163

ORF OCCASIONAL PAPER

AUGUST 2018

Gender-Responsive Budgeting: A Task Ahead for India's 15th Finance Commission

Shalini Rudra

ORF OBSERVER RESEARCH FOUNDATION

Gender-Responsive Budgeting: A Task Ahead for India's 15th Finance Commission

SHALINI RUDRA

ORF OBSERVER RESEARCH FOUNDATION

ABOUT THE AUTHOR

Shalini Rudra is a health researcher currently associated with Tata Trusts. Her research interests span issues of development, nutrition, gender, and public policy. She is a former Associate Fellow at Observer Research Foundation.

ISBN : 978-93-88262-13-2

Gender-Responsive Budgeting: A Task Ahead for India's 15th Finance Commission

ABSTRACT

Gender equality is a fundamental human right. This is also reflected in the SDG 2030 Agenda where its signatories, including India, reaffirmed their commitment to mainstreaming gender development and ensuring equal representation of women in the political and economic decision-making. This paper outlines gender-budgeting norms for resource allocations as an essential prerequisite for India to progress towards the SDG-5 on gender equality. Further, based on a review of the principles of financial devolution and central government budget documents, it is apparent that gender-sensitive concerns remain a neglected aspect of India's fiscal policy. Gender budgeting should receive adequate focus and be accorded high priority by the 15th Finance Commission of India.

I. INTRODUCTION

Gender responsive budgeting (GRB) or gender budgeting has both intrinsic and instrumental relevance. GRB is critical for eliminating gender inequalities with significant improvements in social, educational, health and economic indicators of a country. As defined by the Government of India (2007), a gender-responsive budget acknowledges the gender patterns in society and allocates money to implement policies and programmes to make it gender equitable. More specifically, it refers to a systematic gender-differentiated impact of fiscal provisions, programmes and policies (Stotsky 2006).[1]

India adopted gender budgeting in 2004-05 based on the recommendations of an expert group committee constituted by the Ministry of Finance on “Classification of Budgetary Transactions”,[2] and a statement on gender budgeting was incorporated in the Expenditure Budget (2005-06), Volume 1. This fiscal innovation was envisioned and incorporated into the financing mechanism to tackle gender inequalities. As a fiscal innovation, gender budgeting has undergone four phases in India: knowledge networking and model building; institutional mechanisms; capacity building; and accounting mechanisms (Chakraborty 2014).[3] Gender budgeting can be mainstreamed either through specifically targeted programmes for women or earmarking a fiscal component for women empowerment. It can be understood as a “gender lens” in the process of budgeting for planning, formulation and implementation stages.[4] Gender budgeting can be integrated in every programme and scheme of the Government of India, departments of the Union, State and PRI Budgets (Vibhuti Patel 2010).[5] The Lahiri Committee recommendations provided a clear roadmap for preparing the analytical matrices for gender budgeting and institutional mechanisms like Gender Budgeting Cells at the national and subnational government levels in India. Its drawback, however, was that the existing gender budgeting processes were primarily confined to public expenditure.

This paper argues that fiscal policies to tackle gender equalities should be integrated with the intergovernmental fiscal transfer mechanisms through the Finance Commission and at the subnational public finance practices. The paper recommends that the recently constituted Fifteenth Finance Commission integrate gender (budgeting) criteria in their formula-based fiscal transfers.

1.1: Gender Diagnosis in India

India is grappling with huge disadvantages for women in all walks of life. Inadequate and inequitable human capital investments, historically, manifested in the low participation of women in mainstream social, political and economic activities. While the gap between men and women voters have narrowed over time, women's representation in key political forums including parliament and state legislatures is much lower. Following the 2014 General Elections, 62 women MPs were elected to the 16th Lok Sabha. This accounts for 11.3-percent representation of women in the lower house. Table 1 shows a gender gap of about 50 percent in labour force participation rates as per the usual principal status (UPS) approach. Indian women who may be employed remain at the bottom of the pyramid of the Indian economy. According to an ILO study, "female participation rates declined from 34.1 per cent in 1999-00 to 27.2 per cent in 2011-12 (Sher Verick, 2014).[6] In a fast changing economy, the influx of technological advancement necessitates investment in skill enhancement of girls and women to improve the country's human capital formation.

While India's women have a relatively higher life expectancy at birth, infant mortality rates across rural and urban areas are higher for the girl child. Even though female foetuses have a higher biological survival rate at conception, preference for sons has led to a skewed sex ratio, with males outnumbering females. Another social manifestation of the male preference is in the literacy rates[7]—the proportion of illiteracy among the females is almost twice as high as that among males. Such disadvantages for females translate to low literacy rates and low matriculation rates. With more than 60 percent of women getting married before 25 years of age in India, it also reflects the gendered norms in education and their meagre participation in technical and professional education. The UNDP Gender Development Index ranks India among the lowest. In the Gender Inequality Index, India is also ranked at a dismal 125th place out of 159 countries.

Table 1: Gender differentials in key development indicators, India

Indicator	Rural India		Urban India		All India	
	Male	Female	Male	Female	Male	Female
Labour force participation rate, 2015-16	77.3%	26.7%	69.1%	16.2%	75.0%	23.7%
Life expectancy at birth, 2009-13	64.6 years	68.1 years	69.6 years	73.0 years	65.8 years	69.3 years
Infant Mortality Rate, 2016	37	40	22	25	33	36
Maternal Mortality Rate, 2017	174 per 100,000 live births					
Illiteracy	22.9%	42.1%	11.2%	20.9%	19.1%	35.4%
Literacy	77.1%	57.9%	88.8%	79.1%	80.9%	64.6%
Matriculation	13.5%	8.2%	17.7%	14.5%	14.9%	10.3%

Source: Author's estimates, culled from various reports/publications of the Government of India (NSS, Census, SRS)

Given such stark gender differentials, GRB is essential to empower women and achieve the SDG-5 of gender equality. Gender equality is a fundamental human right, and all the signatories of the SDG 2030 Agenda have reaffirmed their commitments to mainstreaming gender development and ensuring equal representation of women in political and economic decision-making.

'Gender budgeting' refers to mainstreaming gender in the design, implementation and evaluation of financial allocations, across all government expenditures. As a prelude to gender budgeting, it is pertinent that Economic Surveys carry a chapter on gender diagnosis in India. In 2000 and 2001, Economic Surveys carried sections on gender diagnosis in India but were eventually discontinued. It is a welcome step that this year's Economic Survey resumed analysis of gender implications after a gap of 17 years.

The rest of this paper outlines gender-budgeting norms for resource allocations as an essential prerequisite for India to progress towards the SDG-5 on gender equality. This paper gives a status quo on GRB implementation in particular, and emphasises the gender-sensitive concerns that have remained neglected in India's fiscal policy. Therefore, GRB should receive greater focus and be regarded as a high-priority task for the 15th Finance Commission of India.

II. GENDER BUDGETING: NORMS AND PRACTICE

GRB is a term often used to analyse the gender-differentiated impact of the earmarked public expenditure allocations (planned and unplanned) in an economy. The concept does not entail mere increased outlays for the women-centric programmes; rather, it demands financially effective decisions of the public sector based on the principles of gender equality that are mostly obscured in conventional fiscal and public policies. It must be noted that the gender-differentiated impact is broadened to include gendered planning through institutionalising gendered discourse in budgeting, taxation, labour market implications of social sector expenditures, evaluation & audits, and procedural commitments that can facilitate inclusive policymaking.

The economic rationale for promoting a gender-sensitive budget also emanates from efficiency and equity perspectives, and the fact that policies are designed to steer the economy towards the desired developmental agenda. However, the segregation of all public expenditure under a gender budgeting framework can encounter methodological difficulties, including a degree of arbitrariness in assigning gender weights to each rupee of public expenditure. Some public expenditure is by nature 'non-excludable' and non-rival, such as defence, and road/bridge-building. Similarly, public expenditure on infrastructure such as roads, water, and irrigation may have intrinsic gender implications, but attempts are necessary to identify, evaluate and quantify such components. However, it would be naïve to assume such expenditure as gender-neutral because these may not necessarily bridge inter-gender or intra-gender gaps. Furthermore, gender-sensitive budgeting can allow the government to capture huge externalities that are not internalised through market mechanisms. For instance, higher expenditure on road safety, public transport infrastructure and internal security can improve labour productivity and labour market participation of both men and women.

Importantly, this does not restrict the budgets and development programmes to be inclusive of financial allocations for the general welfare of disadvantaged sexes. In a country like India where the participation of women in political discussions and government bureaucracies has traditionally been weak, there is a dire need for sensitivity towards promotion of equality of opportunities between men and women. Further, to consider only the explicitly segregated budget allocation towards gender equality is too restrictive. In fact, the expenditures contributing to women empowerment or equality of sexes include many other overheads under the budgets. Chakraborty (2011) has also placed this concern in her background paper for UNDP Human Development Report by identifying the elements of equal power and equal voice intrinsic in the gender-responsive budgeting (GRB) across the Asia-Pacific countries rather than confining to the *ex-post* budget analysis through a gender lens in isolation from overall fiscal policy and the gender development framework.[8] This paper analyses these elements broadly in the context of the Asia-Pacific region.

The recent reforms in public finance management are often seen as confirming to the vital debate over allocation versus operational efficiency in public financing. The fiscal consolidation and the New Fiscal Reform and Budget Management (FRBM) framework also need to be analysed whether the revised framework has integrated SDGs, including the Goal No: 5 on gender equality. The investment needs are determined by structural developments such as the demographic profile of the country, need for investment in physical and social infrastructure, and fiscal space to raise funds through taxation. These needs of an economy such as India's should be kept in mind before imposing restrictions through FRBM as its implications might have more significant impact on social sectors. With stagnant public spending, resorting to retrenched revenue expenditures will result in leaving necessary investments to the market, thus resulting in higher inequity. Therefore, all policies to curtail deficit should be analysed for their immediate and long-term fallouts.

The benefits of integrating GRB are transparency in the economic governance, awareness about the gender impact of policies, and government accountability for commitments towards gender equality. It also mandates the governments to pass legislation and ensure effective monitoring and enforcement of gender principles in budgeting. Gendered analysis can effectively leverage the operational efficiency of programmes and policies as more fiscal space gets allocated to the priority areas. Engendering of the financial allocations under each sector also raises awareness about the gendered impact of budgets and policy analyses.

The need for GRB of policies is not necessarily restricted to governments; this must include the non-governmental sector and organisations as well as ordinary citizens. In the budget over various years, the scope of GRB has remained limited to welfare programmes and schemes listed under the category of 'social sector'. There is less focus on mainstreaming GRB in the economic sector and financial allocations.

The Union Government adopted the Gender Budgeting mandate in 2005. Since then, however, there remains a big gap between budgetary outlay and outcome due to non-utilisation of the allocated funds. Gender commitments do not get translated into budgetary commitments in the absence of funds, functions and functionaries. There needs to be a serious examination by public policy think tank, NITI (National Institute for Transforming India) Aayog, to address this problem.

The revenue generation mechanisms of the governments are also required to be sensitive towards the gender component. There is a dearth in analyses on the gender differentials in India's tax incidence, with the study by Chakraborty et al (2010) being the only one so far.[9] Education and health, in particular, are the critical areas that elicit greater consensus on extending subsidies to promote service utilisation by girls and women. A careful benefit incidence analysis of the public expenditure needs to be carried out to determine the unit cost and unit benefit accrued to the girls and women to justify increasing outlays to these sectors. The importance of fiscal incidence analysis in gender budgeting has been acknowledged as far back as the first Gender Budget statement by the Government of India in Union Budget 2005-06.[10]

III. GRB: BEST PRACTICES

Australia was the first among the Commonwealth nations to implement GRB in 1984 with budgetary allocations for gender implications over a period of 12 years. It was only after the late 1990s, however, that more countries adopted GRB across both the developing and developed world. In this regard, the Fourth World Conference of Women (1995) was instrumental and led to the adoption of the Beijing Declaration and Platform for Action that emphasised on the integration of a gender perspective in the budgetary decisions on policies and programmes. This coincided with the adoption of South Africa's Women's Budget Initiatives in 1995. Later, Tanzania (1997) and Uganda (1999) also focused on the impacts of structural adjustment in the public financing of social sector programmes on education and health.

Being a pioneer, Australia was also the first country to establish institutional mechanisms for approaching GRB. This included setting up the Office of the Status of the Women under the Department of the Prime Minister, the establishment of Women's Desks, and the formulation of gender budget statements. Formal evaluations by cabinet ministers and permanent secretaries were also undertaken for developing the expenditure and revenue component from a gender perspective. Involvement of NGOs and an emphasis on capacity building as well as dissemination of information and materials were also part of the overall strategy. Several countries have similar procedural mechanisms including India, Nepal and South Korea that publish gender budgeting statements. For the first time in 2016, IMF conducted a global survey of gender budgeting covering five regions.[11]

In the Asia-Pacific region, Korea and the Philippines have made it legally mandatory to conduct gender budgeting. The Gender Budgeting statement published by the Ministry of Women and Child Development, Government of India (2015), presents a review of country experiences and the lessons that can be learnt by India from them. The countries included Australia, Philippines, Nepal, Bangladesh, France, Austria, Canada, United Kingdom, Tanzania, Uganda, Israel, and South Africa. In some countries, GRB is backed by constitutional provisions (Austria), whereas others have established GRB at the budgeting level under various ministries (Philippines). In some countries, GRB is largely restricted to public expenditure under government management (India), but a few countries have increasingly attempted at greater multi-stakeholder participation (South Africa) with a strong role of civil society and NGOs (Israel, Uganda, UK and Tanzania).

The review identifies certain important lessons for the adoption of GRB. It acknowledges that the political approach significantly influences the success of GRB as well as reaps dividends for the parties in power for mainstreaming it. The political process also necessitates the establishment of institutional structures such as specific departments for GRB and institutional mechanisms such as GRB statements and budgetary consultations with robust multi-stakeholder forums representing the government, NGOs, civil society, technical experts and media to draw attention to the diverse concerns underlying the process. Such consultations should pay equal attention to both expenditure and revenue components of public finance. Similarly, it is necessary to promote Gender Responsive Budgeting within the private sector, particularly across activities and enterprises that allow greater scope for promoting gender equality. For instance, the private sector in health and education can directly adopt such principles. However, all these efforts require rigorous monitoring based on quality data and also involves greater commitment and motivation at all levels for policy adoption and course corrections.

IV. INDIA'S TRYST WITH GRB

India's approach towards GRB is guided by its international commitments, including the Convention on Elimination of All forms of Deprivation against Women (CEDAW) in 1980, International Conference on Population and Development (ICPD), 1994 and, more recently, the SDGs, 2015. The Ministry of Women and Child Development (MWCD) is the nodal agency for coordination of Gender Budgeting activities including preparation of strategic framework of activities that is then disseminated across various ministries and departments. Though MWCD is the nodal agency to implement GRB in India, it is the Ministry of Finance in coordination with the National Institute of Public Finance and Policy (NIPFP) that carries out the pioneering study on GRB to design the matrices of gender budgeting. The timeline of India's tryst with GRB can be tracked in Table A1 in Appendix, as compiled by MWCD.

For the effective implementation of GRB, it needs broader support along the constitutional principles and institutional mechanisms to steer policymaking and coordination. Although, from Seventh Plan onwards India had adopted gender norms for monitoring and implementation of specific women-specific schemes, the scope of such engagement has expanded from the mid-2000s. By 2014, around 57 gender budget cells (GBCs) were established by various ministries and departments.

The Ministry of Finance has played a crucial role through altering the expenditure budgets to integrate a statement of gender budgeting by adopting NIPFP methodology to prepare Part A (specifically targeted programmes for women in the budget) and Part B (intrinsic women-specific programmes in the budget). Lahiri et al. (2002) provide the details of this methodology later adopted by the Ministry of Finance in integrating gender in macro-fiscal framework.[12] However, in the implementation stages of GRB, the functioning of the GBCs has become an area of concern. For instance, Jhamb and Mishra (2015) identify various limitations including inadequate staff, poor inter-departmental coordination and participation, weak monitoring capacity, and limited technical expertise.[13]

It is worth noting that by October 2015, 17 States and Union Territories of India had adopted Gender Budgeting. Odisha, Tripura, Uttar Pradesh, Karnataka and Gujarat are among its early adopters (2004-07) whereas Andaman & Nicobar Islands, Rajasthan, Maharashtra and Dadra and Nagar Haveli mainstreamed GRB in 2011-13. The States of Madhya Pradesh, Jammu & Kashmir, Arunachal Pradesh, Chhattisgarh, Uttarakhand, Himachal Pradesh, Bihar, Kerala and Nagaland adopted GRB in 2007-2009. Most of these states and UTs have also displayed commitment towards mainstreaming gender issues with specific reference to violence against women, schooling and welfare of girl child, capacity building and social security schemes, as well as in village-level (Panchayat) planning and decision-making. Chakraborty, Ingrams and

Singh (2017) in their recent publication stated the significant impact of gender budgeting on gender equality indicators such as the Gender Development Index (GDI).[14] In the Indian context, a crucial question is about the impact of gender budgeting on gender equality at the State-level governments. Zaman and Stotsky (2017)[15] have analysed the impact of gender budgeting on fiscal space and gender equality. They found that gender budgeting has significant impact on gender outcomes at sectoral levels, especially education. However, the impact of GRB on fiscal space was ambiguous.

Indeed, gender is a cross-cutting theme across several development policies and programmes, and it is feasible to identify budget components and budget shares that are more closely associated with specific gender aims to bridge inequalities in India. Prominent schemes such as the National Health Mission, National Rural Livelihood Mission, MGNREGA are some examples where considerable resource allocations can be examined from a gender perspective. The impact of direct fiscal transfers such as MNGREGA, NHM, NRLM and ICDS on gender equality is a crucial question. Chakraborty and Singh (2018) showed that MNREGA has a positive impact on female labour force participation rates in India.[16] However, similar analyses in certain other core economic sectors such as infrastructure and financial development may encounter methodological limitations. A successful example of gender budgeting is from energy infrastructure sector: UJWALLA Yojana has shown the immense impact on the health and social status of BPL women by providing them cooking gas connections.

Table 2: Gender Budget of Ministries and Departments, 2018

Year	Ministries/Depts (Demands)	Total Gender Budget (BE) (Rs. Crore)	% of Total Budget
2008-09	27(33)	27,166.67	3.68
2009-10	28(33)	56,857.61	5.57
2010-11	28(33)	67,749.80	6.11
2011-12	29(34)	78,251.02	6.22
2012-13	29(34)	88,142.80	5.91
2013-14	30(35)	97,133.70	5.83
2014-15	36(39)	98,029.84	5.46
2015-16	35(35)	79,257.87	4.46
2016-17	35(47)	90624.76	4.58
2017-18	32(48)	1,17,221.47 (RE)	5.28
2018-19	38(49)	1,21,961.32	4.99

Source: Ministry of Women and Child Development, 2018; RE: Revised Estimates; BE: Budgeted Estimates

Gender budgeting is both applying a gender lens to existing budgets *ex-post* and also designing appropriate *ex-ante* programmes for women. In India, gender budgeting has come in the form of mostly Public Expenditure Reviews (PER) of existing budgets through a gender lens. Ex-ante programmes are more extensive, participative and necessarily more than just fiscal allocations. Rather, they advocate a more iterative process of diagnosing the needs, developing relevant strategies, planning and budgeting, rolling out the strategy, and evaluating the whole process. This makes 'gender diagnosis' a more efficient process, leading to better outcomes. At the same time, however, it presents specific challenges for it to be holistic. In 2014, Government of India introduced a new budgetary allocation, the Nirbhaya Fund to address the safety and security concerns of women. The fund, though, remains largely unutilised. The prominent schemes of the Union Government on gender budgeting are given in Statement 13 of Expenditure Budget in Union Budgets 2018.[17]

Table 2 presents estimates of total gender budget and its share in the total budget of India. Overall, gender budget has shown more or less steady increments since 2005-06; however, the recent years have witnessed reduced share of gender budget to overall budget. On average, gender budget accounted for five percent of total budget for the period from 2005-06 to 2015-16. This analysis has been possible with the provision of gender-disaggregated information by the ministries/ departments. Such furnished information forms the basis of Gender Budget Statement that reflects the schemes and programmes of reporting ministries/departments. From an accounting perspective, there are two forms of provisions: as mentioned above, Part A - 100-percent provision is for women; and Part B where the allocations for women constitute at least 30 percent of the provision. However, several policies and programmes may allocate less than 30 percent resources for women beneficiaries, but these are not considered for the Gender Budget Statement. Similarly, there can be certain other policies and programmes where resource allocations may be difficult to quantify for the GB statement.

Nevertheless, several essential methodological tools and alternatives are available to develop insights on the nature and magnitude of gender-sensitive budget allocations. For instance, a review of policy statements can reveal its design and orientation for promoting gender equity. The sex-disaggregated analysis of the number of beneficiaries through public expenditure benefit-incidence analysis can yield important quantitative insights about resource allocations and its impact. Chakraborty et al (2012) and Bhadra (2015) have analysed the benefit incidence of public investment in the health sector, and found prominent gender differential patterns in access to healthcare across states, and across income quintiles; the lower income quintile is still dependent on public sector for healthcare.[18] Mainstreaming GRB will invariably need greater recognition and push at the highest levels of policymaking including the Constitutional bodies. This paper, therefore, asks whether GRB can assume salience before the recently set up 15th Finance Commission of India.

V. FINANCE COMMISSION: DEVOLUTION FORMULAS AND GENDER

The Finance Commission (FC) has the highly important task of devising devolution principles and formulae for vertical and horizontal transfers of the divisible pool of government resources. While the former addresses the resource division between the centre and the states, the latter focuses on the distribution of resources across states. It is important to note that gender principles are not explicit criteria for either vertical or horizontal transfers. This is an important area of engagement for the Finance Commission.

Direct (corporation tax and income tax) and indirect taxes (customs duty, excise duty, and service tax) account for the bulk of Union Government tax revenue. The direct taxes account for about 55 percent of the gross union tax revenue whereas indirect taxes contribute 45 percent share. Central government cesses and surcharges are also an important source of union tax revenues and are part of the non-divisible pool. In recent years, the tax-to-GDP ratio of the Indian economy has been stagnant at about 10 percent but is expected to touch 12 percent in the post-GST phase. The Union Government also receives non-tax revenues (interest receipts, dividend receipts, user charges, royalty and profits from different sectors) and non-debt capital receipts (recoveries of loans and proceeds from disinvestments). The non-tax revenue as a proportion of GDP is about 2 percent.

The FC recommendations on vertical and horizontal distribution have an important bearing on the public expenditures of the Union and the States. The FC recommends a ceiling on transfers from the Union to the States as a percentage of gross revenue receipts. For instance, the 13th FC recommended a ceiling of 39.5 percent, but the estimated transfer amounts to over 41 percent of gross revenue receipts, thus suggesting that the ceiling criteria do not necessarily restrict the Union Government. Given the increase in the share of transfer to the states in recent years, the 14th FC expects the level of such transfers to be up to 49 percent of the gross revenue receipts. The 14th FC notes that over 60 percent of the divisible pool goes to the States in various forms of transfers; therefore, there is hardly any scope to increase the magnitude of aggregate transfers to the States. However, it is felt that a more significant share of the divisible pool should be in the form of unconditional transfers to promote sound fiscal federalism and resource allocations based on FC formula. This motivated the 14th FC to recommend an increase in the share of unconditional transfers from 32 percent to 42 percent of the divisible pool.

Table 3: Factors and weights under different resource devolution formulas

Factors	Plan Assistance		FC Horizontal Sharing	
	Gadgil Formula	Gadgil-Mukherjee Formula	13th FC	14th FC
Population	60%	55%	25%	17.5%
Tax-effort	7.5%	-	-	-
Per capita income	25%	25%	47.5%	50%
Special problems	-	15%	-	-
Fiscal management	-	5%	17.5%	-
Demographic change	-	-	-	10%
Area	-	-	10%	15%
Forest cover	-	-	-	7.5%

Source: Author's compilation

It is also the task of the FC to devise the principles for horizontal sharing of the resources earmarked under the divisible pool. The various FCs have generally used the following factors for deciding upon horizontal transfers: (a) factors reflecting needs, such as population and income; (b) cost disability indicators, such as area and infrastructure distance; and (c) fiscal efficiency indicators such as tax effort and fiscal discipline. The 14th FC, however, seeks to mitigate the impact of differences arising from fiscal efficiency and cost disability. It may be noted that the devolution formula of the FCs as well as the erstwhile Planning Commission (Gadgil Formula and its refinements) adopt more or less similar principles but with differences in weights and conception of the domain indicators. Table 3 presents an overview of the two devolution formulas for distribution of resources across States. It is apparent that these indicators can be perceived as gender-neutral and do not have any explicit reference to gendered outcomes.

Given the broad overview, there are three areas where a gender focus is feasible while deciding upon resource devolutions both from a vertical and a horizontal perspective. First, from a vertical transfer perspective, the FC can consider earmarking minimum resources from the divisible pool and additional incentives and the FC grants to promote gender equality. Although earmarked, such vertical segregation of budget may not represent the principle of gender budgeting that promotes gender sensitisation of budgetary allocations. However, this will draw attention towards gender as a budgetary priority and also encourage the Union and the States to improve the budgeting practices. Second, from a horizontal perspective, the FC can incorporate indicators of gender inequality to incentivise the states for better performance. This concern is akin to the adoption of the forest as an indicator by the 14th FC to improve environmental and ecological management. If climate change criteria is adopted as a cost-disability criteria, on the same principle, gender criteria can also be incorporated as low female labour force participation in a country is a cost disability and has adverse impacts on economic growth. Third, the Finance Commission can also design 'specific purpose transfers' to promote gender equality in the states. Finally, the Union Government can also raise revenue through cess and surcharges to supplement policy efforts that promote gender equality. In the past, the FC, as well as the Union Government, have indirectly used these mechanisms for improving gender equality through investment in education, but a more explicit focus on gender is desirable.

VI. ELEVATING GENDER-SENSITIVE RESOURCE TRANSFERS

The Union and State governments in India have directly or indirectly incorporated GRB in their budgeting exercise. Various Central and State schemes and programmes allocate funds for women-oriented activities or provide substantial resources to bridge the gender gap in development outcomes. However, the overall allocations and implementation focus has remained confined to select sectors, with significant variations across the States. In this context, it is essential that such initiatives be acknowledged at the highest level and are recommended through statutory bodies and constitutional authorities.

These are ideal circumstances and a unique opportunity for the 15th FC to explicitly account for gender concerns in resource devolution principles and practices. A recommendation from the Finance Commission will have a much-needed impact on mainstreaming gender in national development. The usual terms of reference of the FCs are broad enough to facilitate explicit recognition of gender principles in resource devolutions including grant-in-aid. The 14th FC, for instance, was mandated to examine sector-specific concerns such as environment, water and subsidies. It is, therefore, reasonable that the 15th FC identifies gender either as a cross-cutting theme or as a separate concern for discussion. In fact, this will also motivate the States to raise concerns on gender inequalities in a way which is similar to their expression of concern over the criteria of natural resources and the environment. Without earmarking of specific resource support, the States may not necessarily prioritise gender equality policies based on the pool of unconditional transfers.

The 14th FC has identified the population, demographic change and per-capita income as the criteria for horizontal transfers. These domains have an intrinsic gender component. For instance, the demographic change should be defined more broadly to include gender equality indicators such as sex-ratio at birth or maternal mortality ratios.

Anand and Chakraborty's (2016) paper, titled "Engendering' Intergovernmental Transfers: Is There a Case for Gender-Sensitive Horizontal Fiscal Equalization?", has emphasised the plausibility of incorporating 0-6 sex ratio in the Finance Commission's formula for horizontal devolution and presented the alternative state-wise estimates of such criteria if integrated with the Finance Commission formula.[19]

Another paper by Chakraborty (2010) highlighted that "given the disturbing demographics - the monotonous decline in the juvenile sex ratio, especially in some of the prosperous states of India - there can be no valid objection to using Finance Commission transfers for this purpose. A simple method for accomplishing this could be to introduce some weight in favour of the female population of the states in the Commission's fiscal devolution formula. The message would be even stronger and more appropriate if the population of girl children only - that is, the number of girls in the 0-6 age cohort - is adopted as the basis for determining the states' relative shares of the amount to be disbursed by applying the allotted weight.

"A special dispensation for girls would also be justifiable in a scheme of need-based equalization transfers. While social mores cannot be changed by fiscal fiats, particularly when prejudices run deep, a proactive approach by a high constitutional body like the Finance Commission is called for, especially when the prejudices are blatantly oppressive. Indeed, such action is imperative. The intergovernmental transfer system can and should play a role in upholding the right to life for India's girl children. That being said, it needs to be mentioned that it is not plausible to incorporate more gender variables in the Finance Commission's already complex transfer formula. In other words, the inclusion of a 'gender inequality index' in the formula may not result in the intended results, as the variables included in the index may cancel one another out.

"Accepting the fact that incorporating gender criteria in fiscal devolution could only be the second-best principle for engendering fiscal policy, the paper argues that newfound policy space for the feminization of local governance, coupled with an engendered fiscal devolution to the third tier, can lead to public expenditure decisions that correspond more closely to the revealed preferences ("voice") of women. With the 73rd and 74th constitutional amendments, this policy space is favourable at the local level for conducting gender-responsive budgeting."[20]

The present approach inherently favours the states with high fertility rate (hence population growth), which is an indicator of the low socioeconomic status of women and is inimical to gender equality. Thus additional weight to such indicators may not lead to more equitable gender equality outcomes. Moreover, this may not prompt the States to undertake actions to promote gender equality. For instance, a focus on aggregate population also overlooks the deteriorating population sex ratio across Indian States. The criteria of per-capita income also may not adequately reflect the underlying variations in the female labour force participation. Explicit recognition of such dwindling indicators can motivate the States to adopt active policies to address the structural concerns.

The Grant-in-Aid provided by the FC is vital to addressing certain common as well as specific needs of the States. In this regard, the 13th FC had identified three key objectives of grant-in-aid: First, reduce the gap in quality and provisioning of various administrative and social services across states; second, meet special financial burdens emerging from circumstances; and third, provide resources for specific national priorities. Given these objectives, it is relatively straightforward to consider the grant-in-aid route as a mechanism to promote gender-specific policies and concerns. For instance, the Department of Justice had suggested the 14th FC for earmarking grants to establish fast-track courts for speedy trial of cases including those against women and children.

Similarly, the 15th FC can also allow for gender concerns while deciding upon resource allocations for local governments (panchayat and municipalities). Presently, the population share of scheduled castes and scheduled tribes and certain other devolution indices are used for resource distribution across local bodies. Indeed, considerable expenditures by the local bodies are directly linked to welfare activities such as street lighting, schooling, water and sanitation. At present, there is greater emphasis on women representation in the local bodies, which demands increased transfer of resources for the implementation of policies to promote gender equality.

Gender Concerns in Local Self Government Bodies (LSGB)

The constitutional provision of 50 percent reservation for women in the Panchayati Raj Institutions (PRI), granted by the Union Cabinet of the Government of India on 27 August 2009, empowers women to participate in local governance. It gives women the right to act as facilitators in preparing a gender sensitive plan for area development and social justice. It mandates the local statutory bodies to identify the strategic and practical gender needs of the local women in drafting the area plans. Highly context dependent, the strategic gender needs are determined and governed by the statutory provisions that necessarily require affirmative action by the State, and proactive role of the employers to enhance women's position in the economy and social movements. Practical gender needs are identified, considering the gender based division of labour or women's subordinate position in the economy. Identified within a specific context, these are a response to the immediate perceived necessity. These needs are practical in nature and often are concerned with inadequacies in living conditions such as provision of fuel, water, healthcare and employment. However, a study by the United Nations Development Programme (UNDP) found "the evidence on gender and decentralisation in India suggests that while women have played a positive role in addressing, or attempting to address, a range of practical gender needs, their impact on strategic gender needs is not remarkable." (UNDP, 2002).[21] Some of the strategic needs include enhancing the capacity of the elected women representatives in LSGB to spend funds for community development (Patel, 2012).[22]

In another example, the flagship programme of revamping the rural health systems, National Rural Health Mission (NRHM), has a cadre of Accredited Social Health Activists (ASHAs). ASHAs are the first point of contact for any health-related demands of the deprived sections of the population, especially women, children, elderly, infirm and disabled. These link workers are not paid even minimum wages and are paid "honorarium" (Acharya and McNamee, 2009).[23] The Finance Commission should recommend regularisation of the ASHA workers.

The Central Government needs to take concrete measures to give greater fiscal space to the State Governments. At the same time, the State governments need to ensure financial decentralisation by empowering the local self-government bodies. Inadequate devolution of funds, finances and functions by the State legislatures/governments to the Panchayati Raj Institutions, and inadequate provisions for the planning and implementation by the PRIs directly impinge on gender inclusive growth. In this context, the Panchayat Empowerment and Accountability Incentive Scheme, envisioned by the Ministry of Panchayati Raj, needs to be enforced with stronger enthusiasm.

VII. CONCLUSION

It simply cannot be overemphasised that India's developmental outcomes have a vast gender gap that disadvantages women, particularly those from the marginalised and backward sections of society. GRB can be a useful tool to leverage gender principles in developmental policy and resource allocations. However, the practice of GRB is in its infancy in India, and greater policy efforts from both the Union and State governments are necessary to promote gender equality. Although, various ministries and departments of the Union and State governments have established specific gender budgeting cells, functional limitations of human resources and capacity as well as limited budgetary scope has restricted the overall impact of GRB in the country. The gender budgeting statements suggest that presently only about five percent of the total Union budget is apportioned for women-centric activities. Also, since 2010, there have been systematic reductions in the overall share classified as 'gender budget'.

Given such intricacies, it is crucial that GRB be accorded priority at the highest levels of policymaking in India. In this regard, an explicit recognition of gender-sensitive resource allocations by the 15th FC can provide the much-needed impetus to GRB in India. The Finance Commissions are mandated to recommend principles for vertical and horizontal transfers between the Union and the States, and it is only reasonable to allow for gender concerns in the resource allocation formulas.

Based on this brief overview, the following approaches can be considered for mainstreaming GRB in India:

1. Linking vertical transfers with an allowance for gender-specific policies and programmes.
2. Presenting horizontal transfer formula with the inclusion of indicators of gender equality.
3. Recommending the FC's grant-in-aid with specific emphasis on gendered outcomes.
4. Consideration of cess and surcharge for gender-specific policies and programmes.
5. Finally, launching multi-stakeholder consultations for improving GRB practices, principles and scope for resource allocations.

ANNEXURE

Table A1: Timeline of gender budgeting in India

2001:	Special reference by the Finance Minister of India in his Budget speech. Study on Gender-Related Economic Policy Issues by National Institute of Public Finance and Policy (NIPFP). (Commissioned by the then DWCD). For the first time, the second interim report of the NIPFP (August 2001) analyses the Union Budget 2001-02 from a gender perspective.
2002:	NIPCCD analyses gender responsiveness of the budgets of the select states. In the successive years of 2002-03, 2003-04, 2004-05 NIPCCD analyses the Union Budgets for expenditure on women and its broad outcomes in the Annual Reports of the DWCD. This initiated Gender Analysis of the Union Budget
2003:	In January 2003, the Cabinet Secretary, Government of India, recommends that the Ministries/Departments have a chapter on Gender issues in their Annual Reports. Many Ministries/Departments have since been reporting on the same. This has become a major basis for reviewing the achievements on Gender Budgeting within the Ministries/Departments.
2004:	The Ministry of Finance, Government of India, constitutes an Expert Group on the classification system of Government transactions "to examine the feasibility of and suggest the general approach to Gender Budgeting and economic classification." Inter-Departmental Committee is constituted under the chairmanship of Secretary, Expenditure. The first meeting of the inter-departmental committee is held on 7 December 2004, wherein it discusses the need for opening Gender Budget Cells (GBCs) in all Ministries/ Departments, and subsequently issues a letter to this effect. In December 2004, the Department of Economic Affairs, Ministry of Finance, issues instructions to all Ministries/ Departments to establish a 'Gender Budgeting Cell' by 1st January 2005. Subsequently, the Secretary, Planning Commission, endorses the views of the Ministry of Finance and issues an advisory: "the Ministries/Departments to bring out scheme-wise provisions and physical targets in the Annual Plan proposals for 2005-06 and to carry out an incidence analysis of Gender Budgeting from next financial year."

2005:	Since 2005-06, the Expenditure Division of the Ministry of Finance is issuing a note on Gender Budgeting as a part of the Budget Circular every year. This is compiled and incorporated in the form of Statement 20 as a part of the Expenditure Budget Document Volume 1 by the Expenditure Division of the Ministry of Finance. This GB Statement comprises two parts- Part A and Part B. • Part A reflects Women Specific Schemes, i.e. those which have 100% allocation for women. • Part B reflects Pro Women Schemes, i.e. those where at least 30% of the allocation is for women.
2007:	A Charter for Gender Budget Cells (GBCs) is issued on 8th March 2007 by the Department of Expenditure, Ministry of Finance. It outlines the composition of GBCs and their functions. The Charter introduces the scheme on Gender Budgeting and capacity building for encouraging research, so that a gender perspective was retained at all levels of the planning, budget formulation and implementation processes. All State Governments, government agencies and training institutions can apply under the scheme.
2010:	The Planning Commission, Government of India, vide D.O. no. PC/SW/1-3 (13)/09-WCD, dated, 5th January 2010, clarify that "Women Component Plan should no longer be used as a strategy either at the Centre or the State level. In its place, as already initiated by the Ministry of Finance and Ministry of Women and Child Development, we should adopt Gender Responsive Budgeting or Gender Budgeting only". The Department of Expenditure issues 'Revised Guidelines for the Preparation of Outcome. Herein, the Outcome Budget scope prescribes that "As far as feasible, sub-targets for coverage of women and SC/ST beneficiary under various developmental schemes and schemes for the benefit of North Eastern Region should be separately indicated."
2012:	The Planning Commission constitutes the Working Group for Developing Guidelines for Gender Audit of Policies, Programmes and Schemes of the Government of India The Secretary, Planning Commission, Government of India, vide D.O. no. PC/SW/1-3(13)/09-WCD, dated, 18th October 2012, writes to Chief Secretaries of all States/UTs: "To accelerate the process (of GB), State Finance Departments could set up Gender Budget Cells on the lines of the Charter for Gender Budget cells issued by the Ministry of Finance. The State Planning Departments may also be instructed to include the need for gender budgeting as a part of their annual plan circular".
2013:	The Secretary, MWCD, vide D.O. no. 1-25/2012-GB, dated 18th February 2013, issues the guidelines to the States to provide a roadmap for institutionalising Gender Budgeting at the State level.

Source: as compiled by Ministry of Women and Child Development, Govt of India

ENDNOTES

1. Janet G. Stotsky, "Gender Budgeting," IMF Working Paper No. 06/232 (Washington DC, 2006).

2. Government of India, "Classification of Government Transactions: Report of the Expert Group Constituted to Review the Classification System for Government Transactions" (Ministry of Finance, Government of India, July 2004), https://www.finmin.nic.in/sites/ default/files/ ReportExpGrGovTrans.pdf.

3. Lekha S. Chakraborty, "Gender-Responsive Budgeting as Fiscal Innovation: Evidence from India on Processes" (Working paper No. 797, Levy Economics Institute of Bard College, New York, April 2014), https://papers.ssrn.com/ sol3/papers.cfm?abstract_id=2430260.

4. Lekha S. Chakraborty, "Asia: A Survey of Gender Budgeting Efforts" (Working Paper No. WP/16/150 International Monetary Fund, Washington DC, July 2016), https://www.imf.org/external/pubs/ ft/wp/2016/ wp16150.pdf.

5. Vibhuti A. Patel, "Gender Audit of Budgets in India (2001-2 to 2009-10)," *Nivedini - Journal of Gender Studies* November/December 2010 (May 20, 2010): 14672.

6. Sher Verick, "Womens Labour Force Participation in India: Why Is It So Low?," 2014, http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/-sro-new_delhi/documents/genericdocument/ wcms_342357.pdf.

7. The reference to son preference as 'Meta preference' in the Economic Survey 2018 has so much to say about the ingrained prejudice for males.

8. Lekha S. Chakraborty, "Gender-Sensitive Fiscal Policies: Experience of Ex-Post and Ex-Ante Gender Budgets in Asia-Pacific" (Asia-Pacific Human Development Report Background Papers Series 2010/06, UNDP, New York., 2010), http://www.asia-pacific.undp.org/content/rbap/en/home/library/ human_development/aphdr-gender/tbp-06.html.

9. Pinaki Chakraborty et al., "Gender Equality and Taxation in India: An Unequal Burden?," in *Taxation and Gender Equity A Comparative Analysis of Direct and Indirect Taxes in Developing and Developed Countries*, ed. Caren Grown and Imraan Valodia (New York: Routledge, 2010), 94118.

10. Government of India, "Expenditure Budget, Volume-1" (Union Budget 2005-06, page 55, 2005).

11. 1. Lucia Fragoso Pérez and Enríquez Rodríguez C., "Western Hemisphere: A Survey of Gender Budgeting Efforts," IMF Working

Paper (Washington DC: IMF, July 2016), https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Western-Hemisphere-A-Survey-of-Gender-Budgeting-Efforts-44146;

2. Janet G. Stotsky et al., “Trends in Gender Equality and Womens Advancement,” IMF Working Paper No. (Washington DC: IMF, February 10, 2016), https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Trends-in-Gender-Equality-and-Womens-Advancement-43697; 3.

3. Janet G. Stotsky and Asad Zaman, “The Influence of Gender Budgeting in Indian States on Gender Inequality and Fiscal Spending,” IMF Working Paper (Washington DC, November 2016), https://www.imf.org/external/pubs/ft/wp/2016/wp16227.pdf; 4.

4. Janet G. Stotsky, Lisa L. Kolovich, and Suhaib Kebhaj, “Sub-Saharan Africa: A Survey of Gender Budgeting Efforts,” IMF Working Paper (Washington DC, 2016), https://www.imf.org/external/pubs/ft/wp/2016/wp16152.pdf;

5. Lisa L. Kolovich and Sakina Shibuya, “Middle East and Central Asia: A Survey of Gender Budgeting Efforts,” IMF Working Paper (Washington DC: IMF, July 2016), https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Middle-East-and-Central-Asia-A-Survey-of-Gender-Budgeting-Efforts-44144;

6. Romina Kazandjian et al., “Gender Equality and Economic Diversification,” IMF Working Paper (Washington DC: IMF, 2016), https://www.imf.org/external/pubs/ft/wp/2016/wp16140.pdf;

7. Janet G. Stotsky, “Gender Budgeting: Fiscal Context and Current Outcomes,” IMF Working Paper (Washington DC: IMF, July 2016), https://www.imf.org/external/pubs/ft/wp/2016/wp16149.pdf;

8. Lekha S. Chakraborty, “Asia: A Survey of Gender Budgeting Efforts,” IMF Working Paper No. 16/150 (Washington DC, 2016), https://www.imf.org/external/pubs/ft/wp/2016/wp16150.pdf.

12. Ashok K. Lahiri et al., *"Gender Budgeting in India"* in “Follow the Money” Series, South Asia. (United Nations Development Fund for Women, South Asia Regional Office, UNIFEM South Asia Regional Office, National Institute of Public Finance, and Policy, India 2005), https://books.google.co.in/books?id=_Yn0AQAACAAJ.

13. Bhumika Jhamb and Yamini Mishra, "Gender Responsive Budgeting in India", *Economic and Political Weekly* 50, no. 50 (2015): 5462.

14. Lekha S. Chakraborty, M. Ingrams, and Y. Singh, “Effectiveness of Gender Budgeting on Gender Equality and Fiscal Space: Empirical Evidence from

Asia Pacific." (GrOW Research Series Policy Brief, Montreal, Canada: Institute for the Study of International Development, McGill University, 2017).

15. Janet G. Stotsky and Asad Zaman, "The Influence of Gender Budgeting in Indian States on Gender Inequality and Fiscal Spending" IMF Working Paper No. 16/227 (Washington DC, 2016) https://www.imf.org/en/Publications/WP/Issues/2016/12/31/The-Influence-of-Gender-Budgeting-in-Indian-States-on-Gender-Inequality-and-Fiscal-Spending-44411.

16. Lekha S. Chakraborty and Yadawendra Singh, "Fiscal Policy, as the Employer of Last Resort: Impact of MGNREGS on Labour Force Participation Rates in India," Working Papers 18/210 (New Delhi, India: National Institute of Public Finance and Policy, 2018).

17. All the prominent schemes under gender budgeting by the Union Government are sectorally arranged in this statement https://www.indiabudget.gov.in/ub2018-19/eb/stat13.pdf

18. Kaushik K. Bhadra, "Inequality Effects of Fiscal Policy: Analysing the Benefit Incidence on Health Sector in India" (National Institute of Public Finance and Policy: New Delhi, India, December 2015).

19. Anand, Abhishek and Chakraborty, Lekha, 'Engendering' Intergovernmental Transfers: Is There a Case for Gender-Sensitive Horizontal Fiscal Equalization? (September 21, 2016). Levy Economics Institute, Working Papers Series, Working Paper No. 874. Available at SSRN: https://ssrn.com/abstract=2841914 or http://dx.doi.org/10.2139/ssrn.2841914

20. Chakraborty, Lekha, Determining Gender Equity in Fiscal Federalism: Analytical Issues and Empirical Evidence from India (March 2010). Levy Economics Institute Working Papers Series No. 590. Available at SSRN: https://ssrn.com/abstract=1585423 or http://dx.doi.org/10.2139/ssrn.1585423

21. United Nations Development Programme, "Decentralisation in India-Challenges and Opportunities" (UNDP, New Delhi 2002).

22. Vibhuti Patel, "Gender Audit of Budgets in India (2001-02 to 2009-10) in *Women in India-Contemporary Concerns*, ed. U. Kalpagam (Delhi: GyanPublishing House 2012), 79-107. https://www.scribd.com/document/381714539/Gender-Audit-of-Budgets-in-India-Colombo-Nivedini-2010.

23. Akash Acharya and Paul McNamee, "Assessing Gujarat's Chiranjeevi Scheme", *Economic and Political Weekly*, 44, no. 48, (2009): 13-15.

Observer Research Foundation (ORF) is a public policy think-tank that aims to influence formulation of policies for building a strong and prosperous India. ORF pursues these goals by providing informed and productive inputs, in-depth research, and stimulating discussions. The Foundation is supported in its mission by a cross-section of India's leading public figures, academics and business leaders.

ORF OBSERVER RESEARCH FOUNDATION

Ideas • Forums • Leadership • Impact

20, Rouse Avenue Institutional Area, New Delhi - 110 002, INDIA
Ph. : +91-11-35332000, Fax : +91-11-35332005
E-mail: contactus@orfonline.org
Website: www.orfonline.org