

FISCAL DECENTRALISATION AND GENDER BUDGETING



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Preface

Calibrating fiscal policies to ensure a meaningful gender neutral participation in organised economic activities is a formidable challenge faced in all countries. Much of the mainstream literature in public economics justifies governmental intervention for the provision of public goods, which, by definition is 'non-rival' in consumption and 'non-excludable' and therefore, gender neutral. Other cases of public provision refer to 'merit goods' which are provided due to the high degree of externalities. While the mainstream discussion presumes that the benefits from such goods and services are gender neutral, in reality, in a society where there are differential access and opportunities for men and women, benefits will significantly vary. Differential benefits to men and women can occur both in the process of input purchases in the course of providing goods and services or in availing externalities from them. In most societies, the participation of women in organised economic activities is much lower than that of men and even when they participate, they bear disproportionate responsibility and burden in running their households. Nevertheless, participation in organised economic activities empowers women. Therefore, it is necessary to work on the budget system that would facilitate greater participation of women in organised market related activities and reduce their drudgery in the process of participation.

Most of the studies on gender budgeting essentially estimate the expenditure components of the items identified as those that benefit exclusively and mainly the women. This requires assumptions and judgements to be made about the incidence of expenditures. Besides, it does not provide any policy guidance as to adequacy or otherwise of the gender component in the budgets. Furthermore, the entire approach is reactive as against the proactive approach required to empower women with capabilities.

The proactive approach to gender responsive budgeting should begin with identifying the programmes that would empower women with capabilities and provide them with opportunities to participate in organised economic activities on the one hand, and enhance their conditions and consumption entitlements on the other. Given that most of the allocation decisions are taken at the subnational level, the appropriate way to initiate gender responsive budgeting is at decentralised levels. Meaningful gender responsive intervention through budgets is possible only when the decentralised levels of government take a proactive stance of identifying the expenditure programmes, costing them, and including them in their budgets.

This study is an attempt to conceptualise gender responsive budgeting at decentralised levels and analyse the local level gender responsive budgeting systems and practices in Mexico, Morocco, Philippines, South Africa, and India. The study analyses the present status and various initiatives on local level gender responsive budgeting in these countries. It is hoped that this work will generate more informed discussion on this important area of policy and will help in improved formulation of gender responsive budgeting at local levels.

M. Govinda Rao

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The study on Local Level Gender Responsive Budgeting was sponsored by the United Nations Fund for Women (UNIFEM). The major objective of the study is to analyse the Gender Responsive Budgetary Practices at Local Level in selected countries and draw lessons from their experiences. The project commenced with the international expert group consultation workshop at Delhi, where many conceptual and empirical questions pertaining to the project were discussed. This is followed by fieldwork by the study team in the five countries chosen for the study namely, Mexico, Morocco, Philippines, and South Africa and India. The fieldwork also facilitated detailed consultations with the officials and experts of UNIFEM, those in charge of formulating budgets, at both central and local levels, and many experts in this area of study. This report presents the findings of the studies undertaken in these countries.

We consider this an extremely important study having a bearing on human development and welfare. The initiative taken by the UNIFEM in sponsoring this study has provided us with an important opportunity to understand the challenges in formulating and implementing gender responsive budgeting at the local level and the preconditions required for the success of this initiative. We would like to place on record our deep appreciation to UNIFEM, New York, and European Commission for sponsoring this study and providing us an opportunity to understand the important issues involved in strategising women's empowerment through budgetary decisions. Our special thanks are due to Nisreen Alami (UNIFEM, New York) for constant co-ordination of the project. A study with such an important scope and spanning five different countries spread over three different continents took much longer than originally expected and Alami has had to constantly monitor the work, and put up with our unavoidable delays. We are grateful for her constant support. We also deeply appreciate the keen interest shown by the IDRC in this study.

We take this opportunity to express our sincere thanks to the delegates of the International Expert Committee Meeting on Local Level Gender Responsive Budgeting held at New Delhi, November 1-4, 2004 organised by NIPFP in association with UNIFEM, European Commission, and IDRC. This was the first meeting of its kind, which created a platform to bring together the practitioners, policy makers, researchers and academia and international agencies committed to local level gender responsive budgeting. The countries which participated in the meet were Bangladesh, Brazil, Canada, India, Indonesia, Mexico, Morocco, Nepal, Pakistan, Peru, Philippines, South Africa, Sri Lanka, Uganda, UK, and USA. This global meet was the first phase of the project, which helped in identifying the countries for further research.

The countries identified for the study were Mexico, Morocco, Philippines, South Africa, and India. The Regional offices of UNIFEM in these countries have

extended excellent co-operation to the study team to make the field visits productive. They have coordinated the visits extremely well, both in terms of providing logistical support and in enabling the meetings of the study team with all relevant officials and experts. Our sincere thanks are due to them, especially Celia Anguilar (Programme Officer, UNIFEM Mexico), Zineb Touimi Benjelloun (Regional Programme Director, UNIFEM, Morocco), Hayat Garbi, Alka Rijal of UNIFEM East Asia and Nomcebo Manzini (Regional Programme Director) and Sheila of UNIFEM, African Region and Chandni Joshi (Regional Programme Director), Firoza Mehrotra and Benita Sharma of UNIFEM South Asia.

We are grateful also to many experts we met in all the countries during the course of our visits, for sharing their valuable insights and readily providing us with a lot of useful information and data and for making our study visits successful. The study team benefited greatly from the meetings with the officials of Department of Finance, Statistical Office and Department of Local Governments (Interior); civil society, parliamentarians, local councillors, academicians and practitioners of local level gender responsive budgeting across these five countries.

One of the major problems faced by the study team was that in some of the countries visited, particularly Mexico and Morocco, most of the information, data and literature were in languages other than English. We had to avail the services of interpreters in both the countries and get a lot of study material translated to English. We highly appreciate the professionalism of the interpreter Mohammed Bennis, who worked with us in Morocco and Sabina Trigueros, who translated the relevant documents in Mexico. Finally, we deeply appreciate the research assistance from Samik Chowdhury and Darshy Sinha of NIPFP throughout the endeavour. Rita Wadhwa assisted in editing and production of the publication. Kavita Issar formatted the study in the present form.

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I INTRODUCTION

There has been a worldwide trend towards decentralisation in recent years. Many countries have experienced devolution of administrative, political and fiscal responsibilities to lower levels of government. Dissatisfaction with the prevailing centralised systems of service delivery, transition from centralised planning to market economy, deepening democratic principles and increasing need to recognise social, economic and political diversities in different regions within the countries are some of the important reasons cited for this phenomenon. This trend towards decentralisation is seen in countries with federal constitutions as with unitary systems; it has spanned across countries with varying levels of development; it is seen as much in transitional countries and even military dictatorships as in democratic countries (Litvack, Ahmad, and Bird, 1998).

An equally important issue that has appeared on the radar of fiscal reforms in many countries is the gender sensitivity in budgetary policies. Greater awareness of gender inequity in public service delivery and the need to bring the women into the mainstream of economic activity, for reasons of both better resource utilisation and improving productivity, has led to the initiatives in adoption of gender responsive budgetary policies. While most attempts at gender responsiveness was confined to quantifying the share of the expenditures, particularly at the central level, with predominantly assumed benefits to women, the holistic approach to empower women through budgetary policies will have to be evolved.

Thus, decentralisation reform and gender responsive budgeting are two facets of budget reform needed for efficient, equitable and responsive public service delivery. These are complementary reforms and each becomes more effective when calibrated simultaneously. Gender responsive budgeting at the local level, like other affirmative actions to deal with issues of income, poverty and empowerment of socially disadvantaged sections of society is an important initiative, to improve efficiency and target delivery of public services to these disadvantaged groups. This is significant in ensuring both equity and efficiency in the delivery of public services, particularly in the context of skewed power structures at local levels, which leads to “elite capture”.

From public finance perspective, gender responsive budgeting at local level assumes importance when the public service delivery is organised according to the decentralisation theorem¹ (Oates, 1972) or the principle of

¹ According to the decentralisation theorem, when the preferences across sub national jurisdictions are diverse, decentralised provision will result in higher welfare than a centralised provision. Similarly, according to the principle of subsidiarity, the public service should be provided at the lowest level of government unless there are enough justifications for providing at higher levels.

subsidiarity According to this, the most efficient public provisioning of goods and services, government activities should be located at the level of government closest to people. This is because, centralised provision of public services cannot cater to diversified preferences for public services from different sections of society and so long as scale economies, organisational and co-ordination costs do not outweigh the gains from matching the diversified preferences, decentralised solution should be preferred. According to the principle of subsidiarity, all public services should be provided by the local levels, unless there are compelling cost advantages.

At the local level, most of the services provided are quasi-public goods and merit goods. In respect of most of these services it is possible to identify the potential beneficiaries. In such situations, it is important to allocate resources carefully, to ensure proper access of public services to the disadvantaged groups including women. However, since it is possible to identify beneficiaries of public services in most cases, the political economy may work against proper allocation and locally powerful elite may not allow a fair allocation. Gender sensitisation is important to ensure a fair allocation of resources.

Distracters point out four important dangers of decentralisation. First, it is contended that decentralised system renders calibrating macroeconomic stabilisation policies difficult. The sub-national jurisdictions may follow pro-cyclical fiscal policies and this could make the overall stabilisation difficult (Tanzi, 1995). While this could indeed be an important constraining factor, it is necessary that the gains from more efficient and targeted public service delivery should be weighed against greater difficulties in stabilising the economy. In any case, so long as the system ensures hard budget constraints to local governments, the difficulty in calibrating stabilisation policies is minimised. The second argument against decentralisation comes from the poor capacity of the local governments to provide public services. This, however, is an issue of developing capacity alongside devolving powers rather than taking a centralised solution. The latter may be an inferior option and therefore, alongside fiscal devolution to local governments, it is necessary to build their capacity as in the case of some of the Latin American countries. The third important argument against decentralisation is that it is contended that the local governments are more corrupt and decentralisation will result in increased corruption (Proud'homme, 1995). A careful analysis shows that there is no a priori reason to show that decentralised governments are more corrupt. In fact, as in most countries, the volume of spending is much larger at the central level; the possibility of corruption there is more. Besides, being closer to the people, local governments are forced to be much more transparent. In any case, this is an empirical issue and there is no evidence to show that local governments are more corrupt than the central governments. Finally, in most central governments, it is asserted that the power structure at local governments is skewed and therefore, decentralisation will lead to 'elite capture' of public services provided. As well argued by Bardhan and Mookherjee, (2000) whether

decentralisation leads to elite capture or not depends on, whether the elite capture at local level is less significant than at the central level (Bardhan, 2002).

The weight of the opinion therefore is that decentralisation leads to more efficient and equitable provision of public services and ensures more equitable access to public services. In a situation where the power structure distribution is skewed, be it among rich and poor, between different social groups or among men and women, affirmative action is the only way to overcome the problem. The feminisation of governance at local level may have an impact in changing the expenditure decisions at local level incorporating specific gender needs. Fiscal decentralisation provides an important opportunity for participatory governance.

A significant proportion of the local budgets financed through intergovernmental fiscal transfers. An evident question at this point is, should the higher levels of government prescribe spending patterns to local governments? It would appear that there are advantages in such a system. As women's empowerment is a "merit" good, would it be appropriate to give specific purpose transfers to such items of expenditures with significant benefits accruing to women. However, such an approach makes an unrealistic assumption that higher levels of government have perfect knowledge and foresight. In a situation, where it is difficult to segregate the benefits and often those assumed to benefit women actually do not depending on the way the society is organised, such a generalised approach may not serve the purpose.

Keeping these theoretical perspectives, the study examine the fiscal decentralisation process and gender responsive budgeting at local level of selected five countries; viz., Mexico, Morocco, Philippines, South Africa, and India. These countries are at different stages in terms of decentralisation process and also attempts towards gender responsive budgeting as well.

1.1 THE OBJECTIVES

The specific objectives of the study are the following:

- to analyse the fiscal decentralisation in terms of institutional mechanisms, revenue and expenditure assignments and intergovernmental transfers in selected countries with a gender perspective.
- to examine the specific initiatives in gender sensitive public service delivery in selected sectors of these countries, at national or sub-national levels, if any (for instance, the health sector initiatives at national level in Mexico; health and agricultural initiatives in *Barangays* in Philippines).
- to examine the budgetary processes and the governance structure at the local level to identify the entry points for institutionalising gender responsive budgeting.

1.2 DATA AND METHODOLOGY

The data is gathered through desk work and field visits to the selected countries and by conducting interviews with the key informants of local level gender responsive budgeting in research institutions, Ministry of Finance, Statistical Office, Department of Local Governments (interior), sectoral departments at the national and sub-national level, civil society, local councillors and Parliamentarians and UN agencies. The methodology adopted for the study is both quantitative and qualitative.

1.3 CHAPTER SCHEME

The chapter scheme of the study is as follows. Apart from the introduction, chapter II deals with the conceptual issues related to gender responsive budgetary policies and fiscal decentralisation. The next five chapters (Chapters III - VII) respectively deal with the fiscal decentralisation and gender budgeting experiences of Mexico, Morocco, Philippines, South Africa, and India. Chapter VIII summarises and identifies the institutional and policy reforms in terms of gender equity in budgetary policy and draws lessons for future.

II GENDER RESPONSIVE BUDGETARY POLICIES AND FISCAL DECENTRALISATION: CONCEPTUAL ISSUES

2.1 PUBLIC FINANCES IN A DECENTRALISED SYSTEM

A large part of the mainstream literature on budgetary policy assumes that all consumers of public goods are similarly placed and they have equal access to these goods and services. The Musgravian tripartite classification distributes governmental functions into allocation, stabilisation and distribution branches (Musgrave, 1959). While the allocation branch is supposed to ensure efficiency in resource allocation between private and public sectors on the one hand, and between various public goods and services on the other based on the consumers' choice, the function of the stabilisation branch is to ensure a stable macro economy for the economic agents to perform. Any differences in the capacities and entitlements are supposed to be dealt with by the distribution branch. Allocation branch provides public goods and services which are non-excludable and non-rival in consumption and therefore, equal access of these services is ensured. As regards excludable public services or 'merit' goods, it is assumed that the operation of distribution branch ensures equal access. Thus, benefits from public services are seen to be "neutral".

This form of organisation of public finance, segregating the functions of the government, assumes these are water-tight compartments. In this scheme, the operation of the distribution branch is supposed to ensure equal access to services and redistribution is calibrated essentially among different income classes. This equality is defined with reference to income or wealth and thus, the focus of the distribution branch is to redress unequal access of public services for persons with different incomes.

In reality, however, allocation of resources between different families and even within families between different members and more particularly between men and women can determine empowerment and this determines the access and entitlements. Again, in the mainstream analysis, the characterisation of disadvantaged groups is confined to those in the lower end of the income scale. There is no attempt to deal with the problem of ensuring differential access either to various social, religious and ethnic groups or take into account the unequal gender status in its analysis. It is important that the analytics needs to be extended, to ensure participation of the disadvantaged groups in production process, including those that are socially disadvantaged and gender discriminated, besides those considered in terms of income accrual. Of course, more recent literature on investment in human capital sees the disadvantaged groups not merely as consumers but also as agents of production. Public policies geared towards improving their capability not only provide them

adequate consumption entitlements but also enhance their productivity and contribution to economic growth.

The literature on gender sensitive macroeconomics has underlined the fact that a great part of the work undertaken by women including social reproduction is unpaid and therefore their contribution to the society is substantially understated if not totally ignored. Inclusive development should make women participate in marketed economic activity and paid work. Greater participation of women in economic activities would help in better utilisation of resources in the economy and enhance growth and social development. As the proportion of women engaged in organised economic activities increases, both capacity utilisation and rate of productivity growth would increase. This not only places larger resource to women within families, societies, regions and in the country to ensure greater gender empowerment, participation in paid work and decision making and equitable access to services.

Critical to ensuring gender equity is the removal of inherent disadvantages to women and sensitising both men and women to the gender concerns. The gender bias is rooted in historical, social and economic factors and the issue of sensitising people to gender concerns will take a long time. There are also a variety of policy interventions, both at micro and macro levels, that are needed to include gender in public policy. Policy interventions can be thorough enactment of laws and their implementation, the development strategy chosen, and provision of services to build capacity among women, providing education and training, particularly vocational education to uneducated women, and undertaking measures to economically empower them. This includes laws of inheritance, laws and regulations relating to the status of and opportunities to men and women in economy, polity and society. Thus, ensuring gender equity is multi faceted and interventions undertaken through the budgets are not the only means of ensuring it.

Nevertheless, the budgetary policy is an important means of ensuring access, empowerment as well as empowerment and therefore, has a critical role to play in ensuring gender equity. When properly calibrated, gender sensitive budgets can not only ensure equitable access of public services to women but also can be used to build capacity in them resulting in their improved productivity. These could help enhancing the economic, social and political empowerment of women. If accompanied by other complementary policies, gender responsive budgeting can be important and effective means of accelerating participatory growth and human welfare.

In societies with significant social, political, and economic diversities, it is found that fiscal decentralisation provides an important means of improving efficiency in the provision of public services. In particular, 'excludable' or 'congestible' public goods, which do not have significant scale economies, are more efficiently provided at sub national levels. Being closer to the people, they

can understand and elicit diversified preferences of the people better and at lower costs, identify and adopt the most appropriate technology for the provision of the services, choose appropriate policies and programmes required to ensure fair distribution of resources between various income groups, social classes and men and women and design and implement these policies and programmes more effectively than in a centralised system. It is also felt that decentralisation can enhance dynamic efficiency by promoting competition between decentralised jurisdictions. The horizontal competition ensures gains in efficiency and increase in productivity through the 'Salmon mechanism', in which intergovernmental competition is activated by benchmarking the performances of other governments (Breton, 1995). The voters and opposition parties compare the supply performance of their governments with the benchmark performance and influence supply decisions (Breton, 1995, Salmon, 1987). However, in most developing countries, the institutions and policies required for intergovernmental competition do not exist and therefore, there may not be much gain in efficiency through intergovernmental competition.

Although there are differences in the views on the motivation and capacity of the local governments to deliver public services in a fair and efficient manner, the weight of opinion has ruled in its favour. If, indeed, these excludable public services are provided at the local level, it is important to ensure gender equity in the provision of these services which impact not only on the consumption entitlements but also on the production capacity and paid work participation of women.

This chapter deals with local level gender responsive budgetary policies. It deals with the conceptual issues on how budgetary policies can be oriented to improve gender equity and how local level gender responsive budgets should be planned and implemented. In section 2, we discuss the gender responsive budgeting systems, section 3 will analyse critical issues in fiscal decentralisation and gender responsive public service delivery. The appropriate design of intergovernmental transfer systems for gender responsive local public service delivery is analysed in section 4. The last section summarises the major conceptual issues.

2.2 TOWARDS A GENDER RESPONSIVE BUDGETING

2.2.1 Budgetary policy and gender equity

There is a substantial body of theoretical literature and empirical evidence demonstrating that gender inequalities result in women's excessive time burden, besides inefficient use of human resources. There is also enough evidence to show that gender inequalities constrain growth and impede human development (Evers, 2003). Lack of participation of significant portion of women in organised economic activity causes low efficiency in resource use and denial of access and

opportunities for human development restrains productivity growth. Gender inequalities can also lead to low levels of human development, heavy work load on women resulting in adverse impact on labour productivity, inelastic labour time. Low substitutability between male and female labourers could cause unequal access to resources within households, firms, government as well as the economy. This could cause significant misallocation of resources in labour, credit, capital and commodity markets and can adversely impact economic growth. Gender inequalities in the labour market could cause large wage differences with adverse implications on labour productivity.

Inclusive development requires policy and institutional changes to remove gender inequalities. Interventions in this regard will have to address the issues of improving, for women, opportunities and access to ensure both consumption entitlements and enhance capabilities, remove obstacles and create environment for decision-making and lead a dignified life. This calls for measures like equitable consumption entitlements in the short-run and enhanced long-term investment opportunities in physical and human capital. This is possible only when women are empowered to take decisions.

A number of social, economic, religious and political factors determine entitlements, capabilities and empowerment of women. These include the system of inheritance, ownership and access to assets, status of men and women in social, economic and political participation, which *inter alia*, determines the distribution of resources within households. At the same time, these factors also determine the power relationship between men and women. It is also seen that economies that follow import substituting growth strategy have more gender inequality than those that follow export led growth strategy, as the development in the latter based on comparative advantage is resource based and includes people in development. A developmental strategy based on local resources does not require women to migrate from one region to another, and participation in development does not require high degree of specialised skills. Further, significant participation of women in export industries contributes to their economic status, which is critical in determining the power relations.

In most traditional societies, prejudices against women are considerable and that not only denies ownership and access to capital (including land) and resources for women, but also is a stumbling block for realising their potential, increasing their capabilities, participation of women in marketed activities and paid work. It is here that besides various policies, civil society organisations and women's groups can play an important role. Advocacy and education can ensure a secure environment for women's participation. However, in such societies, civil society organisations and self-help groups are either absent or are themselves prejudiced and insensitive.

State interventions to reduce gender inequality have to come from a variety of ways. If this is a part of the development strategy rather than a policy

intervention calibrated in isolation, economic empowerment of disadvantaged groups and ensuring gender equity will be faster. The success of the measure depends upon taking these as a part of the development strategy itself. In addition, both microeconomic and macroeconomic policy interventions would have to incorporate the gender dimension. As mentioned earlier, there are a number of policies and regulatory systems that restrict the participation of women and they need to be addressed.

Budgetary policies can be designed and implemented to reduce gender inequality in three different ways. First, the policies will have to be designed to ensure fair distribution of benefits of budgetary policies. Provision of drinking water supply, for example relieves the burden of fetching water from long distances, which is mainly borne by women. Access to clean fuel at affordable prices would improve the health of women. Providing trained female nurses at primary health centres will help women to adopt family planning. Providing crèches to look after children in locations near work can improve work participation, increase school enrolment and reduce drop out ratio of female children.

Second, budgetary policies should be calibrated to build skills and capabilities among women to ensure that greater proportion of women participate in paid work and get the opportunities to enhance their productivity. Focus on female education and healthcare, as already mentioned, enhances the utilisation ratio of human resource and enhances the productivity, thus contributing to the increased incomes and welfare of the community. Higher education of women also helps in demographic transition and educational levels of children of educated mothers would be considerably higher.

Third, interventions to improve education and health care have helped to reduce gender inequalities in a variety of ways. This has brought in democratic transition, improve labour productivity among family labour, higher income earning capacities, larger resource allocation to women within households and greater participation of women in decision-making. This has also improved the women's access to various public services. In short, budgetary policies help in participatory development and empowerment of women.

2.2.2 Burdens and benefits from budgetary policies

In calibrating budgetary policy to promote gender equity, it is important to understand how budgetary policy taken in the aggregate and each of the major components of the policy namely, tax policy, public expenditure policy and government borrowing impact on different social and economic classes of people including men and women. The aggregate budgetary policy impacts on macroeconomic aggregates such as incomes and prices and this would have differential impact on men and women. Changes in the effective demand would have differential effect on the employment and incomes of men and women

depending on the access and participation in paid work. Similarly, increase in the price level would have differential impact on men and women, as this could alter the real income allocation within the family. Besides the effect of aggregate budgetary policies, each of its components has impact on men and women differently. Thus changes in tax policy can alter the allocation of resources within the households and the benefits of expenditure policy depend on the access to these services by men and women. In addition to macroeconomic effects on employment, output and prices, the individual components of budgetary policy may also impact resource allocation through their effect on relative prices and this could impact differently on men and women.

Two important issues must be noted in the gender analysis of budgetary policy. The first is that the analysis should not only consider the effect at the point of impact of policy but also its ultimate burden or benefit. In other words, it is important to consider the general equilibrium effects. Reduction in the marginal tax rates may, for example, increase the after tax incomes of the households and at the margin, may allocate more resources to women within the household. However, if the reduction in tax rate results in reduced tax collections and this results in lower public spending and if the marginal loss employment of women is more, it would be inappropriate to advocate the policy of tax rate reduction from the gender perspective. Considering the total impact of policy changes helps to make clear policy choices. The second important issue actually follows from the first and that is individual components of the policy should not be seen in isolation. It is helpful to see the impact from a 'differential incidence' perspective. In other words, it is important to analyse the impact by considering the counterfactual, namely, what would have been the effect on men and women with and without the policy intervention. Thus, if an additional tax concession is sought for women, it is important to analyse the effect of reduced revenues, which could be reduction in expenditures or increased deficit. Similarly, effect of increase in expenditure on any item could result in reduced expenditures on others, or financing it through higher deficits or taxes. The effect of increase in expenditures on gender equity should take into account not merely the direct effect of increase in expenditures but also the way in which it is financed.

Analysing the impact of budgetary policies in a general equilibrium framework taking into account the interdependence of various components of the policy is extremely difficult. In most of the countries such general equilibrium models for simulating policy choices hardly exist and the policy calibration is done mostly on the basis of judgements. This could lead to inappropriate policy choices and misleading advocacy. There are not alternatives for developing robust empirical general equilibrium models to analyse the impact of budgetary policy for appropriate policy choices.

Analytical work on gender responsive tax policy is scarce. Much of the work on tax incidence basically looks at the distribution of tax burden in terms of

income/classes [Pechman, 1985; Galetovic Engel; and E. Claudio (1999)]. Empirical studies on the impact of tax reforms policies on the employment of men and women in the short as well as long term also can provide useful policy guidance. In the United States, a number of studies have examined the effect of *Tax reforms Act, 1986* on female employment.² In most developing countries, where the gender inequity is much more than in advanced economies (mainly because the participation in paid work and economic empowerment is more in advanced economies), there is very little empirical work examining the impact of budgetary policies.

In some countries, greater tax concessions are given to women for reasons of gender equity. This can take the form of higher exemptions in personal income tax for women, providing tax concessions for savings and investments by women and exempting commodities and services predominantly consumed by women. In India for example, the 2005-06 budget increased the general exemption limit to Rs. 100,000, for women this is kept at Rs.135,000. In indirect taxes too there are cases where the items consumed by women have received concessional treatment. In fact, many argue that such concessions are an important policy instrument to promote gender equity.

This is not to say that use of tax policy for gender equity is inappropriate. There can be policy instruments that can result in equitable allocation of resources and it is important to identify such policies. For example, a substantial reduction in registration fee for immovable properties owned by women could change the ownership pattern of properties. Although initially, this may be only on paper, the legal ownership of the property by women could provide them greater security.

In general, it may not be advisable to make such discriminations in the design tax policy, for they complicate the tax system and provide avenues to avoid and evade the taxes and erode the tax base. In the case of income tax, for example, the differential exemption limit and rate of tax may be used to misclassify and evade and avoid the tax. Again, such concessions result in loss of revenue and this could cause the revenue and fiscal deficits to increase. This might pose greater burdens on women, particularly poorer women than the benefits from the lower tax rates enjoyed by the richer women. Similarly, in the case of indirect taxes, rate differentiation based on, whether or not a commodity is a commodity or a service predominantly used by women, will only complicate the tax system resulting in greater avoidance and evasion of tax. In any case, empirical studies in both developing and advanced countries show that the ability of the tax policy to undertake significant redistribution is limited (Harberger 2003; Bird and Zolt 2005; and Engel Eduardo, *et. al*, 1999). Besides, differentiation in

² Specifically, studies by (Eissa, 1995) have shown that in the short-run the impact of lower tax rate under the TRA was to increase the female labour supply, though in the long run, the estimates show a much lower elasticity. For a comprehensive survey of these studies, see Auerback and Slemrod, 1997.

tax rates provides scope for special interest group activity, adds to administrative difficulties and provides avenues for evasion and avoidance of the taxes. Therefore, from the public finance perspective, it would be advisable to focus more on the expenditure rather than the tax side of the budget to ensure gender equity.

There are a variety of issues confronting gender equity when we look at the expenditure side of the budget. The first relates to the need for an analysis on the implications of budgetary spending on men and women. This would require tracing the benefits of expenditures for men and women. However, significant portion of spending in many countries is on non-excludable public goods and many with nationwide benefit span. It is difficult to identify the benefits of these goods on men and women and in the end only a small proportion of the expenditure gets allocated. Such analyses do not provide any insights. Again, such analyses can only attempt to identify immediate benefits and not ultimate incidence, including the second round effects of expenditures. Moreover, such an approach basically gives some information about the benefits of expenditures after incurring it and does not help to strategise the gender-based expenditure allocation. This exercise helps to highlight the fact that the proportion of spending allocated to improve the entitlements and capabilities of women in most countries is abysmal, and if backed by effective advocacy, may help to enhance the allocation to such programmes at the margin.

Another approach to gender responsive budgeting is to identify the policies and programmes that would have significant benefits to women, prioritise them to the extent to which these expenditures can bring, improve entitlements and capabilities of women and about gender equity. This would require considerable emphasis on information, technology, and advocacy. Information on the consumption entitlements and capacity building has to be collected at the household level and a particular programme can have different benefits for men and women in different locations. The adoption of technology for the provision of different services could have differential effects on man and women. Once programmes and policies ensuring gender equity are identified, advocacy to adopt these programmes and policies are necessary to ensure that these are duly adopted.

Much of the gender budgeting exercises adopt the first approach. As mentioned above, in this approach, expenditure benefits have to be traced to men and women based on available information. Public expenditures are incurred on non-excludable public services and those with varying degree of externalities. Within the latter, expenditures incurred are on those services, which are in the nature of improving consumption entitlements and those that contribute to investments – both physical and human. Ultimate benefits of public spending, not only depends on the immediate purchase of inputs that would go into the inputs that are used in the provision of public service, but also the transformation

of inputs into outputs and outcomes. This would require a detailed expenditure tracking analysis to identify the gender incidence.

Public expenditures are incurred to provide both 'excludable' and 'non-excludable' services. While it would be incorrect to infer that all non-excludable services are gender neutral and therefore, need not be considered for gender analysis, the difficulties of expenditure tracking in respect of these are insurmountable. This is particularly true of the national public goods. In the case of local level non-excludable public services, however, it may be possible to allocate the benefits to men and women based on the actual use of the services. Provision of rural roads, for example, may not only improve greater mobility, which may be taken advantage of probably more by men than women, but may also open up demand for products produced by women in the households and thus may improve their economic status. A clear analysis will have to identify, not only the direct benefits, but also the benefits accruing from externalities.

Although the problems are less severe in the case of excludable public goods, the difficulties in tracing the benefits arising from externalities remains. Opening of a school for girls may improve female enrolment but may increase the hardship of the working- women with small children, who would otherwise have been taken care of by their sisters, who are now enrolled in schools. If this results in income loss, the net benefit of opening the school is reduced to that extent. A complementary programme of opening crèches could, not only increase enrolment of girls in schools (and this builds capabilities), but also allow the mothers to participate in paid work and enhance immediate consumption entitlements.

As mentioned above, the impact of public spending needs to be analysed, not only from the perspective of improving consumption entitlements or the distribution of benefits between men and women, but also from the viewpoint of improving their capabilities. Public expenditure has, not only the consumption elements, but also contributes to human capital formation. It is extremely important, therefore, to analyse the contribution of public spending on human capital of men and women separately. Improvement in education and health care and skills developed among women enhances their productivity, ensures demographic transition and improves their probability of joining the paid work force. This enhances the economic status of women and contributes to overall gender equity. Unlike in the case of improving consumption entitlements, investment in human capital, not only enhances the present access of women to public services, but also empowers them for future entitlements and contributes to making women a productive work force.

In the second approach, discussed above, helps to set the targets and plan the programme of improving gender equity. A scientific approach to this would also call for preparation of medium-term targets and prioritising them for

inclusion in annual budgets. This approach is proactive as it helps to identify gender sensitive policies and programmes and mechanisms to implement them.

It would be useful to complement the two approaches by adopting both of them. As already mentioned, the first approach helps to highlight the prevailing inequities whereas, the second provides a mechanism to improve the allocations. However, in most of the countries where gender budgeting has received some attention, the process has stopped with the first and much needs to be done to operationalise the second.

2.2.3 Capacity building for gender equity and productivity growth

Building gender balance in budgetary policies, not only helps to access equitable share of benefits and costs between men and men, but also helps in ensuring equity in empowering them. As already mentioned, public services are provided, not only for final consumption, but also as instruments of capacity building and empowerment. Capacity building of women helps in providing greater opportunities and access to paid work, enhances productivity and economically empowers women.

The most important way in which gender equity and sensitivity can be improved is through empowerment. Empowerment improves entitlements and thus, enhances economic, social and political status of the disadvantaged and gives them a greater role in the design and implementation of policies and programmes and in decision-making. The most important way in which this can be accomplished is through ensuring gender equity in human development. In most developing societies and even in developed economies, there is a definite *bias* against women in human development. Women's participation in education is significantly lower, the nutritional status of girl children and women are lower and availability of convenience of access of healthcare to women, particularly from poorer sections of society is inadequate. Gender equity in human development is important to ensure inclusive development. Ensuring gender equity in education, for example, not only enables enlightening of population, but also enhances the participation of women in paid workforce, contributes to productivity growth. Besides, this enables healthier population and contributes to demographic transition. It is therefore important to ensure that even while providing equal access to public services, the budgetary policy should ensure gender equity in human development.

2.3 GENDER RESPONSIVE BUDGETARY POLICY AND FISCAL DECENTRALISATION

A notable issue in the gender equity in the distribution of burdens and benefits of budgetary policies among men and women is that there are no general rules on the distribution of benefit pattern. A particular expenditure item

may be extremely beneficial to women in some locality, but need not be so in another. In a desert region, provision of potable water supply to the household may bring in considerable relief from the hardships to women, who are required to travel long distances and spend a lot of time fetching water. In other places, fetching firewood may be the most burdensome problem for women. In the first place, provision of potable drinking water will free women to do more productive work and in the second, subsidising fuel may be the answer. In some places, merely constructing the toilets in the schools and having lady teachers may improve female enrolment. In other places, in addition to these, it may be necessary to have a community arrangement of looking after the small children, which can free the elder daughters to attend school. A particular methodology of providing the service may be effective in ensuring gender equity but in another, other methods may be more effective. Thus, the type of interventions required to improve gender equity and reduce women's hardship could vary from place to place depending on preferences of people, consumption habits, income levels, social values, topography, environment of the regions and many other factors.

When wide variations exist in the preferences and requirements of various public services across regions within a country and effectiveness of technology and methods of providing public services too can vary widely. It is important to have a good information and thorough understanding of the preferences, resources and technology to make appropriate policy choices, method of providing them in a cost effective manner and prioritise them. It is important to have the information on which programmes are based to ensure gender equity, and how these programmes can be made gender sensitive. It is in regard to effectively eliciting the preferences and identifying appropriate method of providing the service that local governments have a comparative advantage. They are better placed to collect information at lower cost and the transaction cost of providing public services according to the varying preferences would be much lower at local levels, where the governments are closer to the people. In other words, central government cannot be expected to have the information on the gender sensitivity of various programmes and the effectiveness of various methods of providing them.

In the literature on fiscal federalism, it is well recognised that while the local governments have comparative advantage in providing public services due to lower transaction costs, it is the higher level governments that have comparative advantage in raising revenues. All broad tax bases are mobile and therefore, cannot effectively be subject to tax at the local level. Most redistributive taxes may fail at the local level, as the local bodies may follow regressive policies to attract capital to their jurisdictions. The 'race to the bottom' arising from competition to attract capital may cause distortions in resource allocation and could result in lower tax collections and under-provision of public services. While, it is important to identify the tax bases suitable for the levy of local taxes to ensure that they do raise revenues to finance public services, to link spending decisions with that of raising revenues at the margin for reasons of incentives

and accountability, it is important to recognise that assignment of functions and sources of finance, according to comparative advantage, necessarily results in vertical fiscal imbalances. Similarly, as there are wide variations among the local governments in their ability to raise revenues or unit cost of providing public services, to enable all jurisdictions to provide a given level of public services at a given tax-price, such fiscal disabilities need to be offset. The resolution of horizontal and vertical fiscal imbalances requires a properly designed intergovernmental transfer system.

2.4 INTERGOVERNMENTAL TRANSFER SYSTEM FOR GENDER RESPONSIVE LOCAL BUDGETING

2.4.1 Gender responsive fiscal decentralisation and inter-governmental transfers

A gender sensitive public expenditure policy, as mentioned earlier, should not only ensure that the mix of public services chosen provides equal access to public services to women, but also helps in building capabilities among women in equal measure. It is only through ensuring short-term entitlements and long-term capabilities that mainstreaming women could be accomplished and their economic empowerment made possible. Once the mix of public services that would contribute to ensuring entitlements and capabilities of women at the local level is identified, the next step is to ensure their prioritisation and inclusion in the budgets. While the local governments have a comparative advantage in public service delivery, it is the central government, which has comparative advantage in raising resources from broad based, mobile and redistributive tax bases. Besides this vertical fiscal imbalance problem, there can also be widely varying capacities of raising resources among local governments. It is important that both these vertical and horizontal imbalances should be offset through the intergovernmental transfer system. It is important to carefully calibrate intergovernmental transfer system is to facilitate the public services provision.

(a) General purpose transfers

Analysis also shows that while gender inequity is many faceted and variations in different facets depend upon different factors. It manifests itself in health indicators such as infanticide, infant and maternal mortality and sex ratio, educational indicators, such as enrolment ratios and literacy rate, or women's participation in paid work in different skilled categories and even social indicators, such as domestic violence. It is also important to note that gender equity, taken in the aggregate, improves with the level of development – be it among different regions within a country or among different countries. In other words, economic well-being of the family, *ceteris paribus*, determines the status of women in the

households.³ Economic empowerment of women depends on the enabling environment and equitable access to public services to meet both public consumption requirements and build capacity in them to participate in organised economic activities in meaningful manner. In poorer localities, the availability of public services is low due to their fiscal disadvantage of low revenue raising capacity. When the availability of services itself is low, access to these services to socially disadvantaged sections including women will be even lower, and as some of the services determine the capabilities, it puts them in to a great disadvantage (due to historical and social factors). Thus, in states and regions, where the availability of services is low, women have inherent disadvantages in competing for these services. Therefore, the basic objective of the transfer system should be to offset their fiscal disabilities arising from lower taxable capacity.

Thus, the basic component of general capacity augmenting intergovernmental transfers is to provide transfers to offset fiscal disabilities of poorer regions/localities to enable them to provide comparable levels of public services at comparable tax rates. Inter-regional differences in the standards of public services can arise either due to variations in fiscal abilities (disabilities) or deliberate choices exercised by different regions. Differences in local fiscal abilities are due to differential revenue capacity or variations in the unit cost of providing public services that are due to reasons beyond the control of local governments. It is necessary to rectify these sources of inequity by providing lump sum transfers to fiscally disadvantaged localities. This enables such localities to provide comparable standards of public services, physical and social infrastructure at comparable tax rates, and helps to accelerate economic growth in the poorer regions and localities and improves access to public services, paid employment by disadvantaged groups, including women in these regions. Thus, the transfer system meant to promote gender equity should help to offset fiscal disabilities.

The basic argument for such equalising transfers is founded in the rationale of horizontal equity advanced by Buchanan (1950) and later reformulated by Boadway and Flatters (1982). Taking comprehensive income as the index of well-being, it is argued that the income tax levied by the central governments cannot ensure horizontal equity because, its base does not take into account the redistributive effect of states' fiscal operations. states' fiscal operations cannot be distributionally neutral, except in the unlikely case of benefit taxes. When the States' quasi-public services are financed by resource rents or source-based taxes, as against residence-based taxes, the net fiscal benefits (NFBs) will systematically vary. The residents in the resource rich (high income) regions will have higher NFBs and their higher public consumption will not be included in determining the tax base of the central government.

³ It is also true that the causation may be from women's work participation to economic well-being. In this case, the well-being depends on economic empowerment of women.

Boadway and Flatters (1982) define horizontal equity in two alternative ways. According to the broad view, the fiscal system should be equitable nationwide *vis-à-vis* the actions of all governments. Two persons, equally well-off before central and state actions, must also be so afterwards. To conform to this concept of horizontal equity, it is necessary to give transfers, so that each province is enabled to provide the same level of public services at a given tax rate (like in a unitary state). In contrast, the narrow view of horizontal equity takes the level of real incomes attained by the individuals after a state's budgetary operation as the starting point and the central fiscal action will be directed to ensure horizontal equity after the state's fiscal system has been established. The central budget need not offset the inequalities introduced by the operation of the state budgets *per se*, but takes the income distribution effects of the states' fiscal operations as a given datum.

Such general-purpose transfers merely enable the fiscally disadvantaged localities to provide standards of services comparable to other localities. Whether or not they actually provide comparable standards of services is left to local choice. It improves the capacity of the poorer regions to deliver standards of social and economic services. These transfers are not specifically targeted to the poor; but the poor will benefit from the general capacity increase in the region.

Should there be a gender component in these general-purpose transfers? The general-purpose transfers, meant to offset fiscal disabilities arising from lower revenue capacity and higher unit cost of providing public services, are given in different ways. Ideally, the general-purpose transfer system should offset revenue and cost disabilities of sub-national governments. In actual practice, however, the design of transfer system in most of the multilevel fiscal systems incorporates several objectives and in fact, reflects a compromise between varying interests.

In many countries, general-purpose transfers are given by sharing a portion of central taxes with sub-national governments.⁴ They are distributed according to the indicators of social and economic backwardness, cost disabilities, and tax effort. In India, even the plan grants are given on the basis of such general indicators. It is sometimes suggested that gender equity indicators should be incorporated into the general revenue sharing formula. This would however, be misplaced, for, incorporation of gender equity indicators in the formula does not ensure improvement in gender equity. On the contrary, this will only reward the states with higher degree of gender inequity.

In other words, general-purpose transfers are given to offset general fiscal disabilities, to enable the poorer states to augment their public services. It is desirable to keep the transfer system, formula based, simple, equitable, and

⁴ For a review of revenue sharing systems in developing and transitional countries, see Rao (forthcoming).

without perverse incentives. Any attempt to bring in gender component in the transfer system will make it complex and can create incentives against undertaking measures to improve gender equity. The objective of general-purpose transfers is to offset the fiscal disabilities of the sub-national governments arising from lower revenue raising capacity and higher unit cost of providing public services and it would be desirable to keep the design of the transfers to fulfil this objective. The objective of improving gender equity should be addressed by specific purpose transfers.

(b) Specific purpose transfers

In contrast to the general-purpose transfers, the objective of specific purpose transfers is, to ensure that the poor get access to specified services that increase their consumption entitlements and those that directly improve their earning capacity. The services chosen for ensuring minimum standards provision should be of national importance. These include, ensuring minimum standards in basic education, healthcare, water supply and sanitation, and anti-poverty interventions. Ensuring equal access to women of these services is important to improving gender equity and this should be done by, not only introducing specific purpose transfers for programmes, which have significant benefits for women, but also designing transfers on services meant to enhance human capital to include additional incentive for improving women's access. Thus, specific purpose transfers have an important role in ensuring gender equity.

Thus, the transfer system for gender equity should have a mix of both general purpose and specific purpose transfers. The objective of the general-purpose transfers is to enable all sub-national government units to provide normatively determined standards of public services so that all units are placed on an even keel. Offsetting general revenue and cost disabilities are important because access of basic services and improvement in productivity of women depends on the general availability of these services. On the other hand, it is important to design specific transfers to implement such programmes that would enhance the capabilities of women, enable them to participate in high productive paid work and empower them economically.

2.5 CONCLUDING REMARKS

The above analysis shows that gender responsive budgeting should not merely be confined to classifying central and local expenditures into components benefiting men and women. First of all, it is necessary to have an estimate of general equilibrium effects of various expenditures before even such a classification is made. Even when some such estimate is obtained, this can, at best serve to advance advocacy for larger allocation to women's programmes. Similarly, fixing the floor limits for spending on different departments may result in

misallocation of resources and floor limits may be taken as ceilings in some departments.

Given the assignment system, a scientific approach to gender responsive budgeting should begin with planning and implementation of programmes at both central and sub-central levels. Assignment according to comparative advantage, calls for the provision of public services with local benefits to local governments and similarly, most of the excludable public services should be in the realm of local responsibility. Proximity to the people enables them to minimise information costs of identifying public services that would help to improve equity and build capability among women to enable them to participate in organised economic activities. However, most non-excludable public goods with nationwide benefit spillover will be provided at the centre and although the benefits from them are not neutral, it is difficult to design public service provision in a gender-sensitive manner. In respect of other non-excludable public services, which the central government provides gender responsiveness to ensure access, is important.

Many of the public services for which equitable access is important are provided by subnational governments in most of the multilevel fiscal systems. Similarly, public services, which improve human capital, are provided at subnational levels. In this assignment system, two important issues are notable. First, assignment according to comparative advantage necessarily implies that responsibility for providing most of the public services should be with the local governments. The information cost of identifying beneficiaries and implementing them to targets the benefits are much lower at the local levels. Secondly, the local governments cannot levy taxes on broad mobile bases and therefore raising revenues will have to be done at the central level.

Given the strategic importance of local governments in the provision of most public services, particularly those, which contribute to human development, gender responsive budgeting at local level is critical to ensuring equitable access to services and building capabilities for greater participation of women in paid work and improvement in their productivity. Gender responsiveness in local budgets is therefore critical to ensuring gender equity. Gender responsive budgeting at local level envisages, both initiating programmes that would enable bringing women into mainstream of economic activities and enabling greater participation of women in the various programmes implemented by women. This implies that first, local governments should identify programmes and policies, draw a perspective plan, prioritise them and finally include them in annual budgets. In this there is need for advocacy at every step and this has to be done by demonstrating the benefits and welfare to the society. Identification of the programmes that will bring women into mainstream of economic activities and improve their productivities, prioritising them, costing these programmes and their inclusion is the core of gender responsive budgeting at local level.

Equally important initiative to mainstreaming gender through budgeting is designing and implementing even the general programmes to ensure equitable access. This may require additional regulations in terms of specifying the share of women beneficiaries (like in anti-poverty programmes), providing additional incentives to enable women's participation (mid-day meals in schools and provision of free textbooks and scholarships) and provision of additional facilities (such as toilets in schools, appointment of female teachers and health workers to enable better participation of women). These need to be identified, and incorporated into the design and implementation depending upon the specific institutional set-up and requirements of particular local areas.

III. FISCAL DECENTRALISATION AND LOCAL LEVEL GENDER RESPONSIVE BUDGETING IN MEXICO

3.1 INTRODUCTION

Mexico has a population of 102.3 million⁵ with only 25 percent rural population.⁶ In 2003, it had a per capita GDP (PPP), estimated at 9168 US dollars. Though this was lower than its North American Free Trade Area (NAFTA) partners, viz., US (37562 US \$) and Canada (30677 US \$)⁷, it is quite high from the viewpoint of developing country standards. In comparison with other countries chosen for analysis in this study, the per capita GDP in Mexico is only marginally lower than that of South Africa (10346 US \$), but was substantially higher than Philippines (4321 US \$), Morocco (4004 US \$), and India (2892 US \$). Mexico qualifies as a country with High Human Development Index (HDI), estimated at 0.814 in 2003. It has a high life expectancy at birth (75.1 years), adult literacy rate for aged 15, and above (90 percent) and enrolment ratio of 75.

With the joining of NAFTA in 1993, the economy of the relatively less affluent country of Mexico was opened up to its developed northern neighbours, U.S.A, and Canada. While this led to the large inflow of foreign direct investment (FDI) from and trade in services with North American nations, there were adverse effects in terms of worsening of income distribution in the country (Hufbauer and Schott, 1993). The adverse effect of opening up of the economy was particularly severe on the rural and vulnerable sections of population. The worsening income distribution also distorted the labour markets. The proximity to US catalysed the pace of migration, and given the differential access to migration among regions, income, skill groups, and gender, this distorted the labour markets further. In 1990, almost 4.4 million Mexicans resided outside the country (almost all in the United States), roughly double the estimated number in 1980, with new important sources of emigration included the Provinces of Chihuahua and Oaxaca and the Federal District.

Despite opening up of more opportunities, it seems, the average per capita income in Mexico declined after joining the NAFTA. Opening up to free trade with the two most developed and powerful neighbours is fraught with dangers. Worsening terms of trade and migration of skilled personnel to the US could partly be responsible for the outcome. In any case, it is important that opening up the economy to developed countries would call for much better preparedness in terms of competitive infrastructure, investment in human capital,

⁵ Data relates to 2000. *World Development Indicators*, 2005, World Bank, page 49.

⁶ *World Development Indicators*, 2005, World Bank, page 131.

⁷ UNDP, *Human Development Report*, 2005, page 219-20.

access to information, besides better governance. It is also important to ensure more effective and participatory public service delivery and this calls for effective decentralisation.

Given the unequal access to opportunities, declining income levels and increase in inequality, reflect adverse impact of the liberalisation process on the disadvantaged sections of society, including women. Similarly, the increase in migration possibilities is taken better advantage by more mobile sections and in general, women are less mobile. The increased mobility in many ways adds to the hardship of women, as whenever the men from the households migrate, often women have to take care of the families. Whether and to what extent the developments in Mexico have adversely impacted on the women is an empirical issue, which needs to be analysed. This study does not address such issues, but merely analyses the gender implications of budgetary policy and the gender responsiveness in budgetary decisions.

The simultaneous establishment of democracy and decentralisation marks one of the remarkable features of New Federalism in Mexico.⁸ The federal government set up the Fiscal Pact in 1980. With its revision in 1993, it promoted decentralisation in education and health services delivery in the early 1990s (Webb, Stephen B. and Christian Y, Gonzalez, 2003).⁹ Fiscal decentralisation has the important potential advantage of targeting service delivery and participation of people in decision-making. Therefore, a congenial environment of decentralised governance could help in better participation of all sections of society, including women. Most public services provided at their local level are 'quasi-public' goods, which are often 'rival' and 'excludable' to a degree. In such cases, decentralised governments can provide these services according to the preferences of people and to ensure fair distribution of benefits. The effects of fiscal decentralisation on gender sensitive human development depend on the

⁸ The transition to democracy occurred with the presidential elections of 2000, which ended the dominance of a single party in Mexico for over 70 years. The decentralisation of mid 1990s led the way for institutional reforms with respect to raising revenue sharing allocations to the states, expansion of state's capacity to raise own resources, allocation to the states of the major share of funds assigned for regional and social development, strengthening the capacity of municipalities and clarification of administrative functions among federal, state and local authorities (Ward, Peter M, Rodriguez, Victoria E and Mendoza, Enrique Cabrero 1999): "New Federalism and State Government in Mexico: Bringing the State Back In", Mexican Policy Report No.9, University of Texas.)

⁹ Despite these achievements, fiscal federalism in Mexico, like elsewhere, is faced with asymmetries of spending and revenue assignments. It is interesting to note the politics of decentralisation in Mexico with the new mode of government (with no absolute majority in either house of Congress and hence, presidential party has no control over Congress) manifested in the increasing hold over the debates on federal budget and in turn increasing demand for federal allocations to sub-national governments. One of the developments has been the rationalisation and unification of previously established fiscal transfers for sectoral programmes, especially in health, education, and municipal infrastructure in *Ramo 33*. (*Ramo 33* is a budgetary section, which contains intergovernmental fiscal transfers; in the next section).

way, in which decentralisation process interacts with the social and institutional mechanisms and systems.¹⁰

This chapter attempts to analyse the scope and limitations of gender sensitive budgeting at local level in Mexico. To begin with, we attempt to assess each millennium development goal, based on its progress against the targets and indicators defined for the MDG for Mexico in the following section. Gender responsive budgets provide a logical entry point to achieve the gender commitments as outlined in MDG and also the poverty reduction targets.

3.1.1 MDGs and Mexico

Against the backdrop of Millennium Development Goals (MDG), there is a growing recognition that countries that discriminate by way of gender pay a high price in terms of their ability to utilise creative energies of all sections of population for development and to reduce poverty. There are three important issues related to MDGs. First, it is important to achieve the MDGs. Second, reduction in gender gap in the delivery of services is important. This will also help in accelerating the pace of achieving the MDGs. Third, both of the above require a re-look at the assignment system, to ensure that the functions are assigned according to comparative advantage and orientation of both the central and local governments and that they follow inclusive development. The participation of people in decision-making is critical, to ensure inclusive development. *Table 3.1* contains the MDG indicators of Mexico.¹¹

¹⁰ From the public finance perspective, the rationale for decentralised gender sensitive budgeting is that local governments, which are closer to citizens, have high probability of better information on the gender differentials, in needs and preferences, options and constraints of citizens, and therefore more efficient provisioning of public services will be delivered at local level than the central government. The theoretical underpinnings of this rationale based on the principle of subsidiarity are accountability ('voice' and 'exit'), information symmetry, transparency and appropriate size of government at local level for effective service delivery.

¹¹ Due to data constraints, gender gaps of MDG goals in Mexico have not been reported in *Table 3.1*.

Table 3.1: Millennium Development Goals and Mexico

Target	Indicators	Indicators of Mexico 2002
Eradicate extreme poverty and hunger	Proportion of population below 1\$(PPP) per day (%)	9.9
	Share of poorest quintile (10%) in national consumption (%) ^a	1
	Prevalence of underweight children under 5 years of age	8
	Proportion of population below minimum level of dietary energy consumption ^b	5
Achieve universal primary education	Net enrolment ratio in primary education (%)	101
	Proportion of pupils starting grade 1 who reach grade 5 (% of grade 1 students) ^c	90
Promote gender equality and empower women	Literacy rate of 15-24 year olds (% ages 15-24)	96.6
	Ratio of girls to boys in primary education ^d	1.01
Promote gender equality and empower women	Ratio of literate women to men ages 15-24	100
	Share of women in wage employment in the non-agricultural sector (as % of male rate) ^e	79
	Proportion of seats held by women in national parliaments (as % of total) ^f	21.2
Reduce child mortality	Under five mortality rate (per 1000 live births)	29
	Infant mortality rate (per 1000 live births)	24
	Proportion of one year old children immunised against measles (% of total)	96
Improve maternal health	Maternal mortality ratios (per 100,000 live births) ^g	79
	Proportion of births attended by skilled health personnel (%) ^h	86
Combat HIV/AIDS, malaria and other diseases	Condom use at last high risk sex (% ages 15-24) ⁱ	57
	Prevalence of malaria (per 100,000 people) ^j	8
	Prevalence and death rates associated with tuberculosis (per 100,000 people)	44
	Proportion of TB cases detected and cured under directly observed treatment, short course (DOTS) (%)	83
Ensure environmental sustainability	Energy use per 1\$ GDP (1995 PPP US \$ per kg of oil equivalent) ^k	5.3
	Carbon dioxide emission per capita (metric tons) ^l	4.3
	Proportion of population with sustainable access to an improved water source, urban and rural (%) ^m	88
	Proportion of population with sustainable access to an improved sanitation, urban and rural (%) ^m	74
Develop a global partnership for development	Debt service as a percentage of Exports of goods and services (%)	23.2
	Unemployment rates of 15-24 year olds (as percentage of labour force ages 15-24)	4.9
	Proportion of population with access to affordable essential drugs on a sustainable basis (%) ⁿ	80-94
	Telephone lines and cellular subscribers per 1000 people	147
	Internet users per 1000 people	98.5

3.1.2 Objectives of the study

The specific objectives of the study are:

- To analyse the fiscal decentralisation in terms of institutional mechanisms, revenue and expenditure assignments and intergovernmental transfers in Mexico with a gender perspective.
- To examine the central government initiative in gender sensitive public service delivery in health sector.
- To critically examine the role of state government and women's organisations, in the process of institutionalising gender responsive budgeting in the State of Oaxaca; within the realm of legislations, public policies and budgetary process.

3.1.3 Data and methodology

The data is compiled through deskwork and field visits to Mexico City and Oaxaca and by conducting interviews with the key informants of LLGRB in research institutions, Ministry of Finance, INEGI (Statistical Institute), Health Secretariat, National Institute of Public Health (Cuernavaca) and UN agencies. An interview was conducted at local level with women in Oaxaca, randomly selected, who belonged to lower quintile of income class to capture the perspective of poor woman in decentralised public service delivery. The methodology adopted for the study is both quantitative and qualitative.

3.2 FISCAL DECENTRALISATION AND GENDER ISSUES IN MEXICO

3.2.1 Administrative system

The federation of Mexico has 32 states and 2440 municipalities; each State differs in their own cultural history and heritage, varying socio-economic development and their link with rest of the world. Mexico is an example of co-operative federalism in practice, with considerable degree of policy co-ordination between federal and state governments. However, the challenge of New Federalism in Mexico is in developing institutions for intergovernmental co-ordination, because of its trial-and-error approach to decentralisation. Much of the intergovernmental co-ordination has been achieved in Mexico through conditional transfers and close federal monitoring.¹²

¹² For details, refer *Giugale*, Marcelo and Steve, Webb 2000.

3.2.2 Assignment system

In Mexico, federal government announced the transfer of responsibilities; started with social sector responsibilities to all the states in 1992. The assignment of expenditure responsibilities across various tiers of government by law is given in *Table 3.2*. In practice, the assignments cannot be easily identified or verified. The federal and state governments have concurrent obligations for important services, which include education, health and social assistance. In general, the federal government provides those public services whose benefit reaches the entire nation, such as national defence, foreign affairs, monetary and fiscal policies, telecommunication (along with private providers), national highways and labour policies. State governments provide services, such as construction and maintenance of state feeder roads, primary care for the rural population and urban poor, public order and safety, food assistance to poor, implementation of school-lunch programmes, water supply and sewage (concurrent with municipal governments) with an intermediate benefit sphere.

Table 3.2: Mexico's Expenditure Assignment

Expenditure function	Federal government	State governments	Municipal governments
Defence	<ul style="list-style-type: none"> • 100 percent 		
Foreign Affairs and Economic Relations	<ul style="list-style-type: none"> • 100 percent 		
Labour Policies	<ul style="list-style-type: none"> • 100 percent 		
Monetary and Financial Policy	<ul style="list-style-type: none"> • 100 percent 		
Post and Telecommunications	<ul style="list-style-type: none"> • Government and private providers 		
Education	<ul style="list-style-type: none"> • Setting policies and norms (SEP); financing through transfers (<i>Ramo 33</i>) • High schools and colleges (concurrent) • Federal technological institutes of higher education • Evaluation and audit of sub-national performance • Labour relations and wage-setting • School construction supervision • All education in the Federal District • Approximately half of the technical schools • Most textbook production • Most teacher training 	<ul style="list-style-type: none"> • Financing, implementation, maintenance, and equipment (concurrent) • High schools and state universities • Administration of programmes and self-evaluation • Half of the technical schools • School construction (concurrent) • Adult education programmes 	<ul style="list-style-type: none"> • Minimal role, school maintenance, and some school construction (concurrent)

Table 3.2: Mexico's Expenditure Assignment (Contd.)

Expenditure function	Federal government	State governments	Municipal governments
Health	<ul style="list-style-type: none"> • Setting policies and norms (Social Security Administration); financing through transfers (<i>Ramo 33</i>) • Evaluation and audit of sub-national performance • Secondary and tertiary hospitals • Labour relations and wage determination • Most capital infrastructure decisions 	<ul style="list-style-type: none"> • Primary care for the rural population and urban poor • Partly responsible for financing • Administration of programmes and self-evaluation • Epidemiology and preventive care • Reproductive health 	
Roads	<ul style="list-style-type: none"> • Federal highway construction and maintenance • Financing of rural road development 	<ul style="list-style-type: none"> • State feeder roads (construction and maintenance) • Implementation of rural road development • Maintenance of secondary federal roads (with federal funds) 	<ul style="list-style-type: none"> • Local streets
Police and Internal Security	<ul style="list-style-type: none"> • Federal transfer to the states to strengthen state police • Federal and border police • Special police (concurrent) • Coordination of state and municipal public safety 	<ul style="list-style-type: none"> • Special police (concurrent) • State public order and safety 	<ul style="list-style-type: none"> • Local public order and safety
Social Assistance and Social Security	<ul style="list-style-type: none"> • Funding through <i>Ramo 33</i> and <i>Ramo 26</i> 	<ul style="list-style-type: none"> • Implementation of school-lunch programmes • Food assistance to the poor • Other programmes in coordination with SEDESOL 	<ul style="list-style-type: none"> • Implementing of social infrastructure programmes

Table 3.2: Mexico's Expenditure Assignment (Contd.)

Expenditure function	Federal government	State governments	Municipal governments
Culture and Libraries		<ul style="list-style-type: none"> • Public libraries 	
Parks and Recreation	<ul style="list-style-type: none"> • Biosphere reserves • National monuments • National parks (concurrent) 	<ul style="list-style-type: none"> • National parks (concurrent) 	<ul style="list-style-type: none"> • Local parks
Public Transportation	<ul style="list-style-type: none"> • Most railways and airport operations have been privatised • Seaport operations being privatised 	<ul style="list-style-type: none"> • Some airports 	<ul style="list-style-type: none"> • Local transportation and transit
Environmental Protection	<ul style="list-style-type: none"> • National standards Approval by INE, National Water Commission, the Ministry of Health and the Ministry of Industry 	<ul style="list-style-type: none"> • States can adopt their own standards, complying with the federal ones. 	<ul style="list-style-type: none"> • Land use permits
Water, Sewerage, and Sanitation		<ul style="list-style-type: none"> • Water supply and sewage (concurrent) 	<ul style="list-style-type: none"> • Garbage collection • Water supply and sewage; many water systems have been privatised (but municipalities retain debt liability) (concurrent)
Housing	<ul style="list-style-type: none"> • National programmes for housing development 	<ul style="list-style-type: none"> • Some states have housing agencies 	
Price Subsidies	<ul style="list-style-type: none"> • Market intervention programmes (mostly phased out) 		

Table 3.2: Mexico's Expenditure Assignment (Contd.)

Expenditure function	Federal government	State governments	Municipal governments
Agriculture and Irrigation	<ul style="list-style-type: none"> • Funding for state programmes in irrigation, water supply, and hydroelectric exploration • National irrigation programmes and funding research • Rural development, rural roads, forestry • Funding for research 	<ul style="list-style-type: none"> • Rural development • Extension services • Drilling • Some research 	
Other Infrastructure	<ul style="list-style-type: none"> • Financing through <i>Ramo 33</i> "social infrastructure" for the poor 	<ul style="list-style-type: none"> • "State infrastructure" 	<ul style="list-style-type: none"> • Cemeteries • Slaughterhouses • Public markets
Tourism	<ul style="list-style-type: none"> • National programmes (concurrent) 	<ul style="list-style-type: none"> • State programmes (concurrent) 	
Industrial Policy	<ul style="list-style-type: none"> • Concurrent 	<ul style="list-style-type: none"> • Concurrent 	

Source: World Bank (2000) and Diaz-Cayeros, Alberto; Gonzalez, Jose Antonio and Rojas, Fernando, 2002.

Municipal governments provide services with local benefit areas, viz., street lighting, sanitation, slaughter homes, and public markets and, land-use permits.

3.2.3 Fiscal transfers

Mexican federation is characterised by heavy sub-national dependence on federal transfers to bridge the gap between significant sub-national expenditure assignments and abysmally low and inadequate sub-national tax capacity. In other words, there is a high dependency of state and municipal governments on the intergovernmental fiscal transfers in Mexico. In 2002, the proportion of fiscal transfers in total revenue of the state was 87.86 percent (with conditional transfers at 51.29 percent and unconditional transfers at 36.57 percent)

The two main categories of transfers in Mexico are unconditional participaciones¹³ (*Ramo 28*) and conditional aportaciones¹⁴ (*Ramo 33*). In 2004, participaciones (*Ramo 28*) constituted 39.70 percent of total fiscal transfers, while aportaciones (*Ramo 33*) constituted 45.70 percent of total transfers (*Table 3.3*). It is noted that both these transfers accounted for approximately 40 percent of the Federal budget.

¹³ *Participaciones* is unconditional fiscal transfers. Most of these transfers go out under *Ramo 28*. These transfers were originally revenues of states and municipalities. But the collection of these revenues was delegated to the federal level in the *Fiscal Pact* for tax efficiency reasons. Legally, the federation only collects those taxes and distributes the proceedings to states. In other words, *Participaciones* come from the most important sources of revenues. The main components of these assignable taxes are revenues collected from the federal income tax, the value added tax, and the ordinary fees from oil. Theoretically, the federal government makes transfers to the states and municipalities under *Ramo 28* in order to strengthen their revenue capacity, compared with their expenditure mandates. The states seem to receive considerably more mandates than funding, and municipalities (especially small ones) seem to receive more funding than mandates.

¹⁴ *Aportaciones* are conditional fiscal transfers. These transfers, formerly under *Ramo 26*, now go out under *Ramo 33*. *Ramo 33* transfers originated from a complex amalgam of fund programmes, like FAEB (education), FASS (health), FAIS (social infrastructure), FASP (public road), FAM (public assistance transfers), FAFM (transfers to municipalities) and FAETA (public education). These transfers were conceived as federal money earmarked to pay for (formerly) federal commitments and transferred to the state and municipalities together with those commitments, for example, most important being, education and health. It is seen that 66 percent of *Aportaciones* went for FAEB (for education) and 12 percent for FASS (for health). It is to be noted that most of the *Ramo 33* transfers does not relate directly to poverty alleviation and social infrastructure, but rather to the payroll of teachers, which was decentralised to the states through an agreement reached in 1993. FAEB transfers, related to education, are single largest component of *Ramo 33*.

Table 3.3: Intergovernmental Transfers in Mexico: 2002-2004

	Structure of Transfers		
	2002	2003	2004
<i>Participaciones</i> (Ramo 28)	42.7	41.3	39.7
<i>Aportaciones</i> (Ramo 33)	47.9	47.2	45.7
FAEB	31.1	30.7	29.7
FASS	5.5	5.8	5.7
FAIS	4.3	4.1	3.9
FASP	0.6	0.5	0.6
FAM	1.4	1.3	1.3
FAFM	4.4	4.2	4.0
FAETA	0.6	0.6	0.5
PAFEF	2.9	5.5	8.2
<i>Convenios de Descentralización</i>	6.3	6.0	6.4
SEP	4.9	4.6	5.1
Others	1.4	1.4	1.3
Total	100	100	100
	(502925.2)	(545308.0)	(604190.0)

Note: Figure in the bracket relates to total fiscal transfers in millions of pesos.

Source: *Dirección General de Estadística de la Hacienda Pública, Unidad de Planeación Económica de la Hacienda Pública in Estadísticas Oportunist de Finanzas Públicas y Deuda Pública.*

3.2.4 Gender in fiscal decentralisation

In Mexico, there is no evidence of incorporating gender in the intergovernmental fiscal relations. One of the potential areas of incorporating gender in the intergovernmental fiscal relations is in the criteria of fiscal transfers to subnational governments. In Mexico, the intergovernmental fiscal transfers on education and health (Education Federalisation Programme, which is the largest fund of 'Ramo 33') are designed on the basis of staffing and physical sites (schools, clinics, and hospitals). The intergovernmental fiscal transfers can be made more equitable and efficient, if it is designed with criteria related to population density, age, and gender across Provinces in Mexico.¹⁵ The point to be noted here is that there are two kinds of transfers. One is, general-purpose (unconditional) transfers and other is specific purpose (conditional) transfers. General-purpose transfers are given to offset the fiscal advantages arising from lower revenue capacity and higher unit cost of providing public services. This is

¹⁵ Budget classification in Mexico is **functional-cum-economic classification**. There is no performance budgeting in Mexico. Budget co-ordination is an important area in the realm of intergovernmental relations. In Mexico, federal-state budget co-ordination operates through Fiscal Co-ordination Law (*Ley Coordinación Fiscal*) by automatic formula mechanisms. In Mexico, expenditure budget is approved only by the lower chamber and the revenue law is approved by both.

achieved by unconditional grants equivalent to the difference between what a State ought to spend to provide specified normative levels of public services and the revenue it can raise at a given standard tax effort. Specific purpose transfers (conditional) on the other hand are intended to compensate the spillovers or are given for merit good reasons or for reasons of 'categorical equity'. The transfer system, therefore, should be specific purpose and open-ended with matching ratios varying with the size of spillovers. As the responsiveness of the states to a given matching rate could vary with their level of its incomes, equalising matching ratios are also recommended. Thus in an ideal system, there should be an optimal combination of general and specific purpose transfers. General-purpose transfers should enable all the States to provide a given normative standard of public services at a given tax effort. The specific purpose transfers would ensure a given standard of outlay on the aided services. It will be ideal to incorporate gender in specific purpose transfers rather than general-purpose transfers.

3.2.5 Fiscal equalisation

Condition of women is expected to be worse in poorer regions and states. Therefore, equalising transfers help to provide larger outlay for programs and policies with larger content for women's empowerment. Rational fiscal equalisation transfers will enhance gender equity. But in Mexico, fiscal transfers are not equalising; there exist no fiscal equalisation transfers in Mexico.

3.3 CENTRAL GOVERNMENT INITIATIVE IN GENDER SENSITIVE PUBLIC SERVICE DELIVERY: THE CASE OF THE HEALTH SECTOR

In Mexico, the central government has under taken considerable initiatives in terms of gender budgeting in the health sector. This section deals with the initiatives of health sector in providing gender sensitivity in the provision of public service delivery in terms of scope and its limitations. The analysis in this section may help to identify the direction of policy initiatives for gender empowerment, whether more gender budgeting at central level with replicating the initiatives in health sector to other sectors or more and more decentralisation is the best option.

The health system in Mexico is fragmented. It has several subsystems, each servicing different population groups. First, there are several social security schemes, the largest being the Mexican Institute of Social Security (IMSS), which covers the employees and the self-employed in the formal sector of the economy.¹⁶ Second, the services provided by the *Secretaria de Salud* (SSA,

¹⁶ Yet another social security scheme, which provides care to government workers, is Institute of Health and Social Security for State Workers (ISSSTE). In addition to IMSS and ISSSTE,

which is Department of Health) and the state governments to the uninsured population (or “*poblacion abierta*”). This is a heterogeneous group of people from rural areas and some poor urban areas.¹⁷ Third, a group of urban middle, and upper income level, who may contribute to social security but also seek care in the private sector, either through out-of-pocket payments, or through pre-paid private medical insurance schemes.

3.3.1 Financing health in Mexico

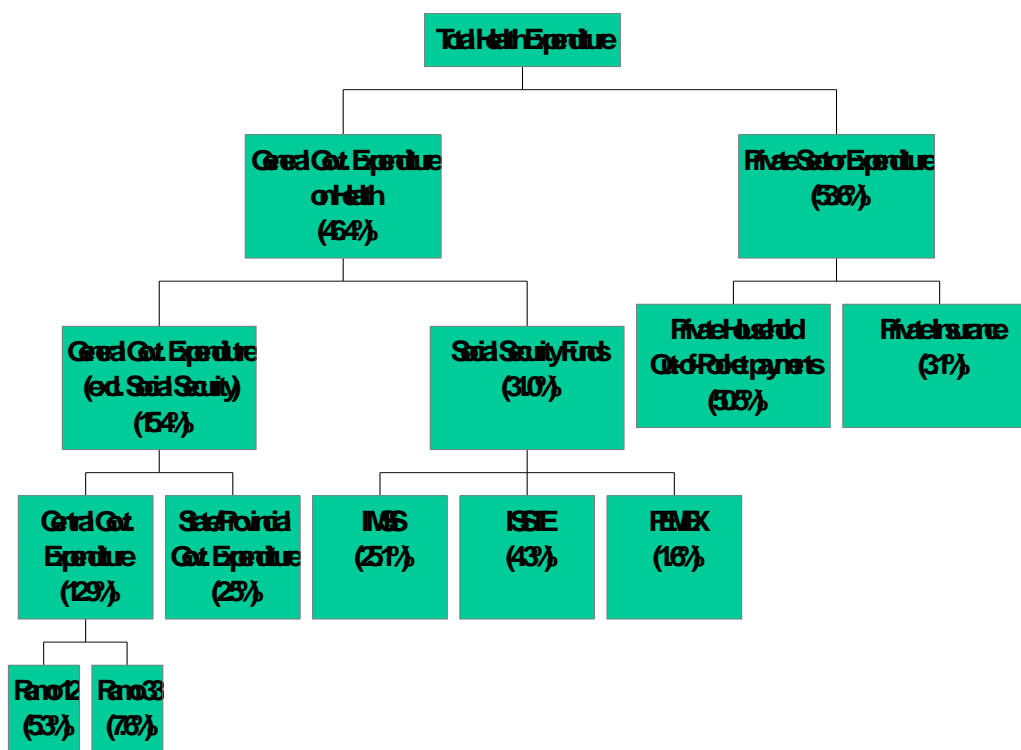
In Mexico, the sources of financing health in the public sector include Federal Ministry of Health (Sector Salud), the Provincial Ministries of Health and Social Security Institutions like IMSS, ISSSTE, PEMEX. In the private sector, financing sources include households and employers (companies), who pay insurance premiums for their employees. The point to be noted here is that information system on the total financing of health sector has not been in Mexico till recently. Mexico’s ‘National Health Programme 2001-2006’, put forward the challenge of institutionalising a System of National and State Health Accounts, broadly in line with International Classification of Health Accounts. The aim of this attempt is to produce information on financial resources spent on health, the flow of funds within the institutions of the health sector, and increase in the accountability.

The Mexican Health Foundation (Funsalud) carried out the first estimates of health expenditure using the System of National Accounts (SNA). *Chart 3.1* gives health expenditure by financing sources for the year 2003.

PEMEX provides social security for oil company workers, SEDENA to the members of the army and air force and MARINA to the navy. Social Security schemes covered approximately 51 percent of population (OECD Health Technical Paper, 2004).

¹⁷ Health services for this population are provided directly through governmental health facilities or indirectly through the *IMSS-Solidaridad*, which is a program financed by the government and actually delivered by the social security institute (IMSS). The health component of the poverty alleviation programmes run by the government is also included. Mexico has a decentralised health system and therefore states are responsible for public provision of care.

Chart 3.1: Health Expenditure by Sources of Finance, Mexico 2003



Source: Health Secretariat, Mexico

The most relevant finding of the Systems of National Health Accounts was that private sector is the main financing source for medical services and private out-of-pocket expenditure in Mexico accounted for 51 percent of the total health expenditure. This finding has gender implications, especially in the context that only 51 percent of population is covered under social security schemes.

3.3.2 Decentralisation in health sector

The recent process of decentralisation in the health sector in Mexico began with the adoption in 1995 of the programme to reform the health sector. The programme sought to address inequalities in access to health care and the low quality and inefficiency of health services in the federal-state system

administered by the Ministry of Health¹⁸ (*Mendoza, Enrique Caberero and Martinez-Vazquez, Jorge, 2000*). *The Program for Reform of Health Sector (1995-2000)* aimed, not only at the decentralisation of health towards the states, but also to increase the coverage of the non-insured population.

Prior to 1990s decentralisation process, an attempt was made to decentralise health services during the period 1983-1987, and 14 states were transferred some responsibilities for health services previously under the federal system. During the 1980s, decentralisation was in fact mostly administrative deconcentration, not decentralisation, since those 14 states continued to be subject to strict regulatory and budgetary controls by the Ministry of Health. This new policy only occurred in 14 of the 32 federative entities, because its implementation was characterised by a high level of conflict between the traditional players of Mexican health system namely, the players connected to social security (mainly from Mexican Institute of Social Security, IMSS) and the Minister/ Ministry of Health (SSA – *Secretaria de Salud*) (Saddi, Fabiana, 2004). The current decentralisation of the federal-state health care system is deeper and wider than that of the 1980s. The health care system provided by the IMSS is also being decentralised, and this process is in many ways more radical and more rational than that of the federal-state system.

The implementation of decentralisation in health sector in terms of total transfer of resources from SSA to the states and the passing on of earmarked budgetary resources by means of FASS (health transfers) began only in 1996.

In this new phase, the fiscal transfers to health sector were less *ad hoc* and were less prone to arbitrariness in the design of fiscal transfers. In 1997, fiscal transfers have been designed on the basis of a formula. The criteria for devolution of health transfers as given in *Article 29, 30 and 31 of Fiscal Co-ordination Act* is as follows:

As per Article 29, the fiscal transfers for health sector is based on three criteria as follows:

- inventory of infrastructure, hospitals, and personnel;
- actual expenditure required paying personnel; and
- other resources allocated within Federal Budget document, in order to promote equity in health services.

As per the criteria, among other factors, the mortality rate, the index of marginality and expenditures of health decide the quantum of transfers on health.

¹⁸ This system covers the rural and poor urban population. In Mexico, in addition to Ministry of Health, healthcare services are also provided by the social security system (Mexican Institute for Social Security IMSS and other institutions) and by the private sector.

With this new criterion, the resources are passed on by means of Resources Fund for Health Services (FASS), established by “*Ramo 33*” (Federal Resources for States and Municipalities) of the Federal Budget.¹⁹ In Mexico, the assignment of health functions across three tiers is as in *Table 3.4*.

Table 3.4: Assignment of Health Functions in three-tier Decentralised Framework in Mexico

Federal	State	County-level
1. Regulatory	1. State level hospitals, clinics, health centres	1. Participation in water and sanitation
2. Research and information	2. Public health access	2. No public health at county, only at the state level.
3. Major specialised hospitals	3. Sanitation	
4. Training and research	4. Progress on rabies, dengue fever	
	5. Supervision of water quality supply	
	6. Pollution control	

Source: (Interview) Dr Aurora, Director, Health.

3.3.3 Gender in health sector of Mexico

In the *National Development Plan (2000-2006)*, gender equity was focused in the Development Plan for Social Policy. Health is incorporated within social development policy chapter of Federal policy along with education and social security. The initiative of incorporating gender in health began in 2001. The initiative of Department of Health has been well received by women’s movement like *Foro*.²⁰

In 2001, a three days forum was held in Mexico, officially endorsed by the Department of Health, to generate proposals to be fed into the development of the six years sectoral programme of the Department. The forum discussed

¹⁹ FASS is transferred by Federal government (SHCP) to the Secretaries of Finance of the states, and in turn, passed on to the Decentralised Public Organs (OPDs). It is to be noted that decentralisation of services in all sectors; including health was conducted without an increase in state’s tax autonomy. Instead, it favoured the adoption of measures that led to the increase of ‘earmarked’ funds, and therefore, the dependence on the federal budget. Moreover, the OPDs have no decision-making autonomy in relation to the use of these transferred funds including FASS, which could only be spent on programmes determined by the SSA (*Secretaria de Salud*, which is Federal Department of Health). The states could not use the transferred ‘earmarked’ funds to invest in new infrastructure, to employ labour, or to realise any other project. They could do this only with the approval of Federal Government. Therefore, the fiscal transfers did not lead to an increase in the decision-making autonomy in the states on the direction of health policy (Saddi, Fabiana; 2004).

²⁰ *Foro (Foro Nacional de Mujeres y Politicas de Poblacion)* is a network that links together 80 women’s organisations working in 17 out of 32 states of Mexico.

plethora of topics, dealt with the complete life cycle of women.²¹ As a result of three-day forum, a technical committee was created within 'Women and Health' programme, comprised a diversity of actors, in order to contribute to the aim of integrating gender into all the activities of Department of Health. A gender sensitive budget group was established. This is the process, in which gender sensitive budgets reached the policy agenda and achieved a formal endorsement.

The working groups, created within Department of Health, reviewed the entire programme structure of health sector and made initial recommendations in integrating gender into the policy framework of health sector. But, inexperience of the new administration and lack of time led the programme and budget officers confined to the existing formats of budgeting. However, gender budgeting initiatives developed different approaches to reach out to government departments, committees in congress, parts of national machinery, media and civil society organisations. Training and sensitisation workshops also formed a significant component of gender responsive budgeting in Mexico at national and sub-national levels.

In 2001, a seminar was conducted in 'Women and Health' programme for government officials involved in implementing health extension programmes for the poorest sectors of the society. One line of action discussed in 2001 seminar was to mainstream gender in health policy. The agenda were the following six.

- Gender perspective in health programmes.
- Gender budgeting.
- Issues of women, not only as 'users' of services, but also 'providers' at community and household level.
- Regulations (health) needed to be updated/changed/newly created.
- Programming with gender perspective. Evaluation of plans and programmes from gender perspective.
- Health officials' gender training, especially on reproductive health, human rights and prevention of domestic violence (mental health component).

²¹ A new programme "Women and Health" which aimed at mainstreaming gender in health sector was announced. The discussion on gender sensitive health budget appeared in this forum. Lack of gender disaggregated data and lack of appropriate budgetary information has been pointed out as initial constraints to undertake the gender budgeting in health sector. Hofbauer (2001) highlighted the complications in doing gender budgeting in health sector such as linking up budgetary allocations and assessments, impact evaluation and efficiency. Also the task of identifying the budgetary dimensions of diverse components within specific programmes or units, and their beneficiaries, was highlighted.

To operationalise the agenda, a Programme of Action for the five components has been formulated.

- Institutionalisation of gender perspective in health budgets.
- To sensitise the health officials in gender and identify the gaps.
- Measure the gender gaps (homicide, women's health, mental health, eating disorders, diabetics²², access to health, adhere to diet, domestic violence).
- Data information, to document gender gaps to show gender inequities (mortality statistics, epidemiology surveillance statistics, hospitalisation data by gender, morbidity statistics by gender, primary care level statistics). Statistics is done in health sector in co-ordination with general Directorate of Health Information and decentralised (at present 60 percent of health statistics in Mexico are available by gender).
- Women as 'health workers' in formal sector (governance aspect is stressed here). Women are more at the local level and lowest in the hierarchy of health administration. Training and scholarships for 'gender equality' at organisational level and in administrative level. The other issues are related to night shifts of nurses; with no care centres for children, night shifts of lady doctors and social workers, sexual harassment at work place, gender wise analysis of 'quality of care' (often women are at receiving end of violent treatment and elderly women reports longer waiting time in health sector), formation of 'Gender Equity Committees' at the hospital levels for labourers, employees, and clients.²³
- Social Perception of Health. [Women in community health and households as caretakers of children, elderly, and spouse. In Mexican households, providing nutrition to the family is the responsibility of women, at the same time monetary responsibility and power is vested with men. Also, 'quality of water' is the responsibility of women; this led to the fact that, if the county does not provide potable water, it is women, who takes the burden of ensuring clean water for the household. It is the responsibility of the women to fetch wood to boil water. This led to the reality that energy policies and water and sanitation policies, if appropriately designed, can lessen the care economy burden of women.

²² 30 percent of women's mortality in Mexico is due to diabetics. There is an interesting hypothesis on diabetics, which can be tested in Mexico that, if a woman is diabetic, no household solidarises with the food consumption pattern, while it is the reverse if man is diabetic (excerpts from interview with Dr Aurora, Director, Health Secretariat).

²³ It is reported that elderly women receive violent treatment and long waiting time in the health sector in Mexico due to the reluctance of health providers to attend to them, as they are less hygienic and apply herbs and resort to indigenous medicine initially, before availing the formal health services. Yet another qualitative observation in the health sector of Mexico is that "if women accompany unwell man to hospital, health providers give 'instructions' to women and 'explanations' to men during consultancy. If men accompany an unwell woman, the trend is the same, i.e. instructions are given to women (excerpts from interview with Aurora, Director, Health Secretariat).

- Community participation in the health policy decision-making. Recognising the existence of free labour force, usually women, in the care economy. (Rules of 'Health Community Committees', in counties of Mexico unintentionally excludes women from these committees, as the clause to become member is that 'member of HCC should know to read and write'. But the irony is that women possess knowledge of health related issues, as they are in care economy as health workers. Women are generally perceived as users of health services, not as health providers).

The process of gender responsive budgeting in health sector of Mexico is given in *Box 3.1*.

Box 3.1 : Process of Gender Responsive Health Budgeting in Mexico

Two components in the process of making gender responsive budgeting in health sector are the following (i). Mainstreaming gender and (ii) budgetary allocation intended, to reduce the gender gaps. The tools to ensure this process vary from country to country budgeting process. In Mexico, each issue on health (TB, STD, addictions, diabetics) has a programme budgeting; annual plans prepared by Department of Health and Federal government will decide on the allocations.

The entry point of gender budgeting in Sector *Salud* may be the reallocation of many within existing allocation. In order to reallocate, the gender gaps needs to be identified. To identify the gender impacts, gender disaggregated information is required. For instance, information on the gender differences in risk of diseases, perceptions by gender on health, access to service by gender, use of services by gender, quality of the service by gender, addictions (such as tobacco use) across gender.

No models exist on ex-ante process of gender responsive budgeting. The working sessions of the 2001 seminar illustrated the differences in design, prioritisation and allocation of resources resulting from a gender focus, covering the following.

- The epidemiological information that the Department of Health itself generates.
- The normative frameworks and procedures that regulate governmental actions regarding family planning and diabetes mellitus.
- The socio-demographic profile of a specific state.
- The programme components of PAC and its budgetary allocations.

'GUIDE' to incorporate gender responsive budgeting in health sector of Mexico

A GUIDE was prepared on gender sensitive budgets for the Department of Health in Mexico. This guide is a tool to incorporate gender in health policy and budgeting. This guide is to build in capacity among administrative officials, civil society and government officials in budget division of health sector, Ministry of Finance officials responsible for health budget. The guide illustrates the rationale behind the gender

sensitive programme design and allocation of resources. This is a long-run approach. On the other hand, the guide to gender responsive budget is a great leap forward in the theoretical framework from gender auditing to gender responsive budgeting. The guide does not deal with the making of a budget, explaining the technicalities of budget classification in terms of health sector (*Ramo 12* of Mexico budget).

The guide narrates the following steps in doing a gender responsive budgeting in health sector.

- Proper diagnosis of health sector from gender perspective.
- To analyse the gender equities and periodic review of the programmes.
- Analyse the components and actions of the programme, to understand where gender budgeting can be introduced to reduce the gender gaps through reallocation.
- Define the priorities and track any reappropriation of the money allocated.
- Process of gender budgeting is in the 'programming' and not in the 'budgeting', to reduce the gender gaps. Research component is significant. (Research on the 'quality of care' of diabetics; therapeutic adherence on the diet etc).
- Design indicators to measure whether gender gaps are reduced.

Source: (Interviews) Health Secretariat, Mexico

3.4 OAXACA'S EXPERIENCE: THE ROLE OF STATE GOVERNMENT IN GENDER RESPONSIVE BUDGETING

The process of institutionalising gender responsive budgeting in the Mexican Southern State of Oaxaca needs to be analysed, in the overall context of fiscal decentralisation in Mexico, as well as the fiscal autonomy of the state. Given that a significant part of revenue of Oaxaca is the intergovernmental transfers and most of the expenditure is committed, the attempt of gender responsive budgeting needs to be analysed with caution, to examine whether the process has only marginal impacts.

In Oaxaca, institutionalisation process of gender budgeting occurred at two realms. Firstly, the process of gender responsive budgeting is made mandatory through Law. Secondly, Ministry of Finance has started gender responsive budgeting on the revenue side.

The fiscal dependency of Oaxaca on federal government is revealed from the proportion of the federal transfers in total *ingressos* (revenue) of the state. *Participaciones Federales* (*Ramo 28* transfers) constituted 25 percent of the total *ingressos*, while *Aportaciones* (*Ramo 33* transfers) constituted 71 percent (*Table 3.5*).

On the other hand, expenditure side of analysis showed that 55.77 percent of expenditure is on subsidies and transfer payments, which is above the state average at 40.34 percent (*Table 3.6*). Of the total expenditure, 8.63 percent is spent on personal services and 20.55 percent is *Recursos Federales Municipios* (transfers to Municipalities).

The MDG analysis in chapter one showed that Mexico is in the path of achieving educational attainments, in terms of universalisation of primary education, as well as in gender parity. But the capability deprivation in terms of health is acute in Mexico; the following spatial (interstate) analysis of selected gender indicators in health reinforces the urgency of the matter to redress the capability deprivation in health.

Table 3.5: Structure of Revenue 2002

States	Total de ingresos (total revenue)	Impuestos (tax)	Doritos	Productos	Aprovechamientos	Contribuciones de Majoras	Participaciones Federales (unconditional transfers)	Aportaciones Federales (conditional transfers)	Ortos Ingresos (other revenue)	(percent)		
										Por Cuenta De Tremors	Financiamiento	Disponibilidad Inicial
Chiapas	100	0.62	1.24	1.04	0.76	0.00	34.27	60.37	1.70	0.00	0.00	0.00
Mexico	100	3.89	2.35	0.17	0.35	0.01	40.89	39.90	0.00	0.00	12.42	0.00
Oaxaca	100	0.45	1.89	0.63	0.19	0.27	24.86	70.73	0.36	0.00	0.62	0.00
TOTAL (All States)	100	2.56	2.31	0.65	0.90	0.11	36.57	51.29	0.56	0.78	2.90	1.38

Source: INEGI (2004): *Finanzas Publicas Estatales y Municipales de Mexico*

Table 3.6: Economic Classification of Expenditure 2002

States	Total De Egresos (total expenditure)	Servicios Personales (personal services)	Materiales Y Suministros (materials)	Servicios Generales (general services)	Subsidios, Tr ansferencias Y Ayudas (subsidies and other transfers)	Adquisicio n Bienes Muebles E Inmuebles	Obras Publicas Y Acciones Sociales	Inversion Financiera Y EST.A Municipios	Recursos Federales	Otros Egresos (other expenditure)	(percent)		
											Por Cuenta De Terceros	Deuda Publica	Disponibilidad Final
Chiapas	100	19.84	3.19	2.72	43.13	0.50	4.50	2.85	20.75	0.42	0.00	1.99	0.12
Mexico	100	26.17	1.41	2.31	32.00	0.12	6.98	0.00	16.09	0.00	0.00	11.88	3.04
Oaxaca	100	8.63	1.04	2.38	55.77	0.69	10.60	0.00	20.55	0.00	0.00	0.31	0.03
TOTAL (All States)	100	25.23	1.28	2.70	40.34	0.54	7.36	0.50	16.66	0.36	0.48	2.72	1.82

Source: INEGI (2004): *Finanzas Publicas Estatales y Municipales de Mexico*

Table 3.7: Maternal Mortality Rate

<i>Entidad federativa</i>	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Nacional	89.0	87.0	86.4	85.4	84.3	83.2	83.1	82.0	81.6	81.0	72.6	70.8	63.9
Chiapas	123.7	146.6	146.0	133.4	120.2	117.2	95.8	113.6	107.3	113.6	80.2	105.5	97.4
México	113.1	119.6	95.4	96.2	110.4	100.1	108.2	105.5	114.4	107.2	92.7	100.8	70.4
Oaxaca	184.1	217.4	149.9	164.6	165.3	148.6	167.4	145.8	102.6	99.1	112.2	93.2	103.1

Source: INEGI y Dirección General de Información en Salud, SSA

Table 3.8: Infant Mortality Rate

<i>Entidad federativa</i>	1970	1975	1980	1985	1990	1995	2000	2001	2002	2003	2004
Chiapas	94.4	78.6	66.9	56.3	50.2	38.1	30.9	29.7	28.5	27.4	26.3
México	76.8	56.5	42.5	34.5	30.7	24.2	20.6	19.7	18.9	18.1	17.3
Oaxaca	95.6	80.0	67.8	56.1	49.4	36.9	30.0	28.8	27.7	26.6	25.6

Source: INEGI y Dirección General de Información en Salud, SSA

The Maternal Mortality Rate (MMR) is very high in the State of Oaxaca (Table 3.7). In 2002, MMR was as high as 103.1 per one thousand live births in Oaxaca. It is higher than the national average (63.9). The trends in Infant Mortality Rate (IMR) in 2004, also showed that it is higher in Oaxaca (25.6 per one thousand live births) than at the national average (19.7 per one thousand live births) (Table 3.8).

Oaxaca has some of the worst welfare indicators in Mexico, where indigenous communities fare even worse; in particular, indigenous women are largely mono-lingual (speaking only their indigenous language), have exceptionally low levels of education, and are commonly confined to their villages (Cos-Montiel, 2003). Men face some of the comparatively highest rates of death from HIV/AIDS than women in Oaxaca (Table 3.9).

Table 3.9: HIV-AIDS Death in Mexico: 2003

	Male	Female	No statement	Total
Chiapas	151	38		189
México	322	61		383
Oaxaca	98	29		127
Grand Total	3845	766	4	4615

Source: INEGI y Dirección General de Información en Salud, SSA

In addition to the quantitative indicators, it is important to analyse the qualitative aspects as well. It is noted that, in some communities, cultural traditions impose very rigid roles and responsibilities both on women and men.²⁴

3.4.1 Institutionalising gender budgeting through law

Oaxacan experience of local level gender budgeting is an example of the scope and limitations of women's groups' impact on public service delivery. The Institute of Oaxacan Women (IOW) played the crucial role in institutionalising gender budgeting in the State of Oaxaca. First of all, IOW sensitise the government officials, on the significance of gender budgeting in the context of prevailing gender inequalities through rigorous gender sensitive training.

²⁴ The geography of Oaxaca is an additional factor that exacerbates the inequalities created by gender roles for two reasons. First, in this state, the provision of public services and infrastructure is difficult, especially in poor remote communities, which are often indigenous. The absence of quality services leads to a continuation of traditional practices, which may reinforce inequalities between men and women and stunt the development of those living in the remote communities, thereby impeding economic development and well being. Secondly, influences that alter gender roles are slow to reach remote areas, so change occurs more slowly than in more urban or accessible communities (Cos-Montiel, 2003).

Secondly, they persuaded the governor to pass a law that makes compulsory the generation of sex disaggregated data and indicators, further disaggregated by ethnical components and rural-urban differentials. The creation of a system of gender-disaggregated information was emphasised upon as an important prelude to gender responsive budgeting.

The process of gender budgeting began across most of the developed and developing countries through an ex-post analysis of budget through the gender lens. In Oaxaca, instead of analysing the budgets, they concluded that the budget is gender blind and decided to train the officials who were in charge of formulating the budgets, so they could create a methodology to incorporate gender analysis.

Each level of administration required different process of training with different goals. First was, to 'sensitise' the governor of Oaxaca to understand the importance of gender in budgeting, secondly, to create awareness about gender sensitive budgeting at the top level bureaucracy and thirdly, to provide proper training to the officials who are really in the budget wing. The logic behind the intervention was that, once trained, policymakers, those in charge of designing policy, would be able to identify obstacles to formulate gender sensitive budgets.

The gender training was given to 17 governmental bodies and Ombudsman by 2003. As a result, necessary amendments in the existing legislation were made, to make the process of incorporate Gender Responsive Budgeting (GRB) mandatory. In December 2002, the local Congress passed an *Act* that instructs the government to engender its fiscal policy, establishing a new benchmark for Mexico. Oaxaca thus was the first state to integrate gender responsive budgeting process in Mexico. The point to be noted here is that legal changes are necessary, but not the sufficient condition for successful integration of gender in local level budgeting.

3.4.2 Revenue side gender responsive budgeting in Oaxaca

In February 2003, Ministry of Finance in Oaxaca had begun the analysis of revenue through a gender lens. This analysis began with the objective to institutionalise a system to identify how men and women contribute to the fiscal system and thereby recognising the importance of women in the tax system. Ministry of Finance presented a detailed strategy on the process of incorporating gender in revenue side of the budget in June 2003 in a meeting conducted by IOW, UNIFEM and the Economic Commission for Latin America and the Caribbean. It is to be noted that only local direct tax payments made by men and women were given emphasis in the exercise. However, this initiative enabled Oaxaca to become the first state in Mexico, and moreover in Latin America to undertake the revenue side of gender budgeting.

As a part of integrating gender in taxation, tax forms, tax statements, information systems, reports on tax payments, feedback forms and reporting were modified to incorporate gender. The process began by the procedure that all tax forms should indicate the sex of the taxpayer. This, in turn, enabled them to create databases to identify the taxpayers by gender, tax evaders by gender and also to generate information on investors by gender and also in which areas they invested. Effectively, Oaxaca introduced the changed format in 2004 and the analysis of 2004 data is under progress.²⁵

The initial analysis showed that women's tax payments account for 34 percent of total revenue and this information helps to make visible the women's invaluable contribution to development. Despite the fact that this proportion is lower than that of men, it is important to highlight that in Oaxaca women's income represents only a 60 percent of those earned by men (Cos Montiel, 2003). It is also noted by local Ministry of Finance that taxes from women reach the Revenue Service rather punctually.

It is to be noted here is that federal transfers constitute 96 percent of the total revenue of Oaxaca and tax collection is mainly done by the Central government. Under this context, it is significant for Federal Ministry of Finance also to be equally involved in the process of gender responsive budgeting to make the Oaxacan experience a success. Also, it is to be noted that the initiative in Oaxaca is only for direct taxes, and women taxpayers constitute a negligible part of it.

3.4.3 Perspective of random poor women in Oaxaca on the provision of public good: a qualitative analysis

Oaxaca is a state, where significant part of income come as remittances from abroad, particularly US. The objective function of the household of the women, randomly selected, for our analysis of perspective of poor in the provision of public good was to tap the potentials of unskilled labour markets in US to increase their standard of living. Migration aspects were the prime inference we received from this random observation from the women of lower quintile of income class. It is to be noted that the girls and boys of the household only aspire to attain secondary education level, which is the minimum threshold to aspire for unskilled labour markets in US. Gender-wise disaggregation of migration of unskilled labour markets in US from the State of Oaxaca was difficult to attain, but it is to be noted that a significant number of poor women also migrate to US.

The capability deprivation in terms of education was not visible from the micro response. This observation, in terms of education, is in concomitant with the macro level observations that Mexico is in the path of universalisation of

²⁵ This discussion is drawn from the meetings with Ministry of Finance, Oaxaca.

education and in attaining gender equality in education. But the situation seems different in terms of health; there is capability deprivation in terms of health. The perspective of poor women, about the provision of public services in the health sector, gave a dismal picture of the functioning of primary health centres with no doctors and medicines. In addition to health-related reasons, they also provided insights into the non-health factors that result in poor health indicators. One of the prime reasons behind the relatively high maternal mortality rate of the poor women in the Oaxacan village, is lack of road infrastructure in the village. Yet another point to be noted here is the difficult geographic terrain of Oaxaca, where indigenous people live in the interior mountain villages, where public provision of goods is yet to reach. The access and utilisation pattern of health services was discussed with the random poor women of our study, which revealed the existence of significant number of private (indigenous medical practitioners) in the village and the female members of their household preferring to take treatment from them, rather than going to public health centres. No disease specific pattern in accessing the public *versus* private health care clearly came out of the discussion; only matter significant determinant to access health care, especially among women, which was revealed, was the superstitious belief of consulting the occultist in the village (whether she should go for medical care or not).

The time use aspects were discussed with the women, randomly chosen, to understand the statistical invisibility of women's work. It was revealed that they spent equal hours in care economy and market economy (pottery and piggery) and evidence of multi-tasking was also reported. They reported that the forward and backward linkages of economic activity, they involve with, is very weak in village, though they have not reported significant market failures for the products.

The aspects of domestic violence were discussed with the women; but they reported no evidence of domestic violence in Oaxacan village. This information needs to be analysed within the realm of self-censorship threshold. It was also to be noted that apparently, financial and functional autonomy was evident for the female members of the household, as they have to take the household responsibilities in the absence of their men, who migrated to US unskilled labour markets.

3.5 CONCLUSION

The overall conclusion of the study is that gender responsive budgeting at local level can be successful in Mexico, only if the fiscal decentralisation process itself is effective and successful. Given that more than ninety percent of the sub-national government revenue is fiscal transfer and sub-national governments hardly have fiscal autonomy in expenditure decisions, the attempt of gender budgeting at local level in Mexico appears to be a marginal step, though it is made mandatory through a law in Oaxaca. Unless the institutional mechanisms of fiscal decentralisation and degree of fiscal autonomy are varied, it will be a

difficult process to take it forward. The scope of local level gender budgeting in Mexico depends on the flexibility of finances at the local level.

The process of institutionalising gender in Oaxaca was within government, an initiative with the involvement of Ministry of Finance and support from civil society. The amendments in legal procedure to incorporate gender in budgeting can be viewed, only as a necessary, but not sufficient condition of successful GRB. In the overall framework of fiscal decentralisation and fiscal autonomy of the state, where 96 percent of the revenue received as federal fiscal transfers, the incorporation of gender in revenue side analysis is marginal. This is all the more true when it is confined to only direct tax side, where taxpayers among Oaxacan women are negligible. However, it is important to note that the top-down approach adopted in incorporating GRB in Oaxaca is an example of effective lobbying by the civil society organisations in sensitising the government machinery, for the need to incorporate gender through awareness programmes and training programmes.

Yet another point to be noted is that policy interventions to ensure greater participation of women have helped to orient policies and programmes with greater benefits to them. In Mexico, the policy alternatives that can be thought of are: (i) sensitising public service delivery at the centre; (ii) extension of health sector strategy to other sectors or further decentralisation, with measures to empower women in political and administrative spheres; and (iii) greater participation and interaction with women's groups in identifying the programmes, policies, institutional empowerment, and strategies.

IV. FISCAL DECENTRALISATION AND LOCAL LEVEL GENDER RESPONSIVE BUDGETING IN MOROCCO

4.1 INTRODUCTION

Morocco is a constitutional monarchy in North Africa, whose territory encompasses the coastal plain on the Atlantic, desert region of Sahara and the Atlas mountain ranges. It has population of 30.1 million and extent of urbanisation is 57 percent.²⁶ Morocco got independence in 1956 from French rule. The country has a majority of Muslim population and a patriarchal society. However, during the last few years there has been a significant attempt to change in the status of women and considerable effort is made to mainstreaming women in economic activities.

4.2 EVOLUTION OF DECENTRALISATION PROCESS IN MOROCCO

The decentralisation process in Morocco goes back to the 1963 Charter; when it was issued recognising the need for local governments. Though limited in scope, the charter helped to constitute the local governments. However, it was the 1976 charter, which started the real decentralisation process. It enshrined 'communes', the level of government closest to the people, as the core of local democracy and they were assigned a role in economic and social development. With this, the local government structure comprised of provinces and prefectures and urban and rural communes. With the adoption of the 1997 charter, a new tier, "Region" was established, with the main objective of consolidating and coordinating the efforts of the provinces, particularly in planning and land use development. The constitutional reforms in 1986 and 1992 empowered the sub-national governments to exercise a number of legislative and administrative powers. The *New Communal Charter, 2001* (enacted in 2003) expanded the powers of elected representatives to carry out local development, particularly to rural communes, control budgets and impose local taxes.²⁷ This also attempted to enhance their financial powers and enabled greater participation of citizens in the public service provision.

Thus, the local government structure in Morocco, below the central level, comprises of 16 regions, 45 provinces and 16 prefectures, 249 urban communes and 1298 rural communes. The national (central) government has two chambers

²⁶ World Development Indicators, 2005.

²⁷ The powers of the communes, provided by the New Charter, are the following: urban and land use planning; hygiene, sanitation and environment; economic and social development; local public services and community services; socio-cultural equipment and actions; co-operation, association and partnership and finance, taxation and town lands.

namely, the House of Representatives and the Upper House represented by unions, chambers of commerce and representatives of local governments (Mayors). The proportion of local government representative in the Upper house is much larger than others. In the House of Representatives, 10 percent is reserved for women, the unions, and the chamber of communes.

The legislative body for the Regional Council is elected through the electoral college and the executive head of the region, *Wally*, is appointed by the *Dahir* (royal decree) from among the governors of the prefectures or provinces within the region. The provincial or prefectural assembly is elected indirectly by the communal councillors and colleges of professional chambers and Governor is the executive head, who is appointed by the *Dahir*. The legislative body for the Communes are the communal councils and the members of the council are directly elected by a universal suffrage. The President of the Communal Council is elected by the elected members of the council from among themselves. Thus, right from 1976 when communes were formed, they constitute the basic democratic institution of decentralisation.

The communes are considered 'core of local democracy' and are basic governmental units closest to the people. They have been assigned the responsibility of providing the basic services such as basic infrastructure, solid waste management, transports development and preservation of markets and public lighting. The provision of most of the important public services, including some of the social services such as health care and hospital services, and education are still with the central government.

Local governments get their resources for spending from own revenues, devolved taxes from the central government and have recourse to some extra-budgetary resources including loans. There are 42 taxes assigned to the local governments and most of these are collected by the communes. In terms of fiscal importance, the locally raised revenues are not important. Together, these constitute less than 5 percent of total receipts of the local governments. The regions get one percent of corporate tax and individual income tax for meeting their expenditures, which, in the 3 main, consists of coordination of the activities of provinces and prefectures.

The provinces, prefectures and communes receive 30 percent of the value added taxes (VAT) collections. Of the shareable proceeds, provinces and prefectures receive 40 percent of the shareable proceeds, the share of urban communes is 24 percent and the rural communes receive 26 percent. There are conditions on the spending of devolved tax revenues. It is stipulated that 8 percent of the proceeds should be spent on "public goods" which benefit all citizens equally, 79 percent should be spent on meeting operational expenditures and remaining 13 percent should be spent on investment expenditures.

The lump sum component of distributable VAT revenues is distributed on the basis of the ratio of personnel expenditures. The operational component among the provinces is distributed on the basis of two indicators, population and the area in the ratio two-thirds and one-third. The distribution of operational expenditures among communes is done on the basis of tax effort. Investment component is distributed on the basis of the nature of the projects. Thus, although, attempt has been made to make the distribution, formula based and transparent, there are opaque and discretionary elements in the transfer system.

The Ministry of Interior is responsible for administration, supervision, and coordination of local governments. The fiscal year is the calendar year. The budget cycle for the local governments begins with the guidelines issued by the Ministry of Interior in October, setting out the basic ground rules for preparing revenue and expenditure. For all levels except rural communes, the local budgets prepared by respective levels of governments are sent to the Ministry of Interior, after being duly approved by the respective Councils. In the case of rural communes, the approval has to be obtained from the Governor of the province. After approval, these are sent to Ministry of Finance for coordination.

Despite initiatives taken to decentralise administration, Morocco has a highly centralised fiscal system. Together, all local governments incur a little over 13 percent of total expenditures or about 3.5 percent of GDP (*Table 4.1*). Of this, overwhelming proportion is financed through transfers from above by way of shared taxes. The share of VAT transfers alone constitutes almost 50 percent of the total current and capital receipts (*Table 4.2*).

Other, important local revenue sources are urban tax (*taxe urbaine*), business tax (*patente*) and supplementary urban tax (*taxe d'edilite*) (*Table 4.2*). Even among these three taxes, tax *urbaine* and *patente* are national taxes, assessed and collected by central government and are transferred (less than 10 percent collection fee) to local governments.²⁸ Both these taxes constitute around 12 percent of total receipts. Tax *d'edilite* is local tax, assessed and collected by the central government, which constitute around 10 percent of the total receipts. In addition to these, there are around forty local taxes and fees assessed by local authorities, of which the major local taxes and fees are market fees (slaughter houses, fish, etc), forestry income and construction fees. Together these constitute a negligible proportion of total revenues.

²⁸ Two taxes (*tax urbaine* and *tax d'edilite*) are assessed on a rental value (*valeur locative*) of taxable units.

Table 4.1: Degree of Fiscal Decentralisation in Morocco

Degree of Fiscal Decentralisation	2001	2002
Local Government Expenditure/General Government Expenditure	13.15	13.14
Local Government Expenditure/ GDP	3.38	3.48

Source: *Annuaire Statistique, 2002 in Director General of Local Collectivity*, Ministry of Interior, Government of Morocco

Table 4.2: Composition of Revenue of Local Government, Morocco - 2002

Sources of Revenue	(%)
Recettes de fonctionnement (Revenue Receipts)	83.42
<i>TVA Dotation</i> (VAT Transfers)	40.38
<i>Taxes locales</i> (Local Taxes)	4.23
<i>Patente</i> (Business Taxes)	8.56
<i>Taxe urbaine</i> (Urban Tax)	3.05
<i>Taxe d'edilite</i> (supplementary urban tax)	10.09
<i>Autres recettes</i> (Others)	17.11
Recettes d'equipement (Capital Receipts)	16.58
<i>TVA Dotation Transfert</i> (VAT Transfers)	8.30
<i>Emprunts</i> (Loan)	8.28
Recettes totales (Total Receipts)	100.00
	(14480)

Note: Amount in parentheses is in millions of Moroccan Dirhams.

Source: *Director General of Local Collectivity*, Ministry of Interior, Government of Morocco.

Even among those considered local revenues, local governments have little freedom in setting tax rates or user fees and are not legally responsible for tax collection. In general the local governments in Morocco receive almost three-fourths of their revenues from taxes with centrally set tax rates and about 10 percent is received by way of loans. Thus, the share of expenditures of local governments in the total is low and even these are financed from sources of revenue, on which the local governments have little control. In the event, a major advantage of decentralisation namely, varying public services according to the preferences of the citizens, cannot simply be accomplished in the present system (Vaillancourt, 1999).

As already mentioned, local governments in Morocco have been entitled to receive at least 30 percent of national VAT receipts since mid-eighties. VAT transfers were divided into current and capital transfers. Current transfers were calculated (till 1995) as budget balancing grants. However, in the light of disincentives associated with gap filling method of transfers resulted in widening deficits; in 1996, a transfer formula was set in place for the allocation of 30 percent VAT transfers devolved to local governments. This formula-based apportionment system of transfers is as follows. The 30 percent of devolved VAT

transfers are reserved for transfer charges (15%), common charges (10%) and adjustment fund (5%), that is, unexpected expenditure like natural calamities; remaining 70 percent is allocated for urban municipalities and communes, rural municipalities and provinces and prefectures with 30 percent, 20 percent and 20 percent shares respectively. The urban municipalities and communes and rural municipalities funds are allocated according to the weighted sum of three criteria given in *Table 4.3*.

Table 4.3: Criteria for Allocation

	Urban Municipalities and Communes (in %)	Rural Municipalities (in %)
Lumpsum	15	30
Equalisation	70	55
Tax Effort	15	15

Source: *Director General of Local Collectivity*, Ministry of Interior, Government of Morocco

While the allocation of funds for Provinces and Prefectures (PP) is follows: Each PP receives its 1995 wage bill. The sum of these wage bills is subtracted from the total funds received (20 percent) and the remainder of 20 percent is allocated using weighted criteria of area and population of provinces and prefectures (Francois Vaillancourt, 1999). The point to be noted here is that Moroccan system of fiscal transfers partially takes care of imbalances in the fiscal potential and favours poor regions, through assigning comparatively higher weight to fiscal equalisation.

Yet another point to be noted is that the composition of revenue across each type of local government in Morocco differs. It is revealed from the *Table 4.4* that Provinces and Prefectures depend heavily on fiscal transfers (at around 90 percent of the total revenue), while urban communes get a comparatively greater share from their revenues than from the transfers. The loan component is highest in case of rural communes. *Fiscalite*, consist of the taxes like tax *urbaine*, *patente*, *tax d'edilite* etc.

In terms of functional devolution, Moroccan local governments are assigned the functions of street lighting, road infrastructure, garbage collection and treatment, markets and slaughterhouses, urban transit, water and sewers etc. Expenditure by function data is not readily available across local governments. However, in terms of expenditure of local governments by economic classification, it is revealed that rural and urban communes (26.4 and 56.9 percent respectively) incur considerable expenditure, when compared to regions and prefectures and provinces (last row in *Table 4.5*). Of the total expenditure of local bodies, 87.31 percent is revenue expenditure and only 12.69 percent is the capital expenditure. However, it is to be noted that capital expenditure at levels of prefectures, provinces and urban communes are

comparatively negligible. Within revenue expenditure, wages and salaries constitute the significant part of the expenditure in local bodies.

It would be useful to summarise the important characteristics of fiscal decentralisation in Morocco. The important desirable features of the system include, stability in the assignment and transfer system. The fact that the transfer system is formula based, particularly VAT transfers for current purposes are distributed according to the formula and there is significant equalisation element in the transfer system as well. Equally important is the feature of devolution of powers according to the capacity of local governments to manage them. Thus, rural communes, which do not have high capacity to plan and design various public services, are not given as much powers as urban communes. Not surprisingly, rural communes have to work within the administrative control of Ministry of Interior, which helps them to design and implement public service delivery and formulate their annual budgets. It is also notable that fiscal reform privatised the delivery of many of the services, such as water supply and power instead of decentralising them.

Table 4.4: Composition of Revenue within each type of Local Government, 2002.
(millions of Moroccan *Dirhams*).

	Regions	Prefectures	Communes	Communes	Total
	and Provinces	et Urban	Rural		
<i>Dotation</i> TVA (VAT)	196 (41.7)	1353 (90.7)	3464 (38.3)	2037 (58.7)	7050 (48.7)
<i>Fiscalite</i> viz. (national & local taxes)	260 (55.3)	96 (6.4)	4951 (54.7)	924 (26.6)	6231 (43.0)
<i>Emprunts</i> (Loan)	14 (3.0)	43 (2.9)	632 (7.0)	510 (14.7)	1199 (8.3)
Total	470 (100)	1493 (100)	9047 (100)	3472 (100)	14480 (100)

Note: Amount in parentheses is in percent.

Source: Director General of Local Collectivity, Ministry of Interior, Government of Morocco

Table 4.5: Composition of Expenditure across Local Governments, 2002
(in percent)

Expenditure	Regions	<i>Prefectures et provinces</i>	<i>Communes et Communau tes urbaines</i>	<i>Communes rurales</i>	Total
<i>Depenses de fonctionnement (Expenditure by Function)</i>	59.76	94.21	93.08	77.70	87.31
<i>Charges du personnel</i> (Wages and Salaries)	4.59	66.06	41.74	33.30	40.16
<i>Travail d'entretien</i> (Maintenance works)		1.11	3.11		1.89
<i>Annuités d'emprunts</i> (Annuities)	1.18	1.95	14.31	3.34	9.31
<i>Excedent previsionnel</i>	40.10	8.06	8.21	21.75	13.53
<i>Autres depenses</i> (Others)	13.89	17.04	25.72	19.32	22.41
<i>Depenses d'equipement Capital Expenditure)</i>	40.24	5.79	6.92	22.30	12.69
<i>Acquisitions mobilières</i> (Mobile Acquisitions)	1.31	1.37	0.99	2.65	1.49
<i>Travaux Neufs et</i> (New Works)	17.43	3.71	5.20	15.24	8.36
<i>Grosses reparations</i> (Gross Repair)		0.00	0.00	0.00	0.00
<i>Acquisitions immobilières</i> (Immobile Acquisitions)	0.13	0.13	0.51	0.27	0.38
<i>Autres depenses</i> (Others)	21.36	0.59	0.22	4.13	2.46
<i>Total depenses</i> (Total Expenditure)	100 (763)	100 (1538)	100 (7878)	100 (3655)	100 (13834)
<i>Expenditure as percent of all local bodies</i>	5.5%	11.1%	56.9%	26.4%	100.0%

Note: Amount in parentheses is in millions of Moroccan Dirhams.

Source: Director General of Local Collectivity, Ministry of Interior, Government of Morocco

Despite these important features of decentralisation, it is important to note that the fiscal system in Morocco is that local governments have very limited role. Even though, there has been formal devolution of functions to the local bodies in Morocco in the backdrop of the New Communal Charter, elements of centralisation are evident, as local governments remain under the supervision of Ministry of Interior. The level of spending by the local governments is so low that they can not make much difference to providing access, ensuring entitlements or enabling empowerment of women however well disposed they are, towards achieving gender equity and mainstreaming women in organised economic activities.

Nor is the sensitivity to gender issues in Morocco at the local level high enough to make significant difference to improve equity. There is no systematic attempt to mainstream gender approach in local budgets. There is no strategic planning to sensitise and educate the policymakers on gender equity. The stakeholders of local governments too are not well informed about the issues of gender sensitivity to make any significant impact on policies. Given the traditional nature of society with significant gender inequity, the approach continues to confine women to the traditional roles.

There is an initiative taken to analyse the local budgetary process, planning and implementation on the one hand, and the extent of gender equity accomplished in them by the UNIFEM in collaboration with the UNICEF in the 5 communes, to initiate gender sensitive analysis of local budgets and assess the potential of gender mainstreaming in the local budgetary process. The five communes included for the study include two former communes of Casablanca and Sidi Moumen, an urban commune presided over by women in Essaouira, a rural commune of Sidi at Mohammedia and two rural communes engaged in the process of change in partnership with UNICEF namely Sidi Mohammed Oumerzouk and Zaoumi Ait Qualal. The study is expected to help the stakeholders of these communes to develop budget-engendering strategies in them.

4.3 BUDGETARY REFORM AND ENGENDERING BUDGETARY POLICY IN MOROCCO.

There has been a significant reform of budgetary policies in Morocco during the last three years. These reforms focussed on four important initiatives and these include, (i) introduction of performance budgeting, (ii) contracting out services in the interest of efficiency, (iii) partnership of the government and (iv) imparting responsiveness for gender concerns in budgeting. All these are complementary, as they attempt to shift the focus to the transformation of expenditures into outputs and outcomes, improve efficiency in public service delivery through involving the private sector and competition wherever feasible and by fostering partnerships with self help groups and non-governmental organisations and targeting public services to achieve gender equity.

Focus on gender equity in budgetary decisions is, in part, the result of the enlightened policy from above, strengthened by the advocacy done by women's groups. Since 1998, there has been considerable affirmative action in regard to mainstreaming women. The King has taken considerable initiative to address women's issues. And as he is the religious authority, his initiative has given significant impetus to women's movement as well. Significant among the initiatives is the family, which has expanded the scope of women, considerably woven in a traditional society. The strong advocacy that accompanied the sovereign initiative, helped to spread advocacy effectively. In fact, Morocco has the first women's newspaper. There are a number of very active NGOs, which is a part of the movement for democratic set-up. They are active in educational activities, women's rights, legal issues, literature, promotion of social, economic and income generating activities and in preventing violence against women. In the democratic transition since 1998, women's movement has carved out a niche in improving the status of women in society. One important initiative in this regard is in sensitising the women's concerns in the budgets.

The approach to gender sensitive budgeting was formulation and implementation of budget by choosing performance indicators to achieve gender equity and evolve a strategic plan to work towards achieving them. The exercise began in 2000 by sensitising gender issues in the department of education and training. The major objectives set out were (i) universalisation of education with thrust given to female education, particularly in rural areas; (ii) improving the quality of education and open up education to the private sector in line with the needs and requirements; and (iii) enhance governance in the delivery of education services through improved management, introducing systems and procedures and instituting regulatory systems. Thus gender responsiveness in budgetary decisions in Morocco has been derived as a component of identifying performance indicators for assessing progress.

At present, the enrolment ratio of 79 percent for Morocco in 2000 for children in the age group 6-11, hides the existence of wide rural-urban disparities and differences among male and female children. The strategic planning and provision of complementary services in villages, such as rural water supply and improvement in connectivity, increased the rural female enrolment sharply by almost 20 percentage points to 82 percent in just two years. At this rate, the goal of achieving universal enrolment by 2010 may not be difficult to achieve.

The process of gender sensitising the budgets in Morocco, thus started at the central level by identifying the programmes that help women, specifying the objectives in terms of performance indicators and incorporating them in the annual budgets. The process was initiated with the Ministry of Education and training and has been extended to finance, health, and agriculture ministries, besides education and is in the process of being extending to 9 other ministries in the near future. The gender responsive budgeting covers the social sector, which constitutes about 40 percent of the central budget, is in the process of extending to 13 other departments. There are plans to extend the process to regional, provincial and commune levels. However, the process of preparing the programmes, fixing specific performance indicators to fix targets and incorporating them in the annual budget are major challenges that will have to be met in the future.

While considerable effort has gone into gender sensitising budgetary decisions at the central level, a lot of distance is yet to be traversed in ensuring gender equity at the local level. The analysis of local budgetary process of formulation and implementation has brought out a number of areas of future action. As already mentioned, the shares of local budget in total, both in raising revenues and implementing expenditure programmes are just about 10 percent. To be effective, it is the local level that has comparative advantage in identifying the programs that can help to empower women and bring them into the mainstream of economic activity. Besides, much of the focus of NGOs and civil society organisations has centred on central rather than local budgetary policies. As mentioned earlier, the UNIEFM initiative with UNICEF to study the budget

engendering strategy in 5 communes is likely to help draw the strategic plans in the future, but the initiative is small, only at the beginning and for the present, the gender sensitisation at the local level does not look very promising.

The analysis of gender sensitisation of budgets has brought out a number of important areas where initiative is required. First, there are very few females among the elected legislators and executives at the local level. Second, there is very low awareness of gender issues and lack of sensitivity in legal, normative as well as regulatory framework at local level. Nor is there much information and analysis to help prioritisation of the programmes, preparation of budgets that would help to mainstream women and help in their effective implementation. Third, there is hardly any co-ordination and sequencing of activities among the multiple players in pursuing the objective of gender mainstreaming. Fourth, there is hardly any information and data available to develop indicators for gender inclusion in the choice of projects. Fifth, there is much to be done to have more and better organised advocacy, education and capacity building of women's organisations and coordinated action for strategising gender equity in budget decisions. Finally, it is necessary to undertake significant initiatives to undertake gender sensitive analysis of social impact of public investments. Thus, considerable initiatives and effort both in terms of building awareness and advocacy on the one hand, and compiling a wealth of information and data are necessary for engendering the budget formulation and implementation at the local level in Morocco.

4.4 FUTURE DIRECTIONS FOR GENDER SENSITIVE LOCAL LEVEL BUDGETING

There is a clear dilemma as to whether the focus of gender responsiveness to budgetary decisions should be to expand the scope at the central level and should it shift to local level. Given the advantages of lower information and transaction costs at the local level, it would seem appropriate that the strategy for improving gender equity should be two pronged. The first is to increase the degree of decentralisation and devolve powers to deliver important social services to the communes. The second is to increase the responsiveness of local budgeting through awareness, advocacy and capacity building. Thus, strategy for effectively improving gender responsiveness of budgetary decisions includes, attempts to increase the role of communes in providing public services and sensitising them to incorporate programmes that would help to bring women into the mainstream of economic activity, setting implementable targets and strategically implement them to achieve the targets within the given time horizon.

Thus, an important strategy needed to bring about gender equity in budgetary decisions effectively is to, orient policies towards furthering the process of fiscal decentralisation, particularly in the provision of education,

healthcare, water supply and sanitation, and other important, merit good, type of public services, besides maintaining the law and order and protecting property rights. It is also important to devolve revenue-raising responsibilities to link expenditure functions at the margin.

The process of increasing decentralisation also entails evolving the intergovernmental transfer system on more scientific lines. The transfer system should contain an optimal mix of both general purpose and specific purpose transfers. While the objective of the former is to enable all local governments to provide a given normative level of public services, so long as they raise resources from own sources at a prescribed effective tax rate. The objective of the specific purpose transfers is to ensure minimum standards of the specified meritorious services, particularly in respect of services where gender sensitivity is important. As discussed in *Chapter II*, the eagerness to impart gender sensitivity to budgetary decisions should not lead to imparting complexity to the transfer system. The transfer system should be simple, transparent, and equitable and should have right set of incentives.

Advocacy to improve gender responsiveness in budgetary policy is extremely important. This has to be done at both central and local levels. While there has been considerable progress in budget decision at the central level, greater effectiveness and targeting of public services would require decentralisation and therefore, improving advocacy at local levels is extremely important to impart gender sensitivity to local budgets.

4.5 LESSONS OF EXPERIENCE

The Morocco's limited experience with gender responsive budgeting provides some important lessons. The first important lesson is that gender responsive budgeting has a better chance of success in an enabling environment and when calibrated with other complimentary policies than when they are undertaken in isolation. The proactive role of the King and the Prime Minister in hastening the process of change, in the role and place of women in society, has provided a favourable climate for gender responsive budgeting.

Second, imparting gender responsiveness in budgeting is much more important at the central level in countries which are unitary and highly centralised. Rather than waiting for decentralisation to take place to make the progression to gender equity, it would be desirable to sensitise budget making for gender concerns at the central level itself. Indeed, in a large country, efficiency and targeting of public service delivery can be done at the local level, but there is no need to wait for decentralisation to take place for making the budgets gender responsive. At the same time, there are limits up to which this can succeed in ensuring gender equity and the decentralisation reform will have to be calibrated alongside.

The experience of Morocco also brings out the importance of NGOs and advocacy groups in gender responsive budgeting. Even in a conservative society, the advocacy groups have attempted to ensure gender equity in public services. Interestingly, advocacy groups and NGOs work where money is spent, but do little to change the assignments. Thus, although many public services in Morocco could be provided at local levels, centre continues to provide them and advocacy groups' work to achieve gender equity within this context.

V. FISCAL DECENTRALISATION AND LOCAL LEVEL GENDER RESPONSIVE BUDGETING IN PHILIPPINES

5.1 INTRODUCTION

The Nation-State of Philippines comprises of around 7000 islands and home to people speaking as many as 87 dialects. This probably explains why, historically, the political structure of Philippines had been of a very decentralised nature - each *Barangay* or village was ruled by its own chieftain, spoke its own dialect and formulated its own laws based on tradition and needs. Centralisation of power and control came along with the Spaniards, the Americans and the Japanese conquest of this country. Independence in 1946 was followed by a period of reconstruction. The *Local Autonomy Act of 1959 and the Decentralisation Act of 1967* were enacted to grant fiscal and regulatory powers to the local governments and increase their financial resources. The *1973 Constitution* made it mandatory for the state to “guarantee and promote the autonomy of the local governments, to ensure their fullest development as self-reliant communities”. However, twenty years of authoritarianism in the form of martial rule acted as a barrier to attempts towards decentralisation. Termination of this era saw the re-emergence of democracy through people’s empowerment (Guevera, 2003).

Substantive process of fiscal decentralisation started in Philippines with the enactment of Local Government Code (LGC) in 1991. The LGC institutionalised systematic allocation of powers and responsibilities between the national and local governments.²⁹ Though twelve years into the implementation of the Code, integrating gender in the planning and budgetary policies at local government is however relatively a new approach in Philippines.

At the national level, gender responsive budgeting policy initiatives started in Philippines with GAD (Gender and Development) budget since 1995. The GAD budget made a provision for earmarking, at least 5 percent of all departmental expenditure for programmes for women in national and sub-national budgets. However, fixing the floor limits for spending on gender in different departments resulted in misallocation of resources and also marginalisation of gender issues in the mainstream budgeting, as floor limits has been taken as ceilings in some departments. In this context it needs to be highlighted that earmarking a specific proportion of budgetary allocation for women may not be an appropriate tool to sensitise budget through gender lens. In Philippines this has led to misallocation of resources. Under the quota-based gender budgeting money was earmarked even for ballroom dancing under GAD budget in some departments. Also, as there was no penalty, for not utilising the

²⁹ Section 17 ©, Republic Act 7160, Local Government Code of 1991.

GAD budget fully and efficiently, much of the departments ended up with unspent surplus in GAD budget. Ideally, differential targeting of expenditure emanating from the identification of appropriate programmes for women in various sectors or reprioritising the expenditure based on a generic list of right programmes and policies for women might be more effective than uniform targeting at 5 percent across sectors.

However, with the strengthening of the fiscal decentralisation process in Philippines, Local Government Units (LGUs) were provided with more opportunities in terms of local level gender responsive budgeting and challenges as well. The devolution of basic functions like health, social welfare and agricultural extension to the LGUs created more space for them to incorporate the gender needs at the local level. Some of the LGUs have indeed used this opportunity to initiate, gender responsive policies at local level. However, as devolved functions were largely unfunded mandates and the intergovernmental transfers and budgetary process at the local level were largely politically determined, it posed serious challenges for effective decentralisation and in turn LLGRB initiatives.

The LLGRB initiative in Philippines can be traced in few *Barangays*, particularly in Sorsogon and Hilongos, wherein selective attempts were made to identify specific gender needs before budgeting. These initiatives on local level gender responsive budgeting came from Department of Local Government and National Commission, on the Role of Filipino Women along with the UNIFEM in the year 2004. These initiatives in Sorsogon and Hilongos moved ahead from, quota-based gender budgeting, to the identification of entry points for results-oriented gender responsive budgeting, by identifying gender needs at local level. However, it is to be noted that LLGRB has been highly selective and also is a sectoral process in Philippines. In the *Barangay* of Sorsogon, the initiative on LLGRB is in the health sector; where gender related health issues related to MDG has been identified and costed and performance indicators were designed as well. In Hilongos, the initiative on LLGRB has been in agriculture sector. Prima facie, agriculture sector appears to be a gender-neutral sector. But it was identified that a properly functioning irrigation system in paddy production can prevent women migrating to urban areas as domestic workers. In the activity mapping of paddy production, it was also found that women participate more than men in the differential stages of paddy production from seeding to harvesting. Thus, strengthening the irrigation system had clear gender differential impacts, in terms of reducing the forced migration of women in urban areas and in enhancing their income earning opportunities.

Given this brief background of recently introduced fiscal decentralisation and LLGRB initiatives in Philippines; this chapter analyses the process and the interface between the two through a gender lens, with special reference to the experiences of Sorsogon and Hilongos. Apart from the introduction, section II deals with the process of fiscal decentralisation, while section III deals with the

experience of Sorsogon and Hilongos, highlighting the budgetary process and governance issues related to gender, in the context of fiscal decentralisation. Section IV summarises and concludes.

5.2 FISCAL DECENTRALISATION AND GENDER IN PHILIPPINES

Philippines has a unitary form of government with a multi-tiered structure. The local governments in Philippines, comprises 42000 *Barangays*, 115 cities, 1492 municipalities and 80 Provinces.³⁰ The local government expenditure as a percentage of GDP constituted 3.56 percent in 2004.³¹ In terms of revenue mobilisation, local government revenue constituted 1.23 percent of GDP in 2004. The asymmetry in functions and finance of LGUs are taken care of through intergovernmental transfers and borrowings. However, borrowing powers are limited and total borrowing constitutes negligible share of total receipts of the LGUs. However the fiscal transfers, *viz.* Internal Revenue Allotment (IRA) constitutes 40 percent of the national revenue and constitutes more than two-third of the total resources of the LGUs.

5.2.1 Assignment of powers and responsibilities

As mentioned, though unitary in nature, Philippines has a multi-tier structure of governance, which comprises *barangays*, cities, municipalities and Provinces. *Barangay* or village is the smallest unit entrusted with the delivery of services like agricultural support services, health centres and day-care centres, solid waste collection, village justice system, roads and infrastructure funded by the village, information and reading centre etc. Composed of several villages, the municipality has a number of expenditure functions like agricultural extension and on-site research services, community-based forestry projects, primary health care services and access to secondary and tertiary healthcare, public works and infrastructure services funded out of local funds, school building projects, social welfare services, information services, solid waste disposal and environmental management systems, municipal buildings, cultural centres, public parks, sports facilities, tourism facilities and promotion etc. A province is composed of a cluster of municipalities and was supposed to deal with services that involve inter-municipal coordination. For example, enforcement of forestry law, hospital and tertiary health services, infrastructure funded from provincial funds, low cost housing projects, telecommunication services for provinces and cities, investment support services, industrial research and development services for the province, tourism promotion etc. The city comprises of the more developed and urbanised *barangays*. All functions of a municipality or a province apply to the city as well. In addition, they are entrusted with the responsibility of providing

³⁰ The local government unit (LGU) is generically applied to all levels of sub-national governments in Philippines; the term refers to provinces, cities, municipalities and *barangays*. However, as data on *barangays* is not available, the calculations related to LGU revenue and expenditure refers only to provinces, cities, and municipalities.

³¹ This excludes *barangays*.

adequate communication and transportation facilities and support for education, police and fire services.

5.2.2 Sources of revenue

The local resource structure can be classified into three: (i) Internal (taxes, fees, charges, others); (ii) External (internal revenue allotment, share from national wealth, direct share from national taxes, grants in aid) and (iii) others (borrowings, public-private partnership). The structure of the local government revenues is given in *Table 5.1*. Out of all sources of revenue, tax transfers, in the form of Internal Revenue Allotment (IRA) constitute the bulk of the total revenues. Own tax revenue from property tax and other local taxes forms only around 20 percent of total revenue resources of the local governments of Philippines. The non-tax revenue constituted 10.78 percent of the total revenues and its share increased to 13.56 percent in the year 2006. Non-tax revenues also include capital revenues which are non-debt creating. The share of borrowing in total revenues of LGUs is negligible and its share declined from 2.25 to 0.50 percent during the period from 2004 to 2006.

The LGUs are vested with the power to identify their own revenue sources and levy taxes, fees and charges, to the extent of it being legally abiding and bears no semblance to national taxes (income tax, VAT, excise, customs, etc). Taxes assignment by different tiers of LGUs is given in *Table 5.2*. Among others, major taxes at local level are property tax and business tax. Among these taxes, a specified share is given to municipalities and *barangays*. Municipalities receive 40 percent of provincial collection of real property taxes and *barangays* receive 25 percent of the provincial or 30 percent of the city collection of property taxes. The distributional shares of various taxes are given in *Table 5.2*. Local governments are also given common revenue raising powers in the form of collection of fees and user charges for local public services.

Table 5.1: Consolidated Statement of Receipts of Local Governments in Philippines

Items	2004	2005	2006
I. REVENUES (1+2+3)	97.75%	98.45%	99.50%
1. Tax revenue; of which	86.97%	86.95%	85.95%
<i>Tax transfer: Internal revenue allotment</i>	64.76%	64.37%	63.99%
<i>Own tax: Property tax</i>	8.37%	9.05%	8.88%
<i>Own tax: other Local tax</i>	13.84%	13.53%	13.08%
2. Non-tax revenue; of which	10.78%	11.50%	13.55%
<i>Operating and miscellaneous revenue</i>	7.11%	7.57%	6.97%
<i>Capital revenue</i>	0.61%	0.48%	0.47%
<i>Grants</i>	0.77%	0.77%	3.01%

Table 5.1: Consolidated Statement of Receipts of Local Governments in Philippines (contd)

Items	2004	2005	2006
<i>Extraordinary income</i>	0.14%	0.14%	0.55%
<i>Inter fund transfers</i>	0.27%	0.21%	0.22%
<i>Other receipts</i>	1.89%	2.33%	2.33%
II. BORROWINGS	2.25%	1.55%	0.50%
TOTAL RECEIPTS	100%	100%	100%
(I+II)	(176186.51)	(190476.82)	(210171.99)

Source: Budget of Expenditures and Sources of Financing, Republic of the Philippines, Fiscal Year 2006.

Table 5.2: Tax Assignment

Revenue Source	Provinces	Cities	Municipalities	Barangays
Real Property Tax	#	#	# [40 % of Provincial collections]	# [25 % of Provincial or 30% of city collections]
Transfer of Real Property	#	#		
Sand, Gravel and other Quarry Resources	#	#	# [30 % of Provincial collections]	# [40 % of Provincial Collections]
Amusement Tax	#	#		# [50 % of provincial Collections]
Business Taxes		#	#	#
Franchise Tax	#	#		
Community Tax		#	#	# [50% of collections by <i>Barangay</i>]

Source: Local Government Code 1991 (RA 7160)

5.2.3 Intergovernmental transfers

Although the LGU's are permitted to generate their own revenues, the relatively buoyant revenue sources are with the central government. The IRA mechanism intends to address this relative vertical disparity in revenue sources. In fact, 40 percent of central government collection of internal revenue is allocated to the LGU's. The devolution has a lag of three years, in the sense that the basis of allotment is the amount of internal revenue collected three years back. The vertical pool of resource is allocated in the proportions as given in *Table 3*. As evident from the table, both Provinces and cities receive 23 percent of the total revenue, while municipalities and *barangays* receive 34 and 20 percent of the total share respectively.

Table 5.3: Vertical Assignment of Fiscal Transfers

Local Government Unit	Share
Provinces	23%
Cities	23%
Municipalities	34%
<i>Barangays</i>	20%

The horizontal distribution of resources is done on the basis of population (50 percent), area (25 percent) and equal sharing (25 percent). In other words, 50 percent of the total is distributed on the basis of need criteria, that is, population, which is a neutral index³² (*Table 5.4*). However, the horizontal distribution formula does not take care of the relative differences in fiscal capacities and differential needs arising out of cost disabilities in the provision of public services across jurisdictions.

Table 5.4: Criteria for Intra-LGU Allocation.

Criteria	Share
Population	50%
Land area	25%
Equal sharing	25%

Apart from this, the LGUs receive 40 percent of the collection of the national government from royalties, forestry and fishing charges. Also, it is mandatory for the government corporations to share one percent of gross proceeds from the utilisation of national wealth such as mines and forests, with the LGU, where the resource is located.

5.2.4 Credit financing for local governments

Apart from the own sources of revenue and IRA, the Local Government Code of 1991 permits a LGU's to "contract loans, credit and other forms of indebtedness with any government or domestic private bank and other leading institutions to finance the construction, installation, improvement, expansion, operation, or maintenance of public facilities, housing projects, the acquisition of real property, and the implementation of other capital investment projects – subject to such terms and conditions as may be agreed upon by the local government unit and the lender. The proceeds from such transactions shall accrue directly to the local government unit concerned" (*Sec 297*).

³² The intra-*barangay* allocation is slightly different. First the net *barangay* share is calculated as, Net *barangay* share = Total *barangay* share – *barangays* with 100 population. This net *barangay* share is then distributed on the basis of population (60%) and equal sharing (40%).

Although the intention was good, the Philippine experience with credit financing of LGUs was not so. Initially the macro-environment was hostile, followed by investment in projects with low cost recovery. Thereafter credit financing has been reduced to an instrument for LGUs to tap government finance institutions as sources of borrowed funds. However things looked up since the initiation of banking reforms, which intends to make the banks more service-oriented and their lending policies, market-oriented. An LGU Guarantee Corporation (LGUGC) was established to provide guarantees to loans and credits and therefore nullifying the risks faced by financial institutions on account of lending to local governments.³³ An internal LGU credit rating system is also in the offing. The remaining problems of this system are the loan profiles and the inefficiency of LGU officials to manage a viable project. The LGUs are also vested with the power of issuing bonds to finance components of local development plans or public investment programs, subject to the approval of the local legislative council. However the LGU bond market is still in its infancy stage. Another prevalent method of local infrastructure financing is through the Build Operate Transfer (BOT) mechanism. The advantages of this method are that the LGUs are required to make very little upfront investment. Also, risks that were traditionally borne by the government are shifted to the builder from the private sector.

5.2.5 Expenditure pattern of LGUs

In Philippines, LGUs are devolved with expenditure functions, other than those exercised by the national governments, viz., foreign affairs, national defence, postal services, fiscal and monetary policy, administration of justice, quarantine, citizenship, foreign trade etc. The regional governments are responsible for the implementation of programme and projects on agriculture, agrarian reform, education, environment and natural resources, health, tourism, trade and industry, social welfare, industrial peace, protection of workers welfare and promotion of employment, promotion of cooperatives, provision of assistance to LGUs and development and regulation of cooperatives (Manasan: 2004). The local government code of 1991 has transferred from the national government agencies to LGUs, with the principal responsibility for the delivery of basic services and the operation of facilities in the following areas: land use planning, agricultural extension and research, community-based forestry, solid waste disposal system, environmental management, pollution control, primary health care, hospital care, social welfare services, provincial/ municipal/ city buildings and structures, public parks, municipal services and enterprises, and local infrastructure facilities.³⁴

³³ Local elections being held every year, it may so happen that outgoing governments do not honour the debts they have incurred.

³⁴ *Local Government Code, Section 17 (b)* and Manasan (2004).

The structure of LGUs various expenditure functions spreadover general, social and economic services are given in *Table 5.5*. Social services expenditure comprises of health services and social welfare services education and other related services mentioned above. Under economic services, main expenditure component is agricultural extension services. If we look at the structure of expenditure of the LGUs, it is heavily skewed towards general services expenditure at around 48 percent in 2004. However, the share of social services expenditure has shown a steady increase between 2004 to estimates of 2006 from 19.99 percent to 22.87 percent (*Table 5.5*). The share of economic services expenditure constituted around 18 percent of the total expenditure during this period. A disaggregated analysis of the various expenditure functions is undertaken in the subsequent section while dealing with individual LGUs expenditure responsibilities.

Table 5.5: Percentage Distribution of Receipts and Expenditures of LGUs 2004-05(%)

Particulars	2004	2005	2006
General services	48.42	47.32	47.49
Economic services	18.80	17.94	17.39
Social services	19.99	21.75	22.87
Others	12.79	12.99	12.25
TOTAL expenditure	100	100	100
	(168724.97)	(181281.85)	(192808.68)

Source: Budget of Expenditures and Sources of Financing, Republic of the Philippines, Fiscal Year 2006.

It is also to be noted that the devolution of functions to LGUs transferred over 70,000 personnel from selected national government agencies. The national government agencies that were heavily affected by this kind of massive transfers of personnel were, department of agriculture, department of health, the department of social welfare and development and the department of budget and management (Manasan, 2004). It is to be noted that the devolution of functions and functionaries as happened in Philippines with the LGC of 1991 and the nature of functions devolved down to the lower tier is consistent with the decentralisation theorem of Oates (1972), which states that "each public services should be provided by the jurisdiction having control over the minimum geographic area that would internalise the benefits and cost of such provisions". How this process of decentralisation has affected the functioning ant the LLGRB initiative; we undertake detailed investigation of two LGU units, viz. Sorsogon and Hillongs.

5.3 LOCAL LEVEL GENDER RESPONSIVE BUDGETING EXPERIENCES OF SORSOGON AND HILONGOS

As mentioned earlier, LLGRB initiatives in Philippines, is sector specific. In Sorsogon, the initiative is confined to health sector; while in Hilongos, the LLGRB is in agricultural sector. These two sector specific initiatives, in the context of fiscal decentralisation, would be discussed in this section. We have mentioned in the introduction that in *Barangay* of Sorsogon, the LLGRB initiative in the health sector integrated MDG goal as the target and costed it in the budget. Performance indicators were also designed to monitor the progress of LLGRB initiative in this sector. The LLGRB in agriculture sector in Hilongos, primarily intended to spread the irrigation facilities at local level for greater agricultural production and engage female labour force in local agricultural, to stop migration of women to urban areas as domestic workers. Though these two units are small in number in the spectrum of LGUs, the process of LLGRB initiated by them would help understand the nuances of the process of LLGRB in the context of fiscal decentralisation in Philippines.

5.3.1 Sorsogon initiative on LLGRB

The city of Sorsogon was newly created through a Republic Act 8806, also known as the Cityhood Law and it was ratified by a plebiscite in December 2000. The new city is a merger of municipalities of Bacon and Sorsogon. The merger has resulted in a political unit of 64 *Barangays* under three districts: Bacon (with 28 *barangays*), Sorsogon West (with 22 *barangays*) and Sorsogon East (with 14 *barangays*). The total population of the new city is 134,678 as per the Census 2000; with male (67662) outnumbering the female (67016) by a slight margin. Before discussing the LLGRB initiatives in health sector, a brief analysis of the revenue and expenditure heads of Sorsogon budget is undertaken.

Table 5.6: Revenue Profile: City of Sorsogon

	Percentage (%)
1 Local Sources	
1.1 Tax Revenue	
1.1.1 Real property taxes	1.52
1.1.2 Business taxes	3.96
1.1.3 Misc. taxes	0.41
1.2 Non-Tax Revenue	
1.2.1 Fees and charges	1.15
1.2.2 Economic enterprises.	
1.2.2.1 Public market	0.84
1.2.2.2 Slaughterhouse	0.36
1.2.2.3 Bus terminal	0.00
1.2.2.4 Sor. shopping centre	0.08

Table 5.6: Revenue Profile: City of Sorsogon (contd.)

	Percentage (%)
1.2.2.5 Other eco. Enterprise	0.02
1.2.2.6 Receipts from cemeteries	0.00
1.2.3 Others	
1.2.3.1 Interest in bank	0.21
2 External Sources	
2.1 Internal revenue allotment	87.55
2.2 Share from national wealth	3.84
2.3 Grants and aids	0.05
2.4 Others	
Total Revenue	100.00 (252003568.20)

Source: Budget Documents, Sorsogon, 2004.

As mentioned, in Sorsogon also, the major share of revenue comes from IRA, which constituted 88 percent in 2004. It is also to be noted that dependence of Sorsogon on IRA is much higher than the average for all LGUs at 67 percent. The major sources of own revenue are business tax, which constituted 3.96 percent, and property taxes constituted 1.52 percent of the total revenues. The non-tax revenue constituted 2.66 percent of total revenue. Non-tax revenue comprises fees and charges from various economic enterprises.

The expenditure by economic classification revealed that personal services (including salaries), constitutes 38.87 percent, maintenance and other operating expenses at 34.66 percent while capital outlay constitutes 26.47 percent (*Table 5.7*).

Table 5.7: Expenditure Profile: City of Sorsogon (by economic classification)

Expenditure By Allotments Classification (By Economy)	Percentage (%)
Personal services	38.87
Maintenance & other operating expenses	34.66
Capital outlay	26.47
Total	100.00 (171773278.07)

Source: Budget documents, Sorsogon, 2004.

The expenditure by functional classification revealed that general public services constituted 30.32 percent of total expenditure, which is lower than the all LGU share shown in *Table 5.5*. Health, nutrition and population control constituted 8.83 percent, while social welfare constituted only 1.15 percent. The rest of the expenditure is distributed in economic services (21.76 percent), other development services (15.20 percent) and other budgetary obligations (22.75 percent) (*Table 5.8*). Education is the assignment of national government, therefore no budgetary allocation is there for education in local level budget, and only a Special Education Fund is with local governments.

Table 5.8: Expenditure Profile: City of Sorsogon (by functional classification)

Expenditure Profile (By Function)	Percentage (%)
General public service	30.32
Education	0.00
Health, nutrition and population control	8.83
Housing & community development	0.00
Social welfare	1.15
Economic services	21.76
Other development services	15.20
Other budgetary obligation	22.74
Total	100.00
	(276943842.46)

Source: Budget documents, Sorsogon, 2004.

As mentioned, health budget is around 8 percent of total in Sorsogon budget. A disaggregated health budget data of Sorsogon revealed that personal services constituted the highest share in 2004 and 2005, while maintenance and other operating expenditure (MOOE) forms the highest share in the estimates of budget year 2006 (*Table 5.9*).

Table 5.9: Expenditure Profile of Health Budget of Sorsogon

Items	2004 (Actual)	2005 (Estimate)	2006 (Estimate)
Personal services	59.24	72.46	41.66
Maintenance and other operating expenditure	40.63	23.92	57.08
Capital outlay	0.13	3.62	1.26
Grand Total	100.00	100.00	100.00

Source: Budget documents, Sorsogon, 2004.

Within MOOE, which constitute 57.09 percent of health budget as per the estimates of budget year 2006, consists of expenditure on child mortality reduction, women's reproductive health and combating HIV. These three important programmes are very recent initiatives undertaken at local level in Sorsogon for the budget year 2006 (*Table 5.10*). The objectives of this initiative of reprioritising the health budget is to achieve MDG targets with regard to reduction in Child Mortality Rate (CMR), Maternal Mortality Rate (MMR) and combating HIV under LLGRB. It is to be emphasised that these programmes are also the components of GAD budget of health sector of FY 2006 in Sorsogon. It is worth noting that these new programmes have been identified, as part of the GAD objective and activity, keeping in mind the MDGs. Moreover, the budgetary reforms at the local level from lump sum provisioning, to item-wise budgeting or line budgeting, would also ensure transparency and accountability related to the LLGRB initiatives in Sorsogon.

As mentioned, the ideal methodology of gender responsive budgeting is to identify the programmes at the local level and subsequently budget it. In Sorsogon, gender related health issues were identified first, costed it and subsequently budget heads and physical targets were prepared. The gender related health issues were identified by a heterogeneous group consisting of sectoral organisations, civil society, doctors and representatives from other community level organisations. These groups prepared the plan for health sector LLGRB. The Local Health Board had to approve the plan and budget related to GAD, before submitting it to City Councillor for approval.

Table 5.10: Details of MOOE of Health Budget of Sorsogon
(% of total expenditure on health)

Maint. & Other Optng. Expenses	2006 (estimate)
Travelling Expenses	0.12
Training and Seminar Expenses	
a. Reduction of Child Mortality	0.38
b. Improve Women's Reproductive Health	2.92
c. Combat, HIV, Malaria & Other Diseases	0.40
Supplies & Materials Expenses	
a. Reduction of Child Mortality	1.12
b. Improve Women's Reproductive Health	1.12
c. Combat, HIV, Malaria & Other Diseases	0.07
i. Sor. City TB Eradication Program	0.82
ii. Sor. City LEAD Project	0.64
Food Supplies Expenses	
a. Reduction of Child Mortality	3.55
b. Improve Women's Reproductive Health	
c. Combat, HIV, Malaria & Other Diseases	
Medicines/Medical/Dental and Laboratory/Supplies Expense	
a. Reduction of Child Mortality	5.03
b. Improve Women's Reproductive Health	12.49
c. Combat, HIV, Malaria & Other Diseases	
i. Sor. City TB Eradication Program	4.60
ii. Sor. City LEAD Project	0.55
Medical, Dental & Laboratory Supplies Exps.	
Spare Parts, Gasoline, Oil & Lubricants	0.71
Water Expenses	0.02
Communication Expenses	0.07
Repair & Maintenance-Office Equipment	0.05
Repair & Maintenance of Motor Vehicles	0.24
Repair & Maint.- Other Property, Plant & Equip.	
Other Expenses	
a. Reduction of Child Mortality	5.11
b. Improve Women's Reproductive Health	0.35
c. Combat, HIV, Malaria & Other Diseases	

Table 5.10: Details of MOOE of Health Budget of Sorsogon
(% of total expenditure on health) (contd)

Maint. & Other Optng. Expenses	2006 (estimate)
i. SOL City 18 Eradication Program	0.15
ii. Sor. City LEAD Project	
NTP Drug & Other Services	7.14
STI Med. & Other Services	0.79
Sub-total	14.63
Total Maint. & Other Optng. Exps.	57.09

Source: Budget documents, Sorsogon, 2004.

In addition to these three programmes, another GAD objective in the health sector of Sorsogon was, to initiate capacity building programme for the health service providers on gender and development, to enhance gender sensitivity of health personnel and volunteers. To achieve this, physical targets were set for capacity building with 130 volunteers and 140 health personnel in the year 2006. The organisation chart of health sector in Sorsogon has also been revised with more health professionals at the grass root level to reflect need-based and resource-oriented approach, to ensure that gender-related MDG health goals would be met.

However, GAD objectives suffered from insufficient funds for health and gender services, as it has been pointed out earlier that the committed expenditure within the health expenditure is quite high. For the purpose of resource mobilisation, to address these issues, GAD has recommended to prioritise budgetary needs, explore possible funding donors and institutionalise cost-sharing. However, the translation of these GAD initiatives into gender sensitive policy and outcome will be reflected only in the years to come. If properly implemented and physical targets set for each of the objectives is achieved, this would result in sustained reduction in CMR, MMR and incidence of HIV AIDS. The capacity building as proposed under GAD would help in creating a gender-sensitive health professional for health service delivery.

5.3.2 Hilongos initiative on LLGRB

Hilongos is located in the south-western part of Leyte. It is situated 1147km from Tacloban city. It is a second-class municipality with an annual gross income of 47.6 million pesos. There are 51 *barangays* under its jurisdiction. Unlike Sorsogon, LLGRB initiative in Hilongos is not within the health sector. As the maternal mortality rate is zero in Hilongos, health related gender issues have not been the urgent concern of the region. It would be a good idea to form inter-LGU health zones to disseminate these achievements in the health sector of Hilongos to other regions.

The out migration of women to urban areas for wage employment is identified as one of the matter of urgent concern in Hilongos. As Hilongos's economy and land use pattern is diversified in terms of various agriculture produce, LLGRB in the agricultural sector was consciously undertaken, to prevent female labour migration to urban areas as domestic workers. Diversified agriculture and livestock population in Hilongos makes it an appropriate case for local level government intervention to reap the benefit from these sectors. The primary goal of the annual gender responsive agricultural plan and budget was to improve the delivery of the agricultural programmes and extension services to the people of Hilongos. Under this, various steps were undertaken to achieve this goal. This includes, identifying gender responsive programme within agriculture. The other broader objective of this programme was economic development through higher agricultural productivity, health and nutrition, social services, housing and basic utility, law enforcement, governance, administration and environment management. Each of these objectives has a specific target to achieve within a specified timeframe. To start with, by the end of 2007, the household's income is supposed to be increased from 7626.67 pesos to 11000 pesos. Similarly, policy targets were set for all other objectives. The steps involved in identifying the programmes and budgeting it is given in *Table 5.3 of Annexure*.

5.4 CONCLUSION

With the strengthening of fiscal decentralisation process, Philippines has moved ahead from quota-based gender budgeting to identification of entry points for result-oriented gender responsive budgeting, linking at the local level. This has been a conscious shift, as the GAD budget (earmarking at least 5 percent of all departments for programs for women in national and sub-national budgets) resulted in misallocation of resources and also marginalisation of gender issues in the mainstream budgeting, as floor limits has been taken as ceilings in some departments. Accepting that quota-budgeting for gender has always been a second best solution in terms of gender responsive budgeting, Philippines - through selective and sectoral initiatives - has moved forward to differential targeting of expenditure emanating from the identification of appropriate programmes for women in various sectors or reprioritising the expenditure based on a generic list of right programmes and policies for women. In the *barangay* of Sorsogon, the initiative on LLGRB is in health sector; where gender related health issues related to MDG has been identified and costed and performance indicators were designed as well. In Hilongos, the initiative on LLGRB has not been in health sector as MMR is zero. The LLGRB initiative has been in agriculture sector as it was identified that rehabilitation of irrigation system in paddy production can prevent women migrating to urban areas as domestic workers.

The lack of gender-disaggregated data at all levels of local government thwarts the analysis to a considerable extent. It is highly recommended to build

database of gender disaggregated indicators. In addition, the paucity of fiscal data, at *barangay* levels, is also a serious limitation in examining the fiscal decentralisation process through a gender lens. Within the available data on fiscal variables at the local level, it is revealed that a large share of budget is utilised for input purchases (as evident in proportionately higher share on personal services) than output purchases, which has serious implications in terms of translating the public policies into better gender sensitive human development indicators. However, in the identification of programmes for gender, the dichotomy of the programmes into organisation focused projects (*viz.*, the capacity building) and client-focussed projects (to reduce CMR, MMR, combat HIV AIDS etc in health sector, and to increase agricultural productivity and strengthening the irrigation system to revamp paddy production etc. in agricultural sector, to prevent out-migration of female labourer to urban areas as domestic workers) might be helpful to a certain extent.

In terms of governance, as 20 percent of IRA can be utilised at the local level based on the discretion of mayors, adequate checks and balances need to be build-in the system. The existing Municipal Development Committee is inadequate, as the composition of committee is skewed towards *barangays* captains and other officials (75 percent) and representatives from civil society (25 percent). Finally, the study recommends the formation of inter-*barangay* consultation committees, to disseminate the best practices in LLGRB existing in Sorsogon in health sector and agriculture in Hilongos, to other *Barangays* in Philippines.

VI. FISCAL DECENTRALISATION AND LOCAL LEVEL GENDER RESPONSIVE BUDGETING IN SOUTH AFRICA

6.1 INTRODUCTION

South Africa has been a pioneer in gender budgeting. Launched in 1995, it was the initiative of the post-apartheid regime, which took over administration of the country in 1994. What distinguishes South African gender budgeting from that of other countries is the interface between racial discrimination and gender inequalities.

Understandably, race constitutes an important focus of attention in the policy arena in a country, where 79 percent of the 46.9 million people are Africans.³⁵ Public policy on gender cannot be built on the homogeneity assumption that all women are equal, especially in a country where the overwhelming majority of the female population is African. It was felt that the dimension of race had to be recognised in gender budgeting as well, otherwise the main victims of oppression and discrimination *viz.*, black women did not benefit to any appreciable extent. Thus emphasis moved away from the narrowly conceived gender budgeting with emphasis on budget allocations for women at the national level to affirmative actions through legislation to end discrimination against the blacks in general with special attention to women. Further, allocations in public expenditure having potential for benefiting women were, sought to be provided, more at levels of government closer to the people *i.e.*, through decentralisation.³⁶ In all these initiatives, gender figured as the focus of

³⁵ The white population constitutes only 4.4 million (9.3 percent), the coloured (that is, 'mixed') population 4.1 million (8.8 percent) and India/Asian 1.1 million (2.5 percent) as per midyear estimates for 2005. Fifty one percent (23.8 million) of the population are women (*Statistics South Africa, 2005*).

³⁶ The legacy of Apartheid left wide spatial inequalities along racial lines with four racially segregated white provinces and nine black 'homelands'. Homelands were fiscally dependent on the national government of the apartheid regime. Post-apartheid, moves towards decentralisation began with reorganising the country under nine new provinces. During the apartheid regime, white ruled South Africa was divided into four provincial administrations appointed by the national government and local governments. Black South Africans were confined to live in 'homelands' established in rural areas away from the main centres. Black people living in urban townships in South Africa then were regarded as temporary residents had to move to the homelands once term of labour was over. The budget of apartheid government focussed spending on white residents, with very little expenditure directed towards education, health, housing and other basic needs of black residents (Momoniat, 2002). Subsequently, a decentralised system with three levels of government was created and a mandate for fiscal division of powers and provisioning of public services was defined for each tier in the constitution. With more effective policies related to affirmative action and fiscal decentralisation, there is an increasing recognition of the need for mainstreaming gender in the budget rather than implementing separate women's programmes and policies. The initiatives on gender budgeting cannot however be viewed in isolation from the ongoing process of integrating gender in other policy initiatives in South Africa. The most important among the

attention with race. This paper seeks to provide an overview of gender budgeting initiatives within the framework of decentralisation process in South Africa, keeping these perspectives in view.

The paper has six sections. Apart from introduction, section II critically evaluates the initiatives on gender budgeting in South Africa at national and sub-national levels. *Section III* looks into the fiscal decentralisation process through a gender lens. *Sections IV* and *V* deals with the budgetary process and the governance mechanisms at the local level to identify the entry points for gender. Section VI draws and summarises the conclusions.

6.2 GENDER BUDGETING INITIATIVES IN SOUTH AFRICA

Gender budget initiatives began in South Africa, immediately after the Beijing UN Conference on Women, 1995 as a collaborative venture of women parliamentarians and non-governmental organisations³⁷, known as Women's Budget Initiative (WBI). WBI emphasised that the solution to gender discrimination is mainstreaming gender issues rather than implementing separate women's programmes and policies.³⁸ Further, with the adoption of Growth, Employment and Redistribution (GEAR) macro policy in 1997, which emphasised the hard budget constraints, gender budgeting, focussed more on reprioritisation of programmes rather than increasing the budgetary allocation for women. Moreover, though the environment was more favourable towards gender equality, with the adoption of the final Constitution in South Africa in 1997 along with the development of machinery to oversee implementation of measures with gender focus, such as Office of Status of Women (OSW) and Commission of Gender Equality (CGE)), the gender focal points created within the government were engaged, more in redressing gender imbalances among the elite of the civil service, rather than attending to the needs of poor and needy women.

A within government initiative on gender budgeting began in 1998 with the establishment of a pilot women's budget within the department of Finance. However, this was primarily a donor driven initiative by that of Commonwealth Secretariat, which lasted for only two years. This resulted in the inclusion of

initiatives have been the attempt to incorporate gender dimension in the legislative measures designed to end discrimination against the native people, viz., Employment Equity Act, promotion of Equality Act, Black Economic Empowerment act (BEE) etc. For details, *section II*.

³⁷ The parliamentary partner was initially the Joint Standing Committee on Finance and later the Joint Committee on the Quality of Life and Status of Women. The two NGOs involved in the process were the Institute of Democracy in South Africa (IDASA) and the Community Agency for Social Enquiry (CASE). Since 1996, WBI produced a series of books each year, viz., First Women's Budget (1996), Second Women's Budget (1997), Third Women's Budget (1998), Fourth Women's Budget (1999), Fifth Women's Budget (2000), Sixth Women's Budget (2001).

³⁸ The approach of 'mainstreaming gender' in macro policies is criticised, as it may lead to non-transparency and non-accountability of gender in the process of mainstreaming. (from the interview with Dr Mary, Gender Equity Unit, University of Cape Town).

certain gender references in Budget Review in 1998 and National Expenditure Survey in 1999. Since 1999, the initiative has not been continued by Department of Finance. However, in the absence of any study in this regard, what has been the impact of these initiatives in terms of gender indicators is not known.

The Women's Budget Initiative took the gender budgeting initiatives to local level for the first time in 1999, though local governments were then in transition in terms of realigning the country from the racially segregated units of Apartheid regime. This was more challenging because of the difficulty in analysing the local government budgets through a gender lens, as most local government services were directed to the households and not women members of households, as such. WBI tended to focus on the poor and how local government budgets impacted them. Revenue decentralisation was one of the core thrusts of WBI in the following two years, as attention was drawn to the issues related to fiscal autonomy at sub-national levels. However, the within government initiative at local government on gender budgeting is almost invisible in South Africa, except for the province of Gauteng. An attempt was made in Gauteng to incorporate gender elements in its budget, to which we turn in the section on budgetary process.

As mentioned, though there are no direct initiatives on gender budgeting within government at the national level, several windows have been opened up for affirmative action in South Africa in terms of gender, especially through legislations like the *Employment Equity Act*, *Promotion of Equality Act* and *Black Economic Empowerment Act* (BEE). The Employment Equity Act, 1998 envisages non-discrimination coupled with positive measures of discrimination to accelerate women's access to employment opportunities and benefits. The provisions of this Act envisage enforcement through the labour court system, labour inspections and broad monitoring by a statutory body, viz., Commission of Employment Equity (CEE). The Act also addresses issues such as pregnancy discrimination, sexual and other forms of harassment, discrimination on grounds of HIV and AIDS status, discrimination on grounds of family responsibility and discrimination on grounds of disability, including failure to provide reasonable accommodation (Beijing Plus Ten Report, South Africa, 2005).

The *Promotion of Equality and Prevention of Unfair Discrimination Act, 2000* provides a comprehensive legal framework for the prohibition of discrimination, redressal for discrimination, progressive eradication of discrimination and promotion of equality. The core of enforcement mechanism has specialised equality courts. At least 60 equality courts have been established to provide relief to claimants in magistrate courts throughout the country. The government has made a conscious decision to prioritise the advancement of women along with people with disabilities, workers and rural communities in programmes or activities that are designed to undo the legacy of Apartheid in the matter of participation by the black community in the economy. This policy commitment is reflected in the key national instruments that regulate BEE. These

include the broad-based BEE, 2003 (Act 53 of 2003), and the draft codes of Good Practice on BEE. The National Policy Framework on Gender Equality and Women's Empowerment mandates the establishment of a regular monitoring mechanism through JMC (Joint Monitoring Committee) of Parliament, to ensure that gender considerations are included in all legislations.

At the subnational level, with increasing decentralisation, there is good scope for initiatives on gender budgeting; the rationale being that merit goods like education and health are the responsibility of the provincial government and the provisioning of quasi-public goods like water, which is of crucial importance for women is the responsibility of local governments. However, it is to be noted that there is no meaningful decentralisation at the Provincial level, as the revenue powers of provinces are negligible. In the section that follows, we take a look at the process of fiscal decentralisation and the process of budgeting at subnational government, mainly local government, in South Africa through a gender lens.

6.3 FISCAL DECENTRALISATION IN SOUTH AFRICA

South Africa has a unitary system of governance, but, in practice, it is highly decentralised with three tiers of government. It has, besides the national government, nine provinces and 284 local governments. In the reorganisation of sub national units of government, race has been an important consideration rather than fiscal imperatives alone. In the post-apartheid era, four white provinces and nine black homelands were reorganised into nine provinces, while 843 transitional municipalities were consolidated into 284 local governments by combining the black and white areas.

6.3.1 Assignment of functions and finance

The constitution assigns revenue powers and functions to the three levels of government (*Table 6.1*). The asymmetry between the revenue powers and expenditure functions across the tiers of government made provinces and local governments dependent in varying degrees on transfers from national government flowing through a *revenue sharing* model.

In terms of revenue assignment, local governments – all municipalities - have access to some substantial tax powers unlike the provinces. While the national government is vested with all broad based taxes such as income tax, corporation tax, VAT, excises, fuel levy and customs, constituting around 80 percent of total revenues, sources of revenue for provinces are very few and insignificant. These include gambling taxes (betting tax on casino and horse race), motor car license fees and user fees on hospital services. In 2002, revenue from these sources constituted only 1.32 percent of the total revenues of the government. The own sources of revenue of local governments are property taxes, turnover/pay roll regional levies on businesses and user charges on

electricity and water, constituting a little over 20 percent of the total government revenue (*Table 6.1*). At the same time, various expenditure functions are assigned to Provincial and local governments. Provinces are able to finance only 3.2 percent of their expenditure functions from their own revenue sources; while at the local level, 78.8 percent of the expenditure functions are covered by own revenue sources.

Table 6.1: Assignment of Functions and Financial Powers to Different Levels of Government

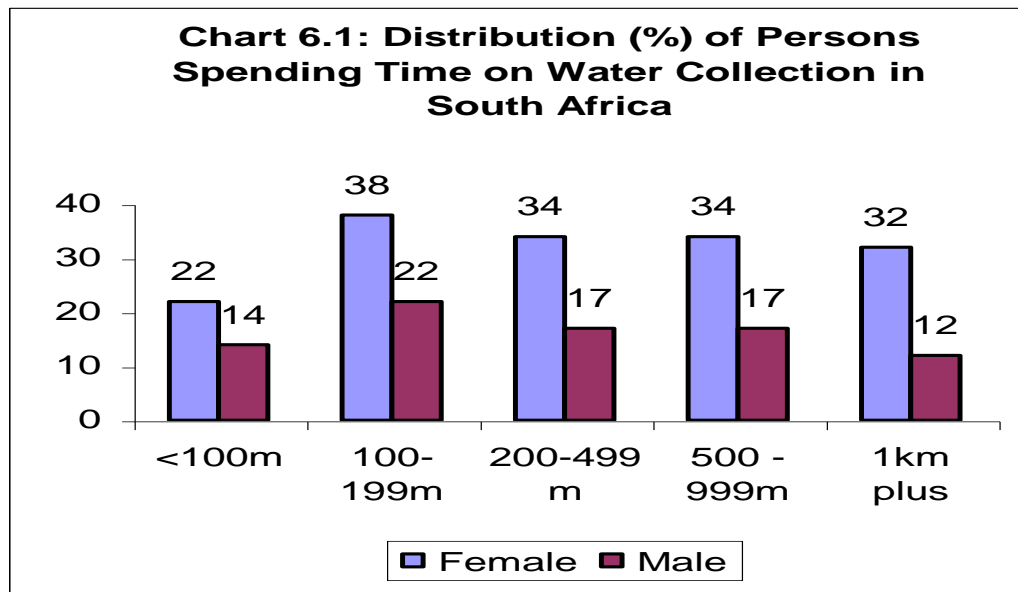
Govt. level	Expenditure Functions	Revenue Powers	% of Total Expenditure	% of Total Revenue	% of Own Revenue in Expenditure
National	Defence and Intelligence	Income Tax (Personal) Income Tax (Corporate) VAT Fuel Levy Excise	28.3	78.46	100
	Criminal Justice (Police, Prisons, Justice)				
	External Affairs				
	Home Affairs				
	Higher Education				
	Transport (National Roads & Bus Subsidies)				
	Public Works				
	Water Affairs				
	Trade and Industry				
	Minerals and Energy				
	Environment and Tourism				
	Land Affairs				
	Art, Culture, Science & Technology				
	Communications				
	Labour				
	Education				
	Health*				
Welfare*					
Housing					
Provincial	School Education	Tax on Gambling	43.82	1.32	3.2
	Health (Academic, Hospitals, Primary)	Motor Car			
	Welfare*	License Fees			
	Housing*	Hospital Fees			
Local	Provincial Roads	Property Tax Regional Levies Electricity/ Water User Charges	27.31	20.22	78.8
	Electricity Reticulation				
	Water Reticulation				
	Sanitation and Waste water				
	Municipal Infrastructure (Streets)				
	Fire fighting				
Municipal Administration					
Garbage Collection					
			100.00	100.00	-

Note: * refers to concurrent assignments.

Source: Momoniat (2002) and Rao (2003)

Absence of significant fiscal autonomy of provinces is an odd feature in South Africa's decentralisation system. This looks particularly surprising since provinces are responsible for the implementation of the most important social services, including school education, health (including academic and regional hospitals, as well as primary health care), housing etc. All these have significant implications in terms of gender. Provisioning of many of the public goods and user services, which is primarily the responsibility of the local governments, including power and water also have gender dimensions. Public infrastructure deficit or poor provisioning of quasi-public good in the rural areas may accentuate rural poverty, as the time allocation across gender is skewed towards unpaid SNA work like fetching of water, which is otherwise available for income-earning market economy activities.

Public investment in infrastructure, like water, can have positive social externalities in terms of sparing the girls from the duty of fetching water, enabling them to go to school and improving the health and nutrition of households. Studies have found that easy access to drinking water facilities lead to an increase in school enrolment, particularly girls. Time use statistics provide valuable insights in terms of gender in expenditure assignments, which otherwise appears to be non-rival in nature. For instance, the time use data conducted in South Africa revealed that of the people without access to water on sites, a larger proportion of female than male members of the household are likely to be involved in water collection (*Chart 6.1*). The gender differentials in the likelihood of members being involved is smallest, when water is less than 100 meters from the dwelling, and the largest, when water is at a distance of a kilometre or more. Female members of the household are almost three times as likely as male members to collect water, when water source is far away.



Analysis of time use statistics revealed that the average time per day spent collecting water increases from 44 minutes for collectors living in households within 100 meters of the water source, to 71 minutes per day for households at a distance of a kilometre or more from the source (Statistics South Africa, 2002). Public investment in water and delivery mechanism of water has serious implications, in terms of time use and unpaid work burden of women. However, functional autonomy at subnational governments without required revenue powers, make them dependent on national governments for financing their expenditure responsibilities. When a substantial part of revenue at provincial level comes as intergovernmental transfers, it is important to look at the transfer system through a gender lens. The constitution has established a Financial and Fiscal Commission (FFC) and entrusted it with a variety of powers related to intergovernmental fiscal relations.

6.3.2 Intergovernmental transfers

In regard to revenue sharing, South Africa's Constitution specifies that provincial and local governments are entitled to an equitable share of nationally raised revenue (*Section 214*).³⁹ Accordingly, since 1998 certain shares of national revenues (after national debt servicing needs and contingency reserve for emergencies) have been allocated to subnational governments as their "equitable share". As per the latest estimates, Provincial governments receive 37.2 percent of national revenue as equitable share while the local governments receive 4.8 percent of the national revenue (Medium Term Budget Policy Statement, 2005). The division of revenue is made for three years under the multi-year budgeting system in South Africa. The estimates of recent division of revenue are given in *Table 6.2*.

³⁹ The Constitution of South Africa states in *Section 214*:

"214. (1) An Act of Parliament must provide for

- The equitable division of revenue raised nationally among the national, provincial and local spheres of government;
- The determination of each province's equitable share of the provincial share of that revenue; and
- Any other allocations to provinces, local government or municipalities from the national government's share of that revenue, and any conditions on which those allocations may be made."

The distribution of the equitable share must take into account 'the need to ensure that... municipalities are able to provide basic services and the functions allocated to them' (sub-section 2d) 'the fiscal capacity and efficiency of...municipalities', (sub-section 2e) and the 'developmental and other needs of...municipalities' (subsection 2f)

Table 6.2: Revenue Transfers: Head Wise, 2005-06 – 2008-09 (in percent)

	Revised 2005/06	Medium Term Estimates		
		2006/07	2007/08	2008/09
National	37.6	36.5	36.3	35.9
Provincial, of which	57.6	57.0	57.2	57.5
Equitable shares	37.1	36.1	36.5	37.1
<i>Conditional grants</i>	20.5	20.9	20.7	20.4
Local	4.8	6.5	6.5	6.6
Total	100.0	100.0	100.0	100.0

Source: Medium Term Budget Policy Statement, 2005, page 53.

6.3.3 Transfers to provinces

The Provincial Equitable Share, (PES), an unconditional grant, constitutes the major fiscal transfer to Provinces. There are some conditional grants, however. PES is based on a formula consisting of seven components. The formula has relatively high weights for education, health and welfare; in addition, the formula contains backlog and economic activity components.

The devolution formula of PES is significant in incorporating efficiency and equity in the provision of public services in South Africa. However, as already noted, the transfer formula has been revised recently taking out the welfare and backlog components. The current and revised formulae⁴⁰ are given in *Table 6.3*.

The weights assigned to each component are broadly based on expenditures incurred in the past. Provinces have the discretion to spend PES

⁴⁰ FFC (2004) gives some of the reasons for the revision of the PES formula, which are as follows:

- “The current formula has now been fully phased in.
- The latest census data has been available since 2003. The current weights assigned to different components of the formula are heavily driven by demographic patterns and hence need to be assessed.
- The national government is going to establish the South African Social Security Agency (SASSA), which will be responsible for the payment of social security grants. The welfare component of the PES will therefore cease to exist and will be converted into a conditional grant.
- Existence of the backlog component, inspired provinces to increase their capital spending on basic services, which might have proved unsustainable in the long run.
- Although the allocations of provinces are determined in terms of the seven components, provinces have the discretion to spend their equitable share transfers according to their own priorities, since the allocation is unconditional. This gives rise to a potential situation of provinces bypassing developmental expenditure.
- Provinces have now been given additional taxation and borrowing powers. This calls for lowering the weight assigned to the economic activity component.
- The welfare component being removed, it needs to be replaced by another component that addresses the redistribution issue.”

according to their own priorities as it is an unconditional transfer and thus fully fungible.

Table 6.3: The Provincial Equitable Sharing (PES) System

Component	Criteria for Distribution	Weight of Share	
		Current	Revised (2004)
Education	(i) Enrolment	41%	51%
	(ii) Children in the school age group 6-17		
Health	(i) Population covered by medical aid support	19%	26%
	(ii) Population without the medical aid support		
Welfare	(i) Transfer payments to identified groups—elderly, disabled, children.	18%	-
	(ii) Population in the lowest two quintiles of income distribution.		
Basic	Share of total population of the country.	7%	14%
Economic Activity	Share of remuneration of employees based on Gross Domestic Product Per Region (GDPR) data.	7%	1%
Backlogs	Capital (backlogs) needs in education and health. Also includes a ruralness factor.	3%	-
Institutional	Fixed costs associated with establishing institutions for provincial governments and delivery of public services.	5%	5%
Poverty		-	3%
Total		100%	100%

Source: Budget Review, 2005, Finance and Fiscal Commission (2004) and Western Cape Medium Term Budget, 2005-2008

In addition to PES, Provincial expenditures are financed through conditional transfers. *Table 6.4* sets out the total transfers, both equitable share and conditional grants, to provinces in 2005-06. The equitable share constitutes 64.4 percent of the total grants. Social Development conditional grants make up the largest share of conditional grants. This is because of the revision in PES formula that welfare component (social security grants) should be removed from the formula and the function be converted into a conditional grant or any other appropriate funding mechanism, while the issue of the National Social Security Agency is addressed. (Budget Review, 2005).

Table 6.4: Total Transfers to Provinces, 2005-06 (R million)

	Equitable Share	Conditional Grants					Total	Total Transfers
		Health	Provincial Infrastructure Grant	Housing	Social Development	Others		
Eastern Cape	22202	848	675	581	10705	276	13085	35287
Free State	8660	759	221	408	4015	88	5491	14151
Gauteng	20810	2547	370	1345	6852	120	11234	32044
KwaZulu-Natal	28399	1315	788	800	12865	287	16055	44454
Limpopo	18376	522	661	399	7385	238	9205	27581
Mpumalanga	9976	257	286	321	3826	112	4802	14778
Northern Cape	3124	249	181	80	1345	45	1900	5024
North West	11086	353	321	468	4674	131	5947	17033
Western Cape	12072	1815	229	466	4265	74	6849	18921
Total	134705	8665	3732	4868	55932	1371	74568	209273
% share	64.4	4.1	1.8	2.3	26.7	0.7	35.6	100

Source: Budget Review 2005, page 147

6.3.4 Transfers to local governments

The local governments receive Local Equitable Share (LES) and a few conditional grants as fiscal transfers from national government. LES is intended, primarily to assist poor households that are unable to pay for the services that are delivered by the municipality, as may be seen from the components and weights presented in *Table 6.5*.

The revision of LES is under consideration to improve the components for basic services and institutional arrangements, better reflect the revenue-raising capacity (RRC) of municipalities, update the cost of basic services package to poor households for the first time since 1998 and take greater account of the level of services actually provided by them. This is particularly significant in the context of local governments of South Africa, mandated by the constitution (*Section 153a*), to provide a significant number of services, some of which are their responsibility and others are concurrent with the other spheres of government.

Table 6.5: Local Equitable Share Funding Windows

Component/ Window	Stated Purpose of Funding	Criteria for Distribution	Weights (2004/05)
S-Grant (Service Grant)	Operational costs of basic services in poor households	Number of poor households	40.4
I-Grant (Institutional Grant)	Institutional and governance requirements	Monthly average per capita income and total population	6.5
R293 Grant (R) [Grant for devolved functionaries]	Funding of R293 staffs transferred from provinces to municipalities	Historical distribution of R293's; decision about the number of R293 staff allocated to municipality	3.6
Nodal allocations (N)	Projects identified in the local ISRDP and URP ⁴¹ planning exercises	Rural 65%, urban 35%; Number of poor people in nodes	3.1
Free basic services (water, sanitation, refuse) (B)	Operational costs of a range of services (excluding electricity to poor households)	Average between number of poor hhs and hhs with basic services backlogs	20.2
Free basic electricity (E)	Operational costs of electricity provision to poor households	Average between poor hhs and hhs with basic electricity backlogs	6.9
Minimum guarantee (M)	Protection of local bodies from negative shocks due to changes in formula	Sum of the formula determined S and I grants or previous years allocation	18.6
Total	S + I + R + N + B + E + M		100.0

Source: Submission for the Division of revenue 2005/06, Financial and Fiscal Commission (2004) 'hhs' denotes house holds.

Apart from LES and the water-operating subsidy, there are two more transfers to local government, which are conditional in nature, *viz.*, infrastructure grants and capacity building, and restructuring grants. *Table 6.6* gives the components of national transfers to local governments. The unconditional LES component constitutes 56 percent of national transfers in 2005-06. The establishment of Municipal Infrastructure Grant is a major step forward in the process of conditional grants, as it rationalises a large number of grants to local government for infrastructure. LES supplements local governments own revenue to deliver free basic services such as water, sanitation, electricity and refuse removal to poor households. While there are large variations among municipalities, on average, nearly 86 percent of local government revenue comes from their own revenue sources like property taxes, regional service council levies, user charges and borrowing (Budget Review, 2005).

⁴¹ ISRDP stands for Integrated Sustainable Rural Development Programme while URP stands for Urban Renewal Programme.

Table 6.6: Total Transfers to Local Government (%)

	2004-05	2005-06	2006-07	2007-08
Equitable Share and related	58.45	61.64	58.38	57.83
Equitable Share and related	52.03	56.19	53.35	52.98
Water and Sanitation operating	6.43	5.44	5.03	4.85
Infrastructure	36.34	33.99	37.82	38.68
Current Transfers	5.20	4.36	3.80	3.49
Total	100.00	100.00	100.00	100.00
<i>Total Transfers (R million)</i>	14757	17160	19708	21461

Source: Budget Review, 2005

The 'cost norms' approach of FFC to determine the equitable shares is criticised, on the ground that it takes into account only the estimates of expenditure needs for the assigned functions and does not consider the revenue equalisation requirements in the transfer system. Paucity of information on various factors influencing expenditure needs of all seven components in the PES formula and methodological improvement in estimating expenditure needs also constitute limitations of FFC method (Rao, 2003). Moreover, in the case of Provinces, revenue equalisation in the transfer formula is meaningful, only when some broad-based tax handles are assigned to them, rather than the current gambling taxes and hospital services.⁴²

In principle, the central objective of the fiscal system is to offset fiscal disabilities arising from deficiency in revenue capacity and higher unit cost of providing public services in the case of general purpose transfers and ensuring minimum standards of services in case of specific purpose transfers. Integrating gender component into general purpose transfers is a matter of debate. Apparently, the general purpose transfers in South Africa designed on cost norms, to meet the needs of assigned expenditure functions, especially education and health, may incorporate gender disaggregated indicators as well and assign appropriate weights. On the other hand, it is argued that gender considerations need not be integrated into the general purpose transfers, which are mainly to offset the vertical and horizontal inequities in fiscal capacity. However, gender considerations may be integrated in specific purpose transfers, as they are meant to ensure minimum standards of merit services in all jurisdictions.

6.4 BUDGETARY PROCESS AND GENDER AT PROVINCIAL AND LOCAL GOVERNMENT

Conceptually, gender budgeting can be operationalised at two stages; one at the *ex-ante* levels in the process of making budgets and two, at *ex-post* levels looking at the budget document through a gender lens and impact analysis

⁴² For details, refer Rao, 2003.

or looking at outcome and outputs in terms of gender. This section deals with the budgetary processes at provincial and local level governments, to identify the *ex-ante* entry points for gender in terms of making the budgets.

6.4.1 Provincial budgetary process

At the onset, it is to be mentioned that provincial budgets need to be approved by National Treasury the autonomy of the provincial budgets is limited to that extent. Moreover, as noted in the above section, decentralisation is not effective at provincial level due to their negligible revenue powers.

The chief goal of the provincial budget process is to translate the derived provincial priorities into departmental budgets, within the parameters of *Public Finance Management Act* and *Intergovernmental Fiscal Relations Act*. In the first cycle, provincial treasury requests departments to draft budgets and strategic plans, on the basis of Provincial and national government policies and these submitted drafts are assessed by the provincial treasury through a series of bilateral meetings with departments. These assessments are supported by a series of reviews, subsequently consolidated into a Provincial Medium Term Budget Policy Statement⁴³ (MTBPS 2005-2008). The first cycle ends when MTBPS is accepted by the Provincial Cabinet and tabled in the Provincial Parliament. The second starts when departments are requested to refine their draft budgets and strategic plans provided in MTBPS. After the amendments, final budget proposals are forwarded to the executive. After the process is ratified by the provincial cabinet and as the strategies come to the point of finalisation, the monitoring of the implementation on a quarterly basis begins, through mutually reinforcing systems, led by Department of Premier and the Provincial Treasury.

In terms of gender budgeting, not all the provinces have initiated the process within government. Gauteng Provincial Government set off gender budgeting in 2003, as a result of a collaborative venture of Social Development Directorate of the Premier's Office and the Gauteng Department of Finance and Economic Affairs. Budget Review, 2003 of Gauteng contained sections on gender, where it explained the mainstreaming approach of the province in terms of gender budgeting and its focus on economic empowerment in particular. It is also noted that each department has been asked to look at outcomes and outputs of different programmes in terms of three categories:

- Those which are specifically targeted for women and girls
- Those which benefit women or promote equality, although they might be used by both men and women

⁴³ These reviews include Provincial Economic Review and Outlook, a Service Delivery Review, a Review of Local Government, a Review of Financial Governance and all these reviews

- Those which benefit women employees of the Gauteng provincial government (GPG)

Departments were also asked to provide a gender breakdown of their employees and targets in terms of procurement from women-owned businesses. Budget Overview notes that the Gauteng Provincial Government views this as an incremental process aiming towards a *full-fledged gender budget*⁴⁴

It is also to be noted that Gauteng legislature produced a gender budget policy document, which indicated how gender budgeting could fit into the Programme Evaluation and Budget Analysis (PEBA) model developed by the legislature, piloted in three sectors, viz. education, housing, and safety and liaison.⁴⁵

6.4.2 Local level budgeting process and IDP

At the local level, since 1996, Integrated Development Planning (IDP) was made mandatory to ensure that the budget is aligned with the municipality's development priorities. IDP was a crucial step to move away from Apartheid planning, which created racially divided geographical areas, increasing informal settlements and in turn poor provisioning of public services. *Municipal Systems Act* (Act 32, 2000) defines IDP as a "single, inclusive and strategic plan" that links, integrates and coordinates a municipal sector specific plans; aligns the resources and capacity of the municipality to its overall development objectives, forms the policy framework on which annual budgets rest, informs and is informed by similar development plans at national and provincial development plans. The *Municipal Finance Management Bill (2002)* also requires municipalities to consider IDP in the drafting of the budget and ensure that the budget is aligned with the priorities of the municipality's IDP. The different phases of IDP and methods of participation are given in *Table 6.7*.

⁴⁴ The departments that included a gender element within their statements were: Office of the Premier, Health, Development Planning and Local Government, Public Transport, Roads and Works, Safety and Liaison, Agriculture, Conservation, Environment and Land Affairs, Sports, Recreation, Arts and Culture. Gauteng Shared Services included three paragraphs on "gender, BEE and Employment creation issues". For details, refer Commission on Gender Equality, 2004.

⁴⁵ For details, refer Commission on Gender Equality, 2004.

Table 6.7: Stages of Integrated Development Plan (IDP)

Planning phase		Methods for Participation
I	Analysis	<ul style="list-style-type: none"> • Community meetings organised by the ward councillor • Stakeholder meetings • Surveys and opinion polls (getting views on how people feel about a particular issue)
II	Strategies	IDP Representative forum Public Debates on what can work best in solving a problem Meetings with affected communities and stakeholders
	Projects	Representation of stakeholders on project subcommittees
III	Integration	IDP Representative forum
IV	Approval	Public discussion and consultation with communities and stakeholders
V	Monitoring and Implementation	IDP Representative forum

Source: <http://www.etu.org.za/toolbox/docs/localgov/webidp.html>

The first two stages of IDP identify the local needs, prioritise them, and develop the medium term development strategy to achieve its development objectives, which in turn lead to the identification of specific projects. Once all projects have been identified, in the third stage, municipalities critically review the projects to see whether they provide an overall picture of the development plans. The final stage of the IDP integrates all the strategies for issues like poverty alleviation, disaster management, HIV-AIDS etc with overall IDP and submits it for approval before the Council. The Council may adopt a draft for public comment before it is finalised.

As it is structured, there is community participation in the development of IDP and municipal budgets, which in turn provides an opportunity for the citizens to identify the local needs in terms of gender and involvement in the process of prioritisation. In particular, IDP Representative Forum includes representatives from unorganised groups, including those working on gender.⁴⁶ In a study on gender budgeting at local level in South Africa, it is noted that the local councillors were better informed on the gender structures in IDP as well as on the details of the budget consultation process.⁴⁷ However, in general the local councillors had a technical approach to the matters, such as non-availability of

⁴⁶ The other members of the IDP Representative Forum are executive committee of the council, Councillors including district councilors, traditional leaders, Ward committee representative, heads of departments and senior officials from municipal and government department, representatives from organised stakeholder groups, resource people or advisors and community representatives.

⁴⁷ Commission of Gender Equality (2004): 'Gender Budgeting in Local Government', <http://www.cge.org.za/>
For further details, refer 'Beijing Plus Ten Report', Office of Status of Women, South Africa, 2005.

gender disaggregated data for such analysis or relevance of the assumption of household as the unit of analysis rather than gender.

6.5 GENDER IN GOVERNANCE AT LOCAL LEVEL

An area in which substantial progress has been made in South Africa in the post-apartheid regime consists of advancing the role of women in governance at all tiers of government. Against the backdrop of gender equality and non-racial discrimination, the South African government has clear targets towards empowerment of women in terms of participation at the level of legislature, senior management positions in public sector and at local government level. Within the framework of the White paper on the Transformation of the Public Service, 1995 and the White Paper of Affirmative Action in Public Services, 1998, a minimum target of 30 percent was advised for women in management positions in the Public Service. In the national parliament, as of 2004, almost a third (32.75 percent) of members of the national assembly are women. There are 22 (44.89 percent) female ministers and deputy ministers at national level in 2004. There has been an 18 percent increase of women in National Legislature since 1997. Four of the nine premiers of provinces since 2004 elections have been women. Before 2004 elections, free state was the only province to have been consistently headed by women premiers. The present level of representation of women within Provincial Legislature is 32.3 percent. Seven out of nine Provinces have met the minimum 30 percent quota for women in political and decision-making positions. The existence of 284 elected local councils in South Africa, a country of 43 million people, does bring government relatively close to the population. Thus local governments in South Africa come much closer to fitting the concept of 'self governance' than do the provincial governments (Momoniat, 2002).

South African National Gender Machinery operates on three pillars: (i). Parliamentary structures of the Women's Caucus and the Joint Parliamentary Committee on the Quality of Life and Status of Women; (ii) The Office of the Status of Women, based in the Office of the Presidency and working closely with gender desks in line ministries and (iii) the Commission for Gender Equality, an independent advisory, consultative and research body, which is directly accountable to parliament. Gender Commissioners are appointed for all provinces. At local level, the *Traditional Leadership and Governance Framework Act, 2003 (Act 41 of 2003)* requires at least 30 percent of members of the National House of Traditional Leaders to be women.⁴⁸ In 2003, women comprised

⁴⁸ Provincial legislation provides for mechanisms or procedures to allow a sufficient number of women to be represented in the Provincial House of Traditional Leaders, and be elected as representatives to the National House of Traditional Leaders. The Act also requires that the number of women to be representatives of the traditional leaders within a district or municipality. The *Local Government Municipal Systems Act, 2000 (Act 32 of 2000)*, ensures the development of a culture that promotes participatory governance and creates enabling conditions to achieve this. Municipalities are required to take into account the circumstances of

28 percent of councillors at local government level. This marked a significant increase from 16.9 percent in 2002. The moot question is, whether the participation of women in local government has led to integration of gender analysis in the programming and service delivery. The rationale for gender sensitive budgeting is that local governments, which are closer to citizens, have high probability of better information on the gender differentiated needs and preferences, options and constraints of citizens. Hence, more efficient provisioning of public services can be ensured at local level than at the national government. Moreover, as the local governments raise most of their revenues from own sources, their councillors might be seen as more accountable to their constituents than are officials of the provinces, where most financing comes from the national government as intergovernmental transfers. Effective participation of women in governance at local government along with the fiscal autonomy at local level in South Africa may be able to change the expenditure decisions of the local government and in turn change the types of public good investments at local level, to reflect the revealed preferences of women.

6.6 CONCLUSION

Reviewing the developments in the post-apartheid regime, the paper looks into the process of fiscal decentralisation through a gender lens to identify entry points for gender in the local governance and budgeting process. Though there were initiatives on gender budgeting at the Department of Finance at national level, it was rolled back in 1999 after two years of donor-driven initiatives. However, it would not be fair to say that gender budgeting has since been completely given up in South Africa. With the progress of fiscal decentralisation and policies related to affirmative action, South Africa seeks to address gender inequalities in various ways. Now there are no visible signs of gender budgeting within the government at national or subnational levels in a sustained manner. To start with, the gender thrusts in the government had been confined to the gender inequality issues of elites in civil services, rather than the poor and needy black women. There is however an increasing trend towards mainstreaming gender in budgets and affirmative action, rather than allocating separate policies and programmes for women. Furthermore, gender is now intrinsic in legislations for employment equity, black economic empowerment and violence against women. What makes the South African gender oriented actions

women, people with disabilities and the youth in development planning through specific processes. The *Local Municipal Structures Act, 1998* (Act 117 of 1998), makes provision for equal representation of women and men in political party lists and ward committees. Ward committees have the power and functions to make recommendations and influence decisions on any matter affecting the lives of all people in municipal wards. The South African Local Government Association's (SALGA) Gender working group was also formed in 1996, in order to ensure the strategic presence of women and gender issues in local government.

different from other countries is the interface between racial discrimination and gender inequalities.

At the local level, gender initiative began in South Africa in 1999. At the second tier of government, poor fiscal autonomy of provinces has significant adverse implications in terms of gender budgeting, especially, since they are responsible for the implementation of the most important social services, including school education, health and housing. The asymmetry between revenue powers and expenditure functions across levels made subnational governments dependent on the transfers from national government. Integrating gender component into intergovernmental transfers is a matter of debate in South Africa. On the one hand, it is felt that as the design of equitable share transfers (unconditional) are based on cost norms designed to meet the needs of assigned expenditure functions, especially in terms of education and health, it may incorporate gender disaggregated indicators as well and assign appropriate weights to them. On the other hand, it is argued that gender considerations need not be integrated into the general- purpose transfers, which is mainly to offset the horizontal inequities in fiscal capacity. However, gender considerations may be integrated in specific purpose transfers as they are meant to ensure minimum standards of merit services in all jurisdictions.

In terms of gender, provisioning of public goods and user services like water (which is primarily the responsibility of the local governments) assumes importance. Time use statistics of South Africa provide valuable insights in terms of gender in these expenditure assignments, which otherwise would appear to be non-rival in nature. It provides information in identifying the *complementary* fiscal services. Better public provisioning of water can have positive social externalities in terms of educating the girl child and improving the health and nutritional aspects of the household as well.

Greater fiscal autonomy, with effective participation of women in governance at lower levels, may change the expenditure decisions of the local government and through the types of public good investments, to corresponding more to the revealed preferences ('voice') of women. The linking of *Integrated Development Planning* (IDP) in the budgetary process that is now taking place has the potential of bringing gender explicitly in public policy.

VII FISCAL DECENTRALISATION AND GENDER BUDGETING IN INDIA

7.1 INTRODUCTION

India is the largest democratic federal polity with population over a billion, spread over 28 states and 7 centrally administered territories. With 73rd and 74th Amendments in the constitution in 1992, third tier of governance including *Panchayati Raj* Institutions (PRI) and urban local bodies came into existence. Despite creating an enabling environment at the third tier through constitutional amendment, the initiatives for decentralised gender responsive budgeting initiatives have been confined to only few states in India.

At the national level, the National Development Council, one of the highest policy making bodies in the country, adopted the empowerment of women and socially disadvantaged groups as agents of socio-economic change and development as a specific objective of the Ninth Five Year Plan (1997-2002). One of the strategies adopted for achieving this objective was to identify a *Women's Component Plan*, to ensure that not less than 30 percent of funds and benefits flow to women from developmental sectors. However, the *Women's Component Plan*, covers only the plan expenditure of the government and is thus partial.

The concept of gender responsive budgeting gathered momentum for analysing the whole budgetary process through a gender lens rather than partial one like the *Women Component Plan* alone with the study done by NIPFP, in collaboration with UNIFEM. The NIPFP is the first institution in India to undertake a systematic exercise to initiate gender budgeting.⁴⁹ Subsequently, Ministry of Finance (MoF), Government of India has set up an expert group on "Classification System of Government Transactions" in 2004, where one of the terms of reference was related to institutionalising gender responsive budgeting process. Based on the recommendations of the expert group, a page was created in the Union Budget (*Expenditure Budget, Volume I*) on gender budgeting. However, the initiatives on gender budgeting at sub national levels in India have been confined to a few states, in which fiscal decentralisation initiatives started taking concrete

⁴⁹ NIPFP's involvement in Gender Responsive Budgeting resulted in its first visible outcome in terms of inclusion of a chapter on 'gender inequality' in the *Economic Survey of India, 2000-2001* (a document prepared by Ministry of Finance, placed before Parliament annually a day before Union Budget of India). This section was based on the interim report on Gender Budgeting prepared by NIPFP. NIPFP study encompasses the diagnosis of existing degree of gender-inequality in India through gender-segregation of relevant macro-data, quantification of existing non-SNA unpaid care economy work of women, econometric investigation of the link between public expenditure and gender development, budgetary policies through a gender lens and identification of policy alternatives to build-in a gender-sensitive national budgeting process (NIPFP, 2003).

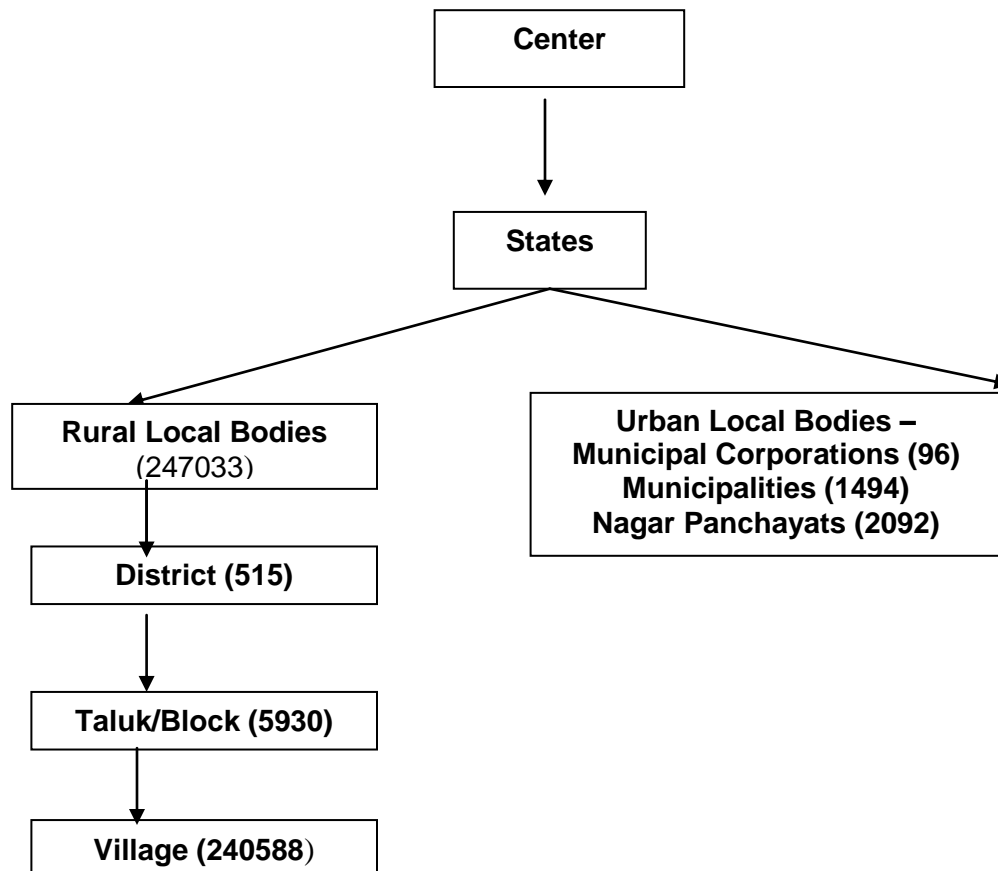
shape, viz., Karnataka, Kerala and West Bengal. This chapter examines the process of local level gender responsive budgeting in these states.

The scheme of chapter is as follows. Apart from the introduction, *Section II* deals briefly with the multi-tier fiscal system in India and fiscal decentralisation in an overall perspective. *Sections III, IV* and *V* discuss the experiences of fiscal decentralisation and local level gender responsive budgeting in these states, viz., Karnataka, Kerala and West Bengal respectively. *Section VI* concludes.

7.2 FISCAL DECENTRALISATION IN INDIA: A BRIEF OVERVIEW

The organisation of multilevel fiscal system in India is given in *Chart 7.1*. Out of over a quarter million local governments, only 3000 are in the urban areas. The three levels of rural local governments are the district, *taluk* (block) and village. The urban local governments consist of municipal corporations in large cities, municipalities in smaller cities and towns, and notified area committees in smaller towns.

Chart 7.1: Organisation of Multilevel Fiscal System in India



Source: Rao (2005)

The fiscal decentralisation in India from an overall perspective shown in *Table 7.1* reveals that, despite having a quarter million rural local bodies in India, they collectively raise very meagre revenue, which constitute only 0.04 percent of the GDP and the control of resources at the local level amounts to only 1.4 percent of GDP (Rao and Singh, 2005). In this multi-tier structure, though the middle tier (i.e. the state governments) has substantial revenue mobilisation *vis-à-vis* the lowest tier. In the present context the focus of the study is on the third tier. The third tier suffers from inadequate revenue sources and until the 73rd and 74th constitutional amendment, its functions were limited to certain civic services. The constitutional amendments provided an illustrative list of functions that are considered appropriate for local government. The amendment also made it mandatory to appoint State Finance Commissions in every five years to decide the revenue transfers from the state to the local bodies.

Table 7.1: Fiscal Decentralisation in India

	Revenue collection	Revenue accrual	Total expenditure
Center	11.46	6.80	12.00
States	7.80	10.90	13.60
Local Bodies	0.54	2.10	2.20
Urban Local Bodies	0.50	0.80	0.80
Rural Local Bodies	0.04	1.40	1.40
District <i>Panchayats</i>	Negligible	0.60	0.60
<i>Taluk Panchayats</i>	Negligible	0.30	0.40
Village <i>Panchayats</i>	0.04	0.40	0.40
Total	19.80	19.80	27.80
Centre	57.88	34.43	43.20
States	39.39	55.03	48.90
Local Bodies	2.73	10.53	7.90
Urban Local Bodies	2.53	4.07	2.90
Rural Local Bodies	0.20	6.46	5.00
District <i>Panchayats</i>	Negligible	3.21	2.20
<i>Taluk Panchayats</i>	Negligible	1.44	1.40
Village <i>Panchayats</i>	0.20	1.82	1.40
Total	100.00	100.00	100.00

Source: Rao and Singh (2005)

Given the fact that local governments have very meagre sources of revenues, and they depend heavily on transfers from the higher level of government even after the 73rd and 74th constitutional amendments, the indicative list of functions that have been devolved to the local bodies remains largely as an *unfunded mandates*. The fiscal autonomy ratio of local government (the ratio of own revenue to total expenditure) estimated by Rao *et al.* (2004) revealed that it was as low as 27 percent in India. In case of low-income states that it was even lower at 13.03 percent. This is the combined autonomy ratio of both urban and rural local governments. The fiscal autonomy will be even lower if we take only the rural local bodies. As can be seen from the

Table 7.2 the own tax and own non-tax revenue sources of PRIs is negligible, at around 3 percent of the total revenue (*Table 7.2*). It is evident from the *table* that the major part of the revenue of PRIs comes as transfers from the higher levels of governments.

Table 7.2: Composition of Revenue of PRIs in India (%)

	1998-99	1999-00	2000-01	2001-02	2002-03
Own tax	3.64	3.04	3.24	3.61	3.87
Own non tax	3.07	2.95	2.86	2.77	2.98
Own revenue	6.71	5.99	6.10	6.38	6.84
Assignment+Devolution	30.20	29.23	28.10	27.01	27.69
Grants-in-Aid	56.34	58.93	57.76	58.85	58.95
Others	6.75	5.85	8.04	7.32	6.52
Total other revenue	93.29	94.01	93.90	93.62	93.16
Total revenue	100.00	100.00	100.00	100.00	100.00

Source: *Twelfth Finance Commission Report*

In the multi-tier complex structure of intergovernmental fiscal relations in India, the Central Finance Commission which is appointed every five years by the President of India to govern centre-state financial relations also makes recommendations with regard to the financial devolution to the local bodies as a measure to “augment the Consolidated Fund of a state to supplement the resources of the *Panchayats* and Municipalities”. The criteria used by the Twelfth Finance Commission, for transfer of funds to states for PRIs and urban local bodies is shown in *Table 7.3*. Based on this criteria, a total grant of Rs. 20000 crore for the PRIs and Rs. 5000 crore for the municipalities has been recommended by the Twelfth Finance Commission for the period between 2005-10, to be distributed to the states based on the criteria indicated in *Table 7.3*. Based on this criterion, the shares of states (in percentage) in allocation for local bodies, both urban and rural are given in *Table 7.4*. Apart from these, the Central Finance Commission (CFC) recommends fiscal transfers to states, for local bodies, as mentioned earlier, each state is required to appoint a State Finance Commission (SFC) every five years to make recommendations on the transfers to be made to urban and rural local bodies from the state.

Table 7.3: Criteria for Financial Devolution to Local Bodies

Criterion	Weight (%)
Population	40
Geographical area	10
Distance from highest per capita income	20
Index of deprivation ⁵⁰	10
Revenue effort, of which	20
(a) <i>With respect to own revenue of states</i>	10
(b) <i>With respect to GSDP</i>	10

Source: TFC Report

Table 7.4: Shares of States in Allocation (2005-2010)

S. N	State	Panchayats	Municipalities
1	Andhra Pradesh	7.935	7.480
2	Arunachal Pradesh	0.340	0.060
3	Assam	2.630	1.100
4	Bihar	8.120	2.840
5	Chhatisgarh	3.075	1.760
6	Goa	0.090	0.240
7	Gujarat	4.655	8.280
8	Haryana	1.940	1.820
9	Himachal Pradesh	0.735	0.160
10	Jammu & Kashmir	1.405	0.760
11	Jharkhand	2.410	1.960
12	Karnataka	4.440	6.460
13	Kerala	4.925	2.980
14	Madhya Pradesh	8.315	7.220
15	Maharashtra	9.915	15.820
16	Manipur	0.230	0.180
17	Meghalaya	0.250	0.160
18	Mizoram	0.100	0.200
19	Nagaland	0.200	0.120
20	Orissa	4.015	2.080
21	Punjab	1.620	3.420
22	Rajasthan	6.150	4.400
23	Sikkim	0.065	0.020
24	Tamil Nadu	4.350	11.440
25	Tripura	0.285	0.160
26	Uttar Pradesh	14.640	10.340
27	Uttaranchal	0.810	0.680
28	West Bengal	6.355	7.860
	Total	100 (20,000 crore)	100 (5000 crore)

Source: TFC Report

⁵⁰ The index of deprivation (DI) has been designed as,
 $DI = 0.5 X + 0.25 (Y+Z)$, where
 X= percentage of households fetching water from a distance
 Y= percentage of households without latrines
 Z= percentage of households without drainage
 The index of deprivation thus takes account of intra-state disparities on the basis of data relating to certain minimum needs of the population.

SFC is required to make recommendations on the assignment of tax revenues to local bodies, sharing of tax revenues between states and the local governments and their distribution among individual local bodies and grants made to them. The experience of implementation of SFC across states depicts a grim picture that many states are reluctant to devolve, both revenue and expenditure powers (Rao, 2005). Some of the states have devolved functions, functionaries and finances, but the functions have been capsulated in terms of schemes in the interest of transferred employees and local governments do not have the autonomy in either changing the schemes or exit them. Yet another problem at the third tier is that as the salary of the devolved functionaries are paid by the state and their transfers and promotions are determined by the state, the local governments cannot effectively ensure accountability. Despite creating an enabling environment at third tier through constitutional amendment, the fiscal decentralisation at local level does not bring much cheer in many states of India. The twin dangers of *elite capture* and corruption need to be resolved in many states. However, it is worth mentioning the experience of three states in India, which have moved ahead considerably in terms of fiscal decentralisation. These states are Karnataka, Kerala, and West Bengal. However, the fiscal autonomy of West Bengal is very low as compared to Karnataka and Kerala. The following section deals with the fiscal decentralisation experience of these states in India through a gender lens.

7.3 EXPERIENCE OF KARNATAKA

Since 1993, Karnataka has been a forerunner in the decentralisation reforms initiated in the country in 1992. In fact, the state's experience has influenced national level thinking on the empowerment of rural local governments. Against this backdrop, the World Bank study done by Rao, *et al* (2004) compiled and analysed the fiscal data on the 175 *Taluk Panchayats* (TPs) and 27 *Zilla Panchayats* (ZPs) in the state; and 636 *Gram Panchayats* (GPs) out of a total of 5659 GPs.⁵¹

Decentralisation initiatives in Karnataka could be traced as early as in 1862, when a "local fund" was established in each district to construct roads and other public utilities. The post independence initiative includes the report of the Local Boards Enquiry Committee (1954), which recommended a three-tier structure at the district, *taluk* and village level. After the reorganisation of the state in 1956, a need was felt to standardise varying patterns of local governments in different regions and this led to the *Mysore Village Panchayats and Local Board Act (1959)*. The *Act* assigned executive functions to the village *panchayats* and *taluk* development boards with district development councils assigned an advisory role.

⁵¹ The sample chosen for the study was fairly representative in terms of their socio-economic characteristics.

The most important initiative towards decentralisation was taken with the enactment of the Karnataka *zilla parishads*, *taluk panchayat samitis*, *mandal panchayat* and *nyaya panchayat* Act of 1983. The Act was implemented from 1987 onwards and it evolved into a two-tier structure of decentralisation. While the *zilla parishads* (district level) and *mandal panchayats* had the executive authority, the intermediary tier of *taluk panchayat* (TP) *samitis* had only a coordinating role.

The standardised system of decentralisation came in to existence only after the 73rd Constitutional Amendment (1992) through the *Karnataka Panchayati Raj Act* (1993). It provided for a three-tier structure of rural local government at *zilla* (district), *taluk* and *gram* (village) levels. As of now, there are 27 *zilla panchayats* (ZPs), 175 *taluk panchayats* (TPs) and 5659 *gram panchayats* (GPs) in Karnataka. All the three levels are vested with executive authority. The first tier of decentralised government, the GP, included a group of five to seven villages with population coverage of five to seven thousand.

Table 7.5: Salient Features of Decentralisation in Karnataka

	Karnataka
Population	52 million
Rural local governments	5870
<i>Zilla parishads</i>	27
Block <i>panchayats</i>	175
<i>Gram panchayats</i>	5659
Total elected number, rural governments	84886, 44% women
Devolution of subjects to <i>panchayats</i>	All 29 subjects
Channelling of public expenditure through <i>panchayats</i>	About 20%

Source: World Bank (2004)

The 73rd amendment also directs the GP to convene a meeting of the *gram sabha* (village assembly) at least once in six months, thereby making the assembly an integral part of the decentralisation process. Though the three tiers were expected to be independent of each other, in actual practice there exists a hierarchical structure with TPs having a supervisory role over GPs, and ZPs supervising both GPs and TPs. The salient features of decentralisation in Karnataka are given in *Table 7.5*.

7.3.1 Analysis of revenue and expenditure of PRIs in Karnataka

Section 199 of Karnataka *Panchayat* Act (1993) empowers the GP's to levy taxes on specified bases, subject to the maximum rate specified e.g., tax on land and buildings not subject to agricultural assessment within the *panchayat* area limits. The GPs also have the power to levy other taxes like entertainment tax, vehicles etc. However these taxes are rarely levied as administrative costs exceeds revenue productivity. Fee charged on water supply is the major non-tax source of revenue.

With regard to intergovernmental transfers, by the *Panchayat Act*, the state government is required to constitute a SFC once in five years to review the financial position of the ZPs, TPs and GPs and to make recommendations on the sharing of state taxes, assignment of revenues and forward of grants from the consolidated fund of the state government. The criterion for devolution of SFC in Karnataka is given in *Table 7.6*. The central government also gives the state transfers, to strengthen local bodies, on the recommendations of the CFC. The state government gives a lump sum grant to the GPs (through the ZPs) to meet general expenditures. Also, the GPs receive grants from the Central Finance Commission through the state. Thirdly GPs also receive specific purpose transfers e.g., for the Centrally Sponsored Scheme (CSS), the *Swarnajayanti Gram Swarozgar Yojana* (SGSY).

Table 7.6: Criteria of Devolution in Karnataka

Indicator	Karnataka
Population	33.33
Area	33.33
Illiteracy rate	11.11
Persons per head in govt. hospitals	11.11
Road length/sq km	11.12
Total	100.00

Source: State Finance Commission Report of Karnataka.

Transferred financial resources to TPs and ZPs consist of general purpose (lump sum plus development) grants, any transfer by the CFC's recommendation, proceeds from additional stamp duty devolved by the state government in case of the TPs, transfer for the implementation of various plan and non-plan schemes under the district sector and transfer from the central government to finance central sector programmes and CSS. *Table 7.7* gives the trends in revenue sources of PRIs in Karnataka.

Table 7.7: Distribution (%) of Revenue of PRIs in Karnataka

Item	1998-99	1999-00	2000-01	2001-02	2002-03
Own tax	1.53	1.31	1.42	1.20	1.38
Own non tax	-	-	-	-	-
Own revenue	1.53	1.31	1.42	1.20	1.38
Assignment+devolution	98.47	98.69	98.58	98.80	98.62
Grants-in-aid	-	-	-	-	-
Others	-	-	-	-	-
Total other revenue	98.47	98.69	98.58	98.80	98.62
Total revenue	100.00	100.00	100.00	100.00	100.00
<i>Total revenue (in Rs crores)</i>	<i>3370.57</i>	<i>4378.79</i>	<i>4717.97</i>	<i>4373.51</i>	<i>4303.03</i>

Source: Report of *Twelfth Finance Commission*, 2005

The analysis of total revenues raised by the three tiers of the *panchayats* shows that the fiscal role of *gram panchayats* is insignificant, both in terms of

revenues raised and expenditures incurred. This is despite the fact that the GP is the only *panchayat* tier with any independent revenue source. Some of the problems on the issue of own revenue are low revenue collection, no broad based tax bases, low level collection of property tax, high cost of tax collection and variations in revenue collection (Rao *et al*, 2004). The expenditure across revenue and capital is given in *Table 7.8*, which showed that around 86 percent of total expenditure is on revenue part and the rest 13.92 percent on capital budget as per the latest available figures.

Table 7.8: Distribution (%) of Expenditure of PRIs in Karnataka

Item	1998-99	1999-00	2000-01	2001-02	2002-03
Revenue expenditure	81.54	86.99	89.37	87.26	86.08
Capital expenditure	18.46	13.01	10.63	12.74	13.92
Total expenditure	100.00	100.00	100.00	100.00	100.00
Total expenditure	3089.89	4178.00	4522.47	4202.43	4095.89

Source: Report of *Twelfth Finance Commission*, 2005

With regard to the issue of the design of *panchayat* expenditures, Rao, *et al.* (2004) highlighted that within revenue expenditure, salaries form as the largest share of expenditure. The study also noted that there was greater impact of transfers (rather than own source revenues) on investments in public works, but greater impact of own revenues on core services. The reduction of funds due to fiscal compression, steady erosion in assistance for development spending, concentration on sectors/schemes, lower expenditure on anti-poverty programmes by poor GPs and no strong evidence of fiscal equalisation are the other highlights of the study in terms of expenditure of PRIs in Karnataka. The recommendations for improving the process of fiscal decentralisation identified in a World Bank study done by Rao, *et al.* (2004) is given in *Box 7.1*.

Box 7.1 Enhancing Fiscal Decentralisation in Karnataka: Recommendations

The prevailing system in Karnataka has been essentially “top-down” with the state government transferring schemes along with the employees for selected functions, with an inherent assurance to protect their salaries, hierarchy and promotional possibilities. The World Bank study therefore proposes reform in four broad areas – functional assignment, augmenting revenues, intergovernmental transfers and public spending at the local levels.

Functional assignment: overlapping and consolidation

- a) Consolidation and rationalisation of large number of central, state and district sector schemes into broad categories.
- b) Clarity in the role of the implementing agencies in order to check misappropriation.
- c) Strengthening accountability of the employees to the local bodies.

Augmenting revenues: reforms in policies and institutions

- a) Grant of more fiscal autonomy to the ZPs and TPs.
- b) More significant role for GP's in the overall scheme of fiscal decentralisation.
- c) Enhancing the revenue productivity of the GP's.
- d) Enhancing tax enforcement at the GP level.
- e) Assignment of new taxing powers.
- f) Redesigning of the tax system.

Issues in intergovernmental transfers:

- a) Over-dependence on transfers
- b) Determining the requirements of the different types and tiers of local governments.
- c) Importing allocative flexibility and autonomy.
- d) Enhancing the role of GP's in public service provision.
- e) Building up an information base for better design.

Improving efficiency in public spending at local levels:

- a) The GPs should be assigned important schemes and activities that benefit the majority of residents so that more expenditure is incurred at the GP level.
- b) Transfers to the GPs must be linked to the local priorities.
- c) The overall distribution of expenditures among the GP's should be made more equitable

Source: Rao, *et al* , World Bank (2004)

7.3.2 Planning and budgeting systems

Although the planning process should ideally start at the GP level with participation from the *gram sabha* and the local people, it is usually the GPs themselves who identify and prioritise works to be undertaken. The resource envelope is drawn, based on the resources the *panchayat* expects to generate and the estimated transfers indicated by the state government. Planning at the village level is restricted to allocating the available funds for spill over works. The prepared budget is then sent to the TPs for scrutiny and consolidation. Every August the finance department of the state government indicates the total grants to be given. The ZPs then allocates this to the 23 major heads, after consultation with the heads of their line departments, who in turn consult the official at the *taluk* level. After consolidation by the finance department, the plan proposals are then placed before the finance and planning committee. Next the draft annual plan is placed before the governing body of the ZP. The proposals are then included in the "Link Document" after approval from the state planning department.

Under the prevailing structure of decentralisation in Karnataka, most of the schemes along with the personnel are transferred to the *panchayats*, though the financial allocation required to implement the schemes is inadequate. This persistent dearth of funds prevents the local body from initiating plans for suitable

public service provision as well as prioritisation of existing schemes. As the *panchayats* receive funds from multiple sources, (consolidated funds of the state as well as the central government, various regional development boards and other agencies) there seems to be a lack of coordination and transparency in implementation of various schemes, which can result in misappropriation and inefficiency.

7.3.3 Gender in decentralisation: building budgets from below

In Karnataka, the process of decentralisation has been effective and created wide possibilities for integrating gender needs at local level, but much has remained unexplored. A study done by UNIFEM on *Building Budget from Below* examined the budget of the Government of Karnataka through the gender lens; to look at the municipal and *panchayat* budgets in terms of, what they are and what they ought to be and finally to look at the working of the public distribution system and impact on health and health service allocations. Both primary and secondary data was collected from *gram panchayats*. Participatory research approach was used including techniques like social mapping, focussed group discussions and mock session of *panchayat*. The study found a divergence between women's priorities and the priorities of the local bodies. Women's priorities were water, drainage, education and nutrition, roads, bus stands, transport, social security and health care.

The UNIFEM study came out with following recommendations –

- Dismantling and demystifying of the budgetary process.
- A manual in local language for women regarding participation in *panchayats*.
- Motivate women and girls to form active groups and to take active interest in governance.
- Attempt to build in the identified women's concerns at the grassroots, into the various levels of budgets all the way to the national balance sheet.

7.4 EXPERIENCE OF KERALA

In the backdrop of democratic decentralisation, Kerala is the first state in India which moved towards gender responsive planning and budgeting at the local level. The simultaneous occurrence of *feminisation* of political governance at the third tier, with 33 percent representation of women, created new democratic space for local level interventions by an agency of Women Elected Representatives (Isaac, 2004).⁵² Despite the remarkable achievements in terms of gender indicators in health and education, Kerala experiences an extreme

⁵² Isaac, T (2004): 'Democratic Decentralisation and Women Empowerment: Kerala Model', paper presented at "International Expert Group Meeting on Local Level Gender Responsive Budgeting", New Delhi, India, November 1-4, 2004.

case of marginalisation of women, especially in the spheres of governance and work force participation. In other words, superior conditions of women in Kerala, in terms of social indicators, have no impact on *gender status*. It was in this context that a deliberate attempt was made to incorporate gender perspective into the process of democratic decentralisation, providing a Women's Component Plan (WCP) of earmarking 10 percent of state's plan outlay towards specifically targeted programmes for women. These programmes are determined by women at the local level through participatory process at *grama sabhas*.

7.4.1 Democratic decentralisation: the process

Though it was only in 1991 that Kerala (like the rest of India) came to have elected bodies at the district level, the civil conditions of the state have been ideal for democratic decentralisation reforms, since long. Widespread literacy, sharply reduced deprivation and absolute poverty, good health performance, successfully carried out land reforms, powerful class and mass organisations etc. have acted in synergy for Kerala as an ideal state for introduction of participatory local democracy.

Popularly known as the '*Kerala Model*', the state has demonstrated, how appropriate redistribution strategies can ensure basic needs for the citizens, despite low levels of economic development. However, Kerala has alarmingly failed to transform high social sector achievements into comparable achievements in the material production sectors. This has resulted in economic stagnation of the state, growing unemployment and an acute fiscal crisis, thereby raising questions about the sustainability of the "*Kerala Model*". Democratic decentralisation, intended to accelerate economic growth and create a new model of growth with equity, has been the political response to the stagnating economy of the state in the form of "*People's Campaign for Decentralised Planning*".⁵³ All 1,214 local governments in Kerala—municipalities and the three tiers of rural local government--district, block and *gram panchayats*--were given new functions and powers of decision-making, and were granted discretionary budgeting authority over 35–40 percent of the state's developmental expenditures. The campaign, however, attempted more than just devolution of resources and functions. Local governments were not only charged with designing and implementing their own development plans, they were mandated to do so through an elaborate series of nested participatory exercises, in which citizens were given a direct role in shaping policies and projects (Isaac and Franke, 2000).

In Kerala, the theoretical sequence of decentralisation has been reversed; financial devolution preceded functional devolution. In 1996, 35–40 percent of the outlay of Ninth Five Year Plan was devolved to local self-government institutions.

⁵³ In 1996, a coalition (Left Democratic Front) of left parties returned to power in the State of Kerala and immediately fulfilled one of its most important campaign pledges by launching the "People's Campaign for Decentralised Planning" (Isaac and Franke, 2000).

It is also to be noted that this financial devolution was outside the purview of State Finance Commission of Kerala. Given the low level of administrative capacity at the newly created third tier and the lack of experience of newly elected members of local bodies, the reversal of sequence of decentralisation was bound to create disequilibrium during plan implementation. However, complementary reforms undertaken by state government have created conditions for successful devolution. For instance, quite contrary to the rest of India where financial devolution took the form of schemes (tied in nature), in Kerala 75-80 percent of devolution has been in the form of grants-in-aid, untied in nature. So the nature of financial devolution in Kerala encourages maximum fiscal autonomy to the local governments.⁵⁴

Subsequent to the 73rd and 74th constitutional amendments, the measures undertaken by government to institutionalise the process of decentralised planning and governance in Kerala is given in *Box 7.2*.

Box 2: Institutionalising the Process of Democratic Decentralisation in Kerala

1. **Devolution of plan outlay:** 35 to 40 percent of the state's Ninth Plan (1997-2000) outlay was devolved to the local self governments for projects and programmes drawn up by them. The initiation of the People's Plan Campaign (PPC) and the appointment of the Committee for Decentralisation of Power (the Sen Committee) followed, to facilitate the process.
2. **Institutional and Structural Changes:** Following the Sen Committee's report, 44 state legislations affecting various line department functions (education, health, drinking water etc.) and parastatals were amended to broaden the entitlements and powers of local bodies. Also institutions such as the Ombudsman, the Appellate Tribunals and the State Development Council were created to make the decentralisation process more effective and sustainable.
3. **Comprehensive Area Plan:** The outlay for the comprehensive area plan prepared by each local body comprised of the grant in aid, integrated with different state and centrally sponsored schemes, own revenue surplus of the local bodies, loans from financial institutions etc.
4. **Automatic sanction for allocations:** 1997-98 onwards, automatic sanction was given to all plan and non-plan allocations to local bodies through the state budget.
5. **Mid-term auditing:** Besides the usual local fund departmental audit, a performance audit was also undertaken. The *gram sabha* (village assembly) also went for a *social audit* that brought out people's view on the administrative system. These measures were meant to introduce accountability, promote monitoring and mid-term correction.

⁵⁴ Thus going by the traditional literature, Kerala's decentralization takes the form of "devolution" as opposed to the moderate "deconcentration" or an essentially right wing "delegation". Here, authority is transferred to autonomous or semi-autonomous local governments, giving them powers to plan, make decisions, raise revenues, employ staff, and monitor activities. In the Kerala People's campaign, devolution was used as the administrative mechanism of decentralisation, but the international significance lies in Kerala's attempt to make devolution large-scale, democratic, participatory, activist, egalitarian, empowering, self-reflective, self-reliant, and sustainable.

6. Modification of criteria for fund distribution: Instead of population only, a composite index of entitlement (indicators were, geographical area of the local body, area under paddy, houses without sanitation facilities, electricity and population) was used for distribution of plan grants-in-aid since 1998-99.

Source: World Bank (2004) and Isaac and Frank (2000)

The salient features of the decentralisation process in Kerala are summarised in *Table 7.9*.

Table 7.9: Salient Features of Decentralisation in Kerala

Kerala	
Population	31 million
Rural local governments	1157
<i>Zilla parishads</i>	14
<i>Block panchayats</i>	53 municipalities
<i>Gram panchayats</i>	991
Total elected number, rural governments	12117, 33% women
Devolution of subjects to <i>panchayats</i>	All 29 functions but functionaries and funds devolved for only 15 functions
Channelling of public expenditure through <i>panchayats</i>	About 30% of plan expenditure and 18% of total state budgets.

Source: World Bank (2004)

7.4.2 Analysis of revenue and expenditure of PRIs

Several tax and non-tax revenue sources are assigned to PRIs for collection. The *gram panchayat* chooses the rate relevant to each tax, within the broad rate band set out by the statutes, and administers the tax and non-tax revenue. The tax revenue has its own source component and a state component, the latter consisting of assigned taxes (basic tax on land and a four-percent surcharge on stamp duty collected under the provisions of the *Kerala Stamp Act*) and shared tax (the share for GPs called vehicle tax compensation). The assigned and shared taxes are officially referred to as 'statutory grant'. Own taxes of the GP include property tax, profession tax, entertainment tax, advertisement tax, service tax and show tax, with the last three adding up to insignificant amounts.

Table 7.10: Distribution (%) of Revenue of PRIs in Kerala

	1998-99	1999-00	2000-01	2001-02	2002-03
Own tax	9.40	10.52	13.92	13.63	12.82
Own non tax	8.54	14.52	12.44	9.44	10.70
Own revenue	17.95	25.04	26.35	23.07	23.53
Assignment + devolution	15.70	17.96	7.39	16.58	15.87
Grants-in-aid	63.42	54.09	62.71	57.11	57.48
Others	2.94	2.91	3.55	3.24	3.12
Total other revenue	82.05	74.96	73.65	76.93	76.47
Total revenue	100.00	100.00	100.00	100.00	100.00
<i>Total revenue (Rs crores)</i>	<i>938.84</i>	<i>952.57</i>	<i>833.51</i>	<i>839.94</i>	<i>960.69</i>

Source: Report of Twelfth Finance Commission

Apart from the statutory grants, the GP's receive, non-plan state grants, plan grants and central grants. *Table 7.11* shows the weights in formula for devolution recommended by the SFC of Kerala.

Table 7.11: Criteria of Devolution in Kerala

Indicator	Kerala
Population	75
Population of SC/ST	5
Financial need	15
Tax effort	5
Total	100

Source: State Finance Commission (First) Report, Kerala.

As can be seen from *Table 7.12*, which gives the expenditure profile of PRIs in Kerala, the revenue expenditure of PRIs constitute around 81.54 percent of the expenditure budget in 1998-99 and increased to 89.37 percent in 2000-01, before it declined to 86.08 percent in 2002-03. Needless to mention, capital expenditure was only 13.92 percent in 2002-03.

Table 7.12: Expenditure Profile of PRIs in Kerala

Item	1998-99	1999-00	2000-01	2001-02	2002-03
Revenue expenditure	81.54	86.99	89.37	87.26	86.08
Capital expenditure	18.46	13.01	10.63	12.74	13.92
Total expenditure	100.00	100.00	100.00	100.00	100.00
<i>Total expenditure (Rs crores)</i>	<i>3089.89</i>	<i>4178.00</i>	<i>4522.47</i>	<i>4202.43</i>	<i>4095.89</i>

Source: Report of Twelfth Finance Commission

7.4.3 Gender in decentralisation

Kerala reveals a paradox in terms of gender development. A much lower gender gap in social indicators and high female empowerment have

accompanied Kerala's remarkable performance in human development, as demonstrated by several attempts to constructing the GDI and the GEM at the regional level for India.⁵⁵ However, high rates of literacy and the dramatic decline in fertility did not translate into rapid growth of paid employment for women nor into upward occupational mobility. One of the reasons for this phenomenon is the sex-differentiated pattern of education.⁵⁶

The electoral arena of Kerala has also been short of women's representation. While in the state assembly, the numbers elected have varied between 5 and 8 members in a house of 140 legislators since the early nineties, in the parliament, the proportion of women candidates hovered around 5 percent for the last two and a half decades. The process of democratic decentralisation is expected to enhance the visibility of educated women in the public sphere with 33 percent representation for women at local level. *Table 7.13* shows the distribution of elected representatives, disaggregated by gender and class, in local bodies in Kerala. The total number of elected representatives was 14,173 of whom 75 percent belonged to the *gram panchayats*, that is, around 10.8 per GP.

Table 7.13: Distribution (%) of Elected Representatives of Local Bodies in Kerala

Type of local bodies	No. of local bodies	No. of representatives				
		Male	Female	Total	SC	ST
<i>Gram Panchayat</i>	990	6842 (63.8)	3878 (36.2)	10720 (100)	981 (9.1)	96 (0.9)
<i>Block panchayat</i>	152	1002 (64.9)	541 (35.1)	1543 (100)	147 (9.5)	11 (0.7)
<i>District panchayat</i>	14	196 (65.3)	104 (34.7)	300 (100)	18 (6.0)	3 (0.1)
Municipalities	58	1055 (65.3)	555 (34.7)	1610 (100)	78 (4.8)	3 (0.0)
Total	1214	9095 (64.2)	5078 (35.8)	14173 (100)	1224 (8.6)	113 (0.08)

Source: (Basic Data), State Election Commission, 1997 cited in Isaac and Frank (2000)

The analysis of characteristics of the women elected representatives revealed that only 10 percent of them had prior experience as elected representatives and only 18 percent had education above matriculation.

⁵⁵ For the details of GDI and GEM, refer *UNDP Human Development Reports*, Technical Notes.

⁵⁶ Though women far exceed men in graduate and post-graduate courses in arts and sciences, they lag far behind men in professional/technical education, except in 'softer' professions like teaching. Educated unemployment is the most serious problem for women in Kerala. Unable to procure jobs, commensurate with their skills and preferences, (which are often shaped by social contexts) many of them are choosing to remain unemployed. The occupational structure suggests that although female share of organised sector employment is high (owing to higher literacy) in Kerala *vis-à-vis* the other Indian states, most of these women are located at the lower end of professional hierarchy.

Table 7.14: Selected Characteristics of Elected Representatives of Local Bodies in Kerala

Characteristics	Male (%)	Female (%)	Average (%)
With previous experience in holding office	27.00	10.00	21.00
Age below 30	14.30	26.25	18.83
Age above 50	20.95	11.12	17.33
Employed in the primary sector	33.68	12.65	25.72
Employed in service sector	17.99	21.30	19.25
Unemployed	9.99	33.37	18.85
Retired	6.23	6.06	6.17
Education below high school	20.27	11.92	17.11
High school education	48.56	52.65	50.11
With graduate or post graduate degree	15.31	18.05	16.35

Source: Isaac and Frank (2000)

There are two avenues through which democratic decentralisation can contribute to empowerment of women, (i) agency of women elected representatives (WER); and (ii). new democratic space for local level intervention by women. Kerala, on one-hand features extreme cases of marginalisation of women despite remarkable development achievements and on the other has introduced one of the most radical programmes on democratic decentralisation, which makes Kerala an ideal case for studying the impact of fiscal decentralisation on gender (Isaac, 2004). *Table 7.15* shows the gender component in various stages of democratic decentralisation in Kerala. The various phases of decentralisation process included, identifying the needs of women at local level and creating appropriate institutional structures at decentralised levels, to engage women in the participatory process of planning and budgeting.

Table 7.15: Gender Components of Democratic Decentralisation in Kerala

Phase	Objective	Activities	Gender Component
(Gramasabhas) ⁵⁷	Identify the felt needs of the people.	Gramasabhas in rural areas and ward conventions in urban areas.	Special subject group in the gramasabhas to discuss gender problems.
(Development seminar)	Objective assessment of the resources, problems and formulation of local development perspective.	Participatory studies: Preparation of development reports, organisation of development seminars.	Special chapter in development report on gender issues. Special subject group for discussing gender issues in the development seminar.
(Task forces)	Preparation of projects.	Meetings of task forces.	A special task force for women development projects. Gender impact statement of projects.
(Elected bodies)	Formulation of plans of grass root tiers	Plan formulation meetings of elected representatives	A separate chapter on women development projects. 10% to be set apart for women component plan
(Elected bodies)	Formulation of plans of higher tiers	Plan formulation meetings of elected representatives	A separate chapter on women development projects. 10% of plan outlay of the state to be set apart for women component plan
(Volunteer technical corps)	Appraisal and approval of plans	Meetings of expert committees.	

Source: Isaac and Frank (2000)

The major disappointment, with regard to this experiment of incorporating gender budgeting in the democratic decentralisation process was that the allocation for the WCP fell far short (4.26%) of the suggested minimum of 10 percent in the annual plans for 1997-98. The share steadily declined as one moved up the tier (i.e. from GP to block *panchayat* and then to district *panchayat*). The proportion of Plan grant-in-aid was low in WCP projects. Besides, there was not much difference in overall projects and WCP projects. The proportion of WCP that could be genuinely described as women development projects was also debatable. A few of these shortcomings were dealt with in the second annual year plan. Earmarking of 10 percent of the grant-in-aid for WCP was made mandatory. Clear guidelines were established, as to what constitutes WCP projects. Changes were made in the role and functions of the Women Component Plan Task Forces. Gender training programmes were conducted. As a result of these measures, many weaknesses were rectified. Share of grant-in-aid set apart for WCP rose to 11 percent, more realistic pattern on financing the projects were adopted, the quality of projects improved and new

⁵⁷ The term *Grama Sabha* refers to village assembly. Functions of the *gram sabha* include (1) mobilising voluntary labour and voluntary contributions in cash and kind for community works, (2) identifying beneficiaries of anti-poverty and village development schemes, (3) assisting the implementation of village development schemes, (4) making recommendations on annual accounts, administrative report, report on development programme and audit report of the *panchayats* etc.

forms of women's development organisations, such as self-help groups emerged (Isaac and Franke, 2000). Despite the initial disequilibrium, with regard to gender budgeting at local level in the year of commencement, the spurious projects on gender disappeared in due course and 'practical gender needs' projects became the building block for institutionalising 'strategic gender needs'.

7.5 EXPERIENCE OF WEST BENGAL

The origin of fiscal decentralisation in West Bengal may be traced back to the late 19th century. However, the local bodies only enjoyed very limited autonomy and were dominated by rural elites, given the property restrictions on franchise. After independence, as per the recommendation of Balwant Rai Mehta Committee (1957), the *West Bengal Panchayat Act* was passed in the same year, with the intention of setting up a four-tier *Panchayati Raj* system.⁵⁸ Subsequently with the enactment of *West Bengal Panchayati Raj Act* of 1973, a three-tier system of *Panchayat* was introduced at district, block and village levels. The organisation structure of third tier system in West Bengal is given in *Table 7.16*.

Table 7.16: Organisation Structure of Third Tier System of West Bengal

West Bengal	
<i>Zilla parishads</i>	16
<i>Block panchayats</i>	340
<i>Gram panchayats</i>	3314

Source: State Finance Report, West Bengal

In terms of revenue powers, own tax constitutes only 3 percent of the total revenue of PRIs in West Bengal (*Table 7.17*). The own revenue resources of the state have been very low. The negligible sources of revenue have been tax on land and buildings and stamp duty on property transfers along with user charges from water, fee for registration of vehicles, license fee for markets etc.

Table 7.17: Finances of PRIs in West Bengal

	1998-99	1999-00	2000-01	2001-02	2002-03
Own tax	3.97	2.40	1.46	2.08	5.57
Own non tax	12.92	7.96	3.80	5.22	12.07
Own revenue	16.89	10.36	5.26	7.30	17.64
Assignment+devolution	2.41	0.14	0.81	2.77	0.00
Grants-in-aid	80.23	89.22	93.79	89.74	82.36
Others	0.47	0.28	0.14	0.19	0.00
Total other revenue	83.11	89.64	94.74	92.70	82.36
Total revenue	100.00	100.00	100.00	100.00	100.00

Source: TFC Report

⁵⁸ *Zilla Parishads* (ZP) at the district level, *anchalik parishads* at the block level, *anchal parishads* at the union (group of villages) level and the *gram panchayat* at the village level.

The State Finance Commission of West Bengal has not recommended any major additionalities to the own revenue sources of the PRIs.⁵⁹ However, SFC recommendations in term of devolution of finance has created a qualitative change in the nature of grants to local bodies by reversing the nature of grants from *tied* to increasingly *untied* grants, thereby giving more autonomy to the PRIs.

SFC recommended that 16 percent of the net proceeds of the own tax revenue of the state government should go as *entitlement* to the PRIs based on two criteria; population and the index of backwardness, giving equal weight to both criteria. The criteria for devolution are given in *Table 7.18*.

Table 7.18: Criteria of Devolution of Entitlements in West Bengal

Indicators	Weight
Population of the district	50
Index of Backwardness	50
a. Backward population of the district	10
b. Area of the district	10
c. Rural population of the district	10
d. Illiteracy level of district	10
e. Inverse ratio of per capita bank deposit	10

Source: SFC Report, West Bengal

The devolution of the entitlement at the district level to the three tiers of PRIs has been recommended in the ratio of 30:20:50, as shown in *Table 7.19*.

Table 7.19: Vertical Sharing of Entitlement among PRIs in West Bengal

PRIs	Share
<i>Zilla parishad</i>	30 %
<i>Panchayat samiti</i>	20%
<i>Gram panchayat</i>	50%

Source: SFC Report, West Bengal

It is to be noted here is that, in order to encourage own revenue initiatives of PRIs, SFC recommended that 2 percent of the entitlement due to a district would be set aside to operate as an incentive fund. The incentive scheme proposed was that any local body raising its own income by 5 percent or more in a financial year should be entitled to a bonus of 2/3 of the incremental revenue.

⁵⁹ The AFC's recommendations were to transfer entertainment tax from state to the local bodies and urban land tax and multi-storied building tax to Kolkotta Municipal Corporation and collection of irrigation rates to *zilla parishads*.

The recommendation of SFC of West Bengal, in terms of devolution, has considerably reduced the arbitrariness in the devolution. It guarantees a non-discretionary assured grant for each PRI that could be spent according to the priorities set by them, even though the dependence of PRIs on grants would continue in West Bengal. Yet another important point is that, SFC made it a point that any scheme of devolution of resources from the state level to local bodies should be from the pool of state's own taxes, instead of individual tax based sharing, since growth of individual taxes vary considerably from year to year.

Apart from this, there were significant changes in the planning process at the district level. Earlier, the district plans consisted mostly of departmental schemes drawn up by the departments, may be with the participation of lower tier officials of the departments, but independently of the elected bodies. The role of the three tier *panchayats* in the district plan largely consisted of utilisation of funds provided to them for poverty alleviation programmes or as untied funds. The integration of planning at the District level was more of a formality before SFC. The new entitlement scheme recommended by SFC has provided the elected bodies with considerable funds, to pursue their own priorities through the plans they can draw up. The flexibility of district plans thus increased considerably.

In this context, a MIT study by Chattopadhyay and Duflo (2001) have measured the impact of feminisation of governance at local level, on the outcomes of decentralisation, with data collected from a survey of all investments in local public goods, made by the village councils in one district in West Bengal. They find that women leaders of village councils invest more in infrastructure that is relevant to the needs of rural women, like drinking water, fuel and roads, and that village women are more likely to participate in the policymaking process, if the leader of their village council is a woman. However, without direct evidence on the nature of women's preferences relative to men's and since women's reservation in the leadership positions in local government was not linked to the distribution of women in the village, this study does not quite address how local democracy affects the underrepresented groups in the village to implement their desired outcomes (Bardhan, 2002). However, placing women in leadership position in governance at the local level can change the expenditure decisions of the local bodies and in turn changes the types of public good investments at local level more, corresponding to the revealed preferences ('voice') by women (Stern, Nicolas 2002).

In West Bengal, UNIFEM co-ordinated a study to examine the budgetary policies of the Government of West Bengal, with the broad objective of assessing the extent of efforts put in by the state government towards improving the relative position of women in the state. The period of the study refers to the decade after the official setting in of the new economic policies -- an event that was supposed to have an impact on the finances of the centre as well as the states and welfare

of the people at large.⁶⁰ Classifying schemes⁶¹ as (i) relief schemes, (ii) gender-reinforcing schemes, (iii) equity promoting schemes and (iv) equality promoting schemes, the study found that West Bengal had so far taken little initiative to promote true gender equality. Outlays on equality promoting schemes (meant as a special aid to remove women's handicaps) were dismally low. Bulk of the budgetary resources in the social sector went to traditional welfare services, with an implicit assumption about the non-existence of any gender *bias* in access to these resources. Another significant part of the budget was for schemes for women in their traditional roles of reproducers and caregivers. Thus although the constitutional directive of not denying women equal access to all public facilities has been carried out, the barriers preventing women from exploiting these facilities have been largely unaddressed.

When this classification was applied to the state education budget, several grey areas were discovered e.g., though the budget mentions schemes for hostels for Muslim girls or appointment of women teachers in educationally backward areas, the actual budgetary allocation for these schemes was either absent or negligible. Absence of even primary schools in large number habitations in West Bengal implied, a relative scarcity of female teachers, which again was responsible for the high drop-out rates of girls at primary levels. The analysis broadly shows that public education expenditure of the state of West Bengal has been largely insensitive to the special needs of women.

Classifying expenditures on education and health (budget heads) by economic categories, the study found that almost the entire amount went for wages and salaries to the staffs – the share increasing over the 90's. This left very little for expansion or improvement of services.

7.6 CONCLUSION

The chapter examined the process of fiscal decentralisation and local level gender sensitive budgeting across three states in India, where decentralisation process has been relatively effective compared to other states. The design for specifically targeted programmes for women in local budgets or gender component in fiscal transfers has been considered to be the second best principle of gender budgeting. The first best is to integrate gender concerns in the overall budgetary process at the local level and ensuring the transparency and accountability, through better governance with effective participation of women in

⁶⁰ Published as "Gender in Fiscal Policies: The case of West Bengal" by the UNIFEM, the study initially deals with the need for institutional response to the existing gender bias in West Bengal. This is followed by a detailed analysis of the budgetary situation in West Bengal *vis-à-vis* other Indian states in the 1990's. Next they go on to examine the public schemes for women in the state budget. The study ends with an analysis of the state education policies from a gender perspective.

⁶¹ The classification was different from that of the NIPFP (2002) study for the central budget, in which schemes were classified into (a) women specific schemes, (b) pro-women schemes and (c) gender neutral schemes.

local bodies. Kerala has shown a good example in integrating both the elements. Integrating gender needs in the process of decentralised planning, after identifying the gender needs through participatory process, through *grama sabhas* as well as translating it into women component plan in fiscal transfers. In Karnataka, the process of decentralisation has created immense scope for incorporating gender needs at local level, though remained substantially unexplored. However, in West Bengal, the women in governance at third tier could change the types of public expenditure at local level, more corresponding to the revealed preferences ('voice') by women. However, that could have little influence on gender needs as most of the expenditure even at the local level is in the nature of committed non-developmental expenditure.

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