

FINAL DRAFT

**IMPACT OF GOVERNMENT BUDGETS ON
POVERTY AND GENDER EQUALITY**

Simel Esim
Economist
International Center for Research on Women (ICRW)

Paper prepared for the Inter-Agency Workshop on Improving the Effectiveness of Integrating
Gender Into Government Budgets

Commonwealth Secretariat, Marlborough House, London, 26-27 April 2000

OUTLINE

1. Introduction
2. Public Expenditure
 - 2.a. Benefit Incidence Studies
 - 2b. Time Use Studies
 - 2.c. Decentralization
3. Revenues
 - 3.a. Tax Incidence Studies
 - 3.b. User Fees
 - 3.c. Tax Reform
 - 3.d. Globalization

References

Annexes

Acknowledgements: The author would like to thank Isabella Bakker, Debbie Budlender, Marilyn Carr, Nata Duvvury, Diane Elson, Maria Floro, Guy Hewitt, Gerett Rusnak, and Randy Spence for their suggestions on issues, documents and contact people.

1. INTRODUCTION

Three macroeconomic policies need to be considered when thinking about government budgets: exchange rate policy, monetary policy and fiscal policy. These policies are used in combination for stabilization, structural adjustment programs and economic restructuring. Macroeconomic statistics (national accounts, government finance, external trade and balance of payments, money and banking) as well as social and demographic statistics (population, health, nutrition, education, labor) are used to inform such policies.

Until recently most of the gender sensitive budget initiatives have focused on the expenditure side of budgets. Yet the assessments of different gender sensitive budget initiatives suggest a need to gain grounds on the revenue side. South Africa and UK are among the countries with current efforts expanding into taxation and other revenues. There are also a series of research tools and methods, which could be utilized in moving the gender sensitive budget analysis forward. Benefit and tax incidence analysis and time use surveys are some of these research tools. Finally, identifying ways to establish more inclusive, negotiated and participatory budgetary processes are also on the research and action agenda of gender sensitive budget initiatives.

The first two sections of this paper focus on expenditure and revenue instruments of fiscal policy as strategic entry points for engendering macroeconomics. The latter two sections include a discussion of the potential implications of monetary policy and overall fiscal stance on poverty and gender equality.

2. PUBLIC EXPENDITURE

Box. 1. Public Spending

Transfers: pensions, unemployment benefits, child care, maternity benefits, etc.

Subsidies: agricultural products, food, export

Services: public goods and utilities such as law and order, health, education, electricity, water, roads

Transfers, subsidies and services are the three categories of public spending that will be discussed in this paper as they affect the poor and women (see Box 1). Public expenditures can affect the poor and women in a number of ways. First, fiscal policy influences the macroeconomic balances, fiscal and trade deficits and the rate of inflation. These changes affect standards of living directly (changes in real incomes) and indirectly (change in

growth). Second, public spending created incomes, some of which benefit the poor and women. Spending on primary education is more likely to generate incomes for more women (as primary school teachers) than spending on universities (fewer women among university lecturers than primary school teachers). Finally, public expenditures generate transfers, in form of cash or monetary transfers (pensions, unemployment insurance) or in kind (publicly provided health, education, and infrastructure services).

This section reviews two research tools, benefit incidence and time use studies, and their applications to gender budget analysis. Benefit incidence analysis and time use surveys have been used to analyze poverty and to a lesser extent gender equality impacts of public policy in

general. It is argued in this paper that they are appropriate tools that can be used more extensively for analyzing the impact of government budgets on poverty and gender inequality. A discussion of the implications of decentralization of expenditure on poverty and gender equality follows. After introducing each issue, empirical evidence is provided, followed by a discussion of challenges in implementation and future directions.

2.a. Benefit Incidence Studies

Benefit incidence analysis is widely used to infer distributional impacts of public spending. It depends on both the allocation of public spending and the behavior of households in using the services. It can estimate the distribution of public expenditure with a two-step methodology. The first step is to analyze the net unit costs of providing any service. These are usually based on officially reported public spending on the service in question.

$$\frac{(\text{annual total costs of public provision of service}) - (\text{proceeds of cost recovery measures, i.e. user charges})}{(\text{annual number of units of the service provided})}$$

The second step is to analyze the pattern of utilization of the services (e.g. how many units are utilized by poor households and how many by rich households. Clearly in order to conduct gender analysis it is crucial to have household data that is gender-disaggregated. The information on net unit costs of service provision can then be brought together with the information on utilization rates to calculate the level of net resource transfer to poor households and rich households. This is incidence of public spending by income quintile can then be extended to include incidence of public spending in urban and rural areas, by ethnicity, race and gender (Elson, 1998).

Some key conclusions from public spending incidence studies include (van de Walle, 1995): Spending on basic services: Primary and secondary education and basic health care are universal and they reach the poor. The case for broad targeting by expanding the share of public spending on these services is well substantiated. Monitoring is required so that marginal investments are not lavished on better serving the better off.

Certain food subsidies and distribution schemes, social cash transfers, public employment schemes and other targeted transfer schemes have been effective in reaching the poor. Many programs with stated goals of poverty reduction have instead been expensive failures.

World Bank Public Expenditure Reviews (PERs) use benefit incidence analysis extensively. PERs are integral components of the Structural Adjustment Programs implemented in the countries where they are used. Recently, Togo (World Bank, 1997a), Benin (World Bank, 1997b) and Tanzania (World Bank, 1999) were highlighted as best practices in public expenditure reviews by the Bank due to their use of participatory approaches. The Tanzania case, for instance, is based on the dialogue between the PER working group (government, donor and research institution representatives) and sector working groups (representatives of the sector Ministry and donors involved in the sector). The PER also provides a forum for representatives of civil society, the private sector, parliamentarians, and academics to voice their concerns and opinions on budgetary matters (World Bank, 1999). Yet the latter forum had less structure, consistency and frequency than it is described by the World Bank, based on the experience of the

Tanzania Gender Networking Program (TGNP), the coordinating agency for the Tanzanian gender budget initiative. The TGNP representatives had to wait at the door of the PER working group meeting for days before being able to secure an audience with the working group (Rusimbi, 1999).

In general government expenditures are more equally distributed when spending is concentrated on services which are used widely by the poor and the general public. Spending on primary health care services which is widely used by the poor and non-poor is likely to be more equally distributed than in-patient hospital care. If spending is on high-cost services, which are not generally used by poorer groups, like in-patient hospital care, then the incidence of spending is likely to be more unequal. Improving the poverty and gender equity impact of public expenditures requires reallocation both between and within sectors, as well as improvements in the efficiency of expenditures. In some cases the priority is reallocating within sectors in favor of basic education, primary health care, etc. in others it is channeling greater resources to sectors such as education and health.

The evidence shows that spending in health and education goes disproportionately to areas such as tertiary education and hospital and curative care, that tend to benefit better off groups more and that the poor generally benefit much less than better off groups from public expenditure in both sectors. (Li and Glewwe, 1999; Filmer and Pritchett, 1998) The poor also benefit less from spending on other services such as infrastructure. In Bangladesh, subsidies on infrastructure services (notably electricity, roads, airports, seaports, water and sanitation and solid waste disposal) are about six times larger for the better off than for the poor. In Algeria and Hungary, formerly state planned economies, the rich have received more than the poor in infrastructure subsidies. Power price subsidies disproportionately benefit higher income households, which use more energy than poorer households. In Ecuador kerosene for cooking and lighting was subsidized until recently, but retailers often sold the kerosene to use in vehicles, a more lucrative market, and not directly benefiting the poor. In Nepal, fertilizer subsidies amounting to between 1/4th and 1/5th of total budgetary outlets for agriculture benefit poor farmers the least and their better off neighbors the most due to poor targeting and corruption. In 1997, farmers in the top consumption bracket were five times more likely than those in the bottom to have seen agricultural agents (World Bank, 1994; Barnes et. al. 1997; Prennushi, 1999).

Until recently most benefit incidence studies did not report gender-based disaggregations even though the approach lends itself to gender analysis. Looking at gender differences in the benefit incidence of education spending, unit costs of the public provision of education services would be compared with the gross or net enrollment ratios of boys and girls. Education unit costs are disaggregated by income quintile, region and urban- rural areas, but rarely by gender. Since the subsidy is assumed to be the same for boys and girls at each level of schooling, the gender dimension is captured with the enrollment ratios only in this case. Calculations based on the 1993-94 National Sample Survey of India show that enrollment rates for both boys and girls increase from poorer income quintiles to richer income quintiles. The gender gap in enrollment ratios also decreases as the income level increases (Lanjouw and Ravallion, 1999).

Benefit incidence data on education in Ivory Coast for 1995 shows that the poorest quintile gained under 14 percent of total education subsidy, in contrast with 35 percent going to the richest

quintile. There was also a greater gender enrollment bias among the poorest households in Ivory Coast. Men in the poorest quintile gained 16 percent of the education subsidy accruing to them, but women only received 9 percent of theirs. The richest women appropriated 37 percent of the education subsidy received by women. The gender inequality is therefore a critical part of over all inequality in the benefit incidence of education spending in Ivory Coast (Demery, 1997).

The poorest quintile gained about 19 percent of primary school spending, but lost out from spending at secondary and tertiary levels. On average, the urban residents gained more than twice the average rural resident from public education spending in 1995. The average men gained $2/3^{\text{rd}}$ of the education spending, leaving only $1/3^{\text{rd}}$ of the subsidy for women based on enrollment behavior by households. The relative disadvantage of women was least at the primary level where they obtained 42 percent of the total primary subsidy and it was the greatest at the tertiary level, at 29 percent of the total subsidy (Demery, 1997).

A gender disaggregated benefit incidence analysis in the health sector brings a different set of issues because the health needs are quite different for men and women. This makes it difficult to interpret the gender differentials in health benefit incidence. If the data were available, it would be ideal for benefit incidence analysis to be based on public expenditure data which distinguishes for services used almost exclusive by women and men such as prenatal care (only women), and cardio-vascular units of hospitals (mostly men). Usually the data is not available.

A special study was commissioned to obtain actual health expenditure data for five regions, including Greater Accra in Ghana. The unit costs obtained from this exercise were matched with household level data from the Ghana Living Standards Survey of 1992. The results showed that in-patient costs were significantly larger than those of health centers and clinics and unit costs were generally much higher in the Greater Accra region than elsewhere. The tilt in patterns of per visit subsidies toward urban and hospital based facilities is expected. The incidence of health spending shows the poorest quintile gained just 12 percent of the total subsidy. This inequality applies to spending on health centers, clinics and hospital-based services (Demery, 1997).

Overall, women gained more of the health subsidy than men in Ghana. Women of all income quintiles were more likely to seek care when ill and go to a modern facility when seeking care. But this is mainly because health needs differ sharply between women and men. Also, health costs are closely related to the seriousness of the illness. It is possible that women seek health care only when the illness or injury is serious and therefore requiring higher spending. While women gained more than men from hospital based services, it only applied to the top two quintiles. For in patient services, women gained only $1/3^{\text{rd}}$ of the subsidy accruing to the quintiles (Demery, 1997).

While benefit incidence analysis is a well-established tool in understanding who benefits from public spending, it has its limitations (See Box. 2.). The picture formed by benefit incidence analysis is static, while our understanding of the issues is for the most part dynamic. Despite these limitations, benefit incidence is a very popular method that policy makers around the world rely on. While utilizing this method for gender sensitive budget work, it might be useful to build in qualitative and quantitative back-up methods to complement it for a more dynamic analysis that takes into account macroeconomic and institutional environments, and social benefits.

When benefit incidence is not observed supplementary measures of targeting performance can be mobilized. Such a situation occurs when expenditure data is limited or no household surveys were done, or the right questions were not asked at the right time or because the surveys are not representative at provincial level. Substitute measures can be estimated by using data on allocations of total spending by geographic area and a matching poverty map. The regression coefficient resulting from a regression of public spending on poverty rates across different areas can be an estimate of the targeting differential given by the difference between the program's average allocations to the poor and non-poor. Application of this method to a temporary employment program in Argentina shows marked improvements in the program's success in reaching poor provinces and the poor within provinces (Ravallion. 1999).

Box. 2. Limitations of Benefit Incidence Analysis (BIA)

Availability of Data: BIA requires data on the amount spent at national, regional and local levels on the provision of a service. This can be hard to gather and decentralization of expenditure can make it even harder. Most household surveys do not gather data on utilization of public services. Or even when it is collected, it is not done on a gender-disaggregated basis.

Defining the Unit Cost: Calculating unit costs can be a problem as it is hard to decide what unit of analysis to use. While visits to doctors or attendance in school can be defined on a unit of service basis, overhead type services such as physical infrastructure are hard break down as such. Subsidy per unit of usage may not be a good indicator of 'benefit' as it may have little to do with the value of the benefits to the individual (a polio shot is worth much more than the cost of a visit in a child's life). Unlike the commodities obtained in the market, utilization of a publicly supplied good won't reveal the value that consumers attach to that good. Average benefits (even when measured correctly) are not reliable for incidence of a change in aggregate spending on a program, or the distributional impact of a reallocation of funds between programs.

Use of 'average' participation rates: BIAs are used to infer distributional impact of changes in public spending on a program based on average participation rates. The inferences drawn for public spending reform could be wrong if program participation is non-homogenous where the composition of participants varies with the size of the program. Also average participation rates may not be reliable guides to distributional impacts of small changes in aggregate public spending or reallocations between programs.

Imperfect welfare indicator: BIA may not adequately capture the true distribution of living standards. For instance, a welfare indicator such as income or consumption does not include the monetary value of benefits secured from goods that are publicly provided. This may be a poor approximation since the level and composition of public spending affects incomes and expenditures.

Institutional Environment: BIA takes government decision making as a given while the institutional and policy environments have bearings on the effectiveness and sustainability of specific poverty alleviation strategies and spending decisions. Distribution of welfare can be better observed by incorporating the policy and institutional concerns.

Sources: Diane Elson, 1998; Dominique Van der Walle, 1995; Peter Lanjouw and Martin Ravallion, 1999.

A review of benefit incidence studies as an analytical tool for assessing the impact of government budgets on poverty and gender equality shows us the following future directions:

- In order to use gender disaggregated benefit incidence analysis more effectively it is important to improve the databases available. This would require collaboration with the Ministries of Finance, State Statistical Agencies and National Audit bodies within countries.
- Dialogue between local researcher and budget activists on priority areas for action and policy change could result in action relevant BIA for the purposes of gender sensitive budget initiatives.
- It is a good idea to complement benefit incidence with other methods to ensure a more dynamic analysis that captures institutional and behavioral aspects.
- It is worth exploring backup methods that are reliable when benefit incidence data is not available.
- The focus of benefit incidence analysis is mainly education and health sectors. It would be good to expand reviews to other sectors like energy, transport, infrastructure, and social security.
- Influencing the Public Expenditure Review (PER) process between governments and World Bank should be a priority for international stakeholders working on gender sensitive budget initiatives. The time is opportune as discussions are ongoing as to changing the guidelines, operating principles of PERs (contact person in WB headquarters is Malcolm Harper).

2.b. Implications of Public Expenditure for Time Use

Unpaid and informal sector work are largely uncouned in labor force and national income accounts. As a result, they remain statistically invisible and, despite their importance, are generally ignored in national human resource and economic policies and in budgetary priorities. This has serious consequences. For women, who perform a disproportionate amount of unpaid and informal work, the time spent on these tasks constrains them from availing themselves of training and education opportunities and from participating in formal, paid labor which is protected by labor wage, health and safety regulations. It can therefore affect their health and well being. The multiplicity of productive, reproductive and community management roles result in high demand for women's time. This demand is further heightened during periods of rising prices and falling real wages, high levels of unemployment and underemployment and reductions in the government provision of social services (Floro, 1995).

Box. 4. Time Use Studies (TUSs)

TUSs allow us to answer questions around the gender division of paid and unpaid work among household members. Unpaid work in and for the household is usually divided into domestic work (cleaning, cooking, washing), caring work and management. Measuring unpaid work requires clarity of concepts and definitions but also adequate visions of the economic system. Until recently, time-use data were not part of the data collection programs of national statistical offices in most developing countries. TUSs in these countries were mainly case studies of a single or a few localities and did not cover the full 24-hours of a day. Generally, participant observation was the main method of data collection. The limited scope and methods of TUSs in developing countries was attributed to difficulties in measuring time in a population not accustomed to being regulated by "clock time" nor experienced with filling in a questionnaire. Yet a growing number of countries and their statistical offices are employing time use surveys which reveal gendered patterns of time use in recent years. Since 1995 at least 14 developing countries have started or completed national TUSs. These include six countries in Africa (Benin, Chad, Mali, Morocco, Nigeria, and South Africa), two in the Caribbean (Cuba and Dominican Republic), and six in Asia (Laos, India, Occupied Palestinian Territory, Oman, Philippines, and Thailand). Although geographically, economically and culturally diverse, each of these countries has come to consider national TUS as an important statistical tool for improving measurement and valuation of paid and unpaid work and for increasing the visibility of women's work both at home and in the labor market. In addition, the surveys undertaken in India, Oman, Chad, Mali, and Benin and the pilot studies in Nigeria and South Africa sought to improve statistics on women's economic activities especially in the informal sector. India wants to use TUS as a method of providing data on employment and skills training and for designing poverty eradication programs.

Source: Margaret Guerrero. 2000.

A key step in integrating time use into macroeconomic policy is for governments to clarify the assumptions and principles about households that shape economic and social policy. The implicit assumption in most economic models is that women's labor is for free. Ignoring the gender division of labor results in overloading of women and reduction in productivity. The models of households constructed by neo-classical economists see the household as a unified entity without conflict. Time use studies from around the world show that the necessary inputs of time and effort needed to ensure the continuing supply of labor are provided by women in addition to paid work (Elson, 1995).

There are a number of empirical studies which explore how to incorporate the effects of government policies on female labor supply in micro-macro economic models where the traditional choice between leisure and work is replaced by a choice between leisure, paid work and unpaid work. These studies show that if the budget deficit is being reduced by expenditure cutbacks which place great reliance on women's unpaid work to substitute for public services, then there is a problem of sustainability in the long run (Elson, 1998).

Since 1985, the World Bank has carried out Living Standards Measurement Studies (LSMS) using household surveys, price surveys, community questionnaires, school or health facility questionnaires. The main objective of LSMS surveys is to collect household data that can be used to assess household welfare, to understand household behavior, and to evaluate the effect of various government policies on the living conditions of the population. Accordingly, LSMS surveys collect data on many dimensions of household well-being, including consumption, income, savings, employment, health, education, fertility, nutrition, housing and migration.

The objective of the Social Dimensions of Adjustment (SDA) program was to mitigate the impact of adjustment programs in participating African countries. The SDA methodologies focused on topics such as macro/micro perspectives, information needs and survey objectives, and quantitative and qualitative approaches. They also provided designs for rapid surveys, information systems, observation units, decision levels, and social categorization. More recently IDRC's Micro Impacts of Macroeconomic and Adjustment Policies (MIMAP) project has been collecting and disseminating statistics on poverty, micro-macro linkages and long term institutional development (see Box.5.). These studies dealing with the impacts of structural adjustment policies provide links between time use, work intensity and the paid economy in two specific areas: time input effects of budget cuts and privatization of social services (hidden costs of adjustment or externalities of adjustment); and intensification of domestic work as a response to declining household income "buffer effect". However, the poverty focus of these studies has seldom extended to gender analysis beyond social sectors (education and health).

Box 5. Major Macroeconomic Research Projects Collecting and Analyzing Time Use Data

LSMS (WB)	SDA (WB)	MIMAP (IDRC)
Ivory Coast, Peru, Ghana, Mauritania, Bolivia, Jamaica, Morocco, Pakistan, Venezuela, Vietnam, Nicaragua, Guyana, Ecuador, Tanzania, South Africa, Romania, Kyrgyzstan, and Russia	Central African Republic, Guinea, Kenya, Burundi, Burkina Faso, Ivory Coast, Mali, Chad, The Gambia, Guinea-Bissau, Mauritania, Senegal and Zambia	Philippines, Bangladesh, India, Nepal and Viet Nam

Sources: www.worldbank.org and www.idrc.ca

In the last decade numerous studies came up with empirical evidence on the impact of changes in public spending and public provision on time use. These studies show that cutbacks in social services as a result of stabilization and adjustment policies particularly hurt the poor. To compensate women in poor households seek ways to stretch their limited funds and their domestic responsibilities climb. Moser (1992) indicates that women spend more time shopping for cheaper items, food preparation takes longer because they buy less processed food, and in smaller quantities because of reduced incomes. Moser also finds that women in one Ecuadorian neighborhoods were allocating more time to income generation and community management at the expense of reproductive work (child care, cleaning). The displacement in time of adult women from reproductive work resulted in increase in time spent working at home on the part of the adolescent girls in the household. As women's unpaid work increases, they enlist more help from girls, thus reducing the girls' time and attention for school-work (Moser, 1989). Moreover, cuts in educational services fell mostly on adult literacy classes for women or on the extension of schooling for girls. When schools are closed and the distance between home and school is increased, girls, who must help with household tasks, have less opportunity for education (Vickers, 1991).

Time use surveys show that economic restructuring is a gendered issue in industrialized countries of the North as well. Since 1984, expenditure reductions as a result of economic restructuring in Canada have taken several forms. These include the shift of social welfare from the federal government to provincial governments, elimination of programs such as mother's allowances and federal social housing projects; a reduction in old-age pensions; and reduced expenditures in real terms on health education and welfare payments for the poor (Griffin Cohen, 1994). Reductions in health and child care services meant that women had to assume greater

responsibilities in these areas. Wooley (1997) shows that cost of child care has a significant effect on women's labor force participation. In Canada, a 10 percent increase in the price of child care reduces the mother's probability of employment by 3.9 percent, while a 10 percent increase in the mother's wage increases the probability of employment by 8.1 percent (Wooley, 1997). Similarly in the US, a one percent decrease in the cost of child care would increase the employment rate of women with children by about 0.38 percent (Hoerner, 1989).

One important question regarding gendered use of time is whether men take on more of the burdens of unpaid work if women increase their participation in paid work. While one does not find or expect men's time in unpaid work to increase sufficiently to redress gender imbalances, the increases can indicate important changes in attitudes. In a recent study Newman (2000) looks at the impacts of employment opportunities for women on household time use in the Ecuadoran cut flower industry using a dynamic analysis (an intra-household bargaining framework) to explain changes in household division of labor. While it is not about government expenditures, the approach is of relevance for evaluating the impact of public expenditure on time use. She shows how household strategies of time allocation have changed as a result of employment opportunities in flower production, a growing agricultural export industry, in Ecuador. This is an empirical study on impact of change in a government policy and employment opportunities which shows a doubling of married men's unpaid work in the household as a result of increased job opportunities for women. It is an approach that can be used to show impact of public spending on time use.

Another promising development on the research front is the use of macroeconomic models to illustrate the gendered effects of changes in trade policies and capital flows. CGE models have been developed by Adrian Wood and Marzia Fontana at IDS (see Box.6.) and by Finn Tarp and Channing Arndt at University of Copenhagen. These applications shows that CGE models could be useful for showing the impact of macroeconomic policy on women's wages and time use. Another research initiative is a social accounting matrix analysis of gender and the informal sector in India by Aneshree Sinha at NCAER (New Delhi). Such models can be used to reveal a range of options with regard to distributive implications of alternative budget formulations (Elson and Cagatay, 1999).

Box. 6. Integrating Time Use into Macro Modeling

Using a computable general equilibrium (CGE) model Fontana and Wood in IDS look at the effects of trade on women at home and at work for Bangladesh. They extend the accounting framework of the model by treating women and men as separate factors of production, and incorporating reproduction and leisure activities as sectors. Making the unpaid work of women visible allows consideration of a wider set of constraints and interactions that is recognized by the standard CGE model. It also allows for capturing interactions between the productive and reproductive parts of the economy. When they run the same model without consideration for leisure and reproductive work, the directions of the effects on wage rates does not vary (absolute or relative), but the size is generally larger when the leisure sector is excluded and even more so when the reproduction sector is also excluded. Female wage rates rise when the leisure and reproduction sectors are omitted. The changes are larger because omission of leisure and reproductive sectors make the supply of labor to the market economy much smaller and less elastic.

Source: Marzia Fontana and Adrian Wood. 2000.

There is a wide range of empirical evidence showing how cuts in public spending result in more work for women in poor household and decreased well-being for them and members of their households. Some of the future directions include:

- More work needs to be done regarding time use surveys, their further refinement, international comparability.
- National statistical offices and the government ministries responsible for their budgets have a central role to play in the allocation for and implementation of time use studies.
- There is need for more countries to get on board with time use studies. There is also need to have time use studies in the same countries conducted more than once to show changes across time.
- We need to move to integrating the data from time use data into dynamic models, such as intrahousehold bargaining models, and macroeconomic models like CGE.
- While a lot is written about subsistence production in developing countries and care economy in industrialized countries, the voluntary community work and the role of men in such work is much less known (Swiebel, 1999).

2.c. Implications of Decentralization of Expenditure on Gender Equality

Decentralization of public expenditures was welcome in public finance circles. National anti-poverty programs already relied heavily on local governments, so it made sense to have more direct local voice over resources. There was widespread assumption that decentralization of expenditures is beneficial for women and the poor. Yet decentralization does not mean democratization. Weakened checks and balances can result in corruption further shrinking the resources available for the poor and women. Decentralization can also mean local centralization and a way for local elites to set aside or ignore public policies that are not agreeable to them. Or their participatory budgetary planning can be a tokenism where they may ask the population to participate and decide with them, but not implement these policies (www.internationalbudget.org/conference/brazil.htm).

On the data side decentralization of expenditure can make it much harder to collect gender disaggregated expenditure data on public spending. There is also the issues of how different municipalities choose to report similar allocations under different categories causing challenges in comparability. On the institutional side, decentralization of expenditure can result in highly unequal local power structures bolstering the fiscal control of local elite and increasing the likelihood of corruption. One way to address the challenges of checks and balances on decentralized systems is through central auditing or control. Yet in many instances macro level checks and balances on decentralized expenditures are not sufficient. Another solution is popular participation in budgetary processes by local communities.

Gender-sensitive budget analysis has been applied to national government level. At the local level, less is done, even though this is where spending decisions have most direct effects. There are some examples of social audits of local governments initiated by civil society institutions, such as Kerala, India, Philippines and some municipalities in Latin America like Brazil, Uruguay and Bolivia. Most recently a gender sensitive budget initiative was undertaken by the Basque government in Spain for setting up a digital library on gender sensitive budgets. There are discussions of gender budget training for Turkish municipal officials around the country and

starting a budget review in one of Ankara municipalities. Even with these initiatives local systems need to be put in place in order to ensure that the poor and women have effective voice against the voices of more powerful groups. Effective mechanisms are also needed for auditing actual expenditures that have been committed for gender-equity and pro-poor efforts are spent properly (Goetz, 1999).

Box.7. Participatory Auditing of Budgets in Rajasthan, India

The Mazdoor Kisan Shakti Sangathan (Workers' and Peasants Power Association), a small and activist group in the north Indian state of Rajasthan, compiles information about development spending from labor muster rolls on drought relief works, or receipts and vouchers showing expenditures on public works. One of their key areas of focus has been to expose corruption in drought relief works which deprive laborers, the majority of them are women, of the minimum payment due to them. Their work, and demand for the right to information on government spending has brought attention to the importance of local level auditing for accountable local government.

Source: Anne Marie Goetz. 1999.

Participatory budget formulation involves a social process of dialogue and negotiation based on wide-spread participation, particularly of the poor, women and other social groups whose interests may be ignored in traditional approaches to macroeconomic policy making (see Box.7.). Initiatives that depend on local participation require two-way information flow between the local authorities and the people. Without public information about local budgets, details on local programs, local allocations of assistance, and criteria for eligibility, it is hard for people to press for honesty or accountability. Informed participation of communities in the budgetary process is also needed and the necessary local capacity can take years to establish.

Decentralization of expenditure and local participation of the poor in decision making does not guarantee gender equality. Even when there is community participation in the budgetary process women, especially poor women are not guaranteed to be there. The political and fiscal bodies at the local level have few women in decision-making positions. In the case of India, there has been increased participation of women in Gram Sabhas and Panchayats. Yet the importance of informed participation comes up as a key issue in these cases for influencing budgetary decisions. The experience from India shows that women in local political decision making positions are more likely to receive threats and be exposed to violence in public. Their opinions are also more likely to be questioned by the public.

A crucial challenge posed by participation is the need to reconcile conflicting demands made by different groups. Neither poor people (heterogeneity of communities along ethnic, religious and gender lines) nor women are homogenous groups. So the claims of resources made by the different substrate of the poor and women may be conflicting and may involve trade-offs. We need to know which of these demands are or can be reconciled is crucial for furthering participatory budget initiatives (Elson and Cagatay, 1999).

Some institutional structures are more conducive to facilitating participation in making budgets and designing macroeconomic strategies. The city of Porto Alegre participatory budget coalitions between local government and civil society institutions is a popular example (see Box.8.). While this is the most publicized examples of participatory budgetary planning, there are over 5,000

municipalities in Brazil and the participatory process is taking place in 100 municipalities in 5 of 15 major cities in the country. In each of these cases the Municipal Council is the institutional entity, which is regulated by municipal law, with half of its seats for the government and half of it for people from the community. The differences between the financial situation of the different municipalities due to population sizes, functions and different levels of service is an issue in terms of criteria for allocations at the local level.

Box. 8. Porto Alegre Participatory Municipal Budget

In Brazil, the City Hall of Porto Alegre adopted a participatory budgeting process in 1989. This local budget exercise was based on social dialogue, negotiation and creation of institutional structures that facilitate participation. The administrative units of the municipal executive and community organizations (autonomous from municipal government) were partners. This system for developing the municipal budget with citizen participation resulted in consensus on \$700 million dollars of investment in urban upgrading. This Participatory Budget is known by 60 percent of the local population, and the approach is adopted by 70 other cities. The three principles they used by the Porto Alegre budget were as follows:

- All citizens are entitled to participate
- Participation is governed by direct and representative democracy rules and takes place through regularly functioning institutions
- Investment resources are allocated according to an objective method based on a combination of general as well as technical criteria

Source: Boaventura De Sousa Santos. 1998.

A key aspect of decentralizing expenditures is the need to build institutional capacity and coalitions and networks in order to create an enabling environment for participation. The attitudes and visions of the elected representatives on local priorities for budgeting can be limited. Training of such elected representatives to build capacity to work with the public is likely to be crucial for participatory budgeting exercises to work. In Uganda, weak financial management capacity and skills to effectively formulate guidelines on public spending led to misallocation of funds or non-allocation of funds (www.phrproject.com/publicat/inbriefs/ib27fin.htm).

Future directions on the impact of decentralization of expenditures on poverty and gender equity research and action include:

- Future research needs to investigate what type of institutional structures best facilitate participation in making budgets and designing macroeconomic strategies.
- Impact of decentralization of revenues (tax collection as well as implementation of user fees) on poverty and gender equality are worth looking into.
- A gender sensitive budgets website could be hosted in one of the agencies working on gender sensitive budgets (Commonwealth Secretariat, IDRC, UNDP, UNIFEM). Such a website would make all the key documents on gender sensitive budgets available to those community groups or local governments interested in the exercise. It could also be set up to receive requests or specific questions and refer them to the right individuals and organizations.
- Training modules could be developed and disseminated for countries, organizations with efforts to start gender sensitive budget initiatives at the local level (in preparation of alternative budgets at the provincial, civic and school board levels)
- Technical assistance and resources could be provided for the digital library on gender sensitive budgets (Basque government initiative) to be a better selection of resources to be

gathered. This site could then be linked to the wider interactive resource website mentioned above.

- What is the formula (number of people, land area, incidence of poverty, level of development) for allocation of decentralized budgets from central government (www.internationalbudget.org/conference/brazil.htm)?
- It would be worth exploring the changes in the amount of corruption with decentralization (see www.transparency.de).
- Support for gender sensitive budget training modules in local languages for local policy maker would be valuable.
- Decentralization, even when it has some participatory processes integrated, does not guarantee gender concerns are taken into account. There is need for further thinking on how to involve more women in budgetary decision making at the local government level.
- The International Budget Initiative of the Center for Budget and Policy Priorities (www.cbpp.org) is an initiative that is working on pro-poor budgets at the government and local levels around the world. This is an initiative that is worth exploring into collaborating with and perhaps help influence to integrate gender equality concerns (contact people are Isaac Shapiro and Stephan Falk).
- The impact of government and local budgets on informal sector and women in informal sector (home-based workers and street vendors) needs further explorations. The gender sensitive budget initiative efforts can engage in collaboration and dialogue with Women in Informal Employment Globalizing Organizing (WIEGO) in order to explore further into this area. StreetNet and HomeNet, international networks of street vendors and home-based workers are also good resources on the impacts of budgetary allocations and processes, decentralization of expenditures, on informally employed.

3. REVENUES

Box. 9. Revenues
<i>Taxes:</i> income, expenditure (VAT), wealth, land, tariffs on imports, property taxes, capital gains, inheritance, etc.
<i>User Charges:</i> electricity, water, education, health
<i>Other funds:</i> donor funds (loans, grants), revenue from asset sales, revenue from alcohol sales

Revenues cover a wide range of instruments such as taxes, user charges and other funds (see Box.9.). A number of policy issues on the expenditure side of budget receive attention from grassroots organizations and advocacy groups, who frequently are engaged the in issues affecting poverty, women or children. Revenues are often examined only by groups that traditionally do not

have a poverty or gender equity focus. Business organizations and coalitions of taxpayers regularly produce papers arguing for lower tax levels, sometimes with a special focus on particular tax breaks for businesses or for high-income earners. Independent research on the effects of revenue proposals on poor households and women are scarce (Falk and Shapiro, 1999). There are individual efforts like the Freedom from Debt Coalition in Philippines, which has been reviewing the tax systems and donor funds since the early 1990s. The discussion on tax incidence, tax reform, and user charges in this section tap into literature from a wide array of disciplines including development economics, public finance and tax law. After introducing each

issue, empirical evidence is provided, followed by a discussion of challenges in implementation and future directions.

3.a. Tax Incidence Studies

While public spending is clearly linked to addressing economic inequalities, taxation also has a direct distributive effect despite the narrow tax bases and extensive tax evasion and avoidance in many countries. Taxation also affects the microeconomic decision making at the household level with implications for intergenerational inequality. Tax systems contain a wide range of taxes including those on personal and corporate income, payroll, goods and services, foreign trade, wealth, and gifts and inheritances. Several aspects of taxes are relevant to pro-poor and gender sensitive budget initiatives (Stotsky, 1996; Hatzenberg, 1996; Smith, 2000):

- Distributional effects of the tax system: What kind of tax reforms are more beneficial for the poor, for women in poor households? Does the tax system take a larger share of income from lower income (regressive) or higher income quintiles (progressive)?
- The size of the tax base: The base of taxes needs to be large enough to sustain support for key government programs. The size and effect of tax cuts need to be clearly articulated by governments and audited/followed by civil society organizations.
- Tax structure: A balance between direct and indirect taxation and between taxes based on income, expenditure (consumption and investment) and resource use
- Tax administration: tax compliance/avoidance/evasion, legitimacy of tax systems/corruption and impact of taxes

Box. 10. Types of Taxes	
Direct Taxes	Indirect Taxes
Personal income taxes (schedular or global), standard income taxes on employees, pensions and retirement funds, medical aid, other deductions and allowances, company taxes, capital transfer taxes, trade taxes	Value Added Taxes (VAT), transfer duties, gas taxes

There are two categories of tax incidence studies. One begins by dividing all households into groups based on some measure of their annual income. Data is collected on wages and salaries of households, capital income and expenditures by commodity. Shifts in tax burdens can then be measured from the changes in wages, interest rates and commodity prices. This is the most popular approach used in tax incidence studies. A problem with this approach is that the poorest are heterogeneous with youth, retirees and those with fluctuating incomes (informal sector, part-time workers, seasonal workers). The other group of studies uses a 'life cycle' model to identify individual lifetime plans for saving and consuming during working years and dissaving and consuming during retirement years. This is then used to calculate equilibrium prices over time and to report the present value changes in lifetime tax incidence. A problem with this approach is that it takes into account only one type of individual in each group (Fullerton and Rogers, 1993).

Using the life cycle approach, Fullerton and Rogers, conclude that in the US personal income tax is relatively progressive where the lowest income quintile bears a burden of about 5 percent of lifetime income, whereas the highest income group's burden is about 19 percent of income. In contrast, they find sales, excise and payroll taxes to be regressive based on income. Property tax incidence creates a U-shaped burden affecting both higher and lower income quintiles. It also

raises the cost of housing, increasing the tax burden of low-income households which spend a high fraction of their income on housing. This study, like many others, looks at tax incidence for income quintiles and not for gender differences.

Gender differences in tax incidence are more explicit in personal income taxes and more implicit in consumer, trade and corporate taxes. Implicit discrimination against women in the tax system cut across gender and class lines. The discourse around tax law is one where public/private, economic and personal divide is constructed. Direct income taxes fall more on men because of their greater access to employment and higher incomes. Indirect taxes have greater impact on poor people, as they spend a higher percentage of their income on consumer goods and end up paying a larger share of their income on such taxes. They also have a greater impact on women because of their universal role as managers of household consumption budget. VAT is a regressive policy initiative from the point of the poor and women who, in global terms, constitute the majority of the poor. Consumption taxes disproportionately impact on the lower income groups who pay a larger chunk of their earnings through such taxes (Bakker, 1994; Smith, 2000).

A serious constraint to gender differentiated tax incidence analysis is lack of data. Official statistics reflecting gender breakdowns are not really available. In most cases the revenue offices collect gender-disaggregated data on individual personal income tax payers. Yet gender-disaggregated tax data is not collected in most countries when it comes to indirect taxes. Therefore, the proportion of total tax revenue paid by women and men is not available either. Gender disaggregated tax incidence analysis requires data on household budget management. Such data can show a higher incidence of households do not pool their resources. This type of data is useful in showing the gender differential incidences of direct and indirect taxes (Elson, 1998).

Direct Taxes: Tax laws in many countries of Latin America, Asia and Africa, which derived their tax system from English common law, are based on the assumption that all the income earned by a married couple is the property of the husband. This assumption reinforces and rewards the idealized version of women's roles (married stay home mother) and traditional nuclear family with a male breadwinner. Yet most countries in Latin America have a civil law tradition in which income earned by a married couple during marriage was considered the property of both spouses. Evidence from US, Canada, Western Europe and Japan all show that gender biases can be embedded in any type of personal income tax depending on the tax structure in a given country. Many countries have a personal income tax where the individual is the filing unit, so all individuals with a taxable income are responsible for filing a tax return. This is the case for most developing and industrial countries require some individual filing for at least some sources of income.

At least three aspects of the US tax system cause impediments to women's labor force participation: taxation of income from labor, progressive taxation of the income of married couples and other second earner costs to women. Women's work in the home produces implicit income to the family in the form of goods and services. These are not taxed. Women's work in the labor market also produced income in the form of money wages and its taxed. The difference in the treatments of these two forms of income results in distortion of the allocation of women's

labor time between home and market activities. The rate of women's labor force participation is therefore much more responsive to the tax rate than men's (Hoerner, 1989).

Box. 11. Reproduction Tax?

Some researchers argue that women's reproductive work in the household is a tax because women are supplying a resource, the replacement of the present labor force free to society. As resources in reproduction are not properly costed this is a reproduction labor tax or overhead which women must pay before they can engage in income generating or expenditure displacing activities. Like all taxes it influences the allocation of resources, in this case, in the form of penalizing women's labor time in other activities which are both remunerative and more open to productivity increases. Restructuring and adjustment policies can be directly linked to this labor tax on women since cuts in public social expenditure increase it and lead to a further distortion of resource allocation. Similarly, social investment in reproductive work via state funded child care and maternity leave would shift the tax from women to society and all employers.

The marriage penalty is one of the most extensively discussed aspects of tax incidence in direct taxes. It occurs when a couple filing joint returns experiences a greater tax liability than would occur if each of the two people were to file as single individuals. Evidence from a number of countries like the US, Canada and Japan shows that a system of joint filing results in discouraging secondary workers in the household. This is due to the tax on the secondary income which starts at the highest marginal tax rate of the primary income unlike under a system of individual filing where the tax on the secondary income is unrelated to the marginal tax rate of the primary income. This marriage tax on secondary income in joint filing is an implicit form of gender discrimination. Conventionally seen as the secondary earner due to social norms and generally lower earning prospects, more women are likely to be affected from it.

Another category of direct taxes is retirement fund contributions and pension benefits. In South Africa, the retirement fund contributions and pension benefits are only available to people with sufficient income to be in the income tax system, and secondly within that group, those who earn more and are taxed at higher marginal rates, benefit more from deferrals than those who earn less and pay lower marginal tax rates. As noted by the Women's Budget Initiative (1997) there are a number of gender implications of the biases in pensions and retirement funds contributions.

- Men make up the majority of the formal workforce and therefore the majority of the estimated 7 million members of pension and retirement funds.
- Women predominate in the informal sector and in seasonal, part-time and contract work, where pensions and retirement funds are excluded. Even when they are in the formal workforce, they are in lower paying jobs and therefore the coverage of their pension would be smaller.
- Men tend to be employed in larger establishments which are more likely to have pension funds, and women are more likely to work in smaller and less established businesses without pension funds (Smith, 2000).

In Central America and Sub-Saharan Africa, tax revenue from personal taxes are essentially nil for the great majority of the population. Tax collection systems in these countries depend on duties and tariffs to raise revenues. While there is government interest improving personal tax

revenue systems, there are problems of enforcement, collection, and false reporting. Wealthier individuals and corporations find ways to take their monies outside the country, get tax breaks and subsidies in their countries. Large portions of the population live on agriculture (no agriculture taxes) and informal sector (out of the tax system) and there is too small a formal sector to rely on for pay roll taxes. Some people might argue that the poor in low income countries are really paying any income taxes, so at least direct taxes doesn't really impact on them, especially in the case of informal sector. Yet people in the informal sector pay high prices for being in the market which can translate into a tax (see Annex.1.).

Indirect Taxes: Historically for many countries domestic internal indirect taxes progressively replace foreign trade taxes, and soon after direct taxes gain prominence in total tax revenue. In the case of most African economies, the characteristics of the tax system are a weak tax base and a dependence on import and export taxes (Herbst, 1998). Most middle income countries of Latin America and South East Asia, there is an increasing reliance on direct and indirect domestic taxes as the yields from trade taxes decline. Among industrial countries, the contribution of personal income tax to total tax receipts was highest in Australia and lowest in France, while taxes on goods and services were highest in Korea and the UK and lowest in Japan and US in 1997 (Ross, Bamber and Whitehouse, 1998).

In many countries indirect taxes can constitute a larger percent of total tax revenue than direct taxes. The range of taxes that are built into prices is wide. Taxes on production, distribution and sales enter into prices in more direct and obvious ways. Employee income taxes enter into prices by increasing the wages that must be paid in order to provide subsistence. Corporate income/profit taxes enter into prices by increasing the pre-tax income/profit that is required for an acceptable after-tax return. The impact of increased expenditure taxes on women is at least twofold, costly in terms of women's labor and time. Generating extra income through increases in paid labor time or increasing the consumption value of purchased goods by devoting more unpaid labor time to their processing.

Box. 12. Alcohol Tax in India

In India, from the British times alcohol has been a critical source of tax revenue. The British introduced mechanisms such as government auctions of licensing to sell alcohol. In the 1980s the tax revenue from alcohol has increased along with a shift in the type of alcohol from higher end and more expensive liquor to a cheaper drink, arrack—also called “the drink of the poor”. In the state of Andhra Pradesh, the populist promises of “2 rupees a kg. of rice” to be funded by taxes from alcohol brought a state government into power during the same era. In a period of less than five years, revenues from arrack increased by over 400 percent. This translated into a rampant, regular consumption of arrack especially among poor men. The impact of the increased consumption of arrack on already poor household budgets was immense. It was also closely linked to a rise in intra-household conflict leading to domestic violence and a breakdown of social life in communities. Village elders were complaining that they could not even hold wedding parties anymore because of the fights ignited by drinking. This coincided with a period of reduced employment opportunities for women in rural areas due to the shifts to cash crops such as sugar cane which are more “male crops”. As patterns of work changed, women’s income opportunities shrunk putting further pressure on household income. Finally, in 1992, a group of women in India, frustrated with men’s widespread alcoholism, joined together to ban *arrack*, the prominent alcoholic beverage, in their villages. The idea for the campaign was born in a village literacy program where women’s shared concerns about the prevalence of men’s alcoholism in their communities came about (Gender Matters, 1999). This ignited an anti-arrack campaign that spread from one village to other districts and finally across the state of Andhra Pradesh in just 12 months. The campaign approached revenues as a social contract issue, showing a clear understanding of the revenue needs of government and the necessity of possibly implementing other taxes to replace alcohol tax. Three years later, the movement had gathered such momentum that the state government was forced to concede to the demand for prohibition. Yet prohibition meant a decline of revenues for local governments. Public Expenditure Reviews for India and other assessments of local budgets in the following years emphasized the need for increasing revenues. In the absence of agriculture taxes, the state governments soon reintroduced the alcohol tax resulting in partial then complete revoking of the prohibition.

Sources: Nata Duvvury. 1996; Shabnam Virmani and Nata Duvvury. 1996.

Gasoline, tobacco and alcohol taxes can raise large revenues for governments. Yet, heavily taxed goods like alcohol and tobacco also constitute a higher fraction of low-income groups’ spending. Alcohol taxes can also carry large costs specifically for poor women as it is the case in India (see Box. 12.). In South Africa, gas taxes contributed almost 8 percent of total tax revenue. At a quick glance high or increased gasoline prices might not seem like they would have any drastic effects on the poor and on women. It is true that the poor tend not to own their own vehicles, so the effects of higher fuel prices would influence the poor mostly through increases in the cost of public transport. Yet there can be further indirect and more severe effects of higher transportation costs on the poor like increase in the prices of basic goods, especially food. This would influence those who are unemployed or with fixed incomes like pensioners adversely. Both of these groups contain disproportionately high numbers of women (Smith, 2000).

Corporate Taxes: In the US, the local governments have had to forego \$5-8 billion in tax incentives every year. According to a 1993 study by the General Accounting Office (a research arm of the US Congress), more than 40 percent of the corporations doing business in the US with assets of \$250 million or more either paid no income taxes or paid income taxes of less than \$100,000. In the 1950s corporations operating in the US paid 23 percent of all federal income taxes. By 1991, it was down to 9.2 percent, while the corporate share of state and local taxes

stayed about what it was in 1965. The effect of tax incentives has been the loss of funds for schools as half of all property tax revenues go to schools. (Danahar, 1996).

Box.13. Taxing Suitcase Traders

Suitcase trade is used to describe the informal cross-border trade carried out by mainly women "tourists" visiting Turkey, Greece and Italy mainly from Azerbaijan, Georgia, Russia, Lithuania, Ukraine and Romania in the 1990s. These visitors would buy large amounts of consumer goods, mainly food products, textile and apparel, and household goods. These could be products unavailable in their countries, or formally imported and sold for much higher prices. They would take them back to sell in lower end markets in their own countries from homes, streets or small shops. Until recently they were not charged any trade taxes in entering their countries, although Turkish authorities required VAT on sales. According to the official balance of payment figures reported by the Turkish Ministry of Finance, revenues from suitcase trade were US\$8.84 billion in 1996. In an effort to increase their own revenues, governments of Russia, Bulgaria and Romania started implementing an average of 20 percent import duties and value-added taxes each on products that were brought in by women informal cross-border traders. Ironically, during the same period when prohibitive trade taxes were applied to products brought in by women informal cross-border traders, larger import and export firms were receiving tax incentives and subsidies. The trade taxes caused a sharp drop in the volume of suitcase trade. In 1997, the Turkish Ministry of Finance reported a decline in the value of suitcase trade to US\$ 5.85 billion. By 1998, suitcase trade had come to an almost complete stop due to liquidity difficulties in Russia and the region. The suitcase trade has not recovered to previous levels, but it continues in much smaller volumes.

Sources: www.garanti.com.tr/research; <http://www.rferl.org/nca/features/1999/07>; and <http://www.tusiad.org.tr/turkish/rapor/ekonomi98/html/sec7.html>.

In developing countries, tax-exempted export processing zones compete with each other and with interlands. National governments around the world, as well as local governments bid against each other in offering tax breaks and other subsidies to bring in investments. In order to attract foreign direct investments, in addition to low tax rates, governments also grant tax concessions (investment incentives, tax holidays, etc) to multinational corporations. For many developing countries trade liberalization and elimination of levies on foreign trade resulted in loss of taxes. In Morocco the losses were up to one-quarter of government revenue (UN DESA, 1999). Given the limited nature of taxing in many developing countries, the tax revenues for most governments was at the borders through import and export taxes because they are easier to implement and do not require complicated administrative systems. In many instances the tax revenue loss due to trade liberalization might have amounted up to one third of total tax revenue (Grunberg, 1998).

Some of the future directions include:

- Clearly, there is a gap in empirical evidence using tax incidence analysis examining the effects of taxes (direct and indirect) especially on women and the poor.
- Data collection methods of government revenue services, Ministries of Finance also need to be reviewed. Gender disaggregated data needs to be collected on all taxes.
- We need to know combined incidence of taxes and expenditure. Net incidence of fiscal policy is rarely calculated because of the lack of reliable data on the incidence of both taxes and expenditure at the same time (Devarajan and Hossain, 1998). Taxes should be analyzed in relation to expenditures, because many government decisions on expenditures are closely

related to revenues. Certain taxes are earmarked for certain spending efforts (i.e. a series of taxes on goods and services were introduced in the wake of the Turkey earthquakes in 1999 for reconstruction efforts, popularly known as “earthquake taxes”).

- Campaigns on government transparency and accountability should extend to taxes. Tax systems and social security policies to eliminate explicit and implicit tax biases (i.e. the concept of the sole breadwinner in a two-adult family) against poverty and gender equality.

3.b. Impact of User Fees

User financing of basic social services has become common practice in many developing countries. Since the 1980s the number of countries implementing some form of user fee system has grown considerably. In Africa, for instance, cost sharing is extensive. Governments have come to see user fees as an alternative to tax-based financing for a range of public services. Proponents of user fees have argued user financing can promote greater accountability on the part of service providers, improved services and more responsibility on the part of users. After almost two decades of experimentation, information on performance and impact is disappointingly limited.

Those arguing for user fees have made efficiency, effectiveness and even equity arguments in the allocation of resources. Yet supporting evidence to the efficiency and effectiveness of utilization argument is limited if not non-existent. There is, however, some disturbing evidence to the equity losses (reduced utilization of services, and negative effects on well-being and health) resulting from the introduction of user fees. These income equity impacts of user fees can be summarized as follows (Gilson, 1995; Reddy and Vandemoortele, 1996):

Utilization Rates: They dissuade the poor from using services more than the rich. In the case of health care they are also associated with delays in accessing care and with increased use of self-medication and informal sources of care. Studies in Ghana, Zimbabwe and Nigeria all point to declines in the proportions of women users of health care services, and to strongly negative changes in women’s health status indicators, such as maternal deaths, during periods when fees were introduced (Standing, 1996). When in 1994, Malawi eliminated all primary school fees, including tuition, uniforms and school building fund, there was an increase in primary enrollments (half at the entry grade, half at other levels) of almost 50 percent (Van Adams and Harnett, 1996).

Price Schemes: Protecting the poor through price discrimination schemes has proved extremely difficult in practice. These formal and informal exemptions or sliding scales have been ineffective for the most part, because they do not in protect the poor, and may instead benefit more wealthy groups such as civil servants. In Kenya, the government introduced user fees for inpatient and curative outpatient care at its hospitals and health centers in late 1989 and removed outpatient registration fees one year later. A study shows that households reported lower levels of utilization of public hospital and health centers when full fees were in force than during the period after the registration fees were lifted. The poorest households made much less use of the fee-charging government facilities than the better off households (Mbuga, et.al. 1995).

Household budgets: Very few investigations have been carried out on the impact of fees on household budgets and the ability of poorer households to pay fees. With the introduction of user charges, the cost of education can be such a large share of incomes that it can become prohibitive. In Vietnam, households in the lowest income quintile have to spend 22 percent of their non-food income to send a child to school, almost twice the percentage of those in the richest quintile (Oxfam, 1999). A survey conducted by AED showed that four out of five main constraints to female secondary enrollment in Bangladesh were related to costs.

Institutional capacities: User financing requires adequate capacities, effective decentralization and continued government support. There are data reliability concerns with the current measurements of user fees. Weak accounting and resource management practices make the measurement of user fees difficult. Moreover, revenues from user fees are prone to fluctuations, rising based on improved quality of services and falling as a result of inflation, economic recessions, etc.

Raising Revenue: Fees do not appear to generate adequate revenue or to be associated with resource allocations necessary to enable substantial and sustained improvements in services. National user fee systems have generated an average of only around 5 percent of total recurrent health system expenditures, gross of administrative costs. The cost recovery levels range from 0.5 percent in Burkina Faso (1981) and Guinea Bissau (1988) to 9 percent in Lesotho (1991-92) and Mozambique (1985).

The principle of universal access to free basic services for all is deteriorating and user financing is being used extensively around the world. It is important to show the negative effects of user fees convincingly to the policy makers. The fees need to be negotiated down to being temporary measures (with user influence and control) to narrow the gap between supply and demand if budget restructuring and cross subsidization in favor of basic social services are not immediately feasible. Simultaneously user financing structures need to be restructured to enable users to exercise influence or control over service provision (see Box. 14.).

Future directions in research and some questions that need to be answered on assessing impact of user charges include:

- Little is known of the gender implications of user financing. Systematic research is needed to determine how services of greater significance to women in general and poor women in particular have been affected? It is important to further document the impact of user charges in publicly provided services. How are poor people and women coping? How far can community funds like Abota in Guinea Bissau go (see Box. 14.)?
- Links between decentralization and implementation of user fees need to be explored. Is retaining the bulk of the revenue at the local level a good thing? The issues would be expected to be similar to the issues around decentralization of expenditures (local capacity building, the heterogeneity of communities along ethnic, religious and gender lines, etc.).
- Gender equity impact of user fees is almost non-existent. We need to find out more about that.

Box. 14. User fees: If they were to work

- Reliance on community participation in the design and management of user financing: A national scheme in Guinea Bissau was based on village level controls of a voluntary levy. It utilized an existing customary mechanism of collective saving, known as the “Abota”. This was a communal fund raised by villagers to finance collectively agreed social events. The Abota principle was adapted to provide a fund to enable the village health workers to buy the village’s annual supply of drugs from the Ministry of Health. Villagers had control over the amount to be contributed, and the responsibility for whether the fund is enough to cover the supply needs (Source: Chabot, et.al.1991).
- Initiation of a major program of community training and social mobilization to build capacity for meaningful co-management
- Allowing for flexibility in the type and timing of contributions (e.g. cash, in kind or labor): The government initiated National Health Insurance Card scheme in Burundi did not pay for itself but it fulfilled an important social equity function. As women had limited access to cash and the card eliminated payments at the point of use, it helped women make treatment decisions (especially in relation to sick children) without having to consult the men (Arhin, 1994).
- Implementing an exemption scheme for the poor that is generous, transparent and equitable and based on measurable criteria agreed by the community
- Setting performance targets and conducting regular and comprehensive monitoring, analysis and oversight to adjust and improve user financing schemes
- Providing adequate information and incentives to the providers of services
- Ensuring that users see an improvement in the quality of services in the early stages of the services
- Linking user fees to the availability of inputs such as essential drugs, textbooks and spare parts of water pumps rather than simply to entry or access (registration vs. treatment fees, tuition vs. textbook fees)

Source: Sanjay Reddy and Jan Vandemoortele. 1996.

3.c. Gender Implications of Tax Reform

Objectives of tax reforms around the world almost always include stimulating economic activities and promoting a more efficient and equitable allocation of resources. They use a number of tools to reach these goals such as broadening the tax base, introducing more uniform rates and shifting between direct, indirect and corporate taxes. Yet most tax reforms rarely make a commitment to gender equality as an objective. In the case of personal income taxes, there is possibly more room for reform efforts to recognize the gender differentiated impact of taxes. The tax reform in the UK in 1990 converted the income tax to full individual taxation where the non-labor income was no longer just attributed to the husband. In the US the issue of the appropriate treatment of family income has frequently been debated and the tax code has been change several times. Yet the tax code continues to provide a clear advantage to a one-income earner couple compared to a two-income earner couple (Stotsky, 1996).

Tax reforms in developing countries have made similar changes. Since the Katz Commission Recommendations on tax reform in South Africa in 1994 the rates for married people, single people and married women have been unified correcting for the higher rates that applied to single people and married women (Hartzenberg, 1996). In 1991, Malaysia moved from a tax system in which the income of a married woman was attributed to her husband unless she chose separate assessment to a system in which husbands and wives are treated as separate taxable

units, though the wife's income is still reported on the husband's tax return and joint assessment is still allowed (Stotsky, 1996).

Still the changes are not extensive. The Japanese income tax law, largely reformed in 1989, continues to allow an employee large deductions for a spouse. A household received greater spouse benefits as the marginal tax rate on the income earner increases. In terms of overall impact on poverty, these deductions are regressive as the higher the marginal income tax rate is the larger the benefits are from deductions. The deductions have a negative effect on women's labor force participation rates. The spouse deductions lower the net marginal wage rate in comparison with the market wage for a married stay at home mother. While the wage rate does not have much of an effect on the supply of labor of men between the ages of 30 and retirement, it has a significant effect on the labor supply of women, the elderly and the young. By lowering the wage rate, the income tax creates a disincentive effect for these segments of the population. While appearing to help the family explicitly, this tax policy is implicitly detrimental to the achievement of long-term equality of employment opportunities and closing the gender wage gap (Shibata, 1992).

In the case of indirect taxes, once again the changes in the tax reform programs were intended to deliver adequate relief to the poor and bring a more equitable distribution of income. Most of the tax reforms since the mid-1980s opted for a reversal of the general trend of shifting the tax burden from direct to indirect taxation. This shift away from a heavy reliance on indirect taxes is expected to benefit poorer populations. However in most cases, the main indirect tax, which affects the poor, and women, Value Added Taxes (VAT), was not decreased substantially. For most OECD countries VAT and consumer taxes make up over 30 percent of government revenue, and more so in developing countries even after the tax reforms. Lower income households spend a larger proportion of their income on basic goods, especially food (then drinks, clothing, footwear, energy sources, furniture, etc.). Women as managers of daily household expenditures on basic goods end up carrying a large burden of VAT. The 1995 South African Income and Expenditure Survey shows the households in the lowest income quintile spend up to 51 percent of their total average expenditures on food, while the rate for highest income quintile households is 12 percent (Smith, 2000).

Corporate tax credits have been another common characteristic of the tax reforms in many countries. In the last two decades countries have been lowering corporate and capital gains taxes as a part of their tax reform packages. In all OECD countries, except for Switzerland and Turkey, the top average income tax rate fell from 54 to 42 percent between 1985 and 1990 (Grunberg, 1998). Many countries tried to offset declining tax revenue due to extensive tax breaks to corporations with only partial success by raising income and payroll taxes. Such practices result in the erosion of the tax base and making the tax-burden of waged and salaried much heavier. This change towards a more regressive tax system has led to a considerable decline in the public's support for social spending. As a result, during the 1980s many governments were elected on a platform of low taxes and expenditures. Weakened public governance structures like administrative capacity to collect taxes resulted in a further decline in public revenue and an increase in untaxed economy (Grunberg, 1998).

Box. 15. A New Kind of Tax Reform: Taxing excessive financial speculation for equity

Two purposes of advocating a levy on foreign-exchange transactions are providing funds to help to meet the basic needs of the world's poor and to finance the global public goods; and providing stability in the face of huge international capital movements. Such a tax could serve to prevent or reduce the kind of financial crisis that had hit much of East Asia, together with Mexico and Brazil in the 1990s. This method could not prevent adjustment of exchange-rates, but it could block any *excessively rapid* change. It could be a powerful defense against a speculative currency crisis. Could it be effectively administered? Until now the prevailing view among economists has been skeptical as they considered the dispersed, unorganized and mobile character of foreign-exchange trading. However, the tax could be administered through the system of foreign-exchange *settlement* (in which the bank deposits traded between currencies are actually transferred into and out of the banks' customers' accounts), which has become increasingly organized, centralized and regulated. As a result of new communication technology, banks are developing a single network of institutions for settlement. A fee is paid for each transaction that uses the system. A tax for global public purposes could be collected as an addition to this fee. An individual central bank could impose and collect the tax *unilaterally* on currency transactions settled within its own domestic banking system.

Source: Eva Maria Hanfstaengl. 1999. <http://www.cidse.be/en/advocacy/newsletter/an9tg2.htm>

A big issue in tax reforms around the world is that of tax evasion and avoidance on the part of businesses and corporations. A key objective of tax reform in a number of countries such as Russia, Indonesia, Chile, Kenya, India, Nigeria and Colombia is to curb tax evasion and avoidance. One type is fraudulent large profitable enterprises that evade the system, partially as a result of the inefficiency of tax administration. The other type is that of corporations which escape taxation as a result of political favoritism or bribes. The impact of tax evasion on the poor and women in poor households is that revenues that would be used by the public sector for development assistance, transfer funds, employment creation, services and other investments in communities are lost. It is of concern because ultimately it is a symptom of weak institutions and poor policies; it thwarts political democracy, sustainable development, public health and safety, equitable distribution of goods and resources and the reduction of poverty.

Gender implications of tax reform are still very under researched. While the links between gender equality and personal income taxes are better understood, the implications of indirect and corporate taxes still need to be investigated. More country case studies need to be analyzed to give a better picture of the direction of the reforms and how they influence women.

3.d. Impact of Globalization on Revenue

There is more written on the influence of globalization on expenditure. Globalization has a number of impacts on revenue. With globalization many countries are experiencing a fiscal squeeze. It has become more difficult for governments and local authorities to collect revenue from the private sector. Globalization also increases the need and demand for public spending – due to states' attempts to discharge their traditional functions in a new environment. Educated, skills labor force is needed to keep up with the rapidly changing demands of global capital. Yet this means a significant commitment and investment in labor market relevant education and skills training. The sectoral and geographic mobility of global capital requires labor to be able to do the same increasing the demands for national and global social goods such as social

insurance, urban infrastructure, sanitation, policy, public transportation, etc. A note of caution, other sources of fiscal strain such as demographic, cyclical factors, or deliberate policies to reduce taxes need to be reviewed before giving all the weight to effects of globalization.

One key characteristic of global economic restructuring is that an increasing portion of the world's economic activity is carried out across nation state borders. Foreign Direct Investments (FDI) grew by 50 percent during 1993-95, and by 10% in 1996 (Grunberg, 1998). Yet most tax systems are based on designs from times of mainly domestic economies. Taxing foreign income is a challenge as it is hard to track. Despite all the tax treaties, the challenges of decoding foreign tax documents, lack of cooperation at the operational level and legal challenges result in foreign income evading taxes. Panel data on types of government spending and taxes since 1960s shows that the distribution of the tax burden has shifted from capital to labor as integration of national economies to the global economy have advanced. As openness to the global economy increased, taxes on capital decreased and taxes on labor income increased. Further analysis of the data also show the negative effect of openness on spending to be particularly strong in countries or periods without restrictions on capital mobility (Rodrik, 1997).

In the global economy corporations can choose to locate their operations where they are least likely to be hindered by regulations, thus generating a race to the bottom: countries must compete for corporate capital by reducing regulations that serve the welfare of their people in order to pander to the economic interests of the corporations (<http://www.publiccitizen.org>). The absence of a system of global taxation is an incentive for capital flight. The past few years have seen the rapid growth of an international movement in support of tax on excessive speculation in currency and other financial markets. Resolutions were signed in support of such taxes in dozens of cities across the world, including more than fifty in France and Sao Paulo, Brazil. Many labor unions throughout the world have also called for such taxes, including the AFL-CIO in the United States. Legislation in support of such taxes has been introduced in the French Parliament, the European Parliament, the U.S. Congress, and was approved in 1998 by the Canadian Parliament.

Taxes on speculative financial activity, such as the 'Tobin tax' on currency transactions, make speculation more costly, and therefore reduce the volume of speculation. This can contribute toward making financial markets more stable. The historical record of financial transactions taxes, as well as long-standing evidence on the success of other forms of financial regulation, indicates that taxes on financial speculation can be successfully implemented. In addition, such taxes provide an opportunity to raise a significant amount of revenue, which can be used to meet important social needs (<http://www.ceedweb.org/iirp> and <http://attac.org/fra/toil/doc/oxfam.htm>).

Asian Financial Crisis: The Asian financial crisis is a good example of how large capital inflows can lead to inflation, appreciation of domestic currencies and trade imbalances. Many argue that the pace of the capital inflows was too rapid to be productively absorbed. The bank failures in Thailand were followed by flight of the large foreign capital in later part of 1997. Thailand, Indonesia and Korea were the hardest hit economies. In Indonesia unemployment rates doubled from 5 to 10 percent. Due to the resulting inflation even those with jobs saw dramatic reductions in their real wages. The poverty rates rose to 48 percent of population and expected to rise up to 66 percent if economic conditions do not improve.

Debt Crisis: The external credit-based development policy of global economic system on the developing countries has led them into over-indebtedness, making them dependent on foreign financial capital. Many of the most impoverished countries in the world are highly indebted to the World Bank and the IMF. Debt servicing is an impoverishing drain on the economy, tending to take away from government spending on basic services and canceling out any possibility of investing domestic savings. For instance, Tanzania spends four times more on debt servicing than it does on education. Sudden fluctuations in interest and exchange rates undermine all economic forecasts. In the long run, this means solving today's problems at the expense of future generations, particularly since future societies have no voice in current deliberations. Special efforts must be made to take the longer term into account and to properly value the future. It is the most vulnerable populations in these countries who bare the brunt of this debt (see Box. 16.).

The Enhanced Highly Indebted Poor Country Initiative (HIPC) proposes an average debt reduction rate of about 54 percent over the next three to five years for 33 to 36 of the world's poorest countries. The world's 41 poorest countries owed \$201 billion at the end of 1997 and 85 percent of this was owed to multilateral and bilateral creditors (WB, IMF, regional banks, export credit agencies, etc.) WB and IMF anticipate this will help accelerate the rate of economic growth and poverty reduction in those countries. Research by the North South Institute (NSI) suggests that HIPC does not go far enough. Closer to 85 percent of the total debt would have to be forgiven to have real impact on economic growth and poverty reduction in these countries (NSI, 1999b).

Some of the future directions in better understanding the impact of globalization on government revenue and the role of global public goods.

Box. 16. Popular Response to Debt Relief In Bolivia

Bolivia was one of the first countries to receive debt relief under the agreement (HIPC 2) made by the G7 at their summit in Cologne. Bolivia's debt service payments were reduced from \$329 million to \$240 million. However this will still see Bolivia paying the equivalent of three-quarters of her health budget on debt servicing each year - in a country where 60% of the population do not have access to basic sanitation. The Bolivian campaign of the Jubilee 2000 has launched regional forums in 9 regions in February 2000 that examined the key issues facing impoverished people in particular focusing on the issues of health, education, land and employment. Teams made up of representatives of organizations in the Jubilee 2000 campaign are now collating the conclusions of the regional forums which will be inputted into the National Forum in La Paz. They will then present a document to the Bolivian government which they are demanding is incorporated into the country's Poverty Reduction Strategy Paper - a paper that is required by the IMF as one of the conditions for debt relief. Another issue is that of corruption, many external aid resources often never reach those to which they were destined. Skeptical that the Bolivian Government will properly consult civil society and mindful of the fact that most economic programs have failed to reduce poverty, Bolivian debt campaigners decided to link up with the Catholic Church to consult and "seek a clear expression of what is needed from every social sector." A good analysis of the problems will allow them to re-examine the structure and approach of development programs, taking the campaign and the question of debt relief beyond a short term project to the long-term issues of efficiency and social control.

Source: Jubilee 2000.

References

Agarwal, Bina. 1997. "Editorial: Re-sounding the Alert: Gender, Resources and Community Action". *World Development*. 25 (9). September, pp. 1373-80.

Bakker, Isabella. 1998. *Unpaid Work and Macroeconomics: New Discussions, New Tools for Action*, Status of Women Canada, Ottawa, www.swc-cfc.gc.ca.

Bakker, Isabella. (ed.). 1994. *The Strategic Silence: Gender and Economic Policy*. Zed Books. London.

Barnes, Douglas, Robert van der Plas, and Willem Floor. 1997. "Tackling The Rural Energy Problem in Developing Countries", *Finance and Development*, September.

Brown, Lynn and Lawrence Haddad. 1994. "Time Allocation Patterns and Time Burdens: A Gendered Analysis of Seven Countries", IFPRI, Washington, DC.

Budlender, Debbie. 1996. *The Women's Budget*. IDASA. Cape Town. South Africa.

_____. 1998. *The Third Women's Budget*. IDASA. Cape Town. South Africa.

_____. 2000. E-mail communication. March 1. Extract from an article for a South African journal/newspaper on taxes. Cape Town, South Africa.

Cagatay, Nilufer, Mumtaz Keklik, et. al. 2000. Budgets As If People Mattered: Democratizing Macroeconomic Policies. UNDP SEPED Conference Paper Series # 4. May. <http://www.undp.org/seped/publications/budgets.pdf>

CEED/IIRP. 2000. Tobin Tax Initiative. Center for Environmental Economic Development. Arcata, California. www.ceed.org

Danahar, Kevin. (ed.). 1996. *Corporations are Gonna Get Your Mama*. Global Exchange. Monroe, Maine.

Demery, Lionel. 1997. "Gender and Public Social Spending: Disaggregating Benefit Incidence", Poverty and Social Policy Department, World Bank, Washington, DC.

Devarajan, Shantayanan and Shaikh Hossain. 1998. "The Combined Incidence of Taxes and Public Expenditures in the Philippines", *World Development*. Vol. 26, No. 6, pp. 963-977.

Diokno, Benjamin. 1996. "Philippine Tax System: Present State, Future Directions", *PAID! Advocacy Resource Magazine*, October. Manila.

Duvvury, Nata. 1996. "Excise Revenue of Indian States", Presentation at the National Workshop on Anti-Liquor Movement, National Commission for Women, New Delhi, March 18-22, 1996.

Elson, Diane. 1995. *Male Bias in the Development Process*. Manchester University Press. Manchester.

_____. 1998. "Integrating Gender Issues Into National Budgetary Policies and Procedures: Some Policy Options". *Journal of International Development*, Vol. 10, pp. 929-41.

Elson, Diane and Nilufer Cagatay. 1999. "Engendering Macroeconomic Policy and Budgets for Sustainable Human Development". Paper presented at the First Global Forum on Human Development, 29-31 July, UNDP, New York.

Esim, Simel. 2000. "Gender Sensitive Budget Initiatives for Latin America and the Caribbean: A Tool for Improving Accountability and Achieving Effective Policy Implementation". Paper prepared for the Eighth Regional Conference on Women of Latin America and the Caribbean, Lima, 8-10 February.

Fafchamps, M. and Agnes Quisumbing. 1998. "Social Roles, Human Capital, and the Intrahousehold Division of Labor: Evidence from Pakistan", mimeo, April.

Falk, Stefan and Isaac Shapiro. 1999. A Guide to Budget Work: A Systematic Overview of the Different Aspects of Effective Budget Analysis. The International Budget Project, Center on Budget and Policy Priorities, September, Washington, DC, www.cbpp.org.

Filmer, Deon and Lant Prichett. 1998. "The Impact of Public Spending on Health: Does Money Matter?" *Social Science and Medicine* 49.

Floro, Maria. 1995. "Women's Well-Being, Poverty, and Work Intensity" *Feminist Economics*, Vol. 1 # 3, pp. 1-25

Fontana, Marzia and Adrian Wood. 2000. Forthcoming. "A Computable General Equilibrium Model of the Effects of Trade on Women in Developing Countries" *World Development*. July.

Fullerton, Don and Diane Lim Rogers. 1993. *Who Bears the Lifetime Tax Burden?* The Brookings Institution, Washington, DC.

GenderReach. 1999. "Social Mobilization: Women Organizing for Positive Change". Information Bulletin No. 1, May, Washington, DC.

GenderReach. 2000. "Working Without A Net: Women and the Asian Financial Crisis". *Gender Matters Quarterly*, Issue # 2, January, Washington, DC.

Gilson, Lucy. 1995. "The Lessons of User Fee Experience in Africa". Paper on the website of the Health Economics and Financing Programme, London School of Hygiene and Tropical Medicine.

Goetz, Anne Marie. 1999. "Auditing Local Development Expenditure From a Gendered Perspective: Nascent Initiatives in India". Presentation at the *UNDP Workshop on Pro-Poor, Gender- and Environment-Sensitive Budgets*, June 28-30, New York.

Grunberg, Isabella. 1998. "Double Jeopardy: Globalization, Liberalization and the Fiscal Squeeze", *World Development* Vol. 26, No. 4, pp. 591-605.

Guerrero, Margaret. 2000. "Towards international guidelines in time-use surveys: Objectives and methods of national time-use surveys in developing countries" Paper presented at the *Regional Seminar of Users & Producers of Household Surveys and Time-Use Surveys: Problems of Measurement and Valuation of Women's Contribution for Elaboration of National Budgets*, 18-20 January, Havana.

Hanfstaengl, Eva Maria. 1999. "Expert meeting on 'Taxing Excessive Financial Speculation'" CIDSE Advocacy Newsletter, Issue 9, <http://www.cidse.be/en/advocacy/newsletter/an9tg2.htm>

Hartzenberg, Trudi. 1996. "Taxation" in Debbie Budlender (ed). *The Women's Budget*, IDASA, Cape Town, South Africa.

Herbst, Jeffrey. 1998. "The Structural Adjustment of Politics in Africa" in Peter Lewis. (ed). *Africa: Dilemmas of Development and Change*, Westview Press, Boulder, Colorado, p. 432.

Hoerner, Andrew. 1989. "Credits Where Credits Are Due: Child Care and Family Dynamics". *Tax Notes*, October 9.

Lanjouw, Peter and Martin Ravallion. 1991. "Benefit Incidence, Public Spending Reforms and the Timing of Program Capture." *World Bank Economic Review*, Vol. 3, No 2, May.

Li, Steele and Paul Glewwe. 1999. "Distribution of Government Education Expenditures in Developing Countries". World Bank, Washington, DC.

Mbugua, J.K., G.H. Bloom and M.M. Segall. 1995. "Impact of user charges on vulnerable groups: The case of Kibwezi in Rural Kenya. *Social Science and Medicine*. Vol. 41, No. 6, pp. 829-35.

McCaffery, Edward. 1997. *Taxing Women*, University of Chicago Press, Chicago.

Moser, Caroline. 1989. "Gender planning in the Third World: meeting practical and strategic gender needs". *World Development*. Vol. 17. No.11.

_____. 1992. "Adjustment from below: low income women, time and the triple role in Guayaquil, Ecuador, in Haleh Afshar and C. Dennis (eds). *Women and Adjustment Policies in the Third World*. Macmillan, London.

- Mundle, Sudipto. 1998. "Introduction to Special Section of World Development on Financing Human Development", *World Development* 26 (4), pp. 657-658.
- Narayan, Deepa, Robert Chambers, Meera Kaul Shah, and Patti Petesch. 2000. *Crying Out for Change: Voices of the Poor*. Draft. World Bank, Washington, DC.
<http://www.worldbank.org/poverty/wdrpoverty/conspoor/cry11.pdf>
- Nelson, Julia. 1996. "Feminist Theory and the Income Tax", in Julia Nelson. *Feminism, Objectivity and Economics*, Routledge, London.
- Newman, Constance. 2000. "Gender, Time Use, and Change: Impacts of Agricultural Export Employment in Ecuador". Draft Paper.
- North-South Institute. 1999a. "Putting a value on unpaid work" *North-South Institute Newsletter* Vol. 3 No. 2, Ottawa, Canada. www.nsi-ins.ca/ensi/publications/review/v3n2
- _____. 1999b. "Debt relief: too little, too late?" *North-South Institute, Newsletter* Vol. 3 No. 3, Ottawa, Canada. www.nsi-ins.ca/ensi/publications/review/v3n3
- Pradhan, Basantha, P.K. Roy and M.R. Saluja. ? "Informal Sector in India: A Study of the Household Savings Behaviour". Draft Paper.
- Prennushi, Giovanna. 1999. "Nepal: Poverty at the Turn of the Twenty-First Century"
- Rajaraman, K. 2000. "Example from the southern state of Tamil Nadu in India", e-mail message, WDR 2000/1 on-line discussion, March 19.
- Randall, Margaret. 1996. *The Price You Pay: The Hidden Cost of Women's Relationship to Money*. Routledge. New York.
- Rao, Govinda. M. 1998. "Accommodating Public Expenditure Policies: the Case of Fast Growing Asian Economies", *World Development* 26 (4) (1998) pp. 673-694.
- Ravallion, Martin. 1999. "Monitoring Targeting Performance When Decentralized Allocations to the Poor Are Unobserved". *Policy Research Working Paper* No. 2080. The World Bank. Washington, DC. March.
- Reddy, Sanjay and Jan Vandemoortele. 1996. "User Financing of Basic Social Services: A review of theoretical arguments and empirical evidence". UNICEF Staff Working Papers. Evaluation, Policy and Planning Series. UNICEF. New York.
- Rodrik, Dani. 1997. *Has Globalization Gone Too Far?* Institute for International Economics, Washington, DC.

- Ross, Peter, Greg Bamber and Gillian Whitehouse. 1998. "Employment, economics and industrial relations: Comparative statistics", *International and Comparative Employment Relations*, Bamber, Greg and Russell Lansbury (ed). Sage Publications, London.
- Rusimbi, Mary. 1999. "Tanzania Gender Networking Program and the Gender Budget Initiative". Presentation at the World Bank Poverty Reduction and Economic Management (PREM) Network Annual Meeting. Washington, DC. July 13-14.
- Santos, Boaventura de Sousa. 1998. "Participatory Budgeting in Porto Allegre: Toward a Redistributive Democracy", *Politics and Society*, Vol. 26, No. 4.
- Sen, Amartya. 1998. "Human Development and Financial Conservatism", *World Development* 26 (4), pp. 733-742.
- Shibata, Aiko. 1994. "The Effects of Japanese Income Tax Provisions on Women's Labor Force Participation". Nancy Folbre, Barbara Bergmann, Bina Agarwal and Maria Floro (ed.). *Women's Work in the World Economy*. New York University Press, New York.
- Sinha, Anushree. 1998. "Macroeconomic analysis of the Indian informal sector within a social accounting matrix framework". Paper presented at the Twelfth International Input Output Conference at New York University, May 18-22.
- Skinner, Caroline. 1999. "Getting Institutions Right? Local Government and Street Traders in Four South African Cities". Draft Paper.
- Smith, Terence. 2000. "Women and Tax in South Africa". Draft paper.
- Sparr, Pamela. (ed.). 1994. *Mortgaging Women's Lives: Feminist Critiques of Structural Adjustment*. Zed Books. London.
- Standing, Guy. 1996. "Global Feminization Through Flexible Labor: A Theme Revisited" *World Development*.
- Stotsky, Janet. 1996. "Gender Bias in Tax Systems". IMF Working Paper, September.
- Streeten, Paul Patrick. 1995. *Thinking about Development*, Cambridge University Press.
- Swiebel, Joke. 1999. *Unpaid Work and Policy Making: Towards a Broader Perspective of Work and Employment*. February. United Nations, DESA Discussion Paper No. 4, New York.
- UN. 1999. *World Survey on the Role of Women in Development: Globalization, Gender and Work*. United Nations Department of Economic and Social Affairs, New York.
- Van Adams, A. and T. Harnett. 1996. "Cost Sharing in the Social Sectors of Sub-Saharan Africa: Impact on the Poor". World Bank Discussion Paper. No. 338, Africa Technical Department, World Bank, Washington, DC.

Van de Walle, Dominique. 1995. Public Spending and the Poor: What We Know, What We Need to Know. *Policy Research Working Paper* No. 1476. World Bank. Washington, DC. June.

_____. 1998. "Assessing the Welfare Impacts of Public Spending", *World Development*. Vol. 26. No. 3. pp. 365-79.

Vickers, Jeanne. 1991. *Women and the World Economic Crisis*. Zed Books, London.

Virmani, Shabnam and Nata Duvvury. 1996. (executive producers). "When Women Unite: The Story of an Uprising". Documentary film, Center for Development of Imaging Technology, Trivandrum (Kerala), India.

World Bank. 1994. *World Development Report 1994: Infrastructure for Development*, Washington, DC.

_____. 1997a. "Togo: A Participatory Approach". Best Practice in Public Expenditure Reviews Series, *Africa Region Infobriefs*, No. 20. September. Washington, DC.

_____. 1997b. "Benin: Improving Budget Systems to Increase Poverty Alleviation Impact". Best Practice in Public Expenditure Reviews Series, *Africa Region Infobriefs*, No. 22. November. Washington, DC.

_____. 1999. "Tanzania: Partnership and Continuous Dialogue for Improved Budget Management". Best Practice in Public Expenditure Reviews Series, *Africa Region Infobriefs*, No. 44. September. Washington, DC.

World Bank. 2000. *World Development Report 2000/2001: Attacking Poverty*. Washington, DC.

Websites

Center on Budget and Policy Priorities. <http://www.cbpp.org>

Center for Environmental Economic Development <http://www.ceedweb.org>

Commonwealth Secretariat www.thecommonwealth.org/gender

International Budget Initiative. <http://www.internationalbudget.org>

Institute for Development Studies <http://www.ids.ac.uk/ids>

IDASA <http://www.idasa.org.za/final/publications>

Overseas Development Institute <http://www.oneworld.org/odi>

Status of Women Canada www.swc-cfc.gc.ca

UNDP www.undp.org/poverty/events/budgets_wk.html

UNDP <http://www.undp.org/seped/publications/budgets.pdf>

UNIFEM www.unifem.undp.org/progressww

Annex.1. Preliminary Thoughts on the Link Between Informal Sector and Budgets*

1. Public Spending

1.a. Expenditures on enterprise development services (microfinance, vocational training, business development services):

- Vocational skills training, and non-formal education have more distributional capability to help informal sector, most likely to be poor, than formal educational budgets at the primary and secondary levels.
- While there is a lot of rhetoric around enterprise development services for microenterprises. The push is for private provision of such services rather than public service delivery.
- Vocational skills training and on-job apprentice is vanishing fast as a result of labor market reforms and flexibilization throughout Latin America. These are services and provisions which can make a significant difference in capabilities of survivalist activities in the informal sector resulting in business growth. The decline in public spending on them would hurt those working in the informal sector.

1.b. Transfers for labor rights (social security, insurance, minimum rates, etc.):

- Most informal sector workers are casual workers with no direct access to government provided social security even when such schemes exist. Domestic servants can be registered as employees and receive social security if the employers agree to do so in Turkey. Yet less than 1/5th of the women working as domestic servants are estimated to have social security.
- Decentralization of expenditures has clear impacts on informal sector workers. might have a positive impact on reaching informal sector with social security, social protection if local resources could be mobilized around innovative micro-insurance schemes to protect poor workers. Why? Easier to access people, easier to make needs assessments

1.c. Allocation of funds for the collection of informal sector statistics and data challenges:

- While there is progress in many countries, establishing informal sector statistics has been an uphill battle.
- We need to understand the informal sector's contribution to the overall economy and trace its interrelationships with other economic variables in order to make the case for budgetary allocations stronger (Sinha, 1998).
- The savings, investment and consumption patterns of informal sector households also needs to be known (Pradhan, et.al., ?)
- Allocations impacting on informal sector workers are located in many different ministries.
- The tendency towards project funding makes assessments difficult as project budgets are difficult to disaggregate (Skinner, 1999).
- In order to make intercity comparisons of resource allocation to street vendors, for instance, there needs to be uniformity in the way budgets are formulated (Skinner, 1999).

1.d. Building market spaces (water, toilet, storage facilities):

- Local governments are the ones which allocate land, money and resources for building street markets. A market built next to a transport node is likely to be well attended by traders and customers alike.

2. Revenues

2.a. Direct Taxes

- Street vendors are already in the market places, they might not pay taxes, but they pay high transaction costs to be in the markets. These fees go to local government authorities in the form of bribery, or shop keepers around the market for water, toilet, storage, etc. If local governments provided the services and the protection to them, then perhaps they would be better off paying taxes. Cost benefit analysis needed from the perspective of the street vendors.
- Those working in the informal sector might not contribute to publicly provided pensions and retirement funds, and medical insurance payments. But they are also out of all the social security and insurance schemes and when it is time to collect the benefits, they do not have access to those benefits. They have to buy their own insurance through private schemes or end up paying high prices.

2.b. Indirect Taxes

- Revenues from indirect taxation of informal sector households by charging commercial electricity. In Buldan and Babadag (Denizli, Turkey) households with semi-automatic looms pay commercial electricity fees even though the work is subcontracting work based on piece-rate payment.

2.c. Corporate Taxes

- Biases in trade taxes against informal and small traders: Example of informal cross-border suitcase traders from Eastern Europe and Former Soviet Union going to Southern countries like Turkey, Greece and Italy for consumer goods.
- Progressive trade taxes would provide a reliable and visible source of income to support sustainable development efforts, put social security schemes in the hands of those working in those sectors without any protection such as home-based workers.

* This is a preliminary and a non-comprehensive introductory note on the impact of government budgets (national and local) on informal sector, written in the hope of generating further discussion on the topic.

