

Unit 6: Gender Budget Analysis

Learning Objectives

After studying this unit, you should be able to:

- Recognize methods of analyzing the budget from a gender perspective;
- Understand what gender responsive budgeting is.

Introduction and Overview

As we know, the budget documents financial plans for a specified period. In most countries the national budget is drafted by the government. The formulation process and the period covered varies between countries, but in all cases, it is drafted at regular intervals. Besides being an instrument for specifying revenue measures and distribution of resources, the budget is employed as a mechanism for macroeconomic stabilization. An understanding of how the budget is formulated is essential when parliamentarians seek to identify points of entry where they can advocate for more resources for gender equality policies.

What's in a Budget?

Generally, the budget has two components: revenue and expenditure. The revenue side of the budget is comprised of income tax, corporate tax, sales tax, any excise duty and aid inflows. The expenditure side is made up of capital and recurrent expenditure. In developed countries, capital expenditure may form a small part of the budget, while in developing countries it might be the opposite. Capital expenditure refers to construction of infrastructure such as roads, schools, hospitals, dams and the cost of relevant equipment. Recurrent expenditure covers salaries and all other running expenses. Since the government is the major employer in most

developing countries, the recurrent expenditure budget tends to be greater than capital expenditure.

Revenue Side of Budget

When projected expenditure exceeds anticipated revenue, the difference is the budget deficit. A government can plan for a budget deficit and introduce measures to finance that deficit or can borrow on the local money market. In the post World War II, era until the early 1990s, budget deficits were encouraged as a mechanism for stimulating economic growth, but they became unsustainable in the aftermath of the oil price increase in the late 1970s. This pushed up production costs such that companies had to either curtail production or retrench some of their employees. Maintaining budget deficits also implied that the government, a service provider, was pushing up the cost of borrowing. This resulted in high interest rates and discouraged borrowing by the private sector, which would normally have been used to stimulate economic growth. This phenomenon is referred to as "crowding out". Instead of stimulating economic growth, the budget deficits were stifling it since the private sector was reducing the level of production due to the high interest rates.

Some governments have tried to finance the budget deficit through introduction of revenue measures such as sales tax and excise duties on luxury goods like cigarettes and alcohol and on items with inelastic demand such as gas or petrol, which consumers still purchase even at very high prices. While income tax is progressive (implying that those with high salaries pay more tax) and is supposed to be sensitive to vulnerable groups, revenue measures such as sales tax which is payable at the same rate by the rich and poor, can have a negative impact on the very vulnerable groups being protected by the progressive income tax system. A tax on items considered luxury goods which are consumed by those with higher incomes such as gas or petrol can also have a negative impact on the poor as high production costs are passed on to consumers in price increases of even the basic goods demanded by the poor. Luxury tax is a sensitive issue. Generally it is believed that an added tax on true luxury items, like high end vehicles, jewelry, etc., is believed to be good while taxes on other purchased items are a little more vaguely accepted as luxury.

Gender and Tax

When tax policies make assumptions about male and female roles in the family they can discriminate. For example, some tax policies provide for a lower tax rate for a man with a specified number of children, assuming that the man is the head of the household and thus discriminating against female-headed households. Tax policies such as these can discourage women from actively participating in the labor market, affecting their potential for decision-making positions and growth.

Expenditure Side of the Budget

Expenditure allocations in a national budget provide specified amounts for line ministries to deliver services and develop infrastructure. Line ministries identify priority investments in their annual infrastructure strategies and asset management plans. The expenditure side indicates the number of people who are presently employed or will be employed by a line ministry along with the services and infrastructure to be provided during the budget period. Without disaggregated statistics, it is not possible to determine how different groups in a society will benefit from the proposed expenditure. In most countries, budget allocations to health, education and defense account for the major proportion of the budget, but the impact on the different groups is not evident due to absence of disaggregated statistics. From the gender perspective, parliamentary involvement is necessary at the formulation stage of the budget, (whether formal or informal) in order to assess whether the proposed expenditures reflect equitable benefits to men and women.

Budget Formulation and Cycle

The formulation and process of the budget involves seven key players:

1. Ministry of Finance
2. Line ministries
3. The cabinet
4. The legislature
5. Internal and external audit

6. The media
7. Aid donors

The **Ministry of Finance** is the major participant in the process of budget formulation and control of expenditure in most countries. In consultation with revenue agencies such as the Department of Taxes, Department of Customs, the Central Bank (or Reserve Bank), the Ministry of Finance will determine the macroeconomic projections and guidelines, and provide budget limits to line ministries. **Line ministries** are responsible for collection of the proposed sectoral expenditures through a process of consultation between them and the public. In some countries, line ministries will negotiate with the Ministry of Finance on the specific expenditure line items and on the basis of the agreed expenditures, the Ministry of Finance will produce the draft estimates of expenditure which must be approved by the cabinet. The consultation process between the Ministry of Finance and line ministries may or may not involve parliamentarians. In Uganda, the budget law gives the Parliamentary Budget Committee authority to be involved in the budget planning process prior to the tabling of the estimates of expenditure in the Parliament. The process in other countries is such that parliamentarians have no input until the budget is tabled in Parliament when they are expected to debate and approve the proposed expenditures. In Canada, there are formal budget consultations that take place prior to the estimates of expenditure being tabled in the Parliament. Even in countries where there is no formal intervention by parliamentarians, there are some informal consultations between parliamentarians and the officials from the Ministry of Finance responsible for preparation of the budget.

The tabling of the estimates of expenditure is followed by budget review by **committees** and **parliamentary debates**. In most countries, once the budget has been approved by cabinet and submitted to parliament, the government is very reluctant to make any adjustments. However, parliament usually has the right to amend, reject or send back the budget to the government to redraft sections not acceptable to parliament. For example, in the United States, the Senate blocked the passage of the budget in the 1990s and government departments could not incur any expenditure until the impasse was resolved. Parliamentary budget review requires research, hearings and investigation by committees, particularly the Budget Committee (where such a committee exists). The Finance Committee also plays an important role in reviewing the

impact of the proposed revenue measures. In the case of the government proposing to finance a budget deficit with loans, the Finance Committee can advise against ratification of such loans because of inflationary implications or the burden on future generations. The review process is not limited only to the two committees, but involves all parliamentarians and is a process by which the legislature exercises its oversight role by requiring the government to explain any inconsistencies between government policies and the proposed expenditures. The review period varies in different countries, but generally is a lengthy process in almost all cases. If the budget is approved, expenditures can be incurred, but only to the limits set in the budget. Prior to the approval of the budget, some countries have a provision in the Audit and Exchequer Act, or similar legislation, which allows line ministries to incur expenditure not exceeding a given percentage of the budget. When the budget has been approved by parliament, implementation of programs will be in accordance with the provisions of the Audit Act or similar legislation.

Monitoring of Expenditure

The regular monitoring of expenditure is conducted through internal and external audits. Usually the **Auditor-General** will conduct an audit of the line ministries' accounts and produce financial statements at the end of the fiscal year. The Auditor-General's report is made public, thus assisting the media in its endeavors to keep the government accountable. The report is also tabled in parliament. The Public Accounts Committee, which also monitors the implementation of the budget, also actively uses the audit as the basis of keeping ministries accountable, notably by inviting ministries to explain any irregularities or occurrences where the ministries flout the regulations. The committee's recommendations are submitted to the government for incorporation in the next budget cycle. During implementation, some unanticipated expenditure may occur, for instance a by-election or national election. The line ministry responsible for such expenditure is required to seek parliamentary approval for the expenditure, through a supplementary budget. Any expenditure exceeding the original or supplementary budget constitutes unauthorized expenditure, which is subject to investigation by the Auditor-General.

A somewhat distinct, but related, system works in countries influenced by the French legal and parliamentary system, where the government has more independence from the parliament. A system of *cour des comptes* (courts of audit) reviews expenditures and budget implementation,

in a context in which judicial decisions can be made against those responsible for irregularities. The reports from these *cours* are as a rule reported to the parliament, and help shape ongoing budget decisions, but parliaments themselves do not have to recommend specific actions against individual culprits, as in the Westminster system. Nor is a single Auditor-General responsible for financial review, instead a larger number of independent members of the audit courts make decisions collectively.

Independent audit reports are also of interest to donors, who require governments account for how the funds provided by donors were used. The donors will change or maintain their aid policies on the basis of the recipient country's accountability. Negative Auditor-Generals' reports may result in withdrawal or reduced levels of aid. In order to enforce budgetary discipline, the World Bank imposed a cash budget system for Zambia, implying that the country could only spend up to the amount available in cash, a system which can make planning a difficult task.

Box 23: Example of Ministry of Finance Control of Donor Funds

Instead of donor funds being received into the National Consolidated Revenue Fund, a separate account is opened as the "Vote of Credit." Ministries submit their expenditure proposals for donor funds to the Ministry of Finance. Upon approval of the proposed expenditure, authority is given to spend up to the specified limit. When expenditures are incurred from the National Consolidated Revenue Fund and the receipts, along with expenditure reports, are accepted by the Ministry of Finance, the funds are transferred from the Vote of Credit to the National Consolidated Fund. The ministry cannot continue to incur expenditure without the authority of the Ministry of Finance, thus, the system forces regular accountability on the part of the implementing ministry and enables the Ministry of Finance to provide the donor with regular reports on utilization of the donor funds.

Medium Term Expenditure Framework

Prior to the scrutiny of budget deficits, governments operated on incremental budgets which imply that the previous year's budget formed the basis of the next budget cycle. If budgeting is about efficient allocation of

resources, then the incremental budget system encourages inefficiency. For example, ministries would purchase before the end of the fiscal year unnecessary items simply because any unspent funds are perceived as a sign of inadequate absorptive capacity and hence a reason for

reduction of the next budget for that ministry. Once resources were allocated to one ministry, there was no mechanism for reallocating the funds to another ministry in need, thus triggering off unavoidable or unanticipated expenditure. The ministry in need of additional funds would go through the tedious process of seeking a supplementary budget approval while another ministry was carrying excess funds. Therefore, an efficient resource allocation was a major reason for the introduction of Medium Term Expenditure Framework (MTEF) budgets.

MTEF budgets provide an indication of resources available for a period of about three years (in most countries), although estimates of expenditures are approved on an annual basis. MTEF budgets are an improvement on incremental budgets in that a ministry has the flexibility to introduce new programs/projects and can also plan for a longer period than one year, which is impossible with incremental budgets. MTEF budgets allow parliamentarians to exercise their oversight responsibility by monitoring budget implementation and questioning budget allocations, which may be contradictory to government policy statements. An example of the advantage of MTEF is the South African Budget Initiative, which questioned the continued high allocation of resources to the Ministry of Defense when the country was no longer operating under the threat posed by the apartheid era. As a result of this intervention, resources were re-allocated to the education and health sectors, which benefit women the most.

What is Gender Budgeting?

A gender budget does not refer to a separate budget for women, but takes into account the inequalities that arise due to the different roles assigned to different groups in society. Gender-responsive budgeting (GRB) is government planning, programming and budgeting that contributes to the advancement of gender equality and the fulfillment of women's rights. It entails identifying and reflecting needed interventions to address gender gaps in sector and local government policies, plans and budgets.

While national budgets are developed as gender-neutral, there is increasing recognition by governments and multilateral institutions that budgetary policies have different impacts on men and women. Indeed, the UN agency, UNIFEM has even developed a [website](#) devoted to gender budgeting! What they have all seen is that the budget can be an instrument for allocation of

resources in a society and can be an effective mechanism for ensuring the attainment of objectives such as gender equality. The national budget is also an indicator of a government's priorities and hence a tool for measuring the consistency between pronouncements on gender equality and the resources allocated to achieving it.

Box 24:

Case Study: Overcoming Illiteracy Among Women in Decision-Making

The poor are often excluded from the decision-making process on the grounds of illiteracy, but a community radio project in rural Ghana helped to involve, in an innovative way, women who were often excluded from decision-making. The radio station in a rural part of Ghana worked with the community to develop community consensus over priority projects for their area. The community was divided into three groups: men, women and youth. Each group had to rank five proposed projects in order of priority. The ranking system was conducted through the use of small sticks and each group would put the greatest number of sticks on the most desired project. The proposed projects included: water, roads, health clinic, school and sanitation. The men and youth groups ranked water as their number one priority, while women singled out roads as the highest priority, contrary to the presumption that women would choose water, since they often walk long distances in search of water. As it turned out the water in the area was salty and the fresh water was supposed to be delivered by trucks. However, trucks were not coming due to the poor status of the roads. The use of sticks in determining priorities allowed the illiterate to fully participate in the decision-making process. The discussion with the women revealed that the distortions in budget allocations, which arise as a result of the assumption that illiteracy impedes participation in poverty reduction, can be countered. Failure to consult widely, including with marginalized groups such as illiterate women, leads to the inefficient utilization of resources.

Box 25:

Case Study: South Africa Gender Budget Initiative

An example of an effective partnership between the parliament and civil society is South Africa's Women Budget Initiative, which was a coalition of parliamentary committees and two non-governmental organizations; the Community Agency for Social Enquiry (CASE) and the Institute for Democracy in South Africa. The Women Budget Initiative made a significant input into the budget reform by conducting analysis of the budget allocations from the gender perspective. One of the outcomes was a report prepared by the Ministry of Finance for the Parliamentary Committee on Improvement of Quality of Life and Status of Women. As part of its compliance with the implementation of CEDAW, the Ministry of Finance appointed a Tax Commission, which reviewed the tax system and found the tax policy was discriminatory on the basis of gender and marital status. The Pension Fund laws were also found to be discriminatory, with income differential implications between men and women. Women contributed 6 percent while men contributed 8 percent of their salary towards pension, which implied a higher pension income for men than women, but that has been amended, resulting in a uniform level of contribution. A widower's pension has also been introduced instead of just the widow's pension. The Women Budget Initiative also brought attention to the skewed budget allocation towards defense expenditures, which were no longer necessary, and the Ministry of Finance responded by reducing that expenditure from 9.1 percent of the budget in 1992/93 to 5.7 percent in 1997/98.

Gender Analysis of Budget

Analyzing the budget from a gender perspective provides a useful mechanism to assess the effects of government policies on men and women, boys and girls, and the real contributions that all individuals make to the economy. In this way, government can evolve and implement policies that ensure equity.

Since poverty is most prevalent among women, gender budgeting is one of the components of studies of gender analysis in budgets, focusing on access to productive resources and women's participation in public life. Analysis typically focuses on the following four broad categories of the budget:

1. **Economic Policy** – Language in economic policy and budget statements should make reference to gender considerations, implying the same impact on men and women.
2. **Sector expenditure and gender sensitivity** – Women and men should have equal access to agricultural finance, for example through microfinance, education and health care, and welfare programs for boys and girls as demonstrated in the budgets.
3. **Gender and revenue projects** – Women should be represented in tax relief programs that take into consideration the needs of women who gain their income from the informal sector, through such things as reduced petrol prices.
4. **Budget as an instrument for promoting economic and social rights** – Gender responsive budgets provide a mechanism for reducing the disparities that exist between men and women.

Oversight Role of Parliamentarians in Gender Budgeting

Parliamentarians have a key role to play in ensuring that governments uphold the rights of all citizens. The budget is the most important mechanism for equitable distribution of resources and should be used to attain gender equality. Parliamentarians need to be conversant with the budget cycle process in order to effectively exercise their oversight role. It is often assumed that a national budget is gender neutral; that in its functions, a budget will benefit women and men, girls and boys equally. In fact, by failing to take account of the different roles, capabilities and needs of women and men, budgets can reinforce existing inequality.

Success in reducing inequality and poverty will entail the following action by parliamentarians:

- Ensure the allocation of sufficient funds to ministries and departments involved in programs and projects addressing gender equality issues.
- Insist on transparency in the formulation of the poverty reduction programs and the budget in order to allow participation by grassroots based organizations, such as women's groups.
- Request gender disaggregated statistics to assess the impact of proposed resource allocation on all groups in society.

- Where necessary, recommend the introduction of MTEF budgets to allow sectoral analysis of expenditure line items to ascertain the impact on different groups.
- Recommend reallocation of resources to expenditure items such as education and health that have a direct benefit to marginalized groups like women and children.
- Insist on the use of language that affirms the political leadership's commitment to gender equality.
- Encourage development of grassroots decentralized mechanisms to assist parliamentarians with monitoring of the budget preparation process and ensure involvement of people at community level so that the budget is truly responsive to their needs.
- Examine tax laws with a view to recommending amendments or the introduction of new laws that are gender sensitive.
- Analyze revenue measures, such as sales and fuel taxes, for its impact on vulnerable groups such as women.
- Monitor the utilization of allocated resources, and whether the stated objectives have been achieved.
- Collaborate with civil society groups to collect information on the impact of the resource allocation on different groups
- Analyze whether resource allocations to particular sectors, undertaken in line with macroeconomic policies, benefit women.

Unit 6 Questions

Please answer each of the following questions. If you are taking this course in a group you may then meet to discuss your answers.

1. Why is parliamentary involvement in the budget cycle necessary from the gender perspective?
2. Why is the media important for assuring gender equality in the budget cycle?
3. How does your parliament's Public Accounts Committee consider gender in its oversight of the budget?
4. In what ways have you seen CSOs play a role in assuring gender responsive budgeting?
5. Give an example of a way that your parliament has allowed for gender responsive budgeting?

Select Bibliography

Parliamentary Budgeting Learning Module

Internet Resources

<http://www.gender-budgets.org>