

JOINT LEARNING JOURNEY

Discovering a shared capacity for gender mainstreaming in development cooperation in the lead-up to the post – 2015 Agenda



Identifying opportunities for using PFM to promote gender equality

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Session objectives

To:

- Give an overview of PFM
- Give an overview of PEFA
- Locate GRB in PFM
- Identify opportunities for using PFM to improve gender equality outcomes
- Identify next steps for gender responsive PFM

Structure of session

9-11am

- 1) Overview of PFM (45 min)
- 2) Overview of PEFA indicators (15min)
- 3) Locating GRB in PFM (30 min)
- 4) Group discussions how to use PFM and PEFA to promote gender equality? (30 min)

Break- 11- 11.30

11.30- 12.45am

- 5) Groups present findings, 6 groups 10 min each. (1 hour)
- 6) Wrap up and summary (15 min)

Covered in this section

- What is PFM?
- Objectives of PFM
- 6 stages of budget cycle
- Transparency, participation and accountability of PFM
- PFM reform in brief

What is PFM?

“Public financial management is the system by which financial resources are planned, directed and controlled to enable and influence the efficient and effective delivery of public service goals.”

Chartered Institute of Public Finance and Accountancy

→ PFM deals with the **management of public resources**

3 basic elements of public finances:

1. Public expenditure
2. Revenues
3. Public debt

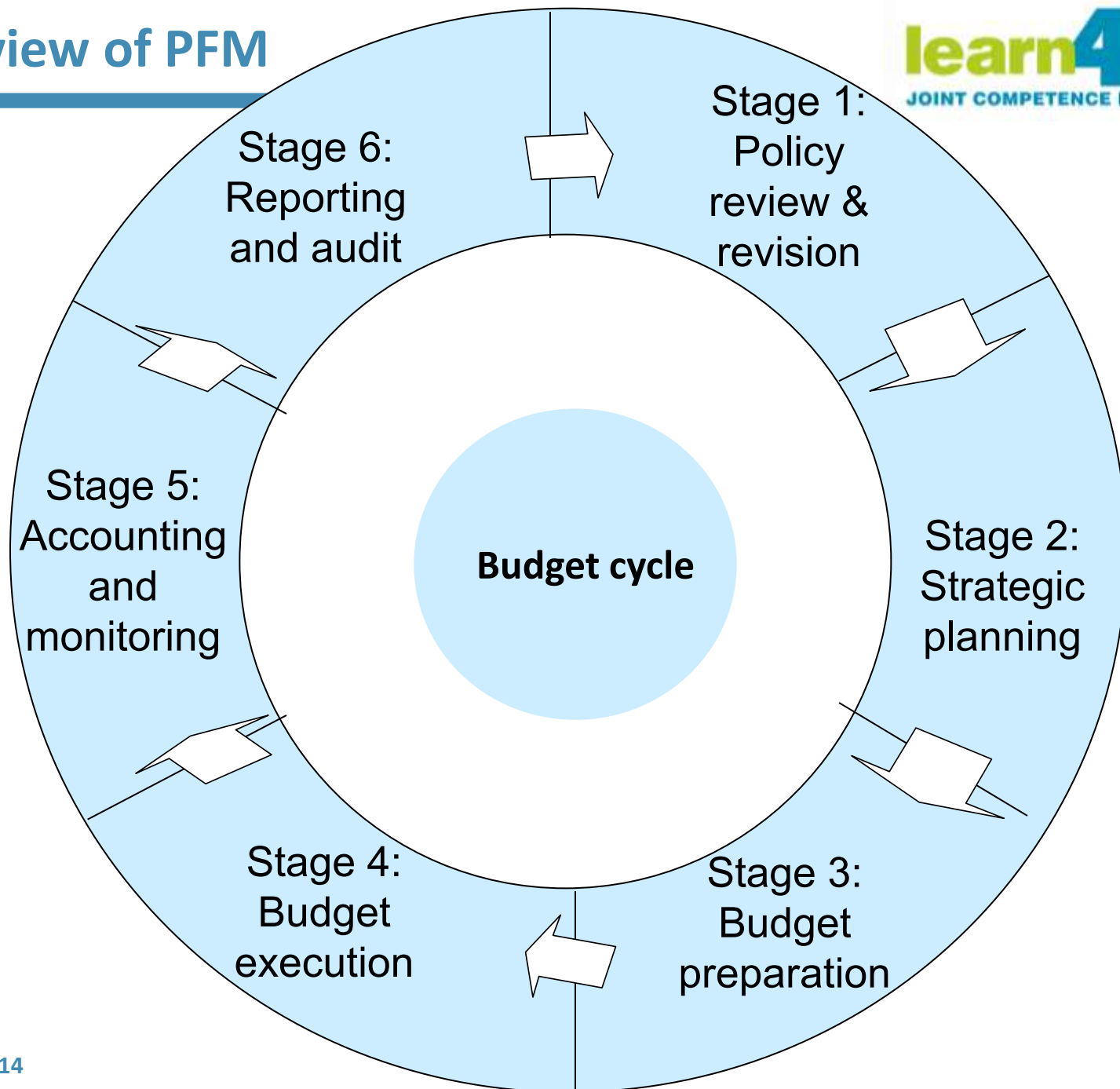
PFM is a support function, not an end in itself

Three Objectives of PFM Systems are:

- 1. *Aggregate fiscal discipline*** – public spending within means, promoting macroeconomic stability
- 2. *Allocative efficiency***– allocate resources in pursuit of objectives
- 3. *Operational efficiency***– to ensure resources deliver value for money.

6 key stages of the budget cycle

1. Policy review
 2. Strategic planning
 3. Budget preparation
 4. Budget execution
 5. Accounting and monitoring
 6. Reporting and audit
1. Policy review again ...



Stage 1: Policy Review

- National development strategy (e.g. Poverty Reduction Strategy)
- Macro-economic framework: macro-economic forecasts, policy goals, and the resulting restrictions on the budget
- Sectoral policies and priorities:
- Review of previous budget year: budget out-turn, audits, evaluations.

Without clear policies, there is no sound basis for planning.

Stage 2: Strategic planning

Translating policy into actions and resources to achieve policy goals

1. Calculate the available resource envelope – top-down macro-fiscal framework
2. Calculate the activities and resources needed to achieve the policy goals – bottom-up costed sector strategies
3. Match available resources with costed plans to achieve policy goals in the most efficient way = Medium Term Expenditure Framework (MTEF)

Stage 3: Budget preparation

- The budget:
 - establishes control over spending
 - improves efficiency if the budget reflects government priorities
 - forecast resources required to achieve an agreed level of activity
 - an authorisation to spend
- Different types of budgeting: e.g. input based budgeting or output based/programme based budgeting

Budget preparation = a process that translates plans into financial terms.

Stage 4: Budget execution

Good budget execution =

- achieve planned results
- no under or over spending

Revenue

- Taxes, tariffs, donor funds

Expenditure

- Payroll, procurement, transfers & grants

Debt

- Managing debt and insuring cash is available when necessary

Stage 5: Accounting and reporting

Accounting and reporting monitor compliance with budget authorisations, enable accountability and management decision making

Comprises:

- Transaction recording (bookkeeping)
- Accounting
- Reporting
- Internal Audit

Stage 6: Reporting and Audit

In some systems: Supreme audit institution (SAI)/the Auditor General is: independent, audits financial statements and reports to legislature

- Usually financial and compliance audit
- Independence guaranteed by constitution



- But also other types of audits, performance reviews and analysis carried out at this stage. For example analysis on the impact of revenue policy, PETs, or pro-poor budget impact analysis.

Stages of the budget cycle

1. Policy review
2. Strategic planning
3. Budget preparation
4. Budget execution
5. Accounting and monitoring
6. Reporting and audit

Should be linked up and transparent.

It should be possible to see how plans reflect the policy, how budgets reflect the plans, and how spending and collection reflects the budgets.

Transparency, participation and accountability

Good PFM should also include:

- **Budget transparency**: “The full disclosure of all relevant fiscal information in a timely and systematic manner” (OECD 2002)
- **Budget participation**: Meaningful opportunities for civil society to provide inputs into the budget process
- **Budget accountability**: The obligation of public officials to account for and be held responsible for their use of public resources.

All three are key to reducing corruption, leakages and waste, and fostering **equitable** outcomes.

Common PFM problems in developing countries (1)

- **Unrealistic budgeting** (stage 3)

 - e.g., the budget is a wish list that cannot be implemented

 - e.g., the budget is based on unrealistic expectations

- **The budget is not formulated based on policy** (stage 3)

 - e.g., incremental budgeting

 - e.g., a hurried process without necessary

Common PFM problems in developing countries (2)

- **The budget is not implemented as planned** (stage 4 budget execution)
 - e.g., cash is not available when it is time for disbursements
 - e.g., the budget is changed significantly during the course of the budget year supplemental budgets and/or "virements"
- **Poor reporting, poor auditing, poor response to auditing** (stage 6)
- **Policy, plans, budgets, executed budget, reporting, monitoring and evaluation do not link up.**

PFM reform strategies

- To address these common problems Governments develop **PFM reform strategies**
- Constraints on the success of PFM Reforms :
 - Political Constraints: Degree of leadership/ ownership of PFM reform at Administrative and Political levels.
 - Policy Constraints: Openness of the policy reform agenda, receptivity to new ideas, policy space for long-term reforms.

Demand for reforms can also come from:

- Public & Civil Society
- Donors, especially if using country systems.
- Global institutions such as WB, IMF, ADB etc

Financing and support for PFM reforms

- Governments self fund
- Multi-Donor Trust Funds
- Donors individually support
- Technical support from WB or IMF

E.g. DFID tends to support PFM reforms through Multi-Donor Trust Funds. DFID tend to have 1-2 advisers specialising in PFM who feed into the strategy of support, work with the government to implement reforms, and monitor the progress of reforms. They may also assist with monitoring activities for the government PFM systems such as funding sector Public Expenditure Tracking Surveys.

Opportunities with PFM reforms?

If we want to make PFM gender responsive it is important to know:

- What areas of PFM reform can make most difference to gender equality outcomes?
- How can specific PFM reforms be more gender responsive? Where should GRB tools be integrated?
- Who are the main actors in designing and implementing PFM reforms?
- Do the actors involved have the capacity required?
- What are the incentives for actors to ensure PFM becomes gender sensitive?

Public Expenditure Financial Accountability (PEFA)

Contents

- Background of PEFA
- Components of the PEFA Framework
- Using PEFA for assessing gender responsive PFM
- Other sources of PFM diagnostic information

Background of PEFA

Public
Expenditure and
Financial
Accountability

- A partnership of the World Bank, European Commission, IMF, UK (DFID), Switzerland (SECO), France and Norway.
- Overseen by PEFA Steering Committee
- Managed by the PEFA Secretariat, based at the World Bank in Washington, DC, established in December 2001.
- Framework being revised. In June the proposed changes will go out to stakeholders for consultation.

PEFA provides:

- A **high level overview** of a country's PFM system performance
- A **rigorously standardised assessment** to ensure objective scoring and consistency (= high acceptance)
- The **ability to measure progress** from one assessment to the next
- An **internationally-accepted approach**, to minimize donor assessment duplication and contradiction

It does not provide :

- an assessment of **government fiscal/expenditure policies**
- an assessment of **underlying causes** for good / poor performance
- a **roadmap** for PFM reform

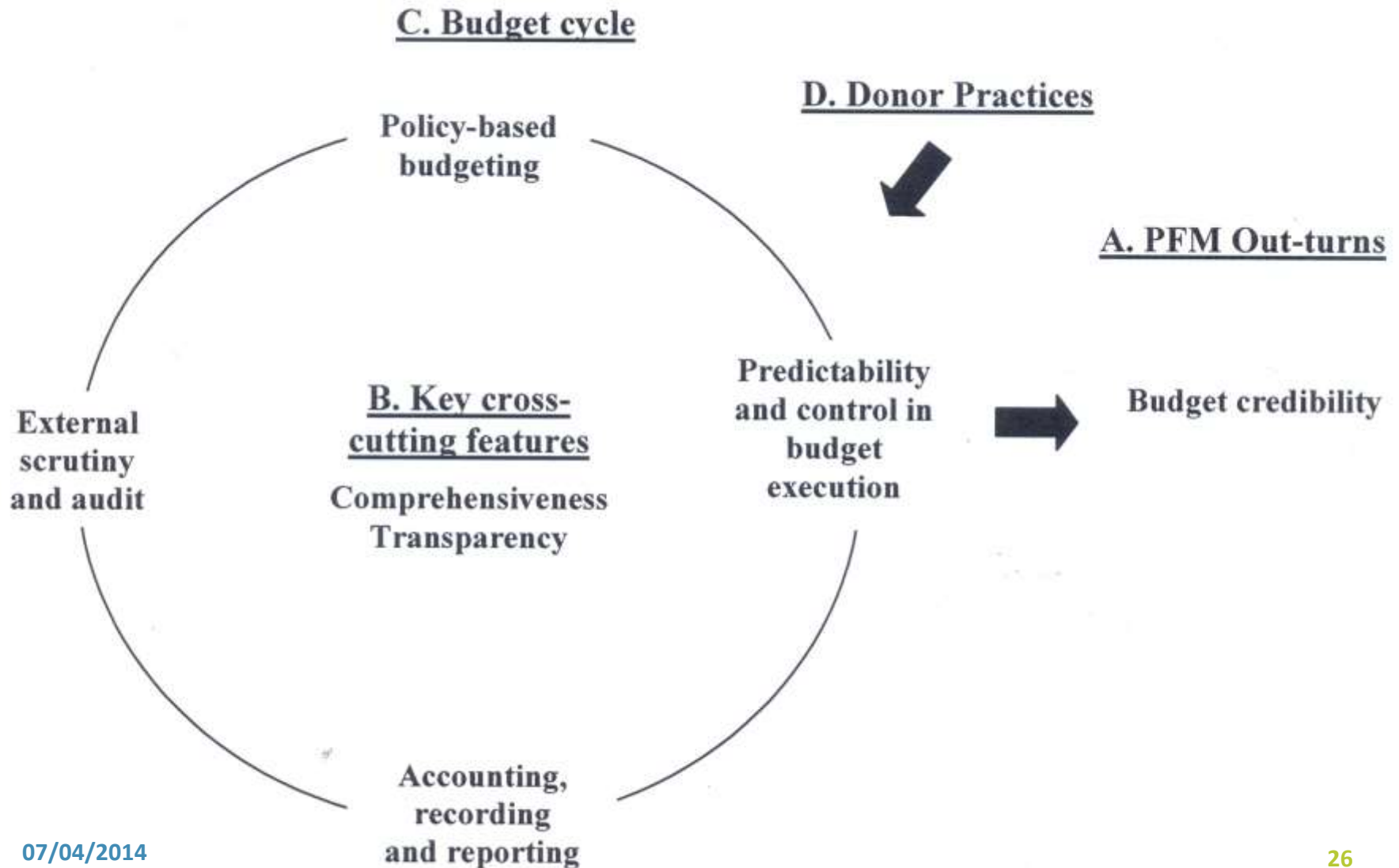
Components of the PEFA Framework

A standard:

- **Set of high level PFM performance indicators (PIs)**
 - 31 performance indicators (with 76 sub-indicators)
 - Grouped in six critical dimensions
 - A compromise between simplicity & comprehensiveness
- **Report format**
 - the PFM Performance Report (PFM-PR)
 - provides country background, evidence on the indicators and an integrated, analytical summary.

See handout of the 31 indicators

Structure and coverage of PFM system measured by PEFA



Using PEFA for assessing gender responsive PFM

- None of the assessment instruments (explicitly) includes a gender dimension
 - less incentive for governments to engender their PFM system if this aspect is not measured
 - lost opportunities for networking among domestic accountability actors and external accountability actors
- but different entry points for inclusion of gender dimension
 - ← similarities among principles of PFM reform processes and GRB

Other sources of PFM diagnostic information

- **Public Expenditure Review (PER)** analyses a country's fiscal position, its expenditure management systems.
- **Public Expenditure Tracking Surveys (PETS)** identifies problems with the flow of resources between different levels of public administration and frontline service providers.
- **Supreme Audit Institution audit reports** which should be submitted on an annual basis to the legislature.
- International Budget Partnership **Open Budget Survey and Open Budget Index** scores over 100 countries on how transparent and participatory their budget processes are.

Opportunities

- PFM diagnostic tools can give us useful information to see whether PFM systems are likely to enable gender equality outcomes
- They can identify areas of weaknesses that need to be improved in order for gender equalities policies to be implemented effectively
- Some of the tools e.g. PETS can include gender disaggregated data if designed well and mainstream gender issues throughout the analysis.

Locating GRB in PFM

Content of session:

- Definition of GRB
- Links between GRB and PFM
- Challenges of GRB
- Next steps for gender responsive PFM
- Group exercise

Definition of GRB

Gender-responsive budgeting (GRB):

- Is government **planning, programming and budgeting** that contributes to the advancement of gender equality and the fulfillment of women's rights. Entails **identifying and reflecting needed interventions** to address gender gaps in sector and local government policies, plans and budgets.
- Also aims to **analyze** the gender-differentiated impact of revenue-raising policies and the allocation of domestic resources and Official Development Assistance.
- seeks to create **enabling policy frameworks, build capacity** and **strengthen monitoring mechanisms** to support accountability to women.

(<http://www.gender-budgets.org/>)

How do these things fit into the PFM system?

GRB definition and link to PFM

- Is government **planning, programming and budgeting** that contributes to the advancement of gender equality and the fulfilment of women's rights. Entails **identifying and reflecting needed interventions** to address gender gaps in sector and local government policies, plans and budgets. *(Are the different elements of the PFM system linked? i.e. do the planned budgets, and executed budgets reflect the plans and policy? If not, then even if policies and plans address gender adequately they are unlikely to be realised.)*
- Also aims to **analyse** the gender-differentiated impact of revenue-raising policies and the allocation of domestic resources and Official Development Assistance. *(uses PFM systems to analyse budgets and revenue collection. If gender disaggregated data is available the easier the analysis)*
- seeks to create **enabling policy frameworks (integrating GRB tools into PFM systems), build capacity (ensuring key actors in PFM processes have ability and desire to integrate gender)** and **strengthen monitoring mechanisms** to support accountability to women. *(improving M&E within PFM systems, and also integrating GRB tools into M&E system)*

Similarities among principles of PFM reform & GRB

- **Stage 1: policy making**
 - ✓ evidence-based policy-making
- **'Stage 3 budget preparation:**
 - ✓ results/performance-based budgeting
 - ✓ medium-term budgeting and MTEF
- **Stage 6: Reporting and Audit**
 - ✓ analysis by outside actors: bottom-up accountability
- **All stages: accountability and transparency (good governance)**
 - ✓ management instrument by government: top-down accountability instrument
 - ✓ 'inclusiveness' → see principles of 'participation', broad-based country

Summary of links between GRB and PFM

- **GRB analysis of existing PFM systems can be used to promote gender equality** e.g. can analyse budget allocations with the aim of seeing how allocations need to change in the budget to promote gender equality.
- **Other GRB tools can be integrated into PFM systems to make them more gender responsive** e.g. budget output monitoring templates adapted to collect gender disaggregated data
- **If some elements of PFM systems improve this can have positive effects for gender equality** without specific GRB tools being used e.g. if budgets match plans and plans match policy.

NOTE: PFM is a system for implementing policies. Improving PFM will not necessarily improve policies. Though good PFM can provide key information that can be used to make better policy decisions.

Examples of gender integrated into PFM

Rwanda:

- Gender budget statements
- Central level direction: Budget circular requirements have been produced by the Parliamentary Budget Commission and also included in the State Budget Draft Law.

Nigeria:

- Line Ministries have identified key results and targets for reaching girls and women in the 2013 Budget.
- The Minister for the Economy and Finance (*Dr Ngozi Okonjo-Iweala*) shall reward well performing ministries, who deliver agreed results, with possible additional budget allocations.
- Progress in implementation of the results will be regularly monitored and reported on through a simple and strengthened accountability mechanism between Ministry of Finance, Ministry of Women Affairs, and the Implementing Ministries.

GRB in PFM literature

- Clearly overlaps with GRB and PFM. But.... **Most mainstream literature, PFM training, and PFM reforms are gender blind and do not consider use of GRB tools. Why?**

I asked PFM experts why they thought this was and what their views were and discovered that some PFM experts have **wrongly perceived GRB** as requiring budgets to set out what % of each budget line is benefitting females and as leading to advocacy for ring fenced budgets/ % allocations for girls and women, which is generally viewed by PFM experts as ineffective.

“Knowing what % of the budget is allocated to a certain category doesn’t really tell you much. Should it be 10 per cent, or 20 per cent?”

Challenges of GRB noted by GRB experts

- ‘GRB initiatives have a greater measurable track record in generating **analyses** than **changing budgets** and policies’
Sharp 2007
- ‘Not speaking the **language of the MoF**’.
- ‘Gender-responsive budgeting work in many countries remained a **‘one-off**’ activity (such as sensitisation workshops, trainings, and analyses) and was **not institutionalised**. ‘
EGM/FGCE/ 2007/ Report
- Of the 3 stages of GRB (Awareness, Accountability, Action) very little has been achieved in action to **embed gender** into the budget process and changes in the budgets and policies.

Challenges of GRB noted by MoF staff

“We are piloting a move from output based to program based budgeting, yes, but no, we have not asked for gender specific information. I know DFID are all about saying how important gender is, but I have yet to speak to anyone who really knows what this means in practice. Gender really is not a big thing here...I tried for a while to get a proper meeting with the GRB people but I failed – they were very illusive. I guess nobody here really knows what it is hence not wanting to answer my questions on it!”

“if that work is going on (GRB) then I certainly wasn’t made aware of it. I focus on the health and energy sector, as far as I am aware neither sectors reporting gender disaggregated data in their budget planning documents”.

These quotes are both from countries which have had GRB analysis carried out. However those at MoF seemed to have little awareness of it or what it meant in practice.

Challenges of GRB noted by PFM experts

- *“Perhaps the problem is that discussions on GRB have been somewhat misplaced? And therefore we need to be more precise about what is its proper place and, only then more demanding in ensuring it is given its proper place ? ” Andrew Lawson, PFM specialist, Fiscus.*
- *“My wild guess is that many gender experts are not good enough at PFM issues to convince PFM experts and perhaps PFM experts are not listening carefully enough to the gender experts.” Jim Donovan, PFM Expert, EC*
- *“I think it’s been tried before in many different sectors but I can’t think of a single developing country that actually sticks with it, suggesting it doesn’t really resonate with national budget managers.”- PFM specialist.*

Next steps for addressing challenges (1)

- Develop step by step guide for thinking about improving gender equality outcomes through improvements in the PFM system.
- Set out clearly what it means in practice for PFM to be gender responsive. Set out what should not be done. E.g. agree not to advocate for a each budget line to be assessed as to whether it contributes to gender equality?
- Discuss the terms. Promoting gender responsive PFM systems, which integrate GRB tools, rather than misunderstood term of GRB?
- Get some more examples of where gender responsive budgeting has been embedded in PFM.
- Bring together PFM experts with UN Women and others leading on GRB
- Community of practice with Finance Ministers UNWomen, WB

Next steps for addressing challenges (2)

Once we have a clear set of how PFM can become more gender responsive then:

- Update tools on PFM to ensure looking at gender as well as other dimensions of social exclusion
- Discussions with influential bodies carrying out PFM reforms: IMF, WB, donors, MoFs etc. to ensure that future PFM reforms are gender sensitive
- Discussions with donors including multilaterals to ensure that assessments for PFM systems are gender sensitive : PETS, PER etc, as well as their own results frameworks e.g. log frames and Annual Reviews.
- Ensure future PFM trainings and guidance incorporates advice on how to ensure PFM is gender sensitive

Next steps

- What are your thoughts about these next steps?
- Whose role is to take forward these next steps?
- How can we here progress on these steps?

Group Exercise

Each group looks at a different stage of the PFM cycle and answers the following questions:

- If this areas of PFM was working well would this provide a better enabling environment for gender equality outcomes to be achieved? How? Why?
- Which PEFA indicators measure this area of PFM?
- What else could be done to ensure that this part of the PFM system is gender sensitive? Any GRB tools that could be integrated?
- Who are the actors involved in making the required changes and sustaining them?
- Are there any incentives for actors to make these changes effective and sustainable. If so what? If not, what could be done?

Practical steps in country for creating gender responsive PFM systems

- Bring together PFM and GRB specialists and look where we can improve synergies
- Identify which are the areas of PFM that if improved can provide a better results for gender equality
- Identify GRB tools that can be integrated into existing PFM system to provide better results for gender equality
- Identify champions needed to support and sustain these changes and ensuring that the changes are effective and sustainable.
- Identify how to create incentives for actors to make these changes effective and sustainable.
- Bring together efforts to address more inclusive PFM – child-responsive budgeting Gender responsive budgeting
- Identify if actors have the technical capacity to effectively carry out required changes and if not see what tools training required.

PFM Expert Group Leaders

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**THANK YOU FOR YOUR
ATTENTION**