Input for an Elements Paper on Financing for Development

Caren Grown, Center for Sustainable Development
The Brookings Institution
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Introduction

The Addis Ababa Action Agenda affirmed the centrality of gender equality and women's and girls' empowerment to sustainable development and committed to "reinforce national efforts in capacity-building in developing countries in such areas as public finance and administration, social and gender responsive budgeting, mortgage finance, financial regulation and supervision, …" While progress has been made in the past ten years, it has been slow and siloed and, with few exceptions, efforts have not resulted in large scale changes in national public finance systems or the international discourse to raise and allocate resources that result in gender equality. This note details two areas where new approaches can make a difference.

Domestic Public Resources

Domestic revenue mobilization (DRM) is key to financing progressive public expenditures that reduce poverty and inequality for men and women and create the conditions for sustainable and inclusive development. Yet, the dominant approaches to incorporating an understanding of gender equality in domestic resource mobilization and tax policy are no longer fit for purpose and alternatives are now being developed.

The prevailing analytical framework for understanding the interaction of gender biases and tax policy has led researchers and policy analysts to focus on a narrow set of issues as opposed to tackling a robust agenda for domestic revenue mobilization (such as taxing the wealthy and capital income), and for tackling systemic gender inequalities (such as addressing unpaid care work and gender equalities in paid employment). A recent brief (Grown and Mascagni 2024) argues for a more extensive approach that embeds tax firmly within the policymakers' public finance toolkit, connecting taxation with government expenditure and in the context of longer-term fiscal policy planning. Within a broader feminist reform agenda, tax is part of a wider debate about government policy and fiscal space, both from a technical and a political perspective.[1] A feminist fiscal reform agenda involves increasing the progressivity of income taxes, more effective taxation of multinational corporations, implementing and enforcing the collection of wealth taxes, reducing tax exemptions and tax expenditures, and adopting measures to reduce the financial and compliance burdens of taxation on lower-income firms and workers.

Reforms to enhance revenue mobilization, and overly ambitious revenue targets, can result in perverse incentives, which can especially harm lower income women workers and firms. For instance, when revenue administrators in low-income countries don't meet their targets, they are pressured to intensify efforts to register taxpayers, especially those who operate informally (Gallien et al. 2023; Gallien and van den Boogaard 2023), which is where many women operate and to extract more from those already in the tax net. However, those segments are unlikely to produce revenue gains, which is

[1] It may be that some types of gender inequalities (such as lack of access to menstrual hygiene products) may be better addressed through the expenditure side of fiscal policy as opposed to reforms on the tax side (e.g., through zero or reduced rating in the VAT). At the same time, some types of taxes may help with gender equity, such as the case with health taxes (on cigarettes and alcohol). Connecting tax systems with public expenditure can also help build trust and enhance compliance among taxpayers. Transparent and effective use of tax revenues is essential for improving tax morale, reducing corruption, and ensuring that the benefits of tax reforms are felt by the most vulnerable groups, including women.

why other approaches, such as instituting progressive corporate income and wealth taxes, and closing loopholes and exemptions, are necessary[2].

A feminist fiscal policy also involves strengthening administrative capacity, especially enforcement, facilitation, and improving trust in the revenue system, all of which in turn enhance revenue collection (Komatsu, Shaukat and Ozer 2024). This is particularly important at the subnational level, where women more than men may be subject to a greater variety of fees and local services taxes (Joshi et al. 2024).

Digitalization of tax and government services presents an entry point to address some of the issues raised. Digitalization can simplify compliance for taxpayers and enhance service quality. Digital technologies can streamline tax processes, making them more efficient and accurate through electronic tax filing systems, automated data collection, and digital payment platforms, which reduce administrative costs and errors. This may also be especially important for female taxpayers who have mobility and time constraints. Digitalization can also enhance the collection and curation of sex-disaggregated data necessary for planning and monitoring. At the same time, unless accompanied by public education and other measures, digital tax systems can exclude women lacking digital literacy or technology access.

The Intersection of Development and Climate Finance

Both development and climate finance are insufficient to meet current challenges, especially as countries seek to become more climate resilient. Finance for mitigation is largely channeled to a narrow range of sectors such as energy, transport, and construction (all important!) but which are male-dominated. Adaptation finance is channeled to sectors such as forestry and agriculture, which more often employ women and which are important for food security, biodiversity, and other economic functions, but the amounts are far less than the needs. Large investment gaps also remain in key geographies and climate-vulnerable populations. This includes supporting distributed renewables, climate-smart agriculture, green value chains, and nature-based solutions — areas that are important for the transformation to net 0, for supporting social reproduction activities, and for closing some gender gaps in production.

A high priority for both development and climate adaption finance is support for care work. Care work impacts the economy and affects labor force participation (especially women) and economic

[2] There is a false assumption to categorize informal workers as not paying taxes since they often pay a range of fees, licenses, market levies, and business and property registration duties (Meagher, 2018).

growth. Care deficits have been found to lead to lower life expectancy, chronic illness, and poor quality of life. Care services (for children, those with illness and disabilities, the elderly, and others) should be considered as global public goods and their provisioning as the responsibility of society as a whole.

Climate hazards only increase the need for care in terms of sudden illnesses and unexpected disabilities. A growing literature documents the health effects of heat rise (Haines and Patz 2004; Hondula et al. 2015), especially on young children (Xu et al. 2014) and the elderly (Worfolk 2000). Deficits in care services force women to take on additional responsibilities, reducing their productivity and income-earning activity and stretching their working day (UN Women 2023). Climate change also damages care infrastructure; for instance, extreme weather events such as severe flooding and hurricanes, cyclones, or typhoons impair care facilities (e.g., hospitals, clinics, daycare centers, nursing homes, and schools) and stop or disrupt their operations (Floro and Poyatzis 2019). Climate change also reduces access to important inputs for care, such as water, food and safe shelter.

The climate change crisis and care deficits cannot be solved in silos, as has been the case to date. A "big push" for public investment requires strong state capacity and coordinated approaches using various policy tools, starting with fiscal policy but also including industrial, labor market, and social policies. Fiscal policies linking revenue stability and public expenditure design, inter-governmental fiscal transfers, and ecological fiscal transfers to sub-national are critical for integrating climate and care finance at the local level, where care and adaptation efforts are concentrated.

To monitor the impact of public climate and development finance, both climate and gender budget tracking can be strengthened. Moving beyond a simple tagging exercise, budget tracking should determine whether its primary goal is to increase the quantity of financial flows and/or to improve the quality of those flows. It should also identify design features that are most effective in achieving the policy goals. Establishing mechanisms that ensure funds are not only allocated but also tracked through to their intended outcomes can provide a comprehensive view of their impact.

To close, there are several promising approaches that can be leveraged further through the FFD process. First, the ILO has developed a care cost simulator that can be used for estimating the financing requirements of universal childcare and long-term systems at both the national and subnational levels. This tool can also be applied to climate finance adaptation costing methodologies. Second, countries can incorporate a central role for care services/infrastructure in the next generation of their NDC plans, including clarifying how they will devolve financing to local levels. Finally, building support for this approach involves highlighting the benefits and future returns of investments in care. Public sector spending can have multiplier effects, stimulating growth and reducing debt to GDP ratios, thereby

expanding fiscal space (Seguino 2018) and improving the welfare and productivity of current and future generations.

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