

SDG 16

Policies to address the gender dimension of Illicit Financial Flows

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SDG 16 on peaceful and inclusive societies calls for building effective, accountable and inclusive institutions, in the belief that the impact of good governance on development outcomes can be a positive one. This is of special relevance for the no longer postponable fight against illicit financial flows (IFFs). As a joint FES/DAWN study on IFFs and gender¹ points out, this challenge is also a focus for feminist resistance. Tax abuse, the shifting of corporate profits to low and zero tax jurisdictions, and the current weakness of the international tax architecture that facilitates financial flows resulting from laundering money from criminal activities, all have a negative impact on human rights and gender equality.

Links between IFF and gender equality

Illicit financial flows are those forbidden by law, rules or custom. They encompass not only the illegal but also the unethical or socially unpalatable, such as multinational corporations' tax avoidance. There are at least two links between IFFs and gender equality. On the one hand, tax evasion, elusion and dodging restrict the State's ability to allocate resources to policies that may help narrow gender gaps. On the other hand, trafficking in women workers (e.g., for domestic or industrial informal work, work in the entertainment industry, or sex work) is a major illegal activity that heavily feeds IFFs, while violating women's most basic human rights.

States, acting individually and collectively, have a duty to mobilize the maximum available resources for the progressive realization of women's and girl's human rights. Weak global governance on tax matters and corporate tax dodging threaten this duty. When a State cannot mobilize sufficient resources and/or has budget shortfalls it can only provide insufficient and low-quality services (i.e., education, health, sanitation, public transport, social infrastructure, care services), thereby perpetuating or exacerbating gender inequalities. This is due to the fact that unequal gender power relations in society result in women being overrepresented among the poor and among those that hold low-paid and poor-quality jobs. Women are also more dependent on State service provision and tend to carry the brunt of increased unpaid care work when States cut social services.

Moreover, when a State's ability to collect revenues and control IFFs is restricted, revenue loss tends to be compensated through higher taxes on compliant taxpayers, such as small and medium-sized companies and individuals, or by relying more heavily on indirect taxation. This again affects women more heavily because women are both overrepresented in small and medium enterprises (that benefit less from avoidance opportunities), and are at the bottom of the income ladder, with the result that the consumption tax burden falls more heavily on them.

Lack of resources to properly implement public policies which would guarantee access to basic living standards is also one of the roots of women's vulnerability to human trafficking networks, as well

¹ Grondona et al. (2016).

as to labour and sexual exploitation. Trafficking in women workers is both a consequence and a cause of women's rights violations. Trafficking in women workers and the associated exploitative activities represent extreme manifestations of women's rights violation. Profit-making from trafficking women workers benefits from the diverse mechanisms that allow for illicit financial flows, and the difficulties that are still encountered when attempting to link human trafficking with its money trail. The proceeds from such exploitation appear to be laundered by using the same structures, mechanisms, jurisdictions and enablers as those of tax evasion and avoidance. The professional assistance of lawyers, accountants and banks that make possible the reintroduction of the profits of previous crimes into the legal financial market, is widespread in cases of trafficking in persons. These enablers are the same used by corporations to avoid tax compliance.

Four areas of political action

Therefore, facing this severe injustice requires political will and practical action. Actions in at least four dimensions are needed:

First, on norm setting, which should include: 1) development of an international financial architecture that guarantees compliance with human rights, gender equality, labour and anti-money-laundering standards; 2) agreement on an international standard to sanction global enablers/facilitators of tax abuse and human trafficking, with a special focus on banks, secrecy jurisdictions, shell companies, legal advisors, law firms, accounting firms and corrupt government authorities; 3) establishment of international standards to protect witnesses, whistle-blowers, tax and human right defenders who expose tax abuse and report corruption; 4) enlargement of the political space to implement progressive taxation on income and wealth, while avoiding explicit and implicit gender bias in taxation, and reviewing harmful tax incentives, exemptions and subsidies, especially those provided to corporations.

Second, on institutional frameworks, which should include: 1) at the global level, establishing a UN inter-governmental tax body with universal membership

and equal voting rights, which is adequately resourced, provided with gender and human rights expertise and mandated to advise on reviewing national, regional and global tax policy for compliance with international gender equality and human rights obligations (see the Spotlight on SDG 17 in this report); 2) at the local level, strengthening the mandate and resources of tax authorities, identifying and closing tax loopholes, and prevent revolving doors between private and public sectors which lead to corruption and an internal lobby of the very wealthy and corporations.

Third, on capacity building, by designing and implementing capacity building programmes as part of the principle of international cooperation and assistance in tax matters, including by untied, additional and predictable official development assistance as well as by South-South cooperation.

Fourth, on data, evaluation and accountability, which should include at the global level the design and harmonization of comprehensive cross-border methodologies to collect and analyse comparable data on tax evasion, avoidance, gender biases of tax structures and links between human trafficking and IFFs. At local level, it is necessary to design comprehensive methodologies to collect and analyze data on tax evasion, tax avoidance, gender biases of tax structures, links between trafficking in women workers and IFFs and cross border spillover effects of national tax policies.

References

Grondona, Veronica/Bidegain Ponte, Nicole/Rodríguez Enriquez, Corina (2016): *Illicit Financial Flows Undermining Gender Justice*. Berlin: FES – DAWN.
<http://library.fes.de/pdf-files/iez/12984.pdf>