



What are the Gender Dimensions of IFFs?

**Strengthening African Women's Engagement
and Contribution**

RESEARCH PAPER



© African Women's Development and Communication Network (FEMNET), July 2017

For more information, contact and engage online:-

Email: advocacy@femnet.or.ke

 Femnet Secretariat  @femnetprog  femnetprog

www.femnet.co

With Appreciation:



Design & Layout: James Chunguli

Email: jameschunguli@gmail.com Cell: +254 722 458 011

Contents

Abbreviations	3
Acknowledgements	5
1. Executive Summary	6
2. Introductory Background	6
3. Emergent Focus on Illicit Financial Flows	7
4. What are Illicit Financial Flows	8
5. Components of IFFs	9
5.1 Commercial Activities	10
5.1.1 Tax Evasion and Tax Avoidance	10
5.2 Criminal Activities	11
5.2.1 Drug Trafficking	12
5.2.2 Human Trafficking	14
5.3 Corruption	16
6. Destination of Illicit Proceeds	18
7. A Birds Eye View of FDI and IFFs	19
7.1. Gender and Foreign Direct Investment	23
7.2. The Gendered Face of Artisanal and Small-scale Mining	25
8. Gender and Taxation	27
8.1. Gender Biases in Tax Codes	27
8.2. Towards a Gender-Just Tax System	29
8.3. Initiative to Increase the Tax Base	29
9. Gender and Social Services	31
9.1 IFFs and Education	31
9.2. Pre-Primary Education	32



9.3. A Gendered Glimpse of Primary Education	32
9.4 Gender Profile of Secondary Education	33
9.5 Gender and TVET	34
9.6 Gender Equality in Education	34
9.7 Advocacy for Gender Equal Education	36
9.8 Gender implication of Underinvestment in Health	36
9. 8.1 Lack of Infrastructure and Services	37
9.9 Care Services	38
9.9.1 Early Childhood Care	40
9.10 Water and Sanitation	41
10. Gender and the Macroeconomy	43
11. Gendered Implication of Mobilization of National Resources	44
12. Conclusion	46
Recommendations	47
References	51



Abbreviations

AAAA	Addis Ababa Action Agenda
AFDB	African Development Bank
AFRODAD	African Forum and Network on Debt and Development
ANCIR	African Network of Centers for Investigative Reporting
AML	Anti-money Laundering
ASM	Artisanal and Small Scale Mining
AU	African Union
CEDAW	Convention on the Elimination of all Forms of Discrimination against Women
CSO	Civil Society Organizations
EITI	Extractive Industries Transparency Initiative
EU	European Union
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
G20	Group of Twenty
GFI	Global Financial Integrity
GDP	Gross Domestic Product
GEM	Gender improvement Measure
GGCA	Global Gender and Climate Alliance
HDI	Human Development Index
HPA	Health Poverty Action
FATE	Financial Action Task Force
FSI	Financial Secrecy Index
HLP	High Level Panel
ICIJ	International Consortium of Investigative Journalists
IFI	International Financial Institution
IFFs	Illicit Financial Flows
MNCs	Multinational Corporations



OECD	Organization of Economic Cooperation and Development
ODA	Official Development Assistance
NGO	Non Governmental Organization
NEPAD	New Partnership for African Development
SDGs	Sustainable Development Goals
PEP	Politically Exposed Persons
PWYP	Publish What You Pay
TIEAs	Tax Information Exchange Agreement
TJNA	Tax Justice Network Africa
TVET	Technical and Vocational Education and Training
UNCTAD	United Nations Economic Commission for Africa
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNODC	United Nations Office on Drugs and Crime
UNRISD	United Nations Institute for Social Development
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNW	United Nations Entity for Gender Equality and the Empowerment of Women



Acknowledgements



The real tragedy of our postcolonial world is not that the majority of people had no say in whether or not they wanted this new world; rather, it is that the majority have not been given the tools to negotiate this new world.

~Chimamanda Adichie

The gendered impacts of illicit financial flows discourse has not been largely documented – especially from a feminist perspective. FEMNET considers this ground-breaking research in Africa to be the beginning of the much-needed advocacy and heightened consciousness on illicit financial flows led by women's rights organizations.

FEMNET appreciates the valuable contributions and enriching discussions by all the participants who participated in the validation workshop for this research paper held in Nairobi, Kenya in August 2016.

We thank Zenebework Tadesse for authoring this research paper as well as Cephas Makunike for peer reviewing it. We are grateful to the FEMNET team who supported the production of this piece of work in various ways – Dinah Musindarwezo, Executive Director; Memory Kachambwa, Head of Programmes; Crystal Simeoni, Head of Advocacy; Alvin Munyasia, Capacity Building Officer and Rachel Kagoiya, Information Manager.

We hope that this contribution to the body of knowledge on gender and IFFs will continue to spark debate and deepen analysis of macroeconomic policies and their impact on gender and continue to push a narrative and practice for more inclusive decision making processes towards a better Africa for all.

This report was made possible by the support of Trust Africa. We appreciate Briggs Bomba for his valuable insights.



1. Executive Summary

FEMNET commissioned a study to review existing literature on illicit financial flows (IFFs) through a gender lens. As most of the extant literature is gender neutral or at best makes minimal analysis of the gendered outcomes of IFFs, this paper relies heavily on insights from gender studies to fulfill the goal of engendering the IFFs discourse. The key findings of the literature on IFFs is that tax abuse by multinational corporations, wealthy individuals, criminal activities and corruption and the entrenched network of financial secrecy and the resultant financial hemorrhage from Africa severely limit the ability of states to bring about socio-economic development. Consequently, IFFs result in high levels of poverty, inequality, inadequate provision of social services and dysfunctional public institutions. This research paper focuses on the gender-specific outcomes of these staggering resource outflows that not only put severe limits on the ability of states to fulfill their commitments to gender-equitable development but also highlights the detrimental, immediate and long-term social, economic and political impacts of IFFs on contemporary African population as well as the future generation. In turn all these processes further entrench gender inequality. The paper echoes the widespread consensus by civil society organizations that efforts at domestic resource mobilization ought to focus on eliminating harmful tax competition and the implicit and explicit tax incentives provided to multinational corporations and higher income groups. The conclusion of the review calls for a multipronged strategy needed to strengthen women's organizations in Africa with emphasis on opportunities related to the mechanisms developed to staunch illicit financial flows.

2. Introductory Background

Although illicit financial flows are not a new phenomena, in Africa, it is only recently that the subject has become a key concern of regional institutions a subject of vibrant debates and robust advocacy. Concerns related to IFFs are also reflected in global development agendas such as Agenda 2030 and the Sustainable Development Goals. In part, this new momentum was triggered by the global financial crisis, the formulation of a new global development agenda and the continued concern with how to finance development. In Africa, the growing focus on IFFs is related to the wide-ranging reflections on the need for a new self-defined African development strategy. A case in point is Agenda 2063 of the African Union which among other factors highlights the principles of self-reliance, Africa financing its own development and emphasizes the importance of, inclusive and accountable states and institutions at all levels and in all spheres (AUC, 2013). The strategic challenge is how is Africa going to be able its own development when it is losing a staggering amount of its resources to illicit financial flows?

It is in this context that in 2011, the African Union (AU) and the United Nations Economic Commission of Africa (UNECA) established the High Level Panel on Illicit Financial flows (IFFs) chaired by the former President Mbeki. The mandate of the Panel was to focus on the matter of illicit financial flows from Africa, and specifically on steps that must be taken to radically reduce these outflows so as to ensure that these development resources remain within the continent. Increased attention to IFFS was also triggered by the global crisis which revealed the risk of depending too much on



debt financing and official development assistance (ODI) for African countries. It is important to note that IFFs are global and represent a significant leakage of capital from most countries in the world indicating that the strategies that address the challenge will have to be national, regional and global.

Following intense global advocacy, the need to reduce illicit financial flows was included in the Addis Ababa Action Agenda (AAAA) of the Third International Conference on Financing Development (UNDESA, 2015: 23) and as one of the targets in the 2030 Sustainable Development Goals (UN, 2015), the successor program of the Millennium Development Goals (MDGs). In the view of one of the most vocal advocates of curbing illicit financial flows, the President of Global Financial Integrity (GFI) Raymond Baker the inclusion of a target on curbing IFFs indicative of 'a seismic shift in development orthodoxy' and one that 'substantially alter seventy years of entrenched conventional wisdom regarding the primary components of poverty alleviation' (Cardamone, T. 2015).

With the exception of some work on gender and taxation, missing from the enhanced attention to illicit financial flows from Africa is a gendered analysis of illicit financial flows and the role of women's organizations. This document is a preliminary effort to look at the overall debate through a gender lens and to propose enhanced engagement of women's organization in the struggle to curb the nefarious practice. Research-based advocacy on gender and IFFs seems to be on the rise in Latin America and provides very useful insights (Grondona et. al. (2016).

3. Emergent Focus on Illicit Financial Flows

The need for a concerted effort to mobilize domestic resources was also triggered by the recent global crisis which revealed the risks of depending too much on debt financing, official development assistance (ODI) and foreign direct investments (FDI) for African economies. Globally the Third United Nations Conference on Financing Development and the Sustainable Development Goals (SDGs) also put a spotlight on how to finance development.

It is in this context that Illicit Financial Flows (IFFs) have received amplified attention by African governments, regional and global organizations and civil society organizations. One indication of the global concern and the affirmation of the detrimental impact of these financial flows can be gleaned from the inclusion of curbing illicit financial flows as one of the targets of the Sustainable Development Goals (SDGs) the successor program of the Millennium Development Goals (MDGs)

In Africa the major indicator of the heightened attention that the issue is getting is the AU-UNECA High Level Panel (hereafter referred as the HLP) whose report was released in 2015 (AU and UNECA, 2015). The very title of the report "Track It, Stop It Get it" clearly encapsulates the key objectives of the report. Similarly, the "Stop the Bleeding" Campaign by six Pan-African civil society organization and supported by global partners is another example of the sustained campaign against IFFs.



4. What are Illicit Financial Flows?

For the most part, illicit financial flows are the outcomes of trade, investment and financial liberalization of the current phase of globalization. Trade liberalization facilitated elimination of tariffs on imports and other forms of trade protection. The liberalization of Investment was aimed at reduction of restrictions on foreign direct investment (FDI) while financial liberalization eliminated restrictions on cross-border movements of money. In keeping with the mainstream definition of illicit financial flows used in the secondary literature, the High Level Panel report on Illicit Financial Flows (defined IFFs as ‘money illegally earned, transferred, or used’ (See also Baker, 2005; Kar, 2011). The HLP report goes on to elaborate that these flows of money are in violation of laws in their origins, or during their movement or use and are therefore considered illicit.’ While some of the activities might not be strictly illegal in all cases, they ‘go against established rules or norms, including avoiding legal obligations to pay tax. In other words, the intent and purpose of such outflows is to hide money even when it is legitimately earned (AU & UNECA, 2015: 23). Very often, these flows take place across national borders and in a secure location well beyond the reach of domestic law enforcement bodies.

The HLP report and other studies indicate that illicit financial flows include three types of flows: 1) the proceeds of commercial tax evasion; ii) revenues from criminal activities and (iii) flows from public corruption. These studies estimate that commercial activities account for 65 percent of IFFs, criminal activities for 30 percent and public corruption for around 5 percent (Cartwright-Smith, 2013; (AU & UNECA, 2015) While there are on-going debates about the relative size of the different components of IFFs, there is a consensus that these various components are intrinsically linked and that IFFs pose a systemic problem that impedes the mobilization of domestic resources needed for development (ITF, 2008; GFI, 2010; HLP. 2015). The most recent African Governance Report of UNECA underscores the links of these components of IFFs especially commercial activities and corruption by classifying them as domestic and international dimensions of corruption (UNECA, 2016).

The significant controversy surrounding IFFs is not limited to relative size of the various components, but also include debates on the very definition of IFFs and how it should be measured. As one study has convincingly argued, the importance of such controversies is not merely for academic purposes but because, it is a necessary condition of policy options in staunching the flow (Reed & Fontana: 2011). Within Africa, the major critic of the definition used by the HLP comes from civil society. These critics argue that the definition used by the report of the HLP is ‘too narrow’ and one that risks ‘obscuring the broader question and dynamics of the true scale of resource outflows from Africa’. These calls for a broader definition of IFFs results from two principal concerns, namely, the links between foreign direct investment and IFFs and the role of the state.

...critics consider FDI and the tax incentives given to foreign companies as major source of illicit flight of resources out of the continent and for deepening poverty.



Contrary to the tendency of African governments to rely on FDI to generate wealth and reduce poverty, these critics consider FDI and the tax incentives given to foreign companies as major source of illicit flight of resources out of the continent and for deepening poverty. A major departure from the mainstream debate on the ways of curbing illicit financial flight revolves around the nature of the state. The aforementioned civil society groups argue that it is a developmental state that transcends its current regulatory function and governance dimension and that is able to reconfigure its development agenda that can effectively address the challenge of illicit financial flows. A developmental and democratic state that is transparent and accountable to its citizens is a *sin quo non* for the promotion of gender equality. A related concern is the critic of the emphasis placed on 'money' when these transfer of resources also include criminal activities such as human and drug trafficking (TWN, 2015).

As will be shown below, all these concerns, the relations between FDI and IFFs, the call for the development state and curbing criminal activities have considerable significance for engendering the IFF discourse. In the meantime, it is crucial to realize

'Africa is a net creditor to the rest of the world'.

the staggering amount of resources lost to these activities clearly deprive African countries fulfilling their commitments to gender-equitable development. The African Development Bank estimates that illicit financial flows have drained in excess of a trillion dollars from Africa since 1980. These illicit outflows constitute 5.5 percent of the GDP in Africa and are larger than incoming total foreign direct investment and also vastly larger than the sum total of all official development assistance (ODA) flowing into these countries. It was in recognition of such massive resources outflows that the High Level Panel stated that contrary to prevailing Afro-pessimist perception of an indebted and dependent continent, 'Africa is a net creditor to the rest of the world'.

5. Components of IFFs

Research findings classify IFFs into three categories of commercial activities, criminal activities and corruption. As was noted earlier, these three components of IFFs are intrinsically linked. Each of the components inhibits the overall socio-economic and political developments but also have gender specific outcomes. As will be shown in the following sections, when IFFs impede the mobilization of domestic resources for development, it often implies that resources that could have been allocated towards fulfilling commitments to gender equality tend to be severely limited. Lack of adequate resources for development often implies high levels of unemployment, poverty, and inequality all of which negatively impact women disproportionately. Significant shortfalls in public investment in a wide range of social services i.e education, health, water and sanitation deprive girls and women of education and health while increasing their care burden.



5.1 Commercial Activities

Often resulting from policy incentives, in principle, commercial activities refer to investment in productive activities, job creation and the transfer of managerial and technological skills. However, the commercial activities trigger the largest component of illicit financial flows through the use of ‘abuse transfer pricing, trade mispricing, misinvoicing of services and intangibles and using of unequal contracts, all for the purpose of tax evasion, aggressive tax avoidance and illegal export of foreign exchange’ (AU & UNECA, 2015:24).

5.1.1 Tax Evasion and Tax Avoidance

The magnitude of illicit financial flows from Africa is staggering. Both the definition and estimate of illicit financial flows depends on the inclusion or exclusion of tax avoidance and tax evasion. Generally, tax-evasion is understood as a violation of tax law, while tax avoidance refers to “an activity that a person or a business may undertake to reduce their tax in a way that runs counter to the spirit and the purpose of the law, without being strictly illegal’ (Fuest and Riedel, 2009: 4).

Trade misinvoicing is estimated to be the most significant way of moving funds illicitly out of developing countries. Multinational firms engage in tax avoidance and tax evasion by shifting income out of developing countries and into tax havens to avoid corporate income tax. The major conduit for illicit financial flows is fraudulent misinvoicing involving intentional misreporting by transnational companies of the value, quantity or composition of goods on customs declaration forms and invoices usually for tax evasion. In brief, trade misinvoicing often entails overpricing imports and underpricing exports so as to be able to illegally transfer money abroad. Very often, misinvoicing takes place simultaneously with correctly recorded and ‘licit’ trade. Firms engage in both legal and illicit trade so that the former helps disguise the latter (UNCTAD, 2014).

According to the HLP report the means by which trade misinvoicing in Africa takes place “include abusive transfer pricing, trade mispricing, misinvoicing of services and intangibles, all for the purpose of tax evasion, aggressive tax avoidance and illegal export of foreign exchange” (AU&UNECA, 2015: 24). Transfer mispricing refers to mispricing of cross-border intra-group transactions often undertaken by multinational enterprises. The multinational corporations (MNCs) are located in multiple territories with different regulatory frameworks with regards to taxation, banking and business operations. As a result, these enterprises often shift profits to low-tax jurisdictions while shifting losses and deductions to high tax jurisdiction and thereby reducing their tax liabilities.

In the recent past, the process has become much more opaque because of the increasing share of services in global trade. As result, the sizable increase in IFFs from Africa can in part be attributed to misinvoicing of services and intangibles such as intra-group loans, intellectual property rights and management fees. Yet another indicator of the changing landscape of IFFs and innovative form of misinvoicing can be traced to the rapid development of digital technologies. These technologies are key enablers and facilitators of the ratcheting upward to illicit financial



flows as they make it easier to transfer funds and assets across national borders in contravention of national or international laws.

There seems to be a clear link between digital technologies, illicit financial flows, and the ways in which these technologies are changing the landscape of financial flows. As one recent study that explored the nexus between information technologies and illicit financial flows has found, these technologies provide a countless number of opportunities to distance money from illegal sources of profit or illegally transfer money from legal sources. Aided by the borderless nature of and decentralized architecture of the internet, these “digital technologies facilitate illicit financial flows at each stage, be it earning money illegally, transferring illegal funds or using them” (Tropina.2016).

Moreover, digital technologies facilitate ‘tax shopping’ and enable MNCs to provide services without a physical presence and to look for the best place to establish their headquarters and moving their profits. These technologies also make it possible to create underground illegal markets of cybercrime and cyber-related crime and facilitate the process of acquisition, transfer and integration of illicit funds (Ibid). As a recent UNECA underscored the magnitude and increase illicit financial flows on the continent during the last decade and notes that the increase is partly because ‘ of the increased sophistication of the financial sector in the digital age, which makes it possible to shift financial resources around the world, literally with a click of a button (UNECA, 2016: 70). These types of digital possibilities undermine the stability and credibility of the domestic financial system.

The report of the HLP provides examples of significant losses of tax revenue through the use of ‘interconnection fraud’. Through the use of voice-over-internet-protocol, international calls are channeled away from mobile network operators and delivered as local calls thereby avoiding international termination charges. In addition to external firms, local mobile network operators also use these schemes to reduce tax payable to the government. The HLP estimates losses in taxable revenue just through interconnection fraud to be \$ 5.8 million in Ghana, \$ 90 million in the Democratic Republic of Congo and 440,000 in Kenya (AU& UNECA, 2015).

To be sure, digital technologies can also be utilized for prevention, detection and investigation of criminal activities. Sadly, most African governments lack the requisite capacity to use digital technologies to curb illicit financial flows.

5.2 Criminal Activities

The second type of illicit flows consists of criminal activities, namely transnational organized crime including narcotics and human trafficking, illegal arms trade, illicit trade in minerals and manufactured goods. Furthermore, criminal activities also include trade in wildlife, counterfeit goods and currency, human organs, small arms, diamonds and coloured gemstones, oil, timber, fish, art and cultural property, and gold. It is estimated to amount to 35 percent of illicit flows (UNECA 2013).



5.2.1 Drug Trafficking

In the past, drug trafficking in Africa was solely about transit to other regions. At present, both West and Eastern Africa have become major destinations for transnational organized crime. In the case of West Africa, the West African Commission on Drugs reveals that drug cartels in collaboration with local partners have turned the region, into a significant route to Europe and North America for illicit drugs produced in South America and Asia. Moreover, the West African region has become a producer and exporter of synthetic drugs on amphetamine type of stimulants (ATS). Cannabis is also produced in Africa for export in large quantities and for local use. Increasing local consumption of illicit drugs and the emergence of a burgeoning consumer market for illicit drugs is also a major concern in West Africa and other sub-regions of the continent.

In the case of the Eastern Africa region, the combination of both developing and fragile states provides fertile ground for criminal networks to exploit the differing contexts. According to UNDOC, these networks engage in wide-ranging criminal activities including human trafficking and smuggling, trafficking in drugs, firearms and wild life trafficking such as ivory (UNDOC, 2006). Eastern Africa is a major hub on what is known as the 'Southern Route' involving Afghan opiate trafficking. In turn the majority of heroin is shipped further, to supply markets in the United Kingdom, Nigeria and South Africa. In the meantime, heroin trafficking has contributed to the increase in heroin use along the Kenyan Coast, in Nairobi and Western Kenya and in Tanzania. Southern Africa too is reported to face similar drug-related challenges. The region is being used as a transshipment point with growing consumer market for heroin, as traffickers divert drugs to local markets, in addition to shipping narcotics to international markets.

In 2013, the UN estimated that yearly value of cocaine transiting through West Africa amounting to about US 1.25 billion is significantly bigger than the annual national budgets of several countries in the region while for heroin, the value passing annually throughout West Africa is more than FDI, remittances and Global Fund Grants for HIV (UN,2003). An alarming outcome of the drug trade in Africa includes its capacity to further weaken a large number of state institutions of governance that are vulnerable to infiltration and corruption by organized crime. Chief among these are the judiciary and law enforcement bodies including the military police, customs and border agencies. These criminals benefit from extensive networks, enablers and fixers in the formal and informal sectors which provide them easy access to airports, ports, storage and other transport facilities, communication systems and official documentation. Increase in money laundering is another outcome of the drug trade.

Ironically, economic growth trends in the recent past as evidenced by a tangible growth in licit business might have made the emergence and growth of illicit business easier. Such growth seems to have: increased demand for drugs from a population that has increasing disposable income; increased extreme poverty and inequality thus encouraging groups to resort to illicit activity for financial gain; and increased the link between drugs and corruption that reaches the highest levels of law enforcement and government. Moreover, drug related crime increases the burden on an already overwhelmed criminal justice system. The causal factors for the growing illicit drug trade includes high unemployment among the youth, wide spread poverty and state fragility particularly



of those state in violent conflict or emerging from such conflicts or those countries that have experienced decades of political instability. International organized crime has been able to exploit weak governance systems and legal loopholes. In general criminals undermine governance with a view to facilitating criminality. They also weaken the financial sector. Most drug traffickers reinvest in the business sector and thus further increase criminal activities.

Drug trafficking has also led to an increase in money laundering¹. Traffickers launder money through complex structures and a wide range of enablers. These include lawyers, cash couriers, bureaux de change, and front companies. A range of licit and illicit networks operate under the cover of legitimate business or with protection of senior government officials. It has been observed that money laundering 'can contribute to disproportionately expanded financial, real estate and construction industries and elevated real estate prices increasing the cost of business across all sectors of the economy. Money laundering can also result in investment in 'non productive sector, encourage consumption at the expense of long-term development and exacerbate unequal income distribution (USAID, 2013). Even when criminal funds are invested in the legal economy, this may create a number of problems, ranging from distortions in resource allocation, to 'crowding out' licit or legitimate sectors and undermining the reputation of local institutions (UNODC, 2011).

Drug use also triggers 'a complex web of other social problems both at the individual and at the societal level'. For example, there is some evidence of emergent pressure on the health services by growing number of people who consume harmful drugs or persons who inject drugs (PWIDs). Beyond the additional pressure on the health system as a result of drug use, there is also low productivity through workplace losses, premature mortality and morbidity costs (WACD, 2014: 42). More specifically, illicit drug use increases the risk of spreading HIV infection through unsafe sexual activity and sharing contaminated injecting equipment. These emergent pressures on the health system significantly reduce both policy focus and resources needed for reproductive health.

Although studies focusing on the gender impact of the multi-faceted nature of the illicit drug challenge are not available, it is possible to postulate a number of potential gendered outcomes. The most significant of these is likely to be the weakening of various state institutions. For example a weakened criminal justice system will play at best insufficient attention to formulation and enforcement of gender-friendly legislation. Corrupt police have been reported to harass women in the informal sector and exhort illegal payment from these women. Extreme poverty and income inequality exacerbate gender inequality. Increased demand for illicit drugs is likely to take resources away from household expenditure and increase pressure on women

Extreme poverty and income inequality exacerbate gender inequality.

¹ According to GFI Money laundering is the process of disguising the proceeds of crime and integrating it into the legitimate financial system. Before proceeds of crime are laundered, it is problematic for criminals to use the illicit money because they cannot explain where it came from and it is easier to trace it back to the crime. After being laundered, it becomes difficult to distinguish money from legitimate financial resources, and the funds can be used by criminals without detection. There are countless ways to launder money and these can be broken into three stages: a) **Placement**-the initial entry of illicit money into the financial system; b) **Layering**- the process of separating the funds from their source, often using anonymous shell companies; c) **Integration** – the money is returned to the criminal from legitimate-looking source



to intensify their income generating initiatives while simultaneously increasing their care burden if they have to provide care for family members who face health challenges related to drug use. Increased drug use often results in considerable violence against women. There is also the threat of being more vulnerable to HIV prevalence. As shown below, the most direct gendered impact of drug trafficking is its close links to human trafficking. The task of engendering the IFFs discourse requires increased attention to the need for gender analysis of the growing drug trafficking in Africa and its impact on gender relations.

5.2.2 Human Trafficking

Trafficking in persons is one type of criminal activity that contributes huge resources to illicit financial flows. However, a comprehensive understanding of human trafficking is hampered by the lack of verifiable figures and substantive evidence of the amount of resources generated by trafficking in person. What is clear however is that trafficking in persons and the associated exploitative activities represent extreme manifestations of women's rights violations. Reports have shown that the causative factors at the root of human trafficking are the lack of social, economic, cultural and political rights afforded to women. Poverty and the search for viable economic options are major factors that lead people especially women and children to fall prey to traffickers. In turn, human trafficking locks up the trafficked persons in poverty through exploitation. 'This vicious cycle poverty-human trafficking-poverty denies individuals the basic right to education and information, the right to health, the right to decent work and the right to security and justice' (Truong, 2005: 34).

A series of Conventions and Protocols both to define and respond to the challenges posed by this type of criminal activities have been formulated since 2000. These include the United Nations Convention against Transnational Organized Crime known as the Palermo Convention and two of its supplements, the United Nations Protocol against the smuggling of Migrants by Land, Sea and Air and the Protocol to Suppress and Punish Trafficking in Persons Especially Women and Children. The Trafficking Protocol defines trafficking as 'the recruitment, transportation, transfer, harboring or receipt of persons, by means of the threat or use of force or other forms of coercion or abduction of fraud or deception, of the abuse of power or a position of vulnerability or the giving or receiving of payments or benefits to achieve the consent of a person having control over another person for the purpose of exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery similar to slavery, servitude or the removal of organs' (UNDOC, 2004: 41-51).

The related problem of smuggling is defined by the Smuggling Protocol as "the procurement in order to obtain directly or indirectly, a financial or other material benefit, or the illegal entry of a person into a State Party of which the person is not a national or a permanent resident." Human Trafficking is also known as 'trafficking in person', 'modern slavery' 'involuntary servitude', and 'forced labour'. As a recent report underscored, while the terms used to describe the practice might differ, at the heart of the phenomena is the traffickers 'goal of exploiting and enslaving their victims and the myriad coercive practices they use to do so'(USDS, 2015:9). These webs of criminal activities include sex



trafficking of adults and children, forced labour² of adults and children, domestic servitude³ and forced recruitment of child soldiers and forced removal of and trafficking of organs. Although human trafficking is widespread, labour trafficking is probably more important (ILO, 2009).

There are a multitude of factors that make people vulnerable to human trafficking. These factors include poverty, protracted conflict, unemployment, gender inequality, and the lack of access to educational opportunities and resources (IGAD& IOM, 2015). Other factors include the changing nature of traditional fostering and responses to early marriage (ILO, 2001:43). In a large number of countries and in the context of high levels of poverty, families entrust children to well to do relations in the hope of providing better living or education. In the context of aggressive recruitment agencies and fraudulent recruitment practices, child fostering has become a source of child trafficking. Likewise, early marriage seems to have become yet another source of human trafficking whereby girls who run away from abusive marriages end up being victims of the growing phenomena of human trafficking. Lured by promises of well-paying jobs, these girls and women end up in exploitative labour and or sexual exploitation. The growth of the tourist industry, the growing demand for care work in rich countries are other factors that contribute to the acceleration of human trafficking. To be sure, access to global market and information resources can have the side effect of raising unrealistic or unattainable expectations.

A major contributory factor is the strengthening of regional and transnational organized crime syndicates that establish networks that extend from the local to the international level. According to a case study by the ILO, these traffickers consist of at least six categories (1) local/community level traffickers; (2) brokers responsible for transportation, harboring and smuggling of migrants across borders; (3) a set of unlicensed employment agencies that operate in the facilitation of migration and employment in destination countries and who have links with destination country traffickers that trade visas; (4) overseas private employment agencies that are legally registered and licensed but engage in illicit activities such as human trafficking; (5) returnees, visitors who start a trafficking business and who engage in deception and fraudulent recruiting practices; (6) sponsoring migrants, visiting recruiters and those encouraging migrants to escape and work with them in destination countries (ILO, 2011).

It is difficult to estimate the magnitude of human trafficking from Africa. According to UNDOC, an estimated 25,000- 30,000 people were victims of trafficking in the IGAD⁴ region alone from 2009 to 2013. The wide spread nature of human trafficking can be gleaned from the US State Department report which provides a detailed account of types of human trafficking in each country of the world.

² According to the Trafficking in Persons Report, 'Forced labour sometimes also referred to as labour trafficking encompasses a range of activities- recruiting, harboring, transporting, providing or obtaining _involved when a person uses force of physical threats, psychological coercion, abuse of the legal process, deception or other coercive means to compel someone to work. Once a person's labour is exploited by such means, the person's prior consent to work for an employer is legally irrelevant: the employer is a trafficker and the employee a trafficking victim. Migrants are particularly vulnerable to this form of human trafficking..Female victims of forced or bonded labour especially women and girls in domestic servitude are often sexually exploited as well (USDS, 2015: 8)

³ Involuntary domestic servitude creates specific forms of vulnerabilities for victims. These types of domestic workers are not free to leave their employment, they are underpaid or not paid and often confront various forms of abuse, harassment, and exploitation including sexual or gender-based violence (ibid:9)

⁴ The IGAD region includes Djibouti, Ethiopia, Kenya, Somalia, Sudan, South Sudan and Uganda.



In the case of Africa, the report reveals that almost all African countries serve as source, transit and destination countries for boys, girls, men and women subjected to forced labor and sex trafficking. In the case of Angola which is a source and destination country, Angolan women and children are subjected to domestic servitude and sex slavery in South Africa, Namibia and European countries including Portugal and the Netherlands. In the case of Burkina Faso, the report reveals that in addition to being trafficked to other countries in West Africa, traffickers recruit women for ostensibly legitimate employment in Lebanon, Saudi Arabia, Qatar and various countries in Europe, and subsequently subject them to prostitution (State Department, 2015).

In the case of Uganda, the main destination countries for those trafficked abroad include Kuwait, Malaysia, Oman, United Arab Emirates, Saudi Arabia, Iraq, China, Thailand and India. The study further indicates that although victims of human trafficking included women, men, girls and boys, women and girls represented 66 percent. Fraudulently recruited for employment, these women and girls were forced into prostitution (IGAD& IOM, 2015). Many Ethiopian women working in domestic services in the Middle East face severe violation of their human rights, through a wide range of coercive control mechanism throughout the process of trafficking. These include physical and sexual assault; unrestricted working hours; heavy workload; withholding of passports, restriction of movement, Isolation, inability to change employers, irregular payment of wage or denial of wages. In sum, this form of human trafficking is based on the use of strong, deception, coercion, exploitation and abuse of vulnerability of victims (ILO, 2011).

The IGAD study reveals that although victims of human trafficking include boys and men, women and girls make up the majority. For example, in the case of Uganda, 66 percent of the identified victims trafficked abroad in 2014 and 2015, were women and girls (IGAD& IOM, 2015:4). It is extremely difficult to isolate the scale of financial flows generated by human trafficking from the web of criminal activities. Financial flows from human trafficking are often merged into broader flows of criminal activities i.e. prostitution, illegal drugs, counterfeiting, corruption (Kopp, 2012).

Victims of human trafficking are subjected to various forms of exploitation including forced prostitution; various forms of sexual exploitation; forced marriage; engagement of children in armed conflict; forced labour or services; slavery or practices similar to slavery; servitude or the removal of organs.

5.3 Corruption

Corruption consists of the third component of illicit financial flows which is estimated to account for about 5 percent of such outflows. The African Union estimates that 25 per cent of GDP of African countries is lost to corruption every year. In brief, corruption often refers to explicit misappropriation of public resources or resources acquired through abuse of office by public officials. The HLP perceived corruption as the abuse of entrusted power and phenomena that facilitates cross-cutting contribution to IFFs. Significant share of proceeds of corruption are often channeled to bank accounts in foreign countries, typically jurisdictions with high level of banking secrecy. The prevalence of



corruption extends to corruption of law enforcement and tax administration institutions, public audit services and the private sector particularly banks. Banks facilitate corruption by failing to carry out due diligence by checking its customers and sources of their funds. There are also reports of corrupt practices whereby bank managers, their associates, employees and politically exposed persons (PEPs) have access to credits at below market rates while regular customers were charged very high interest rates.

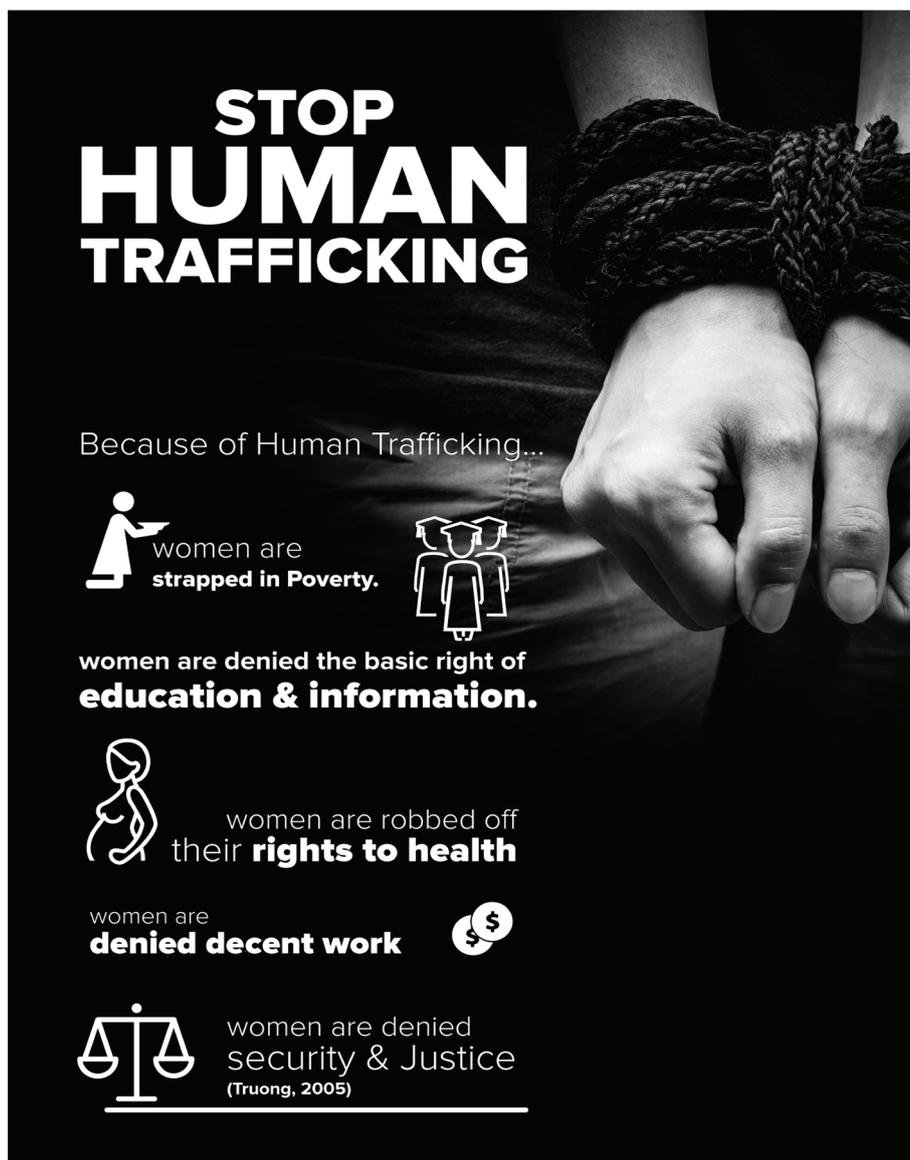
Another area where corruption seems to be rampant is the defense sector in African countries. It is reported that this sector is highly susceptible to corruption and IFFs due to supply chains which often run through secrecy jurisdiction and anonymous financial vehicles. Furthermore, corruption among civil servants and military personnel tasked with handling military procurement establishes opportunities for assets such as small arms, military intelligence and other technical equipment (Cobham, 2014).

Thus far, most discussions and policies have tended to focus on corruption by politically exposed persons. The United Nations Convention against Corruption defines these groups of persons as 'individuals who are, or have been entrusted with prominent public functions and their family members and close associates' (UNCAC, 2005). Thus in addition to senior government officials, it is important to monitor leaders of political parties, executives at state-owned enterprises and other junior officials with access to large amount of state assets and thus who enjoy extensive opportunity for enrichments i.e. officials in charge of procurement and the ability of PEPs to hold financial accounts abroad.

But to fully grasp the magnitude and nature of corruption, it is essential to look at the 'escalating international dimension of corruption'. Illicit practices discussed earlier such as mispricing and abusive/ aggressive transfer pricing are indicative of the international dimension of corruption but such practices are made possible through offering bribes and engaging in other corrupt practices. In addition multinational corporations facilitate money laundering of proceeds from drug, human trafficking, sale of illegal goods and all forms of fraud by facilitating the integration of these resources in the formal banking system (Ndikumana and Boyce, 2012). Beyond the loss of significant amount of resources and inhibiting the capacity of the state to perform its key functions, both the internal and external dimension of corruption results in a vicious circle. Corrupt practices undermine a variety of institutions that are responsible for detecting and prosecuting illicit flows, as well as undermining mechanisms of accountability and enforcement. In turn these weak institutions continue to facilitate even higher levels of corruption.

Corrupt practices undermine a variety of institutions that are responsible for detecting and prosecuting illicit flows, as well as undermining mechanisms of accountability and enforcement.





6. Destination of Illicit Proceeds

Illicit financial flows are facilitated by a 'a global shadow system comprising tax havens, secrecy jurisdiction and disguised corporations, anonymous trust accounts, fake foundations, trade mispricing and money laundering techniques' (GFI, 2009). Although tax havens, secrecy jurisdiction or offshore financial centres are often used interchangeably, they do not mean the same thing.⁵ As the name implies secrecy jurisdiction are characterized by complex institutional mechanisms that provide their customers through considerable layers of secrecy that primarily conceal the link between illicit proceeds and the ultimate beneficiary. The major mechanism used to provide the secrecy is anonymity.

⁵ UNCTAD provides useful information indicating the difference between these terms. Accordingly, 'secrecy jurisdiction' and 'tax haven' refer primarily to a geographic location with certain kinds of regulations notably financial secrecy and low tax rates while 'offshore financial center' refers primarily to financial services and activities catered to foreign investors, with no legal or tax residence, wishing to exploit mechanisms created by the relevant legislation in tax havens or secrecy jurisdiction (UNCTAD, 2014:17)



When a transaction is initiated, a company established or a bank account is opened, there is hardly any information that is required on the beneficial owner of an asset. It has been said that establishing shell companies in some jurisdiction requires less information than obtaining a driver's license or opening a bank account (One, 2014). In such a context, shell companies serve as vehicles for transfer pricing, transfer of illicit assets and other legal or illegal activities. These shell banks or companies do not carry out any activities in the jurisdiction where they are incorporated. It is reported that in 2013, 80 percent of the \$1.1 trillion that left developing countries in illegal financial flows left through trade misinvoicing where invoices on imports or exports are altered to move money into or out of a country without being seen and facilitated by these anonymous shadow companies (GFI, 2009).

The recent release of the Panama Papers⁶ has thrown more light on loopholes in the global financial and legal systems, individuals and companies that exploit these loopholes and gaps in regulation and the corruption and inequality facilitated and sustained by secrecy jurisdiction and the role of enablers of such as financial institutions, lawyers and accountants. In addition to rich individuals who use these facilities to avoid paying taxes, the Panama Papers also revealed how these anonymous companies facilitate bribery, arms deals, financial fraud and drug trafficking. The release of these massive documents has reignited interest on these issues and has resulted in their inclusion on the global and regional transparency agenda.

Beyond their anonymity and protected by 'a tangled web of jurisdictional web of interlocking relationships and 'chameleon' structures, these shell companies can be 'modified, restructured and renamed expeditiously to evade any inquisition of by the regulator or law enforcement authorities.' Moreover, facilitated by the lax legal system and regulations in these secrecy jurisdictions, these companies are mobile and their domiciliation can be changed at will to evade law enforcement and criminal investigation. These mechanisms are 'perpetuated by the immense economic power of the companies and individuals that hold wealth and channel their transactions through these territories' (Ndikumana, L. 2015).

7. A Birds Eye View of FDI and IFFs

Globally, the crucial factors in attracting FDI include infrastructure and human capital development and labor costs. Studies classify foreign investors into 'efficiency' seeking FDI that consists of

⁶ The Panama Papers refer to 11.5 million documents that were recently leaked by the Washington, D.C based International Consortium of Investigative Journalists (ICLG) that covered four decades and revealed how businesses, word leaders and politician evade taxes, launder their money and finance arms and drug deals. The source of the lead is a powerful Law firm in Panama known as Mossack Fonesca, which was described in the leaked papers as a firm that has been operating for at least 40 years and is one of the top creators of shell companies and corporate structures that can be used to hide ownership of assets. Secrecy jurisdictions facilitate the transfer and concealment of illicitly acquired assets and facilitate tax evasion and tax avoidance by multinationals and the economic and political elites of developing countries.

The firm has offices in more than 35 locations around the world. A noteworthy revelation refers to major banks their subsidiaries and their branches – including HSBC, UBS and Societe Generale and their creation of more than 15,000 offshore companies for their customers through Mossack Fonesca. The Panama Papers cover 214,488 offshore entities connected with people in more than 200 countries and according to the ICLG website the Report provides 'a day-to-day, decade-by-decade look at how dark money flows through the global financial system, breeding crime and stripping national treasuries of tax revenue.'" In collaboration with ICLG, the African Network of Centers of Investigative Reporting (ANCIR) provided the Africa specific data on offshore holdings



investors looking for the lowest production cost in developing countries and 'resource-seeking investors' who are principally looking for a country's natural resource endowment (UNCTAD, 2013). In Sub-Saharan Africa (SSA), foreign direct investment seems to mostly consist of resource seeking investors. The African continent is endowed with significant and diverse types of natural resources. According to UNECA, the continent owns about 42 percent of the world's gold, 80-90 percent of chromium and platinum group metals, 60 percent of arable land and vast timber resources and 12 percent of the oil reserves (UNECA, 2013). Although FDI takes place throughout the continent, in sub-Saharan Africa, this type of investments is concentrated in five countries, namely Nigeria, South Africa, Republic of the Congo, Ghana and Sudan (WDI, 2011) indicating the concentration of FDIs in extractive industries.

There is a general consensus that countries highly dependent on natural resources are among the most severely affected by problems of illicit financial flows through both tax avoidance and tax evasion. More than half, 56 per cent of IFFs from the African continent is concentrated in a few countries and on extractive and mining industries: oil, precious metals, minerals, ores, iron and steel and copper. Of these, fuel exporters accounted for nearly half of illicit flows from Africa in the period 1970- 2008. In part, acceleration in illicit outflows is driven by oil price increases. In turn price increases continues to provide greater opportunity for trade mispricing. In the recent past, tourism and large-scale agricultural investment through land grabs have become major sources of financial outflows.

With few exceptions, extractive industries in Africa are enclaves and are not creating broad-based and diversified development. Dominated by transnational firms that use capital intensive technologies, they provide employment to only a small work force. As considerable proportion of mineral wealth leaves these countries through illicit flows, most resource rich countries have not created backward and forward linkages with the rest of the national economy.

A close look at the trend overtime reveals the volatility of the flow of FDI. Given the relative mobility of foreign firms the region as a whole registered about 30 per cent decline in FDI from 2008 to 2010. Overall, despite growing evidence towards a race-to-the-bottom dynamic⁷ in a large number of African countries, the overall volume of FDI has been limited. The threats of relocation seem to have forced African countries to lower corporate tax rates on foreign investors. Consequently, a growing number of African countries provide tax incentives, tax holidays or free economic zones that offer low or zero corporate tax to attract foreign investment. In a large number of African countries, revenue losses from tax incentives were 2 and 8 percent of GDP.

Most of these agreements include production sharing agreements contain a confidentiality clause as well as stabilization clause. Often, the confidence clause of the production sharing agreement stipulates the revenue-sharing between governments and multinational corporations and the various exemptions. Until recently, these agreements were rarely made public. For their part, stabilization

⁷ The 'race to the bottom' refers to the phenomena whereby developing country governments have been competing with each other to offer lower rates of taxation to multinational corporations operating within their borders. The objective of attracting more foreign direct investment flows thus comes at the expense of losing taxable income generated by the foreign firms- this process is what is often referred to as the 'race to the bottom.'



clauses freeze these agreements from revision in the future. Such forms of agreements together with Africa's extractive sector being controlled by the political elite, renders the sector highly susceptible to corruption-driven illicit financial flows.

Incentives and exemptions aimed at attracting FDI result staggering losses to African countries. A good case in point is the loss of \$2.8 billion annually from tax incentives and exemptions by four East African countries, namely, Kenya, Tanzania, Rwanda and Uganda (TJN-A & Action Aid, 2010). For example, in the case of Tanzania, export processing zones offer large number of tax incentives: businesses are exempted from tariffs on imports of raw materials, and equipments. Mining companies are exempted from capital gains tax and tariffs on import fuels and pay reduced tax rates on stamps duties and VATs.

In the case of Kenya, there are differentiated tax rates between local and foreign companies. The reform of the tax system has also introduced incentives, designed to boost export-led industrialization and to provide an enabling fiscal environment for Foreign Direct Investment. Foreign companies that invest in export processing zones (EPZs) are granted a 10 year corporate tax holiday, exemption from import duty, VAT (on all inputs except for motor vehicles), stamp duty and withholding tax over a 10 year period. This is sometimes a disincentive to local companies, which are not eligible for incentives that are available to their foreign counterparts.

In the case of West Africa, tax incentives consist of corporate tax incentives that include tax holidays, complete or reduced corporate income tax, and the provision of export tax support or subsidies to encourage export-led growth. Furthermore, some firms receive off-the-books or discretionary and non-transparent incentives. These countries have created free trade zones, special economic zones and export processing zones, most of which provide a wide array of non-monetary concessions to investors. The revenue losses from all these exemptions have been considerable. For example in the case of Ghana, these tax expenditures accounted for 42 percent of government tax revenue in 2011, equaling 6 percent of GDP (OECD, 2013).

It has been shown that 'despite years of granting generous incentives to investors, the objectives of increased job creation and employment have not been realized in most ECOWAS countries' (TJN-A & Action AID, 2015:4). Foreign Direct investment in West Africa has increased but not in the sectors that create the most jobs, such as manufacturing. Such investments are not the result of corporate tax incentives but due to the existence of natural resources, namely oil and gas (ibid.) Like Eastern Africa, the use of corporate tax incentives is causing competitive race to the bottom among the countries of West Africa and this giveaway has been detrimental to national revenue. Beyond the loss of revenue, the control of the extractive sector by the political elite has rendered these extractive sectors highly susceptible to corruption-driven illicit financial flows.

The rationale for adopting FDI as a core development strategy included promises of great opportunities for local populations, including employment, investment in infrastructure, technology and capacity. However, foreign investment in skewed in favor of natural resource extraction, have not created sizable employment that would have responded to youth unemployment or added the most value to the economies of resource rich countries. For example, in Nigeria, 80 per cent of



foreign direct investment is in oil, and enclave with a high capital investment that employs less than 2 per cent of the workforce, 'a paltry figure in a country with 30 million youth seeking employment. There is little evidence of the anticipated technology and skill transfer and hardly any beneficiation in the communities where they operate and local content policies that benefits the national economy.

Clearly, foreign direct investment to SSA has increased substantially since 2005. For example from 2006 to 2008, FDI increased from 15 billion to about \$38 billion. A focus on such an increase masks other noteworthy factors that significantly impact long term sustainable development. To start with, these foreign investments are concentrated in five countries, namely Nigeria, South Africa, and Republic of the Congo, Ghana and Sudan (WDI, 2011). This is partly due to the concentration of FDIs in extractive industries. This seems to be in keeping with the global trend where in FDI is highly concentrated in only a handful of developing countries. More recently, these seems to be a shift away from extractives to other sectors such as technology, media and telecoms which accounted for over 50 percent in 2013 (Parks et al, 2014). In addition to consumer-oriented industries, a new trend seems to be infrastructure and agricultural investment.

What all this meant is that public spending prioritizes FDI friendly sectors that result in excessive losses of potential tax revenues. Contrary to the rational justifying prioritization of FDI as core development strategy, studies indicate that it is growth and development that lead to FDI rather than FDI leading to growth and development (Milberg, 1999:10). **Such views seem to be supported by recent views by the international financial institutions that initial encouraged lowering of corporate taxes now observe that 'investment incentives-particularly corporate tax incentives-are not important factor in attracting foreign investment' (IMF, 2006). In addition to favorable taxation, investors also take into account other factors such as political stability, growth, market size, human capital and infrastructure in the host economy and effective and predictable tax administration (WB, 2013).** In the case of the aforementioned East African countries, a survey by the Global Tax Simplification Team of the World Bank Group showed that in the four countries 90 percent of the survey respondents would still have made investments without incentives (WBG, 2013).

The aforementioned incentives are indeed are wasteful giveaways and have undermined the volume of government revenue that would have facilitated public expenditure on social and physical infrastructure, and social protection all of which are gender-equalizing investments. **A good case in point is the outcome of these incentives in Sierra Leone where, international companies were granted tax exemptions amounting to 224 million US dollars in 2012, equivalent to 55 percent of government revenues, eight times the health budget, and seven times the education budget (Christian Aid, 2014).** This amount is more than what is needed to implement Universal Health Care and strengthen the health system. Another negative and long term outcome of secret contracts is the ability to quantify the environmental damage. The High Level Panel underscored that a key concern for the Panel is 'the intertemporal loss or reduction in the welfare of future generations due to overextraction permitted by secret contracts (HLP, 2015: 58).



Yet another negative outcome is the disincentive to smaller domestic industries as a result of undue advantage given to already established big firms and multinationals. The hidden cost of the enabling special treatment given to specific companies is a significant increase in corruption. Yet another outcome of lack of tax revenue from companies has forced African government to rely on indirect taxes as major tools for domestic revenue mobilization, the gendered implications of tax policies will be discussed in the next section. Of equal importance is the disincentive to the payment of taxes by large sectors of the population who perceive taxes as punitive measures. Finally, tax incentives weaken the governance of tax incentives as evidenced by the general lack of transparency. With few exceptions, tax incentives are not accounted for in the national budget, nor presented and subjected to parliamentary approval and hardly ever debated in public. One exception is Morocco that currently includes tax incentives in the tax expenditure report (OECD, 2007).

There are a number of Africa wide and sub-regional mining-related policies, declarations and initiatives. Notably, the **African Mining Vision (AMV) adopted by African Union in 2009 calls for a 'transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development'**. The vision further calls for a safe, healthy, gender and ethnically inclusive mining sector that operates in an environmentally friendly, socially responsible and acceptable way towards local communities. The AMV also underscores the key challenges facing artisanal and small-scale mining and crafts policy measures that would transform ASM into a strategy for an integrated and sustainable rural-socio-economic development. A critical component of the AMV is the importance given for the need for renegotiation of agreements between states and mining contracts to ensure more equal distribution of the benefits of resource exploitation. Accordingly, the Africa Minerals Development Centre (AMDC) of UNECA is in the process of preparing Country Mining Guidelines for the implementation of the Africa Mining Vision with a focus on maximizing resource rents. The guideline encourages countries to ensure that they receive as much as possible of the surplus generated by extractive industries operating in their countries.

7.1 Gender and Foreign-Direct Investment

There is a clear lacuna of gender-aware perspective on FDI in Africa especially studies that look into the gendered implications of FDI. Given the importance of this form of investment in Africa's current development strategies, the initiative to engender the IFFs discourse will have to give sufficient attention to gender aware analysis of foreign direct investment in order to be able to craft, evidence-based advocacy. Unlike other regions, for example, in East and Southeast Asia, in parts of Latin America and the Caribbean, the type of foreign direct investment in Africa has not favored a sizable number of female intensive industries. In the meantime, given the type of FDIs in SSA, unlike other developing regions, it has not created a sizable number of female-intensive industries. In part, this is most likely due to the fact that, thus far, FDI has not prioritized the manufacturing sector in Africa, 'a sector that has the highest potential to create both high-and low skilled jobs (Action AID& TJN-A, 2015).



A close look at the available data reveals that mining wealth is not creating benefits to mining communities and the broader population. Even a preliminary gender analysis reveals that thus far, mineral development has not created jobs, infrastructure such as health facilities, schools, water and roads, all of which would have facilitated gender-equitable development. What the available information does show is that multinational firms investing in the natural resource extraction have not even minimally fulfilled their commitments to corporate social responsibility.

#StopTheBleeding

The precious stones of inequality

Engender the Artisanal & Small Scale Mining (ASM) sector in Africa!

ASM contributes **15% - 20%** of gold, precious and semi-precious gemstones and 80% of all sapphires in Africa.

Women make up **40% - 50%** of the estimated **8 million** ASM workforce in Africa (WB, 2012).



7.2 The Gendered Face of Artisanal and Small-Scale Mining

In the absence of employment opportunities in mining, most of the population in mining areas is engaged in artisanal and small-scale mining (ASM). Artisanal and small-scale mining denotes all small-scale as well as medium and large scale mining that may be illegal or legal, formal or informal. Artisanal mining may be better characterized by a lack of long-term mine planning and use of rudimentary techniques (Hinton et. al. 2003). The sector makes a sizable contribution to overall mineral production in sub-Saharan Africa. It is estimated that ASM contributes 15-20 per cent of gold, precious and semi-precious gemstones and 80 per cent of all sapphires.

In the specific case of Liberia, for example, the 50,000-75,000 artisanal diamond miners generate \$13.5 million for the local economy annually and creating markets for locally grown or supplied products and increasing the cash component of household incomes. It is further estimated that ASM generated capital probably stimulated local formal and informal enterprises with an additional \$ 33.75 million for the local economies (AUC, 2011).

It is estimated that women make up 40-50 per cent of the estimated 8 million ASM workforce in Africa (WB, 2012). One of the striking realities is the similarities of gender-related challenges that the female artisanal and small-scale miners face with some of socio-economic disadvantages that women face in other sectors of the economy. These socio-economic disadvantages include pervasive gender inequalities in earned income, property ownership, access to service and time use. Social norms and practices include stereotypes about suitable occupation for women and girls rather than their ability and few women in managerial roles (UNW, 2015).

In general, women in ASM are disproportionately affected by the benefits and risks of mining and are not provided with the requisite training and employment opportunities. Their involvement varies within and between countries and spans prospecting, exploration and mining as well as marketing and sales. Although relatively small in number women in small-scale mining act as licensed buyers, concession holders and work group sponsors and participants.

The role of ASM license holder, mine operator and owner generates relatively highest income within the ASM sector. These roles are disproportionately filled by men. Even when women engage in a full range of ASM activities, they earn less income because they are often limited to informal forms of ASM and in more remote areas. Overall, women miners lack access to efficient technology and equipment and thus employ rudimentary techniques for mineral extraction. The abysmal health and safety conditions of the mines expose minors especially women to toxic materials, compromising their safety, increasing their health risks and vulnerabilities.

Further women are unable to access ASM extension services thus lack technical knowledge and face major constraints in accessing financial capital. Similar to other sectors, women in ASM are limited to work that is considered appropriate work for women as they are only allowed to work in downstream, labor intensive and low paying tasks. Women in ASM also lack the skills to market products and manage business ventures. Finally, they lack the requisite technical assistance that would facilitate the



development of value-added processes in the production and marketing chain of gemstones. Most women are excluded from resource management and formulation of regulation and policies.

In areas where mining is seasonal, as they are closed during the rainy season, large number of women engaged in ASM also engage in small-scale agriculture or other income generating reinvesting the income from mining. Here again these women lack equal access to productive resources including land ownership, inputs, new technology, credit and access to agricultural extension services. With the availability of such services, women's engagement in both sectors would have resulted in a downstream links between mining and agriculture being much more substantive.

In addition to their ASM related work, women also carry disproportionately the onerous burden of unpaid care and domestic work. In the absence of public services i.e. water, fuel sanitation, child care, women are responsible for hauling water, collecting fuel, food preparation and child care. For example, **a study of ASM communities found that both men and women work seven to eight hours per day on average in small- scale or artisanal mining, but women have to undertake an additional five to eight hours more than men in care work (Hinton, 2010).** Women in artisanal mining allocating much more time in unpaid care and domestic work are also reported for Tanzania. These and other forms of exclusion has resulted in increased levels of prostitution, human trafficking and HIV infection among women within and around mining sites (Jtrue, J, 2012 cited in ECS 2015).

The short and long term developmental consequences resulting from huge amount of revenue losses due to tax incentives are not limited to mining areas. It is worth noting that significant amount of resources lost for the purposes of attracting FDI is yet another lost opportunity to promote gender equality and social justice. Experiences of other regions have revealed that governments focused on attracting FDI have adopted policies that enhance the productive capacities of women and girls. Such strategic policy options have the potential to make women more productive while simultaneously redressing gender inequalities (Braunstein, 2006).

In the absence of adequate public investment in health, health systems are unable to respond and manage the outbreak of infectious diseases such as the recent EBOLA outbreak. Given gender differences and the gendered division of labour, in such situations, research reveals that women bear a disproportionate risk of infection, duration, severity and mortality. In other words, the unpaid care and domestic work at household and community levels, it is reported that as many as 75 percent of the fatalities in Liberia, and 59 percent in Sierra Leone were among women. In addition, given as the EBOLA outbreak overwhelmed hospitals, women were not able to get pre-natal care, obstetric services and new born care resulting in the reversal of progress made in reducing maternal mortality prior to the outbreak in all the three countries faced with the Ebola outbreak (UNW, 2014).

The emergent forms of service-oriented investments are likely to increase women's employment in the service sector with a limited and short-term improvement of incomes of women in this sector especially if FDI expands. Research is needed into the nature of service sector jobs being created, the extent to which they have created formal employment opportunities for women and men,



gender differentials in the existence or absence of social protection coverage. Finally, there is an urgent need for a gender-aware analysis of FDI related infrastructure investment.

To be sure, investing in infrastructure – water, sanitation, electricity is clearly an important policy priority in terms of promoting substantive gender equality. The key concern here is the extent to which FDI related investments are responding to these needs.

8. Gender and Taxation

What the aforementioned call for national resource mobilization is indicative of further attempts to reform the tax regimes towards a more regressive tax regime. A closer look at gender and taxation reveals gender inequalities at work, inequalities in access to and control over economic resources and asset ownership. As earlier section have shown, trade liberalization and the resultant reduction of trade taxes, tax competition, tax avoidance, transfer mispricing as well as tax dodging and stowing away of untaxed and unaccounted for income by wealthy individuals result in staggering tax losses. Such losses are also the result from other illicit financial flows, illegal practices, such as bribery, money laundering. All these practices result in the shrinking government revenue in most African countries because governments are not taxing income, wealth and property. It is estimated that during the decade of high economic growth, on average tax revenue rose only by 1 percent of GDP. So the immediate advocacy focus for gender justice activists engaged in engendering the IFFs discourse is a sustained and vocal presence in the tax justice movement in Africa with their call on curbing illicit financial flows.

8.1 Gender Biases in Tax Codes

Engendering the IFFs discourse in the area of tax policy entails identifying gender biases in tax policies and advocating for gender-equalizing tax policy. This is also one of many areas that can be used to highlight the links between gender justice and tax justice and this can enhance alliance building. Looking at tax systems and tax reforms through a gender lens also provide the opportunity to highlight the implicit tax or 'the time-burden tax' provided by unpaid care work and domestic work.

Finally, the most promising outcome of engendering the IFFs discourse in the area of tax policy has the potential of strengthening the emergent analysis on gender equality and macroeconomic policy, to the extent that taxation is a core component of fiscal policy. As a recent study observed, "macroeconomic policies have distinctive consequences, for example through taxation that affect women and men differently and can either reinforce the extent of women's socio-economic disadvantage or potentially, promote a redistribution of resources towards women" (UNW, 2015: 195).

The predominance of employment in the informal sector and small-scale agriculture in sub-Saharan Africa further limits the ability of most African governments to raise significant amount of tax revenues from personal income. The most promising approach for increasing tax revenue includes new tax policies



that generate resources from under-taxed areas. As one of the most vocal feminist noted, 'higher rates of taxation on the rich and an end to tax avoidance and evasion are at the heart of the struggle of gender justice,' (Elson, 2015) and tax justice in general. Tax avoidance and tax evasion have resulted in tax reforms shifting from taxing income to taxing consumption through value-added taxes (VAT).

A closer look at gender and taxation clearly reveals that taxation is not gender-neutral. Most tax systems consist of direct taxes on income and wealth; indirect taxes on consumption; property taxes; trade taxes and wealth and inheritance taxes. In most African countries, direct tax accounts account for only a quarter of tax accounts while indirect taxes account for 2/3 of tax revenue (Grown and Valodia, 2010). Gender biases in tax systems are often a reflection of structural sources of gender inequalities in markets, households and state institutions. Women are mostly in informal sector employment and frequently earn less than men. Within households, women carry a disproportionate amount of unpaid care work and domestic work and are often responsible for purchasing consumer goods needed in the household. Very few women make public policies.

Fiscal policies that fail to take the gendered structure of the economy and society into account are unable to redress explicit and implicit gender biases. Explicit forms of gender bias refer to specific regulations or provisions in tax laws that treat men and women differently. This form of bias is more common in personal income tax arrangements. On the other hand, implicit gender bias often refers to 'provisions in tax systems that because of systematically gendered social and economic customs and arrangements have different impacts on men and women (ibid: 35). A good case in point of implicit bias is personal income where taxation is based on joint filing. In such a case, the lower income earner is effectively taxed at a higher marginal rate. Given that most women earn less than men, joint filing often affects women more than men. Even though joint filing results in increased household income, because of the 'male breadwinner bias' and the false assumption of equal distribution of resources within household, women are unlikely to receive an equal share of tax credits resulting from jointly owned assets.

Other examples of explicit gender biases include those tax systems that treat men and women differently. In cases, where tax systems provide automatic deductions for dependents, men are granted these deductions but women are only able to access such benefits in special circumstances. The most common example of explicit gender bias is found in the case of VAT. In cases where women are responsible for purchasing consumer goods needed in the household, they face a larger burden of VAT. Beyond exemptions that benefit professional and formal employment, there are other exemptions for interests or dividends. In both these cases, more men than women are likely to benefit given that there are more men in formal employment and most likely to own financial assets such as stocks and equities. As for property taxes and inheritance taxes, the cause of gender bias is the fact that in many regions of Africa, women are denied the right to own and inherit property. In such a context of entrenched social norms, even when women own property, i.e. business, tax systems many not recognize female business ownership. For example, in Tanzania, it is reported that family business income is attributed to the husband regardless of the spouse's role in business (Stosky, 1997 cited in Grown and Valodia, 2010).



8.2 Towards a Gender- Just Tax System

As indicated earlier, gender-aware tax justice advocacy revolves around calls for tax reforms of aspects of personal income tax aimed at eliminating explicit and implicit gender biases and that are not pro-poor. With few exceptions, reforms of tax policies in Africa since the 1990s, have not taken distributional consequences of taxation especially the gender impacts of taxation into account. As a result, tax policies tend to reinforce gender inequalities and gendered social norms. This is another missed opportunity in transforming inequitable gender relations. Gender justice advocates have argued that personal income tax systems including the structure of rates, exemptions, deductions, allowances and credits could be designed to actively promote an equal sharing of both paid and unpaid work between women and men as well as eliminate incentives for the perpetuation of gender inequality (Elson, 2006).

Experiences show that governments can take a number of measures to remove gender biases in personal income taxes. In 1994 for example, South Africa eliminated explicit bias in personal income tax codes and legislation. A second measure would be to replace joint filing with individual filing as has happened in Kenya. Such a measure is reported to have positive impact on female labour supply. Another gender-friendly tax reform that has a positive net impact on female employment includes lowering tax rates, or providing tax relief on female labour income. This measure has been adopted in India (Grown and Valodia 2010). Yet another gender-equalizing tax reform includes examining the structure of deductions, exemptions and allowances to ensure they do not contain implicit biases. An important component of such a reform is the recognition of care work as an implicit tax and redistributing market and unpaid work between women and men. For example, Mexico introduced a new tax law that makes payments for childcare tax-deductible. Valuing unpaid care work indicates an awareness of recognizing non-market income that is liable to tax and related deductions. Another measure that removes another form of implicit bias includes zero-rating or reduced rates for the basket of basic consumption goods for value-added taxes (Grown and Valodia, 2010). These types of reduction in taxes on basic necessities would increase the disposable income of women living in poverty and increase their bargaining power within households.

8.3 Initiatives to Increase the Tax Base

In terms of increasing the tax base, there are also a number of reforms that governments can undertake in order to increase fiscal space for social development. Such reforms include increasing the excise tax, collected on goods such as cigarettes, beer and petroleum. Generally, income tax is progressive however in recent years, a number of developing countries have reduced income tax on the highest income earners. For example, African countries that have reduced taxation on high income earners include Malawi, Mauritius, Mozambique, Senegal, Sierra Leone, Sudan, Tanzania and Tunisia. Removing such disparities within income tax policies is likely to generate considerable amount of revenue. Moreover a significant amount of revenue can be generated from increasing corporate taxes and related license costs and fees and minimizing tax evasion and aggressive tax avoidance by multinational corporations. Levying taxes on financial sector transaction is another



option to expand the tax base. A sizable amount of revenue can also be generated from increase in import/export taxes as well as increase in property and inheritance taxes. But the most important measure related to increasing tax revenue is that which would result from illicit financial flows.

Lack of full transparency related to tax policies is yet another challenge. The participation of tax payers and civil society in the design, implementation and evaluation of tax policies is a critical measure in ensuring appropriate policies. Civil society organizations with the active participation of women's rights organization can strengthen the alliance of tax campaigners and be able to advocate for transparent, efficient, accountable and redistributive tax systems. In turn these forms of participation strengthen democratic governance and accountability and also build confidence in government. Failure to do so results in abuse by tax authorities of tax payers especially women living in poverty. Once issues related to the expansion of the tax base is resolved, tax justice campaigners have to make sure that the additional resources generated are not lost through corruption.

As will be shown in the following section, the inability of most African governments to mobilize sufficient revenue through taxation have reduced public expenditure on essential public services.

Is your Tax System Gender-biased?

Your Gender-biased Tax System reinforces inequalities in markets, households and state Institutions.

Still in doubt?

- Your Women in the informal sector earn so much less than men**
- The unpaid care-work is largely disproportionate**
- Very few women make public policies.**

#StopTheBleeding



9. Gender and Social Services

As has already been indicated, one of the manifold harmful development outcomes of illicit financial flows is the significantly reduced tax earnings and the resultant reduction in the provision of social services and social protection. The HLP reported that "Finance Ministers were quite clear in their discussions with our Panel that their governments face continuing pressures for social spending on education, health and poverty eradication programmes". What this means is that most African countries have failed to meet their commitment to increasing public expenditure for health and education. In recognition of the extremely low public expenditure for social development during the 1980s and 1990s, in the Abuja Declaration, African governments committed to spend 15 per cent of GDP on health. On the other hand, the Dakar commitment African governments committed to spend 9 per cent of GDP on Education by 2010. But with few exceptions, these commitments were not met.

A recent report of the African Development Bank provided a rather bleak picture of the state of infrastructure in SSA. Public sector investment ranges between 2 to 3 per cent of GDP. As a result, only 40 per cent of the population lacks access to safe water; 60 per cent of the population lacks basic sanitation; only 30 per cent of the rural population in sub-Saharan Africa to all-seasons roads and only 30 per cent of the population have access to electricity (Kandiero, T. 2009). In what follows, the gender specific impact of the inadequate social and physical infrastructure will be examined.

The findings by the aforementioned AFDB study mostly focuses on deficits in infrastructure. However to fully understand the role infrastructure plays in significantly reducing poverty and inequality and create the conditions for gender equality, it is necessary to include both social infrastructure such as schools, health institutions as well as investments in people's capabilities. Social infrastructure refers to fundamental social, intellectual and emotional skills and health of individuals-or levels of human development- a country depends on for its economy to function (Seguino, S. 2016: 7). Public investments in both physical and social infrastructure are needed to stimulate economic and employment growth, decrease illness, substantively reduce women's unpaid care burden and ensure the quality of the future labour supply (ibid).

9.1 IFFs and Education

In the context of huge resource outflows, providing public education especially gender-equitable education has become a real challenge. In the past, African governments supplemented their own educational budget from resources by ODA. Available data indicates that although aid disbursed to basic education in the period of 2002-2004 reached 47 per cent of total aid disbursed to sub-Saharan Africa, the level had fallen to 31 per cent by 2012.

Like the case of health, the percentage ratio of IFFs to public spending is staggering. In Liberia, for example, it is 1649 per cent while it is 1314 per cent in Zambia and 147.3 per cent in Rwanda (Spanjers and Foss, 2016: 11). A close look at the educational data and educational infrastructure clearly reveals widespread IFFs and how it impedes governments' effort to provide basic



public resources and to promote gender-equitable education in accordance with their various commitments. As a result, a close look at educational metrics is alarming. In 2012, SSA was home to over half of the world's out-of-school children with 33 million children out of school of whom 56 per cent were girls. Similarly, Sub-Saharan Africa has the highest illiteracy rate of 41 per cent.⁸ In the period 2000-2015, there has only been a 13 per cent decline in the rate of illiteracy. In a recent interview, the Executive Director of UN Women observed that two-thirds of African women are classified as functionally illiterate (Africa Renewal, 2015:10). In 2012, 36 per cent of adolescent girls and 31 per cent of adolescent boys in SSA were out of school. But in some African countries i.e. Angola, Ethiopia, Guinea and Mali the difference between the rate for girls and boys was larger than 15 per cent. Often this implies that girls face the challenge of early marriage and early pregnancy.

9.2 Pre-Primary Education

Pre-primary education is said to 'set the foundation for life' with 'enormous impact on children's readiness for primary school and transition to secondary education' (UNESCO, 2015: 46). In Africa, pre-primary education is reported to have expanded since the late 1990s. However, compared to other regions, enrolment remains both in North and sub-Saharan Africa, although some countries which started with a low baseline have registered progress. Most public pre-elementary schools suffer from poor quality of provision. Education budget allocated to pre-primary schooling is 0.3 per cent. A large proportion of total pre-primary enrolment is in private schools. Consequently, in most countries there is a marked inequality in access by wealth. Children in rural areas are least likely to attend pre-primary school. Low enrolment in pre-primary education deprives African children from improving their 'chances of participating in and completing higher level of education' (UN, 2015). It is one of the contributory factors to high repetition and drop-out rates in a large number of African countries.

At the policy level, there appears to be a growing recognition of the importance of pre-primary education. UNESCO reports that 'great strides' have been made in a large number of countries. But the demand for user fees can be a major challenge for poor households. For example in Kenya and United Republic of Tanzania laws require pre-primary section be attached to all primary schools. Ghana on the other hand has abolished pre-primary school fees, has witnessed major growth in pre-school enrolment but 'struggles to find the resources necessary to maintain standards.' It is important to note that most of the policies are much broader and cover multisectors under early childhood care and education, which will be discussed below.

9.3 A Gendered Glimpse of Primary Education

Most African countries witnessed large increases in enrolment following the abolition of primary school fees. However in most cases, educational spending did not keep pace with enrolment. In

⁸ The definition of literacy has been changing significantly. Earlier, literacy referred to the ability to read and write. Since 2005, literacy has been broadened to mean the ability to 'identify', understand, interpret, create, communicate and compute using printed and written material' associated with varied context (UNESCO, 2015).



the year 2000, the Educational for All (EFA), the global educational strategy proposed a target of 15 percent to 20 per cent of annual budget for education. To be sure, some African countries have increased their educational spending, however, the region as a whole has the lowest expenditure per primary school child (UNESCO, 2014). Despite the claim of fee-free public primary schooling, in a large number of African countries, households spend more on education than governments.

Following the abolishment of school fees and global push for universal education, considerable progress has been registered both in terms of enrolment and narrowing the gender gap. However, a closer look at the data reveals that the picture is different when it comes to rates of completion of primary education. In 2012, only 75 per cent of primary school aged girls and 81 percent of boys of the same age attended school. But this regional average masks both overall attendance rates and gender disparities in specific countries. The implications of the data on out-of school children and primary completion rate is that almost one in four girls of primary school age and one in five boys in SSA have either never attended school or left school without completing education.

The UNESCO educational monitoring report puts the spotlight on the poor quality of learning and millions of children leaving school without basic skills (UNESCO, 2015). The report shows that primary school children are not learning the basics in reading and mathematics. Poverty is a significant causal factor that limits the achievement of universal primary education. As indicated above, the hidden costs of education is a huge challenge for poor households. Other factors include ethnicity and residence in remote rural areas, slums, armed conflict or lack of basic facilities and poor quality of education (UN, 2015). The engagement of girls in unpaid care work and domestic work is a major inhibiting factor as far as poor rural girls' are concerned. Lack of electricity especially in rural areas significantly limits learning after school.

9.4 Gender Profile of Secondary Education

Unlike most regions of the world where gross enrolment of children in lower secondary school has registered substantive increase, in SSA the gross enrolment rate is 50 per cent and only 32 percent at the upper secondary level. Moreover, in a large number of countries the gaps in educational attendance between rich and poor students attending secondary school is considerable. For example, in Mozambique girls from the highest wealth quintile were 27 times more likely than girls from the poorest wealth quintile to be attending secondary school in 2011. But the available data also indicates that there has been a decline in the gap from 47 times in 2003 (UN Women, 2015). Most schools lack access to ICT infrastructure in schools limiting the potential for digital learning.

Global comparison indicate that SSA has the lowest transition rates to lower secondary education, where only 77 per cent of girls and 79 per cent of boys moved to secondary education. Net attendance in secondary school is lower for girls. In some countries such as the Republic of Tanzania, Angola and Guinea, the rate was less than 50 per cent. This implies that a relatively large out-of-school adolescents of lower secondary age.



The completion rate is equally concerning. In three quarters of countries where educational data is available, it was found that gross education ratio for lower secondary education were lower than 40 per cent. On the other hand, in a growing number of African countries, girls graduated at a higher ratio from lower secondary education. This is the case in Botswana, South Africa, Mauritius and Cabo Verde. Gender disparities in uptake of science subjects and mathematics are yet other challenges. The overall data on gender disparities in secondary education reveal the continuing gender inequality in capabilities. These forms of inequality severely limit women's opportunity to engage in formal paid employment. A large number of studies have shown that secondary education has the greatest pay-off for women's empowerment. But in those countries where there is an emergent trend towards the reverse gap in secondary education, there has to be a concerted effort that target boys.

9.5 Gender and TVET

Similar patterns are observed in Technical and Vocational Education and Training (TVET). These forms of education and training are critical components of equipping young men and women with capabilities that are useful both for paid employment and self-employment. These fields of study encompass a wide range of fields ranging from teacher training programmes to commercial studies to various technical fields in industry and engineering. In sub-Saharan Africa, more boys than girls are enrolled in TVET in the majority of countries (UN, 2015: 72). Beyond the number, in most cases, young women are concentrated in 'feminine' courses such as secretarial courses, home economics, dress making and accounting. Very few women enroll in construction and other technical fields in industry and engineering. These forms of gender bias in TVET result in reinforcing gender inequalities in the labour market, gender gaps in access to formal employment; high levels of unemployment among young women; significant gender pay gaps; concentration of women in a narrow range of gender segregated occupation at lower levels in the employment hierarchy.

9.6 Gender Equality in Education

The UNESCO Educational Monitoring Report of 2015 has put an emphasis on the need for attention between gender equality and gender parity tempering the enthusiastic focus on increasing at the cost of attention to the quality of education. The report reminds us that 'gender equality is a more complex notion than gender parity and harder to measure. It requires moving beyond counting the numbers of girls' and boys' to exploring the quality of girls' and boys' experiences in the classroom and school community, their achievements in educational institutions and their aspirations for the future' (UNESCO, 2015).

Over the years, there has been numerous multidimensional and multisectoral interventions focused on removing gender biases that contribute to drop-out rates, repetition, completion and achievements. Some of the challenges are household and community level barriers and range from girls expected to help with care and domestic work, lower priority given to girls' education in a context of widely practices early marriage. In a large number of countries there have been national



advocacy and community mobilization campaigns used as part of wider policy frameworks to change parental attitudes and build a groundswell of support for girls' education.

But the school level challenges are quite considerable. What the aforementioned gender disaggregated educational data reveal are the deep rooted gender biases that are deeply rooted in the school system. They are also of inadequate number of teachers, poor school infrastructure and inadequate school supplies. The gender biases manifest themselves in school policies, gender stereotyping in textbooks and curricula. Ensuring equality in the Learning process in educational outcomes and in external results is essential for gender-equitable school outcome. All reports indicate that gender biases in textbooks remain pervasive. Ensuring equality in the learning process requires that children are encouraged to question gender stereotypes and discriminatory gender norms conveyed in textbooks. Implementing gender-responsive curricula depends on genuine commitment and resources. It has been found that distance from school and lack of schools in underserved communities limit girl's attendance of school. For example, in Egypt, the Education Enhancement Programme initiated in the late 1990, massive investment in new schools, targeting deprived rural areas, where girls' enrolment was traditionally low, it made significant progress in raising the primary enrolment for girls and reducing the enrolment gap with boys.

The teacher student ratio is another huge challenge. In gender terms, the inadequate number of female teachers and inadequate integration of gender-sensitive training into teacher education are other factors that contribute to gender biases in schools. In SSA, female teachers remain a minority at both the primary and secondary levels. Overall, women made up 43 per cent in 2012 and 31 per cent of secondary teachers. At the level of policy, a number of countries have stated the need for gender sensitive teacher training. For example, Kenya's Educational Sector Support Programme 2005-2010 included explicit strategies for gender-sensitive teacher training. So did the Programme in Cameroon. However subsequent monitoring of the Cameroon initiative revealed a lack of implementation. So in addition to advocating for gender-sensitive strategies, evaluation of outcomes is imperative.

Lack of gender-friendly school infrastructure such as water and separate sanitation facilities are other challenges especially for girls who have reached the age of puberty. Expanding and improving school infrastructure and making sure that such facilities are well maintained and functional is another essential strategy. There are quite a number of examples that indicate that increasing the availability and adequacy of school infrastructure such as separate sanitation facilities provide disproportional benefit for girls. In Burkina Faso for example, providing sufficient resources in poor, underserved areas where amenities were typically not available benefited girls disproportionately, increased enrolment, and improved test scores. The low number of female teachers and lack of gender training of teachers and administrators are other constraints. Very often lack of gender-sensitive learning environment discriminates against women and girls and creates conditions which engender violence and sexual harassment especially against girls in schools. Although a large number of African countries have formulated a large number of plans and strategies to reduce the barriers to girls' education. However, due to lack of resources, many of these reforms are not fully implemented or remain as isolated cases.



So the limits restraining gender equitable education in most African countries by IFFs includes both the low public expenditure on education and growing corruption related to procurement of teaching and learning materials. These forms of corruption are closely associated with practices such as bribery, overpricing unaccounted for spending and under delivery of school supplies. For example, international book publishers Macmillan and Oxford University Press were found guilty of trying to bribe officials in tender for education materials in East Africa 2009 and 2010. As the UNESCO Monitoring Study observed 'corruption in education largely been borne by the poor and disproportionately by girls. "Where access to basic services requires a bribe, females are more likely be denied access as they have less control of monetary resources than males (UNESCO, 2015). As for measures needed to ensure the requisite government revenue for education, the same report recommends making tax collection more efficient, limiting tax exemptions, fighting tax evasion, diversification of the tax base and strengthening the tax systems. In other words, curbing IFFs is essential to ensure gender-equitable education in Africa.

9.7 Advocacy for Gender Equal Educational System

It appears that in a large number of African countries, civil society has been very active in advocating for better educational outcome and in terms of pushing for transparency and accountability through participation in budget related decisions to analysis of budgets in the educational sector. In Liberia and Malawi CSOs are engaged in lobbying for a greater share of national budget to go to education. In Ghana, the National Education Coalition, a member of the Global Campaign for Education obtained a pledge by the Ministry of Education to develop a gender education policy, as part of the government agenda in 2012 to address a gender disparity at the secondary level where 91 girls were enrolled for every 100 boys. In Burkina Faso CSO initiatives have included formalizing CSO participation in budget processes and in Zambia the focus of CSO has been on influencing improved accountability and transparency in public expenditure. Learning from the experiences of countries in other regions, for example the Philippines, CSOs in Africa including women's organizations will have to increase their monitoring of full procurement cycle from bidding to production and delivery the bidding process, advocacy to increase resources to education to holding government accountable through a focus on the execution of budgetary resources educational outcomes.

9.8 The Gendered Impact of Underinvestment in Health

All IFF focused studies have revealed the link between these financial flows and extremely low public-sector spending on human well being. A study that looked into the developmental impact of IFFs has underscored that ' domestic spending on fundamental social needs, such as education and health are overwhelmed by the amount of illicit money flowing out of the economy, and, with it, domestic resources that could be mobilized to address human needs (Spanjers and Foss, 2016: VII). The study goes on to show that in the Republic of the Congo, illicit flows were almost five times (483.5 per cent) what the government spent on the country's health system, in Malawi, it was 200.1 per cent. Other



studies have shown similar patterns of underinvestment in health as a result of legal tax incentives and tax breaks. In Sierra Leone, where the estimate for illicit financial outflows is lower, legal tax incentives and tax breaks for extractive industries have weakened domestic resource mobilization. Christian Aid has estimated that the Government of Sierra Leone will lose revenues of US\$ 131 million in the three years 2014–16 alone as the result of corporate income tax incentives granted to five mining companies—an average of US\$ 43.7 million a year. All tax incentives combined amounted in 2012 to eight times the health budget and seven times the education budget.

Africa ranks the second lowest region in the World measured in per capita health expenditure with an average of 3 per cent of GDP even if some countries allocate a much higher levels of health expenditure. However, it is also important to highlight that African governments have not prioritized the gender-specific needs of women's health in their health planning and budgeting. Clear indicators of severe underinvestment in health in most African countries became apparent as the end of Millennium Development Goals approached. Monitoring reports of these goals indicated that only 4 countries were on track to meeting the reduction of maternal mortality rate and only six countries were on track to meeting the goals related to children's health. A clear indication of the insufficient resources and policy attention can be gleaned from the data that revealed that only 4 countries in SSA were on track towards meeting the Millennium Development Goal of reducing maternal mortality by three quarters between 1990 and 2015. The four countries are Cabo Verde, Equatorial Guinea, Eritria and Rwanda.

As for progress in reaching MDG Goal 4 with its three indicators: (1) Under-five mortality rate, (2) Infant mortality rate and (3) Proportion of 1 year-old children immunized against measles, monitoring reports found that only six countries in sub-Saharan countries were on track to realize Goal 4 by the end of 2015. A recent study that linked this poor outcome to the impact of illicit financial outflows concluded that if illicit financial flows were completely curtailed, the number of countries that achieved the three targets would have been 16 and that even those countries that failed to achieve the targets by 2015 would be able to reach them in a substantially shorter period in the absence of IFFs (O'Hare, B. et al.; 2014).

9.8.1 Lack of Infrastructure and Services

The low health expenditure is compounded by under-investment in basic infrastructure such as water and sanitation. As a result, the dominant causes of death in SSA are communicable diseases⁹. Due to their disproportionate responsibility for care work, women are affected more by communicable diseases. In terms of sexual and reproductive health and rights, considerable inequalities in access to information and services are a widely prevalent reality. Women and adolescent girls face the highest level of unmet need for family planning among all regions of the World, the highest share of unsafe abortions and highest level of maternal mortality with 62 per cent of maternal deaths (UN,

⁹ According to WHO, communicable or infectious disease are caused by micro-organisms such as bacteria, virus or parasites and can spread from person to person or animal to person; Communicable infections also include lower respiratory infections, HIV/AIDS and diarrheal disease. Leading risk factors for such disease include unsafe water and sanitation, poor hygiene, unsafe sex, inadequate health services (WHO, 2014).



2015). And yet most maternal deaths are preventable when adequately trained staff, adequate equipment is available to provide the necessary care including emergency obstetric care. In 2014, 90 per cent of births were attended by skilled personnel in North Africa but only 52 per cent in sub-Saharan Africa (Ibid,:15). Africa presents the lowest coverage of ante-natal care services, Only 43 per cent of individuals are able to access the four recommended visits, less than half of the births are attended by skilled personnel.

Extremely low spending on health translates into serious shortcoming in service delivery, including staff shortage and poor motivation, which are particular problems in rural areas. Lack of essential equipment and medicine are other health challenges. Of equal significance is the impact that low tax revenue has had on government efforts to extend coverage and ensure affordability. In a large number of African countries, health care is financed from a combination of sources, including government revenue, private insurance and out-of-pocket payments. It is reported that in most African countries, out-of-pocket payments exceed public expenditure on health. Given women's lower capacity to pay, out-of-pocket payments reinforce women's disadvantage in access to health care (UN W, 2015: 161). More recently, there are a number of initiatives to enhance the affordability of health care. Of these, the most significant include the roll out of universal health coverage. Very often, these reforms define 'essential service packages'. Studies that have examined the gender implications of these packages point to a number of gender biases related to the type of services included or excluded. In a large number of cases, emergency obstetric care was missing. In cases, where reproductive health needs were included, they tended to focus on maternal health but exclude the reproductive rights of adolescent girls and older women (Ibid).

The UN Women Report highlighted the importance of universal health coverage. But if women are to benefit, and for these services to be effective, there is a need for significant subsidies from general taxation or official development assistance to make up for the limited contributory capacity of low-income women and men. Experiences indicate that impressive improvements and gender sensitive health outcomes are also require long-term investments in decentralized health services and the development of administrative capacity to manage these services effectively. Instead of contributory social or community insurance schemes, 'resources could be invested directly in the extension and operation of public health facilities with the aim of building national health systems that are free at the point of service delivery' (UNW, 2015: 165). In the case of most African countries, these types of national health systems are most likely to depend on curbing illicit financial flows, and ensuring enhanced accountability in the health systems by wide-range of citizens.

9.9 Care services

Care services consist of unpaid care work that takes place within homes, neighborhoods and structured by relationship of kinship and community. In addition to child and elder care, it also includes care of chronically ill persons and people with disabilities. In addition to these activities, care services also include wide-ranging and time consuming domestic work such as meal preparation, cleaning homes, clothes and utensils. Unpaid care work contributes to livelihood and well being



and sustains families, households and societies on a daily and generational basis. This type of work feeds into economic growth through the reproduction of a labour force that is fit, productive and capable of learning and creativity (UNRISD, 2010). One of the earliest thinkers on the subject considered the essential nature of care work as 'the development of human capabilities' (Folbre, N. 2006)

Care services also include services provided by markets, the public and not-for-profit sectors. The latter includes paid domestic work and care services such as child care, elder care, nursing and teaching and constitute a growing part of the economy in a large number of countries. In most societies across the globe, paid care work is highly female dominated and characterized by low-pay, low-quality and low status compared to other forms of paid work involving similar skills and training (Razavi, S. 2007:13) Studies have shown that 'good care requires a variety of resources, including material resources, time and skills, broader policies and structures can facilitate or hamper caregiving. This is particularly important in a development context, where many of the preconditions for caregiving cannot be taken for granted. These include appropriate infrastructure and technology to increase the productivity of unpaid domestic work, as well as the availability of paid work to bring in a decent wage with which to purchase some necessities for caregiving (such as nutritious food for the family and transport fees to reach the nearest health centre (Razavi, S. 2009: 4).'

In a context of poor public services, in most African countries, women carry a very heavy burden with consequences for their own well-being and that of their children. For example, in countries where health services are inaccessible or unaffordable, it is often women who provide care to ill children and adults. Care work is neither recognized nor valued as evidenced by the fact that most¹⁰ unpaid care and domestic work is not included in labour force surveys nor is it included in the calculation of GDP. Studies focused on such work estimate that if monetary value were assigned to it, it would constitute between 10 per cent and 39 per-cent of GDP¹¹ (Budlender, D. 2008). Yet, care work remains in the private realm and has not yet become visible in statistics and public debate. The majority of African countries lack explicit care policies. Women and girls continue to carry a heavy care burden due to the inadequacy of infrastructure investment, poor social services, and the lack of policy focus that would provide women with reliable and secure income coupled with very limited social transfers.

It is hoped that care work would become much more visible as a result of its inclusion as one of the targets of the Sustainable Development Goals. Target 5.4 states "Recognize and value of unpaid care and domestic work through the provision of public services, infrastructures and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate." It is up to civil society organization to make sure that it is nationally appropriate and can no longer be ignored.

¹⁰ Some unpaid work that is part of SNA production boundary and should be included in calculation of GDP includes unpaid work in a family business, collection of firewood and water. However, most countries do not include the latter in the calculation of GDP.

¹¹ This estimate was based on the number of hours spent on unpaid work and comparing it to the average wage paid to domestic worker or housekeeper who would carry out virtually all care-related tasks.



9.9.1 Early Child Care and Education¹²

The issue of early childhood education has been briefly discussed under the sector on education. But it is important to underline that low level of enrolment implies increases the care burden of women who are responsible for the major component of child care. Beyond early childhood education, early childhood care also includes health care, nutrition, poverty reduction and social protection. These services are provided at various sites, households, schools, hospitals and health centers. As the state of health is discussed earlier, this section will mostly focus on nutrition with its link to poverty especially women's poverty both in terms of time and material resources. In Africa, a major contributory factor of poor nutrition is poverty especially the poverty of women who are often responsible for household consumption. Contrary to established assumption, nutrition is not limited to food availability. Water, sanitation and health services are other factors that contribute to good nutrition. Most poor lack adequate access to these services. A major contribution to child morbidity, mortality and even poor school performance in Africa is malnutrition.

A multi-country study under the theme of 'the Cost of Hunger in Africa' (COHA)¹³ that was aimed at estimating the economic and social impact of child under-nutrition and a subsequent article that synthesized the longer study that linked nutrition to the distribution of the burden of public and private costs of care revealed that between 73 to 90 percent of the costs for care for children are borne by families and not by public health systems with significant implications for care work. 'The proportions of children that do not receive medical attention, particularly through births attended by skilled personnel or access to maternal child health programmes and therapeutic treatment for underweight children, are among the key drivers of the cost of caring for underweight children, in addition to the time dedicated to primary caretakers in the household.' The study confirms found that despite the recent economic expansions in Africa, there are more people living in poverty and more undernourished children than thirty years ago.

The article confirms findings from many other studies that draw a link between women's poverty, their heavy care burden and its impact on early childhood development. According to this study, children are not being provided the proper nutritional requirements that allow their physical and cognitive development, particularly before they reach two years of age. Given the inadequacies of the public health systems and social protection, the burden of care have shifted almost exclusively to households and families and caregiving often fall on women (Manuh.T and Acosta, C. 2015).

The lifelong and intergenerational consequences of under nutrition specially stunting is alarming. Without adequate care, underweight and wasting children results in a higher risk of mortality and morbidity; school repetitions, school dropouts and reduced labour productivity. Recent household surveys also reveal significant gender and rural/urban disparities in the time allocated to productive activities and care work. In Uganda, for example, surveys show that women spent 18 per cent

¹² Early child care and education refers to a broad range of services, including support for children's and often mothers' or carers' health nutrition and hygiene, as well as for cognitive and socio-emotional development. It also includes pre-primary schooling; it can vary from one to three years and covers ages ranging from 3-7 years.

¹³ The four countries covered in the first phase of the study included two of the highly populated countries in Africa, namely Egypt and Ethiopia as well as Uganda and Swaziland.



more time in care giving than men and 17 percent less time on productive activities. In rural areas, the time allocated to care labour is 1.6 times higher and time allocated to productive activities is 40 per cent lower than in urban setting (cited in Manuh & Acosta). Inadequate time for productive activities creates a vicious circle where women lack the requisite income to invest in their children and the continent is deprived of a healthy, educated and productive workforce.

9.10 Water and Sanitation

Critical to women's, girls, boys and men's wellbeing and functioning are access to health care, education and essential services such as safe water and sanitation. Global reports on these essential services reveal that 748 million people worldwide are without access to improved sources of water.¹⁴ Of these, nearly half are in sub-Saharan Africa and the lowest levels of drinking water coverage are also in sub-Saharan Africa. Moreover, during the period of MDGs that is 1990 to 2015, most of sub-Saharan Africa made little or no progress in the provision of piped water on the premises. A recent study revealed that in sub-Saharan Africa, only 55 per cent of household are within 15 minutes of a water source. In rural areas, water sources are often distant and women and girls' walk up to two hours to collect water. Public underinvestment in water entrenches 'time poverty' which translated into lost income for women and lost schooling for girls (UNW, 2015) and poor health especially children's health.

According to one survey covering 25 sub-Saharan countries "women spend a total of 16 million hours a day collecting water" (WHO&UNICEF, 2014). Underinvestment in water has gendered differentiated and wide-ranging consequences ranging from loss of income for women, loss of schooling for girls' and 'cumulative wear-and tear to the neck, spine and back and knees.' As one report observed, lack of access to water often leads to the use of women's body as part of the infrastructure doing the work of pipes (UNW, 2014: 96). In a large number of households water is used not only for drinking and other domestic uses but also in a variety of income generating activities. As indicated earlier, unsafe water and sanitation are among the leading risk factors for communicable diseases.

Similarly progress in improved sanitation facilities has been slow and sub-Saharan Africa and Southern Asia continue to have the lowest levels of coverage with only 5 percentage point increase since 1990. In fact in some countries like Nigeria, there has been a decline in coverage of improved sanitation from 37 percent in 1990 to 28 percent in 2012 (WHO &UNICEF). When looked at through a gender lens, inadequate investment in safe water and sanitation translates into women being burdened with poor health and burdened with very heavy unpaid care and domestic work.

In this context, engendering the IFFs discourse will have to engage in the debate on the urgent need for investment in infrastructure in order to highlight the need for increased availability, affordability and accessibility of both physical and social infrastructure in order to meet their commitment to reducing poverty and promote gender equality. However, the advocacy should depart from previous

¹⁴ WHO defines improved water source as water from protected well, protected spring, collected rainwater, boreholes or taps



approaches which often focused on the micro-level and calling for increased access to education, access to health care and access to productive resources and a shift of focus on gender-equitable macroeconomic agenda (Seguino, 2016).

#WhatWomenWant

A Gender-Just Tax System



Eliminate explicit bias in personal income tax codes and legislation



Replace joint filing with individual filing



Lower tax rates or tax relief on female labor income



Recognition of care work as an implicit tax and redistributing market and unpaid work between women and men



zero-rating or reduced rates for the basket of basic consumption goods for value-added taxes



These types of reduction in taxes on basic necessities would increase the disposable income of poor women and increase their bargaining power within households.



A Gender-Just Tax System!
#StopTheBleeding



10. Gender and the Macroeconomy

Contrary to assumptions by mainstream economists, the macroeconomic policy is not gender-neutral. Feminist economists have shown the various ways that macroeconomic frameworks can either enhance or severely limit the promotion of gender equality. For example, a recent synthesis of insights on gender and macroeconomy points to at least three key areas where macroeconomic policy can constrain gender equality. The first of this is the focus on raising the level of GDP as the primary goal of macroeconomic policy. As the recent experience of Africa's growth trajectory discussed earlier in this paper has shown, GDP growth was not able to resolve broader economic and social outcomes, such as creation of increased employment opportunities, and the provision of gender-equitable education and health. Secondly, the insufficient focus of macroeconomic policy on employment creation has meant that such policies have not been able to reduce the high unemployment rate for women and men and to redress the many disadvantages that women's face in the labour market i.e. segregation of women and men into different types of employment (UNW, 2015). Thirdly, as was discussed in earlier part of this section of the document, restrictive macroeconomic policy severely restrict 'growth stimulating' public investment in social and physical infrastructure most of which is essential to the promotion of gender equality (Seguino, 2016).

A policy shift in monetary policy ought to be the prioritization of employment creation. In the context of financial liberalization since the 1980s, the major focus of monetary policy has been restricted to maintaining low inflation targets by raising interest rates. High interest rates raise the cost of financing productive investment and lowering the demand for labour. Maintaining high interest rates has a direct link with IFFs as it attracts capital from other countries due to the higher rate of return on financial investment. The incentives and tax exemptions provided to attract foreign investment has been discussed earlier. But it is also important to remember that these types of capital inflows can leave as easily as they come and are potentially destabilizing. These forms of volatile macroeconomic conditions increase economic vulnerability and increase the burden of care work through underinvestment in infrastructure. Another outcome of such capital inflows is an appreciation of the exchange rate. Increase in exchange rate lowers investment in those sectors that compete with imported products and thus limit women's employment (UNW, 2015).

Gender-equitable macroeconomic policy agenda is premised on the need for multiplicity of policy tools and a shift away from inflation targeting. The central macroeconomic indicator ought to be employment creation and the expansion of the productive capacity of the economy. Such a policy shift would create the condition for increased participation of women in remunerative, well paying and secure work. It would require a coordination of monetary and fiscal policy including the openness for new forms of finance including new taxes, gender-sensitive public expenditures that reduce women's care burden. In relation to IFFs, the key measure is the need for adoption country-specific capital management techniques. Such a measure, 'would control destabilizing flows of 'hot money' and maintain more stable, competitive exchange rate policies' and thus facilitate a focus on distributional effect on women and other groups who suffer from resource deprivation (Seguino, S. 2016: 24).



11. Gendered Implication of Mobilization of Domestic Resources

As was indicated in the introductory section, a major outcome of the Third International meeting on Financing Development was the emphasis on domestic resource mobilization as a strategic component of financing development. In terms of financing, one of the major differences between the Millennium Development Goals (MDGs) and the Sustainable Development Goals (SDGs) is that while the achievement of MDGs was implicitly and explicitly made dependent on external financing in particular ODA, the SDGs are mainly expected to rely on domestic resource mobilization for their implementation. The outcome document states “public policies and mobilization and effective use of domestic resources, understood by the principle of national ownership are central to our common pursuit of sustainable development including achieving the sustainable development goals.” The document goes on to state that domestic resources are “first and foremost generated by economic growth, supported by an enabling environmental and economic policies, including countercyclical fiscal policies, adequate fiscal space, good governance at all levels and democratic and transparent institutions responsive to the needs of the people are necessary to achieve our goals. We will strengthen our domestic enabling environment including the rule of law, and combat corruption at all levels in all its forms. Civil Society, independent media, and other non-state actors play an important role’ (AAAA, 2015).

Civil Society organizations are paying greater attention to these key but vague messages in the AAAA related to domestic mobilization of resources. The first message that needs to be made explicit is the often repeated notion of ‘promoting an enabling environment’. Since the late 1980s, this has meant creating the condition for trade, investment and financial liberalization that was discussed earlier with all the massive resource losses for the continent and the resultant unacceptably high levels of poverty and inequality all of which disadvantage women disproportionately. Unpacking the message of economic growth supported by an enabling environment and economic policies has meant the provision of low taxes and tax incentives for multinational corporations and wealthy individuals. As numerous studies have revealed, such incentives have resulted in a staggering increase in illicit financial flows. In the period, 2000-2008, Sub-Saharan Africa registered the highest growth rate in over 30 years. However, this form of rapid growth failed to reduce poverty, create jobs and respond to the urgent need for redistributive policies. As has been clearly put by the High Level Panel, illicit financial flows pose a systemic problem that impedes the mobilization of domestic resources needed for investment in sustainable development.

But the more significant challenge resulting from the current emphasis on domestic resource mobilization that was articulated in the AAAA is the call for expanding the tax base through ‘formalizing the informal sector’. All extant research reveals that in the absence of jobless growth, the majority of the working poor especially women are in the informal sector. To be sure, the informal sector is heterogeneous and some in the sector are referred as white collar entrepreneurs who avoid paying taxes. However, the latest World Employment report of ILO reveals that 70 per cent of people in Sub-Saharan Africa are in vulnerable employment indicating the percentage share of



own-account and contributing family workers in total employment. In the case of women in Sub-Saharan Africa, almost 80 per cent are found in the informal sector and of these most are street vendors and other survivalist sectors with relatively few in small-scale enterprises, those sectors characterized by low productivity and low pay. Moreover, the income of women micro entrepreneurs in the informal sector has been reduced through the loss of their market share to unregulated flow of cheaper imports. Women in the informal sector do pay taxes but their effort to increase their income is severely constrained by poor credit, high interest rates and unhealthy working conditions. Given these realities, formalizing the informal sector is only going to result on increasing the tax burden of these women without generating the requisite revenue for implementing sustainable development. While there are a number of noteworthy efforts towards tax reform in some African countries, in most cases, there is inadequate investment in improvement in tax administration through appropriate financial, personal, and technical resources. This form of neglect is reported to have resulted in abuse by tax authorities of tax payers especially women living in poverty.

In response to the invitation to combat corruption at all levels, civil society organizations and the media have been advocating for the need to combat both the national and international dimensions of corruption and lack of transparency. Similarly, when advocating for democratic governance at the national level, civil society organizations are simultaneously advocating for democratization of global governance of the international financial architecture. In the context of engendering IFFs discourse, women's organization and other civil society organizations will have to engage through research-based advocacy that is most likely to reveal that economic policies that only focus on 'growth' do not result in gender-equitable development. On the contrary, extant research indicates that it has intensified women's poverty, their care burden and has entrenched gender inequality.

Governments can take a number of steps in order to increase domestic revenue mobilization by reforming the existing system and broadening the tax base. As has been discussed in previous sections of this document, a key component of fiscal administration ought to be a significantly curtailing the massive revenue losses through illicit financial flows. Of equal importance will have to be the adoption of a broader macroeconomic framework that will facilitate the expansion of the productive investment and employment including sizable increase in decent employment for women. Of equal importance is the elimination of the structural disadvantages women face in the financial markets and increasing mainstream financial services to poor women through developing innovative financial instruments and reducing the cost of credit. Such an expansion of the productive base of the economy will generate new flows of revenue. Through a coordination of monetary and fiscal policy, countries can increase both the yield and the progressiveness of the tax system.

The response to the commitment to full transparency necessitates the participation of tax payers and civil society in the design, implementation and evaluation stages of tax policies. Public deliberation of tax policy and the accountability of the taxes collected including by those in the informal sector ensures the formulation and decrease disincentives of tax compliance including gender-specific disincentives.



12 Conclusion

In keeping with the extant literature, this paper has shed light on the numerous economic, social and political consequences of IFFs ranging from loss of revenue, entrenching inequalities and weakening governance all of which severely constraint the progress towards gender equality. Studies on IFFs have provided important insights on the governance and developmental impact of IFFs with little focus on the gender specific impact of these constraints.

The important official document, the High Level Report on Illicit Financial Flows from Africa has, for example, concluded that ‘the occurrence of IFFs is first and foremost a governance problem’ and goes on to show how IFFs weaken government accountability, weaken institutions such as law enforcement institutions and regulatory environments and lead to entrenched impunity and the institutionalization of corruption. In turn, these outcomes contribute to political discontent, partly due to reduced ability of governments to provide social services. The report also highlights the unequal burden of citizenship such as those related to regressive taxation. This paper has shown that each of these challenges resulting from IFFs have gender specific outcomes. Weakened government accountability, weak institutions and corruption often implies most governments failing to fulfill their commitments to gender equality.

The second aspect that the HLP report highlights focuses on the ‘severe’ development consequences of IFFs. Some of these include loss of the multiplier effects on domestic uses of resources for consumption or investment with emphasis on the inability of African governments to access the full extent of tax revenues that can be raised from the economic activities taking place within their countries thereby triggering austerity measures, retrenchment and job losses. Beyond, the consequences of fiscal deficits, the HLP report reveals that reduced tax earnings resulting from hiding taxable incomes and the direct effect on the provision of public services such as schools, clinics, sanitation, security, water and social protection. In turn, the inability to provide these services results in worsening inequality in Africa. A related outcome of IFFs includes shifting of resources from productive to less productive activities resulting in the reduction of value creation and constraining Africa’s structural transformation. Women bear a disproportionate burden of austerity measures, unemployment, lack of productive capacity and increased burden of care work from lack of basic services. Worsening inequality often entrenches gender inequality.

The third area emphasized by the HLP report includes the various ways by which IFFs perpetuate lack of transparency especially lack of transparency in national budgets. Lack of transparency in national budgets often masks the lack of adequate resources allocated to the promotion of gender equality within the overall budget, as well as resources allocated to institutions both government and non-governmental institutions whose major mandate is the promotion of gender equality.

Further, the HLP report reveals the ways in which IFFs weaken regulatory and law enforcement capacities. Finally, the report puts emphasis on the decline of overseas development assistance and the growing emphasis on domestic resource mobilization. Weakening of law enforcement capacities severely limits the focus, willingness and ability to enforce gender-responsive laws.



Recommendations

Engendering the illicit financial flows discourse provides both significant opportunities and challenges in terms of amplifying informed and sustained advocacy and coalition building for gender equality in Africa. In brief, seizing the opportunities would require analytical agility, vigilant coalition building and engaging in sustained advocacy. In turn, these measures can echo three priority measures identified by a recent UN publication in terms of strengthening women's agency, voice and participation (UNW, 2015)

The initial step in engendering the IFFs discourse is highlighting the gender specific consequences of each of these governance and development challenges resulting from IFFs. This initial step can be based on existing insights accumulated over at least two decades but will need to be updated with more current research focusing on country specific data. In other words, an important element of this initial phase is the need to build on and update resources that already exist but also broadening analytical frameworks. Good examples of such steps would include broadening and updating the work that women's rights organizations have undertaken on gender budgeting since the 1990s. Engagement in engendering the IFFs discourse creates the opportunity to broaden earlier approaches by exploring the revenue side of the budget and advocating for gender-responsive budgets that also take into account gender-responsive revenue measures.

The second step in engendering the IFFs discourse ought to be a robust understanding of national, regional and international initiatives being undertaken by governments and civil society organizations to curb illicit financial flows. These initiatives are aimed at stemming aggressive tax avoidance and evasion, dismantling secrecy jurisdiction, increasing transparency and accountability of financial institutions through tax cooperation and enabling countries to collect taxes on all taxable activities taking place in their territory by every tax payer, regardless of geographical location. The major initiatives include automatic exchange of information on taxation (AEITs), public registers of beneficial ownership, country-by- county reporting and the call for unitary taxation of multinational corporation. Other initiatives specifically focused on extractive industries include the Industries Transparency Initiative (EITI) that is focused on extractive industries. Focused on cross-border tax evasion; automatic exchange of information on taxation entails the systemic and periodic transmission of large volumes of taxpayer-specific information by the source country to the residence country concerning specific categories of income. In addition to deterring tax evasion, the availability of such information has the potential to overcome the resistance to releasing tax information by corrupt government officials. However, thus far, most developing countries especially African countries have not been beneficiaries of automatic exchange of information. The other strategic component of the transparency agenda includes the call for beneficial ownership of information that is aimed at eliminating anonymous ownership of companies, a major facilitator of IFFs.



However, thus far, the information is only available to the authorities and law enforcement. The call by transparency advocates is making beneficial ownership information public and available to the citizens, journalists and civil society including women's organizations. The other significant initiative includes country-by-country reporting an initiative aimed at eliminating tax evasion and avoidance through exposing misalignments between distribution of profit and the location of real economic activity. Unlike current practices, country-by-country reporting calls on MNCs to report sales, profits and taxes paid in all jurisdictions in their audited annual reports and tax-returns. In other words, country-by-country reporting has the potential to provide a global picture of the activities of MNCs, thereby deterring MNCs from engaging in abusive-transfer pricing providing essential information to resolve transfer pricing disputes. The Addis Ababa Action Agenda has made a commitment to adopt 'multinational enterprises reporting country-by-country to tax authorities where they operate (AAAA, 27). However, this has not been followed up by the inclusion of clear and measurable goals and targets to track progress on these issues in the SDGs.

As far as the extractive industries are concerned the, Extractive Industries Transparency Initiative (EITI) seeks to hold those companies to account for the tax payments they make and the governments that receive those payments account for what they do with them. This initiative is aimed at enhancing transparency and reducing corruption through declaration of economic activity by MNCs and the resultant accountability for taxes paid. It is worth noting that the principles of EITI includes strong commitment to transparency as evidenced by principle 4 which clearly states "we recognize that a public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development (EITI Principles :4). The global coalition of independent civil society, Publish What You Pay (PWYP) campaigns for citizens to have access to information about how their natural resources are managed. Women's organizations have to play a lead role in national and regional branches of organization advocating for better natural resource governance that is based both on transparency and accountability.

Overall, if implemented and enforced these frameworks can curb tax evasion and avoidance by multinational corporations, deter citizens from holding savings offshore to evade taxes and dismantle the tradition of secrecy shrouding safe heavens. Moreover, they have the potential for breaking the vicious cycles of aid dependence and helping to create fully independent accountable governments capable of raising their own tax revenues. Women's organizations and other civil society organizations have to amplify their advocacy initiatives by also calling for open and transparent information on national and sub-national budgets, auditing, and procurement and supply chains. The public availability of such information together with open contracting will deter corruption-related IFFs.

Women's organizations have to play an active and sustained role in the activities of civil society organizations that advocate for tax justice, engage in tax policy formulation and hold



their governments accountable for both how taxes are collected and how the revenues are spent. Here is where they can build on initiatives related to gender-responsive budgeting initiatives that promote gender equality by assessing the effect of government revenue and expenditure policies. The advocacy for gender-equalizing taxation requires broadening the call for tax justice to include the formulation of progressive taxation that can enhance gender equality by addressing all the gender biases embedded in tax policies, women's socio-economic disadvantages including unequal property and asset ownership; gender stereotyping and discriminatory social norms in households and about markets including unpaid care and domestic work.

In addition to amplifying their participation and voice in tax justice networks, women's organization will have to play a very active role in the implementation of Agenda 2063 of the African Union and that of Agenda 2030 both of which have relatively stronger commitment than previous continental and global development frameworks. Agenda 2063 is committed to 'full gender equality in all spheres of life (Agenda 2063:17). But here women's organizations' have to sharpen their research and advocacy skills to ensure that concerns with gender equality are reflected in the implementation of all 20 goals. Gender equality advocates will also have to remain alert that the section of visions and aspirations that aspires for 'an Africa whose development is people-driven, especially relying on the potential offered by its women and youth' does not end up increasing women's heavy work burden and multiple responsibilities. In regards to IFFs, women's organizations have to advocate for the full implementation of the recommendation of the High Level Panel on Illicit Financial Flows in order to fulfill goal 18 of Agenda 2063 which states that "Africa is no longer aid dependent and takes full responsibility for financing development." Clearly, this goal can only be fully realized by substantially curbing IFFs as a major component of 'optimal and transparent fiscal systems that led to public sector revenue' (Agenda 2063).

For its part, the 2030 Agenda for Sustainable Development has articulated a stand-alone goal on gender equality and inclusion of gender equality concerns in the targets of a number of other goals such as those related to ending poverty, health, education, work, ending hunger and achieving food security as well as those related to reducing inequality. Moreover other goals related to water and sanitation, and energy are of great importance to the promotion of gender equality as is the goal on the promotion of peace and inclusive societies with its emphasis on building effective accountable and inclusive institutions at all levels.

As far as IFFs are concerned, it is included as a target of Goal 16 that is focused on promotion of peace and inclusive societies. More specifically, target 16.4 states "By 2030 significantly reduce illicit financial flows strengthen the recovery and return stolen assets and combat all forms of organized crime." Starting from the preparatory period for the International Conference on Financing Development, there was an intense advocacy by



African governments and civil society organizations calling for the establishment of a UN intergovernmental tax body which would ensure equal participation of all UN Member States on tax matters and the inclusion of clear and measurable goals and targets on curbing IFFs in the SDGs to track progress. However, the target was not accompanied with an effective monitoring mechanism. Women's organization will have to amplify their advocacy for both overcoming the shortcomings of these two regional and global agendas and much more so ensuring that they are at the forefront of shaping national strategies for implementation and in the monitoring the implementation. Such forms of enhanced engagements in initiatives related to curbing IFFs and implementation of regional and global development agendas creates considerable space for sustained advocacy for the provision of the requisite resources to women's organizations and gender related government institutions.



References

- AUC, (2014) Agenda 2063. The Africa We Want: A Shared Strategic Framework for Inclusive Growth and Sustainable Development a Global Strategy to Optimize the Use of Africa's Resource for the Benefit of All Africans.
- Baker, Raymond (2005) *Capitalism's Achilles Heel: Dirty Money and How to Renew the Free-Market System*. Hoboken, NJ: John Wiley & Sons.
- Boyce, J. and Leonce Ndikumana (2001) "Is Africa a Net creditor? New Estimates of Capital Flight from Severely Indebted Sub-Saharan Africa Countries 1970-1996". *Journal of Development Studies* 38, (2): 27-56
- Braunsten Elissa (2006) "Foreign Direct Investment, Development and Gender Equity A Review of Research and Policy". Occasional Paper 12, Geneva: United Nations Research Institute for Social Development
- Cardamone, Tom (2015) *The Road to Addis and Beyond' in Illicit Financial Flows: The Most Damaging Economic Conditions Facing the Developing World*, Washington, DC: Global Financial Integrity.
- Cobham, Alex (2014) "Illicit Financial Flows Assessment Paper: Benefits and Costs of IFF Targets for the Post-2015 Development Agenda." Copenhagen: Copenhagen Consensus Centre.
- Cobham, Alex (2014) "The Impact of Illicit Financial Flows and Peace and Security in Africa", Study for Tana High-Level Forum, Tana: Ethiopia
- Elson, Diane (2006) *Budgeting for Women's Rights: Monitoring Government Budgets for Compliance with CEDAW*. New York: UNIFEM
- Elson, Diane (1998) "Integrating Gender Issues into National Budgetary Policies and Procedures: Some Policy Options" *Journal of International Development* 10, No.7: 929-41.
- Fontana, M and L. Natali (2008) "Gendered Patterns of Time Use in Tanzania: Public Investment in Infrastructure Can Help;" Paper Prepared for the IFPRI Project on Evaluating Long-Term Impact of Gender-focused Policy Intervention
- Gordona, V.; Nicole Bidegain Ponte and Corina Rodriguez (2016) *Curbing Illicit Financial Flows and Dismantling Secrecy Jurisdictions to Advance Women's Human Rights*. Paper Prepared for the Research Workshop on Corruption and the Role of Tax Havens. City University London, 28th and 29th April 2016, Organized by the Association for Accountancy: City University, and the Tax Justice Network.
- Grown, Caren (2014.) *Aid and Gender Equality*. UNU-Wider Position Paper. Helsinki: UNU-Wider
- Grown, C.; and Imraan V. (2010) *Taxation and Gender Equity: A Comparative Analysis of Direct and Indirect Taxes in Developing and Developed Countries*. International Research Centre, Routledge, Canada and New York.
- Hinton, J.J., Veiga, M.M and Veiga, A.T.C. (2003) "Clean Artisanal Mining: A Utopian Approach". *Journal of Cleaner Production*, Vol. 11, 2: 99-115
- IBAHR (2013) *Tax Abuses, Poverty and Human Rights*. A report of the International Bar Association's Human Rights Institute Task Force on Illicit Financial Flows, Poverty and Human Rights. London: International Bar Association Bar Association.
- Ican, Deve and Devon Cartwright – Smith (2010) *Illicit Financial Flows from Africa: Hidden Resources for Development*. Washington DC: Global Financial Integrity.
- IGAD & IOM (2015) *Human Trafficking and Smuggling of Migrants in the Context of Mixed Migration Flows: State of Play in the IGAD Region: Background Paper Sixth IGAD Regional Consultative Process on Migration (IGAD-RCP) October*.



ILO (2011) Trafficking in Persons Overseas for Labour Purposes: The Cases of Ethiopian Domestic Workers ILO Country Office Addis Ababa: International Labour Organization

ILO/IPEC (2001) Combating Trafficking in Children for Labour Exploitation in West and Central Africa; Synthesis Report: International Labour Organization/International Programme on the Elimination of Child Labour.

IMF (2006) Kenya, Uganda and United Republic Tanzania: Selected Issues. Washington DC: International Monetary Fund.

Interim Study by the Independent Expert on the Foreign Debt and Other Related International Financial Obligation of States on the Full Enjoyment of Human Rights, Particularly Economic, Social and Cultural Rights, Juan Pablo Bobslarsky, Twenty Eight Session of the Human Rights Council, Promotion and Protection of All Human Rights, Civil, Political, Economic, Social and Cultural Rights including the Right to Development. A/ HRC/28/60

Kar, D. and D. Cartwright Smith (2010) "Illicit Financial Flows from Africa: Hidden Resource for Development." Global Financial Integrity: Washington, DC. http://www.gfip.org/storage/gfip/documents/reports/gfip_Africareport,web.pdf

Le Billon, Philippe (2011) Extractive Sectors and Illicit Financial Flows: What Role for Revenue Governance Initiatives? Anti-Corruption Resource Centre V4 Issue, No 13 www.v4

Manuh, Takyiwaa and Acosta, Carlos (2015) "Caring for Social Transformation—The Public and Private Costs of Caring for Under-Nourished Children in Africa". *Journal of African Transformation: Reflection on Policy and Practice*. Volume 1 PP.119-133

Murphy Richard (2012) The benefits of Country – by Country Reporting Tax Research U.K.

Ndikumana L. James K.Boyce (2011) Africa's Odious Debts: How foreign Loans and Capital Flight Bled a Continent. London: Zed Book

Ndikumana, L. (2015) "International Tax Cooperation and Implication of Globalization" in Jose Antonio Alonso and Jose Antonio Ocampo (eds.) *Global Governance and Rules for The Post 2015 ERA: Addressing Issues In the Global Environment*. New York: *The United Nations Series on Development & Bloomsbury Academic*.

Ndikumana, L. James K.Boyce (2012) Rich Presidents of Poor Nations: Capital Flight from Resource Rich Countries in Africa: Association of Concerned African Scholars, Bulletin No 37. Fall

NEPAD (2001) The New Partnership for African Development
http://www.Nepad.org/system/files/framework_o.pdf

Nyame, Issac (2011) Taxation and Gender: Why Does it Matter? Africa Tax Spotlight 5th Edition, TJN-A Newsletter, Nairobi: Tax Justice Network – Africa

OECD (2013) Analysis of Tax Expenditures in Ghana, Paris: Organization of Economic Cooperation and Development

OECD (2007) Tax Incentives for Investment – A Global Perspective: Experiences in MENA and non-MENA countries. Paris: Organization of Economic Cooperation and Development.

O'Hare, Bernadette et al., "The effect of illicit financial flows on time to reach the fourth Millennium Development Goal in Sub-Saharan Africa: a quantitative analysis" in *Journal of the Royal Society of Medicine*, vol. 107, No. 4, 2014; available from <http://jrs.sagepub.com/content/107/4/148.short>

One (2012)'Trillion Dollar Scandal' https://S3.Amazonaws.com/one.orgpds/Trillion_Dollar_Scandal_report_En.pdf

Ortiz, I. Cummins, M. Karunanethy (2015) Fiscal Space for Social Protection: Options to Expand Social Investment in 187 Countries. ESS Working Paper No. 48. Geneva: International Labour Organization



- Pogge, Thomas (2015) How are human Rights and Financial Transparency Connected? Keynote Address, May 18. <http://www.gfintegrity.org/press-release/Thomas-pogge-how-are-human-rights-and-financial-transparency-connected/>
- Shubert, Esther (2015) Illicit Financial Flows, Tax and Human Rights. Background Paper to the Interim Report of the Independent Expert of the Human Rights Council – A/HRC/28/60
- Sanguino, Stephanie (2016) Financing for Gender Equality in the Context of the Sustainable Development Goals. Paper written for the Expert Group Meeting in Preparation for the 60th Session of the Commission on the Status of Women, New York: UN Women.
- Spanjers Joseph and Hakoon Fuda Fess (2015) Illicit Financial Flows and Development Industries: 2008-2012 Washington, DC: Global Financial Integrity
- Tax Justice Network-Africa and Christian Aid (2014) Africa Rising? Inequalities and the Essential Role of Fair Taxation.”
- Tax Justice Network Africa and Action Aid International (2012) Tax Competition in East Africa: A Race to the Bottom? Nairobi: Tax Justice Network Africa.
- Tre-, Than – Dam (2005) Poverty, Gender and Human Trafficking in Sub-Saharan Africa: Rethinking Best Practices in Migration Management Paris: UNESCO
- Tropina, Tatiana (2016) “Do Digital Technologies Facilitate Illicit Financial Flows”. Background paper for the *World Development Report 2016 Digital Dividends* 102953
- UNECA (2003) Economic Report of Africa 2003. Addis Ababa: UNECA
- UNECA. (2013) The State of Governance in Africa: The Dimension of Illicit Financial Flows As a Governance Challenge. E/ECA/CGPP/3/2 United Nations Economic Commission for Africa (UNECA).
- UNECA (2015) Concept Paper for Research Project on Women in Artisanal and Small-Scale Mining in Africa. Mimeo
- UNC (2015) Illicit Financial Flows, Human Rights and Post- 2015 Development Agenda.
- UNCTAD (2000) “The Least Developed Countries Report 2000. AID; Private Capital Flows and External Debt: The Challenge of Financing Development in the LDC” Geneva: UNCTAD.
- UNCTAD (1999) *Incentives and Foreign Direct Investment*. United Nations: New York and Geneva.
- UNDP (2011) Sustainability and Equity: A Better Fortune for All. Human Development Report 2011, New York. UNDP.
- UNDP (2013) Humanity Divided: Confronting Inequality in Developing Countries. New York: United Nations Development Programme.
- UNECA (2015) Research Project on Women Artisanal and Small-Scale Mining. Addis Ababa: UNECA
- UNODC (2011) Estimating Illicit Financial Flows Resulting From Drug Trafficking and Other Transnational Organized Crimes. Vienna: United Nations Office on Drugs and Crime. http://www.unodc.org/documents/data-and-analysis/Studies/Illicit_financial_flows_2011_web.pdf
- UNODOC (2016) Promotion of the Rule of Law and Human Security in Eastern Africa: Regional Programme 2016-2011. Geneva: United Nations Office on Drugs and Crime.
- UNODOC (2016) The Afghan Opiate Trade and Africa-A Baseline Assessment. Geneva: United Nations Office on Drugs and Crime.



UN Security Council (2012) Report of the Secretary General on the Activities of the United Nations Office of West Africa. S/2012/977

UNESCO (2015) EFA Global Monitoring Report 2015. Education for All 2000-2015: Achievements and Challenges. Paris: UNESCO

UNESCO and UN Women (2014) Written Contribution to the General Discussion on Girls /Women's Right to Education on the Occasion of the 58th Session of the CEDAW. Conference Paper for the 58th Session of the Committee on the Elimination of Discrimination against Women. Paris/New York, UNESCO/UN Women, 7th July

UNESCO (2014) EFA Global Monitoring Report 2013/14: Teaching and Learning. Paris. UNESCO

USAID (2013) The Development Response to Drug Trafficking in West Africa-A Programme Guide. Washington, DC: United States Agency In Development.

United States Department of State (2015) Trafficking in Person Report. Washington, DC.

WACD (2014) Just in Transit: Drugs, The State and Society in West Africa. An Independent Report of the West Africa Commission on Drugs

Wanjala, Benadelle (2011) Gender and Taxation in Kenya: The Case of Personal Income and Value – Added Taxes Africa Tax Spotlight 5th Edition, JJN-A Newsletter Nairobi: Taxi Justice Network Africa

World Bank (2012) World Development Indicators (WDI) <http://data.worldbank.org/>

World Bank (2013) "Does Doing Business Matter For Foreign Direct Investment" available from <http://documents.worldbank.org/curated/en/2013/01/18142493/doing-buisness-2013-doing-business-matter-foreign-direct-investment>



FEMNET – the African Women's Development and Communication Network, is a feminist, pan-African organization established in 1988 with over six hundred individual and institutional members in 43 countries across Africa and in the Diaspora working to amplify African women's voices, influence policy and decision-making and advance women's human rights. The Network was set up to share information, experiences, ideas and strategies among African women's CSOs and individual activists as a strategy for collective organizing and strengthening women's capacity to participate effectively and influence development processes at national, regional and global levels. With her Secretariat base in Nairobi, Kenya, FEMNET continues to strengthen the role and contribution of African CSOs focusing on women's rights, gender equality and women's empowerment.



© African Women's Development and Communication Network (FEMNET), July 2017

For more information, contact and engage online:-

Email: advocacy@femnet.or.ke

 Fernet Secretariat  @femnetprog  femnetprog

www.femnet.co



The African Women's
Development and
Communication Network



Femnet Secretariat



@femnetprog



femnetprog