

Financing for Development Issue #1

MOBILIZING DOMESTIC RESOURCES

By Nadia Johnson

As the Facilitator's report indicates, national governments are chiefly responsible for economic development at the country-level. Governments play the central role in the development of the national financial sector, the protection of social services, and the provision of resources needed for human capital investment.

Taking into consideration the characteristics of globalization and market liberalization, limitations on the ability of governments to provide social protection and human capital investment are more apparent. Globalization exacerbates the need for not only social safeguards, but investment increases in education and training programs to ensure that the national labor force can sustainably adapt to global market competition. Governments are therefore faced with oppositional tasks, trying to create a competitive economic environment that adversely affects its ability to protect its citizens from the vulnerabilities imposed by market liberalization.

These conditions of globalization have imposed particular hardship on women's lives, who comprise the majority of the world's poor and have an immediate need for social protection and greater access to markets and financial resources. Poverty reduction, social advancement, and economic sustainability have yet to materialize for women and their communities under economic growth policies. In Bolivia, for example, income distribution inequities rose in the 1990s, literally when the country began implementing its policies towards growth and privatization.

As liberalized markets only exacerbate social inequalities that already exist, women have shouldered much of the burden when economic policies fail. This burden has stratified and subordinated women in numerous spheres, such as having higher illiteracy rates than men, lower life expectancies at birth, and less access to land, information, technology, and education. These conditions are often intensified in LDCs but are evident in countries around the world. In Indonesia, 34.9% of women held non-wage labor positions in 1999, compared with 9.4% of men. The same year, women received 70.3% of what men were paid for the same or comparable work. Some measures to achieve gender equality have been implemented at the country-level, such as national machineries for the advancement of women in African countries, but were often abandoned quickly.

Taxation policies could serve as a positive instrument for governments to redistribute wealth and improve gender equity. Yet governmental ability to generate revenue through taxation is often inhibited by multinational corporations seeking low-tax environments. Many taxation policies have also mitigated women's access to necessary goods and services. In Brazil, where tax reforms have been determined by the fiscal prescriptions of the IMF, the social sector is left unprotected and therefore suffers from immense cut-backs. In Suriname, taxation policies often benefit those with middle to high incomes, economic brackets comprised predominantly of men, while subsidies on basic goods that women depend on such as milk,

bread, and cooking gas are drastically reduced or eliminated. Indirect taxation of necessary goods and services adversely impact poor communities that rely on them, particularly women. In order to achieve equitable and efficient tax systems, policies must be gender-sensitive.

Governments must also incorporate gender-aware analyses into all macroeconomic decision-making. While micro-credit is an important measure in increasing women's access to resources and capital, it alone can not eliminate the barriers women face in accessing markets and financial resources. Confining women's financial needs to micro-credit only inhibits women from acting as equal contributors to the national economy. Macroeconomic policies involving trade and loan agreements, agribusiness, land distribution, and tax administration must be developed with awareness and consideration of their gender implications.

An enabling domestic environment can only be achieved if good governance measures are implemented and carried-out. Therefore, external financial policies and conditionalities must compliment and enhance domestic good governance measures developed at the national level. Globalization policies that affect national economic sovereignty must be eradicated. National governments must be able to put social programs in place without interference from external economic apparatuses. Civil participation is integral to sound fiscal and social investments, and governments must improve coherency between State, public, and private sectors. Efforts to combat internal corruption would benefit from greater fiscal transparency and participation by the civil sector.

Economic structures are gender blind. Financial instability and poverty is inevitable wherever gender biases and inequities persist. Domestic resource mobilization involves recognizing both internal fiscal needs and their social content. Therefore, we recommend the following:

- Develop and implement gender budgets into all national level fiscal bodies. Gender budget analyses will allow governments to fully understand women's labor, paid and unpaid, formal and informal, in comparison with men, and therefore establish economic development policies and strategies that are truly equitable and efficient.
- Adopt and enforce transparency measures in external and internal financial decision-making bodies and government agencies and institutions. Transparency will greatly increase public awareness in policymaking processes, in effect promoting good governance and reducing incidences of corruption.
- Create a genuinely enabling environment by granting civil society access to governmental and fiscal sector decision-making processes. Development of PRSPs, taxation negotiations, and trade and loan processes must include adequate civil representation. As women are disproportionately representative of civil rather than governmental and private sectors, greater access and participation measures for women are imperative to achieving both economic sustainability and social justice.

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