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Budgeting with Women in Mind

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Why using the budget to empower women makes good economic sense

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When leaders in developed and developing countries alike ponder ways to boost growth, reduce inequality, and improve living standards, the enduring battle of the sexes is most likely the last thing on their minds. But they might want to think again.

Gender differences have long been incorporated into economic analysis at the microeconomic level in such fields as public finance, labor, and development economics. For instance, different migration patterns for men and women in developing countries from rural to urban areas have long been a staple of models in development economics and contribute to our understanding of the overall development process. But more recently, the focus has turned to the potential macroeconomic implications of gender differences in behavior—both for understanding economic developments and for formulating sensible policies (Grown, Elson, and Cagatay, 2000). Gender differences in behavior that are the outcome of private decisions or reflect the influence of public policies may lead to different outcomes in the macroeconomy, with implications for aggregate consumption, investment, and government spending and, hence, national output. Yet fiscal policies are rarely formulated to take account of gender.

Although much of the work is innovative, the literature is incomplete in two areas. First, it does not always draw out the macroeconomic implications, even when drawing on microeconomic evidence on gender differences in behavior. Second, because it is somewhat disjointed from the broader macroeconomic literature, scholars working in either field often fail to fully recognize each other's contributions. Two recent IMF studies focus on the interaction between gender and macroeconomics and gender and budget processes. This article gives a snapshot of both these topics.

Improving women's opportunities

Women remain disadvantaged, especially in the poorest countries. Their opportunities for educational, social, and economic advancement are usually markedly inferior to those of men, and they often face barriers in gaining access to good education and health care for both economic and cultural reasons. The end result—in low and some medium human development countries—is a lower level of education attainment for girls than boyas and a lower life expectancy for women relative to men that would be expect (see Table 1). The so-called missing women phenomenon, where there are fewer women than would be expected on the basis of biological norms, is also indicative of the continuing bias against women. In the job market, women face lower wages and fewer job opportunities, and they continue to encounter discrimination in financial markets. Women also usually have fewer opportunities to participate in public decision making.

Table 1
Gender inequalities persist
On a global scale—especially in low human development countries—girls do less well in school enrollment than boys, and women's life expectancy relative to men's is lower than would be expected.

	Primary school enrollment		
	Male ratio	**Female ratio**	**Ratio of females to males**
High human development	96	96	1.00
Medium human development	90	88	0.98
Low human development	63	55	0.86
	Secondary school enrollment		
	Male ratio	**Female ratio**	**Ratio of females to males**
High human development	84	87	1.03
Medium human development	58	60	1.04
Low human development	21	15	0.73
	Life expectancy at birth (2002)		
	Male ratio	**Female ratio**	**Ratio of females to males**
High human development	73.35	79.44	1.08
Medium human development	64.33	68.97	1.07
Low human development	44.69	46.52	1.04

Source: World Bank, *World Development Indicators*; United Nations, *Human Development Report* (2004); and IMF staff calculations.
Note: Data are from 2001–02 and cover the whole world.

The eight UN Millennium Development Goals (MDGs)—which were adopted in 2000 to sharply reduce poverty and improve living standards by 2015—explicitly link economic progress to creating equal opportunities for all men and women. One of them, MDG3, calls for redressing gender disparities and empowering women (see article, page 6).

Incorporating gender into macroeconomics

It is not that obvious how to go about incorporating gender differences in economic behavior and policy outcomes into macroeconomic policymaking. After all, in macroeconomics, one typically looks at the aggregate, or overall, economy. But economists are now taking a much stronger interest in how gender affects aggregate income as well as key components of overall economic demand, focusing on household decision making.

Although the evidence about the relationship between women's inferior status and growth is not fully conclusive—measuring the degree of inequality or disadvantage in comparison with men is a complex topic in itself—research findings suggest that countries that take steps to increase women's access to education, health care, employment, and credit, thereby narrowing the differences between men and women in terms of access to economic opportunities, increase their pace of economic development and reduce poverty (Klasen, 2007; and World Bank, 2001).

Consumption. One of the best-documented findings, with evidence spanning many developing countries, is that when women have greater control over the spending of their households' resources, they devote a larger share of spending to foster the potential of their children and purchase household necessities. Because greater investment in education is linked to higher growth and because spending on necessities is more stable than spending on luxuries, raising women's economic influence within the household may enhance overall growth and reduce economic instability. In countries where women's opportunities to earn a living are limited by economic and cultural factors, public policies could therefore benefit from being geared to enhancing women's employment and earnings possibilities. Examples of policies that encourage women to work outside the home include subsidies for preschool programs and a reduction in high marginal tax rates applying to secondary earners within the household.

Savings and investment. Theory suggests a number of reasons why women might have different savings preferences than men, including the need to provide for a longer life expectancy. The empirical work on savings and investment is scarcer than on consumption. Some evidence suggests that enhancing women's control over resources does in fact lead to a higher saving rate, but further study is needed to draw any firm conclusions. Evidence from microcredit lending indicates that women tend to have superior repayment records and invest more productively. Data from developed nations on the allocation of financial assets suggest that women tend to be more averse to risk. Although this may slow growth economy-wide, it may at the same time impart greater stability to investment and financial markets. The external balance, which reflects the gap between domestic savings and national investment, may also be altered by the influence of gender on saving and investment decisions.

Public choice. Recent research suggests that expanding women's political voice and power may increase the demand for redistributing income and for public insurance, for instance, through increased spending on social security programs and maternity or unemployment compensation. Such preferences could lead to a larger overall size of government, with uncertain implications for overall economic growth.

Taken together, these gender-based differences suggest that raising women's economic power can lead to higher rates of economic growth and reduce volatility. Much of the evidence is microeconomic in nature, but macroeconomic conclusions can be drawn from microeconomic modeling as long as the behaviors are systematic and pervasive and thus have an impact at the aggregate level.

In countries with the lowest average income and in which agriculture remains the main source of economic activity—such as in sub-Saharan Africa—women's lack of education, health care, and employment opportunities prevents them from being able to fully benefit from improved macroeconomic and structural policies, hindering economic growth (Collier, 1988; and Blackden and Bhanu, 1999). Where women have broader opportunities, the growth of export-oriented industries, supported by trade liberalization, has been shown to stimulate growth in many developing countries and increase women's employment. South Asia and Southeast Asia—where export trade has led to a dramatic increase in women's paid employment opportunities—are examples of this phenomenon. Financial liberalization has also improved economic opportunities for women, in part through greater access to credit. But greater volatility may be burdensome to households with marginal finances, which are disproportionately headed by women.

Budgeting for gender

One way for countries to pinpoint policies needed to reduce gender disparities is through gender budgeting, which involves the systematic examination of budget programs and policies for their impact on women. This effort to mainstream gender analysis into government policies has gained prominence in recent years, in part thanks to a big push by the 1995 Beijing World Conference on Women. This type of budgeting promotes greater accountability on how governments are doing in terms of promoting gender equality and helps ensure that budgets and policies are geared toward achieving gender equality. It is not intended to analyze only programs that are specifically targeted to females or to produce a separate "women's" budget. Rather, it is intended to examine the gender effects of all government programs and policies.

One might ask: Why budget with only gender in mind? What about other groups in the population whose interests may have received insufficient attention? In principle, budget processes should take into account the elimination of any disparities that are socially harmful. Some groups, such as the elderly and some racial minorities, have in fact organized themselves to assert their interests.

What is clear is that there is no such thing as a gender-neutral government budget. For instance, cutting back on clean water spending may disproportionately harm women and girls because they typically bear the time and physical burden of providing clean water to households when it is not readily available. Similarly, increasing school fees may disproportionately reduce girls' opportunities to attend school, just as reducing a tax credit for child-care expenses may disproportionately burden women, who are responsible for the greater share of child-rearing activities.

Is there an economic justification for gender budgeting? This article has argued that reducing the disadvantaged status of women can be linked to a higher rate of economic growth and to greater economic stability, which yields benefits that the private market, when left to itself, may not fully take into account. And, because some of the benefits of reducing these inequalities, such as the influence of better education on fertility and child health, may manifest themselves only over the medium term, it is essential to place gender budgeting in the medium-term context of the budget. Even if reducing gender inequalities does not necessarily improve growth but simply creates a fairer society, there is a justification for public intervention.

How does gender budgeting work in practice? Individual initiatives have taken a wide variety of forms. They can entail the preparation of a separate document that assesses the implications of government programs for women, which is then presented with the budget. They can be integrated into departmental processes and program analysis on an ongoing basis so that all programs and policies are assessed on how they contribute to raising the status of women and girls. And they can be formal budget submissions or simply "white" papers drawn up by interested groups outside the government.

Evaluating expenditure effects. Specific tools have been developed to integrate gender budgeting into the standard budget process (Budlender and Hewitt, 2002; and Budlender and others, 2002). In its typical application, the expenditure incidence is evaluated by disaggregating government spending into those categories that are seen as benefiting women and girls and those that have more general purposes (which tend to comprise the vast bulk of spending). Gender-budgeting initiatives may also focus on public employment.

Evaluating revenue effects. More recent initiatives attempt to assess revenue policies. The personal income tax is one of the taxes that fit easily into this framework because it is personalized to individuals, who file on the basis of their own (or joint) income. In the past, many countries discriminated explicitly against women in the personal income tax, but today that number is falling. In developed countries, discrimination is almost entirely gone, but in developing countries, it is still possible to find personal income taxes with such gender-biased attributes as assigning, for tax purposes, all nonwage income to the husband regardless of who owns the property (embodying the assumption that a woman's property belongs to her husband); or assigning larger allowances to men, reducing their effective tax rate; or applying a reduced tax rate on the same income. Indirect taxes, such as the value-added tax, corporate income taxes, and international trade taxes are not personalized. Yet an implicit gender bias can be found in such taxes through patterns of incidence that may differ by gender. There may, for example, be a bias against men in excise taxes that fall heavily on alcoholic beverage consumption, smoking, and gambling—activities that are undertaken disproportionately by men in virtually every society.

How gender budgets have fared

Since 1984, some 40 countries from all regions of the world have tried some form of gender budgeting, typically at the national level but in some cases at the subnational level. The initiatives have been led by the government (the executive or legislative branch) or by civil society. Most of these initiatives have focused on the spending side of the budget, but a few countries have looked at the revenue side as well.

Australia was the first country to formally incorporate gender budgeting by developing the concept of a women's budget. South Africa followed suit in 1995 as part of its push to eliminate inequalities following the end of apartheid. One tangible result in South Africa was the elimination of gender discrimination from the personal income tax, where some women were taxed more heavily than men with equivalent income. In the European Union, gender equality has long been a priority, with gender-budgeting initiatives under way in a number of countries, including in Scandinavia and Spain. Other initiatives include the Women's Budget Group in the United Kingdom, which comments on the fiscal policies of each annual budget. In India, researchers have assessed the adequacy of budgetary programs to address women's needs and reduce gender disparities. In Mexico, nongovernmental organizations have worked with federal and state governments to combine solid academic analysis with advocacy for gender equality and poverty reduction within the budgetary context. And in Rwanda, a gender-budgeting initiative is used to inform the national debate about policy and allocation of resources.

What is the verdict so far? The answer is mixed. In some cases, such as Australia and South Africa, the initiatives failed to become part of the institutional fabric after an initial burst of activity. These experiences demonstrate the need for gender initiatives to become well integrated within the more general budget processes and to demonstrate their utility. The initiatives also need to gain broad political support to avoid falling victim to a change of government.

As a result, several important lessons may be drawn from the experience to date:

- Gender budgeting should be incorporated into standard budget processes so that it becomes fully institutionalized. Otherwise, even initiatives adopted with enthusiasm may not be sustained. Some elements of gender budgeting, such as an analysis of benefits or tax incidence, may require periodic special efforts.
- It should address specific goals, such as reducing inequality in educational attainment, that have clear benefits and can be measured even with somewhat crude tools and data (see Table 2).
- It should draw on civil society for support and assistance with the more research-oriented aspects, and should apply to subnational levels of government where relevant.
- It should cover both spending and revenue.

- It should not as a rule set specific goals for spending on women-related objectives (unless budgets are severely constrained and such spending is well below what an unconstrained budget would otherwise choose) because this tends to reduce flexibility, making the budget process less effective.

Table 2

What a gender budget might look like

Two hypothetical examples of gender analysis in a national budget

Education ministry

Objective	Gender dimensions	Activities	Budget	Performance indicators and benefits
Expand primary education	Girls have a lower enrollment rate than boys, and the goal is to equalize this rate and achieve universal primary education	Subsidize parents who send their daughters to primary school, with eligibility based on a means test	Derived from an estimate of the number of parents who would make use of this subsidy on an annual basis	Ratio of boys to girls in primary education and total enrollment rate of boys and girls Improved earning power for girls because of better education and other social benefits

Health ministry

Objective	Gender dimensions	Activities	Budget	Performance indicators and benefits
Reduce HIV/AIDS exposure	Girls have a higher exposure to HIV/AIDS than boys because of cultural practices that limit the ability of girls to protect themselves against unsafe sex	Develop programs that teach men the dangers of unsafe sex to women and girls	Derived from an estimate of the cost of training health care workers to deliver this message	Changes in girls' infection rate Reduction in treatment costs and improvement in health and life expectancy

Source: The author.

In sum

Our understanding of gender differences in behavior, and of how public policies have different effects on men and women, has improved in recent years and is influencing macroeconomic policymaking, especially fiscal policy.

Reducing gender disparities can lead to improved macroeconomic performance. The recognition that gender disparities are harmful and that government budgets are not gender neutral implies a need to incorporate gender considerations into the budgeting process. Although gender-budgeting initiatives can take many different forms, their most important purpose is to influence the budgeting process and help policymakers focus on ways that public policies can help reduce gender disparities and improve economic outcomes.

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