Gender Budgeting in Multi-Level Governance

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Gender budgeting is an approach that uses fiscal policy to promote gender equality by trying to translate gender commitments into fiscal commitments through processes, resources and institutional mechanisms. In a multi-level governance structure, the political economy of gender budgeting encompassed both the fiscal and legal frameworks. The interface between intergovernmental fiscal transfers and the institutions of multi-level governance matters. We discuss in this blog five challenges of gender budgeting in India, which politically is a three-tiered federal state.

Gender budgeting is more of a fiscal framework than legal mandate in India

In India, gender budgeting is not mandatory by law at any level of the federation. The legal frameworks for gender budgeting can take several forms: first, frameworks differ in unitary or federal states with multi-level governance; second, the mandate for earmarking the allocations for 'gender and development' through laws such as in the Philippines or the inclusion of clauses relating to gender budgeting in National Finance Laws as in Korea.

The frameworks for gender budgeting in India are confined only to fiscal fiat, inclusive of the taxation and public expenditure policies and to a limited extent, the intergovernmental fiscal transfers. The levels of governance in India include national, provincial and local levels. There is a heterogeneity of stakeholders, from various stages of budget from formulation to implementation in India at multiple levels of governance.

Gender budgeting provides thrust to statistical invisibility of 'care economy'

One important aspect of gender budgeting is that it can eliminate the statistical invisibility of the 'unpaid' care economy. In India, gender budgeting has not yet reached its potential to incorporate the care economy, given the paucity of statistics.

Gender budgeting processes will only be partial if it is confined to 'paid' market economy. The care economy – as explained by the International Labour Organisation (ILO) – is the services for childcare, early childhood education, disability and long-term care, as well as elder care. The invisibility of unpaid care is a significant issue, which the United Nations Statistical Division (UNSD) through Systems of National Accounts 1993 has recognised. This extended the production boundary to incorporate the unpaid economic activity done at household and societal levels and recommended to keep the care economy statistics as satellite accounts.

To properly measure the care economy requires an investment in improving measurement of household and societal care services in public and private sectors through 'time use surveys' for example. This is only partly achieved in India. Time use surveys are conducted in India only for six States, and it is likely to be extended to all States.

Integrating gender criteria in intergovernmental fiscal transfers can improve progressivity

In India, the mechanism of intergovernmental fiscal transfers plays a major role in providing regional States with sufficient financial resources to carry out their expenditure assignments.

Anand and Chakraborty (2016) devised a formula for tax devolution into which gender sensitivity could be incorporated for India. The results revealed that 'engendering' intergovernmental fiscal transfers improves progressivity. This means that poor states will receive greater fiscal transfers than rich states in fiscal transfers. In a multi-level governance system, designing conditional grants for gender budgeting should also have positive effects on gender equality.

In the interim report submitted in November 2019, the 15th Finance Commission of India has integrated the criteria 'Total Fertility Rate' (reciprocal) with 12.5 per cent as a proxy for demographic performance of States. It will be interesting to analyse if progressivity of the fiscal transfers improves ex-post to incorporating total fertility rate in the tax transfer formula of the Finance Commission. Anand and Chakraborty (2016) has suggested incorporating the child sex ratio (0-6 years) as a gender criterion in the fiscal transfers. Their analysis, however, has not incorporated total fertility rate to examine the progressivity of fiscal transfers. The commission report has also written that 'better performance in reduction of TFR also serves as an indicator for better outcomes in health (especially maternal and child health) as well as education. Hence, this criterion also rewards States with better outcomes in those important sectors of human capital' (page 29).

The gender budgeting process at the Union level needs strengthening

Starting in 2005-06, a Statement on Gender Budgeting was introduced into the budget documents by the Union Government. Today, the process of gender budgeting within the Union Ministry of Finance starts with 'budget circular', which states that each ministry and sectoral department is required to undertake gender-based analysis of specific demand for grants through Gender Budget Criteria. This applies a practitioner manual developed by the National Institute for Public Finance and Policy (NIPFP). The analytical matrices have been prepared by NIPFP for ex-post gender budgeting.

Gender budgeting was pioneered in India in the path-breaking research of NIPFP in 2000-2001 with United Nations Women and the Union Ministry of Women and Child Development. The NIPFP provided an analytical framework and models to link fiscal policy stances to desired gender development outcomes. It also served as the nodal agency providing policy inputs in institutionalising the process. Third, it served as the coordinator and facilitator for capacity building for the sectoral budgetary processes of gender budgeting, including education, health, social justice and empowerment, and micro, medium and small enterprises. Fourth, it highlighted the need for accountability processes.

Today, an urgent policy reform to initiate effective gender budgeting at subnational levels of government is the revival of the Gender Budgeting Secretariat, which was established within the Union Ministry of Finance in 2004 with expertise from Controller of Government Accounts (CGA) and NIPFP. The existing estimates based on the Ministry of Finance initiatives showed that gender budgetary allocation was around 5 per cent out of total budget.

Strengthen fiscal marksmanship and link gender budgets to outcomes

Fiscal marksmanship is the accuracy of budgetary forecasting. It can be crucial information about how fiscal agents form expectations. The significant variations between actual revenue and expenditure from the forecasted budgetary magnitudes could be an indicative of non-attainment of the objectives of fiscal policy. Underestimation or overestimation of the budget is of critical importance in driving home the accountability of the government.

In India, budget comes in three stages, first is the Budget Estimates (BE) released during the Budget Speech. The second is the Revised Estimates (RE) after a year, and the third is the actual spending. The actual spending data comes with a significant time lag.

Higher Budget Estimates do not ensure higher spending. There is significant deviation between Budget Estimates and Revised Estimates and Actuals in India. We find that errors are high for different expenditure components of gender budgeting.

Linking gender budgeting to outcomes involves public expenditure benefit incidence analysis across income quintiles and also to integrate gender budgets in outcome budgets.

Upcoming Financial Commission report and its implications to gender budgeting

To conclude, the 15th Financial Commission's final report is due in October 2020. We will have to wait and see whether they design a conditional grant for strengthening gender budgeting at State level.

Incorporating a gender criterion in the tax transfer formula is conceptually an ideal solution for 'engendering' intergovernmental fiscal transfers. However, the effectiveness of such unconditional fiscal transfers on gender equality outcome depends on how a State prioritises and designs gender budgeting programmes for gender equality. Unless a State prioritises gender equality goals, the unconditional fiscal transfers cannot have any impact on gender outcomes.

Designing a conditional transfer (specific purpose grant) to strengthen gender budgeting can be directly linked to gender equality outcomes. However, if the conditional grants are tied to a 'menu of activities' to be performed under this grant at the State level as prior determined by the Union (the top-down approach), it can affect the gender equality outcomes due to the lack of flexibility in utilising such fiscal transfers.

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