

**Financing for Gender Equality: Reframing and  
Prioritizing Public Expenditures to Promote  
Gender Equality**



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## I. Introduction

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The United Nations (UN) has advocated for a holistic approach to financing for development, one that emphasizes finance for sustainable, gender-sensitive, inclusive development. There is a growing consensus that inequality is unsustainable as evidenced by the global financial crisis that began in 2008, whose cause is widely linked to the growth of inequality within and between countries since the 1970s (Stiglitz 2012). Moreover, gender equality is increasingly understood not only as an end in itself but also as a means to raise society-wide living standards.

Investment in women's economic empowerment is an important measure of governments' commitment to achieving gender equality and pro-poor policy objectives. At the Fourth World Conference on Women in 1995, governments made commitments on financing for gender equality and women's empowerment and reiterated these commitments in a number of subsequent UN summits and conferences. At regional and national level most governments have made similar or greater commitments. And yet, it is often argued that governments simply cannot afford the expenditures needed to reduce poverty and inequality. Some political leaders have stated that gender equality is a luxury expenditure that must take a back seat while other more urgent problems are dealt with. That said, under the International Covenant on Economic, Social and Cultural Rights, signatory states have an obligation to take appropriate legislative, administrative, budgetary, and other measures to progressively realize economic rights, to use maximum resources to do so, and to avoid retrogression. With regard to the latter, states are required to demonstrate no deliberate retrogression and must show they have considered all alternatives (Elson 2012).

Government budgets are indeed constrained by the global economic downturn, declining foreign assistance, and rising needs in the face of the global food, fuel, and jobs crises. Research shows, however, that well-targeted public investments that reduce inequality can be self-sustaining insofar as they raise the productive capacity of the economy and thereby stimulate growth. With growth come higher incomes, generating the tax base to fund future public investment expenditures. The astute reader will discern a key underlying tenet of this body of work: the state, far from being superfluous, has a key role to play in

facilitating a development strategy that is characterized by greater equality and economic stability.

This policy brief explores these issues as they regard gender equality, first considering the main macroeconomic challenges for financing for gender equality. I then identify crucial linkages between expenditures to promote gender equality and fiscal space, providing some empirical evidence on the beneficial effects of inclusive and equitable policies in a variety of developing countries. In so doing, I underscore key alternative policies and measures in relation to financing for gender equality that deserve policymakers' attention. An added benefit is that in many cases, public investment that contributes to gender equality can also reduce other forms of intergroup inequality.

## **II. Macroeconomic Constraints to Funding Gender Equality**

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The fiscal space to fund programs and policies that improve human development and gender equality has come under severe strain in recent years. The global economic crisis that began in 2008 led to dramatic increases in joblessness and falling incomes and squeezed public sector budgets. The food price crisis has reduced the purchasing power of already severely constrained household budgets.

These crises have increased the degree of need, and at the same time, constrained government resources with which to address the material stress families have experienced. While some countries have been able to maintain their expenditures during the financial crisis, a number of countries have made plans to cut budgets. In a survey of 56 developing countries, Kyrili and Martin (2010) found that two-thirds were cutting budget allocations in 2010 to sectors that have significant effects on gender equality, including education, health, social protection, as well as subsidies on food, fuel and basic items.

The fiscal impact of the most recent crisis is merely an extension of over 20 years of pressure on government budgets. The macroeconomic policy framework adopted in many countries has contributed constraints on public sector spending needed to spur equitable

growth. The contours of those policies and their link to equity are discussed below.<sup>1</sup>

### ***A. Macroeconomic Policy Constraints***

International financial institutions (IFIs) have contributed to developing country budget woes with loan conditionalities that require the reduction of budget deficits through fiscal austerity. The emphasis then has been on *fiscal prudence* rather than *development goals*, negatively impacting on public sector expenditures. In Africa, for example, public expenditures fell from 9% of GDP in 1980 to 6% of GDP in 2005, rebounding somewhat by 2010, but still lower than in 1980.<sup>2</sup> In Mexico and Argentina, those percentages fell from roughly 12% to 2% of GDP during the same time period (Roy, Heuty, and Letouzé 2006). Public spending has rebounded to some extent in Latin America, due to the commodity price boom in the 2000s (Cornia 2012), but the same cannot be said of Africa. Of particular concern in that region is the decline in public expenditures on agriculture (Fan and Rao 2003). The critical problem with the fiscal austerity approach to resolving budget imbalances is that it implies an excessive focus on the short run, and too little emphasis on longer run goals—and as such, represents a timeframe mismatch between fiduciary concerns and development.

Public sector deficits have deteriorated due to a variety of other causes. One is trade liberalization policies which contribute to a decline in tariff revenues, a major source of public sector revenue in developing countries (Khattry and Rao 2002). Tariff reductions were intended to stimulate the import of cheaper intermediate inputs, and spur exports, thereby stimulating economic growth. The predicted increase in growth rates would in turn generate tax revenues to offset losses from tariff reductions. For many regions of the world, trade liberalization did not have the intended effect. The rapid growth of the global supply of inexpensive export goods was not matched by a growth in demand from rich countries. Instead, overproduction worsened joblessness in a number of developing countries while growth has stagnated and public sector budgets have been squeezed. Growth rates of GDP

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<sup>1</sup> For an excellent discussion of the gendered employment effects of neoliberal macroeconomic policies, see Braunstein (2012).

<sup>2</sup> Author's calculations, using *African Development Indicators*, online (accessed October 15, 2012).

since 1980 have on average been lower than in the period 1960-80 for most developing regions (Seguino 2011).

Slow growth (and therefore pressure on public sector budgets) is also in part attributable to financial liberalization. Wealth holders are now free to seek the highest inflation-adjusted rate of return on their financial investments. In this global competition for finance, made more necessary than ever as foreign aid declines, developing countries are under pressure to maintain high interest rates and keep inflation rates low. Both of these effects are deflationary, contributing to higher unemployment and slower growth.

Higher interest rates, for example, make it more costly for businesses to borrow, and as a result, dampen business spending that could otherwise both raise productivity and expand output and employment. The pressure to keep inflation rates low has led to inflation targeting policies with central banks using contractionary monetary policies to slow aggregate spending. The problem with this approach is that it contributes to slow growth, reducing public revenues available for public spending which could otherwise “crowd in” private investment and stimulate growth. And of course, it also directly slows growth through the negative effect of higher real (inflation-adjusted) interest rates on business spending and thus job creation.

A second impact of financial liberalization is that it has led to the selling off of a number of developing country banks to foreign ownership, with some disturbing effects. Stein (2010), for example, finds evidence in sub-Saharan Africa, that this has resulted in poor financial development, higher costs of financial intermediation, a decline in lending to the private sector, and increased capital flight as foreign banks invest more of their assets abroad. All of these contribute to slow economic and job growth.

A third problem that emerges from financial liberalization is the increased vulnerability of countries to financial crisis. A series of banking and financial crises since the onset of the most recent wave of global financial deregulation in the early 1980s has had harmful effects, especially on low-income households and women. In addition, severe economic crises reduce government coffers as incomes fall, and increase funding needs to

maintain social safety nets. Most recently, for example, a number of developing countries are responding to budget imbalances that have emerged as a result of the financial crisis by austerity measures that lead to lower social spending (Ortiz, Chai, Cummins, and Vergara 2011).

IFIs have responded to the increased risk of financial crisis by requiring countries to maintain larger foreign exchange reserves in order to hedge against potential crisis from financial panics, bankruptcies, and competitive devaluations. Specifically, borrowing countries are required to place a significant portion of foreign aid into foreign exchange reserve accounts or use these funds to reduce debt. Reserves held by low-income countries now amount 8 months of imports and almost 30% of GDP (Rodrik 2006). The cost of holding such large reserves is the interest that could be earned from investing funds in higher-yielding financial assets, at an estimated loss of approximately 1% of GDP. Second, the opportunity cost of holding such reserves is the potential for public investment to “crowd in” private investments and reduce inequality.<sup>3</sup> An antidote to the vulnerability resulting from financial liberalization would be capital management techniques to reduce the volatility of financial flows, a policy stance that until now has faced objections from the IMF.

### **III. Gender Equality and Public Investment**

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The public sector has a key role to play in creating the conditions for gender equality. Through its budget allocations, the state has the potential to redress inequalities and discrimination in the household, in asset ownership, and in labor and credit markets. This can be achieved through various measures including spending on education and training that close gender gaps, investments in access to health care, and expenditures that reduce women’s care burden.

For example, improved water and sanitation facilities decrease illness and time spent fetching water. The latter, considered a “female” task, is a major factor adding to women’s unpaid labor burden in a number of developing countries. Transportation improvements reduce the time women spend in marketing goods, and they also improve women’s ability to

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<sup>3</sup> Public expenditures that “crowd in” private investment do so by reducing the costs of business production (through, for example, better roads, communications, and education) and thus stimulate private investment.

access medical care. Insofar as these public infrastructure investments reduce women's unpaid labor burden, they expand opportunities to perform remunerative work. A large body of evidence indicates that improvements in women's access to income result in more resources invested in children's health, education, and development. This is due in part to women's propensity to spend a larger share of their income than men on children (Folbre 2002; Xu 2007). Further, improvements in mothers' health have been found to affect children's health *in utero*, with long-term positive effects on children's cognitive skills and thus productivity (Agénor, Canuto, and da Silva 2010).

These linkages imply that physical infrastructure investments to reduce women's care burden and improve their health have long-term economic benefits in the form of a healthier, more educated and productive workforce, and can thereby stimulate economic growth. An added advantage is they contribute to greater gender equality.

Given the potential for public sector spending to close gender gaps, austerity measures of recent years are particularly worrisome. In addition to cuts in social spending, fiscal austerity measures have led to underinvestment in physical infrastructure (roads, bridges, irrigation (Roy, Heuty, and Letouzé 2006). For example, for the period 2001-08, the share of public infrastructure spending in GDP averaged 0.64% across sub-Saharan Africa (Briceño-Garmendia, Smits, and Foster 2008; World Bank 2012). And yet, infrastructure needs for the region for 2010-15 have been estimated to be 9-14% of GDP. South Asia faces similar gaps (Estache 2010). In Latin America, actual public infrastructure expenditures were 2% of GDP in 2005, compared to an estimated need of 3% of GDP (Griffith-Jones and Ocampo 2008).

Constraints on public sector expenditures also limit funding for agriculture (such as credit and extension services), leading to increased reliance on imported food. Pressures on public sector budgets have a particularly negative effect on women as farmers who provide the bulk of food in sub-Saharan Africa. Studies have shown, for example, that were there equitable distribution of assets to females, on-farm productivity and output would increase substantially. Evidence from Burkina Faso, Kenya, and Zambia shows a 10-20% increase in



output is possible with equalization of female access to agricultural inputs (Saito 1992; Udry 1996).

Women's lack of access to agricultural inputs is in part due to restrictions on women's right to own land in a number of countries (Jütting, Dayton-Johnson, Dreschler, and Morrisson 2008). As a result, women lack the collateral to access credit needed to purchase inputs. Women's share of small farmer credit in sub-Saharan Africa, for example, is estimated to be 10% and for all agriculture, 1% (Doss 2005). Use of public sector spending to equalize access to credit and agricultural inputs could have a profound positive effect on women's well-being, on children's well-being, and on overall agricultural output, but fiscal austerity (and gender blind budgeting) has made this option more difficult to implement.

#### **IV. A Rethinking of Fiscal Space: The Investment Character of Expenditures Geared Towards Achieving Gender Equality**

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Many countries might be construed as lacking sufficient *fiscal space* to undertake public investment, even if economically desirable. The degree of space is circumscribed by limits placed on a country's debt to GDP ratio as noted above. The problem with the current approach to establishing debt ceilings does not factor in the growth-expanding potential of public investments which by their very nature yield benefits in the longer term. This is particularly the case for public expenditures that help to promote gender equality.

The challenge is for governments to reframe their thinking on public expenditures that could contribute to greater gender equality by recognizing the investment character of such expenditures. We can disaggregate such expenditures into two categories: physical infrastructure spending (to reduce women's care burden) and social infrastructure spending, which improves the productivity of labor. Some of those benefits are more immediate, but many are evident only in the longer run and manifest as higher economy-wide productivity. Key here is to identify the link between such spending and long-run growth.

It may be more immediately clear to the reader that spending on *physical infrastructure* has a public goods quality because it produces spillover benefits to society as a whole, with

the stream of returns accruing over many years. Less clearly understood is that some forms of social spending are not only for social welfare or social protection but also improve *social infrastructure*. This is because, by raising labor productivity, such expenditures raise incomes, generating tax revenues with which to pay down the debt incurred to finance the original investment. In the past, we have merely considered such spending as consumption spending, without any feedback effects on labor productivity and thus economic growth.

The timeframe for generating measurable returns to this type of spending (and thus in many cases borrowing) may be as long as five to 10 years. By that time, appropriate public investments will have begun to expand the productive base of the economy, generating (taxable) incomes with which to pay down the debt. Such investments then are both fiscally sound and sustainable. Key here is that gender-responsive investment itself *creates* fiscal space by adding to the productive base of the economy (Seguino, Berik, and Rodgers 2010).

In the case of education and employment, the growth stimulus of expenditures and policies that close gender gaps has been widely documented (Klasen and Lamanna 2009; Bandara 2012). Moreover, an expanding body of research demonstrates the linkages between physical infrastructure spending and gender equality in health, education, and income (Agénor, Canuto, and da Silva 2010). For example, Seguino and Were (2012) provide empirical evidence of a positive effect of infrastructure investments on gender equality in employment rates, using a sample of 38 sub-Saharan African economies for the period 1991-2010.

Using data from Tanzanian time use surveys, Fontana and Natali (2008) are able to simulate the benefits of targeted public sector infrastructure investments that reduce time spent on unpaid care activities for gender equality. They demonstrate that the such investments, by reducing the time spent on fetching water, fuel, and other unpaid household maintenance activities reduces the care burden and as a result, raises the earnings potential of both women and men. Their results show that women benefit disproportionately from such investments. Based on their results, Seguino and Were (2012) estimate that the time released from unpaid work would raise women's income by 17.7% relative to the economy-wide average income, and men's by 1.6% annually.

## V. Framework for Prioritizing Expenditures to Promote Gender Equality

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Financing for gender equality requires a well-targeted approach that strategically uses resources capable of leveraging change in multiple domains. In order to do this, we need to be clear about what our precise gender equality goals are. Over the last several years, a conceptual framework has emerged that identifies three domains of gender (in)equality: *capabilities*, *economic opportunities* (access to and control over resources), and *empowerment* (or voice in decision-making).

Indicators of *capabilities* include: education, access to health care, reproductive care, and support for care work. *Economic opportunities* can be measured by wage equality, share of paid employment, access to credit and technical assistance, and women's land ownership rights and access to land. *Empowerment/voice* is illustrated by women's share of political and civil government positions, and their share of professional, managerial and supervisory jobs.

For governments to effectively allocate financing to promote gender equality, it will be essential to begin by prioritizing among the many alternative potential budget allocations. How do we do that? While the priorities will depend on country-specific conditions, those goals that can leverage change in other domains should be prioritized. There is no one-size-fits-all rule on gender equality priorities. This will vary by country and context. In some cases, prioritizing the closure of employment gaps can be the key to leveraging changes in other domains. For example, underinvestment in girls' education may be linked to women's lack of viable job opportunities.

Gender-responsive budgeting (GRB) is a tool to promote gender equality by assessing the effect of government revenue and expenditure policies on both women and men (Budlender and Hewitt 2003). GRB is premised on the notion that implementation of gender equality commitments requires translation of those commitments into programs, services and measures that should be reflected in sector and local plans and budgets. In its simplest form, GRB is an approach built around five steps (Budlender and Hewitt 2003; Sharp 2003):

1. Gender analysis of the situation of men, women, girls and boys in a particular sector;
2. Analysis of how policies address the identified gender issues;
3. Analysis of whether the assigned budget allocations are sufficient to implement gender responsive policy;
4. Monitoring of expenditures and implementation of policies (which requires assessing whether public expenditure was spent as intended); and
5. Evaluation of outcomes (which requires assessing the impact of policy and expenditure and checking how it has contributed to the government gender equality commitments).

Each of the above steps corresponds to stages of public policy making from planning, to budgeting, implementation, monitoring and evaluation. Applying GRB entails utilizing a range of tools and methodologies at each of those stages. At the planning stage, gender analysis, audit and policy assessment are useful for identifying needs, and ensuring that gender equality priorities are integrated in national and sector development plans. At the sector planning stages, it is important to identify effective interventions and programs that should be provided by the sector ministries, and the necessary budgets and monitoring budget performance from a gender perspective (these include budget analysis, beneficiary incidence analysis, and citizen report cards).

We still have work to do in thinking through how to prioritize and sequence budgeting recommendations that contribute to greater gender equality. That said, gender budgeting processes should have a clear sense of their priorities. To give an example, for a number of sub-Saharan African countries, the major constraints on gender equality are attributable to women's unpaid care burden and lack of resources to improve their agricultural productivity. In that environment, it makes sense to prioritize the several goals: public investments in electricity, clean water, rural health clinics, and roads to reduce women's care burden; expansion of credit to small farmers, especially women, using government loan guarantees to overcome lack of collateral; and the implementation of quotas for women's representation in relevant bodies (such as have been adopted in Rwanda and Uganda) to help to ensure that public investment priorities reflect women's needs.

In other contexts, such as those where gender disparities in education are minimal but unemployment gaps between men and women are very large, the focus would be on

employment generation in general, as well as specific policies to promote gender equality in access to paid work and in sharing the care burden.

The macroeconomic constraints to gender equality and human development that we have observed in the last two decades underscore the need to develop alternative macroeconomic policies at the country level. Ministries of finance and central banks must also develop greater capacity to effectively assess the costs of shrinking public sector spending in all areas, but particularly as regards gender. This implies that ministries of finance and central banks are some of the most important government entities to “engender.”

In addition to gender budgeting then, financing for gender equality requires gender - equitable monetary and fiscal policies. This is a daunting task because the technical skills of policymakers and experts at this level are often not matched with a skilled gender analysis. Nevertheless, although macro-level policies that promote gender equality may not on their surface be gender-focused, they can be essential for gender equality.

To take an example, a reorientation of central bank policy from a narrow focus on keeping inflation low to one of employment generation can stimulate job opportunities. Inflation targeting has become the dominant focus of most central banks, which address inflationary pressures by raising interest rates, thus discouraging borrowing and spending. This approach attempts to solve the problem of inflation by reducing aggregate demand but at the cost of slower growth and higher unemployment. For many countries, however, the problem of inflationary pressures is related to low productivity due to widespread health problems such as HIV/AIDs, poor transportation networks, and constrained food supplies.

This implies that inflation might be more efficiently addressed with public investment rather than monetary policy. Studies show that inflation rates under 20% a year are not harmful to a country’s growth (Pollin and Zhu 2006). In an alternative framework that emphasizes inclusive monetary policy, the central bank would identify a “real” target, that is, one that identifies the key social and economic problem to be addressed by policy.

As noted above, an obvious one is employment. Under this scenario, the central bank's policy goal would shift to employment targeting in place of inflation targeting. If a country has a particular problem with generating good jobs for women, or more jobs in a particular region of the country, then the real targeting approach can accommodate such needs. An example of a policy to reach employment targets would be for the central bank to identify priority sectors or groups, and provide loan guarantees to banks that extend loans in these areas. In agricultural economies where women are subsistence farmers, small-scale agriculture is an obvious choice. Priority might also be given to small- and medium-sized firms.

To take a second example, capital controls, widely agreed to be a solution to excessive exchange rate and economic volatility, is a gender issue, not just a macroeconomic or balance of payments issue. Capital account liberalization is costly, not only because of the potential for economic crisis but also because countries are required to hold foreign exchange reserves to protect against volatility. Capital controls would permit countries to reduce the size of their foreign reserves, thus freeing up revenue for public expenditures. Investing those additional resources, even if just 1% of GDP, on expenditures that promote gender equality could induce further economic growth. And the resulting reduced economic volatility would decrease the drain on public coffers for social safety net expenditures.

To summarize, to be successful, financing for gender equality must move into the domain of macroeconomic policy formulation. The technical skills required for this are not insignificant. That said, a fundamentally important step is to address the macro-level constraints and analyze the downside gender costs of public sector contraction as well as various policies that deregulate capital flows and trade.

## **VI. Examples of Gender-Equitable Policies and Public Expenditures**

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These observations suggest some changes in the way we think about the goals of financing for gender equality. The work carried out by gender equality advocates the past five years has demonstrated that despite national commitments and policy guidelines from donors and national partners, gender equality as a development priority is often absent from

development and aid management processes and instruments.<sup>4</sup> GE is absent from direct budget support coordination groups, system-wide action plan (SWAP) technical teams, country strategy papers, performance monitoring indicators. Further, spaces for shaping strategic policies are not adequately inclusive of GE issues or gender equality advocates.

There is ample evidence of how integrating a gender perspective contributes to the achievement of aspired development results. The opportunity cost of the lack of attention to gender inequalities and women's empowerment has also been demonstrated in numerous studies. Donor and partner countries should ensure that development approaches that are inclusive of women's priorities are rights based and address the root causes of gender inequality and discrimination. Effective and inclusive development approaches should aim at integrating a gender perspective in mainstream policies and processes and put an end to the marginalization of women and girls in development processes. Applying this approach requires opening spaces for gender advocates and experts to engage in policy dialogue that shapes the systems and instruments, and defines priorities for action, budget allocations and accountability measures.

More generally, the financing for gender equality agenda should include efforts to analyze the relationships between macroeconomic policies and human development (of which gender equality is a component). Several examples of macro-level policies that support greater gender equality are explored below.

#### *A. Social Spending in Latin America*

Coincident with the ascendance of left-of-center and social democratic governments in Latin America in recent years, countries have raised minimum wages, increased public investment, and expanded social protection programs. These have contributed to a marked decrease in class inequality in the region, measured as decreases in the Gini coefficient (Birdsall, Lustig and McLeod 2011; Cornia 2012). These policies have also increased female

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<sup>4</sup> For example, see Gender Responsive Budgeting and Aid Effectiveness Knowledge Briefs, 2010, UNIFEM (now UN Women). [http://www.gender-budgets.org/index.php?option=com\\_joomdoc&task=cat\\_view&gid=277&Itemid=189](http://www.gender-budgets.org/index.php?option=com_joomdoc&task=cat_view&gid=277&Itemid=189)

and male employment rates, and because the effect on women is larger, they have narrowed gender employment gaps (Braunstein and Seguino 2012). This is significant since the most acute areas of gender inequality in Latin America are employment, wages, occupational segregation, and incomes.<sup>5</sup>

Examples of social protection programs adopted at either the national or provincial level include a primary care program in Brazil and conditional cash transfer (CCT) programs such as *Bolsa Familia* in Brazil and *Oportunidades* in Mexico. Each of these programs aims to improve human development by focusing on education, nutrition and health of poor families, particularly children and their mothers. As such, they should be categorized as social infrastructure spending. With regard to CCTs, funds are transferred to mothers, conditional on mothers ensuring children meet the goals of the program with regard to health check-ups and school attendance, as well as mothers' attendance at workshops. Molyneux (2007: 2) claims, "The recently developed antipoverty programmes (in Latin America) are...still premised on a gendered construction of social need and, indeed, have the effect of retraditionalizing gendered roles and responsibilities." Indeed, one potential outcome of CCTs is that women would withdraw or reduce time spent in paid labor in order to carry out their obligations under the rules of CCTs. Though they do not have specific data on CCTs, Braunstein and Seguino (2012) find that as social spending in Latin America has risen, women's relative employment rates have also increased. It would appear then that programs such as CCTs are beneficial not only for children but also because they improve women's access to jobs.<sup>6</sup>

### ***B. Gender Budgeting Innovations in Ecuador, Nepal, and Cambodia to Promote Gender Equality***

The identification and implementation of gender-equalizing and growth-stimulating public investment requires institutions that are up to the job and have the mandate to pursue

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<sup>5</sup> In contrast, gender disparities in education are minimal, and indeed, in a number of countries, women's educational attainment exceeds men's on average (Ñopo 2012).

<sup>6</sup> This may be because CCT funds helped women improve their health status, and covered the costs of child care so that they could then take a paid job.



such goals. Ecuador, Nepal, and Cambodia have made strides in effecting institutional change to this end.

In the case of Ecuador, Gender Responsive Budgeting (GRB) has been adopted via collaboration between the country's national women's machinery and the Ministry of Finance. A major focus of this effort has been capacity building so that government personnel can view budgets through a gendered lens. As of 2011, the government has mandated that the national budget include a report detailing spending to address equity gaps. To support this effort, a new tool, the Classifier K, was developed that permits the Ministry of Finance to identify spending towards gender equality.<sup>7</sup> Though developed earlier, this tool is an example of a response to the post-Busan monitoring framework that includes a commitment for governments to develop indicators to track and make public allocations for gender equality and women's empowerment. Such gender indicators can help to focus governments' efforts to establish and implement systems that effectively track and make public allocations for gender equality to inform policy decisions and investments.

The classifier K is applied to capital and current allocations and expenditures that fund activities implementing gender-related policies and laws, including those focused on women's social, economic and political rights, violence, access to justice, and sexual and reproductive health. The data generated through this system facilitates analyses of government spending towards gender equality, and allows for comparison in trends across fiscal years. This data also facilitates the distinction between budget allocations and spending.

The data generated from this has revealed that financing for gender equality in sectors beyond sexual and reproductive health is very weak. As an example, the Ministry of Agriculture, Livestock, Aquaculture and Fishing allocated only 2.54% of its 2011 budget to expenditures for achieving gender equality (Almeida 2012). The ability to make visible the gendered nature of expenditures is itself major progress, and generates the evidence on which to base public debates over allocation decisions.

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<sup>7</sup> The origins of the Classifier K date to 2007 in response to efforts by the National Women's Machinery (CONAMU) to promote strengthening of systems for gender responsive planning and budgeting.

In Nepal, the Ministry of Finance has formally introduced a system for sectoral ministries to categorize their program budgets based on the extent to which they support gender equality. Allocations are evaluated for the benefit incidence of public expenditures, the extent of support to women's employment and income generation, and the impact on women's time use. From this analysis, allocations are categorized into three groups: a) directly responsive to gender equality (more than 50% of the allocation directly benefits women), b) indirectly responsive (20- 50% of the allocation directly benefits women), or 3) neutral (less than 20% of the allocation benefits women). Additionally, the Ministry of Finance requires all programs or projects with a budget exceeding 50 million Nepali Rupees to have a gender audit report attached. In 2009/2010, approximately 17.3% of the national budget was identified as allocation for programs directly benefiting women, and 36.4% of the total budget indirectly benefiting women (Baskota 2010).

Cambodia has also made institutional reforms to ensure that gender concerns are a priority in the early stages of planning and budgeting. This is facilitated by Gender Mainstreaming Action Groups (GMAGs) that are active in 26 sectoral ministries. Of critical importance, the Ministry of Finance and Economy was among the first ministries to establish a GMAG. Cambodia has recorded significant progress in women's health, in closing educational gaps, and in women's political representation. The government is now aiming to improve women's share of formal sector employment, where their proportion is currently only 30% in contrast to their 82% share of informal sector employment (Ing 2012).

### ***C. Increasing Financing for Women's Priorities at the Local Level***

UN Women and UNCDF established the Gender Equitable Local Development program (GELD) in 2009 to support local governments in five African countries (Mozambique, Rwanda, Senegal, Sierra Leone and Tanzania) to improve women's access to resources and services. Under the GELD program, Local development funds (LDFs), administered by local councils, provide funding for initiatives responding to priorities identified by women in those communities

For instance, in Tanzania, the LDF is improving access to clean water by reducing the distance to water supply sources. An electricity project is being implemented in Muembe district in Mozambique that will use solar energy to provide lighting to the central area of the district. Women from Muembe district will implement the project and receive training in automotive electricity and mechanics. In Gicumbi district in Rwanda, the LDF is supporting the construction of a health center that will improve women and girls' access to health and reproductive services, including ante-natal care, vaccination and voluntary counseling and HIV/AIDS testing. The LDF in Kenema district in Sierra Leone is providing funding for the construction of an early childhood and adult learning center. The center will give priority to single parents or young parents who would like to continue their education and low-income families who cannot afford to send their children to private pre-schools (UN Women 2011).

#### ***D. Macroeconomic Reforms in Argentina and South Africa***

Macroeconomic policy has often been viewed as gender-neutral but, as this policy brief underscores, the macroeconomic environment acts as a structure of constraint that can promote or limit the means to narrow gender gaps in well-being. This implies that gender equality requires an enabling macroeconomic environment. Two countries which have recently adopted macro policies that can potentially increase women's access to employment are Argentina and South Africa. Employment is a critical gender equality target in these countries. In Argentina, female unemployment was on average 30% higher than men's in the 2000s, and in South Africa, 26% higher.<sup>8</sup> Recent policy shifts in both countries have not had as their goal the reduction of gender equality, but by stimulating job growth, can achieve this end, if policies are targeted to appropriate sectors and include supportive measures to relieve women's care burden.

In March 2012, the Argentinean Congress approved new legislation that has led to the reorganization of the rules governing Central Bank monetary policy and credit. This

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<sup>8</sup> Author's calculations based on World Bank's World Development Indicators online database, accessed November 18, 2012.

replaces an extreme version of the neo-liberal monetary policy focused on fighting inflation to the exclusion, and therefore at the expense of, economic growth, job creation, and economic development. The new Central Bank charter institutes a triple mandate: monetary stability, financial stability, and economic development with employment creation and income equality. Critical to promoting equality (including gender equality), the reform allows the bank to selectively target funds to domestic banks and other financial institutions in order to stimulate financing for long-term productive investment.<sup>9</sup>

South Africa has recently introduced the New Growth Path (NGP), premised on an expanded role for the state in promoting economic development and moving away from the laissez-faire policies of the last 15 years. The NGP plans to focus on public investment in sectors with the potential for high employment, such as infrastructure, agriculture, mining, industry, and tourism.

If effective, these policies will stimulate employment growth in both of these countries, although there is no guarantee gender equality in employment will be improved. To ensure this outcome, central bank and public investment targets would need to be guided by a gendered analysis. It is, however, still too early to assess the effectiveness of these reforms and policy shifts in Argentina and South Africa.

### ***E. Employer of last resort program in India***

In 2005, the Indian government passed a rural job guarantee program, now renamed the National Rural Employment Guarantee Act (NREGA). This act establishes a legal job guarantee for one hundred days of employment every year to adult members of any rural household willing to do public work (mainly unskilled) at the statutory minimum wage. The overall effect is to improve the incomes of rural people by providing primarily semi- or unskilled work opportunities, whether or not they are below the poverty line. This program differs from the *Plan Jefes* job guarantee program in Argentina, where only one member of a

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<sup>9</sup> The new charter permits the use of international reserves for the payment of the foreign debt obligations of the national government, thus freeing up the use of foreign exchange reserves and relaxing constraints on public spending.

household was eligible for this work, thus creating gender competition for slots. In India, women's participation rate in the program is double their participation rate in the casual labor market, and in 2009-10 comprised about 48% of those employed by this job guarantee scheme (Dutta, Murgai, Ravallion, and van de Walle 2012).

## **VII. Conclusion**

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Expenditures that contribute to gender equality can “crowd in” private investment, stimulate growth, and generate a stream of revenues in the future to pay down the costs of the initial investment. This approach helps us to avoid the erroneous argument that governments lack fiscal space to fund physical and social infrastructure investments that promote gender equality.

More work is needed to create a robust gender analytical framework for policy makers as well as empirical research that would allow us to quantify the impacts of public sector spending to promote gender equality. In particular, countries will benefit by investing more resources into identifying the investment character of gender expenditures and measuring their contribution to productivity growth. This provides the data for a cost-benefit analysis on which to base public expenditure/investment decisions.

These observations suggest some changes in the way we think about the goals of financing for gender equality. Specifically, it is recommended that countries develop country-specific priorities on gender equality or match their existing policies and plans to achieve gender equality with adequate budget allocations. Secondly, countries should develop policy priorities that address macroeconomic constraints – slow growth, unemployment, macroeconomic and exchange rate volatility, and link macroeconomic policies to gender equality goals. This two-pronged approach can create the framework for financing for gender equality that is sustainable.

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