WHY WE SHOULD CLAIM THESE RESOURCES FOR GENDER, ECONOMIC AND SOCIAL JUSTICE

by Attiya Waris for AWID
About AWID

The Association for Women's Rights in Development (AWID) is an international feminist, membership organization committed to achieving gender equality, sustainable development and women's human rights. AWID's mission is to strengthen the voice, impact and influence of women's rights advocates, organizations and movements internationally to effectively advance the rights of women.

For more information on AWID: www.awid.org

About the author

Dr Attiya Waris is an advocate, arbitrator and Senior Lecturer at the University of Nairobi in Kenya where she has been teaching for over ten years. She is a Board member of Lawyers 4 Better Business and a Senior Advisor to the Tax Justice Network. She researches on the linkages between tax revenue and tax spending with reference to human rights, development and poverty alleviation as well as the movement of wealth across borders and the impact it has on a developing state. Her current research interests include work on transfer pricing, global wealth chains, health financing as well as the linkages between gender and taxation.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreword</td>
<td>04</td>
</tr>
<tr>
<td>Acronyms</td>
<td>06</td>
</tr>
<tr>
<td>Introduction</td>
<td>07</td>
</tr>
<tr>
<td>1. Concept and Scale of Illicit Financial Flows</td>
<td>08</td>
</tr>
<tr>
<td>2. The Disproportionate Impact of IFFs on Gender Justice</td>
<td>17</td>
</tr>
<tr>
<td>Impact on delivery of social services</td>
<td>17</td>
</tr>
<tr>
<td>Unemployment and under Investment in the Economy</td>
<td>17</td>
</tr>
<tr>
<td>Regressive fiscal policies</td>
<td>18</td>
</tr>
<tr>
<td>Principles of equality and non-discrimination</td>
<td>19</td>
</tr>
<tr>
<td>Reliance on debt and development cooperation</td>
<td>19</td>
</tr>
<tr>
<td>Threat to women's peace and security</td>
<td>20</td>
</tr>
<tr>
<td>Resourcing for women's rights and gender justice</td>
<td>20</td>
</tr>
<tr>
<td>Endnotes</td>
<td>25</td>
</tr>
<tr>
<td>Bibliography</td>
<td>26</td>
</tr>
</tbody>
</table>
The growing dominance of international financial markets and institutions in defining global economic policies has resulted in the capture of people’s power in the interest of global elites and big corporations. Not only does 1% of the population own as much wealth as the rest of the world combined, according to Oxfam’s data; 63% of the biggest economic entities are corporations, not countries.

This phenomenon would never have been possible without a financial and global economic governance system that, for decades, has been integral to reproducing and expanding capital corporate accumulation, even as it’s fallen and reformed itself crisis after crisis.

As it stands today, this system allows and encourages mass tax evasion through unrestrained transfer of capital to places (most often in the global North) that offer financial secrecy jurisdictions for maximum profit. The leak of 11.5 million documents in early 2016 known as the ‘Panama Papers’, revealing thousands of secret offshore companies, is the tip of the iceberg in a complex web of tax havens and secrecy jurisdictions around the world, used by global elites and corporations to sustain their unrestrained power and capital accumulation.

Citizens often find themselves with weak regulatory frameworks that allow the State and corporations to drain public resources through tax exemption, tax avoidance and evasion. The consequences of low taxation schemes are all too familiar: rising inequality as wealth concentrates in fewer hands, and lack of public resources for basic social services and protection, such as access to quality health care, education, unemployment and care facilities.

According to Global Financial Integrity (GFI) an estimated US$1.1 trillion left developing countries in illicit financial flows (IFFs) in 2013 alone, a figure considered to be quite conservative. This fact points to a profound global governance crisis and systemic inequality. The drain in resources has enormous consequences on the realization of human rights, including women’s rights and economic, social and gender justice.

Combatting illicit financial flows is both a question of political will to transform the global financial structure, and a process deeply linked to challenging corporate power nationally and internationally.

Having an accountable and regulated financial system globally, and ensuring binding corporate accountability based on a human rights framework, is essential to stop the massive drain of public resources, and can contribute to ensuring a just distribution of wealth and power.

Mobilization of ‘people’s power’, including social movements, feminist and gender justice advocates, is more important than ever to counterbalance the power of global elites, for a systemic shift. It is about ensuring enough public resources for the fulfillment of all people’s human rights, through reclaiming corporate profits being drained through illicit financial flows.

FOREWORD FROM AWID

Stopping the drain of public resources for gender, economic and social justice
In the first instance, this brief provides feminist and gender justice advocates with initial analysis and reflection, to understand illicit financial flows, the context in which they operate and their social and gendered impact. We grapple with the fact that economic and financial policies, including those that sustain IFFs, are never gender neutral, rather they are tools to sustain and increase the power of global elites. This brief is an invitation to advocate for stricter financial regulation, and an end to corporate privileges that are detrimental to people and planet. It also offers initial policy recommendations to support feminist and gender justice organizations, as well as policymakers, in influencing relevant decision-making spaces or to potentially complement and deepen the already existing engagement and positions.

It is also important to acknowledge, at this point, that a lot of work needs to be done in order to fully understand the effects of IFFs on gender justice. More research on the area with clearly disaggregated data is still necessary for this to be achieved.

Mobilization of 'people's power', including social movements, feminist and gender justice advocates, is more important than ever to counterbalance the power of global elites, for a systemic shift. It is about ensuring enough public resources for the fulfillment of all people’s human rights, through reclaiming corporate profits being drained through illicit financial flows.
Acronyms

African Union ......................................................................................................................... AU
Association for Women’s Rights in Development ................................................................. AWID
Base erosion and profit shifting .............................................................................................. BEPS
Civil Society Organisations ...................................................................................................... CSOs
African Women’s Development and Communication Network .............................................. FEMNET
Foreign Direct Investment ......................................................................................................... FDI
Financial Transparency Coalition ............................................................................................ FTC
Global Financial Integrity .......................................................................................................... GFI
Gross Domestic Product ........................................................................................................... GDP
Illicit Financial Flows ................................................................................................................ IFFs
International Financial Institutions ......................................................................................... IFIs
International Monetary Fund ................................................................................................... IMF
Millennium Development Goals .............................................................................................. MDGs
Multinational Corporations ........................................................................................................ MNCs
Official Development Assistance .............................................................................................. ODA
Organisation for Economic Co-operation and Development ................................................ OECD
Structural Adjustment Programs ............................................................................................... SAPs
Sustainable Development Goals .............................................................................................. SDGs
United Nations .......................................................................................................................... UN
UN Economic Commission for Africa ......................................................................................... UNECA
Value-Added Tax ....................................................................................................................... VAT
This brief focuses on international illicit financial flows (IFFs) and why these ‘lost’ resources should be claimed for gender, economic and social justice.

It will explore the following three issues:

1. Understand the basic concept of IFFs and highlight their disproportional gender impact, in relation to the drain in developing countries of critical resources, for the advancement of women’s human rights.

2. Unveil the current legal and political frameworks that allow multinational corporations to benefit from tax abuse to the detriment of people and planet

3. Provide recommendations, from a feminist perspective, on how to demand transparency and corporate accountability in order to curb illicit financial flows.
1. CONCEPT AND SCALE OF ILLICIT FINANCIAL FLOWS (IFFs)

The concept of illicit financial flows (IFFs) is characterised by a lack of a unique consensual definition. Cobham, for example, explains the difference between a narrow and wider definition as follows:

“There are two main definitions of illicit financial flows (IFF). One equates ‘illicit’ with ‘illegal’, so that IFFs are movements of money or capital from one country to another that are illegally earned, transferred, and/or utilized. This would include individual and corporate tax evasion but not avoidance\(^2\) (which is legal), and other criminal activity like bribery or the trafficking of drugs or people.

The other relies on the dictionary definition of ‘illicit’ as ‘forbidden by law, rules or custom’ – encompassing the illegal but also including the socially unpalatable, such as the multinational corporate tax avoidance”\(^3\).

For the purpose of this brief, we will use the broader definition that encompasses tax evasion, particularly by multinational corporations (MNCs). This is because the strong corporate lobby has largely shaped the very design of tax laws around the world. Exercising their economic and political influence on countries, they can define what type of tax avoidance is considered legal or illegal in different countries according to their profit interests.

Illicit financial flows can be broken down into three main types:

1. Proceeds from corrupt dealings: For example, bribes by corporations to secure public contracts/permits or false declaration of corporate profits in order to evade tax payment, especially by extractive industries such as mining and oil exploration.

2. Proceeds from criminal activities: A system of bank secrecy is necessary to conceal the origins of illegally obtained money (e.g. from human trafficking or sale of illegal arms), typically by means of transfers involving foreign banks or legitimate businesses – a process known as “money laundering”.

3. Proceeds from commercial tax abuse: tax abuse includes both tax evasion and tax avoidance by corporations and wealthy elites by using, for example, anonymous shell companies in secrecy jurisdictions\(^4\) that hide who the beneficial owners really are and/or obscure information from tax authorities. Another form of commercial tax abuse by MNC’s is to over quote imports or under quote exports, to hide the real value of products, and therefore profits – a process known as “trade mispricing”.

---

\(^1\) CONCEPT AND SCALE OF ILLICIT FINANCIAL FLOWS (IFFs)

\(^2\) A legal form of tax avoidance is defined as a legal but immoral or unethical action taken to evade paying taxes.


\(^4\) Secrecy jurisdictions are countries known for their lack of transparency and strong banking secrecy laws, which allow for the creation of anonymous shell companies.
The exact amount of money being transferred through these systems is hard to calculate, because IFFs can only be traced through the international banking system. This does not account for money that simply moves from one place to another, within or across to states, without the aid of the banking system, for example, cash in exchange for political favors or ivory in exchange for small arms.

While estimating just how much money is lost through IFFs can be a difficult task due to the inherent secrecy involved in their movement, there is consensus that they represent a tremendous problem.

The Financial Transparency Coalition (FTC) released an infographic summarizing the different existing estimates. For example, using data of trade misinvoicing, the Global Financial Integrity estimates, that as much as 7.8 trillion was lost by developing and emerging countries to IFFs from 2004 to 2013, and that this loss is getting bigger.

The landmark report of the High Level Panel on Illicit Financial Flows from Africa (also known as the Mbeki report) estimates Africa to be losing more than $50 billion annually in IFFs. This reality is having severe consequences to the development of the continent. “Their economies do not benefit from the multiplier effects of the domestic use of such resources, whether for consumption or investment. Such lost opportunities impact negatively on growth and ultimately on job creation in Africa”, states the report.

To illustrate the effects on development, the same report cites a study (O’Hare and others 2013) on the potential impact of IFFs on under-five child and infant mortality in the region. “Without IFFs, the Central African Republic would have been able to reach the Millennium Development Goal (MDG) 4 on child mortality in 45 years compared with the 218 years at current rates of progress. Other striking examples are Mauritania, 19 years rather than 198 years; Swaziland, 27 years rather than 155 years; and the Republic of Congo, 10 years rather than 120 years. Perhaps most striking is the finding that if IFFs had been arrested by the turn of the century, Africa would reach MDG 4 by 2016”.

The sheer amount shows that these ‘lost’ resources could have assisted states nationally and regionally to achieve the unmet Millennium Development Goals (MDGs). Moving forward, this could play a crucial role in financing the Sustainable Development Goals (SDGs), and mobilizing the maximum available resources to ensure the realization of human rights and social justice.

Efforts to quantify the gendered impact and implications of IFFs across the African continent are needed more than ever. The African Women’s Development and Communication Network (FEMNET) in partnership with Trust Africa, set out an important path in 2016 to strategically discuss with other organizations, how to effectively address this problem and propose political solutions supported by global processes to curb IFFs.
The Financial Transparency Coalition works to curtail the whole range of illicit financial flows. Some FTC members focus on the cross-border movement of money that is illegally earned, transferred, or utilized. These illicit financial flows come from tax evasion, trade manipulation, organized crime, and corrupt payments to public officials. Coalition members also address the wider aspects of illicit flows, including tax avoidance by multinational companies.

But pinpointing the scale of the problem is no easy task. Whether it’s using data to uncover trade misinvoicing, measuring the amount wealthy elites hide in secrecy jurisdictions, or quantifying how much corporations shift in profits to avoid tax, there’s a growing body of literature around illicit financial flows. No matter how you look at the data, one thing is clear: financial secrecy has turned illicit flows into a thriving business.

Trade misinvoicing, or moving money across borders in a commercial transaction while deliberately misreporting the value – a form of which is trade-based money laundering – is cited by Global Financial Integrity as the largest component of measurable illicit financial flows. To get to their global estimates on illicit financial flows, GFI combines the use of trade data to capture misinvoicing with an analysis of balance of payments data to identify when it looks like more money is leaving a country than what has been reported.

**TRADE & FINANCE DATA**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount Lost (in Trillion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-2013</td>
<td>$7.8 T</td>
</tr>
<tr>
<td>2013</td>
<td>$1.1 T</td>
</tr>
</tbody>
</table>

Trade misinvoicing, or moving money across borders in a commercial transaction while deliberately misreporting the value – a form of which is trade-based money laundering – is cited by Global Financial Integrity as the largest component of measurable illicit financial flows. To get to their global estimates on illicit financial flows, GFI combines the use of trade data to capture misinvoicing with an analysis of balance of payments data to identify when it looks like more money is leaving a country than what has been reported.

**CONTRAINTS OF METHOD**

UN Comtrade data are disaggregated to generate national and country-commodity level results, making it useful in identifying sectors where illicit flows are prevalent, but data are vulnerable to alteration or misstating by national customs agencies who report information. Comtrade data also doesn’t distinguish between trade misinvoicing (unrelated parties) and transfer mispricing (related parties).
Evidence is clear that profit shifting is a serious problem for rich and poor countries alike. While no one claims to estimate the problem in its entirety, the following estimates look at different aspects of profit shifting, and their effects. Each of the following estimates look at the amount of money that is estimated to be held offshore, often unreported, around the globe. In 2015, economist Gabriel Zucman estimated that the amount of money believed to be held offshore was

By his estimate: **$7.6 Trillion**

80% of Offshore Wealth is Undeclared

$190 Billion

Estimated Tax Loss Due to Offshore Wealth

Three years earlier, James S. Henry of the Tax Justice Network estimated that the total amount of offshore wealth could be as high as **$21-32 Trillion**

* Constraints of Method

Zucman's estimates are based on financial deposits, relying on the difference between reported assets and liabilities. This could underestimate the extent.

**CORPORATE TAX AVOIDANCE AND PROFIT SHIFTING**

Multinational corporations are gaming the system to move money into low- or no-tax jurisdictions, thereby lowering the amount of taxes they pay, often skirting their fair share. As dollars move artificially to low- or no-tax jurisdictions, government revenue streams dwindle and there’s less to go around to invest in the drivers of development, like roads, schools, and hospitals. Nowhere is the impact of this greater than in developing countries.

Each of the following estimates look at different aspects of profit shifting, and their effects on government revenue. While none claim to estimate the problem in its entirety, the evidence is clear that profit shifting is a serious problem for rich and poor countries alike.

**SUMMING IT ALL UP**

Illicit financial flows are a multi-faceted phenomenon that is difficult to estimate. They don’t fit neatly into one box, and can’t always be quantified precisely, due to the inherent secrecy involved in their movement. There isn’t even total consensus how to define illicit financial flows. But while estimates may differ, some things are certain.

1. Illicit financial flows are a tremendous problem.
2. They are proliferated by a financial system which allows jurisdictions to offer secrecy for purchase.
3. Low-income countries often suffer disproportionately from illicit flows, even though they have the least capacity to deal with the effects.
4. As we pore over various estimates, the only way to conclusively answer the question of ‘just how big are IFFs’ is through making key financial data publicly available.
What Causes IFFs?

The contexts that allow IFFs to take place are numerous and interlinked but can be explained in four central issues detailed here:

a. An exclusionary global financial system

The international financial system we know today – ie the compendium of legal agreements, institutions, and economic actors, that together facilitate international flows of capital for investment and trade – was largely shaped by colonial interests that persist to date in new forms.

A global system facilitating transfer of resources and raw materials, from developing (colonized) states to developed (imperial) states, was set in motion. Colonial power dynamics built upon racist and patriarchal norms, as essential components to perpetuate oppression of those colonized. This situation persists today, replicating economic dominance in new forms – a system commonly known as neo-colonialism – and denying developing countries the right to have a say in their own development.

For example, developed countries have long been opposing any kind of global regulation on tax matters. Developing countries gathered under the group of seventy seven (G77) have

Africa is losing more than $50 billion/year in IFFs (according to the Mbeki report)

According to the High Level Panel on Illicit Financial Flows from Africa (also known as the Mbeki report) Africa is losing more than $50 billion annually in IFFs.

If these resources had not been lost, countries in Africa would’ve been able to reach the Millennium Development Goal (MDG) 4 on child mortality much earlier than current estimated years:

- **MAURITANIA** 19 vs 198 years
- **CENTRAL AFRICAN REPUBLIC** 45 vs 218 years
- **REPUBLIC OF CONGO** 10 vs 120 years
- **SWAZILAND** 27 vs 155 years

(Selected icons designed by Madebyoliver, Roundicons from Flaticon)
long been demanding the capacity to fully
decline how to mobilize and spend public
resources, a right usually curtailed by
conditionalities attached to aid for
development. During the 2015 Financing for
Development Conference, developed countries
including the US, UK, thwarted attempts by the
G77 to include the creation of a Global Tax
Body. Under the auspices of the United Nations
in the Addis Ababa Action Agenda, this would
provide a framework for addressing tax
injustices at the global level. Developing
countries, with the support of civil society
organisations in Addis Ababa, widely saw the
upgrade, of the UN tax committee to an
intergovernmental body, as a way to remove tax
rule-making from the tight influence of the
world’s developed countries, through the OECD,
giving developing countries a say, and broadly
democratizing the process.

Several developed countries blocked any
attempts to create a UN Global Tax body,
arguing that the Organisation for Economic
Cooperation and Development (OECD) is
already taking the lead with the Base Erosion
and Profit Shifting (BEPS) project. However,
although the BEPS project attempts to create
some level of transparency, by encouraging
information sharing between countries to help
curb illicit financial flows, it is viewed by the
majority as an elite platform, that hardly
provides countries an equal say in defining
global tax rules and their application.

b. Shrinking political space to shape national
tax policies

The race to attract larger amounts of Foreign
Direct Investment (FDI) pits developing
countries against one another. They compete
amongst each other, for the lowest tax rates or
highest tax exemption and incentives, which
result in a higher return on investment.

This phenomenon – known as tax wars –
restricts, to the very minimum, the ability of
developing countries to mobilize domestic
resources. It is a race to the bottom. Mining
companies in Zambia, for example, get
electricity subsidies and as a result pay half the
amount any Zambian citizen would pay, while at
the same time using more electricity than all the
households in Lusaka. More broadly, in mineral-
rich countries, the extractives sector leaves little
in public revenues for social spending, with
severe consequences to livelihoods and
environmental sustainability for communities in
the areas where these companies operate.

In addition, International Financial Institutions
(IFIs) such as the World Bank, International
Monetary Fund, as well as regional development
banks, have severely contributed to shrinking
developing country policy space, by imposing
policy conditionalities under the threat of
cutting credit lines. Structural Adjustment
Programs (SAPs) imposed by IFIs, in the 1980’s
and 90’s, on most countries in the global South,
have resulted in tax systems oriented towards
ensuring debt and loan interests are paid off as
the main priority. These conditionalities
continue today, as part of multilateral and
bilateral trade negotiations, investment
protection agreements, or investor-state dispute settlement agreements, brokered by an alliance of powerful corporations and global elites, in collusion with national governments.

Global trade and investment agreements demand national tax regimes act in favour of foreign investors rather than in favour of the social needs of the country. This often results in double standards in tax regimes, making developing countries more vulnerable to IFFs taking place. This clearly withers the democratic social contract between the people and the government to act in the interests of the people.

While international pressure no doubt plays a key role, it must be said that developing countries are not helplessly coerced into agreeing to these terms, nor must they always dutifully comply with IFIs prescriptions. These agreements are also a political decision. Local wealthy elites – many times elected to power via democratic systems – in alliance with powerful corporations and global elites, have been complicit in sustaining this status quo, gaining personal wealth in doing so. Governments that have tried to resist it have also faced political backlash from those that have succeeded in winning the hearts and minds of people, convinced that there is no way out but to comply with the already powerful, being complicit in their own destruction.

c. Tax Havens or Secrecy Jurisdictions

The issue of IFFs cannot be separated from the operations of offshore tax havens that attract illicit, illegitimate or abusive financial flows, by offering secrecy

Several international institutions have elaborate lists of tax havens. However, those that often make headlines include a stereotype of smaller, mostly island states like the Cayman Islands, Bermuda, or Panama. The world’s most important providers of financial secrecy receiving gigantic inflows are in fact some of the world’s wealthiest countries like the City of London or Switzerland, often downplayed and unlikely to face public scrutiny as they get to set the rules of the game. To better understand the geography of tax havens, the Tax Justice Network has developed a Financial Secrecy Index\textsuperscript{13}, which reveals that traditional stereotypes of tax havens are misconceived. Rich OECD member countries and their satellites are the main recipients of, or conduits for, illicit financial flows.

Global trade and investment agreements demand national tax regimes act in favour of foreign investors rather than in favour of the social needs of the country.

The extra-territorial impacts of Switzerland’s opaque financial legislation on women’s rights and gender equality was the subject of a submission\textsuperscript{14} by a group of civil society organizations, at the Committee on the Elimination of Discrimination Against Women (CEDAW) in 2016. To illustrate some of the impacts, the submission mentions some key cases. For example, India ranked 16th out of 200 countries in terms of the amount of offshore wealth held by residents (past or
present politicians included) in HSBC’s branch in Geneva, Switzerland\(^{15}\). “Though it is difficult to ascertain the exact percentage of these funds that were un-taxed in India, reasonable estimates suggest that the Indian government lost out on between US $492 million and $1.2 billion in direct tax revenue that could have been collected on the funds held in just this one branch of this one bank in Switzerland—a sum equivalent to 44% of the expenditure allocated to women’s rights and 6% of the total national social sector budget for 2016-2017”\(^{16}\) the document says.

Another example from Zambia included in the civil society submission illustrates how cross-border tax abuse, such as that facilitated by Swiss policies, impacts the fulfillment of women’s rights. “Tax revenues are lower in Zambia than in nearby countries with comparable economies, and corporate tax avoidance, especially in the mining sector, represents a significant drain on Zambia’s resources, with losses estimated at US $2 billion per year according to official sources. Despite efforts by the Zambian Revenue Authority to investigate underpayments of taxes by mining companies, more than half of copper exports pass through Swiss companies like Glencore, a commodity trading and mining company headquartered in Switzerland. […] Ongoing research by CESR estimates that combined losses from profit-shifting in the copper mining sector may amount to 60% of Zambia’s health budget in 2015”\(^{17}\)

This initiative is a welcome step in the struggle to link tax havens to concrete violations of
human rights, including women’s rights, an issue that is largely unexplored in practice.

**d. Low Levels of State Resources**

Countries with low levels of taxation, in some cases, facilitate the loss of resources through IFFs, in an attempt to create a conducive environment to FDI. In economic circles, FDI is viewed as a key ingredient in curbing unemployment, therefore many countries are quick to forgo some taxes in an effort to attract more foreign investment, with hope that this will translate to more jobs. We explore further the effect of regressive tax policies in section 2.

The present international tax system allows MNCs to move their capital around the globe in order to pay the lowest possible tax. As Professor Sol Picciotto notes in a report for the Tax Justice Network, MNCs are treated “as if they were loose collections of separate entities operating in different countries. There is currently only weak coordination between tax authorities, and this ‘separate entity’ approach gives MNCs tremendous scope to shift profits around the globe to suit their tax affairs”. As a solution to the problem, he proposes a Unitary Taxation system where MNCs “would be taxed not according to the legal forms that their tax advisers create for them, but according to the genuine economic substance of what they do and where they do it.”

Local wealthy elites – many times elected to power via democratic systems – in alliance with powerful corporations and global elites, have been complicit in sustaining this status quo, gaining personal wealth in doing so.
Gender impacts of IFFs tend to be understood and studied at the national and even local level, with scarce literature that focuses on the global impact of IFFs as an obstacle to the realization of women's rights and gender justice.

We take a look at some specific impacts here:

**Impact on delivery of social services**

An inadequate tax collection system has a direct impact on a country's budget deficit. The result has commonly been a reduction in key areas such as education, health care, care facilities, which has a direct impact on women and women-headed households that are more vulnerable to national budget constraints.

Despite external constraints, decisions on budget spending at the national level are highly political and gendered. The decision to choose between privileging certain areas like militarization and propaganda over social spending on people's needs in the areas mentioned above, is part of maintaining the status quo of power by local and global elites. The lower the investment in education, the easier to control a population kept on survival mode.

The feminisation of poverty is a persistent phenomenon in which women are overrepresented amongst the most poor, with low-paid and poor-quality jobs. Because of unequal gendered power relations and entrenched cultural stereotypes that define women and girls' identities and social roles, they predominantly do unpaid care work across the world. This situation has an impact on the advancement of women and girls' human rights. It perpetuates their impoverishment, acting as an obstacle to women and girls' participation in the paid economy, political life and bodily and sexual autonomy. For these reasons, women tend to be more dependent on public social services, which have the capacity to shift the unpaid care burden that falls disproportionately on their shoulders. Failure to mobilize public resources therefore robs women and children of the much-needed public services, which reflects a lack of recognition of the role of the care economy in subsidizing the entire economy.

**Unemployment and under investment in the economy**

When monies are illicitly transferred out of developing countries, the loss of public resources impacts negatively the economic development of a country and ultimately job creation. Similarly, when profits are illicitly transferred out of developing countries, reinvestment and the concomitant economic expansion to create local jobs are not taking place in these countries.

Lack of public investment has consequently led to lack of employment creation and greater unemployment, hitting women particularly...
hard. According to 2016 ILO figures, in many regions in the world, in comparison to men, women are more likely to become and remain unemployed. They have fewer chances to participate in the labour force and – when they do – often have to accept lower quality jobs. Women are typically the first to lose their jobs and/or accept shorter hours and bad working conditions to keep jobs.

Regressive fiscal policies
IFFs often trigger regressive tax policies – countries facing budget deficit tend to cover that through increased consumption taxes rather than taxing the wealthy. Neoliberal assumptions that taxing the wealthy would result in the withdrawal of private investment in a given economy have permeated so deeply in economic policy decision-making, that putting profit over people has become an unquestionable reality worldwide, even as it remains fundamentally a political decision. Increasing consumption taxes is in many cases the less costly of options for governments (both economically and politically). After all, media corporations will not attack them as they would if they tax the wealthy and also because, unfortunately, in most cases there is not enough of a ‘counter-power’ / people power to stop them.

A great way to get middle and even working class people to support governments that will not invest in social welfare, is the argument that the impoverished don’t pay taxes and live off benefits that formalized workers sustain with their contributions. The invisibility of consumer taxes, and of who pays them the most in proportion to their income, is an effective tool for preserving the status quo.

Indirect tax mechanisms have a particularly negative effect on informal workers and people living in poverty – the majority of whom are women – as they spend a large part of their income on taxes for the essential goods and services they consume to sustain livelihoods, perpetuating the cycle of poverty and aid dependence.
A poignant example is the SAB Miller Case in Ghana where Martha, who sells beer at her small stall in Accra, Ghana outside the SAB Miller factory, was paying more tax than the factory right next to her informal stand. This situation does little to encourage informal workers to register as formal workers, as this would further increase their tax burden. As a result, this perpetuates a situation in which informal workers are ineligible to receive social services like health and pension benefits; yet corporations and large businesses with huge profits are not pushed to contribute to building and sustaining the infrastructure for these same basic services.

In regressive tax policies, revenue is typically raised by increasing taxes seemingly innocuously, by one percentage point, or adding certain products, like girls’ sanitary products or even educational books, to the list of taxable items for the year. The damage to the lived realities of impoverished communities, particularly women, of these seemingly small changes is huge. Other ways states attempt to cover their budget deficit in lieu of reigning in illicit financial flows, is by reducing services provided by the state such as maternal health care.

**Principles of equality and non-discrimination**

Tax policies can play a crucial role in reducing inequality and redistributing resources in order to level the playing field as much as possible.

The failure to prevent corruption and the fact that tax amnesties continue to be granted to large corporations, fuel the desire among common taxpayers to be part of those that outwit the state and its tax administration.

Equitable and progressive tax policies, based on human rights, have the potential to reduce inequalities and redistribute resources to achieve development goals and end impoverishment. Yet the wealthy few access legal and financial advice and services to better exploit tax loopholes, or open undeclared foreign bank accounts in low-tax jurisdictions.

**Reliance on debt and development cooperation**

Hidden wealth also increases inequality between developed and developing countries. For instance the African Tax Administration Forum estimates that up to one-third of Africa’s wealth is being held abroad. This wealth and its associated income are beyond the reach of African tax authorities. It deprives countries of resources that could be used to mitigate inequality, and further enrich donor countries, where it is stored. This income could address the over-dependence on overseas development assistance (ODA), and shift the balance of power between donor and recipient countries; and
enable self-determined development priorities and outcomes, rather than those imposed by ODA conditionality, including trade conditions.\textsuperscript{23}

**Threat to Women’s Peace and Security**

Lost resources through IFFs often cannot be used legitimately and end up fuelling criminal activity, including illegal arms trade, human trafficking – of which 49\% of victims are women and 21\% are girls\textsuperscript{24} – and other activities undermining peace and human rights.

The data is patchy given the illegal nature of IFFs, but evidence gathered by many including Cobham, the Tax Justice Network and the report of the High Level Panel on Illicit Financial Flows out of Africa, noted that “IFF thrive on conflict and insecurity and also exacerbate both, undermining the financial and political prospects for effective states to deliver and support development progress.”\textsuperscript{25}

Considering the well-documented impact that war and conflict has on women and girls, the issue of IFFs is of utmost importance to tackle the financial enablers behind conflict and militarization.

**Resourcing for women’s rights and gender justice**

One of the biggest challenges facing the implementation of long agreed commitments on human rights, women’s rights and gender equality and related goals, like those contained in Agenda 2030, is ensuring that resources are sufficiently allocated.

States have an obligation to mobilize the maximum available resources for the realization of human rights. Progressive taxation plays a key role in mobilizing public resources and is a key tool for addressing economic inequality, including gender inequality. The hidden resources of illicit financial flows must be unlocked and returned to bolster domestic resourcing of development goals and gender equality.
Global Impacts of Illicit Financial Flows on Women’s Rights & Gender Justice

Gender impacts of IFFs tend to be understood and studied at the national and even local level, rarely in their global impact as an obstacle to the realization of women’s rights and gender justice.

Impact on delivery of social services
Failure to mobilize public resources affects public service delivery, increasing women’s unpaid care burden.

Unemployment and under investment in the economy
Lack of public investment leads to lack of employment creation and greater unemployment, hitting women particularly hard.

Regressive fiscal policies
IFFs often trigger regressive tax policies that have a negative effect on informal workers and people living in poverty -the majority of whom are women- as they spend a large part of their income on taxes for the essential goods and services they consume.

Reliance on debt and development cooperation
Hidden wealth increases over-dependence on overseas development assistance between developed and developing countries under strict conditionalities, hindering self-determined development priorities including those to mitigate gender inequality.

Threat to Women’s Peace and Security
IFFs thrive on conflict and criminal activity providing financial resources behind conflict and militarization that affect women disproportionately

Resourcing for women’s rights and gender justice
Hidden resources of illicit financial flows contravene the obligation of States to mobilize the maximum available resources for the realization of human rights, including women’s rights.

(Selected icons designed by Flat Icons, Freepik, Icon Pond, Madebyoliver, Nikita Golubev, Pixel perfect, Roundicons from Flaticon)
Illicit financial flows are gaining unprecedented attention: whether in development negotiations, like those leading to Agenda 2030 and the Addis Ababa Financing for Development Conference in 2015; or making headlines in mainstream media with the release of leaked documents on offshore finance known as the ‘Panama Papers’. In another example, the Ecuadorian people voted to bar politicians and civil servants from having assets, companies or capital in tax havens, in a referendum in February 2017. The Ecuadorian government is now a leading voice within the group of G77, in the United Nations, to create a UN global tax body to end tax havens.

This public attention potentially builds momentum for feminists, social movements and tax justice advocates to pressure for the transformation of the global financial system, which entrenches global inequalities, including gendered inequalities.

We offer below a set of seven policy asks as a contribution to growing advocacy efforts from social justice, feminist, women's rights and gender equality actors:

1. **Address IFFs as a violation of human rights and women’s rights:**
   - Illicit financial flows are hindering the fulfillment of the obligation of States to mobilise the maximum available resources for the realisation of human rights, including long agreed commitments on women’s rights and gender equality.
   - Strengthening corporate accountability is a possibility on the table at the UN Human Rights Council. An open-ended intergovernmental working group is in place to elaborate an international legally binding instrument to regulate, in international human rights law, the activities of transnational corporations and other business enterprises. This process has the potential to address corporate tax evasion as a violation of human rights, including women’s rights, and should be greater supported by countries in the global North and South.
2 **Ensure multinational corporations pay their share:**

- Develop international mechanisms that curb abusive tax practices and prevent corporate tax exemptions. UN member states should initiate negotiations to draft a UN convention to combat abusive tax practices. The convention should adopt a consolidation and apportionment system for taxing global corporate profits.

- Revise specifically national regulations in wealthy countries that demand MNCs pay taxes only in the resident country, rather than in the countries of economic activity. This practice hinders developing countries the most, as they increasingly lose taxable base to low and zero tax jurisdictions. Proposals like the Unitary Taxation approach should be considered in this regard.

3 **Support the establishment of a United Nations intergovernmental tax body:**

- A UN tax body with equal voting rights and universal membership should have the power to review national, regional and global tax policy and ensure states comply with long agreed commitments on human rights, including women’s rights and gender equality.

4 **Promote transparency and gender-sensitive data gathering:**

- Greater efforts must be made at the global level to refine comparable data on tax abuse, for example with gender disaggregated data that shows the gender biases of certain tax systems.

- Countries must ensure a framework for automatic information exchange, which guarantees public and global access to key data that affects the resources available for the realization of human rights.

- Implement country-by-country reporting obligations for multinational corporations to publicly disclose, as part of annual reports, profits made and taxes paid for each country in which they operate.

- Among other financial information, there must be greater cooperation from governments to share their national public registries that disclose beneficial owners of companies, trusts, foundations and similar legal structures.
5 Promote tax justice through progressive fiscal policies at the national level:

- Promote tax justice through progressive fiscal policies. This requires increasing the weight of direct taxes on income capital and highly profitable sectors of society, while reducing and removing the burden on women and poor people. Poor segments of society, of which women are overrepresented, should not end up paying more taxes, in relation to their income, than the richest segments that often benefit from government tax subsidies, tax holidays and reductions.

- Governments must critically review the harmful trade and investment agreements that grant tax incentives and exemptions that perpetuate inequality and gender biases.

6 Ensure participation of women’s rights organisations, social movements and progressive civil society broadly:

- Economic and fiscal policy decisions often lack a gender sensitive perspective. Engagement between the ministries of Gender and Finance, and both with civil society and women human rights defenders, is key to better understand the impact that revenue decisions are having on women's rights and gender equality.

- An enabling environment should be in place to protect women human rights defenders and others (including whistle-blowers, tax justice activists) that expose tax abuse and report corruption.

7 Stop the impunity of criminal activities associated with IFFs and ensure accountability:

- Establish a global coordinated mechanism across national tax authorities, human rights and gender equality machineries, and intelligence units, to ensure criminal activities associated with IFFs don't continue with impunity.

- Strengthen national and global justice systems to be able to hold individuals and entities to account for funding criminal activities through IFFs.
1 We define ‘corporate power’ as the excessive control and appropriation of natural resources, labour, information and finance by an alliance of powerful corporations, and global elites, in collusion with government. Read more in “Challenging corporate power: Struggles for women’s rights, economic and gender justice” (AWID, 2016).

2 Tax evasion can be defined as illegal nonpayment or underpayment of tax. Tax avoidance, on the other hand, is the arrangement of one’s financial affairs to minimize tax liability within the law.


4 The Tax Justice Network explains that a secrecy jurisdiction provides facilities that enable people or entities escape (and frequently undermine) the laws, rules and regulations of other jurisdictions elsewhere, using secrecy as a prime tool. A ranking of jurisdictions by secrecy score is provided by the Financial Secrecy Index.


8 See FEMNET, Illicit Financial Flows are detrimental to the lives of african women and girls (August 2016)

9 Inman, P. Rich countries accused of failing effort to give poorer nations a voice on tax. The Guardian, July 2015

10 For further reading see Tax Justice Network, 10 reasons why an Intergovernmental UN Tax Body Will Benefit Everyone. June 2015


12 Understanding International Financial Institutions (IFIs), 2012 AWID Forum

13 The Financial Secrecy Index


15 Zee News India, Indians Rank 16th on the Leaked HSBC List; Swiss on Top http://zeenews.india.com/business/news/economy/indians-rank-16th-on-leaked-hsbc-list-swiss-on-top_118214.html

16 Ibid. page 15.

17 Ibid. page 10.


22 Ibid 20.

23 Ibid 20, p.52

24 The link between IFFs and women’s human trafficking is exposed for example, in the research paper by Grondona, V., Bidegain N., and Rodriguez Enriquez, C. Curbing Illicit Financial Flows and dismantling secrecy jurisdictions to advance women’s human rights. London, 2016.


26 See section 1.b for an explanation of the Unitary Taxation approach.
BIBLIOGRAPHY


Arutyunova, A and Clark, C. Watering the Leaves, Starving the Roots. The status of financing for women’s rights organizing and gender equality. AWID, 2013.


Inman, P. Rich countries accused of foiling effort to give poorer nations a voice on tax. The Guardian, July 2015


