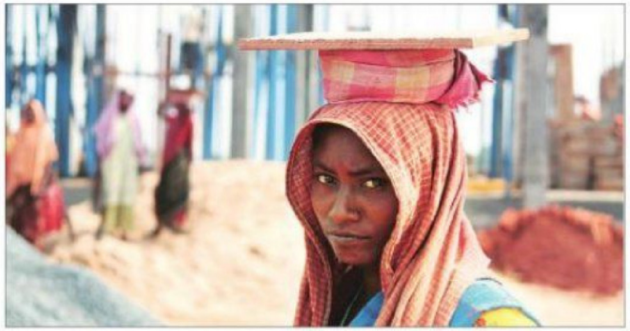
Getting gender budgeting right

Incorporate gender in the tax-transfer formula

LEKHA CHAKRABORTY, VEENA NAYYAR & KOMAL JAIN

Respectively, Professor, NIPFP, ED, Policy Foundation, & former intern NIPFP



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 encompasses both the fiscal and legal frameworks. The interface between intergovernmental fiscal transfers and the institutions of multi-level governance also matters. We discuss here the challenges of gender budgeting in India, which, politically, is a three-tiered federal state.

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 taxation and public expenditure policies and, to a limited extent, the intergovernmental fiscal transfers. There is a heterogeneity of stakeholders, from various stages of budget formulation to implementation at multiple levels of governance.

One important aspect of gender budgeting is that it can eliminate the statistical invisibility of the 'unpaid' care economy. The invisibility of unpaid care is a significant issue, which the United Nations Statistical Division (UNSD) through Systems of National Accounts (SNA) 1993 has recognised. Properly measuring the care economy requires investment in improving measurement through, for instance, 'time-use surveys'. Time-use surveys are conducted in India only in six states, though it is likely to be extended to all states.

Starting in 2005-06, a "Statement of Gender Budgeting" was introduced in the budget documents by the Union government. Today, the process of gender budgeting within the Union ministry of finance starts with the 'budget circular', which states that each ministry and sectoral department is required to undertake gender-based analysis of demand for grants within the analytical matrices. The analytical matrices have been prepared by NIPFP for ex post gender budgeting, as part of Classification of Budgetary Transactions Committee constituted by the ministry of finance.

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 *(bit.ly/379yNoX)*. It also served as the nodal agency providing policy inputs in institutionalising the process *(bit.ly/2SVWitl)*.

Today, urgent policy reform is required to revive 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. 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 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.

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 the integration of gender budgets in outcome budgets.

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

A 2016 Levy Economics Institute paper, by Abhishek Anand and this author, devised a formula for tax devolution into which gender sensitivity could be incorporated for India. We have suggested incorporating the child sex ratio (0-6 years) as a gender criterion in the fiscal transfers. The results revealed that 'engendering' intergovernmental fiscal transfers improve progressivity. In a multi-level governance system, designing conditional grants for gender budgeting should also have positive effects on gender equality.

In its interim report (submitted November 2019), the 15th Finance Commission of India has integrated the criteria 'Total Fertility Rate' (reciprocal) with 12.5% as a proxy for demographic performance of states. The commission report also states 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'.

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 the state level. 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 "priorly-determined" by the Union (the top-down approach), it can adversely affect the gender equality outcomes due to the lack of flexibility in utilising such fiscal transfers.

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.