COUNCIL *on* FOREIGN RELATIONS

POLICY INNOVATION MEMORANDUM NO. #58

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From: Rachel B. Vogelstein

Re: Closing the Gender Gap in Development Financing

A substantial body of evidence confirms that investment in women and girls yields high returns for poverty eradication, economic growth, and sustainable development. However, international and national efforts to promote gender equality are chronically underfunded, particularly when compared to other priorities outlined in the 2030 Agenda for Sustainable Development. To achieve the recently adopted Sustainable Development Goals (SDGs) and advance U.S. interests in poverty reduction and economic growth, the United States should lead a multilateral effort to close the gender gap in development financing by spearheading the creation of a pooled gender equality financing mechanism.

GAPS IN FUNDING FOR GENDER EQUALITY

Advancing women's rights has a clear economic payoff, and the benefits accrue across the sustainable development goals. Research shows, for example, that reducing barriers to women's economic participation decreases poverty and increases gross domestic product. Promoting gender equality also enhances food security: equalizing women's access to productive resources increases agricultural output and could reduce the number of hungry people in the world by 150 million. In addition, improving women's health has demonstrable economic effects. Access to family planning, for instance, contributes to a "demographic dividend" that fuels economic growth. Increased female educational attainment not only raises household income, but also lowers health expenses and rates of infant and child mortality. Furthermore, preventing violence against women reduces health and economic costs.

Despite the significant link between investment in women and girls and sustainable development, official development assistance (ODA) for gender equality has been remarkably low. Under the Millennium Development Goal (MDG) framework that preceded the 2030 agenda, funding from major donor countries to advance gender equality was largely confined to the areas of maternal health and primary education, to the exclusion of priorities such as women's legal rights, economic empowerment, family planning, and domestic violence prevention. During the MDG era, a small percentage of development financing targeted gender equality. Gender equality funding by Organization for Economic Cooperation and Development (OECD) countries was estimated at only 5 percent of aid flows in 2012–2013, dramatically lower than funding for other development sectors. Investment in women's economic empowerment amounted to only 2 percent of overall aid from OECD countries. And in some areas, such as preventing violence against women, funding actually declined between 1995 and 2011.

Unsurprisingly, measurable progress toward gender equality under the MDGs was limited to areas that were supported by development funding, such as health and education. Between 1995 and 2015, maternal mortality rates fell by almost half, and the gender gap in primary education virtually closed on a global level, demonstrating that rapid advancement for women is possible with sufficient investment. However, in areas where funding levels remained stagnant or decreased—including women's economic participation, leadership, and freedom from violence—the status of women remained largely unchanged. In fact, evidence suggests that overall progress toward poverty reduction masked setbacks for women in some areas. In Latin America and the Caribbean, for example, the ratio of women to men living in poverty increased from 1997 to 2012, despite declining net poverty rates for the region.

Even the way in which development aid is tabulated marginalizes the importance of gender equality to advance the sustainable development agenda. Under the MDGs, the OECD's system for tracking state expenditures by development sector failed to include gender equality as a stand-alone category of aid flow. Many financing estimates for the new 2030 goals replicate this omission. Economists Jeffrey Sachs and Guido Schmidt-Traub, for example, produced a financing schematic for the SDGs that classifies gender equality as a cross-cutting issue that is largely covered under other areas, requiring only "relatively modest" additional funding and instead relying "primarily on improved policies and their implementation." By discounting the benefits that flow from investment in gender equality—not only to women, but also to entire communities and economies—traditional aid calculations overlook the development potential of half the human capital across the globe.

FINANCING MODELS

In contrast, many other critical development priorities under the MDGs—and now, the SDGs—have benefited from substantial donor investment, often in the form of dedicated pooled financing mechanisms. These multilateral tools provide considerable capital to support country-led program design, reduce bureaucracy and reporting requirements, accelerate knowledge transfer, increase transparency, mobilize private finance, and improve predictable allocation of aid to countries most in need. In many instances, U.S. leadership has been instrumental in catalyzing these funding mechanisms. The U.S. government, for example, provided the Global Fund to Fight AIDS, Tuberculosis, and Malaria (Global Fund), which raises nearly $4 billion for health programs each year and is credited with lowering rates of malaria deaths in Africa for the first time in a generation, with its founding contribution and has consistently been its single largest donor. The United States has also served as a top government donor to Gavi, the global vaccine alliance, since its inception in 2000, providing approximately 10 percent of its funding to date.

Outside of the health sector, a number of other pooled financing mechanisms—many with founding donations from the United States—have been created to reinforce development goals. For instance, the International Fund for Agricultural Development and the Global Agriculture and Food Security Program support progress toward ending hunger, and the Global Sanitation Fund mobilizes resources to promote clean water and sanitation. Although these pooled mechanisms have enjoyed varying levels of success, capitalization and replenishment efforts have generated significant international aid commitments and, in many cases, accelerated progress toward development targets. Data suggests that these mechanisms constitute an increasingly significant share of the development financing landscape. The proportion of bilateral aid for health, for example, dropped from 85 percent in 1990 to 45 percent today, with pooled financing mechanisms filling much of the gap. Given the trend toward pooled funding mechanisms, development goals without a dedicated funding entity—such as SDG 5, which focuses on achieving gender equality—could be left behind.

RECOMMENDATIONS

As long as gender equality funding is considered ancillary to poverty reduction, progress toward the sustainable development agenda will be hampered. As it has in other development areas, the U.S. government should catalyze a new pooled funding mechanism to advance the status of women and girls and close the gender equality financing gap. This mechanism should prioritize targets unreached by other funding streams and that saw limited gains under the MDGs. Specifically, the United States should take the following steps:

Catalyze a new pooled financing mechanism. The U.S. government should spearhead the establishment of a pooled financing mechanism with an initial contribution of $100 million, providing roughly half of all ODA related to gender equality through the mechanism, as it did for the Global Fund. This pooled financing mechanism would receive contributions from multiple financial partners—including other governments (particularly OECD countries), multilateral organizations, and the private and philanthropic sectors—and consolidate funds, evaluate proposals, and issue grants to advance progress toward gender equality targets.

Convene an international pledging conference. The U.S. government should use its leverage to mobilize pledges from other donor governments, as well as the private and philanthropic sectors. A U.S.-led, high-level international pledging conference would build global momentum for the new financing mechanism and yield significant early investment. For example, donors committed $4.3 billion at the first pledging conference held by Gavi, and the Global Fund received $1.9 billion in pledges before it began operations in 2002.

Leverage innovative financing. The U.S. government should establish a governing board for the new pooled financing mechanism, composed of representatives from the public and private sectors, to identify blended finance opportunities and capitalize on the full suite of financial products, including grants, loans, impact bonds, and equity investments. Such a structure will promote private sector collaboration with national governments to finance public goods—such as maternal health clinics, girls' schools, and women's agricultural initiatives—with attractive terms and the potential to yield return on investment.

Promote investment by existing funding sources. To ensure that other financing entities maintain or expand efforts to advance women's empowerment, this new mechanism should include an in-house technical assistance arm to support development of gender equality programs in service of other development priorities. This division could assist with monitoring and evaluation by recommending the incorporation of gender equality metrics—as, for example, the Global Agriculture and Food Security Program recently committed to include—and could provide national- and local-level capacity building on gender equality issues. Any technical assistance arm should include experts from governments and multilateral agencies with experience in developing strategies to advance gender equality, including UN Women.

FUND FATIGUE?

Critics will allege that this strategy is too costly, and that donors have grown tired of traditional multilateral funding mechanisms, many of which struggle to achieve periodic replenishment goals. To be sure, initial investment in a new gender equality mechanism will incur costs, but employing an innovative financing structure will increase the availability of resources and the diversity and number of potential partners, and offset stagnant bilateral aid flows. The costs of inaction are also significant. Failure to address persistent gender inequality causes economic inefficiency and undermines the achievement of numerous sustainable development goals. Because closing the gender gap in development financing will advance U.S. interests in poverty reduction, sustainable development, and economic productivity, the United States should lead the effort to increase international financing for gender equality.

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