

The limits to Domestic Resource Mobilization in the Addis Ababa Action Agenda (AAAA)

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Although Domestic Resource Mobilization (DRM) has been highlighted as a key component of the Addis Ababa Action Agenda (AAAA), the AAAA approach fails to recognize structural barriers to developing countries' policy space and ability to mobilize resources in ways compatible with democracy, human rights compliance and gender equality.

Domestic Resource Mobilization (DRM) is recognized in the AAAA as a fundamental source of financing for development. "Public policies and the mobilization and effective use of domestic resources" are considered "central ... to the pursuit of sustainable development, including achieving the Sustainable Development Goals (SDGs)" (AAAA, para 20). However, a series of misleading emphases in the AAAA contradicts this principle.

First, there is a simplistic and uncritical belief in economic growth as the first and foremost source of domestic resources. The spirit of the AAAA strongly focuses on reducing the role of the State to create enabling environments, with too many expectations and too much optimism about the private sector as the key actor to achieve development objectives. Incentives to attract private investment, however, often imply a loss of revenue and feed the "race to the bottom" in taxation standards. Moreover, economic growth could be based on the exploitation of women in the labour force and unpaid labour, as has been extensively proven by research in many developing countries.¹

Moreover, in this same line, there is an instrumental view of women's economic participation, as it is clearly stated in para 21 of the AAAA, considering that "gender equality, women's empowerment and women's full and equal participation and leadership in the economy are vital to achieve sustainable development and significantly enhance economic growth and productivity". While there is evidence that more egalitarian countries do also have better economic performance, there is no automatic link between gender equality and economic growth, and by nor should this be the reason to improve women's economic participation. On the contrary, gender equality and women's full and equal economic participation, as well as access to and control over economic resources are not a matter of 'smart economics' but of human rights and economic and social justice.

Second, after months of negotiations, governments did not reach any concrete commitment to ensure tax justice. On the contrary, the AAAA is weak in advancing progressive tax reforms at local level and risks promoting the reverse

when it calls for expanding the tax base by "formalizing the informal sector". As DAWN has already exposed in its contribution to the reaction of the Women's Working Group on FfD to the AAAA, this can in practice negatively affect self-employed women including small-scale market vendors, farmers and fisher people and those in micro and small-scale enterprises. In the absence of an equivalent agreement on the need to actively address tax avoidance, these economic sectors that mostly operate at a survival income level could well end up bearing a disproportionately high tax burden while big corporations and rich individuals continue to benefit from tax avoidance and evasion.

Taxation is the most sustainable and predictable source of financing for the provision of public goods and services, as well as a key tool for addressing economic inequality, including gender inequality. Operating in a gendered economic terrain, taxation is not gender neutral. It affects women and men differently because of their unequal status as workers, producers, consumers and asset owners. Women are overrepresented in the lower income population category and there is a tendency towards increased feminization of poverty; women also have more restricted access to and control over economic

¹ An example is the case of maquilas as an economic growth model in Mexico and Central America. See Giosa Zuazúa and Rodríguez Enríquez (2010) "Estrategias de desarrollo y equidad de género en América Latina y el Caribe: Una propuesta de abordaje y una aplicación al caso de la IMANE en México y Centroamérica". Santiago: Cepal. Serie Mujer y Desarrollo 97.



resources; not least, they bear the burden of unpaid domestic and care work (thereby making a non-recognized contribution to the economy while facing more structural barriers to economic participation). Gender inequality interlinks with socio-economic inequality. The type of taxation system is therefore extremely relevant to gender equity. The failure of the AAAA to explicitly address gender bias in taxation and to achieve concrete commitments to pursue progressive tax reform is therefore problematic.

Third there is no real agreement or commitment to enlarge the capacity of developing countries for domestic resource mobilization. This would need on the one side, strong policy space both to collect revenue but also to avoid the spillover effects of developed countries' economic policies, including taxation, in developing countries. On the other hand, there is the need for meaningful international tax cooperation. While the AAAA calls for addressing tax evasion, avoidance and illicit financial flows, the commitment to do so is weak. A demonstration of this was the reluctance of governments of developed countries, from the beginning and up to the very last minute of negotiations, to agree to the establishment of a transparent and accountable intergovernmental tax body that would help set new and more appropriate global tax rules.

This implies that tax rules and standards will continue to be established by an obscure global governance mechanism led by the Organization for Economic Cooperation and Development (OECD) and the Group of 20, instead of all governments sitting at a democratic, inclusive, transparent and accountable table of negotiations. As the Global Alliance for Tax Justice says, "if you are not at the table, you are on the menu"; which means that

unless there is a real commitment to meaningful international tax cooperation to include reform of international corporate taxation, the establishment of taxes on financial transactions, and strong and reliable monitoring of financial flows, resources will continue to be transferred from the South to the North and the interests of developing countries and their populations will continue to be ignored.

If developing countries were able to avoid the annual revenue losses through international corporations' tax avoidance, as well as through illicit financial flows, they would be more than able to address many of their development challenges, including the financing of comprehensive social protection systems that provide universal access to quality social services, social infrastructure, sexual and reproductive health services, inclusive and quality education, and care services – all essential "deliverables" for reducing gender gaps and promoting women's economic participation and therefore women's economic autonomy. Combating tax dodging and illicit financial flows could be a better and more fair alternative to substantially increase State's revenue and provide the necessary resources to fulfill State obligations concerning human rights, particularly women's human rights and non-discrimination, rather than calling for the support of the private sector, public-private partnerships, blended finance or more indebtedness.

Policy space and sufficient resource allocation are essential to guarantee comprehensive, quality and equitable social protection and services. Instead, the AAAA (para 12) calls to commit to a "new social compact", that provides "fiscally sustainable" and "nationally appropriate social protection systems". DAWN has already expressed in its contribution

to the Women's Working Group reaction, that this is a retrogression compared with Monterrey's and Doha's commitments to universal access to basic economic and social infrastructure and inclusive social services. Furthermore, the AAAA completely omits any consideration of the need for policies, regulations and services, including universal access to care services, to remove structural barriers to women's economic participation.

Finally, within the AAAA, there is more rhetoric than effective commitment to address systemic issues that prevent States from pursuing domestic resource mobilization by enlarging and diversifying productive structures. As already stated in "Regressive trends in Financing for Development: the result of unbalanced negotiations", developed countries have refused to address systemic issues within the UN. Moreover, as the CSO declaration at Addis Ababa has clearly put it "instead of safeguarding policy space, the Addis Agenda fails to critically assess international trade policy in order to provide alternative to commodity-dependence, to eliminate investor-state dispute settlement clauses, and undertake human rights impact and sustainability assessments of all trade agreements to ensure their alignment with the national and extraterritorial obligations of governments", all of which are critical to enabling developing countries to implement development strategies that are compatible with democracy, human rights compliance and gender equality.

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