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## **Fiscal Policy Practices for Women’s Economic Empowerment**

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<sup>1</sup> The views expressed in this paper are those of the author and do not necessarily represent those of the United Nations.

# **FISCAL POLICY PRACTISES FOR WOMEN'S ECONOMIC EMPOWERMENT**

**LEKHA CHAKRABORTY**

Fiscal policies practices through a “gender lens” has increasingly been recognized by public policy makers in analyzing the process of economic growth and why countries have differed so greatly in their gender development. This paper explores the role of fiscal policies - gender budgeting - in analyzing and responding to the gender constructs and how it can change these constructs.

What makes this compelling? Recall the debate set off by Amartya Sen when he claimed that millions of women were “missing” in China and India referring to the number of females who have died as a result of unequal access to intra-household resources, nutrition and health care (Klasen, 2008). There is a need to analyze the role of public policy in correcting these blatantly oppressive prejudices which run deep in the society which results in female survival disadvantage, and the role of fiscal policy in upholding the right to life for girl children and women. Public budgeting processes often fail to visualize or account for its gender specific impacts. While social mores cannot be fully transformed by fiscal fiats, a proactive approach by macro policy makers is called for. Given the disturbing demographics (the monotonous decline in the juvenile sex ratio) and other socio-economic outcomes biased against women, there can be no valid objection to the call that budgets should play a role in redressing capability deprivation across gender. Indeed, such action is imperative.

The nature of gender concerns are different ranging from giving thrust to unpaid care economy to redressing capability deprivation in education and health. Gender budgeting unpacks the “social content” of macro policies through a gender lens, which is pertinent for rapid economic progress. The macro policy processes – plans and budgets - are the constructs of a specific sociocultural context of any country, though prima facie it appears as gender neutral. Therefore

right institutions and innovative tools have to be adopted to strengthen the “gender lens” of public spending decisions and how gender differential outcomes of fiscal policy are measured. Gender budgeting ideally should be ensuring such processes, however the absence of data disaggregated by gender make this analysis more difficult. Against this backdrop, this paper analyses the process of gender budgeting. The experiences vary in terms of intensity of gender budgeting across countries, as well as the gender development.

Gender budgeting is ideally a fiscal innovation that translates gender commitments into fiscal commitments through identified processes, resources, and institutional mechanisms, and arrives at a desirable benefit incidence (Chakraborty, 2014). The theoretical treatment of GRB as a fiscal innovation is difficult as to get an intellectual handle due to the ways the gender budgeting policies are treated and evolved in these countries, and this paper excludes the theory. However, that should not preempt the researchers from venture one.

The paper is organized into sections. Section 1 deals with the theoretical frameworks of gender budgeting. Section 2 deals with a quick gender analysis with selected indicators and indices in Asia Pacific region. Section 3 explores the fiscal policy practices in gender development. Section 4 sums up and elaborates policy implications.

## **I. Theoretical Frameworks of Gender Budgeting**

Theoretical frameworks of gender budgeting can be dichotomized into ex-ante and ex-post. *Ex-post* gender budgeting refers to the analysis of existing budgets through a gender lens to establish its gender differential incidence. Ex-ante gender budgeting refers to building budgets from below after identifying the gender needs. The feminisation of governance and its effectiveness in translating the revealed gender preferences and needs into public expenditure decisions has also been integrated into ex-ante gender budgeting category. Fiscal decentralization frameworks are essential for ex-ante gender budgeting experiments.

### *1.1: Ex-post frameworks*

Elson (1999) succinctly developed six theoretical frameworks for gender budgeting analysis, which are the following: (i) gender-aware policy appraisal, (ii) beneficiary assessment (iii) gender-disaggregated public expenditure incidence analysis, (iv) analysis of impact of the budget on time use, (v) gender-aware medium-term economic policy framework, (vi) gender responsive budget statements.

The ex-post frameworks for gender budgeting include capturing the intensity of gender allocations in public expenditure, public expenditure benefit incidence analysis and tax incidence. In Australia, the analytical framework for gender budgeting developed by Rhonda Sharp categorizes the public expenditure into three:

1. Expenditures exclusively targeted to groups of men or women, boys or girls.
2. Equal employment opportunity expenditures by government agencies and their employees
3. General budget expenditures to be analyzed for their gender impact.

In India, the *ex-post* gender budget analysis begins with the identification of three categories of public expenditure: (i) expenditure specifically targeted to women and girls (100 per cent targeted for women), (ii) pro-women allocations; which are the composite expenditure schemes with a women component (that is, a scale of 100 to 30 - at least 30 per cent targeted for women) and (iii) mainstream public expenditures that have gender-differential impacts (that is, a scale of 0 to 30). It is relatively easy to identify the specifically targeted programmes for women across ministries from the Expenditure Budget documents. But the challenge is that discerning what component of mainstream budget programmes has a “pro-women” or gender equality impact is not easily done from simple perusal of the budget documents. Since 200506, these categorization (i) and (ii) have formed the Part A and Part B of gender responsive budget statement in Expenditure Budget of Union Budget documents. However the gender disaggregated benefit incidence analysis is yet to begin in India.

The ex-post gender budgeting analysis through benefit incidence is a relatively simple and practical method for estimating the distributional impact of public expenditure across different demographic and socioeconomic groups. Benefit incidence involves allocating *unit costs* according to individual utilization rates of public services.

Symbolically, benefit incidence is estimated by the following formula:

$$C_j = U_{ij} (S_i/U_i) = (U_{ij}/U_i) S_i = e_{ij} S_i$$

where  $C_j$  = sector-specific subsidy enjoyed by group  $j$ ;

$U_{ij}$  = utilization of service  $i$  by group  $j$ ;

$U_i$  = utilization of service  $i$  by all groups combined;

$S_i$  = government net expenditure on service  $i$ ; and  $e$

$_{ij}$  = group  $j$ 's share of utilization of service  $i$ .

BIA can identify how well public services are targeted to certain groups in the population, across gender, income quintiles and geographical units. To analyze the distributional impact of public expenditure on water supply and energy expenditure is difficult to undertake at a macro level due to a paucity of data on units utilized. However, time-use data may provide better information on unit utilization of other social-sector expenditures. Chakraborty (2008) attempted an illustrative gender-disaggregated benefit incidence analysis of the water sector in India using time-use data.

The ex-post analysis of taxation policies is relatively scarce. In the context of Asia Pacific, a study by Chakraborty, Chakraborty and Karmakar (2008) has looked into the tax incidence of indirect taxes in India. Yet another ex-post framework was an analysis of effectiveness of tax policies on small enterprises in the context of Vietnam by Lodhi and Staveren (2005). These studies would be taken up later in this paper in appropriate country specific sections.

## *I.2: Ex-ante Frameworks*

With the advent of fiscal decentralisation, the plausibility of ex-ante gender budgeting has been on the increase. The *ex-ante* process of gender budgeting approaches gender equity in an iterative manner as follows: (i) identifying gender issues by place, sector and across socioeconomic groups (ii) translating gender concerns into relevant objectives to be included in the budget policy and programmes (iii) defining gender strategies at the policy and programme levels, with targets (iv) defining gender-sensitive performance indicators and (v) costing interventions to form the gender budget and subsequently identifying the budget headings. In the context of local-level *ex-ante* gender budgeting in one of the *barangays* of the Philippines, the interface between gender and environment has been clearly mapped out in the identification of gender-and-development budget objectives such as revamping irrigation facilities to lessen female out-migration, and measures against river quarrying to lessen the environmental hazards.

## **II Analysis of Gender Development Indicators**

In measuring gender sensitive human development, the variables such as economic growth used in empirical literature had constraints in capturing the wider aspects of well-being and the contingent process of development. Noorbakhsh (1998) noted that the criticisms against using economic growth as the proxy for assessing human development can be traced back to the UN Report, 1954. Gender Inequality Index (GII) reflects the loss in development due to inequality between female and male members of the society. An index of 0 implies women and men fare equally whereas an index of 1 implies that one of the two genders fares as poorly as is possible. There are five steps for the calculation of GII. The first step involves treating zeros and extreme values, i.e. the outliers. GII is calculated by taking the geometric mean across the dimensions and because the geometric mean cannot be calculated for zero values, a minimum of 0.1 percent is set for all the components. Maximum value for the maternal mortality rate is taken as 1000 deaths per 100,000 births and minimum value is 10 per 100,000 births. A higher

maternal mortality rate suggests poor maternal health. After treating zeros, if any, we aggregate across dimensions within each gender group using geometric means.

Because reproductive health variables are used, the aggregation formula for men and women is different.

$$Gf = \sqrt[3]{\left( \sqrt{\left( \frac{10}{MMR} \cdot \frac{1}{AFR} \right)} \cdot \sqrt{(PRf \cdot SEf)} \cdot LFRPf \right)}$$

The rescaling by 0.1 is required because we need to account for the truncation of the maternal mortality ratio minimum at 10.

For males, the formula is:

$$Gm = \sqrt[3]{\left( 1 \cdot \sqrt{(PRm \cdot SEM)} \cdot LFRPm \right)}$$

In this step, we take the geometric mean of the three dimensions that determine the inequality index.

The next step is to aggregate across gender using harmonic means. The argument for using harmonic means is that it captures the inequality between women and men and further adjusts for association between dimensions but it is open to questioning as suggested by Hawken and Munck (2012).

The index is:

$$HARM(Gf, Gm) = \left( \frac{((Gf)^{34} + (Gm)^{34})}{2} \right) \quad 34$$

Before calculating the final index, a composite index is calculated using the geometric means of the arithmetic means. This step is carried out in order to give equal weights to both the genders and then aggregating it across the various dimensions, i.e. health, empowerment and economic activity.

The composite index is:

$$G(\bar{f}, \bar{m}) = \sqrt[3]{(\overline{Health} \cdot \overline{Empowerment} \cdot \overline{LFPR})}$$

Where

$$\overline{Health} = \frac{\left( \sqrt{\left( \frac{10}{MMR} \cdot \frac{1}{AFR} \right)} + 1 \right)}{2}$$

$$\overline{Empowerment} = \frac{(\sqrt{(PRf \cdot SEf)} + \sqrt{(PRm \cdot SEM)})}{2}$$

$$\overline{LFPR} = \frac{(LFPRf + LFPRm)}{2}$$

The gender inequality index is then defined as:

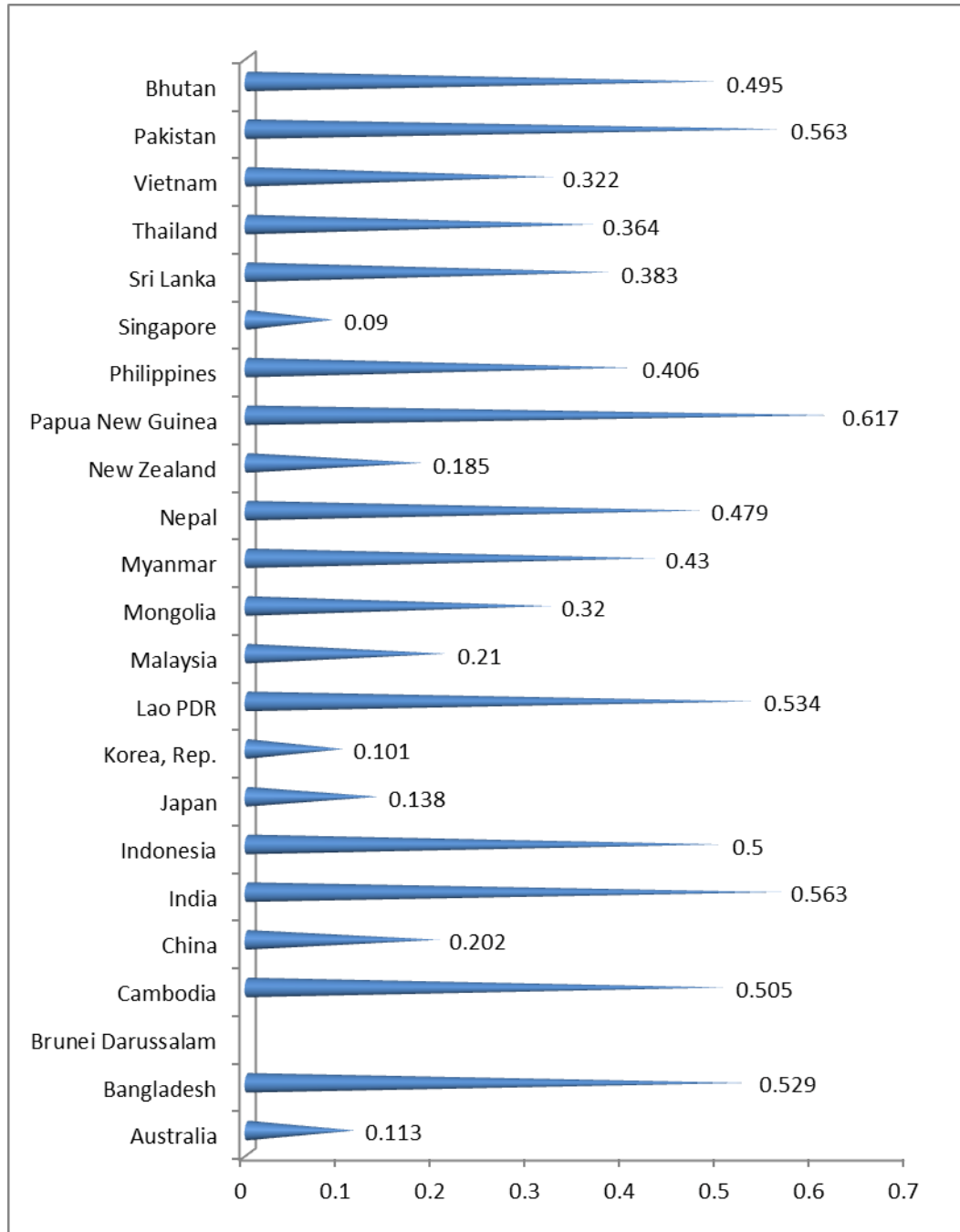
$$GII = 1 - \frac{HARM(Gf, Gm)}{G(\bar{f}, \bar{m})}$$

The values for  $HARM(Gf, Gm)$  and  $G(\bar{f}, \bar{m})$  are taken from steps 3 and 4 above. Higher the value of GII, higher is the gender gap and the loss in potential of human development is also large.

The Gender Inequality Index of Asia Pacific countries are given in Figure 1. There are many conceptual and methodological problems with using this approach for the measurement of gender inequality. There has been an ongoing debate on the choice of variables used for the formulation of gender indices. One of the main constraints in using the variables that completely capture the essence of the various dimensions is the lack of availability of sexdisaggregated data across the globe. Because the parameters are not the same in different nations and the scope of data collection also varies, it is very difficult to come up with variables that are uniform in all the nations. But Hawken and Munck (2010) point out data availability was not seen as a constraint for the construction of GII and that new data can be generated to measure certain indicators that are considered central to an index's overarching concept.



**Figure 1: Gender Inequality Index in Asia Pacific**



Source: UNDP (2014), Human Development Report

We argue that the assumptions and the choice of variables to capture these dimensions remain inadequate and erroneous. One of the main drawbacks of using GII is that along with indicators of women vis-à-vis men, it also takes absolute indicators that are defined specifically for women (like MMR and AFR). It leads to conceptual problems in interpreting GII. In other words, taking only women specific indicators leads to an index that measures women's wellbeing and status in the society whereas incorporating indicators comparable for men and women, we can construct a gender inequality measure that can be used to assess the relative well-being of women. As Permanyer (2013) points out, an increase in MMR and AFR systematically represents a worsening of gender inequality levels while, on the other hand, decreases in women's education or LFP do not necessarily represent a worse state of affairs as long as men's education and LFP decrease by the same amount. Also, the corresponding value of MMR and AFR for men is taken as 1 which is far from realistic and leads to overestimation of the gap between women and men's health standards. Another problem with using indicators like reproductive health is that it penalizes low income countries as health standards are usually low in developing countries. While the proponents of the index might rightly argue that it makes sense to penalize those countries with bad reproductive health conditions for women, it is fair to say that countries' performance in those areas is influenced by a myriad of factors other than gender-related issues (Permanyer 2013). This calls for variables that are broader and capture then health standards of both the sexes equally.

Another problem in the construction of GII is that it only takes the share of women in the parliamentary seats and ignores women's representation in local governance and household decision making. Therefore there is a need to incorporate variables like share of parliamentary seats in national and local levels of governance and percentage of women participating in intrahousehold decision making as a measure of empowerment. And along with indicators for education attainment and decision making, exposure to basic facilities like newspaper and television can be used as a variable for the measurement of empowerment across genders.

The third sub-indicator of the GII is the 'Labor Force Participation' which measures the involvement of men and women in the paid work. But we know that housework, childcare and care of elderly relatives represent women's unpaid work- indispensable financial benefit to the entire economy (Bartuskova and Kubelkova 2014). Yet it fails to capture the care economy

where women are typically overrepresented. Owing to the importance of unpaid work and the differences in representation of genders in SNA and extended SNA activities, it is desirable to incorporate the unpaid work in the gender inequality index.

The GII has been constructed to satisfy the assumption of symmetry in gender gaps. It means that the direction of gender gaps, whether they favor women or men is not taken into account. For example, an index of 0.61 does not specify if the situations are in favor of men or advantageous to women. This calls for a need of decomposed indices so that we can interpret the direction of inequality in various dimensions.

### **III. FISCAL POLICY PRACTISES ON WOMEN'S ECONOMIC EMPOWERMENT**

Globally, fiscal policy practices on gender budgeting have been largely confined to the expenditure side of the budget. While countries such as India, Pakistan and Bangladesh looked at the entire budget through a gender lens, in other countries like Fiji and Malaysia, attempts were largely sectoral. With the advent of fiscal decentralization, a few countries have attempted to start the gender budgeting initiatives at subnational levels. India, Philippines and Australia are the prime examples. Sri Lanka has been trying to begin the process in co-ordination with the Finance Commission of the country. In the context of India, the Expert Group Report on "Classification of Budgetary Transactions" by the Ministry of Finance -- the Report which led to the institutionalization of gender budgeting in India -- stated that in line with the central government methodology, the State of Karnataka would undertake gender budgeting at the sub-national level in India. However, within-government initiatives in Karnataka have not progressed far. Nonetheless, the State of Kerala has advanced in terms of providing policy pointers for institutionalizing gender budgeting within government through the budget announcement of 2008.

The success stories suggest that involvement of academic institutions which enjoying acceptability with government -- especially with the Ministry of Finance -- is a significant prerequisite in the success of gender budgeting. A judicious mix of quantitative and qualitative,

as in the case of India, the study by NIPFP may be a successful approach for other countries. However there cannot be a one-size-fits-all approach. The gender diagnosis and fiscal data analysis of countries showed the heterogeneity of fiscal and gender settings in different countries in the region. It is impossible to develop a homogeneous template for gender budgeting for all countries. No blueprint can be attempted for gender-responsive budgets across countries. Once the preparatory analysis of gender budgeting is done, advocacy with government is the next significant step.

The heterogeneity of stakeholders is another element for successful gender budgeting process. The prime stakeholders include ministries of Finance and Women's Affairs, sectoral ministries, parliamentarians, academia and civil society organizations. Partnership between academia, civil society and the Ministry of Finance is crucial in institutionalizing gender budgeting. This trio can catalyze the process; and country experience suggests that the coordination of research organizations and the Ministry of Finance is the best catalyst to institutionalize gender budgeting in a sustainable manner. The involvement of research institutions dealing with public finance can help to avoid lack of clarity in gender budgeting, helping incorporate gender factors in budgetary classification. In such cases, the empirical evidence based on rigorous statistical analysis by research organizations can help the Ministry of Finance understand and appreciate the equity and efficiency dimensions of integrating gender budgeting.

Another limitation of gender budgeting initiatives in the region is that most experiences are short-lived and lack institutionalization, with India being the only exception. Coordination between Ministry of Finance officials with academia and civil society is important in taking the process to long term goals. Monitoring the outcome of the gender budgeting process is as important as monitoring the inputs. The country experiences suggest that monitoring is broadly confined to financial inputs, with little work on outcomes (impacts). The experiences suggest that there is hardly any systematic mechanism for evaluating the process of implementation of gender budgeting across the region. Inclusion of gender-disaggregated 'outcome indicators' is significant to assess the effectiveness of a gender-budgeting process. A prerequisite to conducting periodic gender-disaggregated benefit incidence analysis is the sex-disaggregated unit utilization data. It is relatively easy to collate unit utilization data related to education and

health, such as enrolment data, in-patient hospitalization data etc. However, even within the education and health sectors, the data compilation process is not yet complete in many countries in the region, particularly completion rates in education, and disease-specific morbidity data by sex. The widening of unit utilization data to sectors other than education and health is important to benefit incidence analysis in other social and economic sectors including water budgets, agriculture budgets, environmental budgets, labour budgets etc.

A tremendous amount of confusion exists on the concept of gender budgeting. While some countries rightly focus on budgets through a gender lens and proceed to expenditure tracking analysis and outcomes, others focus on demystifying budgets for common people from a gender perspective, limited to developing awareness among civil society. Relating to the analytical framework of gender budgeting, the country analysis of gender budgeting revealed that India, Pakistan, Nepal and Sri Lanka utilized the *ex-post* analytical framework while Kerala (India) and the Philippines have used some elements of *ex-ante* gender budgeting. Only India and Sri Lanka have conducted benefit incidence analysis. In assessing the intensity of gender sensitivity of allocations, only Nepal has arrived at a few indicators, such as participation, capacity building, benefit sharing, increased access to employment and income earning opportunities and reduction in women's work load.

#### **IV. POLICY IMPLICATIONS AND THE WAY AHEAD**

Gender budgeting is a powerful socioeconomic tool for evaluating the gendered impact of macro-economic fiscal and budgetary policies, regularizing gender monitoring as a part of the annual overall monitoring system, increasing the transparency of the budget systems and thus enabling gender advocates and civil society to hold their governments accountable to their national and international commitments, and increasing resources for women and gender equality. The budgetary analysis showed that GRB initiatives are mainly a function of the size of government in economic and social services, availability of resources after meeting the committed liabilities of government and the overall responsiveness of government to initiate GRB in the country.

The global analysis indicates that India is taking a huge lead in the process of gender budgeting at national and sub-national levels, with the Philippines the next best example. Australia has been the pioneer in the process of gender budgeting since 1984; though the initial process lost momentum after a point of time; recently, since 2005-06, the Australian fiscal policy package resumed with gender-sensitive programmes, especially in the care economy sector. Countries such as Sri Lanka, Nepal and Bangladesh, though starting initiatives in the late 'nineties; have not achieved institutionalisation, and hence the sustainability of the process is still not clear. Afghanistan, Pakistan and Malaysia are in the initial steps of gender budgeting, their experiments are very recent and in formative stages; while in Fiji, Singapore and Viet Nam, the initiatives require clarity.

Broadly the major ingredients for the sustainable process of gender budgeting are the following ten.

1. Given that most countries in the region at the initial stages of the process, more work needs to be done in awareness generation and capacity building through technical assistance. UN agencies have an important role to play to strengthen the process. The dissemination of successful country experiences is one of the effective ways of demonstrating the concept of gender budgeting in those countries where the stage of development is limited.
2. With the advent of fiscal decentralization, and with significant portion of merit goods allocated at sub-national levels of government, gender budgeting limited to national levels will only be partial analysis. Equally important is sector gender budgeting analysis, not confined to the health and education sectors.
3. The analysis of the revenue side through a gender lens needs to be deepened. The gender differential impacts of direct and indirect taxes have been analyzed in the context of India through a direct tax code analysis and gendered tax incidence of VAT, while in Viet Nam the gender differential impacts of polices at micro enterprise level has been examined, though not through gender budget analysis.
4. Incorporating the statistically invisible care economy is very important for gender budgeting.

5. Any new experiment requires new appropriate institutional mechanisms. The successful country experience of India suggests that institutional mechanisms are an important prerequisite in sustaining the process of gender budgeting.
6. The transparency of budgetary allocations for women needs to be ensured, together with the accountability of these allocations. Opening of a new budget accounting classification on ‘gender development’ is the best policy regarding ensuring transparency; but this requires technical skill and political will. Another successful attempt would be to open a page on gender budgeting’ in budget documents, as in the case of India, where gender budget statements would be published within the budget documents annually.
7. Monitoring output rather than input; integrating gender budgets into outcome budgets; performance budgets linking resources to results.
8. Too many programmes on gender with too little money; avoid token provisions for gender issues in the budget, consolidate programmes with little budgetary provisions. Convergence of programmes is important for gender budgeting.
9. Earmarking a certain percent of the budget for women is only a second-best principle of gender budgeting; integrating gender into the whole budget is the best option, and plausible changes in classification of budgetary transactions need to be undertaken to ensure transparency and accountability.

The broad conclusion is that gender budgeting is neither primarily an issue of additional resources, nor is it confined to specifically targeted programmes for women. But gender budgeting is making the entire budgetary exercise more responsive to gender issues. The single most significant ingredient in the entire process is Government (Ministry of Finance) ownership of the whole exercise, which can make the process institutionalized and sustainable.

[For the elaborated and recent 25 country-specific analysis of fiscal policy practices through a gender lens, refer:

*Chakraborty, Lekha (2016): Gender Budgeting in Asia, IMF Working Paper 150: Washington DC]*