- Financing for development has not set concrete means of implementation to address the sustainable development agenda. The challenge for developing countries will be not only to maintain the social achievements reached through MDGs, but no to go backwards.
- Awareness on how to deal, from a gender perspective, and what to focus on regarding new sources of financing, as PPPs.

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<sup>9</sup> As it is demonstrated in the IDB document "Do We Need More Women in Power? Gender, Public Policy, and Development in Bolivia", 2014; which findings indicate that municipalities with women councillors devote more resources to social investments.

- Strategies to address the gender equality in the possible priorities of investment: infrastructure and extractive industries.
- Foster adequate and timely mechanisms to take measures in order to prevent economic crisis and its impacts.
- Application of human rights and compliance of private sector actors provide the opportunity to foster women in achieving the realization of their human rights.
- Besides the recently approved FfD and Post-2015, the last big development decision in 2015 is at COP21 related to climate change global commitments, which will affect women negative or positively, since it is one of the most vulnerable groups before the climate change impacts.

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