Public Financial Management Reforms and Gender Responsive Budgeting

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Outline

1. Key concepts
   - The national budget
   - Public Financial Management (PFM) Reform
   - Gender Responsive Budgeting (GRB)

2. The budget cycle – ideal and real

3. Different types of PFM reform

4. Gender responsive budgeting

5. Conclusion
The national budget

- Is one of the government’s central instruments of economic management, reflecting the values and strategies of the country.
- Successful development depends in large part on the efficiency, integrity and effectiveness with which the state raises, manages and expends public resources.
- Is a technical/administrative and political process.
- Has three main functions:
  - The allocation of public goods and services
  - The distribution of income and wealth
  - The promotion of economic growth and stability

Public expenditures
Traditional GRB focus
Taxes and transfers and services
Public investments + tax and transfers
Public Financial Management (PFM) Reform

Scope:
• Narrow: Government expenditures and revenues, reporting, accounting and M&E
• Broad: Public procurement, public payroll, public debt management, intergovernmental fiscal relations

Reforms:
• Incremental or radical
• Regulatory, procedural, political and/or organizational changes

Objectives:
• Greater budget comprehensiveness and transparency
• Improved accountability through better coherence between policies and budgeting
• Improved efficiency, predictability, and control in budget execution
• More reliable external budget audits and evaluations
• More fair allocation of resources and/or more fair outcomes
• ...
Why the interest in PFM reform?

The Paris Declaration stipulates increased...
• Reliance on country systems
• Share of aid as budget support (willingness in part determined by quality of PFM)
• Emphasis on governance and anti-corruption

The current economic crisis leads to increased...
• Emphasis on efficient and accountable use of public funds in donor countries
• Weight on efficient and accountable use of development aid and public funds in recipient countries

General interest in generating and supporting
• Economic growth whilst acknowledging the key role of the state
• Public sector accountability and transparency
Gender responsive budgeting (GRB)

Analysis

A gender-based assessment of budgets, incorporating a gender perspective at all levels of the budgetary process and restructuring revenues and expenditures in order to promote gender equality.

Action

Council of Europe (2005)

Please note:

- Not necessarily a revolution
- Ambition to be comprehensive
- No specific method
- No separate budgets
Why the interest in GRB?

**International level**
- The missing link between Paris Declaration and gender objectives
- Top down rather than bottom up

**National level**
- Close the gap between government rhetoric and action
- Gender CSOs and the Ministry of Finance speaking the same language
Outline

1. Key concepts

2. The budget cycle
   - The budget cycle – best case
   - The budget cycle – worst case

3. Different types of PFM reform

4. Gender responsive budgeting

5. Conclusion
The budget cycle – best case

**Drafting phase:**
A prioritized national development plan is prepared by the MoF on an annual basis. The Cabinet determines priorities.

**Gender entry points**
- Comment priorities
- Economic vs. social allocation?
- Engaging responsible agencies
- Review available documents

**Legislative phase:**
Depending on transparency: hearings with Parliament, Donors and International Financial Institutions.

**Gender entry points**
- Lobby in Parliament
- Present alternative budgets
- Participation in hearings
- Media-based comments

**Implementation phase:**
Funds are allocated to the line ministries and agencies, that spend according to budgets and priorities.

**Gender entry points**
- Monitor implementation
- Collect information

**Auditing phase:**
Accountability of the implementing agencies is established by autonomous and independent agency. Evaluations are undertaken.

**Gender entry points**
- Access audit reports
- Demand budget accountability
- Suggest revisions & new plans

Donor budget meetings for SWAPs

Government donor meetings

IMF negotiations

Annual review of the SWAPs

Donor budget meetings for SWAPs
Missing data and vulnerability to external shocks make it difficult to undertake macroeconomic projections.

Limited transparency and unwillingness to grant access to (MoF) outsiders only have limited influence over budget size and allocations.

Considerable delays (3 years +) in the preparation and audit of final accounts.

Considerable autonomy and discretionary choices leads deviations from plans and priorities. Lack of or limited information.

Parliament (de jure or de facto) only have limited influence over budget size and allocations.
Outline

1. Key concepts
2. The budget cycle
3. Different types of PFM reform
   - New public management
   - World Bank expenditure management (MTEF)
   - Getting the basics right
4. Gender responsive budgeting
5. Conclusion
Old Public Management (late 19th century - )

What?
• Emphasis on control and centralized authority in a rules based system
• Limited managerial and bureaucratic response to customer needs and/or complaints
• Limited links between resources and outcomes – instead focus on inputs and compliance with rules and legislation
• The crisis of the 1970s (need to reduce fiscal deficits) and demand for greater efficiency and quality of public services

Advantages:

Challenges:
New Public Management (ca. 1975 - )

**What?**
- Emphasis on responsiveness to policy direction
- Focused on achievement of results rather than control of resources
- Devolution of spending authority to line ministries who are accountable for service delivery and quality
- Focus on monitoring and evaluation – “what gets measured, gets done”

**Advantages:**
- Better incentives when managers are allowed to manage (and are held accountable)
- Focus on the needs and demands of the end-beneficiaries (the voters)

**Challenges:**
- Initial expectations have not been met (OECD countries) – increasing complexity of PFM rather than enhancing political accountability and oversight
- Ironically, very few comprehensive evaluations of NPM
- Apparent paradox: Research shows that PFM reforms are more successful when having a strong central authority – yet, NPM calls for the opposite?
Medium Term Expenditure Framework (1998 - )

What?
• Combining: Top down estimate of resources and bottom-up estimate of cost of current and medium term national programmes and activities.
• The “link” between the PRSP and the annual budgets and World Bank standard item in the PFM reform toolkit.
• Including an element of performance budgeting.

Advantages:
• Developed to overcome weakness of limited (annual) planning horizon by ensuring fiscal discipline and link to government priorities.
• Integration of policy, planning and budgeting with a medium term (typically 3 year) perspective.

Challenges:
• Medium term planning and forecasting is complex (UK only managed to introduce a robust system in 1998).
• Lack of basic PFM capacity and limited political support and ownership.

Traditional budgets:
Line budgeting. Items appear as in a production function: labour (wage) and necessary inputs. No link to expected outcomes

Performance budgets:
Linking costs to outputs and outcomes – necessitating an ex post assessment of the latter.
Getting the basics right (1998 - )

**What?**
- A realistic, feasible and sustainable basic budget is needed before one can achieve allocative efficiency, etc.
- Governments need to do the right things rather than doing things right
- Acknowledge that proper sequencing is not always feasible – but maintaining that plans and targets need to be adapted to context

**Advantages:**
- Simple and manageable reforms that are more achievable
- Possible to rely and build upon local capacity

**Challenges:**
- Lack of common agreement between donors and recipients (and between donors) about what is meant by basic has constrained progress
- Emphasis on control may constrain fundamental reforms
- Complexity and comprehensiveness signals action and intent – getting back to basics does not
Back to basics…

- One universal and unified budget
- Effective recording and reporting of expenditures and revenues
- Transparency and openness about budgeting process and disbursements
- Shift from cost accounting to accrual accounting
- Shift from compliance auditing towards performance auditing

Audit measuring compliance with laws and regulations
Recognizing transactions when commitments are made and accounts for depreciation
Audit measuring economy, efficiency and effectiveness in the use of resources

No parallel budgets or off-budget items/funds
The eyes and the ears of the system...
However, due market sensitivity some negotiations may still be kept behind closed doors
Overall

Second generation PFM reforms in LDCs
• Very little progress – most PFM reforms fail
• Many (if not the majority) never get past the implementation stage

WHY?
• Overambitious and cutting edge reforms seeking to advance on all fronts, disregarding both the complexity of the task and limited local capacity
• Lack of local ownership and insufficient attempts to reform the system; several parallel (and potentially non-compatible) attempts to reform the same PFM system
• Long time horizons and slow improvement lead to low motivation, impatience and shift of focus
• Too complex IT systems (the idea of leapfrogging taken too far)
• Pervasive informal behaviour and failure to adhere to rules and legislation

Very few industrialized countries attempted to implement performance budgeting and none have successfully transformed their PFM

World Bank Public Investment Program (PIP) promoted in the 1980s effectively created a dual budget structure
Outline

1. Key concepts
2. The budget cycle
3. Different types of PFM reform
4. Gender responsive budgeting
   - Where, when and how can GRB be implemented?
   - Opportunities and challenges

• Conclusion
Where has GRB been implemented?

**Australian Women’s Budget**
- First and longest running GRB (1984-1996)
- Initiated by a change in gov. – ended by another

**South African Women’s Budget**
- Initiated at the end of Apartheid
- Not concerned with women per se – rather focus is on disadvantaged women

**India**
- Gradual and slowly progressing toward GRB
- 11th Five-Year Plan (2009-2013) strict adherence to GRB

In total GRB has been tested in more than 60 countries
Where has GRB been implemented?

**Necessary conditions**

1. Government support and accountability
   - Cannot be enforced
   - Benefits are long-term and hard to measure
2. A lasting commitment
   - One off initiatives are unlikely to have effect
   - Budlender & Hewitt (2003) say at least 3 years
3. Gender disaggregated data
   - Making both problem and impact visible
   - Include administrative data
4. Budgetary transparency
   - Many (mainly external) stakeholders
   - Includes the entire budgetary cycle
Gender disaggregated data & budgetary transparency

West Africa

Sub-Saharan Africa

MENA

ZAF & BWA

World
How is GRB implemented?

Three phases of a GRB programme:

- Not mutually exclusive
- Very few GRBs have progressed to Action
- Few have progressed to Accountability
- By implication: limited tool box beyond Awareness
Gender/GRB workshops and information

Getting the gender disaggregated data

• The Budlender and Hewitt essential indicators
• The administrative data/indicators

Classifying public expenditure into:

• Gender targeted expenditure
• Equal opportunity expenditure and employment
• Mainstream budget expenditure

Step-wise approach (several models)

• Get the data/information
• Classify and disaggregate
• Ex ante as well as ex post
• Effect of allocations?

Benefit incidence analysis
Phase 2

- Engaging the Ministry of Finance
  - Both CSO and MoF adaption and efforts required
  - Addressing the (often) limited capacity
- The 3R method
  - Gender representation?
  - Gender resources?
  - Gender realities?
- Gender equality as smart economics
More or less empty tool box...

GRB initiatives have a greater measureable track record in generating analyses than changing budgets and policies.

Sharp (2007)

many of the initiatives can probably point to some changes in budget allocations for which they can claim partial credit. But the impact on expenditure and revenue is usually relatively minimal.

Budlender (2000)
GRB challenges

• Limited dialogue between gender CSOs and government
• Lack of GRB methodologies and tools
• Limited availability of gender disaggregated data and lack of budgetary transparency
• Lack of a dynamic perspective in GRB
  – Not speaking the language of the MoF
  – Cannot redistribute away poverty
• The problem of introducing equity in budgets
GRB opportunities

A GRB initiative can “succeed without success”

- Initiating a process and/or dialogue
- Positive spill over effects
- Engagement and cooperation – e.g. between stakeholders interested in budgetary transparency

GRB is a systematic and comprehensive approach to gender mainstreaming

GRB can help establish that gender inequality (and any other form of inequality for that matter) is “bad economics”
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Conclusions

• Lack of progress in terms of getting GRB of the ground is no different from other forms of PFM reforms.
• Considerably less effort and less political capital has, however, been invested in GRB vis-à-vis other forms of PFM reforms.
• GRB has the potential to move gender up on the agenda in decision making forums.

GRB dialectics for discussion
• Universal or parallel?
• Comprehensive or gradual?
• With central government or without?
• Integration with other forms of PFM or alone?
• Patience or patience?