United Nations Nations Unies

United Nations Commission on the Status of Women
Fifty-sixth session
27 February – 9 March 2012
New York

INTERACTIVE EXPERT PANEL

Review theme: Evaluation of progress in the implementation of the agreed conclusions of CSW 52 on "Financing for gender equality and the empowerment of women

Panel 3: National experiences in implementing the agreed conclusions of CSW 52

Financing for Gender Equality:

Prioritizing and Reframing Gender-Enabling Public Expenditures

by

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I. Introduction

Distinguished guests, it is an honor for me to be here with you today to share my perspective on progress made towards financing for gender equality and recommendations on how to prioritize our future actions.

I do this in the context of a continuing global economic disruption, worse in some countries than others, but whose resolution is not in sight. This macroeconomic constraint is present with us as we deliberate on progress made and strategize on how to ensure that financing for gender equality achieves its goals in the future.

II. Progress Made

A full review of progress made since the 52nd session of the Commission on the Status of Women on enhancing financing for gender equality requires both qualitative institutional data and quantitative data on resources allocated to gender equality measures. Inadequate data on resource allocations, however, make a definitive analysis of progress in that arena impossible.

But it is possible to comment on institutional progress on mainstreaming gender perspectives in policymaking and public finance.

One key pillar for achieving progress in financing for gender quality is sex disaggregated data that allow us to monitor progress towards gender equality. Though limited, some progress has been made in this area. In December 2011, for example, Evidence and Data for Gender Equality Initiative (EDGE), was launched in Busan, Korea at the Fourth High Level Forum on Aid Effectiveness. This initiative, led by the United Nations Statistics Division and UN Women, seeks to improve the availability and use of statistics that capture gender gaps in economic activity, and if successful, will be an important policy tool.

We also observe a deepened understanding of and expansion of gender budgeting strategies in recent years. Gender-responsive budgeting (GRB) is planning, budgeting and monitoring of budget performance with a gender lens. The adoption of GRB is an opportunity to interject gender into public resource discussions. Moreover, a number of ministries of finance are demonstrating significant institutional progress in understanding issues of gender inequality and in integrating gender into budgeting processes.

At the international level, we are witnessing donor advocacy that is increasingly aligned with the goal of gender equality. For example, the Swedish International Development Cooperation Agency (Sida) and other donors have influenced the World Bank to increase attention to gender in its trade policy recommendations and lending. The World Bank, with the publication of the *World Development Report 2012* on gender equality, is literally banking on gender equality over the next five years in its lending program. As a result, the Bank has created openings for debate on how to achieve goals that can enlarge the policy space for gender equality. We therefore see more intellectual space for discussing roadblocks to gender equality in international institutions.

In another example, March 1, 2012, USAID will unveil a new gender equality policy that will serve to better integrate gender equality and female empowerment into USAID's work. The challenge is that targeted measures to promote gender equality can be undermined by macro-level policies that increase economic hardship and worsen the competition for scarce resources and jobs. It is not clear that international organizations have made progress in coordinating their gender policies with their macroeconomic policies, a topic I discuss in more detail below.

There is, therefore, more work that needs to be done. I discuss here three constraints and thus challenges to be addressed, followed by recommendations on how to respond to them.

III. Coherent Framework for Prioritizing Gender-Enabling Expenditures

Financing for gender equality requires a well-targeted approach that strategically uses resources capable of leveraging change in multiple domains. In order to do this, we need to be clear about what our precise gender equality goals are. Over the last several years, a conceptual framework has emerged that identifies three domains of gender (in)equality: *capabilities, economic opportunities* (access to and control over resources), and *empowerment* (or voice in decision-making).

Indicators of *capabilities* include: education, access to health care, reproductive care, and support for care work. *Economic opportunities* can be measured by wage equality, share of paid employment, access to credit and technical assistance, and women's land ownership rights and access to land. *Empowerment/voice* is illustrated by women's share of political and civil government positions, and their share of professional, managerial and supervisory jobs.

For governments to effectively allocate financing to promote gender equality, it will be essential to begin by prioritizing among the many alternative potential budget allocations. How do we do that? While the priorities will depend on country-specific conditions, those goals that can leverage change in other domains should be prioritized. There is no one-size-fits-all rule on gender equality priorities. This will vary by country and context. In some cases, prioritizing the closure of employment gaps can be the key to leveraging changes in other domains. (For example, underinvestment in girls' education may be linked to women's lack of viable job opportunities). We still have work to do in thinking through how to prioritize and sequence gender-equalizing budgeting recommendations. That said, gender budgeting processes should have a clear sense of their priorities.

To give an example, for a number of sub-Saharan African countries, the major constraints on gender equality are attributable to women's unpaid care burden and lack of resources to improve their agricultural productivity. In that environment, it makes sense to prioritize the following tasks:

- realign central bank policies to increase credit allocated to women farmers (perhaps via government loan guarantees);
- allocate public investment to electricity, clean water, rural health clinics and roads to reduce women's unpaid labor burden;
- implement quotas for women's representation in relevant bodies, which would help to ensure that public investment priorities reflect women's needs.

In other contexts, such as those where gender disparities in education are minimal but unemployment gaps between men and women are very large, the focus would be on employment generation in general, as well as specific policies to promote gender equality in access to paid work and in sharing the care burden.

Most countries, of course, have made commitments to gender equality and have already developed national gender equality plans. In those cases, the challenge is to bridge the gap between the plans, implementation, and concrete tangible improvements in gender equality. This is where data matters. Governments should demonstrate accountability for their commitments by monitoring their performance using relevant indicators and budget tracking. Hence, gender disaggregated data collection and analysis is essential to moving forward on the financing for gender equality agenda.

III. Macroeconomic Constraints

Even with a clear set of priorities, gender advocacy in public expenditures is constrained by the macroeconomic environment and a lack of alignment of gender priorities with national development plans. The current global economic crisis has put pressure on public sector budgets, as have declines in Official Development Assistance (ODA). While many countries have been able to maintain their expenditures during the crisis, plans to cut budgets in the near future are being laid out. Social expenditures, the public sector wage bill, subsidies on food, fuel, and basic items, and pensions are targeted for cuts.

Pressures on government budgets have, however, been in evidence for some time (except for rapidly growing Asian economies). Budget constraints are exacerbated by financially conservative macroeconomic policies. These policies are exemplified by the conditions placed on loans from the IMF. The key problem with these policies is that they constrain growth, employment opportunities, and thus public revenues.

The most significant in terms of effects on growth and jobs are the following:

- caps on inflation, which trigger negative effects on employment generation because they require governments to restrict credit;
- restrictions on the size of public debt to GDP;
- a requirement that countries place a significant portion of foreign aid into foreign exchange reserve accounts or use these funds to reduce public debt.

This policy framework has forced countries to scale back on education and health expenditures. Thus, while gender budgeting strategies may help to allocate *existing* resources in an optimal way, this approach alone cannot address the macroeconomic constraints that contribute to binding limits on the *levels* of public expenditures and household incomes. Macroeconomic policymaking can suffer from too narrow a focus on financial rather than social and economic outcomes.

In addition to the policies that constrain growth, incomes, and thus tax revenues (since tax revenues tend to rise with incomes), related macroeconomic liberalization policies worsen social and economic conditions in ways that require greater levels of social protection (even as protection coverage shrinks). Capital account liberalization, for example, permits unregulated financial inflows and outflows that can be economically destabilizing, causing volatility in exchange rates and leading to economic crisis, as we have seen in recent years. This policy stance undermines conditions required for gender equality and more generally, economic security.

The macroeconomic constraints to gender equality and human development that we have observed in the last two decades underscore the need to develop alternative macroeconomic policies at the country level. This implies that ministries of finance and central banks are some of the most important government entities to "engender." Engendering these institutions means more than simply to helping technocrats to develop compassion towards women and women's needs. Engendering national economic policies entails a policy framework that gives primacy to human developmental needs over purely financial goals.

More concretely, in addition to gender budgeting then, financing for gender equality requires gender -equitable monetary and fiscal policies. This is a daunting task because the technical skills of policymakers and experts at this level are often not matched with a skilled gender analysis. Nevertheless, macro-level policies which on the surface may not be gender-focused can be essential for gender equality.

To take an example, capital controls, widely agreed to be a solution to excessive exchange rate and economic volatility, is a gender issue, not just a macroeconomic or balance of payments issue. Capital account liberalization is costly, not only because of the potential for economic crisis but also because countries are required to hold foreign exchange reserves to protect against volatility. Capital controls would permit countries to reduce the size of their foreign reserves, thus freeing up revenue for public expenditures. Estimates of the excess of foreign reserves (the 2-3 months of reserves required by the IMF) are about 1 percent of GDP. This is a very sizable burden in all countries, but especially the poorest of countries. Investing that 1% of GDP on expenditures that promote gender equality could induce further economic growth. Further, the resulting reduced volatility would decrease the need for social protection expenditures.

To take a second example, a reorientation of central bank policy from a narrow focus on keeping inflation low to one of employment generation can stimulate job opportunities. Inflation targeting has become the dominant focus of most central banks, which address inflationary pressures by raising interest rates, thus discouraging borrowing and spending. This approach attempts to solve the problem of inflation by reducing aggregate demand but at the cost of slower growth and higher unemployment. For many countries, however, the problem of inflationary pressures is related to low productivity due to widespread health problems such as HIV/AIDs, poor transportation networks, and constrained food supplies.

This implies that inflation might be more efficiently addressed with public investment rather than monetary policy. Research shows that inflation rates under 20% a year are not harmful to a country's growth. In an alternative framework that emphasizes inclusive monetary policy, the central bank would identify a "real" target, that is, one that identifies the key social and economic problem to be addressed by policy.

As noted above, an obvious one is employment. Under this scenario, the central bank's policy goal would shift to employment targeting in place of inflation targeting. If a country has a particular problem with generating good jobs for women, then the real targeting approach can accommodate such needs. An example of a policy to reach employment targets would be for the central bank to identify priority sectors or groups, and provide loan guarantees to banks that extend loans in these areas. In agricultural economies where women are subsistence farmers, small-scale agriculture is an obvious choice. Priority might also be given to small- and medium-sized firms that are labor-intensive.

To summarize, to be successful, financing for gender equality must move into the domain of macroeconomic policy formulation. The technical skills required for this are not insignificant. That said, a fundamentally important step is to address the macro-level constraints and analyze the downside gender costs of public sector contraction as well as various policies that deregulate capital flows and trade.

IV. A Rethinking of Fiscal Space: The Investment Character of Gender Expenditures

I noted in the previous section that central banks focused on keeping inflation low should reorient their target to focus on employment generation. In many countries, it is fiscal policy that is the better tool to address inflationary pressures – through research on improved seed varieties, investment in agricultural extension services, HIV/AIDS prevention, and physical and social infrastructure, for example.

Many countries might be construed as lacking sufficient *fiscal space* to undertake public investment, even if economically desirable. The degree of space is circumscribed by limits placed on a country's debt to GDP ratio as noted above. The problem with this approach is that debt ceilings that do not factor in the growth-expanding potential of public investments unduly constrain such investments, which by their very nature are longer term.

A challenge is for governments to reframe their thinking on gender-equitable public expenditures, recognizing the investment character of such expenditures. We have now amassed a great deal of evidence that points to the growth-inducing effects of gender equality in education, health care, infrastructure to reduce unpaid labor, and investments that promote women's access to economic opportunities more generally. Some of those benefits are more immediate, but many are evident only the longer run and manifest as higher economy-wide productivity.

This implies that a way to think about at least some forms of social spending is not just as social welfare or social protection but also as *social infrastructure* spending. Just as with physical infrastructure, there is a public goods quality to this type of spending which produces spillover benefits to society as a whole, with the stream of returns accruing over many years. This is because by raising productivity, incomes rise, generating tax revenues with which to pay down the debt incurred to finance the original investment.

The timeframe for this type of borrowing is about 10 years, that is, a payback from the investment begins to be realized in about 10 years. By that time, appropriate public investments will have begun to expand the productive base of the economy, generating (taxable) incomes with which to pay down the debt. Such investments then are both fiscally sound and sustainable. Key here is that gender-responsive investment itself *creates* fiscal space by adding to the productive base of the economy.

The delicate balance I am pointing to is that finance ministries tend to give priority to financial obligations, especially to creditors, rather than to achieving gender equality or broadly shared development and other social objectives. This does not mean that financial constraints are not real and can be ignored. But gender research tells us that existing resources for promoting gender equality are available, if we revise and adapt our financial analyses to account for the growth-inducing potential of gender investments.

IV. Recommendations

These observations suggest some changes in the way we think about the goals of financing for gender equality. Specifically, it is recommended that countries:

- Develop policy priorities that address macroeconomic constraints – slow growth, unemployment, macroeconomic and exchange rate volatility;
- Link macroeconomic policies to gender equality goals (such as capital controls to reduce volatility and free up revenues for public investment);
- Develop a gender-enabling monetary policy framework to serve as a basis for discussions with central banks, and a gender-enabling public investment framework that accounts for the investment character of gender equality measures;
- The financing for gender equality agenda should also include efforts to analyze the relationships between macroeconomic policies and human development (of which gender equality is a component);
- Further, more work needs to done to reorient our thinking and to articulate the impacts of public sector spending that promotes gender equality. We need to more

specifically identify the investment character of gender expenditures and quantify their contribution to productivity growth. If well-targeted, gender-equalizing expenditures can "crowd in" private investment, stimulate growth, and generate a stream of revenues in the future to pay down the costs of the initial investment. This approach helps us to avoid the erroneous argument that governments lack fiscal space to fund gender-equalizing physical and social infrastructure investments.