

PARLIAMENT, THE BUDGET AND GENDER

PARLIAMENT, THE BUDGET AND GENDER

HANDBOOK FOR PARLIAMENTARIANS N° 6

2004



INTER-PARLIAMENTARY
UNION



UNITED NATIONS
DEVELOPMENT
PROGRAMME

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PARLIAMENT,
THE BUDGET
AND GENDER

Acknowledgements

This handbook was written by Joachim Wehner (Germany) and Winnie Byanyima, MP (Uganda).

The handbook benefited from the valuable input of the members of the Inter-Parliamentary Union's Gender Partnership Group, and the Bureau of its Second Standing Committee on Sustainable Development, Finance and Trade. Particular mention should be given to the contribution of Senator Joan Fraser (Canada).

Additional editing and comments were provided by the Inter-Parliamentary Union, the United Nations Development Programme, the World Bank Institute, and the United Nations Fund for Women.

Cover design by Jacques Wandfluh, Studio Infographie, Switzerland.
Printing by SADAG S.A. - France.

Foreword

Through national budgets, governments outline their policy intentions and the resources they intend to use to implement them. Increasing demands for democracy and good governance require, *inter alia*, that parliaments play a more active role in the budgetary process. As supreme representative institutions at national level, parliaments and their members are under obligation to ensure not only that the needs of their electorates are met, but also that public money has been equitably raised, well spent and can be properly accounted for.

Democracy is premised on a genuine partnership between men and women and the eradication of gender inequalities. Analysing the budget from a gender perspective provides a useful mechanism to assess the effects of government policies on men and women, boys and girls, and the real contributions all individuals make to the economy. In this way, government can evolve and implement policies that ensure equity.

This handbook, the sixth in a series produced by the Inter-Parliamentary Union (IPU) together with different partners, has been written with the intention of strengthening parliament's capacity in the budgetary process. It is the product of a particularly fruitful collaboration between the IPU, the United Nations Development Programme (UNDP), the World Bank Institute (WBI) and the United Nations Development Fund for Women (UNIFEM). This strong working relationship has been cultivated through a series of jointly-organised regional and national seminars on Parliament and the Budgetary Process, Including from a Gender Perspective. With a fundamental commitment to furthering democratic principles and gender equality, these agencies have given substantial time, effort and resources to all these projects.

Intended as a reference tool, this handbook sets out practical examples of parliament's active engagement in the budgetary process. It seeks to advance parliament's own institutional capacity to make a positive impact on the budget, and to equip parliament, its members and parliamentary staff with the necessary tools to examine the budget from a gender perspective. Finally, it is hoped that the handbook can be used as a follow-up guide for participants of past and future seminars on the budgetary process.

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Introduction

Budgets affect all of us. Businesses analyse budget policy in order to make investment decisions that impact on growth and employment. As citizens, we depend on the State to provide crucial services and infrastructure. Whether new roads will be built, whether our children will have schools to go to and whether clinics can adequately cater for the health care needs of the population depends, to a large extent, on the way government raises revenues and allocates money to meet various competing and sometimes conflicting needs.

The budget is the most important economic policy tool of a government and provides a comprehensive statement of the priorities of a nation. As the representative institutions of the people, it falls to national legislatures to ensure that the budget optimally matches a nation's needs with available resources. Effective legislative participation in the budget process establishes checks and balances that are crucial for transparent and accountable government and ensuring efficient delivery of public services.

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An important component of legislative scrutiny is to ensure that the budget addresses the needs of women and men equitably, and that it is supportive of particularly vulnerable groups in society including poor girls and boys, people with disabilities, minorities and the aged. The legislature ratifies international conventions relating to human rights. These conventions represent the State's obligations to undertake measures at national level.

Governments are large and complex institutions, and this is reflected in their budgets. Measured in terms of revenues and numbers of employees, some national governments are among the biggest organisations in the world. Budget documents can comprise thousands of pages, the format of the budget is not always easily understandable, and thorough analysis can take considerable time. For such reasons, budget scrutiny can be a daunting challenge facing legislators when they are asked to consider the annual revenue and expenditure proposals of the government.

Over the longer term, the influence of national legislatures on budget policy has declined in many industrialised countries. Several developments help to explain this trend. The emergence of disciplined political parties in the 19th century has curbed legislative independence. In many cases decentralisation of spending, and to a lesser extent of revenues, to regional or local levels of government has chipped away at the comprehensive control of public funds by national legislatures. In addition, the expansion of welfare spending in the 20th century has pre-committed large sections of

the budget and thus reduced flexibility to reallocate spending from one year to the next. Over time, executive budget proposals gradually became the standard against which legislative action was measured.

It now appears, however, that many legislatures are rethinking their role in the budget process and reasserting themselves as more active players. Two reasons for this are the spread of democracy and a wave of constitutional reform, which have opened the way for increased participation by both legislatures and civil society. In addition, in many of the world's poorer nations, greater attention is being paid to the role of the budget in poverty reduction and eradication, and legislatures are reclaiming a voice in development debates.

New partnerships are emerging that can help to broaden participation in budgeting, and to foster consensus about some of the difficult choices and trade-offs that have to be made in this process. In many parts of the world, women's organisations are analysing budgets for their likely differential impacts on women and men of different social and economic categories. These organisations have formed partnerships with legislators to hold governments accountable on their commitments to gender equality.

The purpose of this handbook is to make a contribution towards supporting parliamentarians to effectively participate in the budget process. An attempt is made to acknowledge the variety of national approaches and experiences. The general text in each chapter is complemented with case studies and examples to illustrate particular issues. We have attempted to be as diverse as possible in our choice of examples. In addition, the appendix contains a short budget glossary, suggestions for further reading, and a list of useful websites.

Chapter 1

Some basic concepts and issues in budgeting

Budgets are perhaps the most important documents that governments produce. Given the size of national budgets, they are powerful tools in influencing economic and social development. They also determine to a large extent whether there is equitable access to services by different groups of the population, such as women and men. By allocating money, spending plans reveal the priorities of the government in concrete terms, and they lay the foundation for sound operational management at the departmental or ministerial level. This first chapter is a brief introduction to the language of budgeting, and some of the key issues and concepts it involves. Examples of the gendered implications of budgeting are given throughout the chapter.

'Budgeting is translating financial resources into human purposes.'

Aaron Wildavsky

What is a budget?

The word 'budget' appears to have been first used in the early 19th century, and its legal definition can be traced back to a French law of 1862. Broadly speaking, the budget contains the financial plans of the government for an upcoming period. It is drafted at regular intervals by the executive and tabled in the legislature for approval, normally on an annual basis. Budgets that cover a period of two years at a time are less common. The budget serves the purposes of macroeconomic stabilisation, redistribution of income, and the allocation of financial resources to various government functions.

Box 1: Origins of the fiscal year

In early budgeting, there was a clear link to the crop cycle. Once the harvest was in, one could make plans for the next year. Many developing countries have maintained this connection by clinging to the broken budget year. In India, the revenue for the subsequent year can only be assessed after the Monsoon season in May, June and July. But agriculture is not the only source of income to be taken into account in the Third World. Papua New Guinea changed its budget year to fit that of the donor countries, since their contributions were so decisive for the government's economic planning. In other parts of Asia, governments hesitate between the lunar and the solar calendars. Over time, there has been a tendency to converge on the calendar year as the most convenient basis for budgeting. While the United Kingdom has held out with a budget year beginning in April, Sweden gave up the broken budget year to adopt the calendar year model in 1995. In the long discussion preceding this decision, it was claimed that a harmonisation both upwards (towards the EU) and downwards (towards private enterprises, communes and regions which had long practised calendar year budgeting) would bring about greater transparency and facilitate co-ordination between different levels.

Source: Tarschys (2002: 79-80).

The budget has two main components, income and expenditures. Sources of income vary substantially between countries. They usually include direct taxes, such as those on personal and corporate income, and indirect taxes such as sales taxes. Other sources of income might consist of user charges for certain services, foreign aid, and income from commercial activities.

In considering its tax options, the government has to weigh advantages and disadvantages, including the likely impacts on different groups of women and men. For example, boosting reliance on sales taxes makes taxation more regressive. This means that a poor person will pay as much tax as a rich person when purchasing an item of clothing or food, as it does not take account of income differentials. Such taxes have gendered implications especially if they apply to the most essential commodities consumed by the poor, in part because women are often responsible for buying household consumables.

On the other hand, income taxes are progressive when they apply higher rates to individuals with a higher level of income. But if the formal economy is small, excessive taxation of a few individuals with high incomes can undercut investment, which hampers growth and employment creation. Over time, this might erode the tax base and reduce the ability of government to raise revenues. Taxation policies can have direct impacts on gender relations especially within the paradigm of a male breadwinner that puts female headed households at a disadvantage. Similarly, income taxes affect female labour force participation especially in light of women's responsibilities within the household. For example, while many working women spend part of their income on day-care facilities for their children, these expenditures may not be deductible from taxable income. Raising an adequate amount of revenues, while at the same time preserving equity and stimulating economic growth, can be a difficult balancing act.

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On the expenditure side of the budget, government allocates funds to various functions such as health care, education, agriculture, justice, defence and so on. The share of total expenditures allocated to each sector is a key indicator of spending priorities for a given year and of shifts in priorities over a period of time.

In economic terms, a distinction can be made between current and capital expenditures. Current expenditures are on goods and services that are consumed immediately, for example wages of civil servants or supplies of educational materials for schools. Capital expenditures comprise money spent on the purchase of goods that can be used to produce other goods, for example machinery or infrastructure. The balance between current and capital spending is important. When a clinic is built and equipped to service a community (a capital expenditure), then government has to make sure that it sets aside sufficient funds to run the clinic on a day-to-day basis, which requires budgeting for wages, medicines and the like (current expenditures)

When government spends more money than the available revenues, it can either raise taxes or budget for a deficit and cover the shortfall with borrowed money. There is a wide range of alternate deficit measures, but the size of the conventional deficit is widely quoted as the central indicator of fiscal health. This deficit is measured as the excess of government's total expenditure over total revenue. There is no absolute figure that can indicate whether the deficit is too large – this depends on the size of the economy. For this reason, the deficit to Gross Domestic Product (GDP) ratio is used to indicate the share of national income that will have to be used to finance the deficit. Although the appropriate size of the deficit depends on a variety of factors that determine sustainability on a case-by-case basis, one rough but widely accepted benchmark was set in the European Union's Maastricht Treaty with a figure of three per cent of GDP. However, some go further and demand 'balanced budgets' where revenues are equal to expenditures.

The conventional deficit, measured as the excess of government's total expenditure over total revenue, is widely quoted as perhaps the central indicator of fiscal health.

Changes in the deficit do not have to be the result of a shift in fiscal policy, but can also be a reflection of the business cycle, for instance. Consistently growing deficits, however, give cause for concern:

- First, government borrowing can put upward pressure on interest rates so as to 'crowd out' private sector investment. In other words, when government uses most of the capital available on the borrowing market, less is available for the private sector to borrow in order to expand its activities. This can dampen economic growth.
- Second, deficit spending is expensive. Because government will have to put aside a proportion of funds to service its stock of debt, there will be less money for service delivery. Reductions in service delivery programmes often affect women more than men. For example a decision to service debt and to reduce child-care or health services would most likely increase women's unpaid labour since they are the primary family caregivers.
- Third, it is unfair if extensive borrowing forces future generations to make sacrifices so that they effectively pay for spending that we enjoy today. This problem is exacerbated when borrowed funds are not invested productively.
- A fourth problem associated with excessive deficits is high inflation. Some governments have resorted to 'printing money' in order to meet debt servicing obligations. However, this strategy is difficult to pursue when the central bank enjoys entrenched independence from the government both legally and in practice.

Maintaining a certain size of deficit should not be seen as an end in itself but rather as a means of improving the standard of living of citizens. Sometimes, there can be a trade-off between the objective of reducing the budget deficit and that of achieving long-term equitable and broad-based growth.

Box 2: Principles of good budgeting

Comprehensiveness: The budget must cover all the fiscal operations of government, encompassing all public expenditure and revenues, to enable full and informed debate of the trade-offs between different policy options.

Predictability: Spending agencies should have certainty about their allocations in the medium-term to enable them to plan ahead. Stable funding flows support departmental planning and efficient and effective delivery.

Contestability: No item in the budget should have an automatic claim to funding. All policy and attached funding should be regularly reviewed and evaluated in order to ensure prioritisation and optimal performance of spending agencies.

Transparency: All relevant information required for sound budgetary decision-making should be available in an accessible format, and in a timely and systematic fashion. Budget information needs to be accurate, reliable and comprehensive.

Periodicity: The budget should cover a fixed period of time, typically one year, and the process of compiling the budget should follow a clear and reliable schedule that is agreed upon and published in advance.

Source: World Bank (1998).

Meanwhile, it is important to point out that budgets and macroeconomic policies are tools for achieving both economic and social development goals. While some assume that economic development automatically results in social and human development, evidence shows that the trickle down effect will not happen unless policies are formulated to intentionally ensure the equitable distribution of benefits of economic growth for all, especially poor men and women, minority groups, children and people with disabilities.

Box 3: IMF Code of Good Practice on Fiscal Transparency

Clarity of roles and responsibilities: The government sector should be clearly distinguished from the rest of the economy, and policy and management roles within government should be well defined. There should be a clear legal and administrative framework for fiscal management.

Public availability of information: The public should be provided with full information on the past, current, and projected fiscal activity of government.

Open budget preparation, execution and reporting: Budget documentation should specify fiscal policy objectives, the macroeconomic framework, the policy basis for the budget, and identifiable major fiscal risks. Budget estimates should be classified and presented in a way that facilitates policy analysis and promotes accountability. Procedures for the execution and monitoring of approved expenditures should be clearly specified. Fiscal reporting should be timely, comprehensive and reliable, and identify deviations from the budget.

Independent assurances of integrity: The integrity of fiscal information should be subject to public and independent scrutiny.

Source: International Monetary Fund (1998).

Objectives of budgeting

If resources were limitless, there would be no need to ration, negotiate trade-offs and make compromises – everybody could get whatever they wanted from the budget. In reality, spending needs inevitably exceed available funding, forcing governments to make choices about the allocation of scarce resources to meet competing needs in society. Budgeting forces us to be aware of overall financial constraints, helps in making difficult trade-offs, and supports the efficient implementation of policies.

Box 4: Common problems with budgeting

Common problems with budgeting include:

- poor planning;
- insufficient linkages between policies and the budget;
- weak cash management;
- poor expenditure control;
- ill disciplined execution that leads to a large gap between the budget as approved and the budget as implemented;
- inadequate accounting systems; and
- insufficiently detailed, poorly organised and unreliable budget documentation.

In a weak budget system, there are frequent adjustments to spending plans during the financial year, a practice referred to as ‘continuous budgeting’. Legislatures might be asked to approve a large number of supplementary or adjustment budgets. In this case, the annual budget loses its authoritative status as the comprehensive financial plan of the government, and budgeting can easily turn into an academic exercise aimed at producing a document that will bear little resemblance to the budgetary reality. Inevitably, poor budget outcomes are the result. Such situations call on us to focus attention on the objectives of budgeting, and institutional mechanisms that are supportive of the achievement of these objectives.

Source: Based on World Bank (1998: 4-7).

In identifying the objectives of a budget, governments may ask themselves a series of questions:

How much do we spend?

Budget totals should be the result of explicit and enforced decisions, rather than the outcome of a process of adding up a variety of spending demands without consideration of affordability. Many factors are considered in determining the appropriate level of spending, such as economic development, available revenues, access to external funds and the acceptable level of the deficit. Fiscal discipline then, relates to the affordability of total spending in the medium to long term. It is also important to assess the gender impact of economic and fiscal policies. For instance, deficit

reduction strategies can have disproportional effects on poor women if the introduction of user fees for health services and water shift the burden of service provision from the public sector to women in private households.

A strong treasury or finance ministry is required to check that spending departments do not make exaggerated claims on the budget during the drafting stage, and that they adhere to their budgets during implementation. The ability to accurately forecast revenue and expenditure levels is crucial. Poor forecasting ability often leads to unrealistic budgeting – an overestimation of revenues and an underestimation of expenditures in the years ahead. When reality catches up, fiscal discipline becomes hard or impossible to maintain.

On what are resources spent?

Because resources are limited, the budget process forces us to consider the different policy priorities and their competing claims on the budget, and to negotiate trade-offs between them. The challenge of allocative efficiency is to bring resources into line with policy priorities, within an overall spending constraint. Budgets and policies may assume that all people are equal and have the same needs and interests. However, the reality is that policies and budgets have different outcomes for different categories of people. Decisions about how resources are divided among various functions will affect women and men, girls and boys of different social and economic backgrounds differently. A gender-responsive budget allocates resources to benefit women and men, girls and boys of different socio-economic backgrounds equitably.

To match policies with the budget, the policy basis of the budget must be stated clearly and then reviewed on a regular basis. Prioritisation is undermined if spending departments have to be bailed out because they have overspent – poor budget execution can introduce substantial *ad hoc* realignments that distort priorities. Such distortions often take resources away from the poorest and most vulnerable groups to cater for the interests of bureaucracies and strong interest groups.

How well do we spend?

The objective of operational efficiency is to manage funds efficiently in order to deliver maximum results. Spending departments should strive to eliminate waste and produce goods and services at a cost that achieves ongoing efficiency gains. Legislatures increasingly consider not only the allocation of money, but also what is to be delivered with that money. Bloated administrative and personnel costs are likely to benefit men more than women because in many public services men outnumber women, particularly in the higher decision-making levels which attract higher pay. Women tend to be

concentrated at the lower levels and, in some countries, earn less than their male counterparts in similar jobs. Excessive bureaucratic expenditures divert limited resources away from the poor and other vulnerable groups.

To facilitate legislative review of the performance of departments, the format of the budget needs to go beyond the traditional focus on cost and inputs. Also needed is information on strategic objectives, output targets (the amounts of goods and services to be delivered) and outcomes (the effects or impact of the activities carried out on the community). Effective scrutiny and accountability for results can force a shift in spending departments from a mentality of compliance to one of achievement. Performance contracts with high-level civil servants are one institutional mechanism that provides complementary incentives. At the same time, countries are ill-advised to attempt to 'leapfrog' to a fully performance-focused system, as the basics of sound input control have to be firmly entrenched first.

Box 5: Budgeting for performance

Performance budgeting has been a prominent theme in budget reform for several decades. Such efforts have taken many forms, and success varies. One reason is that the idea of performance budgeting is appealingly simple, but very difficult to implement in practice. A broad definition of a performance budget is one where the budget presents information on what departments have done or expect to do with the money provided to them. Many countries are now providing such information as part of their budget documentation. More strictly defined, a performance budget is only a budget that explicitly links each increment in resources to an increment in outputs or other results. There are very few successful examples of performance budgeting in the stricter sense, and New Zealand is arguably the country that has taken this approach furthest.

Source: Schick (2003).

The objectives of affordability, prioritisation and operational efficiency have their counterparts on the revenue side of the budget. Fiscal discipline is not possible without accurate forecasting of available resources. Governments often forecast improving macroeconomic conditions such as higher growth, less unemployment and lower inflation, all of which impact on the amount of revenues government expects to collect. In addition, overly optimistic revenue forecasts are politically tempting, because they create an imaginary space to promise more money for services than would be available on the basis of realistic forecasts. But over-estimation undermines fiscal discipline because it either contributes to widening deficits, or upsets planning if *ad hoc* expenditure cuts are required to bring down spending to cover a shortfall in revenues. It is a good test of government's economic planning to consider whether its growth forecasts are substantially more optimistic than those produced by the private sector and international organisations. If this is the case, it is rather likely that the budget is based on unrealistic assumptions.

Decisions involving the allocation of fiscal resources also relate to revenue when we consider tax incidence – the distribution of the tax burden across sectors and individuals. As is the case when government sets certain spending priorities, there are political judgements involved in making sure that the burden of taxation is fairly distributed across the population. For instance, tax breaks and allowances might be biased towards certain beneficiaries, be it deliberately or accidentally, and taxation can become more progressive or less progressive over time. The differential social impacts of taxes and non-tax sources of revenues also should be taken into account.

For example, user fees for certain essential services like water, electricity, education and health care often result in a transfer of costs to women, who shoulder a larger burden of domestic work. Poor women in particular, failing to afford such essential services, may have to work even longer hours to be able to meet the needs of their families. A study on the effect of structural adjustment policies in Ecuador found that women spent more time shopping for cheaper items and buying in smaller quantities, and spent longer periods of time preparing food because they bought less processed food. This shifts some of the household care work to young women and girls in the family, reducing their available time for school work (Esim 2000). In short, it is as important to consider who pays which taxes, fees or user charges, as it is important to ask who benefits from government expenditures.

Lastly, efficient tax administration is essential for ensuring that a maximum amount of revenues is available within the parameters set by fiscal and tax policies. A challenge in many countries is to strengthen tax morality and stamp out evasion in order to narrow the tax gap (the difference between the potential and actual yield from a particular tax). A stable and predictable flow of income is essential for good operational management of expenditures.

Box 6: Fiscal decentralisation

Decentralisation of central functions to lower level government units has in recent years become an important element of public sector reform, bringing about a series of changes in government budgeting. It is hoped that decentralisation can promote local innovation, match service provision with local preferences, and achieve more efficient delivery of essential services where central government has been ineffective. However, in the initial stages of decentralisation, there are often capacity bottlenecks at the subnational level. For this reason, fiscal decentralisation should be complemented with adequate oversight and accountability mechanisms to ensure that the process of decentralisation is managed optimally and to guarantee equitable access to services. For instance, the legislature should have access to detailed spending information across levels of government, and it should scrutinise the underpinning revenue sharing arrangements.

Source: Inter-Parliamentary Union (2003).

Towards a medium-term perspective

In the past, incremental budgeting was the norm. One year's budget was automatically the basis for the next budget. The budget was used mainly to control the administration rather than to ensure effective implementation of policy. Emphasis was on compliance with procedural expectations and not on budget objectives, outputs and outcomes.

This practice has several disadvantages. It does not encourage governments to strategically prioritise spending over a period of time, leaving little predictability of funding for spending ministries (also known as departments or agencies). Because the need for particular programmes can shift over time, unnecessary expenditures may be carried over year after year, leaving insufficient funds to address more pressing needs and priorities. With incremental budgeting, new policy directions and programmes stand little chance of being accommodated because there is a bias towards existing programmes. Budgeting for one year at a time is not easily conducive to planning and the introduction of changes, including the delivery of equal services for men and women, boys and girls.

Many countries have introduced a medium-term expenditure framework (MTEF) to address these shortcomings. The purpose of an MTEF is to indicate the scope of the financial resources needed during the medium term, usually between three to five years, in order to carry out existing policy. The MTEF concept differs from multiyear budgeting, which involves fixed appropriations for a certain number of fiscal years. Usually, only the first year of an MTEF is approved by the legislature as the annual budget, whereas the ensuing years are non-binding projections of the future cost of existing policy. The firmer these projections become, the more they move to the centre stage of the budget process and form the basis for the annual negotiation of allocations, resulting in a system of 'rolling budgets'. All OECD countries have medium-term frameworks, and many developing countries have implemented or are in the process of implementing similar tools.

The purpose of a medium-term budget framework is to indicate the scope of the financial resources needed during the medium term to carry out existing policy.

An MTEF has a number of benefits. The extension of the planning horizon overcomes incremental budgeting, but at the same time the MTEF is less rigid than a multiyear budget. By heightening awareness of both the overall resource constraint and policy priorities, an MTEF is also a mechanism to resolve the conflict between what is affordable and what is demanded or needed. The additional information generated also enhances transparency, and the predictability of funding over several years supports planning and efficient implementation at the departmental level. By linking budgets firmly to policies and development objectives, the MTEF enables legislatures, the private sector and civil society to monitor government activities more effectively. It also provides a useful entry point for examining the budget for its impacts on women and men, girls and boys.

Box 7: Who benefits from medium-term budgeting frameworks?

The enhanced flow of information a successful MTEF generates helps the **legislature** to exercise oversight. It is provided with information that can be used to assess trends in spending, test the policy congruence of budgets, and hold departments to account for services delivered. From the perspective of **citizens**, and in particular equity-seeking advocates, more and better information on how taxpayer's money is spent is a right and an end in itself. This enhanced transparency in financial operations can also strengthen electoral accountability, public debate and participation. The MTEF also enhances the predictability of government policy, thus providing a more certain basis for the **private sector** in making investment decisions. And for **government**, an MTEF can strengthen its ability to give strategic direction to spending. Improved predictability can boost performance across departments and lead to more realistic budgets.

Source: With reference to Walker and Mengistu (1999).

While the details will differ, there are some basic steps that need to be carried out in the process of compiling an MTEF:

- The first step involves the setting of aggregate and sectoral spending ceilings, based on realistic revenue projections and fiscal policy. The guidance of the finance ministry is important at this stage.
- The second step involves policy planning within the spending ceilings that have been established. This requires departments to cost programmes and consider their linkage to strategic objectives. There will always be contentious issues and difficult trade-offs that have to be negotiated.
- The third step, therefore, is to make a binding political decision, which involves final negotiations and the approval of policy choices by cabinet.

But all countries are exposed to fiscal risks inherent in a continuously changing economic environment. To ensure that forward projections can remain authoritative even during difficult economic times, a medium-term budget framework needs to make adequate provision to cope with uncertainty. This is the function of contingency reserves, which set aside an amount for adapting the budget to changing circumstances or emergencies, for instance when infrastructure reconstruction might unexpectedly become necessary due to natural disasters such as floods or storms. However, contingency reserves need to be clearly accounted for, decisions about their use should be made in a transparent fashion and approved by the legislature, and they should not be excessive in size. Otherwise, they can easily deteriorate into 'slush funds'.

“Debating the budget in a multi-year framework provides more opportunity for the budget to address the real problems in the society.”

Mr Simon Patrice Morin, MP (Indonesia),
participant of the seminar on Parliament and the Budgetary Process,
Including from a Gender Perspective, Manila, Philippines, 2002

Another ingredient of success is to clearly link medium-term spending and revenue figures to government policy, for instance by linking the MTEF with a medium-term budget policy statement.

Medium-term budgeting frameworks have been implemented in many countries, but with varying degrees of success. Highest level political commitment is crucial in ensuring that such a reform takes root. When medium-term planning is widely considered to be a 'technical' exercise for bureaucrats, and politicians do not adhere to the process, the framework is unlikely to acquire the status and authority that it needs in order to become entrenched and deliver improvements. Another ingredient of success is to clearly link medium-term spending and revenue figures to government policy, for instance by linking the MTEF with a medium-term budget policy statement. It is only with narrative information on the content and direction of budget policy that the medium-term figures can be adequately interpreted and assessed.

Box 8: Options for implementing a medium-term expenditure framework

There are different options for implementing an MTEF. One is to test or 'pilot' its application in a few government departments. This allows for the detection of problems and fine-tuning ahead of government-wide introduction. On the other hand, some countries have opted for a 'big bang' approach where the MTEF is introduced immediately on a government-wide basis. Both approaches can succeed, but it is important to consider the most appropriate method for introducing an MTEF on a country by country basis.

Source: Walker and Mengistu (1999).

Budgets and poverty reduction strategies

Countries formulate national development plans and sectoral strategies relating to the needs of diverse groups of people, in order to pursue a particular vision of society. Many developing countries are investing effort in addressing poverty on the basis of comprehensive development strategies. This trend is now supported in a number of developing countries by international financial institutions, which require countries to compile Poverty Reduction Strategy Papers (PRSPs) to qualify for debt relief, concessional loans and bilateral assistance.

Ideally, PRSPs are elaborated through country-owned participatory processes where poor women and men, civil society organisations and other stakeholders are involved, in some way, in defining poverty reduction goals and identifying poverty policy priorities. They include plans with clear targets and indicators for monitoring and evaluating the impact of policies through outcomes that benefit the poor. Where the strategy is in place, the budget is the most important tool for implementing a PRSP. Money should be

allocated in line with the policy priorities in the strategy. Sector-wide strategies, development plans and MTEFs are used together with the annual budget in implementing a PRSP.

PRSPs and other types of development strategies are therefore useful yardsticks for assessing and monitoring budgets, and parliamentarians in particular can assess the budget against the commitments made to different groups of poor women and men and other vulnerable groups in these strategies when they consider the government's annual revenue and spending proposals. In addition, parliament should participate in the elaboration of PRSPs given that it involves making important decisions about the direction of a nation's development policy. In fact, legislatures have an important role to play not only in ensuring that sufficient funds are allocated and disbursed to the priority expenditure areas, but also that the money is spent efficiently. Otherwise, the goals contained in PRSPs and other development plans are unlikely to be attained.

Although the formulation of PRSPs is supposed to be guided by the voices of the poor, critics of PRSPs say that the poverty priority policies contained in them are not different from the old structural adjustment programmes (SAPs). They reflect the orthodox economic thinking of the World Bank and the International Monetary Fund (IMF) and do not include gender as a variable in macroeconomic analysis. Policies such as trade liberalisation, privatisation and tight fiscal, monetary and exchange rate policies recognise market-oriented work and ignore non-market work. In many developing countries, most of this work is the unpaid subsistence, reproductive and care work poor women do in households.

Translation of the policy aspirations of poor women and men into policy priorities is led by ministries of finance and planning. But turning people's aspirations into policies is a political function. Politicians consult their constituents to develop their political platforms and work with experts to translate the platforms into appropriate policies. By failing to adequately involve legislatures in PRSP processes, the exercises have been denied some measure of political legitimacy and national ownership. Much as some civil society organisations have been able to influence aspects of PRSPs, they can never replace the role of elected parliaments in determining policy priorities for the people. Parliaments have the constitutional mandate to oversee government and if well facilitated and empowered legally, can act more independently vis-à-vis the executive branch than donor-dependent non-governmental organisations (NGOs).

Gender equality advocates introduce a shift from the growth-based focus of PRSPs to a human rights approach. They argue that budgets are not just about figures in dollars and cents but reflect a country's priorities and values. Budgets are the main instruments through which governments can fulfil people's social and economic rights. It is argued, therefore, that a PRSP, through its budgets, should make full use of the maximum available resources for progressive realisation of poor women and men's human rights,

which countries have ratified in international and regional agreements such as the Universal Declaration of Human Rights (UDHR), the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), and the Convention on the Rights of the Child (CRC).

PRSPs focus on prioritising domestic policies to reduce poverty and channelling resources to those priorities. But critics point out that the poor are adversely affected by external factors as well. The most important of these are the World Trade Organisation (WTO) rules and other trade agreements. It is estimated that to export to the rich countries, developing countries face trade barriers four times higher than those faced by rich countries. The annual cost is about US\$100 billion, twice as much as they receive in development assistance (Kabeer 2003). Promoting market access for developing country products will achieve rapid reductions in poverty. PRSPs have included policies such as privatisation of basic services while the WTO rules have committed poor countries to open up to large international corporations. This may in future mean that governments cannot provide basic services, for example, to reduce the domestic workload of poor women without being in breach of WTO rules. These are issues that are external but which have a bearing on domestic policies and on poor women's lives. They should be discussed in the PRSP processes and in particular, by legislatures.

Box 9: Gender dimensions of poverty

Poverty analyses carried out in several countries as part of the process of formulating poverty reduction strategies have shown that women and men experience poverty in similar as well as in different ways. For example, the ways through which men and women become poor can be different but related, and poor women and men respond to their conditions differently.

There is compelling evidence linking greater gender equality with greater poverty reduction, economic growth and an increase in human rights for women and men, boys and girls. Several studies by the World Bank, for example, have shown that gender inequalities tend to be greatest among the poor. These inequalities impose large costs on the health and well-being of women, men and children as well as high costs on productivity, efficiency and economic progress. Furthermore, they reduce men and women's ability to overcome poverty.

Effective poverty reduction policies and budgets must therefore take into account the gender dimensions of poverty, not only in the setting of objectives and policies but also in designing monitoring targets and indicators. Highlighting gender inequality as a cause of poverty exposes the hidden gender biases in macroeconomic policies. It is the duty of parliamentarians to hold their governments accountable on their promises to the poor. This implies asking governments to relate their spending priorities to the particular needs of poor women and men, girls and boys. Tax policies should also be sensitive to gender inequalities and be aware of gender roles in the economy. If the different needs of poor

women, men, girls and boys have been well-integrated in a poverty reduction strategy, it becomes easier for legislators to ensure that budgets address them adequately.

A gender audit of thirteen PRSPs conducted in 2002 showed that most countries had addressed gender issues in a fragmented way and covered only the areas traditionally associated with women, such as reproductive health and girls' education. None addressed the gendered impact of trade liberalisation, privatisation and other structural adjustment policies. Other critics have observed that even where there is a gendered diagnosis of poverty, there is little follow-through to policies and budget allocations.

The World Bank's Poverty Reduction Strategy Credit (PRSC) and the IMF's Poverty Reduction and Growth Facility (PRGF), which are the major lending instruments to implement PRSPs in the highly indebted countries, should also be firmly linked to a gendered poverty analysis to avoid policy evaporation and to ensure that future debt and debt servicing commitments present a smart borrowing.

Legislators have an important role to play in shaping national poverty reduction frameworks that take into account the particular needs and interests of women and men, girls and boys equitably. They can ensure that spending plans are consistent with poverty reduction priorities and monitor the actual gender impact of such expenditures on the lives of the poor.

Sources: Zuckerman and Garrett (2003), World Bank (2001).

Chapter 2

The budget process

Understanding the way budgets are assembled is a crucial first step in influencing decision making. The budget is the result of a process. The priorities and choices it embodies reflect the power of various actors in this process. Those who are effective in influencing the budget succeed in having their choices and priorities included. This chapter provides a general outline of the budget process. While the details will differ from country to country, there are also important similarities across most systems.

Actors in the budget process

Within the **executive**, the role of a finance ministry or treasury is to co-ordinate and drive the budget process in accordance with a schedule. The finance ministry has the economic expertise to prepare macroeconomic projections. These are important in order to assess the amount of money that will be available for spending. The finance ministry also plays a crucial role in guiding the drafting of the budget, and later in monitoring budget implementation. Various spending departments and agencies also participate in the drafting process, and they are ultimately responsible for expenditures within their jurisdiction. They will often try to extract as many resources as possible, whereas the role of the finance ministry or treasury is that of the guardian of the public purse.

The role of the finance ministry or treasury is that of the guardian of the public purse.

Democratic constitutions require taxation and public spending to be approved by parliament. Therefore, the role of the **legislature** is to scrutinise and authorise revenues and expenditures, and to ensure the budget is properly implemented. The nature and effect of legislative engagement vary. Some legislatures write the budget; others approve executive budget proposals without changes. In some legislatures most of the debate around the budget takes place on the floor of the House; elsewhere the emphasis is on discussion in committees. Some legislatures fragment decision-making power in the budget process across various committees; others have a single financial committee that dominates the process. Ultimately, the final vote takes place in the chamber. However, where committees play a strong role, the House tends to be guided by committee reports in approving financial legislation. As representatives of the people, legislators should engage in consultations with their constituencies in order to ensure that their priorities and needs are reflected in the approved budget.

Box 10: Party political dynamics that influence the budgetary role of legislatures

Budgeting takes place in a broader political context; it is an expression of the power relations of political actors that participate in the process. How much *de facto* rather than theoretical influence the legislature actually has, is to a large extent determined by party political majorities. Strong or dominant political majorities in the legislature enhance the predictability of voting outcomes. However, if the legislature features several parties without one of them having an outright majority of seats, the executive will have to assemble support of a number of parties to have its budget passed. It is likely to have to bargain and make concessions during this process.

A second and related variable is party cohesion or discipline. It entails voting along party lines even if the outcome does not fully match the preferences of the individual legislator. Party majorities only ensure predictability of legislative voting behaviour when matched with tight party discipline. Low levels of party cohesion are usually associated with candidate-centred electoral systems, where party affiliation is not the strongest factor in the election of candidates. In other legislatures the electoral fortunes of members are highly correlated with party affiliation, notably when party headquarters have a strong voice in choosing candidates and the electorate chooses mainly or exclusively according to party preference.

In addition, informal caucuses in some legislatures, such as women's and environmental caucuses can exert influence on legislation including budget legislation. They seek to negotiate with parties or to act directly to influence parliamentary budget debates depending on the party and electoral system in place.

Source: Leston-Bandeira (1999), Young (1999), Von Hagen (1992).

Independent supreme audit institutions carry out an audit of government accounts in order to determine whether government did in fact implement that budget as passed by the legislature, and whether it did so efficiently and effectively. While this basic task is similar across different systems, there are differences in the institutional design of supreme audit institutions. For instance, some are directly linked to the legislature, while others have judicial independence. There are also differences with regard to capacity, resources, and types of audit conducted.

Box 11: Types of supreme audit institutions

The court model: In the Napoleonic system an audit court has both judicial and administrative authority and is independent of the legislative and executive branches of government. The institution is an integral part of the judiciary, making judgments on government compliance with laws and regulations as well as ensuring that public funds are well spent. The court audits every government body, including ministries, departments, and agencies;

commercial and industrial entities under the purview of ministries; and social security bodies. This model is used in the Latin countries of Europe (France, Italy, Spain, Portugal and others), Turkey, and most Latin American and francophone African countries. In France, the audit function dates back to the 14th century. However, it was not until Napoleon I created the Court of Audit in 1807 that the audit process was regularised and fully entrenched.

The auditor general model: In the Westminster system, the office of the auditor general is an independent body that reports to parliament. Made up of professional auditors and technical experts, the office submits periodic reports on the financial statements and operations of government entities. The office serves no judicial function but, when warranted, its findings may be passed to legal authorities for further action. This model is prevalent in many Commonwealth countries such as Australia, Canada, India, the United Kingdom, and many Caribbean, Pacific, South West Asian and anglophone Sub-Saharan African countries. In Britain, the earliest reference to the Auditor of the Exchequer dates back to 1314. The Exchequer and Audit Departments Act (1866) required all departments, for the first time, to produce annual 'appropriation accounts', to be investigated by the Comptroller and Auditor General.

The board model: The board system is similar to the Westminster model in that an audit board is independent of the executive and helps the legislature to perform oversight. The system involves an audit board composed of an audit commission, which functions as the decision making body, and a general executive bureau as the executive organ. The president of the board is the de facto auditor general. The board's primary mandate is to analyse government spending and revenue and report its findings to the legislature. Prevalent in Asia, audit boards can be found in Indonesia, Japan, and the Republic of Korea, for example.

Source: Based on Stapenhurst and Tittsworth (2001).

The potential contribution to the budget process of **civil society organisations**, covering the full spectrum from think tanks to community based organisations, is only slowly being fully appreciated. Civil society organisations can provide independent research from a perspective that is not covered by conventional analyses. One example is the work on the impact of the budget on vulnerable groups such as women or children that civil society groups have pioneered, sometimes in collaboration with the legislature. In some countries where the legislature has limited research capacity, civil society input has proven crucial in enhancing legislative engagement with the budget. Civil society has also contributed to raising awareness of budget issues, for instance through the publication of accessible analyses and budget guides targeted at a popular audience, and through training activities. Civil society input to the legislature is promoted when committee and chamber debates are open to the public, legislative information is freely available, and committees conduct hearings and receive submissions on legislation and budgets. In many countries, legislative reforms increasingly enable civil society involvement.

“In South Africa, we found it of vital importance for groups from civil society to engage in the budget process. The role of such advocacy groups is essentially to monitor the link between Government policies, with specific reference to women, and Government expenditure, and taxation in specific departments ... There must be an ability to cross-check these policies; to see whether there is budget allocation. Essentially, a growing pool of budget researchers is needed inside Government and also in civil society, to further budget analysis and also advocacy.”

Colin Eglin, MP (South Africa)

Resource expert of the seminar on Parliament and the Budgetary Process, Including from a Gender Perspective, Nairobi, Kenya, 2000

Box 12: The Women’s Budget Initiative in South Africa

South Africa was one of the first countries to examine budgets for their impacts on different groups of women and men. Started in 1995, the Women’s Budget Initiative (WBI) entailed the collaboration of women parliamentarians and NGOs. The NGO partners were responsible for analysing the budget and the policies behind it for their gender impacts while the politicians would use the findings to influence the budget debate in parliament.

Five annual commentaries on the gender impacts of the budget were published which influenced a similar initiative to begin within the Finance Ministry on a pilot basis. The WBI also produced a simplified set of publications called *Money Matters* targeting a broader audience as well as training materials for legislators and civil society activists in the Southern African sub-region.

In 2000, the parliamentary Committee on Improvement of the Quality of Life and Status of Women (CIQLFW) commissioned two NGOs involved with the WBI to undertake research into the budgetary aspects of violence against women, poverty and HIV/AIDS. Some of the findings have been used in the Committee’s reports and can be used in future budget debates. The surveys conducted can be used as baseline studies against which to monitor government progress on these issues.

Source: Budlender and Hewitt (2002).

The **media** has an important role to play in ensuring that the central issues in budgetary debates are widely understood. In order to play this role, journalists require full access to the legislature and its committees.

All relevant documentation should be available to them.

Training and capacity building can help journalists to maximise the quality of their

reporting on the budget, and there have been instances where media institutes or civil society organisations have provided such opportunities.

Box 13: Civil society tackles corruption in Mexico

Mexico has long struggled against government corruption. As the country moved increasingly toward democratisation, there has been more opportunity to create public pressure for improved government transparency. Civil society made important contributions to the promotion of a more open budget process, for example by mobilising against the President's 'secret fund' and discretionary allocations for public officials' salaries and benefits. However, even after successful legal action and much publicity of the secret fund process, access to information about the fund continued to be denied. It took the help of members of Congress who were committed to democratisation to finally gain access to detailed budget information. Civil society analyses of several years of allocations and spending patterns provided key information about the secret fund, which had grown from \$47 million in 1983 to \$191 million in 1994. Attention was also turned to public officials' salaries and benefits, which were not regulated and not subject to tax in most cases, as well as the pattern of discretionary spending in government offices. As pressure mounted from all sides, allocations to the secret fund eventually were eliminated.

Source: International Budget Project (2000).

International financial institutions and **donor agencies** play a powerful role in the budget process of poor countries with particularly high levels of foreign debt. When international financial institutions and donors attach stringent conditions to loans, the legislature's role may be limited to rubberstamping budgets that reflect prior agreements between lenders and the executive. To be supportive of sound budget practices, donor funding needs to be transparent and predictable, and full information on such funding should be given in the budget.

Increasingly, the negotiations around debt and new financing which used to take place annually in Paris under a cloud of secrecy (Paris Club meetings) have been shifted to national capitals and involve a wider range of State and non-State actors. Consultative Group Meetings, as they are called, have become important opportunities for the private sector and civil society groups to make their voices heard by governments and donors on economic policy and budget issues. In some countries, parliamentarians participate in these meetings on an individual basis and by invitation. For a legislature to make an effective input, however, an institutionalised approach to its participation has to be adopted. For example, a parliament may authorise its budget or finance committee to co-ordinate its input by liaising with other committees and having some or all of its members attend the Consultative Group Meetings. Some Brazilian legislators recently formed a caucus to monitor government-donor relations.

Box 14: Parliamentary involvement in loan management

Loans often constitute an important budgetary resource. While they may be vital in providing essential additional resources for the socio-economic development of the country, there is a need to ensure that the proportion of such loans in the budget is manageable and does not jeopardise future development. It is up to each country to assess the appropriate levels of its debt burden.

There is a need for greater parliamentary involvement in public loan management. In this context, it has been generally agreed that parliament should have the authority to approve loans prior to their being contracted. Parliament should be provided with detailed information on:

- the volume of the loans;
- the purpose of the loans;
- an assessment of the impact on the direct beneficiaries, men and women, boys and girls alike, and society as a whole;
- possible constraints; and
- conditionalities imposed by the lending institutions.

Source: Inter-Parliamentary Union (2003).

Stages of the budget process

Budgets have to be passed regularly, usually on an annual basis, in order to ensure that government continues to operate. The budget process is governed by a timeline that can be separated into four different stages:

- drafting,
- legislating,
- execution, and
- audit.

This basic sequence is applicable for many if not most countries whose governments are built on democratic principles. But across countries there are important differences in the influence of various actors and the timing of the process, for instance.

Budget cycles overlap – at any one time a number of different budgets are at different stages of the budget process. For example, the legislature might concurrently have to deal with one budget that has to be approved, monitor the implementation of the current year's budget, and consider an audit report on a budget that has already been implemented. For legislative bodies, the maintenance of fiscal oversight can be a complex challenge.

Compilation of a draft budget

The drafting stage is mostly internal to the executive, but it does not have to be a secretive affair.

- The first step is to set fiscal policy and estimate available revenues in order to establish the total resource envelope that will be available for spending.
- Based on the policy priorities of the government, the second step involves negotiations between spending departments and the finance ministry or treasury on the allocation of funds across different functions. Usually, the finance ministry issues indicative expenditure ceilings for each department. The latter then have to compile draft spending proposals. These are reviewed by the finance ministry, which might enter into discussions with departments to resolve controversial issues.
- Once this stage is finalised, the draft budget has to be reviewed and approved by cabinet, which might also have to make a final decision on especially contentious issues that could not be resolved before.

National government ministries, especially ministries of finance and planning which coordinate the budget process, need to build capacity in gendered policy and budget analysis and formulation. If government budget planners lack these skills, it is difficult for other stakeholders, such as legislators, to introduce a gender perspective to the budget in later stages.

Box 15: Transparency during the drafting stage in Finland

The Finnish draft budget is tabled in parliament in September, about four months before the beginning of the fiscal year in January. However, much information about the drafting process is made publicly available before that time. In mid-May, as part of the executive drafting process, spending ministries send revised budget drafts to the Ministry of Finance. As a result of Finland's Freedom of Information Act, the revised requests are made available publicly. Some believe that this has served to temper proposals from spending ministers, who do not wish to see their final budgets being significantly less than what they requested, which would reveal them to be either fiscally irresponsible or politically powerless. The practice has also served to reduce the number of politically motivated leaks in the budget formulation process. This exemplifies how budget transparency and fiscal responsibility can work hand-in-hand.

Source: Adapted from Blöndal *et al* (2002: 126-127).

Legislative review and approval

Once a comprehensive budget has been drafted, it has to be approved by the legislature to become effective. The legislature's role is arguably most prominent during this stage, when it scrutinises the expenditure and revenue proposals of the executive. Its options are to approve or reject the budget, to amend it, or, in a few cases, to substitute the draft tabled by the executive with its own budget. In some countries, the legislature passes separate legislation for appropriations and changes to the tax code; in others it considers a unified budget bill. The exact form of legislative approval

is less important than the fact that it must be comprehensive. The principle of legislative authorisation of all public spending and taxation ensures the 'rule of law' in public finance. To address gender issues in the budget effectively, some legislatures have introduced gender committees or sub-committees that have a mandate to integrate a gender perspective in legislation and that develop specialised knowledge in this field.

The principle of legislative authorisation of all public spending and taxation ensures the 'rule of law' in public finance.

The duration of the legislative stage varies between countries. The United States Congress spends about eight months and sometimes more debating the budget, while some legislatures only have about a month. Budget scrutiny takes time. A good rule of thumb, therefore, is that the more time the legislature has to review the draft budget, the greater its overall potential influence. International experience suggests that a national legislature requires at least about three to four months for effective consideration of the annual State budget.

In addition, there are differences with regard to the timing of the legislative stage. In the distant past, the English Parliament devised the tactic of voting appropriations near the end of the session as a means of forcing the Crown to utilise its own resources before relying on tax revenue raised from the public. At the time, this was an effective mechanism to minimise the tax burden and to force economy in the royal management of funds. Many countries following the Westminster tradition of parliamentary government have copied this practice, despite the fact that the circumstances that once led to the adoption of this practice no longer prevail. In general, it is recognised good practice to table the budget sufficiently in advance of the beginning of the fiscal year in order to ensure timely approval. Most legislatures outside the Commonwealth do so under normal circumstances.

It is good practice to table the budget sufficiently in advance of the beginning of the fiscal year in order to ensure timely approval.

Box 16: What happens when the budget is not approved in time?

What happens if the budget has not yet been passed at the beginning of the fiscal year? Constitutional practice falls into two categories. There are countries where interim spending without explicit legislative authorisation is possible, and those where this is not the case.

- Perhaps the most well known example of the latter category is the United States, where there are no constitutional provisions for such circumstances. Government shutdowns occur when the budget has not been approved at the beginning of the financial year or Congress has not authorised interim spending. In 1995/96, for instance, delays in congressional approval forced the temporary shutdown of some federal agencies.

- In some countries, the executive's draft budget takes effect if it has not yet been passed at the beginning of the fiscal year. For instance, article 88(6) of Constitution of Madagascar (1992) allows for the draft budget to be implemented by ordinance in these cases. Similar provisions can be found in the constitutions of many other francophone countries. Such rules establish a strong incentive for the legislature to expeditiously conclude its consideration of the budget, but they need to be coupled with a requirement for the timely tabling of the budget. Otherwise, they might serve to curtail legislative scrutiny and eliminate essential checks and balances.
- Many other constitutions provide for automatic interim spending in case of delayed approval of the budget, usually along the lines of the previously approved budget and for a limited period only. For instance, article 82 of the Nigerian Constitution (1999) allows the president to authorise withdrawals from the consolidated revenue fund for up to six months and up to the proportional amount of the previous budget should the appropriation bill not have been approved in time.

There can be reasons for delays, such as an outbreak of war, and it is important for the State to be able to continue with the provision of essential services. But under normal circumstances, frequent use of interim spending provisions undermines effective *ex ante* scrutiny by the legislature and the cohesion of the budget as a comprehensive plan for annual spending.

Sources: Williams and Jubb (1996), Wehner (2002), Constitutions.

Implementation

The execution or implementation stage of the budget process is mainly in the hands of the executive. The finance ministry or treasury usually plays a leading role in assuring that funds are apportioned to spending departments in line with the approved budget. However, this is not always the case. Sometimes, in particular in many developing countries, cash availability constraints might lead to certain expenditures being cut below voted amounts. Sometimes, funds might be shifted to purposes other than those that were approved. In some cases, this happens at the cost of spending on social services or very critical sectors. These decisions need to be made in a transparent manner and should be subject to the same scrutiny carried out at the budget formulation stages.

Frequent and *ad hoc* adjustments to budgets can reflect the uncertainties that are characteristic of the macroeconomic and fiscal environment in many developing countries, but 'continuous budgeting' is also a symptom of a weak and ill-disciplined budget system. To ensure that its authority is not undermined by excessive adjustments, the legislature might find it useful to keep a close eye on implementation through scrutiny of actual spending during the fiscal year. Any significant adjustments to the budget should be captured in adjustment or supplemental appropriations that are tabled in the legislature for approval. Budget cuts tend to adversely affect groups that have a weak political voice and are vulnerable, such as poor women and children. Gender equality advocates therefore have a strong interest in scrutinising all supplemental appropriations bills for their gender implications.

Box 17: Zambian Parliament tackles problems of the cash budget system

In many countries, the use of a 'cash budget' system is often blamed for the fact that the budget as approved by the legislature is not properly implemented. Since 1993, Zambia has used a cash budget, based on a zero monetary financing rule. This means that the central government can no longer finance deficits by 'printing money' – it can only spend how much it has 'in the kitty' at a given time. Disbursement decisions are taken by a small executive committee. The cash budget was introduced to instil fiscal discipline and put an end to high inflation. However, despite some success with fiscal and macroeconomic stabilisation, the cash budget has had serious side effects for the delivery of services.

During implementation, the trend is for voted funds to be shifted from economically and socially relevant ministries such as agriculture and health, towards general public services such as defence and police. For example, during 1997, the Ministry of Defence was one of only a few departments where the actual release closely matched the voted amount, whereas the Ministry of Health received a mere 56 per cent of its voted budget. For the same fiscal year, the Auditor General of Zambia reported a net under-expenditure of 31 per cent, and 25 per cent of all actual expenditures were unauthorised. In a wide-ranging report on the country's budget system, the Committee on Estimates of the National Assembly recommended several improvements. These include rule based rather than *ad hoc* disbursement to strengthen predictability, and the regular publication of actual expenditures against the approved budget to ensure transparency.

Source: Republic of Zambia (2000: 106-108).

The legislature might find it useful to keep a close eye on implementation through scrutiny of information on actual spending during the fiscal year.

There are other potential challenges to the proper implementation of annual budgets and medium-term plans. Ordinary legislation introduced during the course of a financial year can have budgetary implications, for example by creating or increasing entitlements such as social grants. This might bring such legislation into conflict with the constraints of the approved budget or the MTEF. For this reason, the process of drafting ordinary legislation should include a consideration of its implications on the budget in both the short and medium-to-long term. This information should be available to the legislature during the law-making process, so that it can be subjected to independent and open scrutiny.

Box 18: Executive flexibility during budget implementation in New Zealand

Budget implementation has to reconcile the tension between administrative flexibility and accountability. A balance is essential, since both are necessary conditions for effectiveness and efficiency. To prevent abuse, enable legislative monitoring and encourage adequate financial planning at the departmental level, the possibility of in-year adjustments has to be limited. In New Zealand, section 5 of the Public Finance Act (1977, as amended) governs the 'transfer of resources between classes of outputs' within the same vote or departmental budget during the fiscal year – a process known as virement. The amount transferred may not increase an appropriation for a class of outputs in a fiscal year by more than 5 per cent. Furthermore, no other transfer under this section to that class of outputs may have occurred during that fiscal year, and the total amount appropriated for all classes of outputs in that vote must remain unaltered. Any such transfers must be included in an appropriation bill for the succeeding fiscal year.

Source: New Zealand Public Finance Act (1977).

The process of drafting ordinary legislation should include a consideration of its implications on the budget in both the short and medium-to-long term.

Audit and evaluation

Following the implementation of the budget, government accounts and financial statements are audited by an independent audit institution, such as an audit court or auditor general. In most countries, the audit of accounts is followed by the consideration of audit findings by the legislature. If the process is effective, any recommendations based on audit findings are reflected in future budgets, thus allowing for continuous improvements in public spending and public financial management generally.

Audit reports need to be produced and tabled in the legislature as speedily as possible to ensure their relevance.

Audit reports need to be produced and tabled in the legislature as speedily as possible to ensure their relevance. Long delays undermine accountability, because officials who are responsible for a loss of public money may have moved on or retired by the time an incident receives attention. Delays may make it more difficult to pursue disciplinary measures. The interest of the public is also likely to focus on more current matters. The timely submission of audit reports requires that departments produce their financial statements in time for the audit institution to meet the deadline. The relevant audit or financial management legislation usually prescribes when and in what form the necessary information has to be submitted by departments to the auditors.

Box 19: Types of audit

Financial and compliance audit is the traditional focus of public sector auditing.

In **financial auditing** the auditor assesses the accuracy and fairness of an organisation's financial statements.

In **compliance auditing** the auditor checks whether government revenue and spending have been authorised and used for approved purposes, and whether departments and agencies have conformed to all pertinent laws and regulations.

In addition, many audit institutions increasingly produce **value for money studies**. The term captures the 'Three Es' of economy, efficiency and effectiveness. Economy is concerned with minimising the monetary cost of inputs (such as staff and buildings). Efficiency is concerned with the output (a particular good or service) achieved for a set of inputs. Effectiveness considers whether outputs deliver the desired outcomes (the impact on society).

It is sometimes summarised that the 'Three Es' each require spending less, spending well, and spending wisely. From a gender perspective, if relevant outcome indicators have been broken down sufficiently, and the budget is linked to policies and development goals, value for money audits can reveal the extent to which budgets have benefited women and men, girls and boys.

Source: White *et al* (1999: 61-74), Kristensen *et al* (2002), Stapenhurst and Titsworth (2001).

Chapter 3

The budget as a tool for accountability

Ultimately, the electorate will determine whether the executive has governed well, and will vote accordingly to either retain or replace it. But typically, several years pass between elections, and during this time, accountability is largely the business of the legislature. The budget is a key tool for accountability. Budgets reflect promises and commitments to different groups of people, and the legislature has a crucial role to play in ensuring that government honours these commitments. Sound budgeting depends on checks and balances to assure the integrity of the budget and the way it is implemented. This chapter examines how parliaments can contribute to an accountable budgetary process.

Several years pass between elections, and during this time, accountability is largely the business of the legislature.

Budget policy impact of legislatures

The foremost indicator of the impact of the legislature in the budget policy-making process is the extent to which it influences the content of the budget. One can distinguish between budget-making legislatures, budget-influencing legislatures and legislatures with little or no budgetary effect.

Box 20: A typology of the budget policy impact of legislatures

Budget-making legislatures have the capacity to amend or reject the budget proposal of the executive, and the capacity to formulate and substitute a budget of their own.

Budget-influencing legislatures have the capacity to amend or reject the budget proposal of the executive, but lack the capacity to formulate and substitute a budget of their own.

Legislatures with little or no budgetary effect lack the capacity to amend or reject the budget proposal of the executive, and to formulate and substitute a budget of their own. They confine themselves to assenting to the budget as it is placed before them.

Source: Adapted from Norton (1993: Table 4.1).

Budget-making legislatures are scarce. The United States Congress is the prime example in this category. Each year, Congress determines its own budget policy, and within this framework determines departmental spending and taxation measures.

Legislatures in some other congressional systems attempt to play a similar role, for example in Nigeria, but the United States Congress remains unrivalled among legislatures with regard to its influence over budget policy.

The largest group of legislatures generally approves the budget tabled by the executive with some minor changes. Sixty-three per cent (17 out of 27) of legislatures surveyed by the OECD (2002 b) indicated that they generally make minor adjustments. The group of budget-influencing legislatures includes those of Scandinavia, Republic of Korea, most of continental Europe and Latin America. These legislatures do not take over the budget policy-making function from the executive. They make adjustments while leaving the overall contours of the budget intact. The fact that legislative changes are minor does not mean that they are insignificant. For instance, when ministers fail to convince the legislature of the necessity of certain expenditures, cuts of the relevant items can release much needed resources to address more urgent needs elsewhere. This kind of legislative engagement can also send an important signal to the executive that waste or poorly prioritised spending will not be tolerated.

Finally, at the opposing end of the spectrum is a third group of legislatures with little or no budgetary effect, where the draft budget tabled by the executive is generally approved without changes. This group is primarily comprised of Westminster-type parliaments, where any successful amendment to the budget is considered a vote of no confidence in the government. Examples include Australia, Britain, New Zealand and a number of South-West Asian and anglophone African countries. A small number of other parliaments not guided by Westminster traditions also fall into this category. Some of the legislatures in this third category have started to engage with government in a consultative process prior to the tabling of the budget, for example in Ghana and Canada. This can provide a subtle opportunity for legislative input into budget policy formulation. However, the concrete impact of this consultation on the budget is difficult to determine.

Box 21: The confidence convention

The last time the British Parliament voted down a request for money was in 1919, when the Lord Chancellor was refused funding for a second bathroom. Amendment experience in many other Westminster type legislatures is similarly dated. It appears that the last time an allocation was reduced in the New Zealand Parliament, for instance, was in 1930 when the vote for the Department of Agriculture was reduced by five pounds. Nowadays, in the Westminster tradition, amendments to the budget proposal of the executive are, if successful, tantamount to a vote of no confidence in the government. This interpretation has evolved from the historical convention of the right of the Crown to 'financial initiative'. Notwithstanding the constitutional power of parliament to amend the budget, in a number of countries inspired by the Westminster system, the government would resign if any changes to its budget proposal were approved, for example in Canada, India and New Zealand.

Sources: Davey (2000), Lok Sabha (1998), OECD (2002b).

Table 1: Does the legislature generally approve the budget as presented by government?

	No changes	Minor changes only	Significant changes
Australia	X		
Austria		X	
Canada	X		
Czech Republic			X
Denmark			X
Finland		X	
France		X	
Germany		X	
Greece	X		
Hungary			X
Iceland		X	
Ireland		X	
Italy		X	
Japan	X		
Korea (Republic of)		X	
Mexico		X	
The Netherlands		X	
New Zealand	X		
Norway		X	
Poland		X	
Portugal		X	
Spain		X	
Sweden		X	
Switzerland		X	
Turkey		X	
United Kingdom	X		
United States			X
Total	6	17	4
Per cent of total	22%	63%	15%

Source: OECD (2002b).

Box 22: Asking questions about the budget in the New Zealand Parliament

Standard Estimates Questionnaire 2002/2003

Note: If any of the information sought in the questions below is fully provided in the 2002/2003 Estimates, Vote Ministers may wish to abbreviate their responses by simply cross-referencing to the relevant pages.

1. Critical current issues: When preparing proposals for the 2002/2003 appropriations for this vote, what critical current issues were faced by the Government in relation to this vote and how were these critical issues reflected in the appropriations?
2. Significant changes affecting appropriations: Please identify in brief the major changes affecting this vote for 2002/2003, covering:
 - All new policies and significant changes to existing policies and a summary of the rationale for each. (Please explain the threshold used for deciding that a significant change to any one policy has occurred).
 - Changes of more than plus or minus 10 per cent in amounts appropriated, and the rationales for these changes.
 - Any major changes in underlying social or economic activity, and the impact (if any) these changes have had on the appropriations.
 - Accruals or funds carried forward from previous appropriations.
3. Effectiveness of expenditure: Please provide a brief statement on:
 - The output classes (and related Government policies) you regard to be critical to achieving the stated outcomes for this vote and why you regard those output classes to be critical.
 - Your basis for considering that the output classes above contributes to the outcomes to which they have been linked. Please answer explicitly, for example, by citing relevant studies.
4. Linking outputs to outcomes: What are the Government's desired outcomes for your vote? Please comment in detail on the links between vote outputs and policy outcomes (not limited to financial outcomes). What impact evaluation has been done?
5. Reducing disparities: How do the outputs purchased under this vote facilitate the outcomes of diminishing economic and social disparities for Maori and Pacific peoples?
6. Monitoring of Crown entities: What arrangements are or will be put in place to monitor the performance of the Crown entities that fall within the purview of the vote? Are there any difficulties or significant issues which arise in relation to the monitoring of the performance of Crown entities that fall within the purview of the vote?
7. Review of legislation: Is any review planned of the legislation for which the administering department of the vote is responsible to assess whether any legislation is no longer required?
 - Is any legislation in need of update or amendment?

8. Funding within output classes: Please provide an estimate of funding of each major activity within each output class.

- Have there been any significant variations within output classes from last year?

9. External advice: Please provide details of estimated spending on external consultants, leased executives, advisers or contractors, including legal advice. Details should explain the purposes of any engagement and the reasons why departments do not intend to use their internal resources.

10. Departmental Statements of Intent (SOIs): What progress has been made in developing the key elements of a good SOI as outlined in the paper 'Roll-out of new planning expectations and Statements of Intent: Guidance for Departments'?

- Please provide a commentary of progress to date and a further indication of the roll out programme for your department, in particular the key elements as outlined in paragraph 14 of the above-mentioned paper.

11. Other information: Are there any matters relevant to your Vote you wish to bring to the attention of the committee that have not been described in the Estimates documents, in your budget press statements or set out in responses to other questions in this questionnaire?

Source: New Zealand House of Representatives, Finance and Expenditure Committee (2002).

Box 23: Definition and mechanisms of accountability

Accountability is an obligation to answer for the execution of one's assigned responsibilities. Four elements are necessary for accountability to work:

- Persons who have the power to make decisions and to put them into effect
- Objectives or standards that are to be attained by those persons
- An authority to whom the decision maker is answerable
- Some means of calling those responsible for decisions to account

An obligation to answer, to give an account of action taken, is the central core of the concept of accountability. Practices used by legislatures to exercise oversight include:

- Question time
- Interpellations
- Commissions of inquiry
- Special plenary debates
- The consideration of committee reports in the plenary
- Scrutiny of departmental reports
- The annual budget process

Source: Adapted from Murray and Nijzink (2002: 87-92).

Parliament has two principal opportunities to hold government to account for its budgetary direction and performance.

- First, *ex ante* scrutiny involves the review of expenditure and revenue proposals tabled by the government during the legislative stage of the budget process. The focus here is on the strategic direction or policy basis of the budget.
- Second, *ex post* scrutiny entails the review of budget implementation on the basis of audit findings. The main task is to determine whether the budget as approved by the legislature was properly implemented, and whether value for money was obtained.

Approaches to financial accountability differ with regard to the balance between *ex ante* and *ex post* scrutiny. On the one hand, some legislatures play a substantial role in *ex ante* scrutiny and attach relatively little importance to *ex post* scrutiny. On the other extreme, some parliaments that do not have the power to amend the budget focus on the *ex post* assessment of public spending in a Public Accounts Committee.

Ex ante scrutiny: approving the budget

The 'power of the purse' is an incontestable democratic fundamental. This means that there is an obligation on the legislature to ensure that the revenue and spending measures it authorises are fiscally sound and fairly match the various needs of citizens with available resources. But the exact nature of legislative engagement with a government's budget proposals varies substantially between countries, notably with regard to their powers to amend the budget and the process of legislative consideration, as well as their impact on budget policy.

There is an obligation on the legislature to ensure that the revenue and spending measures it authorises are fiscally sound and fairly match the various needs of citizens with available resources.

Legislative powers to amend the budget

The formal budgetary powers of a legislature are often spelled out in a country's written constitution, but they can also be based on convention, determined by ordinary legislation, or spelled out in legislative rules. These powers can vary in several aspects:

- Some legislatures face constitutional restrictions on their right to introduce financial legislation. Where parliamentarians cannot introduce financial legislation, it is the sole prerogative of the executive to initiate spending and revenue measures.

- Another important factor affecting the potential scope for legislative influence is the legislature's legal powers to amend financial legislation. The more permissive these amendment powers are the greater is the potential scope for legislative activity.
- Some constitutions provide for executive veto authority of the kind that requires extraordinary majorities to be overridden by parliament. By exercising a veto, the president can challenge legislative choices.

Table 2: Legislative powers to amend the budget

Rights	Number of countries
Unlimited powers to amend the budget	32
Reductions of existing items only	17
Rights not specified	15
Increases must be balanced with commensurate cuts elsewhere	13
May reduce expenditure, increase only with permission of government	4
Total	81

Source: Adapted from Inter-Parliamentary Union (1986: Table 38A).

There are various traditions of amendment powers. It appears that the largest category of legislatures has unfettered powers to amend the budget. The classical example is provided by the United States whose constitution establishes no legal limits on the budgetary powers of Congress, although the latter has imposed its own limits from time to time. Other examples of legislatures that have unfettered powers of amendment over the budget can be found in Austria, Denmark, Japan, the Netherlands and Norway, among many others.

On the other hand, the Westminster tradition of parliamentary government allows 'reductions only'. This means that parliament may only reduce existing items proposed in the government's tax and appropriation bills, but it may not include new items or increase existing ones. This configuration evolved during the early days of the House of Commons, when it met to consider demands for subsidies made by the Crown. Its task was to decide whether and to what extent it would comply with the demand and, if so, within what limits and by what means. Many countries in the Commonwealth have copied this configuration, for instance India, Canada, Ghana and Kenya.

Box 24: Revisiting the role of the Brazilian Congress in the budgetary process

New rules of budgetary amendment

In the past, the Brazilian Congress played no significant role in the budget process. Democratisation in the 1980s led to constitutional changes that gave Congress powers to modify the budget, with the result that many amendments are now proposed each year. Constitutionally, the Brazilian Congress may only increase one appropriation by decreasing another. A 'loop hole', however, also allows Congress to alter revenue figures when it concludes the executive has made 'errors or omissions'. To exercise effective control, the Joint Committee on Plans, Public Budgets and Auditing moved to a practice of imposing limits on congressional amendment activity. In a recent budget approval process, the following limits applied:

- Up to 20 individual amendments for each representative, each one reallocating no more than a certain sum (about \$750,000).
- Up to five amendments for each sectoral committee in each chamber of Congress, without a monetary limit.
- Between 15 and 20 amendments proposed by two-thirds of the representatives elected from each state, with no monetary limit.

Incorporating a gender perspective

Civil society has had the opportunity to engage with legislators in order to table specific amendments to the budget. *Centro Feminista de Estudos e Assessoria* (CFEMEA), one of UNIFEM's partners in Brazil, has been advocating for gender-responsive budgets with the Women Caucus of Parliamentarians (*Bancada Feminina*). CFEMEA presented five amendments to the Bill on Budgetary Policies for 2003 to the Congress committees during the discussions. These amendments were:

- The inclusion of the Programme of Women's Health in the budget's priorities and goals,
- The inclusion of the sex variable in federal government indicators,
- Capacity building of the Ministry of Health for activities in Reproductive Rights and Women's Health,
- Allocating funds for a campaign to curb violence against women in Brazil,
- Increasing allocations for day-care centres.

As a result of this advocacy the first two amendments were approved by Congress and included in the Bill. The Senate Commission on Social Affairs approved the proposed amendment on day-care centres.

Sources: Blöndal *et al* (2003) and UNIFEM.

Other countries constrain the powers of the legislature so as to protect the balance between revenues and expenditures suggested by the executive. This requires that an increase of expenditures has to be counterbalanced with a corresponding cut elsewhere to maintain the aggregate total. Versions of this configuration are popular in francophone and Latin American countries. A variant of amendment powers that safeguard the deficit allows the legislature to reduce expenditures, but to increase them

only with the permission of the executive. In effect, this gives the government a veto over legislative amendments that increase the deficit.

It is possible to consider amendment powers on a scale of declining legislative influence. Unfettered powers allow the legislature, in theory, to rewrite the entire budget proposed by the executive. Deficit-neutral amendment powers protect the executive's fiscal policy, but still allow the legislature to shape budgets, notably by reprioritising expenditures within an overall spending ceiling. The Westminster tradition of amendment powers is at the opposite end of the scale. It allows parliament no opportunity to shape budgets other than by cutting existing items. The funds that have been cut cannot be shifted to increase spending on a different item elsewhere in the budget.

Box 25: The budgetary powers of second chambers

Legislatures in federal countries are bicameral to facilitate regional representation in the federal law-making process. Bicameralism is not limited to federal countries, but only about one third of unitary states have bicameral legislatures. The budgetary role of second chambers differs.

Some have the same powers over the budget as the lower house, for instance in the United States. Others have asymmetrical and more precisely lesser powers in budgetary matters than the lower house. For example, article 105(3) of the Basic Law of the Federal Republic of Germany (1949) requires the consent of the regional chamber or *Bundesrat* for most revenue measures. The consent of the *Bundesrat* is, however, not required for the expenditure side of the national budget.

Finally, in some countries the regional chamber merely has a consultative role in budget matters. For example, section 109 of the Constitution of India (1950) allows the Council of States or *Rajya Sabha* to make recommendations to the House of the People or *Lok Sabha* when it comes to budgetary matters. These recommendations can be rejected or accepted by the lower house with a simple majority vote.

Source: With reference to Patterson and Mughan (2001).

Legislative powers over the budget are sometimes counterbalanced with executive veto powers. Such veto powers are more commonly found in presidential systems of government, although there are also a few parliamentary systems that incorporate executive veto powers over financial legislation, for example New Zealand. Executive veto powers can take two forms:

- 'Package veto' power means that a president can veto a piece of legislation only in its entirety. This is the case in the United States.
- A 'line item' or 'partial veto' allows a president to delete individual items in a financial bill. In this way, legislative decisions can be significantly altered by striking down particular items in the budget that might be of high priority for legislators. The Chilean President has such a line item veto, for example.

Box 26: Women in finance committees

Women parliamentarians' participation in budget or finance committees is quite limited. Women are far more likely to chair or preside over parliamentary committees on social issues than those concerning the economy or foreign affairs. Based on a sample of 97 countries, an IPU study conducted in 1997 found that only two per cent of the chairs or presidents of parliamentary finance committees were women. This compared with 23 per cent of social, family, health and labour affairs committees and 19 per cent of judicial and constitutional committees. At that time, the percentage of women presiding over finance committees showed no increase in those parliaments with greater proportions of women. In fact, in twenty countries surveyed where women comprise over 20 per cent of legislators, not one had a finance committee chaired by a woman.

Source: Inter-Parliamentary Union (1997).

Legislative committees and the budget

The budget goes through several stages in the legislature that usually involve a number of readings and debates on the floor of the house. These debates tend to be about the broad lines of the budget and have a publicity function for both government and opposition. The government can use the occasion to advertise its policies, and the opposition has an opportunity to point out perceived shortcomings and highlight its alternatives. Sometimes, large parts of these debates do not even focus on the budget. Detailed discussions of budget figures usually become possible in a smaller forum provided at committee level, away from the political limelight. Many legislatures have recognised the importance of effective committees, and committee involvement in the budget process appears to be growing in many countries. At the same time, there remain some countries without significant committee involvement.

Detailed discussions of budget figures become possible at committee level, away from the political limelight.

Many legislatures include a committee dedicated to the scrutiny of revenue measures. This is not always the same committee as the one that scrutinises expenditures. For instance, in the German lower house or *Bundestag*, the Finance Committee considers tax proposals, whereas the Budget Committee is responsible for the scrutiny of expenditure plans. The British House of Commons uses a Standing Committee on Finance to consider certain parts of revenue legislation only.

With regard to the expenditure side of the budget, there are several ways to involve legislative committees in the approval process. Some national legislatures have a single financial committee to consider expenditure proposals. Sectoral or departmental committees may make recommendations, but under the centralised committee model,

these are not binding. This structure can serve to protect the budget from demands for increased spending from departmental committees, such as those dealing with health, education or transport which often want to boost spending on 'their' sector. On the other hand, without input from sectoral committees, a chance might be missed to draw on members' expertise with particular policy areas during the scrutiny of relevant expenditures.

In fact, the participation of departmental committees does not automatically have to threaten fiscal discipline; it only does so when they can operate in the absence of strict expenditure ceilings and without a co-ordinating mechanism to keep aggregate spending within target. In some countries, financial committees approve aggregate ceilings for various expenditure areas, whereas sectoral or departmental committees have the power to shape the budget of departments under their jurisdiction. Such a two-tier committee structure for the consideration of spending proposals is used for instance in the Czech Republic and Sweden. Experience suggests that the system is useful both in ensuring prioritisation by drawing in sector expertise, and in enforcing budget constraint by having a budget committee safeguard aggregate spending targets.

Box 27: Should legislative committees be open to the media and the public?

There appears to be a growing trend for legislatures to open their proceedings and committee meetings to the media and the general public. For instance, 63 per cent (17 out of 27) of legislatures surveyed by the OECD report that their committee proceedings are open to the public, and the same applies to more than half of the Public Accounts Committees in the Commonwealth.

Some warn that there are risks involved in ending secrecy in legislative deliberations. Will opening the doors of committees to the media and the public politicise committee debates, or simply shift decision making to other forums such as working groups and party caucuses that are closed to the public eye? Against such arguments stands the fact that there appears to be no example of a legislature that implemented reforms to open committee proceedings, and subsequently felt the need to reverse this decision and return to secrecy. There might be grounds for barring the public in exceptional circumstances, for instance for discussions that relate to a central intelligence agency or highly sensitive defence matters. But, generally, there are few good reasons to prevent open access of the media and the general public.

By providing a platform for open discussion on the contents of the budget, legislatures can help to broaden and deepen public debate. Public hearings provide a structured way to bring into the budget debate the perspectives of experts from academia, civil society and the private sector. This can make the process more receptive to new concepts and approaches to budgeting, such as gender analysis and gender mainstreaming. Openness can also help to build trust in government. The reorientation of legislative bodies towards openness and accessibility signals that the age of secrecy in budgeting has come to an end.

Sources: McGee (2002), Messick (2002), OECD (2002b).

Ex post scrutiny: considering audit findings

Legislative oversight of public finance would not be complete without a guarantee that the budget as approved is properly implemented. To this end, a national audit body is tasked with providing information to the legislature on the integrity of financial accounts, and the efficiency and effectiveness of public spending. Without this final check in the process of financial oversight, there would be little incentive to comply with the wishes of the legislature as represented in the approved budget.

Legislative oversight of public finance would not be complete without a guarantee that the budget as approved is properly implemented.

Box 28: The Lima Declaration of Guidelines on Auditing Precepts

The International Organisation of Supreme Audit Institutions has put down fundamental standards for national audit in the Lima Declaration of Guidelines on Auditing Precepts. Among other issues, the declaration addresses:

- The importance of auditing for the sound management of public funds.
- The audit objectives of legality, economy, efficiency and effectiveness of financial management.
- The requirement for independence of the SAI and its staff, which should be guaranteed by the constitution and protected by the supreme court. Independence includes being free from influence by audited organisations and provided with adequate resources.
- The requirement that SAI audit powers be embodied in the constitution and legislation. The mandate of the SAI should cover all public financial operations.
- The relationship with the legislature, which should be laid down in the constitution, and this should include the empowerment and requirement of the SAI to report annually to the legislature (or other public body).
- The requirement that government remains fully and solely responsible for its acts and omissions and cannot absolve itself by referring to audit findings.
- The requirement that SAIs should have access to all documents and records.
- The requirement that:
 - (i) SAI audit programs be self-determined, and will include sampling and other techniques,
 - (ii) SAI staff have necessary qualifications, moral integrity and adequate salaries,
 - (iii) SAIs call on external experts as necessary, and
 - (iv) SAIs facilitate international exchange through INTOSAI.

Source: http://www.intosai.org/2_LIMADe.html

Legislative interaction with the supreme audit institution

Legislatures and the audit institution are mutually dependent in order to be fully effective. The exact content of legislative scrutiny at this stage is determined largely by what is received from the audit institution. While the legislature depends on high quality audit reporting to be effective, the auditor in turn requires an effective legislature to ensure that departments take audit outcomes seriously. To ensure optimal co-ordination, many audit institutions have legislative liaison offices and accompany the scrutiny of audit findings by the legislature on an ongoing basis.

The exact nature of the interaction between the legislature and the auditors partly depends on the model of supreme audit institution and its reporting structure:

- In Westminster-type systems the auditor general reports directly to parliament and a specialised multi-party Public Accounts Committee reviews audit findings. In some cases, a statute has been passed to make the auditor general an officer of parliament.
- In the board system, the audit board prepares and sends an annual report to cabinet, which submits it to the legislature.
- In audit court systems, the relationship between parliament and the auditor is less direct, as traditionally the court is institutionally independent from the legislative and executive branches. The court can pass findings to the legislature's finance committee, and it usually prepares an annual report for the legislature on the implementation of the annual budget.

Review of audit results by legislative committees

Most legislatures use committees to examine the reports of the auditor on the accounts of government departments. The task is not to assess the policy basis of the budget, but rather to consider whether spending did comply with the legislature's intentions and expected standards, and whether value for money was obtained. There are different options for establishing committee capacity to consider audit findings.

- In some legislatures, for instance in Germany, the same committee that is responsible for approving the budget is also tasked with considering audit reports.

Box 29: Consideration of audit findings in the German Parliament

The lower house of the German Parliament, the *Bundestag*, receives an audit report about ten months after the end of a fiscal year. The report is based on about 1,000 individual audits, and focuses on about 100 of the most important ones. It contains information on broader financial management issues as well as detailed comments across departments.

The report is considered in the audit subcommittee of the Budget Committee, where membership is proportionately distributed according to party representation in parliament. Each member is assigned the role of rapporteur for a specific ministry, and has to scrutinise the remarks on this entity in the audit report. The relevant ministers, or at least high-ranking bureaucrats, Finance Ministry officials and auditors take part in the discussions.

The Federal Court of Audit prepares a draft recommendation for each item. If adopted, the executive is obliged to implement the recommendations, and has to report on its progress in this regard within a set timeframe. Most decisions are taken unanimously, and about 90 per cent of the recommendations of the Federal Court of Audit are endorsed. The Budget Committee generally accepts the views of the subcommittee and refers its report to the plenary.

The Federal Court of Audit also produces a follow-up report two years later. This report documents whether the *Bundestag* adopted a recommendation by the Federal Court of Audit, and, if so, to what extent the relevant department implemented it. This tracking mechanism enforces compliance with committee recommendations by departments, which face expenditure cuts or reprimands during their budget hearings when compliance has been unsatisfactory.

Source: Wehner (2001).

- Another option that is common in most of the Commonwealth is to use a dedicated Public Accounts Committee for the scrutiny of audit findings. In some Commonwealth countries, the work of the Public Accounts Committee is complemented by that of a second committee that scrutinises audit reports dealing with publicly owned companies. For instance, in the Parliament of Trinidad and Tobago, a separate Public Accounts Enterprises Committee examines audited accounts of enterprises that are owned or controlled by the State.

The greater the number of audit reports provided to the legislature, the more urgent becomes the need to enhance committee capacity to deal with these reports in a timely and effective manner. As individual members have limited time and capacity, this might necessitate a division of labour within the legislature. Where there is one single committee dedicated to the scrutiny of audit reports, this can involve the creation of subcommittees.

- Such subcommittees might be either based on subject areas such as health or defence, in which case they might be more permanent, or they may work in an *ad hoc* manner to address particular issues when they arise.
- Yet another option is a rapporteur-based system that gives substantial responsibility to individual members of a committee.

Whichever method is chosen, it is important that ultimately the final discussion and decision stage remain reserved for the main committee.

Box 30: Parliamentary scrutiny of audit findings in Public Accounts Committees

A milestone in the development of the British Parliament was the creation of its Public Accounts Committee (PAC) as part of the Gladstonian Reforms in 1861. This initiative gave substantial impetus to the creation of similar bodies in most other Commonwealth countries, and such committees can be found in many anglophone African, South West Asian and Caribbean Parliaments. It is often a long-standing (but not universal) tradition that the chairperson of the PAC has to be a member of the opposition. This supports the non-partisan tradition of the PAC and indicates the government's willingness to promote transparency.

The PAC process has its starting point with a report from the auditor general. After receiving an audit report, hearings are the principal mechanism by which officials from departments, agencies or other relevant bodies answer to the PAC. The summoned officials appear in front of the PAC during the hearing, normally in the form of the accounting officer. A draft report on the hearing is prepared and debated in the PAC. While it is not normally required that PAC reports have to be adopted unanimously by the committee, some committees have found it useful to hold back reports until consensus has been established. The minutes of evidence of a particular hearing as well as the committee report should be published as promptly as possible.

Source: McGee (2002), Wehner (2003).

Table 3: Selected results from a survey of Public Accounts Committees

	Yes	No
Is the chairperson from an opposition party?	67%	33%
Are departmental officials normally summoned?	97%	3%
Is the auditor general normally summoned?	79%	21%
Are ministers normally summoned?	31%	69%
Is the committee required to be unanimous in its decisions?	33%	67%
Are committee reports freely available to the general public?	87%	13%
Are hearings open to the press and the general public?	55%	45%
Does the committee depend primarily on the auditor general's report?	85%	15%
Is the committee report debated in the legislature?	57%	43%
Is the executive required to respond to committee recommendations?	80%	20%
Are mechanisms in place for the measurement of committee performance?	33%	67%

Source: McGee (2002), based on a survey of 70 branches of the Commonwealth Parliamentary Association (CPA).

Not all legislatures use a single dedicated committee to consider audit findings. Some legislatures have found it useful, where appropriate, to devolve the consideration of audit reports to departmental or sectoral committees, as in the case of New Zealand. This can inject subject relevant expertise into the audit process in the legislature. In turn, sectoral committees might benefit from more intimate knowledge of the audit outcomes with regard to their respective departments. Proponents argue that scrutiny can be enhanced by involving sectoral committees, as audit reports would get more attention than the capacity of one single committee allows. However, the strong and in-depth relationship that can be developed between auditors and legislators when interaction focuses on one dedicated committee might not be replicable if the number of committees to be serviced is multiplied, unless the audit institution receives commensurately more resources to meet increased legislative demand.

Follow-up mechanisms

The finalisation of a report on audit findings by a legislative committee should not be the end of the *ex post* scrutiny process. In some countries, committee reports have to be followed by a formal response from the government. However, such reports only have practical value if the government addresses the issues they raise, and implements the recommendations of the committee. In practice, while experiences vary, a formal response from the government is not always sufficient for ensuring that the committee's recommendations are acted upon.

Some countries, such as Germany, go further in their follow-up through the use of a formal tracking report produced regularly by the audit institution. Such a report systematically considers or 'tracks' the extent of implementation of each recommendation made in an earlier report. Rather than a separate tracking report, some auditors include a chapter that reviews departmental action on previous recommendations in their annual audit report. This is the case in Canada.

In addition, with regard to particularly important issues, the legislature might consider interim reporting requirements to ensure that the government takes remedial action as speedily as possible. This can take the form of periodic committee briefings by relevant officials.

Box 31: The Public Sector Accountability Monitor in South Africa

Lack of government responsiveness can present a major challenge. An example of an innovative response is the work of an independent initiative, the Public Sector Accountability Monitor (PSAM) in South Africa. One of the activities of the PSAM is to follow-up reported cases of corruption and misconduct with the departments concerned. Once the relevant details of the case have been established, a summary of these details together with a list of potential breaches in regulations is faxed to the head of the department. After one month, the head of department is contacted to establish what the disciplinary outcome of the case was. This response is recorded by way of a telephonic interview and is made available in text and audio format on the internet. In the event of a non-response the PSAM will then request this information in terms of the Promotion of Access to Information Act. The success of the initiative demonstrates how legislative scrutiny can be actively supported and complemented by civil society.

Source: <http://www.psam.org.za>

Continuous oversight

Legislative oversight should not necessarily be restricted to budget approval and the review of audit findings. Rather, legislative effectiveness in budget scrutiny is enhanced by continuous oversight. Budgeting is a process rather than an event, and budget cycles are ongoing and interconnected. To keep track of all relevant issues, legislators have to follow the entire process as it unfolds. Expertise will develop most comprehensively when legislators are fully immersed in budget issues.

Legislative effectiveness in budget scrutiny is enhanced by continuous oversight.

For example, in many countries it is quite possible for legislative committees to ask government to report on the process of drafting an upcoming budget that is yet to be tabled, and legislators might request certain documentation that is used during the drafting process. During budget execution, the legislature should have access to actual revenue and expenditure data on an ongoing basis. In this way, it will be able to keep track of the progress that is being made in implementing the approved budget. This provides an opportunity to pick up problems at an early stage, before they result in significant discrepancies between the approved budget and actual revenues and spending. Continuous monitoring is also a tool to track progress in achieving gender equality.

Box 32: The particular role of the opposition

Ensuring accountability requires an effective opposition that has the opportunity to participate in the budgetary process. Indeed, in many parliaments, it is principally left to the opposition to hold government to account. It is therefore important that the regulatory framework within which parliament operates allows for adequate expression and participation of the opposition in the decision-making process. Therefore, parliamentary rules should be reviewed regularly with the involvement of the opposition. In many parliaments, key oversight committees such as the budget or public accounts committees are chaired by the opposition.

Source: Inter-Parliamentary Union (2003).

Chapter 4

A gender perspective on the budget

In tandem with increasing calls for greater parliamentary oversight of the budget and more involvement of the parliament in the process, the concept of gender-responsive budgeting has gained ground and various tools have been proposed to put it into practice. This chapter looks at the definitions, rationales and methods used in preparing and implementing a gender perspective in the budget, and presents a number of specific examples of its adoption in several countries.

Defining concepts

There is often confusion between the two terms sex and gender. While sex is used to refer to the basic biological differences between men and women, gender has taken on a more complex meaning. As a concept, it refers to socio-cultural characteristics which vary and evolve depending on religion, education, socio-cultural values or economic variables and determine the role and place of men and women in society.

In all countries, developed and developing, gender roles and relationships change slowly over time. They are determined by society and transmitted through cultural traditions, beliefs and norms. Gender identities and relationships are ascribed to people by the societies they live in. Moreover, the varying roles of women and men in their communities generate different needs and concerns.

Why a gender perspective?

It is often assumed that a national budget is gender-neutral; that in its functions, a budget will benefit women and men, girls and boys equally. In fact, by failing to take account of the different roles, capabilities and needs of women and men, budgets can reinforce existing inequalities.

As a group, women are as diverse as men, differentiated by class, race, ethnicity, age, education and so on. There are consequently competing claims from social groups on how the analysis of budgetary implications and impacts should be performed, and these claims vary according to their importance in different national contexts. The purpose of bringing a gender perspective to the budget is to ensure that budgets and economic policies address the needs of women and men, girls and boys of different backgrounds equitably, and attempt to close any social and economic gaps that exist between them.

The purpose of a gender perspective on the budget is to ensure that budgets and economic policies address the needs of women and men, girls and boys, equitably.

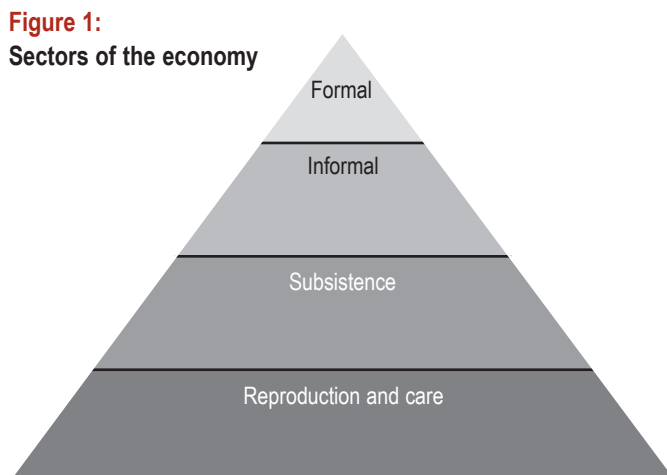
All over the world, both women and men play important roles in society. However, their positions in the economy and the remuneration they earn are different. Traditionally, much of the work that women do has not been recognised as part of economic activity. In recent years, however, time use studies have helped to highlight the definite but different contributions of women and men to the whole economy. The figure below shows the structure of the economy when work done in households is included.

“The budget is simply an instrument and no more than that. The instrument is there to translate a policy and a strategy. Unless those policies and strategies are right, the instrument translates wrong things that run against the interest of gender equality.”

Mbaye Diouf (United Nations Economic Commission for Africa)
Resource expert of the seminar on Parliament and the Budgetary Process,
Including from a Gender Perspective, Nairobi, Kenya, 2000

“People perceive us women as being unable to understand even the budget formulation. What they do not realise is that women make budgets every month in their homes and that the National Budget is the same, except that it is done on a large scale.”

I. Chisala, MP (Zambia)
Participant of the seminar on Parliament and the Budgetary Process,
Including from a Gender Perspective, Nairobi, Kenya, 2000



Source: Kabeer (2003).

At the apex of the pyramid is the visible, formal economy. It consists of paid activities done in the private and public sectors and is accounted for in government calculations of the size of the economy. In most developing countries, fewer women than men work in the formal sector and those women who do are concentrated in lower-paying jobs. The informal sector consists of many micro and small-scale enterprises that rely heavily on the unpaid labour of family members, especially women. In the less developed economies, the informal sector can be much larger than the formal one while in the industrialised countries it tends to be smaller.

The goods and services of the subsistence economy are produced and consumed in households. For many poor rural communities, subsistence farming is the main activity that falls within this sector. Since 1993, estimates of subsistence work done by households are included in standard national accounts but the sector is not yet fully integrated. At the base of the pyramid is the care economy that consists of all the tasks involved in producing and caring for people and building safe, peaceful and cohesive communities where they can live and work. Child-care, cooking, cleaning, laundry, fetching water and fuel wood, caring for the sick, elderly and disabled and voluntary work in neighbourhoods, are all part of this labour-intensive and unpaid sector on which all the other sectors of the economy depend. Although men and boys participate in it, the care sector depends almost exclusively on women's unpaid labour.

Box 33: Women's 'invisible' work contributes to global output

The 1995 UNDP Human Development Report estimated that women contributed 51 per cent of the time spent on all the activities, paid and unpaid, of the global economy while men contributed 49 per cent. However, an artificial separation between the public sphere (meaning the market and the State) and the private sphere (meaning the household and community) hides the care economy, where women work most. But the work that women do in households and communities produces the labour force and a secure environment for market and State activities. The longer it takes women to do care work, the less available they are to work in the paid economy. This raises not only questions of justice for women, but also of overall economic efficiency.

Source: UNDP Human Development Report (1995).

Failure to take into account the linkages between care work and the paid economy can result in less effective policies and inefficient allocations of the budget. On the other hand, expenditures on water, domestic fuels, child-care, education, health, unemployment benefits and pensions can reduce the burden of household work on women and free their time to engage in paid work. This can result in a synergic effect of policy objectives, such as increased family incomes, an increased rate of economic growth, higher levels of women's empowerment and increased mothers' investments in their children's health, nutrition and education. To achieve economic efficiency,

budgets and the policies they finance should recognise the dependence of the paid economy on the unpaid care sector and plan for both of them appropriately. While economic efficiency is a compelling reason for budgets to be gender-responsive, the goal of equity is equally important. Importantly, gender-sensitive budgets do not mean separate budgets for women.

Box 34: Budgets as means to fulfil national and international commitments to women

National constitutions usually state that all citizens are equal under the law and prohibit discrimination against women. By signing international human rights agreements such as the Universal Declaration of Human Rights (UDHR), the UN Covenant on Economic, Social and Cultural Rights (CESCR), the UN Convention on the Elimination of All forms of Discrimination against Women (CEDAW), and the Beijing Platform For Action (BPFA), governments have committed to working progressively towards equality and equity between women and men, girls and boys. At the UN Millennium Summit in 2000, governments of the world endorsed the Millennium Development Goals (MDG) to be achieved by the year 2015. Gender equality and women's empowerment is the third MDG. It is also recognised that it will be difficult to achieve the other MDGs without the attainment of gender equality. Governments therefore have a moral and legal obligation to achieve this goal.

Source: Grown and Gupta (2004).

To achieve economic efficiency, budgets and the policies they finance should recognise the dependence of the paid economy on the unpaid care sector and plan for both of them appropriately. While economic efficiency is a compelling reason for budgets to be gender-responsive, the goal of equity is equally important.

Parliaments can monitor government commitments fulfilled through the allocation of resources to bridge existing gender gaps in capabilities, opportunities and decision-making power. In addition, tracking expenditures against gender and development commitments improves accountability and transparency of the budgetary process and the effectiveness of budget policies.

What is a gender perspective?

Across the world, cultural norms instil women and men with different societal roles. In many traditional communities, men are expected to build and repair houses and herd animals while women cook, look after children, clean the home and care for the sick and elderly. In most Sub-Saharan African countries for example, boys inherit land and property while girls do not. And in many parts of the world, a man is considered the head of his household and takes most of the decisions that affect his family. A woman is

expected to obey her husband. In the industrialised countries, women have entered paid work in large numbers but they still spend more time than men doing household work, as an Australian time use study shows.

Table 4: Average minutes spent daily on activities of Australian women and men in 1992

Activity	Women	Men	Average
Labour force	425	516	482
Domestic, child care and shopping	301	175	242
Personal	628	621	624
Education	325	384	354
Community participation	99	125	110
Social and leisure	345	351	348

Source: Budlender *et al* (1998).

The different roles of women and men in their communities create different needs and concerns.

Because, in the past, women and men have not enjoyed the same rights and access to key resources such as education, land, credit and decision-making power, women and girls lag behind men and boys in many ways. For example, globally there are more illiterate women than men. Less than 5 per cent of women worldwide own land. More teenage girls than boys are infected with HIV/AIDS. Unequal rights and access to resources limit women’s ability to make decisions in their homes, communities or at the national level. Globally, more men than women hold government positions. Furthermore, on average, women occupy just over 15 per cent of seats in parliaments worldwide (see <http://www.ipu.org/wmn-e/world.htm>). While men and boys are discriminated against or disadvantaged by systems of gendered social relations, it is mostly women who suffer from gender inequality.

Gender is a social category like class or race or ethnicity or any other group that defines the rights and opportunities that are available for the individuals who make up that group. Gender analysis is an approach that is used to plan for all people, women and men, girls and boys. There are many ways that experts have adopted to measure gender relations and monitor progress towards equality. One framework that has been adopted by the UN Millennium Development Goals (MDG) Task Force on Education and Gender Equality defines the following three levels of equality between women and men (see Box 35).

Gender is a social category like class or race or ethnicity or any other group that defines the rights and opportunities that are available for the individuals who make up that group.

Box 35: Framework to measure gender equality

- Gender equality in the capabilities domain, such as in health, education and nutrition and other basic human abilities.
- Gender equality in access to resources and opportunity domain refers to equality in opportunity to use or apply basic capabilities through control over economic assets (such as land and property) and resources (such as income, credit and employment) as well as participation in decision-making.
- Gender equality in the security domain is defined as reduced vulnerability to violence and conflict.

All the three domains are inter-dependent and enhance women's agency, which is the capacity to shape decisions that affect one's life at the household, community, national and global levels.

Source: Grown and Gupta (2004).

National governments and international organisations collect data that typifies gender roles and relations in all these three dimensions. For example, the Inter-Parliamentary Union (IPU) collects data on women's participation in parliaments worldwide and the United Nations Development Programme (UNDP) publishes annual data on women and men's human capabilities. There are also new indicators that have been developed by experts to measure the causes and effects of gender inequalities. Using an analytical framework and gender disaggregated data, it is possible to make development plans that address the different needs of both sexes.

Box 36: The Gender and Development (GAD) framework

The Gender and Development (GAD) framework focuses on ensuring that all policies and programmes are designed to take into account the different gender roles and needs of women and men, girls and boys. It is a shift away from the Women in Development (WID) approach that addressed women's rights and needs through separate and special development programmes. The WID approach tended to focus on increasing women's capabilities and economic opportunities through special interventions like income-generating activities, child-care literacy and hygiene projects. The GAD approach recognises that culturally defined roles of women and men reinforce unequal relations between them resulting in marginalisation of both sexes, although women's marginalisation is more common. It therefore seeks not only to integrate women fully in the development process through mainstreaming gender issues in policies, programmes and budgets, but to transform unequal gender relations as well. The GAD framework is used as a tool to analyse the extent to which programmes or projects address the needs of women and men.

Source: World Bank.

Box 37: Strengthening governance through gender-responsive budgeting

By way of strengthening economic and financial governance through gender-responsive budgeting, the Government of Belgium hosted a High Level conference in Brussels on 16-17 October 2001 - sponsored by the Organisation for Economic Co-operation and Development (OECD) and supported by the Nordic Council of Ministers, the Government of Italy, UNIFEM, the Commonwealth Secretariat, and the International Development Research Centre-Canada (IDRC). The goal was to mobilise political and financial support to strengthen the capacity of governments and civil society organisations to carry out initiatives and to support the global vision of gender-responsive budget initiatives in all countries by 2015. The conference urged governments, international and intergovernmental organisations, multilateral institutions and non-governmental organisations to:

1. Encourage the examination of budget processes and objectives to ensure that women's and men's needs and priorities are considered equally;
2. Encourage women to participate in this examination, including as elected representatives and members of women's organisations; and involve the research community, development banks and civil society;
3. Encourage the incorporation of gender analysis in the preparation, implementation, audit and evaluation of government budgets at all levels; and show commitment to transparency and accountability by encouraging the application of gender analysis in government budget reports, including by setting out and reporting on the impact of past budgets and the expected impact of the proposed budget on gender equality objectives;
4. Recognise the use of gender-responsive budget initiatives as a tool to enhance the way civil society preferences and needs are incorporated into the budget, to improve transparency and equality, reduce poverty and achieve good economic and financial governance;
5. Encourage and support gender responsive budget initiatives worldwide and call on the Nordic Council of Ministers, the OECD, and UNIFEM in cooperation with the Commonwealth Secretariat and the International Development Research Centre -Canada and other relevant bodies, to continue to provide research, technical or methodological support for these initiatives;
6. Promote the catalytic and supportive role of international and development cooperation, including through increasing support for gender budget initiatives.

Source: Conference Communiqué 'Towards Gender-Responsive Budgeting', 17 October 2001.

How to perform a gender analysis of budgets

Several tools have been developed for use in gender analysis of expenditures and revenues. A commonly used tool is the *Gender-Aware Budget Statement*, which can be applied to the whole budget or to a number of sectors. Expenditures and revenues are analysed, using various tools, for their likely impacts on different groups of women and men, girls and boys.

Gender analysis of expenditures

Step 1: Situation gender analysis of a sector

This analysis begins with studying key documents and data on gender issues in the country and identifying their underlying causes and effects, both immediate and long-term. Very often, parliamentarians and civil society organisations have a fair idea about the social and economic situation of women and men, girls and boys in their constituencies. Data can be found in the line ministries, statistical departments and international reports.

Step 2: Gender analysis of sector policy

In the second stage, sector policy and programme documents are examined to see whether they address the gender issues previously identified. Does the policy reduce gender inequalities, leave them as they are or increase them?

Step 3: Gender analysis of budget allocations

The third stage analyses the extent to which any policy commitments to addressing gender concerns are matched by allocations from the budget. Does the government do what it says it is going to do? An assessment is also made of whether the allocations address the gender issues identified in step one.

Box 38: Framework for gender analysis of expenditures

Rhonda Sharp's framework is often used to break down expenditures into three categories:

1. **Gender-specific allocations** are allocations specifically targeting women and girls or men and boys. For example, school bursaries for girls or domestic violence counselling for men. Many governments have allocated special funds for women's programmes. It is important to analyse their impact on women's lives and ensure that such programmes give value for money. However, experience shows that gender-specific allocations are very small compared to the rest of the budget, usually less than 1 per cent.
2. **Mainstream allocations** need to be examined for their gendered impacts. Most expenditures fall in this category and the real challenge of gender analysis of budgets is to examine whether such allocations address the needs of women and men, girls and boys of different social and economic backgrounds equitably.
3. **Equal opportunity employment allocations** are allocations intended to promote gender equality in the public service. For example, day-care facilities for employees' children, paid parental leave, or special training for women middle-level managers. Particular attention is paid to the decision making levels because public service delivery systems make important decisions which impact on the lives of poor women and men. If they are not gender balanced, their decisions are likely to be gender-insensitive.

Source: Budlender et al (1998).

Box 39: Engendering Sri Lanka's national budget

Sri Lanka invested significantly in the development of human capabilities and physical infrastructure. As a result, women have benefited from free health and education services and have been moving out of agriculture into industry (especially the garment industry) and services as well as moving abroad for employment. Private remittances financed about 15 per cent of imports in 1997 and 75 per cent were from women. In addition, women contributed 53 per cent of the exports from plantations and free trade zones.

While the increasing contribution of women to economic growth was acknowledged, there was no information about how much they benefited from the budget. The National Planning Department undertook an initiative to analyse the likely gender impacts of the Sri Lankan 1996 budget. The study covered several ministries: education, health, social services, industries and agriculture. It also examined the gender distribution of employment throughout the public service. Allocations were considered in terms of (a) service deliverers and their personal pay and expenses as well as other service delivery costs, and (b) the impact on programme beneficiaries.

Education: Girls made up 53 per cent of students sitting the GCE 'A' level, which is the pre-university examination, and 54 per cent of students who qualified for university, but they occupied only 42 per cent of places available. In terms of benefits to students at all levels, 48 per cent of the education budget accrued to girls. The majority of primary and secondary school teachers were women (84 and 63 per cent respectively) but they were only 45 per cent at the tertiary level. Only 20 per cent of heads of schools and colleges were women. As the majority service deliverers in the education sector, women absorbed 68 per cent of the total allocation.

Health: More women than men used government health care services (56 per cent) and one third of admissions were for obstetrics and gynaecology. Admissions of men and boys were mainly in the surgical, dental and psychiatric wards. The majority of employees in this sector were women while senior decision-making levels were dominated by men.

Agriculture: 36 per cent of the Ministry's workers were women and were concentrated in lower level jobs. Only 9.5 per cent of senior managers were women and there was no woman in top management. Women farmers' participation in training courses was low and 23 per cent of trainers in the ministry's extension programmes were women. Membership by women of farmers' organisations was also low and their representation at decision making levels even lower. Since farmers' organisations are an important means of increasing production and accessing credit, women farmers were benefiting *less from these essential services*.

Industries: 70 per cent of the budget was for the development of an industrial park. Although men own most lots in such parks, 80 per cent of employees were women. Incentives for 50 garment factories in the South were recommended as a means by which to reduce high unemployment among women in those areas. Training programmes in entrepreneurship and technology transfer accounted for about 10 per cent of the budget but women's participation in them was low.

Social services: The ministry's services were for the very poor, those affected by floods and droughts, the disabled and other vulnerable groups. There was a gender balance at the professional staff and management levels. On average, 58 per cent of the total budget went to women beneficiaries of the programmes but fewer women than men benefited from vocational training.

The public service: Only one third of all employees in the whole public service are women. The majority (66 per cent) of professional employees in the provinces and in central government are women (mainly teachers and health workers). However, they are poorly represented at the decision making levels.

Recommendations: In the social sectors the study found that there is nearly gender equality in access and usage (in education 48 per cent of the budget was spent on females, in health 56 per cent and in social services 57 per cent). However, in the production sectors of agriculture and industries, women benefited much less than men from the recurrent budget. Recommendations included more resources for technology transfer, training, extension services and communication systems to increase women's participation as well as the design of programmes, delivery systems that equalise economic opportunities for women and men and measures to increase women's representation at decision making levels.

Source: Alailima (2003).

Government can be required to accompany each sector budget with a gender-aware budget statement indicating the expected impact the sector budget will have on women and men, girls and boys. It can also produce one statement covering expected gender impacts of all revenues and expenditures as part of the package of budget related documentation.

Alternatively, parliamentarians can commission their own research and use the findings to put questions on the budget during debate. There are many approaches to ensuring that expenditures address the needs of women and men equitably. The Philippines, for example, has enacted a law that defines mandates and processes and allocates resources for integrating gender in development.

Box 40: GAD budget policy in the Philippines

The Women in Development and Nation Building Act (Republic Act No. 7192), enacted in 1992, requires that every government implementing agency allocates a minimum of 5 per cent, to a maximum of 30 per cent, of all development assistance funds to programmes and projects that mainstream or include gender concerns. A number of guidelines have been issued to explain to national agencies and local governments how to comply with the act.

Since 1995, the number of government agencies submitting GAD reports as well as the total GAD allocation has been steadily increasing. However, by 1999 only 40 per cent of all

agencies had reported and the total GAD allocation was 0.6 per cent, way below the required minimum of 5 per cent. Reviews of the policy have suggested that the GAD budget has been successful as an advocacy tool for gender-responsive budgeting. In addition, funds have been provided for GAD programmes and projects. Experience has been gained in using a wide range of legal instruments including the act itself, memoranda, executive orders and circulars in gender mainstreaming.

This approach is not without its weaknesses. Focusing on the 5 per cent GAD allocation has made government officials, legislators and civil society advocates lose sight of the bigger share of the budget. The challenge is to use 5 per cent to integrate gender in the remaining 95 per cent. Behind every budget are policies and plans that governments conceive and implement. A GAD approach needs to be applied to the planning process for the GAD budget policy to be most effective. The act has demonstrated the critical need to generate political will and capacities needed to transform the budgeting process by investing in attitudes, skills and knowledge of various stakeholders.

Source: Budlender *et al* (2001).

There are other tools that can be used to bring a gender perspective at the stage of monitoring budget implementation. For example a *sex-disaggregated public expenditure incidence analysis* can be done to estimate the unit cost of providing a service and the level of utilisation by different groups of women and men. Some surveys done using this tool have revealed that a public service intended for poor women actually benefited richer women more. *Sex-disaggregated beneficiary assessments* are used to find out the extent to which a service addresses the needs of poor women and men. It is a measure of how poor people, themselves, value a particular service. Parliamentarians can enhance their oversight role and better reflect their constituents' interests through the use of these analytical tools.

Box 41: Tools for introducing gender analysis into the UK budgetary process

	<i>Questions explored</i>	<i>Requirements</i>
1. Making gender visible	Who are the recipients?	Data disaggregated by sex
2. Auditing revenue and expenditure	How is spending/revenue distributed between women and men?	Expenditure and revenue statistics disaggregated by sex
3. Gender impact assessment	What are implications in the short and long term for the gender distribution of: - resources (money and time)? - paid and unpaid work?	Data on the unpaid, caring economy, for example, a satellite account incorporating time use data Micro-analytic model of income distribution,

	Is provision adequate to the needs of women and men?	incorporating model of economic (e.g. labour supply) and other (e.g. fertility) behaviour sensitive to gender differentials
	How does policy affect gender norms and roles	Sensitivity to gender segregation, cultural practices and gender norms and the impact policy has on supporting or reconstructing these
4. Gender mainstreaming	How is gender taken into account in policy formulation, design and implementation? What priorities are given to reducing gender inequality?	Cooperation across government agencies and across the policy process Awareness of the scope of gender issues and ability to search out more hidden aspects of gender inequality Tools to assess the aims and priorities attached to policy
5. Benchmarking	Are specific targets for gender equality being met?	Awareness of complexity of gender inequalities when setting targets Ability to locate the policy and other influences on particular social phenomena

Source: Rake (2002: 10).

Gender analysis of revenues

Gender studies of revenues are not as well-developed as analysis of expenditures, but some examples exist from South Africa, the UK and a few other countries. Gender analysis of revenues is important because expenditures are determined after the questions of the size of the budget and the sources of revenues have been answered. In developing countries external funds form a large part of total revenues and direct taxes affect mainly the middle and richer classes. But changes in taxes and benefits are widely felt in the developed countries because of the wider revenue bases and the social welfare systems.

Revenues can be divided into three categories as follows:

- Taxation, direct and indirect
- Donor funds in the form of loans or grants
- Other revenues, such as from user fees and asset sales

It may be possible to examine how much women and men contribute to personal income tax if the data is sex-disaggregated. Men will usually pay more of this tax than women because they work more in the paid economy and occupy the better-paying jobs. In poor countries, this tax makes up a very small percentage of revenues because the majority of people are not required to pay it. Because households, rather than individuals, sometimes pay income tax, the gender impact of taxation can be difficult to study. Other types of analyses consider how particular taxes affect women and men because of the sector they work in, the types of jobs they do or their levels of income.

Donor funds may be tied to particular programmes and policies that have a gendered impact. User fees in the education, health care, water and electricity services can put such services out of the reach of poor households. Parents may withdraw girls from schools if they cannot raise fees for all the children and women's work burdens may increase if they have to switch from piped water and electricity and cover long distances to collect water and fuel wood.

There are several key issues to be kept in mind when conducting a gender analysis of revenues:

- **The unpaid care economy:** Where women have been the unpaid primary carers of their household, tax and benefit implications arise. For example, where governments decide to save money by reducing the number of available hospital beds, it is women, as unpaid primary carers, who take on the extra responsibility of caring for sick relatives. This responsibility consequently limits women's ability to generate any potential revenue.
- **Gender differences in household decision-making:** Research shows that women tend to spend a higher proportion of income under their control than men do on basic goods such as food, education, healthcare and the general well-being of their children. Where the prices of these items are raised, due to indirect taxation, women can be affected in two ways. First, time commitments can change if women subsequently become responsible for taking on extra duties or commitments to compensate for the price increase. Women, for example, may have to stay home with the children rather than sending them to a child-care centre. Second, consumption patterns can change. Women may be forced to purchase cheaper, less nutritional substitutes, or may decide to spend more time at home processing food rather than paying someone else to do it.

- **Gender differences in property rights:** In a number of developing countries it is customary to restrict women's ability to own or inherit property and reduce their capacity to manage risk successfully. Although women may not be currently taxed as property owners, increasing development and gender equality in property rights will eventually see women as an important part of the tax net.

Box 42: Gender impacts of taxes and benefits in the United Kingdom

An independent group of feminists, economists and social policy experts in the UK, called the Women's Budget Group (WBG), has concentrated on analysing taxes and benefits from a gender perspective on an annual basis. The reason for this focus is that the UK budget, as read out by the Chancellor of the Exchequer, is an annual statement of changes in taxes and benefits and the regulations related to them. Individual departments announce details of expenditures and policy reforms separately.

The WBG, which aims at promoting gender equality in economic policy, has raised awareness of the gender impacts of budgetary measures, offered policy advice and proposed principles and methods of introducing a gender perspective on the budget to the Treasury.

The group has focussed on tax credits, child-care, poverty among women and pensions policy, maternity benefits and parental leave, combining employment and caring, equal pay, productivity and women returning to employment after staying at home to do care work. The WBG members have interacted mainly with the Treasury, which is the government department responsible for macroeconomic planning, sharing their skills on a voluntary basis and advancing an argument of economic efficiency by integrating gender analysis. Although the WBG has succeeded in influencing some important policy changes, its major objective of getting government to institutionalise a gender impact analysis of revenues and expenditure in its budget process has not yet been realised. In addition to contacts with bureaucrats, there is a need to target parliamentarians in order to create a political momentum for change.

In its response to the 2002 budget, the WBG:

- Welcomed the principle of paying the Child Tax Credit to the main carer, who is most often the mother, rather than to the main earner. The Treasury accepted WBG's evidence that transferring income from the male 'wallet' to the female 'purse' would have a greater impact on child well-being and poverty reduction.
- Recognised that some of its concerns about the need to increase incentives for second earners to enter employment had been taken on board and urged the government to continue lowering barriers to women's employment.
- Regretted that child-care and improvements in funding of child-care were not given a greater priority in the 2002 budget. It pointed out that a recent report had shown that only 16 per cent of children under the age of three were able to make use of a registered nursery

or child-minder and proposed that the undersupply of child-care was related to the pay and career development of the occupation itself which attracted fewer workers than the professions of nursing, teaching and social work. The Group urged the government to consider the example of other EU countries which have established a unified 'Early Years' profession.

- Asked government to tackle pay inequality between women and men given that women working in the public sector earned 86 per cent of what their male counterparts earned. The group argued that with increased competition for staff from the private sector, public services could no longer rely upon a supply of women willing to accept relatively poor pay. Treasury spending to improve women's pay and remove pay inequalities was an essential investment for government to succeed in its modernisation programme.
- Recommended that training opportunities in the budget be extended to those returning to the work force after a period of caring.
- Recommended that funding priority be given not only to combatting street crime, but also violence against women. It called for a fair share of funds between crimes of violence which take place in public and those which occur in the private arena.

Source: <http://www.wbg.org.uk>

Gender budget initiatives

Gender budgeting initiatives have been developed in over fifty countries. Some were one-off activities and others have lost momentum while others are on-going. UNIFEM's 2003 mid-term review of its Gender Responsive Budgets Program identified twenty countries with ongoing gender budgeting activities, namely : India, Nepal, Brazil, Chile, Kenya, Peru, Ecuador, Bolivia, the Philippines, Nigeria, Tanzania, Uganda, Sri Lanka, Guatemala, Morocco, Egypt, Mexico, Belize, Senegal and Mozambique.

Gender budgeting initiatives have been developed in over fifty countries.

Different constituencies have found the tools of gender budgeting useful for different purposes. Gender equality advocates use the techniques to call for equity in resource allocations and to promote women's rights by asking governments to allocate resources towards the fulfilment of international commitments contained in human rights instruments such as the Convention on the Elimination of all Forms of Discrimination against Women and the Convention on the Rights of the Child. They can enhance efficiency, effectiveness, accountability and transparency in public spending. The interest of governments, legislatures, civil society organisations and development agencies in gender-responsive budgeting has grown for these varied reasons.

International agencies, notably the IPU, UNIFEM, UNDP and the Commonwealth Secretariat, have provided support for gender budgeting initiatives to governments, civil society groups and to partnerships with parliamentarians. The Commonwealth Secretariat for example, has been engaged in an international advocacy campaign to promote gender-responsive budgeting among its member States. It has been involved in the production of tools, methodology and capacity-building materials. UNIFEM has played similar roles of advocate or provider of technical and financial assistance, as well as catalysing and leveraging funds for new and innovative initiatives.

Progress continues to be made on various fronts. For example, the Latin America and Caribbean region is leading in innovations in the area of tool development, while the Andean initiatives are strong at local level budgetary analysis and participatory exercises. In East Africa, a knowledge network has been established. It is strong in policy advocacy, training and awareness-raising among policy-makers, NGOs and researchers. South Asia and Central America have strong research and capacity-building tools while other regions such as the Arab States, South East Asia and West Africa are working with donor agencies to integrate a gender perspective in PRSPs, MTEFs and performance-based budgeting techniques.

Challenges and limiting factors in gender budgeting

Various challenges remain in implementing gender budgeting and accepting the analysis generated by these processes, including:

Collection of sex-disaggregated data: In most countries there is some sex-disaggregated data within and outside government which can be useful. However, there is a need to generate more information in order to shed more light on the differences between women and men, girls and boys, particularly in access to resources, opportunities and security. Without accurate and relevant data, it is not possible to integrate a gender perspective in the budget process. For legislators, information to enable a gender analysis of the budget should be timely and brief enough to be utilised during the period of budget debate.

Assessing priority areas: There may be budgetary constraints or 'trade-offs' which make it difficult to prioritise outcomes suggested by gender-responsive budgeting. A gender disaggregated beneficiary incidence analysis may identify the different needs and interests of women and men with respect to a particular service but how does that information translate into priority changes in policy and expenditure patterns? How, for example, does an analyst compare differential spending on healthcare for men and women, since they have different healthcare needs and issues? There is a need to develop appropriate frameworks to assist in determining priority gender issues within and across sectors in the context of the whole budget. This is particularly important where country-wide poverty reduction strategies are being implemented.

From analysis to changes in policy and budgets: Currently, most of the gender budgeting initiatives worldwide are at the stage of analysis and there is limited evidence connecting analysis with policy and budget changes. This is not surprising given the rigidity of government decision-making processes and the tendency of public officials to avoid experimentation such as that involved in gender-sensitive budgeting. A few initiatives, such as that of the Tanzania Gender Networking programme have moved beyond analysis to mainstreaming gender into the budget (Rusimbi *et al* 2000). There is no prescribed formula or recipe for achieving a gender-responsive budget. Introducing a gender perspective to budgeting is a political process influenced by the broader political context in a country as well as the economic, social and cultural situation. However, partnerships of legislators, civil society groups, researchers and government budget planners can increase and sustain pressure for the introduction of policy changes, and changes to expenditure patterns to support gender equality goals. Broad coalitions can also help to spread a range of skills, such as advocacy, research techniques, budget literacy and analysis, to budget stakeholders and government planners. Gender budget work is fairly new and still evolving but it is important that it moves from the conceptual and theoretical phase to practice. Identifying, documenting and sharing information about initiatives which have progressed from the analytical stage to the stage of integrating gender in budget formulation is important.

Limitations on legislative intervention: Legislatures, in partnership with gender experts and civil society groups, have sometimes played an important advocacy role, for instance in South Africa, Uganda and Scotland. However, there are limits to parliamentary interventions. The role of legislatures in the budget process is often confined to budgetary approval and oversight, while budget formulation and execution are more commonly functions of the executive. To integrate a gender perspective in a budget requires gender mainstreaming of policies and programmes behind the budget. An active and gender-aware legislature can use the enactment stage to question budget priorities and call for allocations to promote equality.

Institutionalising gender budgeting tools: Gender budgeting requires political will, adequate resources and capacity, and a high level of budget 'literacy' amongst civil society partners and within women's policy-making machinery (women's bureaucracies and parliamentarians). Gender-responsive budgeting is a political tool to call for accountability on issues of gender equality. It is a powerful factor for change and its success depends on whether political will can be generated within government to support a process of transforming the traditional budget-making and policy processes by removing long-standing, in-built biases which disadvantage women and girls.

Challenging the traditional and dominant economic thinking of powerful bureaucrats in ministries of finance and international financial institutions requires technical skills and ideological persuasion. Civil society organisations and reformist parliamentarians committed to a vision of social change, as well as women's policy-making machineries

need to build economic literacy skills to meaningfully engage in economic policy debates. Moreover, there is need to build specialised capacity and tools for gender analysis of budgets. Coalitions and networks of civil society, gender researchers, parliamentarians and government officials have been useful for spreading skills among various actors in the budget process.

Utilisation of gender budget tools requires resources, particularly those that focus on *ex ante* monitoring and evaluation of the budget. There has been support both within and outside the gender budget circles for improved, innovative and less costly tools to gather relevant and timely information. There is a need for continued support especially in countries where resources and capacity are scarce. Although there is currently great enthusiasm for gender responsive budgeting among donors, there is a possibility that such interest may wane. It is therefore important to have a realistic perspective about the objectives, progress and limits of gender budgeting to avoid future claims of failure.

**Gender budgeting requires political will,
adequate resources and capacity,
and a high level of budget 'literacy' amongst civil society partners**

Chapter 5

Strengthening legislative participation

Too often legislatures find their capacity constrained, and are unable to participate effectively in the budget process. A number of obstacles can prevent legislatures from playing an active role in the budget process, for instance:

- When the executive commands a disciplined majority in the legislature, there may be less opportunity for legislative engagement than in cases where governments rely on the support of an uncertain coalition of parties.
- Legal frameworks may not be conducive to legislative participation.
- The committee system may be too weak to make a meaningful contribution to budgetary debates.
- The legislature may have insufficient time or lack the research capacity to properly assess budgets.

Nonetheless, there is an emerging trend in legislatures to strengthen their budgetary role. All over the world, political processes are opening up to citizens for greater engagement. As more women and representatives of other previously excluded groups take their place in legislatures, they seek not only to influence policies and budgets but also to transform the processes and culture of legislative decision-making. This presents challenges of developing the necessary attitudes and skills to embrace new issues and approaches. Looking at budgets from a gender perspective is one such challenge. This chapter will point out some of the approaches and initiatives that different legislatures have pursued.

“It is very important for legislators to take their oversight function seriously. I believe that if we can take it a step further and monitor the projects that are appropriated for, and if the Ministries and the parastatals know that they are accountable or they are mostly accountable to the people, it will help in ensuring the system being transparent.”

L. C. Ikpeazu, MP (Nigeria), Participant of the seminar on Parliament and the Budgetary Process, Including from a Gender Perspective, Nairobi, Kenya, 2000

Reviewing legislative powers

Legal frameworks need to provide sufficient opportunity for meaningful legislative engagement. The budgetary powers of legislatures need not be set in stone. Even if they are entrenched in a constitution, change may not be impossible. For instance, amendment powers can be reformed as part of a constitutional review process. But budget amendment powers are not always enshrined in the constitution. Sometimes they are contained in legislative rules, or based merely on tradition and conventions. There are thus different levels of entrenchment. This is important in considering the possibility of reform efforts aimed at broadening the legislature's ability to engage with budgets.

Box 43: Rethinking budget amendment powers in France

In 2001, based on an initiative of the French Parliament, significant changes were made to a 1959 ordinance on finance laws. One effect was to enlarge the legal powers of parliamentarians to make expenditure amendments. Article 40 of the French Constitution (1958) limits amendment powers with regard to finance laws: 'Bills and amendments introduced by Members of Parliament shall not be admissible where their adoption would have as a consequence either a diminution of public resources or the creation or increase of an item of public expenditure'. In the past, this had been interpreted restrictively as allowing only cuts in existing items. A key element of the 2001 reform legislation is a reclassification of the budget that involves the creation of 'programmes' within 'missions'. The constitutional limitation on expenditure changes was redefined to apply to the level of 'missions' – in effect allowing parliamentarians to change the division of funds between existing programmes within a mission. This means that parliamentary prioritisation of spending is now possible to some extent.

Sources: Amselek (1998), Chabert (2001).

Enabling legislative input during medium-term budget policy formulation

An exclusive focus on amendment powers is probably not sufficient, and perhaps not desirable. As discussed in chapter one, budgets are increasingly based on a medium-term perspective. In addition, the potential impact of incremental year-by-year changes on budget policy is limited, as many aspects of the budget are too inflexible for short-term shifts. For instance, strategies to cut personnel spending have to be implemented over the medium term in order not to threaten service delivery.

The legislature's annual review of the budget proposal, therefore, needs to be anchored in a firm understanding of the medium-term direction of budget policy. For this reason, it is desirable that legislatures also debate and scrutinise medium-term budget policies,

as well as the annual budget. To achieve this, a medium-term budget policy statement could be tabled and debated by the legislature ahead of the presentation of the annual budget. If the legislature is effective in making its voice heard in the determination of medium-term budget policy, the need for amendments to the annual budget may diminish. The opportunity to consider the budget strategy over a longer period of time may also enable the introduction of more far-reaching changes such as the use of gender analysis tools.

The legislature's annual review of the budget proposal needs to be anchored in a firm understanding of the medium-term direction of budget policy.

Box 44: Uganda's 2001 Budget Act and gender sensitive budgeting

Initiatives to introduce gender issues in budgets focus not only on the content of budgets but also on reforming the budget process itself and increasing the roles of legislatures and civil society. Women parliamentarians in Uganda, together with the NGO Forum for Women in Democracy (FOWODE), organised workshops on the budget process for all interested parliamentarians and exposed them to various models. This resulted in a Private Member's Bill that was passed as the Budget Act (2001). Although the act does not give parliament amendment powers, it has increased its role in the formulation stage by requiring the Minister of Finance to present for debate the medium-term macroeconomic plan and indicative budget framework several months before the annual budget is read (section 4). The act also improves parliament's role in monitoring budget performance. Budget performance reports including loans contracted and details of loan conditions and actual disbursements are made periodically to parliament. The Parliamentary Budget Office, established by the act, is working with FOWODE to introduce a gender perspective in its independent analysis of the budget.

Source: Byanyima (2002).

Establishing independent budget research capacity

Parliamentarians have to be empowered to independently analyse the budget if they are to play a meaningful role in the process. Even when the legislature has legal powers and the political space to shape budgets, analytical capacity is necessary to make sound budgetary choices. The ability to understand the budget and to make informed changes depends on detailed scrutiny that is only possible with sound analysis. It is important, therefore, for the legislature to have access to independent information and analysis on the budget preferably through its own research service. This can be complemented with analyses by independent think tanks, private sector economists and academics.

The ability to make informed changes to budgets depends on detailed scrutiny that is only possible with sound analysis.

Table 5: Some options for establishing budget research capacity

Structure	Example
Large and fully fledged budget office	United States
Specialised budget office on a smaller scale	Uganda
Budget unit as part of a general legislative research service	Poland
General research service with limited budget skills	United Kingdom

Some of the more active legislatures, in budgetary terms, have their own substantial budget research capacity. For instance, the Congressional Budget Office (CBO) of the United States has almost 250 highly trained staff, and there are almost 50 employees in the Congressional Planning and Budget Office (CPBO) of the Philippines. Uganda's Parliament recently established a Budget Office with 13 economists. Some legislatures have smaller research units that specialise in budget analysis, for example in Poland, and yet others have general research units that can deliver budget analysis when needed, such as the Research Service of the House of Commons Library in the United Kingdom. However, in many legislatures, budget research capacity is negligible or non-existent. Building such capacity should be an important component of efforts to strengthen the role of the legislature in budgeting.

Box 45: The critical role of parliamentary staff

In analysing the budget, parliament needs to attract the right parliamentary staff whose remuneration is commensurate with other government departments. The expertise of parliamentary staff should be enhanced through capacity-building initiatives, such as holding training seminars and setting up networks with civil society organisations, so that the advice they provide to parliamentarians is sound, comprehensive and impartial.

Source: Inter-Parliamentary Union (2003).

On their own, parliamentarians cannot conduct an independent gender analysis of the budget. They need professional staff with reasonable knowledge of the subject who can provide brief, accurate, and timely information to use in budget debates. Budget offices or the staff responsible for supporting budget oversight committees can establish links with institutions that can carry out gender analysis of budgets such as universities and research-based civil society groups, and with sources of data such as statistical departments. As part of their advocacy strategies, some women's organisations and other civil society groups provide parliamentarians with well-researched information on issues of concern. Activists sometimes undertake training programmes for legislators to raise awareness of gender issues and introduce new skills and tools for integrating a gender perspective into legislation and budgets.

Enhancing capacities of parliamentarians

To make the best use of information on the budget, parliamentarians need to build their own knowledge of economic policy, budgets and gender issues. Many civil society groups and research institutes provide training in these fields. For example, the Centre for Legislative Development in Manila and PARAGON/UNDP provide various capacity enhancement programmes for legislators and their staff in a number of Asian and Pacific countries. The Southern African Development Community (SADC) Parliamentary Forum based in Windhoek, Namibia provides training and exchanges between parliamentarians and parliamentary staff for the thirteen SADC countries. The Canadian Parliamentary Centre has capacity building programmes for staff and parliamentarians in many countries. Similarly, the International Budget Project (IBP) in Washington D.C. provides support specifically aimed at building budget analysis skills. The Inter-Parliamentary Union has organised a series of regional and national capacity-building seminars for parliamentarians and parliamentary staff on the parliament's role in the budget process, including from a gender perspective. Without a basic understanding of economic and budget issues and a minimum level of gender awareness among legislators, budget research and analysis will remain under-utilised.

Box 46: The work of the IPU in promoting the role of parliament in budgetary process

The Inter-Parliamentary Union has long held an interest in fostering good governance and in promoting the role of women in parliament. With these two interests in mind, it has, in collaboration with the World Bank Institute and UNDP, organised a series of regional seminars on the role of parliament in the budgetary process, including from a gender perspective. The success of the first seminar in Nairobi, Kenya in 2000 was replicated in Bamako, Mali in 2001, Manila, Philippines in 2002 and Colombo, Sri Lanka in 2003. These seminars have attracted a wide range of parliamentarians, keen to learn more about the budgetary process, and the strategies and techniques required to make effective interventions on behalf of their constituents.

On each occasion, parliamentary and civil society experts were invited to share their experiences of the budgetary process and the ways in which gender can be better incorporated within these. After a general introduction on the process, parliamentarians have discussed the respective roles of government and parliament in the budgetary process, issues of transparency and accountability, mechanisms to undertake a gendered analysis of the budget, and what it means to look at the budget from a gender perspective. Alongside each seminar for parliamentarians, parliamentary staff were also invited to participate in parallel sessions, in an effort to equip staff with the necessary strategies and information to be able to impartially advise parliamentarians.

Reports on each of these seminars have been published by the Inter-Parliamentary Union and can be ordered from its Web site: <http://www.ipu.org/english/pblctns.htm>.

“I cannot over-emphasise the need for parliamentarians to empower themselves with adequate knowledge, so that their oversight can be meaningful.”

B.P. Sonjica, MP (South Africa)

Participant of the seminar on Parliament and the Budgetary Process, Including from a Gender Perspective, Nairobi, Kenya, 2000

Broadening access to information

Legislative decision-making needs to be based on comprehensive, accurate, appropriate and timely information supplied by the executive. The amount of supporting documentation that accompanies the budget figures is crucial. In many countries, the budget document itself contains little narrative that outlines the policies underlying tax and spending proposals. Often the only source of narrative information is the budget speech. This makes it difficult for parliamentarians and their staff to understand the policy basis of the budget, and to evaluate whether the budget adequately reflects stated government policy.

In many developing countries, the comprehensiveness of information on donor funding needs to be strengthened. Donor funding should be included in the budget, and legislatures should receive detailed information on any funding agreements and attached conditions.

Budgetary decisions should be made in the knowledge of actual spending information.

Also needed is in-year actual spending information. This can help the legislature to control unauthorised expenditures and variance between approved and actual figures in a timely fashion. Budgetary decisions should be made in the knowledge of actual spending information, rather than on the basis of budgeted figures that might be little more than fiction. Apart from good in-year reporting, this also requires effective interaction between the legislature and the audit body, for instance through regular liaison mechanisms. Another frequently-occurring reform challenge is to narrow the gap between the end of the fiscal year and the finalisation of audit findings, to ensure that the usefulness of this information is maximised.

Many budgets do not sufficiently relate expenditures to budget objectives and this limits the possibility of examining the likely gender impacts. If this is the case, it becomes necessary to encourage a government to change its budget format so that it integrates relevant output and outcome information.

Box 47: What types of budget documentation should be available?

The OECD has developed Best Practices for Budget Transparency that deal with the availability of budget information, specific disclosure requirements, and integrity and accountability fundamentals. The OECD recommends the following types of budget documentation:

A comprehensive budget includes performance data and medium-term projections.

A pre-budget report states explicitly the government's long-term economic and fiscal policy objectives, and its economic assumptions and fiscal policy intentions for the medium term.

Monthly reports show progress in implementing the budget, including explanations of any differences between actual and forecast amounts.

A mid-year report provides a comprehensive update on the implementation of the budget, including an updated forecast of the budget outcome for the medium term.

A year-end report should be audited by the supreme audit institution and released within six months of the end of the fiscal year.

A pre-election report illuminates the general state of government finances immediately before an election.

A long-term report assesses the long-term sustainability of current government policies.

Source: <http://www.oecd.org/dataoecd/33/13/1905258.pdf>

Expanding the role of committees

Legislatures need strong committees to be effective. Legislative committees are the 'engine room' of the legislature. It is here that in-depth and more technical debate can take place, away from the political grandstanding that often characterises proceedings on the floor of the House. Where the committee stage is underdeveloped, and discussion takes place mainly on the floor of the House, the budgetary role of the legislature is weak. Useful reforms might entail:

- Establishing a comprehensive system of financial committees,
- Introducing public hearings on the budget,
- Boosting the numbers of support staff, and
- Expanding the time for committee consideration of the draft budget in order to facilitate more in-depth scrutiny.

Legislative committees are the 'engine room' of the legislature.

Where the committee stage is underdeveloped, and discussion takes place mainly on the floor of the House, the budgetary role of the legislature is weak.

Introducing a gender perspective requires that parliament allows itself sufficient time to scrutinise the budget in-depth and make alternative proposals, preferably through the committee system. Rules of procedure should enable sufficient committee scrutiny of sector budgets and public engagement, because without inputs from civil society advocacy groups through public hearings, parliaments alone are not likely to initiate and sustain pressure to integrate gender analysis into the budgeting process.

Box 48: The new parliamentary budget process in Sweden

In the past, the process of budget approval in the Swedish Parliament, the *Riksdag*, was described as 'undisciplined'. The focus of debate used to be on individual appropriations with little consideration of the aggregate effect of parliamentary action. The spending total was only certain at the very end of the process. Parliament recognised a need to reform in the early 1990s, which was a time of fiscal crisis, and established a commission to formulate a reform proposal. The reformed parliamentary process has three key steps. Parliament fixes the aggregate level of expenditures and revenues in a Spring Fiscal Policy Bill, which is tabled in April and approved two months later. Following the tabling of the budget in September, the Finance Committee discusses and recommends the allocations for each of 27 'expenditure areas', such as justice, communications and so on. Once the house has approved the division of aggregate expenditures, sectoral committees allocate funding to individual appropriations within their expenditure areas. The sectoral committees are permitted to change the composition of appropriations but must remain within the agreed total for their expenditure area. The budget is approved in December, before the beginning of the fiscal year in January.

Source: Blöndal (2001: 37-42).

Reassessing the timing of the budget process

Legislatures require both sufficient time and a properly timed budget process to facilitate meaningful decision-making. International experience suggests that a minimum of three to four months is required for the approval of the budget by the legislature on the basis of meaningful analysis and scrutiny. However, sufficient time is not enough in itself. The budget should also be tabled sufficiently in advance of the fiscal year to which it relates in order to enable the legislature to make decisions that matter, when they matter. Reforms to the budget process strengthen the legislature when they address both issues.

A minimum of three to four months is required for the approval of the budget by the legislature on the basis of meaningful analysis and scrutiny.

Institutionalising a gender perspective on the budget

Every new idea needs a champion. Within a parliament, a committee concerned with gender issues or the budget committee can assume the responsibility for planning and institutionalising a gender perspective on the budget. Alternatively, a less formal structure such as a women's caucus can take up the challenge and work with budget oversight committees. In South Africa, a sub-committee of the powerful Finance Committee led the process of integrating gender into the committee's work. In Uganda, members of the Special Interest Groups (SIG) Caucus, through their respective parliamentary oversight committees, began this process. Two new formal structures, the Budget Office and the Committee for Equal Opportunities, have taken over the roles of facilitating integration of gender issues in the budget and gender mainstreaming respectively. The appropriate institutional mechanism for introducing a gender perspective on the budget will be determined by the political and legislative system in place. Without such a mechanism, however, the momentum for such a transformative process can be difficult to sustain.

Box 49: Institutionalising a gender perspective on the budget in the Ugandan Parliament

1996: Forum for Women in Democracy, an advocacy NGO, facilitated the formation of a special interest groups caucus consisting of women, youth, disabled and working class parliamentarians.

1997: FOWODE executives influenced by the Women's Budget Initiative in South Africa designed a two-year training programme for the SIG caucus and parliamentarians from economic policy and budget committees on, *inter alia*, gender, economic policy, budget issues and advocacy. Trainers were recruited from academia, ministries of finance and gender, and the central bank.

1997: Participants in the programme resolved to move a Private Member's Bill to reform the budget process and increase parliament's role. After a speech by a leader of the WBI, participants at an annual retreat of the SIG caucus resolved to start a similar initiative.

1998: The Gender Budget Project was launched as a partnership of SIG and other parliamentarians, government officials, independent researchers, NGOs and journalists. Training, research and advocacy activities were carried out around the budget cycle.

1999: FOWODE was invited to participate regularly in the powerful Poverty Eradication Working Group of the Ministry of Finance and was involved in the PRSP process.

2001: The Budget Act was passed and the new parliamentary Budget Office has included gender analysis in its capacity-building plan and agreed to collaborate with FOWODE in

taking the work forward. Gender budget advocates in parliament have introduced in the new rules of procedure an Equal Opportunities Committee responsible for gender mainstreaming and fielded a woman parliamentarian to head the new Budget Committee.

2002: The East African Gender Budget Network was launched. Co-ordinated by FOWODE, it brings together government economic planners, parliamentarians, researchers and civil society advocates to share strategies and tools for gender analysis and advocacy on budget and economic policy issues.

Source: Byanyima (2002).

Box 50: Some possible approaches to strengthening the budgetary role of the legislature

- Reviewing and expanding the powers of the legislature to amend the budget.
- Providing a meaningful opportunity for the legislature to make an input to medium-term budget policy formulation.
- Establishing or enhancing budget research and analysis capacity in the legislature.
- Strengthening the understanding of legislators of economic policy, budget and gender issues through training and other capacity building initiatives.
- Broadening access to relevant and high quality information on the budget.
- Expanding the role of committees in the legislative budget process.
- Tabling of the budget sufficiently in advance of the beginning of the fiscal year.
- Ensuring at least three to four months for legislative scrutiny of the annual draft budget.
- Pioneering and institutionalising new and complementary perspectives on the budget, in particular from a gender perspective.

“The gender issue is a cross-sectoral issue. It cuts across all the sectors ... If we want to make sure that gender issues are captured in the sectoral review, we must make a point to inject gender preoccupations, and that is perfectly possible if we start, first of all, by asking all sectoral and ministerial structures to take into account, right from their mission statements, the gender dimension.

Many of us are not well versed with gender issues, and many equate gender issues to women’s issues. We need a lot of training to make our colleagues aware that when we talk of gender, we are talking about men and women, boys and girls, and trying to uplift the disadvantaged gender. Of course, for our African countries, it is the female gender which is mainly disadvantaged.”

K.R. Masiko, MP (Uganda)

Participant of the seminar on Parliament and the Budgetary Process,
Including from a Gender Perspective, Nairobi, Kenya, 2000

Budget terminology

The following is a small selection of terms frequently associated with budgets. Although an effort was made to provide broadly applicable yet concrete definitions, it is important to remember that budget terminology can differ between countries, depending on the budgetary traditions and conventions that have been influential in a particular geographical region. Sometimes, different words can have different meanings or a word that means something in one language has no equivalent in another language and cannot easily be translated. For these reasons, readers are advised to also consult their countries' budget documentation for country specific terminology and definitions. The following draws on glossaries compiled by the International Monetary Fund (IMF), the International Budget Project (IBP), the World Bank, the South African National Treasury, and Deardorff's Glossary of International Economics.

Accounting officer: In the Westminster tradition, the civil servant in a department who is accountable to the legislature for financial management, usually the administrative head of the department such as a Permanent Secretary or Director General.

Accounting system: System for recording financial transactions. The two major accounting systems are cash accounting and accrual accounting. Cash accounting systems recognise transactions and events when cash is received or paid, whereas accrual accounting systems record payments and receipts when parties enter into a commitment, not when cash changes hands. Most governments rely on cash accounting systems.

Allocative efficiency: Refers to the capacity of the government to allocate resources and select programmes and projects in conformity with its objectives. In economic theory, allocative efficiency, also called 'Pareto efficiency', occurs when resources are allocated in such a way that any change in the amounts or type of outputs currently produced would make someone worse off.

Apportionment: Authorisations or distributions of funds generally made by the ministry of finance to line ministries and other spending units permitting them to either commit or pay out funds, or both, within a specified time period and within the amounts appropriated and authorised.

Appropriation: Legal authority granted to the executive by the legislature to spend public funds. Appropriation legislation varies in terms of its detail. In some countries, there are a number of appropriation laws passed each year, covering different departments or spending areas, whereas other countries have a single budget law.

Budget legislation typically provides spending authority for a single fiscal year. However, permanent appropriations or standing appropriations provide spending authority over several years, and do not require annual approval. Supplemental or adjustment appropriations are sometimes granted subsequent to the annual appropriation law if the amounts provided in that appropriation prove to be insufficient to meet the intended purpose.

Balanced budget: A budget where total revenues equal total expenditures for a given fiscal year. When the budget is not in balance, it is either in deficit or surplus.

Balance sheet: A financial statement showing the values of the stocks of assets and liabilities held by an entity at a particular point in time. A balance sheet is typically compiled at the beginning and end of an accounting period. Balance sheets summarising starting balances, incomes and outflows, and ending balances are generally required for each distinct fund within a government's accounting structure. However, in practice, very few governments prepare statements of their financial position that can genuinely be described as comprehensive balance sheets covering all assets and liabilities.

Baseline: The benchmark against which proposed fiscal policy changes are measured. There is no universally accepted approach for measuring proposed budget changes. One is to use actual spending and revenue levels from the preceding fiscal year, another to calculate the cost of continuing current policies.

Budget: A comprehensive statement of government finances, including spending, revenues, deficit or surplus, and debt. The budget is the main economic policy tool of the government and indicates how it plans to use public resources to meet policy goals.

Cash budget: A system of budget execution that rations actual spending on the basis of available money. This means that no cash is released to line ministries for payment of their expenditures before sufficient funds are available from the central or general revenue fund.

Contingency reserve: Funds set aside for unforeseen and unavoidable expenditures that may become necessary during the fiscal year, such as costs arising from a natural disaster.

Debt: The outstanding amount the government owes to private lenders at any given point in time. Governments can borrow by taking out a loan directly from a financial institution, such as a bank, or issue bonds that are purchased by domestic and foreign businesses and individuals.

Debt service costs: The cost of interest on government debt.

Deficit: The difference produced when spending exceeds revenues in a fiscal year.

Direct tax: A tax paid directly to the government, for example a tax imposed on the income of individuals or companies.

Earmark: The dedication of funds to a specific programme. A particular stream of revenue can also be earmarked for a specific purpose.

Excise duties: Taxes on the manufacture or sale of certain domestic or imported products that are often charged on products such as alcoholic beverages, tobacco and petroleum.

Expenditure: Spending to fulfil a government obligation, generally by issuing a check or disbursing cash. Expenditures are sometimes distinguished between capital and current. Capital expenditures are investments in physical assets, such as a roads and buildings that can be used for a number of years. Current expenditures reflect spending on wages, benefit payments, and other goods or services that are consumed immediately. Furthermore, actual expenditure may differ from the amounts in the budget. Significant and persistent differences between actual expenditure and budgeted amounts are a sign of a weak budget system.

External audit: Refers to audit carried out by a body that is external to, and independent of, the organisation being audited, the purpose being to give an opinion and report on the organisation's accounts and financial statements, the legality and regularity of its operations, and its financial management procedures and financial performance. Organisations responsible for external audit of government activities most often report directly to parliament, and are often referred to as supreme audit institutions.

External debt: Debt owed to non-residents of the country concerned.

Extra-budgetary: Government transactions not included in the annual budget. A wide variety of extra-budgetary arrangements are used, including funds set up under separate legislation that are financed by revenue earmarked specifically for that purpose. In other cases, state sponsored businesses such as utilities or airlines have independence in certain respects, but the government may ultimately be responsible for bailing out these businesses when they run into financial trouble. Extra-budgetary activities may not be subject to the same level of scrutiny or accounting standards as programmes in the annual budget, although they should be.

Fiscal decentralisation: The devolution of expenditure responsibilities and/or revenue powers to lower levels of government, for example from a national or central government to regions or states, or to local authorities. Horizontal imbalances arise when resources, in relation to expenditure functions, are unevenly spread between jurisdictions within the

same level of government. Vertical Imbalances are due to a mismatch between the assignment of expenditure functions and revenue sources to different levels of government. Intergovernmental transfers and grants, usually from higher to lower levels of government, are used to address such imbalances.

Fiscal deficit: See 'deficit'.

Fiscal policy: Policy on tax, spending and borrowing by the government, which is used to influence macroeconomic conditions. An 'easy' fiscal policy is intended to stimulate short term economic growth by increasing government spending or reducing revenues. A 'tight' fiscal policy restrains short term demand by reducing spending or increasing taxes, and is often intended to restrain inflation. The government sets and implements fiscal policy through the budget.

Fiscal year: A 12 month accounting period on which government budgets are based. In some countries, the fiscal year does not coincide with the calendar year.

Functional classification: Organises government expenditure according to its various activities and policy objectives, such as health care, education, defence or justice.

Gender: refers to the socially constructed identities, roles and relations between women and men. Unlike biological differences, gender differences change over time and from one society to another.

Gender analysis: Approaches, methods and tools used to examine policies, programmes and projects for their likely impacts on women and men.

Gender budgets, gender-sensitive budgets, gender-responsive budgets or women's budgets: Terms used inter-changeably to refer to the variety of processes and tools to examine the differential gender impacts of budgets. They are not separate budgets for women but a break-down of the budget to show how women and men benefit from it.

Gender equality: Equality of outcomes for women and men. It can be captured in three dimensions: equality in capabilities, as in education and health levels; opportunities to utilise capabilities and earn incomes or have jobs and live to full potential; and agency, which is the ability to influence outcomes.

Gender mainstreaming: Processes, methods and procedures of integrating gender concerns into institutions so that women and men can participate and benefit equally from them.

Grants: Funds that the national government disburses directly to lower levels of government, corporations, non-profit organisations, and individuals. Some grants are given for specific purposes, requiring the recipients to meet certain conditions or requirements.

Gross Domestic Product (GDP): A measure of total national output, income and expenditure in the economy. GDP per head is the simplest overall measure of welfare, although it does not take account of the distribution of income, nor of goods and services that are produced outside the market economy, such as work within the household.

Horizontal equity: A key principle in taxation that holds that similarly situated taxpayers should face a similar tax treatment or tax burden. In other words, taxpayers earning the same amount of income or capital should be accorded equal treatment.

Incremental budgeting: A budget formulation process that focuses only on one year and how the budget for each programme differs from the levels adopted in the previous year. Incremental budgeting is often criticised as having a narrow focus, concentrating on funding changes to existing programmes rather than shifts in policy priorities.

Indirect tax: A tax paid to a second party, for example a shop owner, who then passes it on to the government. Examples are value-added tax and custom duties on imported goods.

Inflation: The rate of general price increase.

Inputs: What government has available to achieve an output or outcome. For instance, typical inputs funded by a health budget would be the salaries of doctors and nurses, the construction of clinics and hospitals, and the purchase of medical supplies and drugs. All are used to provide government health care services. Costs are the expenses incurred in using the inputs.

Internal audit: Refers to audit carried out by a department or unit within a ministry or another government organisation, entrusted by its management with carrying out checks and assessing the organisation's systems and procedures in order to minimise the likelihood of errors, fraud and inefficient practices. Internal audit units must be functionally independent within the organisation they audit and report directly to the organisation's management.

Liability: A debt owed to someone else. For governments, their outstanding public debt is their primary liability, reflecting amounts borrowed from the public that must be repaid at some future date. A contingent liability is one that depends on the occurrence of a specific event. For instance, if government provides crop insurance to farmers, it faces a liability only in the event of a drought or other weather conditions that reduce crop yields.

Macroeconomic: Referring to the variables or performance of an economy as a whole, or its major components, as opposed to that of individual industries, firms, or households. Opposite of microeconomics.

Medium term expenditure framework (MTEF): A multi year framework of rolling budgets where forward estimates produced with the annual budget, usually covering another two to four years, serve as the starting point for preparing the following annual budgets.

Microeconomic: Relating to the behaviour of small economic units, such as individual consumers or households. Opposite of macroeconomics.

Monetary policy: Policy in relation to interest rates, the exchange rate and the supply of money in the economy. Monetary policy aims at affecting macroeconomic conditions, in particular the control of inflation.

Money bill: Proposed legislation that contains revenue measures or appropriates funds. Outside the Commonwealth, the distinction between money bills and other bills is less common. In the Westminster tradition of parliamentary government, the constitutional powers of parliament to amend money bills are circumscribed.

Multi year budgeting: Budgets that take into account more than one year. In some cases, this means governments enact into law budgets that specify spending and revenue amounts for more than a single year.

Outcomes: The impacts on, or consequences for, the community from the outputs or activities of the government, for instance whether an increase in hours taught improved student test scores, whether more immunisations reduced sickness, or whether higher welfare benefits increased social equity. Outcomes reflect the intended and unintended results from government actions and provide the rationale for government interventions.

Outputs: The goods or services (usually the latter) government provides. Examples are teaching hours delivered, immunisations provided, or welfare benefits paid.

Performance budgeting: A budget process that integrates information about the impact of government spending. In its simplest form, performance budgeting places more emphasis on the outputs and outcomes associated with government expenditure and takes this information into account when setting future funding levels. However, gathering such information is a difficult task.

Primary deficit or surplus: The amount by which total government expenditure exceeds total revenue, minus interest payments on government debt.

Progressive tax: A tax that increases as a percentage of income as one's income increases.

Regressive tax: A tax that decreases as a percentage of income as one's income increases.

Revenue: The total annual income of the state derived from taxation and other sources, for instance user charges.

Stabilisation: The use of monetary and fiscal policies to stabilise GDP, aggregate employment and prices.

Supreme audit institution: A public organisation, normally independent of government and accountable to the legislature, that is responsible for auditing the government's financial operations. The SAI may carry out different types of audit activity: financial, compliance and regularity, and performance audits.

Surplus: The amount by which revenues exceed outlays or expenditures.

Tax: Money extracted from the public by the government on the basis of its sovereign powers. Typical sources of tax revenue include individual and corporate income taxes, payroll taxes, value-added taxes, sales taxes, levies, and excise taxes.

Tax base: The aggregate value of income, sales or transactions on which particular taxes are levied. Competition between jurisdictions may erode the tax base, for instance when a business moves to a jurisdiction with a lower rate.

Tax expenditures: These are concessions or exemptions from a 'normal' tax structure that reduce government revenue collections, typically granted in order to achieve some policy objective. Because the policy objective could also have been achieved through a subsidy or other expenditures, the tax concession is essentially regarded as equivalent to expenditure. Estimating tax expenditures is difficult and requires a precise definition and estimation of revenues under the 'normal' tax structure and subsequently the revenues lost as a result of the tax break.

Tax gap: A measure of tax evasion that emerges from comparing the tax liability or tax base declared to the tax authorities with the tax liability or tax base calculated from other sources.

Tax incentives: Specific provisions in the tax code that provide favourable tax treatment to individuals and businesses to encourage specific behaviour or activities, for instance accelerated depreciation provisions to encourage investment and provisions to encourage retirement saving.

Tax incidence: The final distribution of the burden of tax. Statutory incidence defines where the law requires a tax to be levied. Economic incidence refers to those who experience a decrease in real income as a result of the imposition of a tax.

Transparency: The public availability of comprehensive, accurate, timely, and useful information on the financial activities of government.

User charges: Fees paid voluntarily by the public in return for a service or good provided by the government. Because the purchaser receives a direct benefit in return for paying the fee, the payment is not considered a tax.

Vertical equity: A doctrine in taxation that holds that differently situated taxpayers should be treated differently in terms of income tax provisions. In other words, taxpayers with more income and/or capital than others should pay more tax.

Virement: The shifting of resources from one programme to another within the same department during the fiscal year and according to defined rules. In some countries, shifts of funds within appropriations are known as transfers or reprogramming.

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Useful websites

Canadian Council of Public Accounts Committees:
<http://www.ccpac.ca/>

Commonwealth Parliamentary Association (CPA):
<http://www.cpahq.org>

Gender Responsive Budget Initiatives:
www.gender-budgets.org

Government Finance Officers Association:
Best Practices in Public Budgeting
<http://www.gfoa.org/services/nacslb/>

Institute for Democracy in South Africa (IDASA):
Budget Information Service
<http://www.idasa.org.za/bis>

International Budget Project:
Legislatures and Budget Oversight
<http://www.internationalbudget.org/themes/LEG/index.htm>

International Organisation of Supreme Audit Institutions (INTOSAI):
<http://www.intosai.org>

Inter-Parliamentary Union (IPU):
<http://www.ipu.org>

Organisation for Economic Co-operation and Development (OECD):
Directorate for Public Governance and Territorial Development
<http://www.oecd.org/puma>

Organisation for Economic Co-operation and Development (OECD):
Results of the Survey on Budget Practices and Procedures
<http://ocde.dyndns.org/>

Parliamentary Centre:
<http://www.parlcent.ca>

Public Expenditure and Financial Accountability:
<http://www.pefa.org>

Siyanda:
Mainstreaming Gender Equality
<http://www.siyanda.org>

United Nations Development Program (UNDP):
Policy Dialogue on Legislative Development
http://www.undp.org/governance/policy_dialogueht.htm

World Bank Institute (WBI):
Parliamentary Program
<http://www.worldbank.org/wbi/governance/parliament/>

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Printed in France

ISBN: 92-9142-187-1

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This handbook was jointly produced by the IPU, UNDP, WBI and UNIFEM.

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