GEMS3 Women’s Economic Empowerment Learning Series: Case Study 2

Empowering women through tax harmonisation
Insights from Business Environment Reform in Nigeria

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Background

Introducing GEMS3

The Growth and Employment in States (GEMS3) programme is working to reduce poverty in Nigeria by improving the business environment through land, tax and investment reforms. Working in numerous states across Nigeria, these reforms enable business to grow, the economy to diversify, and help to protect the rights of small and medium business owners, many of whom are women. Interventions include addressing instances of multiple taxation, the simplification of business registration processes, and the implementation of land reforms, improving personal tenure security and facilitating sustainable investment.

Women entrepreneurs in Nigeria

Across Nigeria, approximately 40 percent of women are entrepreneurs; this is more than in any other country world-wide. At the same time, Nigeria is one of the few countries where the rate of female entrepreneurship exceeds that of men. What this number does not reveal are the likely differences in the type and size of female versus male enterprises, and the type of sectors in which women and men work in. However this data does not give us insight into the potential for large regional differences in the number of female entrepreneurs across the country. Despite the large numbers of female entrepreneurs, their likelihood of succeeding is hampered by cultural limitations, limited literacy and training, social discrimination and their limited representation in Business Membership Associations.

Strengthening GEMS3’s evidence base on Women’s Economic Empowerment

Women’s Economic Empowerment is one of GEMS3’s core design principles. The programme, in addition to its objective of increasing income and labour market participation for women, aims at boosting the voice of women in the practice and ownership of business. GEMS3 recognises that business environment reform is far from gender neutral, as men and women are affected differently by tax reform, land administration or business licensing procedures. GEMS3 also ensures consultations and sensitizations are undertaken with men and women separately and women’s groups have been core programme partners throughout the lifetime of GEMS3. Through meaningful consultation with female entrepreneurs throughout the lifetime of the programme GEMS3 provides a platform for the voices of women in business environment reform.

The programme logframe measures impact in terms of increased income and employment. While both indicators are disaggregated by gender, this limits the extent to which the programme measures its effect on Women’s Economic Empowerment. As a reaction to this, GEMS3 has launched a Women’s Economic Empowerment Learning Series to consolidate some of the learning in this last year of the programme. Through a range of small-scale qualitative studies (partly enriched through the programme’s existing M&E data) it sets out to provide a granular understanding of the programme’s impact on more transformative empowerment outcomes, including women’s individual and collective expressions of power to influence decisions affecting their professional as well as private lives.

The intervention in close-up

Arbitrary imposition of nuisance taxes, levies, harassment and bureaucratic tax payment systems are a burden to businesses. Nigerian businesses may be subject to as many as 100 different taxes, charges and levies. These have been borne out of a lack of transparency over tax codes and regulations and the cumbersome tax administration at state, local, and federal levels. Tax harmonisation, according to GEMS3’s intervention logic at the time, would reduce the cost of compliance, the cost of doing business and allow business to grow.

Within its work on tax harmonisation, GEMS3 designed and delivered interventions that reduced the number of taxes for which tax payers are liable, suggested new payment mechanisms (e.g. direct-to-bank payments or Points of Sale, see Box) with the aim to decrease compliance cost including informal payments to officials. The programme also introduced tax grievance redressal mechanisms and raised awareness around the rights and responsibilities of tax payers. These reforms were expected to particularly benefit SMEs and women who had been especially vulnerable under the previous tax regime.

A comprehensive Tax Toolkit was introduced in over 15 states in Nigeria providing states and Local Government Areas (LGAs) with ready-made modules to support autonomous expansion. The Tax Toolkit includes guidance on tax harmonisation, complaints processes, capacity building for tax officials (with specific gender trainings), improved payment system and sensitisation for male and female traders.

Introducing “Point of Sale” payments

A “Point of Sale” payment (PoS) is a payment made to an authorised Revenue Collector using a PoS machine. These are devices that have pre-configured rates and allow tax payments to be made in cash or by debit/credit card with receipts immediately provided to taxpayers.

Potential benefits to the tax authority are less leakages, the removal of subjectivity in the assessment, reduced payment systems costs and increased amounts of internally generated revenue.

The attraction of the PoS to the tax payer lies in knowing exactly how much tax to pay and receiving an immediate receipt for payments at their business premises. In states where many tax payments are paid at banks, PoS can save time through avoiding the journey to and queues at banks thus further contributing to reduced compliance costs.

3 https://www.gems3nigeria.com/tax
Research purpose and methodology

This case study is the second in GEMS3 Women’s Economic Empowerment Learning Series and set out to answer the following questions:

1. What changes—positive and negative—have women and men traders experienced due to GEMS3-facilitated tax harmonisation?
2. Has tax reform increased women’s access to and control over income and assets, and thus their ability to contribute and benefit from economic growth? If so, how?
3. How has tax harmonisation affected empowerment outcomes in terms of voice and agency (including women’s decision-making power in the household, confidence, dignity, self-esteem and ability to organize with others) and how has this been affected by social norms?

The data presented below was gathered through a total of eight Focus Group Discussions (FGDs) with male and female traders in Kano, Kaduna (two states in the North) and Cross River (in the South of Nigeria). Separate FGDs were undertaken with men and women with the exception of a mixed FGD with market leadership in Cross River. A detailed research strategy was drawn up ahead of the data collection including ethical considerations and strategies to address research bias (see Annex for an abridged version).
Findings

Tax harmonisation has positively affected entrepreneurs’ bottom line.

Before tax harmonisation, traders were subject to an arbitrary imposition of nuisance taxes, levies and informal fees—many of which were unpredictable and subject to frequent changes which made forecasting tax expenditure close to impossible.

In addition to fee extraction, tax collectors closed down shops for days without notice, extracting bribes from traders to keep their shops open and not lose days of income: “They could come and deceive us and put ribbon. They would tell us government has sealed your shop. They took us to the corner and said government has sealed your shop; give us 20,000 Naira. After that they would write a receipt with half of the money and give to us.” (Female trader, Cross River)

“Before, we didn’t even know how much to pay and there were multiple tax officers that came to us some with 10,000 Naira tax levies, some 3,000 Naira, others 7,000 Naira. They are just mixing things up, you don’t even know whether they are from LG [local government] or state. But with tax harmonisation everything now has changed and we pay less.” (Female business owner, Kano)

According to male and female FGD participants, women were disproportionately affected by the previous tax regime and in many cases specifically targeted by those collecting fees: “Women were more harassed by tax collectors in the market […] Being the weaker sex, tax collectors were treating them very badly.” (Male trader, Kaduna market) Moreover, women entrepreneurs were found to have less awareness and knowledge of taxes, less likely to have bank accounts (thus relying on cash payments) and less likely to keep records for their business than their male counterparts.

Under the new tax regime tax expenditure has become more transparent and certain traders use new payments systems (e.g. the Points of Sale) and bank transactions to pay their tax duty. The role of cash has been reduced. According to most FGD participants, the informal fee extraction has now been reduced (some argued it had stopped entirely) with this newly introduced formality. Therefore, the reforms have contributed to the reduction of an important element of tax compliance costs. Introducing a clear legal framework in which tax administration is now delivered (and anomalies can be challenged within established complaints systems), alongside with capacity building of tax collectors and sensitisation of traders (especially female traders who previously had limited knowledge of tax rules) has resulted in an almost disappearance of what previously was wide-spread practice. The quantitative data supports this with only 6 percent of women and 4 percent of men reporting that they have paid a bribe over the last year.

Therefore, many men and women are left with more money in their pockets. Over 40 percent of female-led enterprises (which are defined as enterprises led by women who hold decision-power) had more money after tax this year than in
the previous year. The qualitative data could detect little difference between how man and women spend this surplus; both reported to spend money on children’s schooling, household items, home improvements. Approximately one third of female entrepreneurs and an equivalent number of male entrepreneurs, have reportedly reinvested in their business, as this female trader from Cross River describes: “I deal with carpet. With this extra money, I have added a provision store.”

Looking at the extent to which women control the income they earn, the discussions revealed that many women make every-day expenditures without consulting their husbands—in particular in Kano where many women report their husbands are not fully informed about the detail of what they earn, with some admitting they would actively hide their real income. Reports of women handing their income over to their husbands were rare but more common in Cross River than Kano or Kaduna. Where bigger spending decisions were concerned, both men and women agreed across the research sites that families should come together and discuss this.

**Beyond income: increasing women’s confidence, dignity and safety**

In many cases, informal fee extraction went hand in hand with harassment and thus the impact by traders was felt well beyond economic loss. While some commonalities were apparent across the states, important differences in the practice of illegal fee extraction exist, with a particularly violent practice reported in Cross River.

**“Smashing women’s tables” in Cross River**

In Cross River a practice of illegal fee extortion had evolved where so-called “local boys” (usually male youths) were working for and under the protection of politicians and operated alongside the formal tax collectors. They threatened traders and damaged property or goods. One male trader recalls: “I cannot count the number of times I run and left my shop.” The term “smashing women’s tables” was frequently used and male and female traders recalled women were disproportionately victim to his practice. In the words of a female trader: “I could remember in those days, they will come with machetes pick your table and when once they ask you to pay and you don’t pay, they will break your table. The issue of smashing of women’s tables was so rampant.”

Most men in Kano, and to some extent in Kaduna described the experiences of harassment as a nuisance which cut into their profits. Women’s experience of the harassment was different, as was the impact on their overall self-esteem and sense of safety. Many experienced this harassment as threatening. In Cross River, the expression of “smashing women’s tables” was frequently used (see Box) and there were even report of beatings. Latter affected both men and women; on the one hand women were seen as easier victim, on the other hand it was expected from men to fight back. While taking a less violent expression in Kano and Kaduna, women reported they felt at the constant mercy of fee collectors.

With the reduction of bribes experiences of harassment are decreasing. This means female entrepreneur’s every-day experience has changed dramatically for the better. And, while women did report increased revenue due to a decrease in fees paid overall, what mattered greatly to most was the decrease of harassments in itself. Women in Kaduna agree: “Now we leave our home confidently.” Armed with the receipt of their tax payments they feel they can’t fall easy victim to informal fees and bribes. Importantly, they understand the taxes and levies they are due, so feel confident arguing with collectors or even complaining. In Kaduna one of the male traders observed: “Now women are even more confident in the market.” Similarly, in Kano, women also reported that they felt safer.

The impact of the reforms in Cross River has an additional dimension. Introducing clear rules around taxation has played a major role in establishing an environment where illegally conducting bribes and threatening traders has simply become unacceptable. Female and male traders agree “The market is safe now.”
Supporting voice and accountability through changing relationships and “tax for service” agreements

Across the states previous relationships between revenue collectors and traders were described as hostile and traders had very little or no trust in officials (who at times were hard to distinguish from illegal revenue collectors). Tax officials were seen as power holders who misused this position frequently. A lack of knowledge on taxpayer rights from both sides only led to deteriorating situations as outlined above. Capacity building for revenue collectors and making traders aware of their rights as taxpayers were key components of the Tax Toolkit. According to GEMS3—internal monitoring and evaluation data, tax awareness among female traders is now over 70 percent (and around 60 percent for male traders). Through the sensitisation campaigns GEMS3 also brought local governments and traders, mostly through market leadership and women’s groups, together. These meetings have contributed to improved relations and understandings between the tax collectors and traders, leading to smoother business operations throughout the markets. At the same time, being a tax collector has become a respectable profession with additional positive implications for the relationship with traders: “[…] even the local government staff when they come [to the market], they respect themselves.” (male trader, Cross River).

Another core feature of the reform was the “tax for service” component, where state or local governments entered into agreements with the market traders to allocate a certain percentage of the taxes paid for infrastructure improvements, such as building toilets or constructing drainage. Nigeria’s weak tax culture meant that “tax for service” was seen as a way to encourage voluntary compliance as a way to sustain successful tax administration. There are examples where this has worked well in Cross River: at Ishibori market in Ogaja Local Government market stalls have been roofed and at Okuku market in Yala Local Government where road infrastructure leading to the market has been improved.5 In the research sites, some male and female traders have voiced their frustration that many of the “tax for service” promises had not been delivered by the local governments.

‘No go areas’: toilets in the markets
Sanitation provision in the work environment matters to women. Lack of adequate sanitation facilities does not only impact women’s health or their time use (if they have to go elsewhere to relief themselves) but it also has an important safety concern.

Toilets came up frequently in the “tax for service” discussions. In one market in Kano, no separate toilets are provided for women and female traders have raised concerns for their safety by using the unisex toilets. In a market in Cross-River, the toilet was described as ‘no go area’ by one female trader.

While the lack of adequate market infrastructure directly affects traders’ well-being (with different implications for

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5 Information on these improvements was accessed through GEMS3 records; no interviews with traders in those markets were undertaken as part of this study.
women, see e.g. Box on toilet provision), the non-delivery on the “tax for service” agreements has wider implications for voluntary compliance and social contract between government and citizens: “They [local government] told us that they would use 30 percent of what we pay to provide various services for us such as toilet facilities, a dispensary, and fire truck but none of these have been delivered up till now even though we always pay our taxes.” (Male representative market leadership, Kano)

Both, the sensitisation and “tax for service” agreements gave voice to market leadership and women’s groups and encouraged constructive relationships between local government and civil society. GEMS3 has played a major role in facilitating this dialogue through different Public-Private Dialogues (PPDs) and it was in many cases the first time that women traders as a collective could voice their needs and concerns. The sustainability of this collective voice will soon be tested when GEMS3 closes in summer 2017, and future discussions around the “tax for service” demands will be a main testing ground.

Social norms around female entrepreneurship vary across Nigeria and do change

Social norms are unwritten culturally-determined rules about what is appropriate and what is expected from men and women. Mostly unspoken, they are powerful determinants of whether women work, what kind of work they engage in, and how they balance work with family responsibilities. Women are subject to, and uphold these norms. Breaking with those widely accepted rules frequently leads to sanctions and reprisal for individuals, such as exclusion, harassment or violence. Social norms influence women traders’ every-day lives including how they are perceived at the market and treated by other traders, costumers and tax collectors alike.

Female entrepreneurs in Nigeria are operating under a variety of social norms which for analytical and programmatic reasons can be usefully divided into two sub-sets. While these norms influence each other (and likely overlap) they differ in their ability to change. A first set of norms is directly affecting women’s entrepreneurship, such as restrictions to women’s free movement (prominent in Kano). A second set of norms governs what it means to be a good wife and mother with implications on how women balance their work with family responsibilities.

The former determines how female and male traders are seen in the market and if they feel welcome to undertake their business. In Kano, women report being “looked down upon” and are “being called names” (with a few women admitting people frequently call them prostitutes). Both men and women report that women sell at lower prices in Kano and while men have given this as evidence that women are good traders, women were clearly saying their prices are “knocked down”. Both the insults and the forced discount are a form of sanctioning women, as they break with socially expected practices. In fact, many women in Kano (and to a lesser extent in Kaduna) trade “out of the comfort of their home” (male trader, Kaduna), influenced by norms around restricted movements, and are thus out of the reach of formal tax collection.

Being a market trader in Cross River is an entirely different experience. Women are described by both men and women as heart of the markets. “If the women close the market, the market will be empty. If the women refuse to come to the market for one or two days, Calabar will be like an ocean that is drying off.” (Male trader, Cross River) Nevertheless, women are seen as weak and therefore targeted for informal fee extraction and harassment (see above).
This set of social norms does change among the three sites, with this most apparent in Kaduna (although women do report changes in Kano). Tax harmonisation has undermined illegal practices and successfully sent signals that traders—men and women alike—are safe and welcome to undertake business—reinforced by GEMS3 providing women-only forums for sensitisation. Changes are slow and attribution (e.g., to one single intervention such as tax harmonisation) is problematic but there are undoubtedly reports from FGD participants about women now being welcome in the market (in particular in Kaduna and Cross River) and some have linked this to tax reform.

**Mothers and wives as entrepreneurs: some norms don’t change**

A second set of norms regulate household and care responsibilities which country-wide lie firmly with women. Ideals around being a good wife and mother are surprisingly similar in Kano, Kaduna and Cross River and are not often affected by being a successful entrepreneur and therefore remained largely untouched by tax reform. When discussing with women how they would use their additional income, “supporting my husband” was mentioned frequently, suggesting that men would continue to be seen as providers with women earning supplementary income—regardless if the amount women earn would actually succeed their husbands’ earnings.

**Balancing work and family: Voices from Kano**

“I go to the office in the morning to take care of things and around 12pm I rush back home to prepare lunch for the family and have some rest. I normally prepare dinner before I go back to the office.”  
(Female car wash operator, Kano)

“If I go to the office in the morning around 8 am I rush back during break time to prepare lunch for my husband and the children. My sister lives with us and she takes care of everything while I am away.”  
(Female owner of groundnut oil processing factory, Kano)

The importance of female care roles became further apparent when working hours were being discussed. Regardless of their professional responsibilities, women were expected to cook, look after the household and care for children. In the words of one male trader in Cross River: “It is the man that decides [the wife’s working hours]. When the children come back from school, they should meet their mother while the man is busy out there.”

Working hours were a contentious topic for some entrepreneurs given their working hours were not regulated as in some other professions. Some women would simply comply with their husbands’ request when they should be home. In other cases women “consulted” their husbands but were acutely aware that it their responsibility to successfully balance their business and family life without neglecting their household responsibilities, which at times would be ‘out-contracted’ to female family members (see “Voices from Kano”). Referring to women’s working hours one male trader in Cross River explains “Usually it is men that take this decision. A responsible woman should give her husband that honour.”

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6 This is in line with global research where the core ideas about what it means being a man and woman is remarkably similar across a range of rural and urban sites across the globe. See: Munoz Boudet, A. M (2012). On Norms and Agency. The World Bank.
Conclusions and take-aways for practitioners

A nuanced understanding of social norms

Interest among development practitioners in social norms and how they affect women and girls is increasing. Nevertheless, market systems and women’s economic empowerment programs typically function with an incomplete understanding of how norms influence human economic behaviors. Often, social norms remain an abstract concept that gets in the way and slows down the implementation of policies. Business environment reform is no exception to this.

This case study has shown that there are various social norms that impact differently on women entrepreneurs, some subject to change, others much harder to influence. This more nuanced understanding of social norms can be the basis of translating them into operational guidance to work with and accept some norms (or reinforce norms that support female entrepreneurship) and make a concerted effort to facilitate change of others.

Defining empowerment and prioritising women’s views

As components to support Women’s Economic Empowerment increasingly find their way into mainstream private sector development or market systems programming, questions are rightly raised on how to define and measure empowerment. In light of challenges to translate academic concepts such as agency into measurable indicators (and fit them into logframes), programmes often remain focused on increasing women’s income. Some go further and try to understand if women subsequently control spending. This case study has shown that controlling the income women earn, while not irrelevant, was not a major concern for the women we spoke to. More contentious and in this sense a more relevant indicator for intra-household dynamics were decisions over working hours.

Most importantly, what really mattered to women was the dignity, safety and self-esteem they reported as harassment has substantially decreased. While less visible this constitution of individual power is central to women’s self-belief to make changes in their lives (‘power within’).

A powerful reminder that empowerment should not be something that is done to or on behalf of women. Development programmes can play a useful facilitation role along the empowerment process but defining what empowerment outcomes the programme should support, remains meaningless if they do not reflect women’s priorities.

Cost effective measures of empowerment

While the routine monitoring and evaluation data has picked up the increase in women’s income as well as the decrease in bribes, it was through the conversations with female entrepreneurs that the extent and importance of the non-monitory impact of tax harmonisation has been substantiated beyond individual testimonials. If we are serious about contextualising empowerment and prioritising women’s views qualitative as well as participatory methods need to be routinely part of M&E systems. While this case study under the GEMS3 WEE Learning Series has demonstrated that qualitative assessments can add powerful detail to existing M&E data, a combination of qualitative and quantitative methods is well placed to define contextualised indicators to measure empowerment. Participatory methods, while currently not widely used within private sector monitoring systems, would add an important addition of local ownership and would allow different women to define what empowerment outcomes should look like for them.

Gender needs to be an integral part of business environment reform

Business environment reform (BER) is not gender-neutral. The gender dimensions of tax policy and tax administration are well documented: the way personal income tax is structured, how (small) business are taxed or which tax incentives are in place all impact men and women in different ways. This case study has shed light on some of the less documented non-monetary implications of tax compliance costs, such as harassment by tax officials, and the extent to which these affect women’s everyday life.

A recent stock-take of BER programmes has highlighted that gender sensitivity has been insufficiently incorporated; the existing rules remain largely invisible and therefore continue to disadvantage women. At the same time BER programme’s focus on policy, legal and regulatory conditions has the potential to lift some of the constraints on entrepreneurs—male and female—at large scale. Integrating women’s economic empowerment considerations in the design of BER programmes is therefore not only a question of equity but can determine the effectiveness of reform success.

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9 Simavi, S, C. Manuel & M. Blackden (2010). Gender Dimensions of Investment Climate Reform. The World Bank
Annex: Abridged research plan and methodological considerations

Research questions
In line with the research objective this WEE Learning Series set out to answer the following questions:

1. What changes—positive and negative—have women and men traders experienced due to GEMS3-facilitated tax harmonisation?
2. Has tax reform increased women’s access to and control over income and assets, and thus their ability to contribute and benefit from economic growth? If so, how?
3. How has tax harmonisation affected empowerment outcomes in terms of voice and agency (including women’s decision-making power in the household, confidence, dignity, self-esteem and ability to organize with others) and how has this been affected by social norms?

Research methodology
The research has mainly employed qualitative methods, namely Focus Group Discussion (FGD) and key informant interviews, to understand how tax reform has impacted female and male market traders. In addition, selected existing programme documentation was reviewed and the data was combined with existing quantitative M&E data.

Research process
- In addition to a research plan (of which this Annex is a summary) interview guidelines for both, FGDs (separate for women and men) and KIIs, were developed in line with international best practice on WEE by the M&E and WEE teams.
- Training and fieldwork was undertaken between February and March 2017, starting in Kano and Kaduna, followed by Cross River.
- Interviews were recorded, transcribed and translated into English.
- Analysis and write-up was led by the WEE Advisor with inputs from the GEMS3 M&E and tax team.

Managing risks
The following steps were undertaken to mitigate response bias:
- Asking open questions and avoiding leading questions;
- Clearly communicating to participants before the FGD that their involvement in the research and the responses given will in no way influence GEMS3 support;
- Ensuring no clear incentive for participation was advertised prior to the FGD (refreshments and appropriate compensation for transport was provided after the interviews).

The following steps were undertaken to mitigate selection bias:
- Sampling took into account that women do not only trade from markets but also from home in Kano state.
- FGD participants were selected through stratified random sampling using available M&E data.

Ethical consideration:
- Separate FGDs for men and women were undertaken; facilitated by a male and female Nigerian facilitator respectively (with the exception of Cross River where a mixed FGD was held with market leadership).
- Facilitators were trained in gender-sensitive research practices.
- Participants were assured of their confidentiality by omitting names in case study write-up to minimise risk of identification and/or any potential of reprisal.
- Informed consent was taken for use of data and photographs.
- The research took the decision to interview traders within their work environment (mainly in markets) where privacy could not be guaranteed. Knowing this, sensitive questions around intra-household dynamics were asked as appropriate but no prompts relating to domestic violence included.
- During the data analysis, and after hearing some stories of violence in Cross River, a decision was taken not to name the markets where the research has taken place.

Learning
- The research closely involved the GEMS3 state tax teams who ensured ready access to markets, their leadership as well as traders. On the other side this has implications for potential response bias which were as far as possible countered with open questions and careful probing from the side of the facilitators as well as triangulating information with existing quantitative M&E data.