DISCUSSION PAPER

ENGENDERING THE INVESTMENT CLIMATE

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1.

INTRODUCTION

This paper provides a much needed analysis of the gender dimensions of the investment climate. Using capability theory to explore some of the economic and philosophical dimensions of unpaid care work, it argues that attempts to improve the quality of the investment climate will intersect with and be mediated by the structure of gender relations and the distribution of such work.

Failing to take account of these factors reduces the effectiveness of the investment climate and the policy levers available to improve investment and development outcomes. The paper explores the ways in which reducing gender-based violence, facilitating female human capital formation, investing in technological and physical infrastructure and improving women's financial inclusion can simultaneously enhance the investment climate and facilitate improvements in gender equality. It also outlines how strengthening the gender-responsiveness of formal institutions and governance structures and developing gender-sensitive microeconomic and macroeconomic policies can similarly improve the investment climate in ways that promote gender equality. Through this analysis, the paper demonstrates that the structure of gender relations and the resulting distribution of unpaid care work should be central to public policy development, implementation and monitoring in establishing a gender-equitable investment climate.

The paper begins by defining in Section 2 what we mean by the investment climate. Section 3 provides an overview of how women's labour force participation in market-oriented activities fails to capture the totality of the time women spend working. In Section 4, the paper considers seven principal realms or characteristics of the investment climate from a gender perspective: security, formal institutions, human capital formation, physical and technological infrastructure, microeconomic policies, macroeconomic conditions and financial systems. Finally, Section 5 offers some conclusions and advances a number of recommendations for facilitating a gender-equitable investment climate.

2.

DEFINING THE INVESTMENT CLIMATE

In order to achieve the targets that will be established under the Sustainable Development Goals (SDGs),[1] high levels of productive private and public sector investment will be required, as countries where growth is high typically have high rates of investment.[2] However, it is not only the quantity of investment that is important but also its effects in promoting increased productivity.[3]

Fostering high levels of productive investment requires a suitable 'investment climate': a set of requisite circumstances that encourage investment. However, there is no agreed precise definition of what these circumstances might be. Dollar, Hallward-Driemeier and Mengistae (2004) define the investment climate as "the institutional, policy and regulatory environment in which firms operate".[4] This is otherwise known as 'social infrastructure',[5] which creates "the opportunities and incentives for firms to invest productively, create jobs, and expand".[6] In other words, with the 'right' set of circumstances, the rewards of producing a favourable investment climate will outweigh the risks of investing.

Nonetheless, this remains a very broad idea. Attempts at clarifying the concept have produced the following seven areas[7] that together could be said to constitute the investment climate:

i. Security, including external and internal political stability along with acceptable levels of physical safety;

ii. Formal institutions that are effective, transparent and accountable, including the rule of law, the protection of individual and collective human rights, the protection of individual and collective property rights, equal access to the justice system and a commercial legal system that sustains high standards of corporate governance;

iii. Human capital, including general education and specific skills that can facilitate investment-induced spillover effects beyond individual companies and industries into the wider economy;

iv. Physical and technological infrastructure that enhances market participation by easing market access and improves transaction costs for firms already engaged in markets;

v. Microeconomic policies, including competition and sectoral policies that restrict anti-competitive practices, effectively regulate markets and increase corporate social efficiency, all of which maximize incentives to invest;

vi. Macroeconomic conditions, including the quality, predictability and consistency of fiscal, monetary and trade policies in order to sustainably stabilize budgets, inflation, exchange rates and domestic debt and, in so doing, reduce corporate risk;

vii. Financial systems, including the efficiency with which resources are channelled into investment as well as the effectiveness of the system for storing wealth and retaining earnings.

Productivity and income grow when investment-enabling environments are set in place. Such enabling environments typically require governments that are able to coordinate and fit these areas together 'soundly'. When these areas are combined, growth and productivity increase due to the lower cost and risk of investment, improved competitiveness and greater ease of developing new productive capacities and markets.

3.

THE ECONOMICS OF GENDER, WORK AND UNPAID CARE WORK

Globally, the rate of female labour force participation has increased over the last 30 years, including in the period between the 2008 financial crisis and the end of 2009. Women remain disproportionately represented in vulnerable employment, which involves work that is far less likely to have decent working conditions, adequate social security and voice through effective representation. Nevertheless, the share of women in vulnerable employment – which is defined as the proportion of own-account workers and contributing family workers in total employment – has declined over the last 15 years and at a faster rate than the share of men in vulnerable employment.[8]

In other words, women are increasingly working in market-based economic activities, whether as employees, own-account workers or contributing family workers. This progress is not consistent across countries, however, and progress also can be irregular within countries. As a result, there are still systematic gender disparities in employment opportunities and the quality of available employment, while wages and other forms of payment women receive continue to be lower than those received by men doing similar work.

In many countries, both women and men hold the view that when there are shortages of paying jobs, a

a result, pervasive gender inequalities continue to be found around the world.[11] These inequalities, which reflect structural imbalances of power and agency between women and men, have negative social, political and economic consequences for women and men and girls and boys and preclude women and girls from realizing their fundamental human rights.

In this light, it is important to understand that women's labour force participation in market-oriented activities fails to capture the totality of the time they spend working. Estimates of time use, pulled from surveys published in 2011 of 26 Organisation