



Illicit Financial Flows Threaten Progress on Gender Equality

QUICK FACTS

- Low-income countries collect more than 4 times as much revenue from value-added taxes (VAT) as from personal income taxes. VAT takes the largest share from those with the lowest incomes – where women are overrepresented in every country.
- Women are more dependent on public services as the majority of the 1.5 billion people living on US\$1 or less a day are women.
- Women tend to spend around 2.5 times more time on unpaid care and domestic work than men. If women's unpaid work was assigned a monetary value, it would constitute between 10 and 39% of GDP.
- Globally, an estimated 40% of women in wage employment do not have access to any kind of social protection acquired through employment such as pensions or health insurance.



Women bear the cost of regressive consumption taxes. They use greater portions of their income on basic goods and services, due to gender norms that relegate caretaking for the young and the old on them.

Addressing illicit financial flows can curtail gender inequality through wealth redistribution and shared access to the benefits of development

THE PROBLEM

Illicit financial flows are movements of money or capital from one country to another, or funds that are illegally earned, transferred, and/or utilized across an international border. The term includes tax evasion and tax avoidance schemes by transnational corporations, money laundering and transfer of funds from bribery, corruption and criminal activities.

Revenue collection is a critical tool through which States can facilitate equal access to economic, social and cultural rights and redress structural inequalities, including gender inequalities. Taxation is arguably the most sustainable and predictable source of national revenue for the provision of social services. It is also a key tool for addressing economic inequality, including gender inequality, through redistribution by way of progressive forms of taxation and allocation of tax revenues towards strengthening social services that protect human rights and reduce inequalities.

Illicit financial flows prevent all countries, but low-income countries in particular, from mobilizing the resources required for inclusive and equitable development. Moreover, the resulting financial resource outflows ultimately narrow the national tax base. In order to compensate for revenue shortfalls, regressive tax measures such as consumption taxes and other indirect taxes are implemented. These taxes raise the price of basic goods, disproportionately affecting the poorest households, in particular, rural women and women living in urban informal settlements as they are often in charge of the household.

Those in vulnerable situations, including women living in poverty and marginalised women, rely extensively on public services. When policymakers retrench public financing for public services or when the services provided are inadequate, authorities essentially expect women, girls and marginalized communities to deliver the services, through carrying out labor that was formerly provided by the State. For instance, women and girls are responsible for water collection in 80% of households without access to clean water and sanitation services. Wells are often located far away and the time taken to fetch water reduces the time women can spend in participating in income generating or other activities. Women's unpaid work plays a crucial role in subsidising the entirety of national economies, while cementing labour and wage inequalities on the basis of gender roles. Besides the violation of economic, labour and social rights, the earning capacity, education, health and other outcomes are diminished.

The result is multiple and intersecting negative impacts on gender equality, creating barriers to basic human rights. The disproportionate impacts of illicit financial flows and the multiple levels of discrimination with intergenerational consequences they create against women and girls jeopardize the human rights principles of equality and non-discrimination and the achievement of [Sustainable Development Goal 5](#) on gender equality and empowerment.

POTENTIAL SOLUTIONS

The right to development

The right to development aims to create an enabling environment for peace, development and human rights, including women's rights, and the mobilization of resources for inclusive development. The inherently international dimensions of this right are based on notions of a common humanity and invoke shared global responsibilities of States and mutual accountability of the international community across national boundaries, as such it concretely contributes to the pathway to the new social contract. States have obligations at three levels: (a) internally, through the formulation of national development policies and programmes affecting persons within their jurisdictions; (b) internationally, through the adoption of policies extending beyond their jurisdictions; and (c) collectively, through global and regional partnerships. Article 8 of the [Declaration on the Right to Development](#) calls for a full and equal inclusion of women in policy and governance fora. Empowering women as agents of change and leaders at all levels are vital steps to realizing the right to development. For instance, research shows that higher levels of female participation in politics are linked to lower levels of corruption, an important contributing factor to illicit financial flows.

Policy Recommendations

- Reduce unfair tax burden on women. Conduct gender analysis of fiscal and tax policies to identify and eliminate specific gender bias affecting women. Gender-sensitive tax policies should be prioritised with a view to ensuring that revenue and tax policies are formulated with due consideration to their impacts on women's rights and gender equality.
- Recognize, represent, reduce, and redistribute unpaid care work. Increase allocation of tax revenues for public services.
- States should undertake independent, participatory and periodic impact assessments of the extraterritorial effects of their financial secrecy and corporate tax policies on women's rights and substantive equality. Ensure that such assessments are conducted in an impartial manner with public disclosure of the methodology and findings.
- Stop illicit financial flows through conducive fiscal and tax policies at the State level. Tax policies should be directed to increase the weight of direct taxes on income and profit capital, as well as on large firms, while reducing the weight of taxes on low-income communities, and in particular marginalized women and others in vulnerable situations. Stop corporate tax abuse by promoting tax policies that do not foster tax competition through tax holidays, reductions and subsidies for transnational corporations that are sources of foreign investment.
- Promote free, active and meaningful participation of women in policy-making and decision-making processes at all levels.
- Establish a democratic, inclusive, and transparent Global Tax Body under the auspices of the UN.
- Implement the [Addis Ababa Action Agenda](#) to substantially reduce illicit financial flows and systematic tax evasion by international corporate actors by 2030, with a view to eliminating them in all countries over time.



Some analyses demonstrate that if corporate taxes decrease and individual income taxes consequently increase, the impact of higher taxation on women, especially poor women, will tend to increase as well. When economic inequalities result in discrimination against women, they become a human rights issue. High levels of tax abuse through illicit financial flows undermine the human rights principles of equality and non-discrimination.



CONTACT

R2D@ohchr.org

www.ohchr.org

Read the full report [here](#)