Gender Budgeting as Accountability Initiative: Public Expenditure Effectiveness on Fiscal Space and Gender Equality

18 June 2018 by Lekha Chakraborty

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Public expenditure effectiveness is hard to capture, either by using expenditure tracking exercises or through econometric analysis. The accountability of public expenditure—linking "resources to results"—has a political economy aspect as well, which complicates the analysis further.

Against this backdrop, gender budgeting has evolved as a fiscal accountability mechanism in many countries, to assess whether the money spent by the federal and subnational governments gets translated into positive gender equity outcomes. Gender budgeting is the process of applying a gender lens to public financial management,

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to analyse the gender components in public spending across all sectors—not only social sector budgets—and evaluate their outcomes.

Gender budgeting proponents have encountered opposition from macro-fiscal economists who believed that fiscal policy is gender neutral, that it is designed for men and women equally, and that it should not be complicated by the application of a gender lens. However, over the years the academic and policy resistance to gender budgeting as an accountability tool has weakened, no doubt influenced by evidence of the asymmetries in levels of socio-economic development between men and women in any country. Gender neutral fiscal policy can turn gender-blind if there are no systemic corrections. While gender budgeting processes around the world have tended to focus on public spending, the tax and non-tax revenue policies can also integrate the needs of men and women, and boys and girls, identifying the key goals or policy outcomes.

Australia was the first country to adopt gender budgeting in the 1980s. In the decades since its inception, gender budgeting has been developed as an accountability tool, used by governments to strengthen economic growth. More than 90 governments around the world are now pursuing gender budgeting, a quarter of which are in the Asia Pacific region, including India. The reason is that gender analysis in the budget can advance gender equality and the equal realization of human rights—and in turn, improve economic growth. Empirical evidence also links gender budgeting to the debates of effectiveness of public spending, which has dual dimensions: equity and efficiency.

Testing gender budgeting for gender equality outcomes and enhancing fiscal space

The pioneering econometric study of the effects of gender budgeting was carried out by the International Monetary Fund (IMF), testing the impact of gender budgeting on fiscal space and gender inequality in the case of subnational governments in India (Zaman and Stotsky 2017). The inferences from the study show that the States with gender budgeting efforts have made more progress on gender equality in primary school enrolment than those without, and that economic growth appears insufficient to generate equality on its own. However, the implications of gender budgeting for fiscal space were more ambiguous.

The political economy findings of the IMF study were equally interesting. It assessed the determinants of the decision to adopt gender budgeting across states in India through the use of econometric analysis, using the methodology by Mundle et al. (2016), from the

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National Institute of Public Finance and Policy (NIPFP), and Vaishnav and Swanson (2015), to construct the economic and political variables. It included the Governance Performance Index (using a wide range of indicators that reflect infrastructure services; social services; fiscal performance; justice, law, and order; and quality of the legislature) and other political variables like political alliances. Results find that the only significant indicators determining the decision to adopt gender budgeting are the political party variables. The Bharatiya Janata Party (BJP) alliance is positively linked to adoption of gender budgeting, and the communist party alliance is negatively linked. As per the study, the Indian National Congress (INC) does not have a significant link to the adoption of gender budgeting.

In the context of Asia Pacific countries, my colleagues and I (Chakraborty et al., 2018) used dynamic panel data models to link gender equality outcomes with countries adopting or not adopting gender budgeting. The estimation of the determinants of gender equality was established by using the Gender Development Index (GDI) and Gender Inequality Index (GII) as proxies for gender equality. Using the time span 1990-2013, the Gender Development Index is constructed on the basis of gender equality sensitive indicators (GESI) on three dimensions–education, health and income–and Gender Inequality Index data was used to capture gender disparities in health, women's empowerment, and labour force participation. Categorizing the Asia Pacific countries into gender budgeting adopting countries and non-gender budgeting adopting countries, the impact of gender budgeting on gender equality indicators was analysed at the macro level and sector-specific levels.

The highlights of the study are that adoption of gender budgeting, not economic growth per se, has a significant influence on reducing the gender inequality outcomes in Asia Pacific countries. The coefficients of gender budgeting are significantly higher than the panel coefficients of economic growth. The dynamic panel estimates also show that public expenditure variables (like public spending on health and education) are significant for the reduction of gender inequality in the region. The sectoral estimates suggest that Gender Inequality Index is significantly linked to adoption of gender budgeting, public spending on health and female literacy rate.

The impact of gender budgeting on the fiscal space is again ambiguous. The panel estimates show that gender budgeting does not determine the fiscal space at the sectoral level, especially in health and education, in Asia Pacific.

Public policy takeaways

A crucial result from our panel estimations is that gender budgeting does not have any impact on female labour force participation in Asia Pacific. This result is unsurprising as fiscal policy in Asia Pacific countries is, overall, not designed to support a care economy infrastructure, such as state-run child care centres, early childhood education by the state or state subsidized elderly support. Asian governments also do not spend significantly on other infrastructure programmes related to women's mobility, safety and security to support women's labour force participation. Higher budgetary allocations to safety and security and gender-conscious infrastructure programmes for transport and energy would likely increase women's workforce participation.

The empirical evidence from both the IMF and the NIPFP (Chakraborty et al., 2018) studies reinforces the equity and efficiency perspectives of why a government should adopt gender budgeting. Gender budgeting is a tool for transparency and accountability of public expenditure, and it can strengthen inclusive economic growth. This requires two crucial elements: gender-aware allocations (determining the plan and budgets through a gender lens) and governance mechanisms (designing institutional mechanisms to monitor outcomes, rather than financial inputs alone).

Fiscal policy is not gender neutral. Asia Pacific governments should design ex-ante fiscal policies to, for instance, strengthen the safety, security and mobility of women to work places and provide a care economy infrastructure. Governments must also ensure "fiscal marksmanship" (no deviation between what is budgeted and actual spending) and take steps for monitoring and evaluation of gender budgeting processes focused on reducing gender inequality.

Gender budgeting is a fiscal innovation and it encompasses four crucial stages:

1. model building and knowledge networking specific to a country,
2. institutional design and mechanisms to implement the process,
3. capacity building of the stakeholders, and
4. accountability mechanisms.

These empirical studies have emphasized the need to evaluate the success of gender budgeting initiatives on gender outcomes more scientifically, rather than the limited approaches of counting how many governments are holding in-service training on gender, or analysing the sex-specific composition of bureaucracy.

Does effective gender budgeting require implementation through law?

Our study identifies the integration of legislative initiatives on gender budgeting as important for future research. In the Asia Pacific, fiscal rules with deficit-to-GDP thresholds are present in legislation across countries. These rules often appear to have detrimental effects on human development financing unless the threshold ratio of deficit to GDP is met through tax buoyancy, rather than compressed expenditure, with likely negative effects on gender equality. If fiscal rules are inevitable for a country to keep debt and deficits under check, a built-in rule should also be included for a medium-term gender budgeting framework at the sectoral level. This would be in accordance with the Sustainable Development Goals 2030 Agenda to stem the "expenditure re-switching" away from gender-aware financing requirements.

Further reading:

Chakraborty, L, Ingrams, M & Singh, Y 2018, 'Fiscal policy effectiveness and inequality: efficiacy of gender budgeting in Asia Pacific', Working Paper No. 224, National Institute of Public Finance and Policy, New Delhi.

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