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**Budgeting for equity:  
Gender budget initiatives within a  
framework of performance oriented budgeting**





## Introduction

This research was commissioned by UNIFEM to explore the implications for gender responsive budget initiatives of recent public sector ‘performance oriented’ reforms in government budgeting. It poses the question: can performance oriented budgeting serve as a framework for making budgets more gender responsive? A central aim of the project was to develop strategies to enable gender responsive budget initiatives to more effectively achieve their goals within a performance oriented budget framework.. In the process, the project has brought together two areas of research and practice – budgeting reforms and gender responsive budgets.

The increasing interest in gender responsive budgets reflects a growing awareness of the importance of public resource allocations for gender equality. A significant gap can exist between the gender equality commitment of a government and the policies and programs funded by its budget. Many gender equality initiatives are never implemented because they do not form part of the budgetary decision making processes of government. Gender responsive budgets have emerged as an important and widespread strategy for shining a brighter light on what government budgets have and have not done towards the promotion of economic and social equality between men and women. These initiatives utilise a variety of tools of analysis and engagements with the budgetary processes to: (1) assess the impact of government expenditures and revenues on the economic and social position of men and women, boys and girls; (2) develop strategies that will bring about a gender sensitive allocation of resources. By the end of 2000 there were 40 gender responsive budget initiatives being undertaken either inside government or within the community and supported by activist groups, researchers, aid organizations and multilateral agencies (Budlender 2001).

The growth in gender responsive budget initiatives has coincided with the introduction of a raft of reforms in budgetary processes, in both developing and industrialized countries. A central reform direction has been to make government expenditure more ‘results based’. A key means of implementing what this paper will term ‘performance oriented budgeting’ has been to shift assessment of the success of government programs and policies away from the raising and spending of money (budgetary inputs) to the achievement of results in the form of outputs and outcomes. This approach is seen as facilitating a better assessment of the economy, efficiency and effectiveness of government outlays.

Performance oriented budgeting (sometimes termed performance based budgeting) is an old idea that has undergone various stages of evolution in response to the shortcomings of traditional line item budgeting which focussed on inputs. The most recent manifestation of performance oriented budgeting is ‘output and outcomes’ budgeting which will be the focus of this paper. Output and outcomes budgeting involves measuring the outputs (the products and services delivered by agencies) and outcomes (the impacts of government policies) of the government budget and incorporating this performance information into budgetary decision making processes. Government performance is assessed in terms of its capacity to achieve ‘value for money’ by applying the performance criteria of economy, efficiency and

effectiveness. Output and outcomes budgeting has emerged as part of a spectrum of public sector reforms undertaken by both developing and developed countries which are underpinned by a discourse of good governance. This form of performance oriented budgeting is deemed as promoting attributes of good governance such as transparent and accountable ways of making decisions and exercising power in relation to policies and budgets.

On the face of it, performance oriented budgeting appears to be a potentially positive framework for gender responsive budgets. In essence, performance oriented budgeting is a way of incorporating information into the budget cycle that measures the goods and services produced by government and the impacts of government expenditure and revenue raising on the community. The logic is as follows:

1. What does the government want to achieve? **OUTCOMES**
2. How does the government achieve this? **OUTPUTS**
3. How does it know if it is succeeding? **PERFORMANCE REPORTING**

Gender responsive budgets, too, are fundamentally concerned with assessing what goods and services governments produce and the impacts of policies and budgets on men and women and boys and girls. Therefore, at least in theory, it might be assumed that the logic of performance oriented budgeting might advance the goals of gender responsive budgets. Similarly, it seems plausible that the incorporation of gender disaggregated measures of performance is a means by which performance oriented budgeting also can be enhanced.

The paper proceeds by structuring the discussion in three parts:

Section 1 backgrounds gender responsive budgets for those readers not strongly familiar with these initiatives. This section also seeks to provide a context for thinking about the potential impact of the performance oriented budgeting framework on gender responsive budgets and for developing strategies to enhance the effectiveness of these initiatives within this new budgetary framework.

Section 2 outlines the evolution of performance oriented budgets and provides a 'model' of how the current system of output and outcomes budgeting works. The main strengths and shortcomings of output and outcomes performance budgeting for gender responsive budgets are examined.

Section 3 outlines a number of strategies for achieving a more gender aware outputs and outcomes performance budgeting framework. These strategies identify three dimensions to the task of sensitising output and outcomes budgeting to gender. Two of these dimensions of a gender aware framework illustrate how gender responsive budgets can more effectively use performance oriented budgeting as a framework. The third dimension, however, poses a more radical challenge to performance oriented budgeting, recognising that significant changes need to be made to output and outcomes budgeting in order to achieve genuine progress towards gender equality.

## **Section 1**

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### **An overview of gender responsive budgets**



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# An overview of gender responsive budgets

## 1.1 Introduction

Gender responsive budgets have emerged as an important and widespread strategy for scrutinizing government budgets for their contribution to gender equality. They have utilised a variety of tools and processes to assess the impact of government expenditures and revenues on the social and economic position of men, women, boys and girls. The purpose of these assessments of the gender impacts of budgets are threefold and interrelated. One is to raise awareness and understanding of gender issues in budgets and policies. A second is to foster the accountability of governments for their gender equality commitments. Another is to ultimately change budgets and policies in the light of the assessments and having effected accountability. Gender responsive budget initiatives are a gender mainstreaming strategy that directs attention to economic policy by focussing on government budgets. These exercises have taken on, and been influenced by, the discourse of good governance that has characterised the public sectors reforms of the past decade.

This section provides a summary review of the operation of gender responsive budgets. It is intended to provide a background to those readers who are not strongly familiar with gender responsive budgets. For those who are more familiar with these initiatives, it also seeks to provide a context for thinking about the potential impact of the performance oriented budgeting framework on gender responsive budgets and for developing strategies to enhance the effectiveness of these initiatives within this new budgetary framework.

## 1.2 The development of gender responsive budgets

Gender responsive budgets date back to the mid 1980s when they were implemented by Australian federal and state governments as a gender mainstreaming strategy that incorporated economic as well as social policy and a whole-of-government approach. These initial exercises were called ‘women’s budgets’ because of their focus on the budget’s impacts on women and girls. Since the late 1990s the terms ‘gender’ budgets, ‘gender sensitive budgets’, ‘gender responsive budgets’ and ‘gender budget initiatives’ have gained wide usage<sup>1</sup>. This terminology partly reflects a move to use gender as a category of analysis. It also represents a pragmatic response to overcome tendencies to misrepresent ‘women’s budgets’ as separate budgets for women (Sharp & Broomhill 2002: 25).

By the mid 1990s a few initiatives had developed in other countries illustrating the diversity of the forms of gender responsive budget exercises. One was a one-off Canadian Women’s Budget in 1993 undertaken by the NGO, Women’s International League for Peace and Freedom. This exercise sought to demonstrate the opportunity cost for women and children of budgets biased towards defence and environmentally destructive expenditures (Budlender 1996: 18). Another NGO initiative was the formation of the UK Women’s Budget Group in 1989 that initially sought to provide critical public commentary on the budget’s impacts on women under the Thatcher government’s neoliberal agenda (Himmelweit 2000). The work of

the Women's Budget group continues today and interest has shifted to working more closely with Treasury on the impact of the tax benefit system changes on women and men and on the government's indicators and targets introduced as part of performance oriented budgeting.

A different example is the ongoing 'inside government' Gender and Development (GAD) budget coordinated by the National Commission on the Role of Filipino Women of the Philippines government since 1993. A Philippine law requires that at least five percent of every government agency's budget is allocated to gender and development plans and programmes. The GAD exercise has recently inspired a community based exercise to examine the other 95 percent of the budget (Budlender, Buenaobra, Rood & Sadorra 2001).

The idea of gender budgets gained momentum internationally in 1995 when the United Nations Platform for Action recommended that:

Governments should make efforts to systematically review how women benefit from public sector expenditures; adjust budgets to ensure equality of access to public sector expenditures. (UNIFEM 2000: 112)

This global call for a gender perspective in government budgets was central to furthering the key themes of government accountability for its gender equality commitments and gender mainstreaming of the Beijing Platform of Action (Sharp & Broomhill 2002: 26)<sup>2</sup>.

Drawing on a combination of national and international commitments to gender equality, the South African Women's Budget Initiative (SAWBI) was launched in 1996. SAWBI has provided a major role model for the development of gender responsive budgets, particularly in the Southern African region. This community based exercise, coordinated by Debbie Budlender, has received strong support from the South African Parliament, and is now the longest running and most comprehensive exercise.

By 2003 the number of gender responsive budget initiatives had mushroomed to around 50. Gender responsive budgets can now be found at all levels of government – national, state and local. They engage a range of stakeholders and use a variety of tools (see Budlender 2002; Reeves & Sever 2003 for an overview of the different countries). An important impetus for the rapid growth in the numbers of these exercises has been significant support in the form of assistance, research and information dissemination from donor and multilateral agencies. This process began in 1996 with the endorsement of the Commonwealth Secretariat gender budget pilot project at the 1996 regular meeting of Commonwealth Ministers' of Women's Affairs. The Commonwealth pilot in Sri Lanka, Barbados, St Kitts and Nevis, and South Africa deepened understanding of the experience of 'inside government' exercises in particular, generated a wealth of materials, brought participants together and fostered a research agenda.

The Commonwealth Secretariat has since formed a partnership to further this work with International Development Research Center-Canada (IDRC) and the United Nation's Development Fund for Women (UNIFEM). Other international agencies including the Organisation for Economic Cooperation and Development (OECD), World Bank, United Nations Development Programme (UNDP), and more recently the Asian Development Bank, have a growing record of support to gender responsive budget development and implementation.

What is also significant about the involvement of several multilateral agencies is that these same agencies are playing a fundamental role in advocating public sector reforms in the name of good governance. Performance oriented budgeting is one such budget reform. See Box 1.1 for a summary of activities of multilateral agencies in promoting gender budgets.

It can be expected that the number of gender responsive budgets will continue to expand for some time as there are several forces driving these initiatives. In the first instance, the economic and social priorities expressed by government budgets have become increasingly subject to scrutiny. On the one hand, structural adjustment and other neoliberal restructuring policies have reshaped national budgets and the economic and social priorities of countries. On the other hand, these reforms have impacted significantly and negatively on women, particularly in the informal and low wage sectors (Commonwealth Secretariat 1999: 4). As a result, attention has increasingly been drawn to the positive role that national budgets can play in promoting gender equality. Gender responsive budget initiatives, with their emphasis on participatory principles, have increasingly been seen as a strategy for promoting this goal.

Secondly, a number of recent developments have the capacity to reinforce gender responsive budget initiatives. For example, the implementation and tracking of progress of the Millennium Development Goals (MDG) could involve a greater scrutiny of budgets from a gender perspective<sup>3</sup>. One of the eight MDG (goal 3) is to 'promote gender equality and empower women', a goal shared by gender responsive budgets (see sub-section 1.3). The MDGs have a set of proposed targets and indicators for tracking progress. UNIFEM's Report on the Progress of Women (2002) argues that the current formulation of goal 3's targets and indicators does not address many of the dimensions of women's disadvantage in different countries and will need to be expanded into additional country specific targets and indicators (UNIFEM 2002: 55). The report argues a range of approaches will need to be pursued and notes the contributions of gender budget strategies in this process (UNIFEM 2002: 51).

- The Commonwealth Secretariat supported the first large scale pilot of gender budget initiatives (GBI) in the second half of the 1990s in Commonwealth countries. The Secretariat has been a leader in the development of frameworks for understanding the equity and efficiency rationales for GBIs and the gender disaggregated expenditure tools of analysis. The Secretariat's findings have been published in numerous documents ranging from conceptual and policy papers to technical manuals to be used in the government budgeting process (<http://www.thecommonwealth.org/gender/>). The Secretariat has formed a partnership with UNIFEM and the IDRC to carry forward the work on GBIs.
- The Organization for Economic Cooperation and Development (OECD), in collaboration with PUMA, has initiated a process of collecting data from its member countries on the extent and scope of gender perspective in their budgeting systems. In 2001 the OECD supported a high level conference for governments world-wide promoting gender responsive budgets (<http://www.oecd.org/olis/2002doc.nsf>, link to Reference Components - PUMA).

- The World Bank has included gender promotion and equality issues in its Public Expenditure Review (PER) work as well as its Poverty Reduction Strategy Papers (PRSPs). In both cases, however, there is a need for developing more specific tools to facilitate the implementation of GBIs. As part of the Public Finance, Decentralization and Poverty Reduction Program, the World Bank is conducting ongoing research to examine the role of gender-responsive budgeting in promoting a well- designed system of intergovernmental fiscal relations as well as undertaking the development of a learning module on gender-responsive budgeting (<http://www.worldbank.org/wbi/publicfinance/gender.htm>).
- The Asian Development Bank is providing technical assistance to pilot a GBI in the Republic of the Marshall Islands and the first youth budget initiative in Samoa (<http://www.unisa.edu.au/pacificproject/>).
- International Development Research Center-Canada (IDRC) supports GBIs by drawing on the capacity of its Micro Impact of Macroeconomic and Adjustment Policies (MIMAP) Programme, begun in 1990, which connects developing country researchers, policy officials, NGOs and international experts in an effort to design better development policies through research and dialogue (<http://www.idrc.ca/gender>).
- United Nation's Development Fund For Women (UNIFEM). In collaboration with the Commonwealth Secretariat and IDRC, UNIFEM is executing a global programme that is providing technical assistance to governments and civil society in analysing budgets from a gender perspective and using this analysis to formulate more gender responsive budgets in 20 countries in Asia, Africa, Latin America and the Caribbean. It also seeks to further develop gender disaggregated tools of expenditure and revenue analysis and to support strategies for women's participation in economic decision-making through their engagement in budgetary processes and holding governments accountable for their commitments to women's rights including CEDAW and the Beijing Platform for Action (In relation to fostering the goal of bringing about gender sensitive changes to budgets and policies, there is little evidence that governments use performance oriented budgeting as a tool to directly allocate or re-allocate resources (<http://www.gender-budgets.org/>; <http://www.unifem.org/>; <http://www.unifem.org/www/genderbudgets/work.html>))
- The United Nation's different departments and organizations, including the Division of the Advancement of Women of Department of Social and Economic Affairs, and the United Nations Development Program (UNDP) have produced publications, commentary and given assistance to a number of countries ([www.undp.org/gender-](http://www.undp.org/gender-)).

**Box 1.1 Summary of multilateral organisations' activities in promoting gender budget initiatives**

(Sarraaf 2003: 15, 18-22; websites for each organisation as listed above)

Another source of support for gender responsive budgets has come from a group of Finance Ministers. At the Finance Ministers meeting of Commonwealth Countries in September 2002 the Commonwealth Secretariat gained political support for the implementation of gender budget initiatives by Commonwealth countries by 2005. In their Communiqué, the Finance Ministers heralded the role of gender responsive budgets in promoting 'efficient and equitable economic development, and also to reduce the incidence of poverty among Commonwealth citizens' (Commonwealth Finance Ministers 2002). There have also been a number of complementary 'people centred' or 'participatory' initiatives developed by civil society and governments throughout the world, including Brazil, Canada, Bangladesh and India. These initiatives have focussed on a variety of social justice issues, such as poverty,



youth, human rights and democratic participation, and have usually involved some consideration of gender issues. Another development has been the work undertaken by international agencies such as the United Nations to mainstream a gender perspective throughout their own budget processes and programs.

### **1.3 Goals of gender responsive budgets**

This paper is concerned with assessing the implications for gender responsive budgets of the shift to performance oriented budgeting. Some context for examining the potential role of performance oriented budgeting in assisting the integration of a gender perspective into budgetary processes and decision-making is required. In this regard, a brief review of the existing goals utilised by gender responsive budgets is provided below.

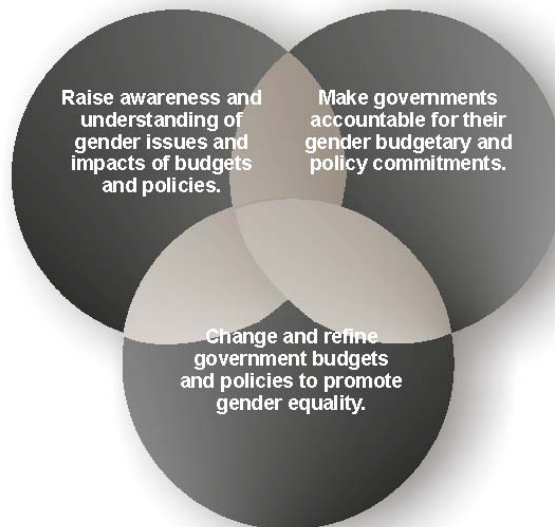
It has been argued by Sharp (2002) that a strategic approach to implementing gender responsive budgets includes choosing tools and processes on the basis of the goals that the initiatives are seeking to achieve. In other words, the achievement of the goals of gender responsive budgets is significantly affected by the availability, choice and application of appropriate tools. Sometimes this involves 'technical issues' such as having the capacities to use the tools effectively. More often than not though, it is because tools take on different degrees of relevance or effectiveness under different governance arrangements. Consequently, while various gender responsive budgets have long used gender disaggregated statistics to indicate gender differences, budgetary impacts, and, in some cases, identified targets, these performance measurement tools are likely be less than effective in a budgetary context that does not give credence to past and expected results as a basis for decision making than one that does.

For example, for three years (1989/90-1992/93) the South Australian Women's Budget exercise requested agencies to provide gender disaggregated indicators for their programs and a statement of expected outcomes for the forthcoming budget year (Government of South Australia 1989; 1990; 1991). While many agencies complied in providing the information, the success of such a tool was undermined by a highly political budgetary decision-making context where power did not derive from such information. The shift to output and outcomes performance budgeting a decade later, ushered in under a different governance model, could make gender disaggregated performance indicators a more effective tool.

The goals of gender responsive budgets can vary according to the particular political and social context of the country and the institutional arrangements underpinning their implementation (see Budlender 2002 for a further discussion). However, goals that are core to the majority of gender responsive budget initiatives are:

- to raise awareness among stakeholders of gender issues and impacts embedded in budgets and policies
- to make governments accountable for translating their gender equality commitments into budgetary commitments
- to change budgets and policies to promote gender equality.

Figure 1.1 provides a picture of the interrelated nature of these goals.



**Figure 1.1** Three core goals of gender budget initiatives

Gender responsive budget initiatives can claim various successes in the achievement of the goals identified in Figure 1.1 (see, for example, Sharp & Broomhill 2002 for a detailed analysis of the Australian Federal Women’s Budget 1984-1996). In their initial period of implementation, gender budget initiatives have usually focused on strategies designed to raise awareness about gender in policies and budgets, such as collecting sex disaggregated data, training budgetary officials or developing gender-sensitive analyses of programs and policies. However, good information and analysis of the gender issues and impacts of policies and budgets are not in themselves sufficient to change budgets unless public officials can be called to task for their actions in the area of gender equality. Accordingly, the goals of gender responsive budgets can to some extent be viewed as hierarchical. For example, the goal of promoting government accountability for gender equality commitments could be seen as a prerequisite to changing budgets and policies on a sustainable basis.

However, it is now widely appreciated that gender budgets haven’t yet fulfilled their potential and need to extend their strategies. In particular, various commentators are advocating that the next step for gender budgets is to bridge the gap between undertaking gender sensitive analyses and formulating a gender sensitive budget (Hofbauer 2003: 45). While a variety of tools and processes have been used to successfully promote a better understanding of the gender impacts of budgets (goal 1), they have been limited to date in achieving both accountability (goal 2) and changes to policies and resource allocations (goal 3). As a result, gender responsive budget initiatives are weakened as a strategy for imbedding gender into the mainstream policy and budgetary processes and outcomes. A key question for gender responsive budget becomes: how might performance oriented budgets contribute to these ‘higher level’ goals of accountability and changing resource allocations? This question will be explored in detail in Sections 2 and 3, but the goals of gender budget initiatives will be discussed below to illustrate the issues underpinning the choice of tools.

### 1.3.1 Raising awareness among stakeholders of gender issues and impacts embedded in budgets and policies

Fundamentally, raising awareness of gender issues and their policy and budgetary impacts entails challenging the illusion of the gender neutrality of budgets and policies, and making visible to government and the community the gender impacts of policies and budgets. It is a crucial step in developing a public argument for ultimately changing budgets and policies. Raising awareness involves unpacking budgetary information, analysing budgetary allocations and making assessments of performance and progress with respect to gender equality. Awareness raising tools and processes also cover issues related to transparency of information, data, training and capacity building. Transparency requires that information about gender issues and the impact of policies and budgets is provided and that it is in an understandable and relevant form. Several gender responsive budget initiatives have sought to raise awareness with publications that seek to inform sections of the community with basic levels of education. Similarly, training and capacity building of community participants and government officials in gender disaggregated revenue and expenditure analysis, including the development and use of gender disaggregated data and indicators, have served as important strategies for awareness raising. The availability of gender-disaggregated data is a necessary prerequisite for gender budgeting initiatives to function effectively within the framework of performance oriented budgeting.

At its most basic level, raising awareness means gaining an agenda for the idea that budgets need to be scrutinised for their impacts on different groups of people and that the outcomes for society are important. This process of agenda setting fosters democratic participation. The significance of the goal of awareness raising for a pro-poor community based budget initiative in India is exemplified in Box 1.2.

**DISHA – a grassroots organisation in Ahmedabad, India – began to see the need for budget analysis when it lobbied the government to raise the wage rate for 1 million tribal Tendu leaf-plucker women**, to regularise the land rights for tribal forest land cultivators, and on other issues relating to the gender welfare of communities living in Gujarat's tribal areas. With each struggle, a realisation grew: unless DISHA had information on the money spent by the national and state governments, it would be difficult to fairly represent the interests of tribal development. Eventually, this realisation forced DISHA to learn how to analyse the state budget.

**Box 1.2 Raising awareness as a first step to changing budgets**

(Centre for Budget Analysis and Policy Priorities, DISHA, India.  
Cited by the International Budget Project 2001: 5)

Unpacking the budget is an important part of the awareness raising process and requires examining the budget papers and engaging with the type of budget format used. A starting point has been to identify gender sensitive expenditures. A useful tool has been to categorise expenditures into (1) specifically targeted to gender groups, such as rural women or young men; (2) equal employment opportunity personnel expenditures of government that have significant gender impacts, such as programs to increase the number of permanent part-time positions; and (3) general or mainstream expenditures, not in the two categories above, but which can have significant direct and indirect gender impacts.

The third is the most difficult category to analyse but the most important, being about 99 percent of total expenditures (Sharp & Broomhill 1990; Budlender, Sharp & Allen 1998). While this process raises awareness about a number of issues, including debates about whether category 2 is relevant to the budget process, the capacity to actually assign quantities of expenditures to each category is highly influenced by the type of budget system used. For example, traditional 'line item' budgeting, which remains widely in use, identifies what each ministry is allocated for salaries, equipment, infrastructure, consumables and so on. These budget inputs are difficult to assign to particular activities because 'input budgeting' is not readily amenable to identifying what government goods and services are produced. This can be difficult even in the case of specifically targeted programs. How would the salary and infrastructure expenditures of a ministry be assigned to a targeted program for women? A shift away from looking at 'inputs' under line item budgeting to specifying outputs and outcomes under performance based budgeting changes the budget format and shifts the focus to what is delivered to the community by the budget and the expected impact. As a result, performance oriented budgeting has the potential to be a more effective framework for achieving gender impact awareness raising.

Awareness raising has been successfully fostered by gender budget initiatives through the use of gender disaggregated tools of expenditure analysis. Elson (2002) and UNIFEM (2000) provide an outline of these six expenditure tools and examples of how they have raised understandings of gender issues and impacts in budgets and policies. While less use has been made of revenue tools, research is progressing on the use of revenue tools and a number of gender budget initiatives, such as those of South Africa and the United Kingdom, have successfully raised awareness about gender issues in relation to the revenue side of the budget<sup>4</sup>.

Gender disaggregated expenditure and revenue analyses make extensive use of gender disaggregated data and indicators to give a quantitative dimension to the issue. For example, a gender aware policy appraisal of an anti-poverty program, 'Progresa', by the Mexican gender budget initiative in 2000 and 2001 revealed: (1) that Progresa comprised 20 percent of the 21 anti-poverty funds assessed; and (2) that this program relied on 46,521 volunteer promoters who were mostly women who worked an average of 29 hours per month without pay. As a result, the analysis effectively drew attention to the fact that the program was structured to rely on the unpaid work of women who were already overburdened (Vinay et al. 2001; Red de Promotoras y Asesoras Rurales 2000, cited by Hofbauer 2003: 24).

At the heart of raising awareness of gender in budgets is developing an understanding of the role of the 'care economy'. Diane Elson (1997) describes the care economy as:

producing family and community oriented goods and services as part of the process of caring for people ... it can be paid or unpaid ... unpaid work may be supported by transfer payments from the government (such as pensions and child benefits) ... unpaid care work is excluded from the UN System of National Accounts ... both men and women work in the care economy but overall it is relatively intensive in its use of female labour. The care economy contributes to the welfare of the individuals receiving care, but it also contributes to the activities of the commodity economy and the public service economy by supplying human resources and by maintaining the social framework - supplying what some call human capital and social capital to the commodity economy and the public service economy. (Elson 1997: 8-9)

Conventional accounts of how economies perform do not bring out the centrality of paid and unpaid care work in its contribution to the production and maintenance of human capabilities upon which economic life depends (Folbre 1994; Elson 1998; Folbre 2001; Himmelweit 2002).

Figure 1.2 reproduces UNIFEM's (2000: 24-26) diagrammatic reconceptualisation of the economy from a gender aware perspective<sup>5</sup>. It re-visions the conventional view of the economy that focuses on the flow of market or paid goods and services to show the centrality of care activities and work by highlighting:

- (1) production of unpaid as well as paid goods and services in all sectors of the 'economy'; and
- (2) the interdependencies between the private sector, the public sector, the non-government (not-for-profit) community sector and the domestic household sector.

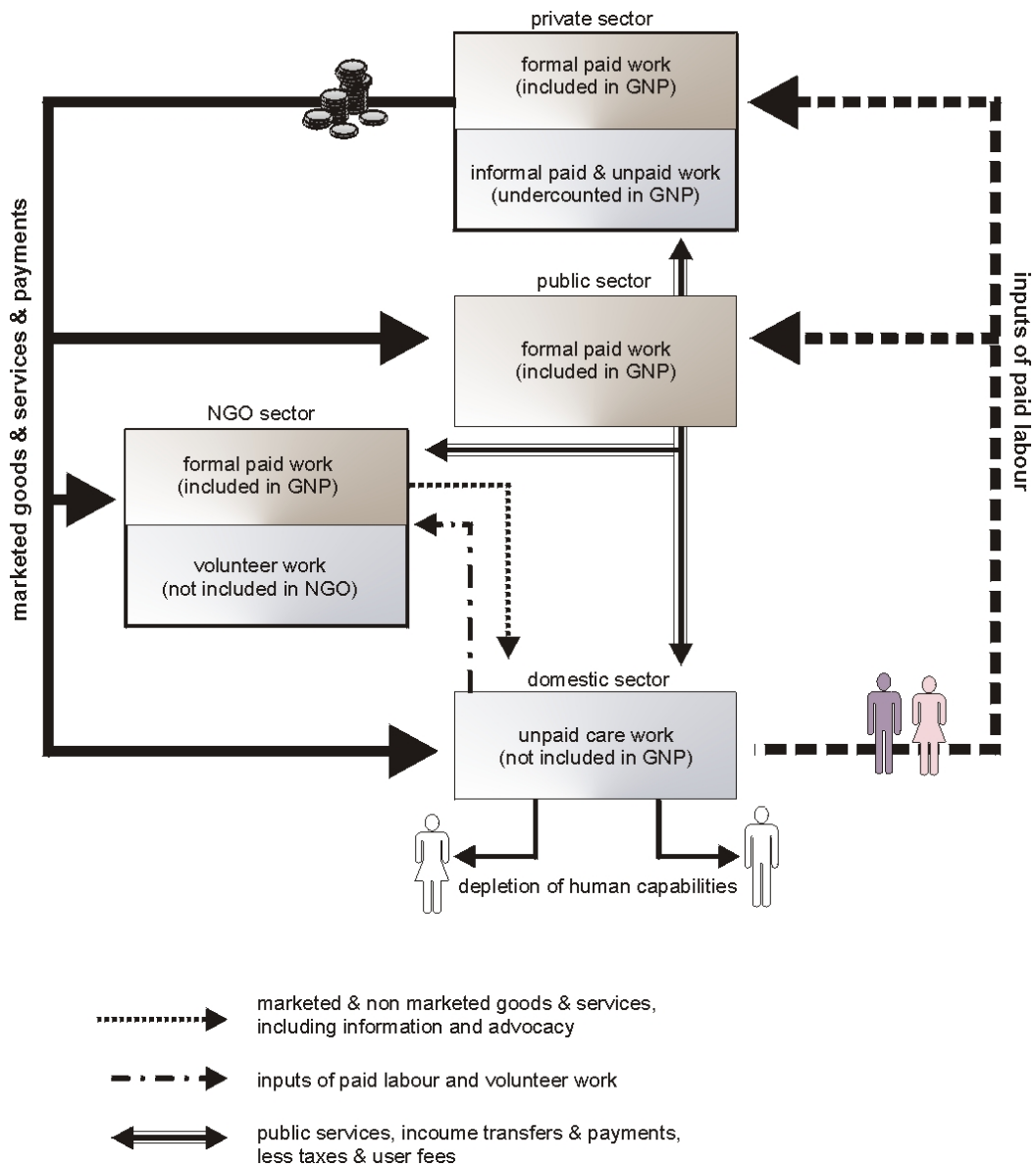
The size of the activities undertaken on an unpaid basis is very large and comparable to the total activities of the conventional paid economy. Research by economists Duncan Ironmonger (1995), Luisella Goldschmidt-Clermont and Elisabetta Pagnossin-Aligisakis (1995) indicates that the economic dimension of labour inputs into the measured economy (that is, the activities identified by the UN System of National Accounts (SNA) as constituting gross national product) is of the same order of magnitude as the labour inputs into non-SNA measured activities.

Unpaid activities, including 'care' activities take place in three of the sectors – the domestic sector (household labour), the NGO sector (volunteer work) and parts of the informal private sector, such as unpaid workers in unregistered businesses or family farms. (UNIFEM 2000: 25 cites WEIGO estimates that the informal private sector represents three quarters of total employment in Africa and Asia and almost half in Latin America). Paid work also includes care activities in the private, public and NGO sectors.

Figure 1.2 shows that the four sectors are linked by both market and non-market pathways that carry messages and values, both positive and negative, as well as goods and services and money and people (UNIFEM 2000: 26-27):

- The domestic sector supplies people to work in all the other sectors and undertakes the majority of unpaid activities that assist the functioning of the other sectors. Provisioning values flow from the domestic sector, emphasizing the importance of meeting people's needs, but putting the responsibility for this on women.
- The public sector raises revenue and makes income transfers to the other sectors and provides public goods and services, including paid care services such as social work, education and health. Regulatory values flow from the public sector that emphasise citizenship, rules and laws, although in practice these can be bureaucratic and autocratic and exclude groups of people from full citizenship.
- The NGO sector provides a range of services to the domestic sector, sometimes contracted by the public sector; and these services include care activities – child care, age care, youth work – that can be free of charge or involve a fee. The flow of values from the NGO sector is about mutuality and cooperation, but often in ways that are exclusionary or non-participatory.
- The private sector sells goods and services to all other sectors. Its values are commercial, which can spill over into greed and corruption.

There is a gender division of labour in the patterns of work and activities in all four sectors with women doing more unpaid activities, more care work and activities, both unpaid and paid, and less paid work than men. There are also gender divisions between the four sectors of the economy, contributing to women's relative economic disadvantage compared to that of men.



**Figure 1.2** Re-visioning the economy to include the contribution of care activities  
(Modified from UNIFEM 2000: 26)

This gender aware 'model' of the economy has been used to raise awareness of gender impacts that are not made visible using conventional analyses. It can demonstrate, for example, how policies and budgets, by increasing women's time burdens, can increase poverty and undermine social reproduction.

For example, a 1992 study of the impact of cutbacks in social services under structural adjustment on Ecuadorian women found women's time burdens increased and that this affected their capacity to undertake the unpaid reproductive work. The women spent more time shopping for cheaper items and smaller quantities and took more time for food preparation. They also had to spend more time on income generation and community management activities. There was a shift in the burden of reproductive work onto younger women and girls with the result that these females had less time for school-work (Esim 2000).

A gender aware model of the economy also shows that policies and budgets that might be deemed efficient for the paid economy may be achieving such 'efficiencies' by shifting costs to the unpaid care economy. For example, hospital health service programs that increase efficiency using performance indicators such as 'a reduction in the cost pf per patient treated', have incentives to reduce the provision of ancillary services such as laundry and discharge patients from the hospital earlier. The end result may shift costs to the household care sector in the form of increased unpaid work for women, doing laundry for hospitalised relatives and friends and looking after convalescing relatives and friends longer (Elson 1998, cited in Budlender, Sharp & Allen 1998: 25). Efficiency performance measures that do not take into account such cost transfers between the paid and the unpaid sectors of the economy will not be effective in raising awareness of the gendered impacts of budgets and policies.

Strategies and tools for raising awareness and the understanding of the gender issues and impacts of policies of budgets on men and women can take several years to develop fully. It is not surprising therefore that gender responsive budget initiatives have frequently focused on awareness raising strategies at the expense of developing and utilising tools that will foster accountability and changes to budgets and policies. In order to make performance oriented budgeting a more useful budgetary framework for gender responsive budgets, however, awareness raising needs to be augmented by enhanced accountability measures and more effective tools to ensure gender changes actually can be implemented in budgets and policy.

### **1.3.2 Making governments accountable for translating their gender equality commitments into budgetary commitments**

Accountability entails holding governments to task for their record on actually implementing their commitments to gender equality. Ensuring accountability is a demanding task and usually involves some institutional change. Many gender responsive budgets have been constrained in their success in bringing about desired budgetary and policy changes because they have been unable to devise effective mechanisms for making governments genuinely responsible for gender equality policies and their resource allocation implications.

Accountability involves issues of voice, aspects of transparency and credibility of government commitments to gender equality (Bakker 2001). Firstly, since budgetary decisions are ultimately political in nature, budgetary changes to promote gender equality also requires actors engaging with budgetary processes and institutions, both within the state and civil society, to give 'voice' and advocacy to gender issues and ensure government accountability. At its most basic level, accountability involves preparedness to include relevant stakeholders in budget decision making.

The political and social context in many countries is still one of emerging participation by women in policy debates and the political process around the budget. For example, Uganda's gender budget project has, amongst other things, sought to bring about a new relationship with government officials and civil society representatives by providing opportunities for the two groups to work together on a gender project. Ugandan MP Winnie Byanyima argues that 'for a country with a long tradition of official secrecy, breaking down the barriers between state and non-state actors to enable sharing of information and skills has been a major achievement' (Byanyima 2000: 12).

Gaining a 'voice', however, may require a significant confrontation. Diane Elson points to the successful strategy of promoting budgetary accountability using 'rights' tools and mass action initiated by the Workers' and Farmers' Power Association (MKSS) in Rajasthan, India. MKSS sought to enforce the rights of the poor, especially women, to a minimum wage on a drought relief project. They investigated how the local government was spending its money through public hearings. The exposure of the mishandling of development funds highlighted the citizens' rights to access budget and other official documents. The outcome was a 'right to information' campaign across India that linked citizens' rights to information with government accountability to those citizens (Elson 2000, cited by Hofbauer 2003: 20).

Secondly, accountability, like the awareness-raising goal, requires transparency. Access to gender disaggregated information and analysis of government budgets is essential for raising awareness of the gender issues and impacts of policies and budgets. However, in order to ensure accountability, gender responsive budgets have to go beyond the information simply being available and require accessibility and transparency. In particular, as Isabella Bakker argues, transparency also raises issues of 'what' and 'for whom' that have to be addressed (Bakker 2001: 23). In relation to 'what', governments are much more inclined, for example, to be transparent about the relatively small, specifically-targeted allocations to women than the other 95% of their budgets, much of which can have significant gender impacts (UNIFEM 2000: 12). Monitoring the performance of different categories of expenditures is therefore an important accountability strategy.

In relation to the 'for whom' question, a number of analysts identify performance indicators as a key tool for gender responsive budgets if they are going to provide evidence of the nature and beneficiaries of change (UNIFEM 2000; Bakker 2001; Elson 2002b). That is, gender responsive budgets need to provide performance information to stakeholders, both inside government and in the community in order to promote accountability. An example of performance information being used by government is provided by the Western Cape provincial government of South Africa. The Department of Economic Development, Tourism and Agriculture assessed its achievements in terms of its targets and indicators for 31 of its projects for the 2001-02 financial year for internal reporting purposes. These targets and indicators included the number of women beneficiaries for each project and provided a basis for tracking the government's gender equality commitments. The use of such gender disaggregated budgetary performance, however, is not common. While governments produce forward looking budgets that include targets and indicators, few governments report on what has been achieved in terms of these targets and indicators, and even fewer incorporate gender disaggregation.



Finally, another accountability issue for gender responsive budgets concerns what Isabella Bakker terms the ‘credibility’ of government policy commitments. ‘A government’s intentions and actions must be believed by its constituents or market players’ (Bakker 2001: 6). She argues that gender responsive budgets and other ‘applied budget analysis’, such as pro-poor and environment-sensitive budgets, are a means for ensuring government accountability to international and national commitments as well as a balanced distribution of public resources (Bakker 2001: 11). Ensuring credibility of gender equality policy commitments requires these commitments to be unpacked for their budgetary and policy implications and this process needs to be pursued on several levels – micro, institutional, macro, domestic, international. In other words, nothing should be assumed to be a ‘given’ if a government is to be held accountable for its gender equality commitments. Consequently, the expenditure and revenue analytical tools discussed in sub-section 1.3.1 for raising awareness of the gender impacts of budgets are an important component of any strategy seeking to promote accountability.

In the absence of strong accountability tools and processes, government policies are probably more likely to increase gender inequality than reduce it. The work that has been done on the gender issues in macroeconomic policies is a case in point. One aspect of this work has been the development of a critique of orthodox economic theory for failing to include the large sector of unpaid care activities in its construct of an economy. Another has been review exercises of the macroeconomic framework such as that conducted by the Latin American women’s regional network, Red de Educacion Popular entre Mujeres, which has a long term aim of seeking to enable women to advocate macroeconomic proposals that will facilitate gender equality (Vargas-Valente 2002). At the macro, as well as other levels, performance oriented budgeting potentially has a role in assessing and monitoring the credibility of government gender equality commitments.

Using a variety of strategies and tools, gender responsive budgets have been able to promote government accountability for their progress towards gender equality. However, progress has been patchy and difficult to sustain over more than one budget cycle. To the extent that performance oriented budgeting can promote government accountability for the types of goods and services delivered by government, along with their impacts on the community, then it can also potentially progress the goal of greater government accountability for gender equality commitments.

### **1.3.3 Changing budgets and policies to promote gender equality**

Ultimately, the success of gender responsive budgets is linked to their record in actually changing budgets and policies so that gender equality is promoted. In other words, the question needs to be posed: to what extent have gender sensitive changes occurred to budget policies, allocations and outcomes? It is important to note that while changing budgets and policies might involve more resources, it also involves doing things differently in order to achieve different outcomes for society.

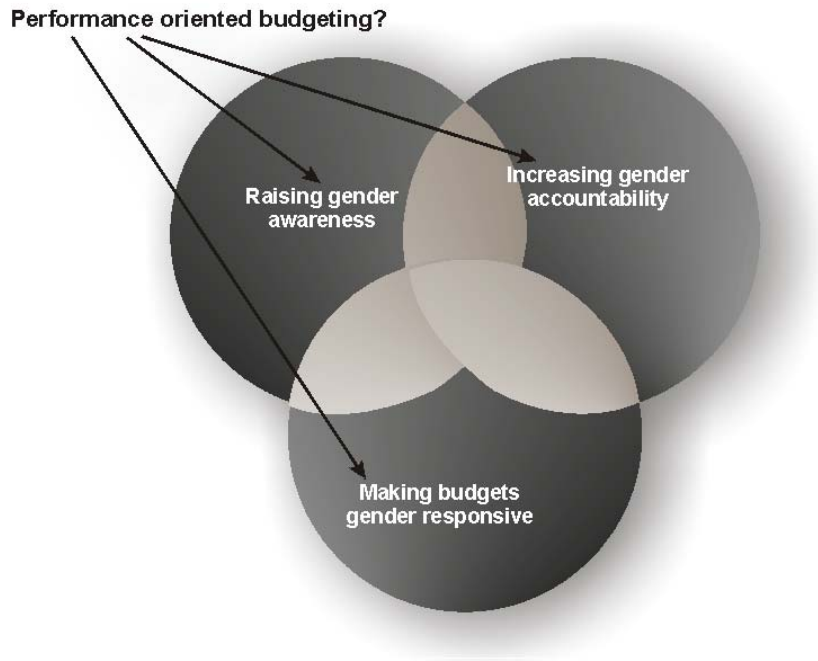
A strategy to achieve this goal can include one or more of the following:

- increasing budgetary allocations
- improving the quality of resource inputs (eg. gender training for public servants, greater funding certainty, including spending the funds as planned)
- redistributing budget allocations
- changing the type and quality of goods and services delivered by government
- changing policy outcomes.

However, this goal of changing budgets and policies along gender sensitive lines cannot be pursued in a vacuum. It needs to be understood in relation to the interrelated goals of awareness raising and accountability. The implementation of budgetary changes is more likely to be sustained if they are built upon good analyses and accountability processes whereby governments can be held responsible for what they do or don't do. However, at this stage there are few published examples of how gender responsive budget initiatives have contributed to a gender sensitive formulation of policies and budgets. Some work has begun on documenting the concepts, theories and processes necessary for progressing this goal (see Diop-Tine 2002 on Rwanda and Sharp & Broomhill 2002 on Australia). Helena Hofbauer Balmori (2003) in her overview of gender budgets makes a number of recommendations for achieving a gender sensitive budget. Several of these recommendations highlight a potential role for performance oriented budgeting. They include civil society involvement, strategic vision, consistent evaluation of identifiable results from gender budget initiatives and gender sensitive participatory research techniques.

## **1.4 Conclusion**

In summary, an assessment of the potential impact of the adoption of a performance oriented budgeting framework on gender sensitive budget initiatives involves understanding its impact on the key goals of gender budget initiatives – gender awareness raising, increased accountability and ensuring real change in budget policies, allocations and outcomes. The remainder of this paper will address these issues and assess how performance oriented budgeting might further the goals of gender responsive budgets, particularly those of accountability and changing budget outcomes. Figure 1.3 poses this question diagrammatically.



**Figure 1.3** How a performance oriented budgeting framework can relate to the goals of gender responsive budgets.



## **Section 2**

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# **Performance oriented budgeting systems**



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## Performance oriented budgeting systems

### 2.1 Introduction

There is a worldwide trend towards a greater emphasis on performance in systems of government budgeting. A survey of member countries by the OECD in 1999 and 2000 revealed that 75% of respondents routinely include performance information in their budget documentation (OECD 2002: 2). While national and state levels of government have pioneered the introduction of performance elements into budget decision making, local and county governments have also begun to introduce these budgeting reforms. A 1998 survey of 411 county governments in the USA reported that about one third of these governments used performance measurement in a least one stage of the budget (Wang 2000: 104). The adoption of performance oriented budgeting has also been exported to a growing number of developing countries, a process facilitated by international agencies such as the World Bank, the International Monetary Fund, the Asian Development Bank and the OECD.

In broad terms, performance oriented budgeting involves the incorporation of performance information into the budget process to inform decision making and resource allocation. However, performance oriented budgeting takes different forms and utilises a variety of terminology. Moreover, performance oriented budgets have evolved and changed over time. Different types of budgets have emerged to incorporate performance elements since the 1950s, including 'performance budgeting', 'planning program budgeting', 'zero based budgeting', and more recently, 'outputs and outcomes' budgeting. Each of these initiatives has built on the lessons of the past and sought to establish new and different ways of linking resources with results (McGill 2001: 377).

Performance oriented budgeting warrants serious investigation for its capacity to further the goals of gender responsive budgets. If gender equality is adopted as a government priority, then its success, in theory, could be assessed with the information provided by a performance oriented budget, and budgets adjusted accordingly. In practice, however, the evolution towards performance oriented budgeting is far from complete, with budget experts cautioning about the 'difficulties of marrying budgeting decision making with good performance information' (Pollitt 2001: 12).

This section discusses the ways in which performance oriented budgeting has progressed and the forms it has taken. This will be followed with a discussion of some the challenges and opportunities 'output and outcomes' budgeting, the form of performance budgeting increasingly being implemented by governments, raises for gender responsive budgets.

## **2.2 What is a performance oriented budget?**

Many have noted that it is difficult to provide a standard definition of performance oriented budgeting given the different terminology, the diverse set of requirements and the different performance foci (Joyce 1996; Melkers & Willoughby 2001).

In general terms, performance oriented budgeting (POB) involves two key elements:

- the incorporation of information that measures what governments do and their expected policy impacts into various stages of the budget cycle
- the use of this information in budget decision making to better align spending decisions with government priorities and expected performance.

Analysing the practice is central to an understanding of what is performance oriented budgeting. Different countries, as well as different levels of government – national, state, local – within a country, are doing it differently. However, like gender responsive budgets, performance oriented budgets are still evolving and building on the lessons of what has gone beforehand.

## **2.3 A short history of performance oriented budgeting**

The notion of performance oriented budgeting has been promoted for several decades and has characterised different types of budget systems. In 1949 the Hoover Commission in the USA recommended a performance budget for the federal government to shift the focus away from inputs to functions, activities and achievements (McGill 2001: 377; Melkers & Willoughby 2001: 55). A performance component was introduced into the budgetary processes of some local and county governments in the USA in the 1950s and 60s (Hatry 1999: 182). Called ‘performance budgeting’, these initiatives developed indices of the unit costs of government activities with the aim of measuring productivity and comparing costs across services. Beginning in the 1960s, many countries introduced performance elements with the adoption of what was generally termed ‘program budgeting’. Program budgeting sought to identify the objectives or end purposes of government and relate them to quantitative indicators, which in turn were related to the amount of resources necessary to achieve the objectives in different ways (Caiden & Wildavsky 1974: 159). Later, the less widely adopted ‘zero based budget’ sought to justify all expenditure in terms of performance criteria by starting with a zero budget each year.

Since the early 1990s, beginning with explicit legislative endorsements through the USA’s *Government Performance and Results Act (GPRA) 1993* and New Zealand’s *Fiscal Responsibility Act 1994*, a growing number of both industrialised and developing countries have introduced a new form of performance budgeting. Termed ‘output and outcomes’ budgeting, this approach seeks to measure performance of either outputs (the goods and services delivered), outcomes (progress towards the government’s overall goals or the objectives of a policy), or both.

The most recent chapter in the story of performance oriented budgeting has been the increasing emphasis given to outcomes, or the question of the impacts of government funding, as a measure of results.



## **2.4 Types of budgets**

The evolution of performance oriented budgeting over 50 years or more has resulted in new types of public sector budgets, each with a different focus: performance budgeting, program budgeting, zero based budgeting, output and outcomes budgeting. These budgets have evolved as distinct forms incorporating new ways of conceptualising and measuring performance, but building on the lessons of what has gone before. Today governments often utilise more than one budget type. For example, output budgeting may be used in conjunction with a program budget framework. An understanding of performance oriented budgeting in any form requires acknowledgement that they have not necessarily fully replaced the traditional form of budgeting – ‘line item budgeting’. However, the common point of departure for the development of alternative, performance oriented budgeting, has been a recognition of the limitations of line item budgeting.

### **2.4.1 Line item budgeting**

In traditional line item budgeting systems, public expenditures by government for the coming year are listed according to what money is spent on ‘line items’. Items record how much money a particular agency or sub-unit is allowed to spend on salaries, equipment, infrastructure, consumables and other items. Line item budgeting is about controlling aggregate expenditure of agencies by stating the limits of spending on each item in the budget allocation process. Line item budgeting does not attempt to identify the objectives of government activity or what activities would be undertaken to promote these objectives. As a result, line item budgets do not give information about why money was spent, or about the efficiency or effectiveness of programs (World Bank 1998: 12).

Line item budgeting also encourages an historical or incremental approach to budgets. That is, decisions have tended to be based on re-funding what happened in the past without necessarily examining the products or results of existing government programs. Similarly, changing priorities and circumstances requiring more substantive budget changes are not readily accommodated. The allocation or reallocation of funds to new programs or policies is difficult to achieve since existing programs tend to have first priority in the budget processes. Moreover, the absence of a planning component means that line item budgets were traditionally tied to short, one-year time frames.

Line item budgeting continues to be used as a way of controlling the expenditure inputs of government activities. Unlike performance oriented budgeting, it is familiar and widely understood. The attraction of line item budgeting within government relative to performance oriented budgeting remains strong and should not be underestimated. A review of performance budgeting by the United States General Accountant Office concluded that the four government wide attempts to establish performance oriented budgeting within the federal government since the 1950s failed to shift the focus away from line item budgeting (United States General Accounting Office 1997: 1, cited by McGill 2001: 377). Increasingly, however, in some government administrations, including local and provincial governments, line item budgeting is being used in tandem with a performance-oriented budget approach (Kluvers 1999).

### **2.4.2 Performance budgeting**

The first steps to improve line item budgeting were undertaken in the 1950s and 1960s by reformers seeking to address the deficits of the line item budget system. The introduction of 'performance budgeting' reflected management concern with efficiency or the 'relationship between what government did and how much it cost' (World Bank 1998: 12). It did this by dividing the proposed spending of a government agency into activities and developing a set of workload and unit cost measures for these activities. Managers could produce budgets on the basis of anticipated workload by multiplying the number of units required by the cost per unit of output. They could also convert unit costs into productivity indices with a focus on outputs. This allowed comparisons across service and over time and a tracking of the technical efficiency of government activities. Performance indicators such as 'the cost (or number of employee hours) per ton of asphalt laid' proliferated and 'overwhelmed the external users of the information' (Hatry 1999: 182).

While management concerns with efficiency continue to be an important influence on budgeting, issues such as the effectiveness of policy in achieving its goals are also fundamental 'performance' criteria for assessing government resource allocations. The lack of information for choosing between competing policies on the basis of the effectiveness of expenditures in this early form of performance oriented budgeting is identified by the World Bank as a significant factor in the shift to program budgeting (World Bank 1998: 12).

### **2.4.3 Program budgeting**

Since the 1960s, program budgeting has been widely adopted throughout the world in the form of a performance oriented budgeting system. There are several variants of this system. Its evolution in the USA included a planning capability. In 1965 President Johnson introduced Planning-Programming Budgeting Systems, or PPBS, as the first systematic attempt to establish a form of national program budgeting into US federal agencies (Melkers & Willoughby 2001; Cozzetto, Kweit & Kweit 1995). In other countries program performance budgeting (PPB) or program management budgeting (PMB) was adopted. This was an attempt to combine efficiency and effectiveness in performance criteria. For example, in Australia, at the federal level of government, PMB was defined as 'the drawing together of all the resources involved in the implementation of a program and constant monitoring against policy objectives laid down by the government of the efficiency and effectiveness of the delivery of that program' (Wanna, Kelly & Forster 2000: 174).

Advocates of program budgeting describe it as enhancing planning, outputs, efficiency and effectiveness (Kluvers 2001: 38). Program budgeting provides information for choosing between competing policies by establishing a link between program costs and the results of government programs. The centrepiece of program budgeting is the program, the organizational structure. This means that budgets are designed to resource programs rather than government agencies. A program comprises a policy objective of government, the steps that will be necessary to obtain it and the measures of the program's efficiency and effectiveness (World Bank 1998: 13). By a process of regularly evaluating programs and feeding the results back into the budget process, program budgeting serves as a resource allocation system (Melkers & Willoughby 2001).

However, many problems have been experienced in the implementation of program budgeting systems. In particular, significant resources are required to set up this system. Similarly, strong resistance is commonly offered by departments and ministries. Some of the most common problems in developing countries were highlighted in an analysis of the failed attempt at program budgeting in Sri Lanka in the 1970s. Reasons for its failure included: (1) a lack of strong political commitment from the executive and legislature; (2) a lack of skilled personnel; (3) a lack of parallel reforms in accounting and auditing to sustain the reform direction; and (4) the inappropriateness of the reform for the budgeting and administrative arrangements of the country (World Bank 1998: 14).

Program budgeting has also had its critics in the realm of OECD country experiences. Paramount among these has been the argument that program budgeting, by seeking to impose a rational or technocratic approach to resource allocation, is at odds with the inherently political nature of budgeting. This criticism equally applies to output and outcomes budgeting and is explored in sub-section 2.8.5.

#### **2.4.4 Zero based budgeting**

During the 1970s and 1980s zero based budgeting (ZBB) processes were introduced in some countries, partly as a result of the difficulties posed by program budgeting and partly as a solution to the ‘incrementalism’ of line budgeting. ZBB was initially developed for, and applied in, large corporations such as Texas Instruments, Playboy and Xerox in the USA (Barkman 1997: 63). It was first introduced in the public sector as a budget reform tool by the Carter administration and later abandoned by the Reagan Government. However, zero based budgeting still has currency with a limited number of governments (Kluvers 1999; Barkman 1997).

The term ‘zero based’ came from the requirement that all programs were considered to have no funding at the beginning of each budget cycle. Zero based budgeting represented a major shift away from the idea of incremental resource allocation changes to evaluating the performance of the entire range of government activities. The process required all departments to identify their programs, and to rank and justify the existence of each program in order of importance to departmental goals and objectives. Higher ranked programs were more likely to continue to be funded. ZBB was a bottom up process, which required each manager to be responsible for the process of ranking and justifying the value and continued existence of programs. But this is a difficult and complex process, particularly so for agencies with diverse goals. It requires a great deal of time and effort on the part of agency staff. Consequently, zero based budgeting has not emerged as a widely adopted form of performance oriented budgeting.

#### **2.4.5 Output and outcomes budgeting**

Beginning in the 1990s, a new wave of performance orientated budgeting was taking shape in public administration in several countries including, but not limited to, the USA, New Zealand, Australia, Canada, UK, Sweden, Switzerland, Norway, Denmark, Netherlands, Chile, Malaysia, Samoa, South Africa, Tanzania, Uganda and some states of India. An example of this reform direction from South Africa is provided in Box 2.1.

**In 2001 the National Treasury of South Africa began producing Estimates of National Expenditure documents to supplement the national Budget.** The Estimates of National Expenditure provides extensive information on the objectives and strategies of departments, their spending plans and aspects of service delivery. This information is intended to enhance planning and accountability and to make budget processes more transparent.

In 2002, the Estimates of National Expenditure began including departmental targets for service delivery in key output areas to provide Parliament with measurable objectives for each expenditure program. Departmental targets for service delivery in key output areas will be mandatory under the Public Finance Management Act from 2003. Departments are required to articulate their aims and key program objectives and outcomes, provide a strategic overview and provide a statement of key outputs, indicators and targets.

**Box 2.1 Budget reform in South Africa**

(Republic of South Africa National Treasury 2002: 1-3)

Outputs and outcomes budgeting is an approach that focuses budget decision making and government accountability on three core issues (Chan, Nizette, La Rance, Broughton & Russell 2002: 35):

*Outcomes:* What influence the government wishes to have on the community by its actions

*Outputs:* How the government wishes to achieve that influence

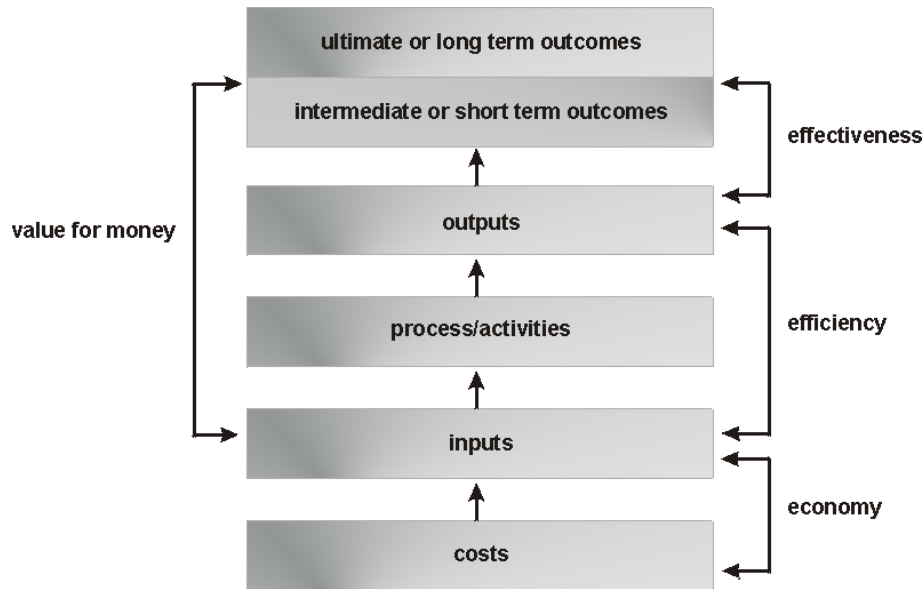
*Performance indicators:* How the government and the community know whether the influence is being achieved in an efficient and effective manner.

The goals of output and outcomes budgeting are twofold. One is to allocate resources (inputs) in line with government priorities or the objectives governments seek to achieve by implementing their chosen policies. The other is to relate the budget's resource allocation, or how the funds are planned to be used, to expected results or impacts (outputs and outcomes).

The terms 'results based budgeting' and 'performance based budgeting' are increasingly being used interchangeably with outputs and outcomes budgeting. Some commentators stress that a results based budget must include outcomes (Hatry 1999: 179). The view is that for genuine 'results based budgeting' it is not enough simply to engage in activities that produce outputs and measure their performance. These activities and outputs have to be constantly reconsidered and adjusted in the light of the outcomes that were used to justify the program in the first place (Perrin 2002: 4). For example, in order to measure how well used teacher hours are against a program's objective (literacy for disadvantaged boys and girls, for instance), decision makers would need to measure whether literacy increased for female and male students in the program (an outcome) and consider whether the price (inputs) relative to the outputs (teacher hours) were worth the outcomes achieved. In this case, the increase in literacy would be an indicator of the effectiveness of the program, which could be considered against the indicator of efficiency (that is, input price relative to the output of teacher hours).

Despite the central position of outcomes to 'results based budgeting', few countries have been identified as actively engaged in evaluating outcomes as well as outputs, although some other countries are looking to expand their capability in the use of outcome performance information (Perrin 2002: 6). In a review of outcome budgeting commissioned by the Scottish Parliament in 2001, Norman Flynn argues that budgeting by outcomes (results) is

distinct from budgeting by inputs (staff and materials) and budgeting based upon outputs (numbers of people educated, prisoners held in custody etc). But outcomes budgeting can be implemented in addition to the other two methods. However, shifting to budgeting based on outcomes may have political consequences as it puts a greater focus on switching funds between performing and non-performing programs and ministries. Nevertheless, ‘the idea is to change the bundle of outputs purchased to produce a better set of outcomes’ (Flynn 2001: 3). The notion of a progressive adoption of inputs, outputs and outcomes budgeting can be illustrated using the idea of a ‘results chain’ as illustrated in Figure 2.1.



**Figure 2.1** The results chain  
(Modified from Perrin 2002: 5)

Different countries are at various stages along the results chain in terms of their focus and the criteria used to measure achievement. In 2002 the OECD identified Brazil, France, Germany and Ireland as being at the stage of focusing primarily on reforming the budget process to a results based one. Denmark, Ireland, Netherlands, Norway and Sweden gave considerable emphasis to monitoring activities and outputs (Perrin 2002: 5). The shift in focus to outcomes (intermediate or ultimate) is relatively new and interested governments include those in the USA, UK and Australia.

This current wave of performance oriented budgeting had its genesis in the reforms of the theory and practice of public sector administration in the previous decade. These reforms to the budget process display a remarkable degree of convergence among OECD countries and are being taken up by developing countries on an increasing scale. They include:

- a shift away from inputs and processes to a focus on results in the form of outputs and outcomes
- devolution and decentralisation of government activities along with the introduction of performance management systems to control what was being done
- a shift from the traditional annual budget cycle to multi-year (or medium term) expenditure frameworks as the basis for the annual budget process

- the separation of the purchaser and provider roles of government leading to a greater reliance on the private sector and the not-for profit community sector to provide services on behalf of the government
- re-casting the public as customers, consumers and clients
- the promotion of the ideas of competition and choice being achieved by deregulation and marketisation through privatisation, contracting out and competitive tendering.

The origins of these reforms to public administration have been described as a ‘marriage of the ideas’ of the ‘new institutional economics’ and business type managerialism (Hood 1991: 6). The new institutional economics with its public choice, transactions cost and principal agent theoretical building blocks has helped to promote the doctrines of contestability, user choice, transparency and the role of incentive structures. The ideas of scientific management along business lines have promoted doctrines of portable professional management, discretionary power to achieve results (freedom to manage), development of appropriate cultures and measurement and adjustment of outputs (Hood 1991: 6). Importantly, these doctrines have been accompanied by a shift in the values systems of public administration, as well as underpinning new ways of doing things, including budgeting<sup>6</sup>.

Also underpinning the budgetary changes are the objectives of public expenditure management (PEM). These are advocated by multilateral institutions and adopted by many governments as the basic objectives of the resource management system of government, of which budgets are central. These objectives, as expressed by the World Bank, are (1) maintain aggregate fiscal discipline to achieve effective control over budget totals; (2) promote allocative efficiency whereby resources are allocated (and re-allocated) in accord with government priorities; (3) promote operational efficiency or the cost efficient delivery of services (World Bank 1998). The PEM has given added emphasis to matching spending with what is affordable over the medium term, aligning spending with policy priorities and spending for results at least cost. It also has given a new role to the ministry of finance or central budget office:

...budget offices are likely to spend more time monitoring what agencies accomplish with available funds. This change follows from the principle that managers should have broad latitude in spending appropriated funds, but should be closely held to performance objectives. (Schick 2001: 13)

Output and outcomes budgeting as part of a spectrum of reforms is usually accompanied by changes to planning, reporting, auditing, accounting and information systems, management systems and legislative arrangements. For example, a number of OECD countries have changed to accrual accounting. This system records expenditures and revenues as they are incurred, unlike cash accounting that records payments and receipts when they are received. It is argued that accrual accounting improves management information about costs and assets and facilitates a closer integration of financial and performance measures (Pollitt 2001: 19). However, the degree of integration of output and outcomes budgeting with other changes and systems should not be overstated. A recent international review by Christopher Pollitt of government efforts to produce an integrated financial and performance management system suggests that the technical, cultural and political requirements of integration are extremely difficult to achieve in practice (Pollitt 2001).

Like other budgeting systems that have gone before it, output and outcomes budgeting in practice may involve a hybrid approach. It can include line budgeting and it may or may not maintain a programme structure. Box 2.2 provides a case study of output and outcomes budgeting piloted in the Rural Development Bureau in Korea.

**The Korean Ministry of Planning and Budget introduced a performance-based budget from the fiscal year 2000 in 16 pilot agencies.** Each of the pilot agencies was required to measure the performance of the agency systematically through a strategy plan, performance plan and performance report. Outcome targets however are not routinely published in the budget documentation. Only when the output targets can be well measured can they be included in the budget papers. The Ministry of Planning and Budget and the agencies then fed the results back into budgeting and organisational management.

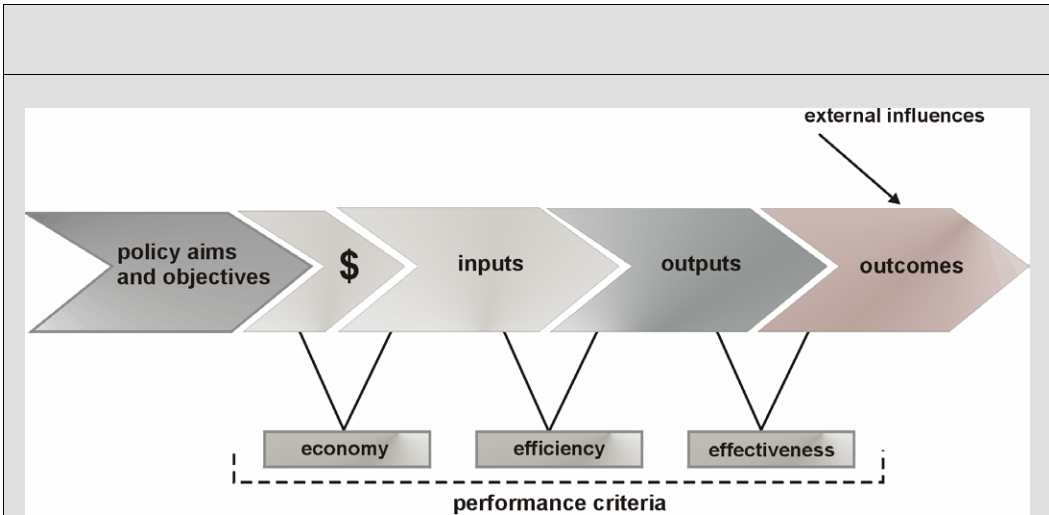
Example: In 2000 the performance plan and report of the Rural Development Bureau (RDB) fed into the budget. The Bureau's mission by law is to install the necessary infrastructure for agricultural production and to enhance the quality of rural life. The Bureau established 5 strategic goals, such as ensuring stabilised farming to reduce flood damage by constructing flood-preventive facilities. To evaluate the performance of this objective, the Bureau suggested the area of the region covered by the draining facilities to the targeted area as a performance indicator. The budget size associated with the performance objective is about \$167 million. According to the performance report, issued in November 2001, new draining facilities cover 9,000 hectares, whereas the targeted area until 2009 was 235,000 hectares. Hence the completion ratio increased by 4% as planned. The report insists that the project was successfully expanded and proceeded consistently. In the performance report two unachieved objectives are mentioned. Underdevelopment of the leisure industry resources, which is targeted for increasing the incomes of rural residents, was one of them. The report indicates that the economic recession since the 1997 the economic crisis has made the private sector hesitant to invest in the leisure industry. The 2001 budget reflected this finding with a \$3.5 million reduction.

**Box 2.2 Performance based budgeting in Korea**  
(Kim 2002: 4-5)

## 2.5 The framework of output and outcomes budgeting

An increasing number of governments are utilising output and outcomes performance budgeting. Guidelines and frameworks for output and outcomes performance budget reporting have proliferated in recent years. These documents are usually published by the Ministries of Finance or Treasury Departments and provide strong justifications and few reservations for the approach. There are a number of differences in the frameworks recommended by different governments. But, as Gabrielle Meagher notes, without exception, these documents utilise a manufacturing or goods model of production as their conceptual framework of performance (Meagher 2001: 2).

A simple form of production based reasoning is provided diagrammatically in Figure 2.2, with an explanation of the elements. Figure 2.3 shows an example of its application to a health program.



The model adopts the following framework and language for breaking down and describing government activity.

<p><b>Inputs</b></p>	<p>Inputs are the labour, capital and financial resources that are combined to produce outputs and outcomes.</p> <p>Inputs include, for example, teachers, nurses, equipment, information technology systems and office space.</p> <p>One government document describes the role of inputs in the production process as:</p> <p><i>Agencies apply inputs (eg. finances, human resources, capital equipment) to the activities and processes that generate the products and services that constitute their outputs. These inputs include the funds appropriated to them from the budget or received through purchaser/provider arrangements, as well as revenue raised through other means, such as sales, levies and industry contributions.</i></p> <p>(Australian Government Department of Finance and Administration 2002: 5)</p>
<p><b>Outputs</b></p>	<p>Outputs are the final goods or services that government agencies either plan for or actually produce or deliver to the public.</p> <p>Examples include, students educated, patients treated, childcare places and income support or, in the case of the Finance Department, outputs would include financial and research data.</p> <p>Production or delivery of outputs is the core business of government agencies and the focus of activity for public sector employees. Outputs are the steps between objectives espoused by governments and the outcomes achieved.</p> <p>Indicators are developed using different classifications of outputs. Four commonly used classifications of outputs are quantity, quality, timeliness and cost. Quantity refers to the volume of services, quality refers to the service standards, timeliness refers to turnaround or response times and cost refers to the cost of supplying outputs.</p>

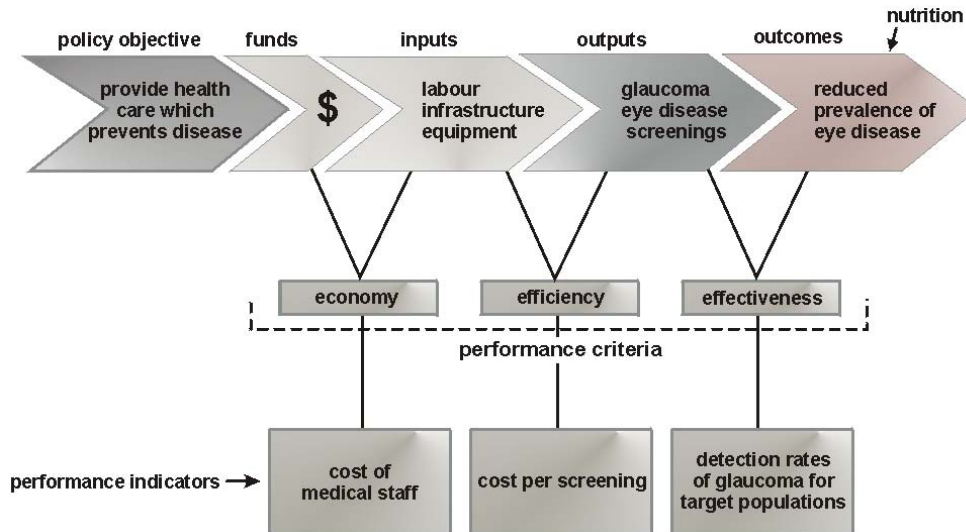


	<p>For example, the (Western) Samoan Government Treasury Department identified economic planning and policy as one of its outputs. In relation to sub-output of ‘macroeconomic policy formulation and analysis’, the quantity performance measures refer to the number of analytical papers, training workshops and consultations with stakeholder groups on macroeconomic issues. The quality measures refer to the thoroughness of the analysis, the utilization of the best available data and techniques and the inclusiveness of the stakeholder consultations. Timeliness measures refer to completion and publication dates of the macroeconomic reviews, forecasts and the development of the macroeconomic framework for the budget (Government of Samoa 2001: 186). Although not included, cost indicators could demonstrate total, average and cost per unit.</p> <p>In practice, at this stage of the development of output and outcomes budgeting countries are more likely to rely on output measures and indicators to demonstrate performance rather than outcomes.</p>
<p><b>Outcomes</b></p>	<p>Outcomes are the planned and actual impacts, end products or consequences for the community of the government activities. Examples include reduced levels of poverty, higher literacy, longer life expectancy, greater economic participation, higher incomes, less pollution, greater national security and so on.</p> <p>The focus of outcomes is on the change and consequences arising from the desired or actual impact of government inputs and outputs. It can be established by asking the question: what effect can the government have on the community, economy and/or the national interest? (Australian Government Department of Finance and Administration 2002: 10).</p> <p>Outcomes can be long-term, or higher level, that measure the impact on clients or on the community or short term or lower level indicating results in relation to specific programs or policy objectives.</p> <p>Not all outcomes are under the control of one department/ministry or government. The level of poverty, for example, reflects market and community influences rather than being simply a consequence of government activity. The output and outcomes performance oriented budgeting framework recognises that outcomes may be influenced by external factors.</p> <p>The development of outcome measures and indicators is less advanced than it is for outputs. Types of outcome indicators that can be identified in the performance oriented budgeting literature are quantity, quality, access and equity and appropriateness. The Australian Steering Committee for the Review of Commonwealth/State Service Provision (2000) defines these outcome categories: quantity refers to the extent to which the objectives of the service or the policy are achieved; quality refers to the fitness of the policy or service for the purpose; access and equity refers to the representation of different groups and the timeliness and cost basis on which different groups access services; appropriateness refers to how well service delivery directly meets client needs.</p> <p>For example, the outcome indicators of ‘mental health management’ used to compare the services funded by the Australian state governments are: quantity- mortality due to suicide; quality- consumer and carer satisfaction; access and equity- representation of indigenous people and others in the client base; appropriateness- consumer and carer involvement in decision making (Steering Committee for the Review of Commonwealth/State Service Provision 2000: v1: 330).</p>

<p>Inputs, outputs and outcomes should be measurable and the results assessed against the '3Es'. That is, performance criteria of economy is used to judge inputs, efficiency is used to judge outputs while the performance criteria of effectiveness are used to judge outcomes.</p>	
<p><b>Economy</b></p>	<p>Economy reflects the cost of inputs. An economy measure is the cost of the input. For example, the cost of the staff, buildings, equipment. The underlying idea is that resources should be converted to inputs at the right price.</p>
<p><b>Efficiency</b></p>	<p>Efficiency is a reflection of how well an agency uses its resources to produce goods or services (outputs). Efficient programs produce the most outputs for any given set of inputs, or require the least inputs for any given quantity or quality of services provided (HM Treasury 2001: 29). An example of an efficiency indicator is the cost per unit of a service provided. Another efficiency indicator is timeliness such as processing time of community grant applications.</p>
<p><b>Effectiveness</b></p>	<p>Effectiveness is a reflection of how well the outputs of the services or goods provided by government achieve the stated outcomes. For example, an effectiveness measure is the detection rate of disease for any target population such as Indigenous women or men.</p>
<p><b>Measures versus Indicators</b></p>	<p>A distinction can be made between performance <i>measures</i> and performance <i>indicators</i>.</p> <p>Performance measures measure performance against a robust scale (HM Treasury 2002: 29). Number of grants provided to community groups is an example of an output measure.</p> <p>Performance indicators provide a proxy where it is not feasible to develop a clear and simple measure (HM Treasury 2002: 30). For example, an outcome indicator is the number of reported cases of HIV/ AIDS provides an indication of the improvement or decline in the general health of a country.</p> <p>In practice, performance measures and indicators are used interchangeably.</p>

**Figure 2.2** The output and outcomes performance framework  
(Sources as cited in body of figure)

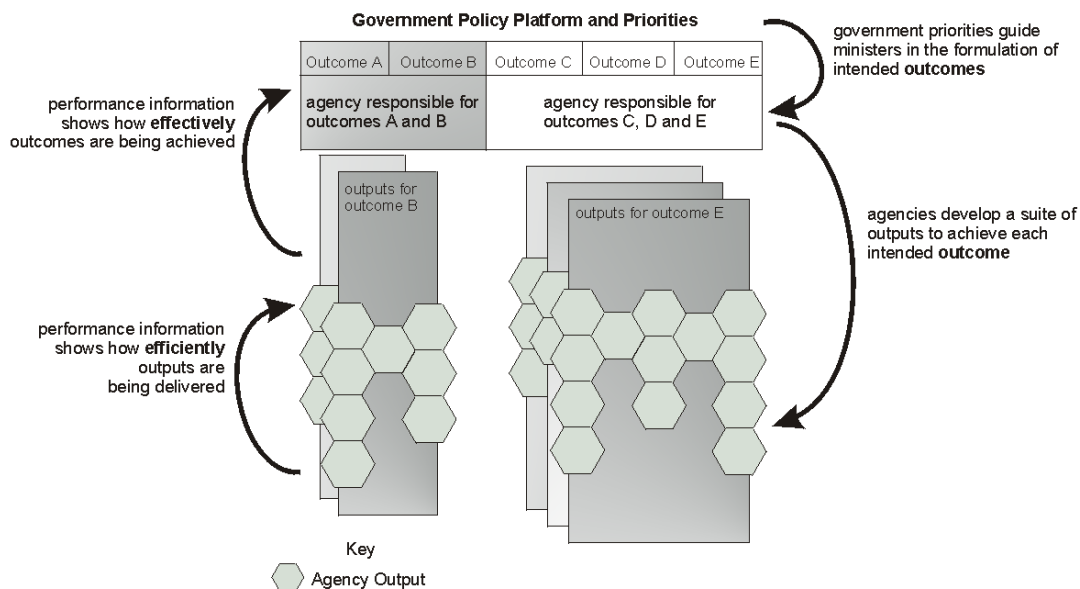
In Figure 2.3 the example of glaucoma eye disease detection is used to illustrate the production based model of budget formulation and interpretation. In this model, government agencies start with a given set of government policy objectives and priorities such as providing health care which prevents disease. These objectives and priorities form the basis for agencies identifying and then costing the outputs, in this case screenings for early detection of glaucoma, that they will purchase with their budget allocations or inputs. These could include funds for doctors, nurses, screening equipment and buildings used to achieve policy objectives and ultimate outcomes, such as reduced prevalence of glaucoma or lower incidence of blindness in a target population. The model recognises that there are factors, including nutrition or heredity, that are external to the government 'production process' that can have an impact on the overall outcomes.



**Figure 2.3** The basic structure of outcomes and outputs budgeting application to a health program.

The economy, efficiency and effectiveness performance measures are often referred to as the ‘3Es’. What is notable for its absence is an explicit criterion and measure of *equity*. Gender responsive budgets need to critically engage with the outputs and outcomes model of government production in order to make equity explicit. The concept of an equity performance measure will be further explored in Section 3 of this paper.

The above examples were developed at the program or policy level. In reality a government budget would contain numerous outputs and outcomes shared across agencies which seek to achieve the set policies and priorities of the day. Figure 2.4 gives a diagrammatic picture of a whole of government approach to output and outcome budgeting.



**Figure 2.4** Whole of government output and outcomes budgeting (Modified from Chan et al. 2002: 36)

## 2.6 Measuring performance in budgets

The identification and use of measures and indicators are intrinsic to performance oriented budgeting systems. Performance measurement involves developing a range of indicators to measure different levels of activities and achievements (Wang 2000: 104). In the context of output and outcomes budgeting performance measurement has been defined as the ‘regular measurement of results (outcomes) and efficiency of services or programs’ (Hatry 1999: 5). Finance Ministries and Treasury Departments, in particular, have provided a great deal of advice on the development of such performance measures. Box 2.3 provides examples of a range of outcome and output measures suggested for use by the South Australian Treasury.

<b>Outcome Measures</b>	
<b>Service</b>	<b>Example</b>
<i>government schools with student learning, social and equity outcomes</i>	<ul style="list-style-type: none"> <li>* school retention rates</li> <li>* employer satisfaction with relevance of education/curricula</li> <li>* participation levels of target groups</li> </ul>
<i>public acute care hospitals with hospital service and patient satisfaction outcomes</i>	<ul style="list-style-type: none"> <li>* unplanned readmission rates</li> <li>* hospital acquired infection rates</li> <li>* patient satisfaction levels</li> </ul>
<i>police services with law enforcement and crime prevention outcomes</i>	<ul style="list-style-type: none"> <li>* percentage change in volume of reported crimes</li> <li>* stolen vehicle recovery rates</li> </ul>
<b>Output Measures</b>	
<b>Category</b>	<b>Example</b>
<i>quantity dimension</i>	<ul style="list-style-type: none"> <li>* vehicle licenses processed per day</li> <li>* utilisation of public housing and rental accommodation</li> <li>* number of hospital beds, student places, etc.</li> </ul>
<i>quality dimension</i>	
accuracy	* percentage of welfare recipients paid the correct amounts
completeness	* response time and capacity to react urgently
accessibility	* percentage of offices open at convenient times; or provision of access by phone
availability	* percentage of continuous or uninterrupted supply or service
risk coverage	* percentage delivery of quarterly reports to the Minister summarising results against agreed specification
compliance	* percentage compliance with <i>the Adoption of Children Act</i> to legislative standards

<b>Output Measures (continued)</b>	
<b>Category</b>	<b>Example</b>
<i>quality dimension (continued)</i>	
customer satisfaction	* customer satisfaction rating or improvement percentage with provision of liquor licences as measured by annual survey
<i>Timeliness dimension</i>	
	* responses times to Minister's enquiries
	* number of projects completed against agreed planned delivery time
<i>Cost dimension</i>	
	* return on equity and assets
	* projects completed against or within agreed budget variances

**Box 2.3 Outcome and output measures**  
(Government of South Australia 2002: 13)

The development and use of performance measures is recognised as a demanding task. The UK Treasury identifies eight characteristics of a good performance measure, shown in Box 2.4. These characteristics highlight some of the conceptual, data and usage requirements that accompany any indicator project.

<p><b>A performance measure should be:</b></p> <ol style="list-style-type: none"> <li>1 relevant to what the organization is aiming to achieve</li> <li>2 able to avoid perverse incentives – not encourage unwanted or wasteful behaviour</li> <li>3 attributable – the activity measured must be capable of being influenced by actions which can be attributed to the organization; and it should be clear where accountability lies</li> <li>4 well defined – with a clear and unambiguous definition so that data will be collected consistently, and the measure is easy to understand and use</li> <li>5 timely – producing data regularly enough to track progress and quickly enough for the data to still be useful</li> <li>6 reliable – accurate enough for its intended use and responsive to change</li> <li>7 comparable with either past periods or similar programs elsewhere</li> <li>8 verifiable with clear documentation behind it, so that the processes which produce the measure can be validated.</li> </ol>
<p><b>Box 2.4 What makes a good performance measure?</b> (HM Treasury et al. 2001: 17)</p>

Proponents of performance measurement in budgeting systems argue that such measures allow an assessment by the various stakeholders of:

- what policies and programs work
- what doesn't work
- what are the lessons.

In short, measures of performance are deemed to enable a judgment of results. David Osborne and Ted Gaebler capture these ideas in their influential book, *Reinventing Government*, where they argue that if you don't measure results you cannot tell success from failure. Furthermore, if you can't recognise failure you can't correct it, and if you can't see success you can't reward it (Osborne & Gaebler 1993). A central assumption underpinning their view is that this process solves the traditional principal-agent problem in economics. It is held that 'whatever is measured will get done' because government (the principal) will have a benchmark to check whether the government agency or other contracted service providers (the agent) are doing their jobs, and not free-riding. In other words, the central concerns of performance measurement are accountability for public spending and efficiency.

However, in practice neither accountability nor efficiency are politically neutral terms. As discussed in sub-section 1.3.2 accountability raises questions of accountability for 'what' and 'for whom' and these are matters that are highly contested. Similarly, efficiency can be used to promote radically different agendas such as cost cutting or service expansion, depending on whether the emphasis is given to maximising output for a given input or getting a given output for a minimum input (Carter, Klein & Day 1992: 37-38). The overwhelming focus on efficiency as the criteria for judging performance has gone hand-in-hand with a lack of development of alternative performance criteria, including meaningful and unambiguous notions of effectiveness and equity.

## 2.7 Uses of performance information in the budget process

The uses of performance measurement in budgets vary widely. They can range from simply providing information to the public, to making improvements to the quality of goods and services provided by government, to changing resource allocations. For example, a 1997 OECD survey identified some countries making 'performance informed decisions in the budgetary process' (Australia, Canada, Denmark, Finland, France, Netherlands, New Zealand, Sweden, UK and the USA) but only a few (New Zealand, Sweden and USA) were cited making 'performance budget allocations' (OECD 1997, cited by McGill 2001: 379).

In a survey of performance based budgeting in the 50 American States, Katherine Willoughby and Julia Melkers noted that 'most markedly, few (budget practitioners) were willing to attach performance measures to changes in appropriation levels' (Willoughby & Melkers 2001: 5). So, performance based budgeting at this stage of its development is more likely to inform budget decision making than to actually change budget allocations. This is illustrated in the Chilean case in Box 2.5.

**Since 1994, Chile's Budget Office has requested ministries and government agencies to provide quantitative and qualitative information on their performance in terms of the delivery of outputs and services.** With this information, a system of performance indicators has been developed and they are included in the background information provided to congress during the discussion of the annual budget. This system currently includes 537 indicators of effectiveness, efficiency, economy and quality in 109 government units. Despite some questionable attempts at using these indicators to support performance related pay, the Budget Office has been cautious to avoid building a mechanistic connection between indicators and budget decisions. Instead, it has preferred to view the system as a means to strengthen accountability for results to the general public and provide information to budget negotiations.

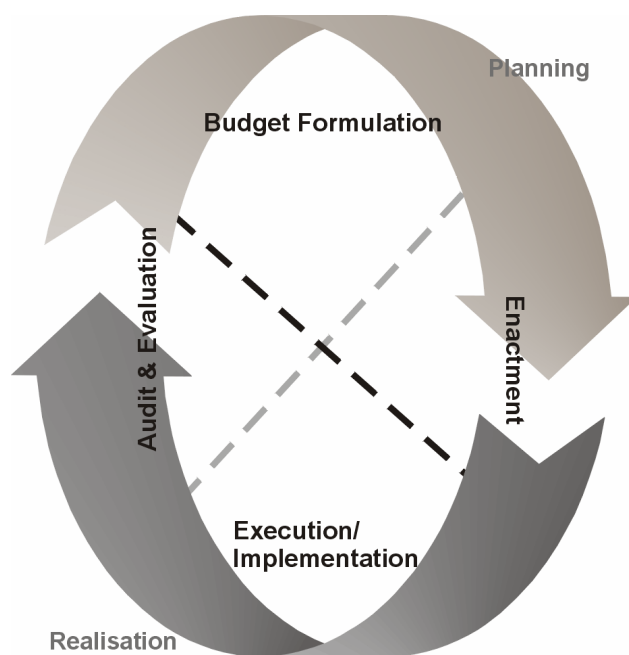
**Box 2.5 Chile's use of performance information in budgeting, comments from the Budget Office**

(Marcel & Tokman 2002: 45)

An understanding of the potential use of performance measurement in budgeting is fostered by a recognition that budgetary decision making takes place over an annual (or in limited cases) a medium term cycle. In functional terms the budget cycle is differentiated by four phases:

- *budget formulation* involving the development of a budget plan in line with government policy and priorities by the Head of Treasury/Head of the Finance Ministry and their officials, along with the responsible Minister, the Head of State and key government ministers
- *budget enactment* when the proposed budget becomes a public document to be debated, amended and approved – or rejected – by Parliament
- *budget execution/implementation* whereby government policy and plans are implemented via the budget and expenditure and revenue monitored
- *audit and evaluation* involving the evaluation of budget and policy outcomes according to ensure efficient, effective and equitable use of public resources.

Refer to Figure 2.5 for a stylised version of the budget cycle.



**Figure 2.5** A graphic representation of the budget cycle phases

Figure 2.5 also highlights related cycles of budget planning and realisation. The essence of budgeting is to present planned expenditures and revenues for the forthcoming year. Therefore, performance indicators published during the budget formulation and enactment phases will refer to the proposed, and in some cases, targeted, outputs and outcomes of government activity. This is not to imply that performance measurement of actual inputs, outputs and outcomes is not included over the budget cycle. Tracking what inputs, outputs and outcomes are realised can occur over the budget cycle and is central to the audit and evaluation phase. Moreover, this performance information can potentially play an important role in the development of the budget projections.

With the budget cycle in mind, a list of the potential uses of performance measurement in budgets might include (Hatry 1999; Melkers & Willoughby 2001; Wang 2002):

- the justification of budget proposals when the budget is being formulated or debated in Parliament during the evaluation phase
- the identification of gaps for developing new budget proposals
- making concrete the priorities of government by establishing targets for outputs and outcomes in the planning and budget documents
- the identification of areas or programs performing well and the justification of their retention or protection from budget cuts during budget formulation
- the identification of areas or programs of poor performance during monitoring and evaluation signalling the need to make changes
- the provision of a basis for comparing alternative budget proposals
- fostering transparency by the agency and the elected officials providing information to the public for the social and economic choices in the budget
- the provision of a measured basis for valuing the programs and activities of government in terms of outcomes and outputs rather than prices and input costs and general arguments about their proposed contributions
- the provision of the basis for assessing the economy, efficiency and effectiveness of government programs
- the identification of duplication and waste and provide a basis for improved coordination when agencies have shared or similar indicators
- fostering greater agency and government accountability by enabling a comparison between performance targets of outputs and outcomes that had been set for the year and the actual results
- the provision of a rough link between the quantity of inputs and outputs and the expected outcomes of the budget
- the provision of a basis and culture for civil society groups to participate in the development performance information through feedback processes, such as customer surveys, through citizen participatory budgetary processes or through developing alternative indicators.

Clearly there is the potential to foster greater gender responsiveness in budgets through the use of performance measurement. Moreover, these examples of the uses of performance data in the budget process underline the important point that there are multiple points over the budget cycle – formulation, enactment, implementation and audit and evaluation stages – when it may be possible or desirable to use performance information that could facilitate increased awareness, transparency, accountability and resource allocation changes in relation to gender. However, as highlighted in Section 1, and discussed further in Section 3, a critical approach is required. Box 2.6 reproduces Xiaohu Wang’s (2000) summary some of the literature of the experience of the USA in the uses of performance measurement over the different stages of the budget cycle.



**Budget Formulation** – performance measures can contribute to the formulation and justification of budget requests.

Refer to:

Leithe, JL (1997) *Implementing performance measurement in government*, Government Finance Officer Association, Chicago.

Tracy, R & Jean, E (1993) 'Measuring government performance: Experimenting with service efforts and accomplishments reporting in Portland, Oregon', *Government Finance Review*, December, pp.11-14.

Centre for Accountability and Performance (1998) *Performance measurement: Concepts and techniques*, American Society for Public Administration, Washington.

**Enactment** – the literature on the use of performance measurement in budget legislation concerns two key areas:

- (1) debate regarding the use of performance information in budgeting;
- (2) relevance of the use of performance measurement in making resource allocation decisions and assisting decision making processes.

Regarding 1 (above) refer to :

General Accounting Office (1997) *Performance budgeting: Past initiatives offer insight for GPRA implementation*, General Accounting Office, Washington.

Jones, LR & McCaffery, J (1997) 'Implementing the *Chief Financial Officers Act* and the *Government Performance and Results Act* in the Federal Government, Public Measurement', *Public Budgeting and Finance*, 17, Spring, pp.35-55.

For 2 (above) refer to:

General Accounting Office (1998) *The Results Act: assessment of the government wide performance plan for fiscal year 1999*, General Accounting Office, Washington.

**Execution/Implementation** – performance information can be used in monitoring and examining budget execution.

Refer to:

Swiss, J (1995) 'Performance monitoring system', in D Ammons (ed.), *Accountability for performance: Measurement and monitoring in local government*, International City/County Management Association, Washington.

Wholey, J & Hatry, H (1992) 'The case for performance monitoring', *Public Administration Review*, vol 52, no 6, pp.604-610.

**Audit & Evaluation** – auditing and evaluating public programs can also use performance measurement.

Refer to:

Tracy, R (1995) 'Performance auditing: Catalyst for change', in D Ammons (ed.), *Accountability for performance: Measurement and monitoring in local government*, International City/County Management Association, Washington.

General Accounting Office (1999) *Major management challenges and program risks: A government wide perspective*, General Accounting Office, Washington.

**Box 2.6 Performance measurement in the budget cycle – examples from the USA**  
(Wang 2000: 102-118)

## **2.8 The implications of performance oriented budgeting for gender responsive budgets**

The notion of a results based budgeting system using a variety of measures appears on the surface to be a potentially valuable framework for gender responsive budgets. In the first instance it offers several advantages over line item budgeting. Secondly, measurement of the results of policies and programs are a crucial element in identifying and advocating changes that would make budgets more gender responsive. However, there are a number of conceptual, technical and political issues with performance oriented budgeting that at best raise challenges, or at worst, make performance based budgeting a problematic framework for gender responsive budget initiatives<sup>7</sup>. This section will discuss some of the key potentialities and challenges that performance oriented budgeting raises for making budgets gender responsive.

### **2.8.1 Performance oriented budgeting and line item budgeting**

Performance oriented budgeting has evolved to overcome the shortcomings of traditional line item budgeting. As outlined in sub-section 2.4.1, paramount among these was that this type of budget did not identify why money was spent or indicate the efficiency or effectiveness of programs. These are also weaknesses from a gender responsive budget perspective. In addition, as noted in sub-section 1.3.1, line item budgeting, being input budgeting, does not readily lend itself to assigning expenditure (and revenue) inputs in a systematic way according to their gender impacts. Performance oriented budgeting brings with it a demand for alternative costing systems of the activities of government. In particular, output and outcomes budgeting requires information on the costs of outputs delivered by the agency. The process and significance of output based costing are described by one of the early developers of outputs budgeting, the New Zealand Treasury:

[Presenting a department's costs] in terms of the outputs it delivers is achieved by directly assigning as many operating costs as possible to outputs, and indirectly assigning the balance of costs on the basis of allocation assumptions. The resulting output costs are a combination of direct and indirect costs.

Output costing should clarify the cost of delivering each output so that departmental managers and Ministers know how input resources add value to the agreed outputs. Therefore an effecting costing system does not simply attribute a pool of overheads across outputs. A robust costing system helps to make the value-added process transparent so that:

- (1) Ministers can better select the appropriate mix of outputs to achieve the desired outcome;
  - (2) opportunities can be identified for improving output performance and efficiency; and
  - (3) departmental operations can be modelled for planning and forecasting.
- (Government of New Zealand Treasury 1994: 12)

An obvious disadvantage of output and outcomes budgeting for gender budget initiatives is the technical complexity of these systems. Extensive information of the cost of achieving different outputs and outcomes is required by performance based budgeting. They require considerable capacity and time investments in order to develop an understanding of their relevance for making budgets more gender responsive. These issues are explored in more detail below.

### **2.8.2 Data availability, indicator specification, different stakeholder needs and the limits to what performance indicators can tell**

A major constraint on the effectiveness of using performance measurement in budgeting in practice is the availability of data. The data requirements of developing a range of performance measures can be considerable. In the *Guide to budget work for NGOs* the authors note that a lack of budget data and socioeconomic statistics 'is probably the most widespread problem facing developing countries and emerging democracies' and that data deficiencies of timeliness, accessibility and frequency plague 'all facets of the budget cycle' (International Budget Project 2001: 22). An associated problem is the lack of availability of trained personnel and modern information systems (World Bank 1998; Melkers & Willoughby 2001). These qualifications apply equally to gender disaggregated data.

Performance measurement is generally underpinned by an assumption that only that activity which is measured is to be valued. If it is not measured, it is lost from view. Many gender analyses have sought to challenge these assumptions. For example, gender analyses have attempted to measure, for the purposes of national accounting, the unpaid care and subsistence work undertaken in economies, the majority of which is carried out by women. A central argument has been that women's work has been devalued and its economic and social contribution has gone largely unrecognised because it is not counted in the gross domestic product of a country, a primary measure of a nation's well being and basis for policy decision making (Waring 1989; UNDP 1995). Some progress has been made in this area with the inclusion of subsistence production in the UN System of National Accounts in 1993. Nevertheless, a value judgment on the paramount role of measurement deserves further investigation. Among other things, privileging measurement over other budgetary processes of analysis and evaluation is likely to lead to a skewing of results towards those things for which data is available (and gender disaggregated data is often unavailable). Similarly, it may also result in emphasizing criteria that are more readily measurable, for example efficiency over equity criteria.

Another significant problem in practice has been the poor specification of outputs and outcomes. As shown in Figure 2.2 performance indicators provide the link between outputs and outcomes. However, in order for adequate measures to be developed, the outputs and outcomes of government activity must be appropriately defined and specified. In a study of the output and outcomes specifications for primary and junior secondary education services in the 1998/99 budget papers of the Victorian and Western Australian state governments in Australia, the results were problematic. Outputs were not reflective of the operations of the agencies and they were conflated with processes when they should have been the products of processes. Outcomes were often confused with outputs and were more like vision statements than tightly defined measurable outcomes (Carlin & Gutherie 2002).

Different stakeholders require different measures of performance. The UK Treasury uses an example of a health service to illustrate the interests of various stakeholders. It shows that a relevant performance indicator for patients may be a measure of waiting times for treatment. For patients with special needs the measure may be the availability of multi-lingual services, whereas for management the measure may be the number of people treated (HM Treasury 2001: 12). This particular example includes an access and equity measure in its reference to patients with special needs. However, in the vast majority of Treasury and Finance documented advice on indicators there was a resounding silence around performance indicators that capture gender equality and other aspects of equity. There was also some evidence that in practice the dominance of particular stakeholders reduces the choice of performance measures.

Performance information does not by itself explain why specific results have occurred. The question of why a program produced the measured results is a matter for detailed analysis. However, this is not always the practice. As a result, performance indicators can be used to foster policies and resource allocations that detract from gender equality in the long run. The indicators of the gender gap in secondary school enrolments (Box 2.7) provide one example of the need for measures to be backed up by a gender analysis. One implication of this is that a neat relationship between performance results and accountability does not exist (Hatry 1999: 5).

**In its report *Progress of the World's Women 2002*, UNIFEM tracked the gender equality and women's empowerment indicators for the Millennium Development Goals.** One of these indicators is 'Secondary School Enrolment'. This is an important indicator of gender equality because without secondary education women are often excluded from better-paying jobs and positions of responsibility.

***The Size of the Gender Gap in Secondary School Enrolment***

Gender disparity in secondary schooling can be measured by the ratio between girls' and boys' secondary net or gross enrolment rates. When the girls' rate is lower than boys a gender gap exists. When boys have a lower enrolment rate a reverse gender gap exists.

On the basis of this measure girls' inequality is worst in sub-Saharan Africa, in which 31 countries have a gender gap, with the interlinked dynamics of poverty, HIV/AIDS and conflict as the major reasons. On the other hand, the significant gender gap in girls' enrolment in Asia and the Pacific occurs primarily in South Asia, where poverty plays a role but where there is also a strong preference for sons in many communities. Too often, daughters are considered a liability whose education would be a waste of time and money.

The reverse gender gap – with a higher rate for girls' enrolment than for boys' – is more prevalent in other regions of the world, including Northern Africa, Central and Western Asia and Latin America and the Caribbean. In the last region, 20 countries have a reverse gender gap and only 3 a gender gap. The reverse gender gap is also common developed countries, where 19 have a reverse gender gap, 4 have a gender gap and only one has an equal ratio of girls and boys in school.

### ***Interpreting the Gender Gap in Secondary School Enrolment***

These results need to be interpreted in the light of further information and analysis in order to understand the reasons for the gender gap in secondary school enrolment.

Although nearly half the countries surveyed had a higher enrolment rate for girls than boys, this does not mean that girls in those countries are more empowered than boys. Nor do the gender gaps in education match the gender gaps in adult life: In countries that have a higher enrolment for girls than boys, men are still likely to earn more than women when they enter the job market. This is because gender discrimination pervades the labour market in most countries because women spend more time providing the unpaid care work that supports their families than men do.

In addition, some of the highest reverse gender gap scores are in countries where girls' enrolment is still very low. For example, Lesotho has a reverse gender gap score of 161 (score of 100 indicates boys and girls enrolment rates are equal and scores over 100 means boys have lower enrolment rates) but girls' net enrolment rate is only 24%.

The level of girls' enrolment in secondary school is a better signpost of women's empowerment because it can show whether equality has been achieved at a high level of enrolment or a low one. This research shows that only 20 countries have 90% or more of secondary school-age girls enrolled in school, and most of these countries are in Western Europe and Other Developed Countries. To ensure that more girls, many of whom are poor and cannot afford school fees, are enrolled, the focus for action must be on providing the means to get them into secondary education, rather than on simply ending gender disparities in enrolment.

Measures of girls' secondary enrolment rate indicate that for many countries there is still a long way to go to achieve full enrolment. It will be important to keep track of these numbers in order to guide policy. It would be even better to begin to track completion rates, which would give a clearer picture of girls' ability to compete in the job market.

**Box 2.7 Measures do not explain results – the example of the gender gap in schooling**  
(UNIFEM 2002: 14)

### **2.8.3 Transparency, accountability, and citizen participation in performance oriented budgeting**

Performance oriented budgeting has been part of a program of public sector reforms that claims to promote transparency and accountability and community participation. As discussed in Section 1, advocates of gender responsive budgets support and encourage these goals and processes.

Transparency refers to accessible, relevant and useful information. In terms of performance oriented budgeting, transparency means that the basis for proposed revenue raising and expenditure decisions must be evident. The costs and results of those decisions must be clearly communicated to all stakeholders – the executive, the legislature, the media and the public at large.

Meaningful transparency from a gender responsive budget perspective must enable the participation of gender stakeholders both inside the government and in the community and, in doing so, provides a foundation for accountability. Participation and transparency can also be promoted through the role of law (see Box 2.8).

**The Netherlands, along with many other countries, has seen a democratisation movement that demands changes in the traditional decision-making structures and procedures to allow more input on public decisions by citizens.** Before decisions are made about reforms that concern those part of the public service with direct contacts with individual citizens or social groups, marketing like investigations are nowadays made to find out what is in the best interests of clients. Affected citizens or groups are consulted in advance through public hearings or surveys. Reforms are accompanied by extensive communication plans (announcements in newspapers and public buildings, sometimes even on the streets, direct mailing etc). When citizens or groups do not agree with reforms in which they have a direct interest, they have a legal right to appeal.

...While the use of law to appeal against the decisions and acts of public authorities is more democratic, there is a fear that the cumulative effect of the proliferation of outside influences on policymaking (both positive and negative) may overtly limit the decisiveness of government. The Netherlands is looking for ways to better streamline these processes for influencing decisions and appealing against them, while at the same time, interactive governance (decisions are made not only after consultation but in co-operation with concerned and interested parties) is being further developed in an effort to increase public support in a pro-active phase of policy formation.

**Box 2.8 Democratisation, participation, culture and law**  
(OECD 2000: 19 & 34)

Accountability requires that budget decision makers at all levels are held responsible for exercising their authority and for the results of decisions/actions taken. From the perspective of gender responsive budgets it is important also to recognise that accountability does not occur at a single point. Rather it occurs throughout the budget cycle including the stages of planning and formulation, execution, monitoring and audit and evaluation, involving a range of stakeholders. There are many ways in which performance oriented budgeting might promote transparency and accountability. These include:

- using targets and performance measures to draw links between policies, funding allocations and the results of public expenditure
- comparing performance measures of actual and intended expenditures and revenues
- accessing performance information by stakeholders to lobby for changes to policies and budgets.

In practice, however, these benefits of performance oriented budgeting are often diluted. Some of the ways in which transparency and accountability can be weakened include:

- the prevalence of highly aggregated and technical budget papers rather than the transparent reporting of resource allocations, performance targets and results. Technical budget papers tend to obscure subtle policy shifts, reductions or reallocations. ‘The devil is in the detail’ usually applies to budget documents.
- the use of output and outcome budgeting as a template by Treasury Departments and Finance Ministries for presenting the budget papers, rather than as a mechanism for determining resource allocations. An important distinction must be made between budget decision making and the act of representing budget related data. The World Bank acknowledges that, while in many OECD countries effective use of performance information is being made in managing programs, only in a small number is being linked to budgeting (World Bank 1998: 85).

- lack of reliability and consistency in the reporting of performance indicators in the annual reports and budget papers because indicators change often and have a short shelf life. An Australian study found that there was a 32.5% rise in the number of performance indicators over the three-year period, 1999/00-2001/02, and that indicators changed regularly (Carlin 2002: 9).
- the influence of politics and changes in government on performance oriented budgeting systems can significantly increase the costs of investing in an understanding, and the use of these systems for gender responsive budget initiatives. Sweden, for example, experimented with performance information in the formulation of agency budgets in the early 1990s and drastically restructured these particular processes after a new government was elected in 1997 (Blondal 2001).

The combination of the above factors weakens both transparency and accountability in performance oriented budgetary systems and reduces the likelihood of community participation in the budgetary process.

#### **2.8.4 The care economy and performance oriented budgeting**

Gender responsive budgets are fundamentally concerned with making the quantity and quality of care activities and work visible. Care is a multi-dimensional concept involving 'both the paid and the unpaid provision of support involving work activities and feeling states - emotion, affection, resentment, love' (Thomas 1993: 665). As demonstrated in sub-section 1.3.1, women's labour is used intensively in caring work and activities and across all sectors of the economy and in many institutional settings – in the unpaid activities of households, volunteer work in the community, parts of the informal private economy (household help) and in the paid (and measured) economy as nurses, teachers, aged and child care workers. However, care differs from other labour or other market work because it is 'often initiated and provided under conditions of social or familial responsibility' providing a 'spotlight on the normative issues of the social relations of care and the motivations which underlie it' (Daley & Lewis 1998: 6).

Another dimension of care activity and work is that it has costs, both financial and emotional, that cross over the boundaries of the paid and unpaid economies (Daley & Lewis 1998: 6). This raises the important issue of how these costs are calculated and shared at different levels. Researchers have shown how these different dimensions of care activities and work have equity and efficiency implications at all levels of analyses – micro and intra-household, meso and macroeconomic levels (Elson & Cagatay 2000; Himmelweit 2002). As a result, the treatment of paid and unpaid care activities and work has a critical bearing on whether government budgets and policies have positive or negative impacts on gender equality.

Unpaid care work is usually invisible in policies and budgets because it is not part of the conventional definition and measurement of the economy. When measures of unpaid care work are developed and used in policy and budget analysis, a different picture of the operation and impacts of the policy and budgetary allocations emerges, as noted in 1.3.1. This can provide the basis for advocating a different funding approach because existing arrangements are not sustainable, efficient or effective in promoting desired outcomes.

A recent study forecasting spiralling costs of aged care impacting on future national Australian budgets, resulting from higher numbers of the aged with increased care needs as a result of dementia, reinforces these points. The study estimated that the carers of sufferers of

dementia contributed \$16 billion (approximately US \$10.4B) a year in unpaid work and care activities compared with the government's allocation of \$1.1 billion a year in home and community care support programs. Moreover, at the levels of research investment into dementia, no cure would be found for 700 years! (Access Economics 2003, cited by *The Australian* 28/5/03) While the analysis advocated reforms to bring down the cost of the future health budget, making visible the unpaid work of relatives and spouses caring for sufferers at home provides the basis for reassessing how well existing programs and budgets are performing. Moreover, notions of what constitutes economy, efficiency and effectiveness come into question. (Sub-section 1.3.1 gave an example of cost shifting giving a false notion of efficiency.) These issues will be explored further in Section 3.

Paid care services in health education and community services comprise the majority of the budget in most countries. Measuring these paid care services has the potential to provide information that would allow, amongst other things, users to participate in how these programs are designed and delivered. An examination of the conceptual underpinnings of performance oriented budgeting, however, raises a series of questions about its current capacity to adequately deal with care activities and work. Figure 2.2 shows that input and outcomes budgetary systems are built on a concept of performance which assumes that government activity can be broken down into 'specific, pre-determined and easily measurable outcomes' (Meagher 2002b: i).

In this model each part of the 'production' process is characterised by separateness rather than interdependence. Such a model has validity for the production of goods. However, care activities involve processes that do not readily fit in such a goods production model. For example, research on care work points to the relationship based or interpersonal nature of the care process. Government services such as child protection, aged care, programs to support victims of domestic violence, and so on, are built on interpersonal activities between the service provider and the user of a service. An additional relationship dimension is that such services seek to enhance relationships within families and communities, or foster what some term 'social capital'. These issues make the specification and measurement of outputs and outcomes a much more complex process than suggested by the production framework of performance oriented budgeting. Gabrielle Meagher, in an analysis of the debates about performance measurement in the social services and the implications for care service providers, concludes that:

If care is both a process and a relationship, the inputs, outputs and outcomes become difficult to disentangle from each other, and the separation of the service provider and the 'customer' assumed in the conventional model of performance assessment may poorly characterize the almost reciprocal nature of the care-based services. (Meagher 2002b: ii)

This has enormous implications for assessing the quality of care and maintaining quality standards. The interpersonal nature of care means that economies of scale from reducing the number of inputs (care providers) is unlikely to be achieved without significantly affecting the quality of the output and outcomes. At this stage the conventional framework and criteria of economy, efficiency and effectiveness does not provide a sound means for measurement of care services (Meagher 2002a). A gap exists between this approach and the relationship based values that social service workers and service users often believe are the defining criteria of the overall quality of the assistance being provided.



### **2.8.5 Performance oriented budgetary politics and gender responsive budgets**

The political nature of budget outcomes requires gender responsive budgets to engage with the politics and the uneven power relationships that shape the budget. In effect, political spaces in the budgetary system have to be tapped into by gender responsive budgets. Finding these spaces is unlikely to be a smooth process. There is likely to be opposition from entrenched interest groups within the system of public expenditure management. Government parties, ministers and elected officials also vary in their power to effect change and in their concern with equality. Consequently, the adoption of formal commitments to gender equality policy goals by governments may be insufficient to guarantee meaningful change.

The use of performance measurement in budgeting means changes in governments' operations, personnel, structures and even cultures. These changes always lead to a power struggle and power transfer and, thus, resistance from those who are negatively affected. Some public officials do not feel the urgency of using performance measurement in budgeting; others see performance measurement as a threat to established budget norms and processes. (Wang 2000: 113)

As their starting point, proponents of performance oriented budgeting argue that the implementation of these budget systems imposes a rational process on budgetary decision making. Output and outcomes budgeting is the current manifestation of a history of budgetary reforms that have sought to move budget systems in a more 'technocratic' direction. In stressing these technocratic attributes, performance oriented budgeting has contributed to the larger debate of the state's role that has been waged over the past two decades. In the face of vigorous attacks on the state and the demands for a minimalist role for government, the new modes of budgeting offered the hope for some of justifying an increased role for government in the delivery of public goods and services. The new budgeting sought to do this by making it clear how government money was spent and on what; and by showing that programs were developed on a rational and systematic basis. Specifically this has involved the development of measures of results or impacts.

Making government intervention acceptable again was part of the attraction of performance oriented budgeting for reforming politicians and decision makers in the 1990s, including the Clinton Administration in the US and the Blair Labour Government in Britain. However, the task of rehabilitating the role of the state has been a contradictory process. Many of the changes in public sector management that have accompanied performance oriented budgeting (see sub-section 2.4.5) have supported new forms of government (de)regulation, such as contracting out of services, tending to make government less influential in service provision and fostering privatisation of government assets and services.

On the other hand, to the extent that performance oriented budgeting supports a climate for government intervention, it opens up spaces for gender responsive budget initiatives to bring about budgetary and policy changes in line with gender equality. Furthermore, the measurement of budgetary and policy impacts allows an assessment of the progress towards gender equality goals. Nevertheless, while gender responsive budget initiatives partly rely on tools of analysis that enable a rational approach to budgetary and policy changes, they understand budgetary decision making to be inherently political.

## 2.9 Conclusion

This section discussed the evolution of performance oriented budgeting and outlined in detail the framework of output and outcomes budgeting, which is the form of performance budgeting increasingly being adopted by governments. In developing a framework for how performance oriented budgeting might enhance the goals of gender responsive budgets, it is important to develop an understanding of the strengths and limitations of performance budgeting. These strengths potentially can:

- overcome some of the shortcomings of traditional line item budgeting through increased transparency and identification of gender impacts
- integrate measures of economy, efficiency and effectiveness into the budget and policy process as a means of judging results
- impose a rational process on budget decision making
- provide information for citizen participation in budget decision making
- promote accountability by drawing links between government budgeting intentions, the services provided and the impacts on society
- give greater recognition and value to care services than has been traditionally been the case
- assess progress towards the gender equality commitments of governments.

The potential problems and weaknesses of performance oriented budgeting systems for gender responsive budget initiatives include:

- failure to include measures and indicators of the gender impacts of budgets and policies
- increased complexity that requires considerable capacity and time investment
- failure to give adequate attention to equity and, in particular, gender equity measures
- a tendency to misleadingly present budget decision making as fundamentally a technocratic process rather than an inherently political process
- essential information such as that in budget papers or evaluation reports not readily being usable by the public and not widely distributed
- intended and actual dimensions of the budget – inputs, outputs, outcomes – in practice often not coming together at any single point, for example, in the budget papers
- lack of provision of adequate measures that capture the quantity and quality of care activities and services
- misleading efficiency and effectiveness measures of performance when care activities and work across both the paid and the unpaid sectors of the economy are not taken into account

Section 3 will outline a methodology for drawing on the strengths and modifying some disadvantages of performance oriented budgeting for gender responsive budget initiatives.

### **Section 3**

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## **A framework for linking output and outcomes budgeting and gender responsive budgets**



## A framework for linking output and outcomes budgeting and gender responsive budgets

### 3.1 Introduction

This section outlines a gender aware outputs and outcomes performance budgeting framework. This framework identifies three dimensions to the task of sensitising output and outcomes budgeting to gender:

- The first is to include gender disaggregated measures of inputs, outputs and outcomes.
- The second is to explicitly identify equity as an indicator of performance. That is, a fourth 'E' (equity) needs to be added to the existing concerns of economy, efficiency and effectiveness.

Incorporating gender aware indicators of inputs, outputs and outcomes and making equity an explicit indicator would be a significant extension of the existing outputs and outcomes budgeting framework. These two dimensions to a more gender aware strategy illustrate how gender responsive budgets can use performance oriented budgeting as a tool with only fairly minor adjustments.

- However, a third dimension of a more gender aware framework poses a more radical challenge to performance oriented budgeting. It is based upon a recognition that a significant change needs to be made to output and outcomes budgeting to adequately incorporate performance indicators that track progress towards, and retreats from, gender equality and women's empowerment. In particular, it demands a reassessment of the existing meanings of economy, efficiency and effectiveness. A radical critique of conventional output and outcomes performance budgeting raises the potential for gender responsive budgets to play an important role in redesigning mainstream budgetary processes.

The section highlights a number of points related to the development of strategies to enhance gender sensitive budgeting within the framework of performance budgeting. It will finish with a discussion of issues relating to how a gender aware output and outcomes 'model' of budgeting can be applied over the budget cycle.

### 3.2 Gender responsive budget frameworks and performance measurement

This section briefly reviews how the existing gender responsive budget frameworks have sought to integrate a performance dimension into their processes. Gender responsive budget initiatives have in varying ways sought to integrate a performance dimension into their processes. There are two widely disseminated frameworks utilised by gender budget initiatives. Firstly, there is the Commonwealth Secretariat pilot which drew on the Australian experience as outlined in Budlender and Sharp (1998). Secondly, there is Debbie Budlender's five step approach developed for the South African Women's Budget Initiative (2000). Finally, Diane Elson has recently published a budget cycle framework for examining the impact of budgetary activities, outlined in UNIFEM (2002b). A summary of the three approaches is provided in Box 3.1.

**There are three widely disseminated functional frameworks utilised by gender responsive budgets.**

**1 *Five steps towards a gender sensitive budget***

- Describe the situation for women and men and girls and boys (and the different sub-groups) in the sector.
- Check whether the policy addresses the gender issues described above.
- Check that an adequate budget is allocated to implement the gender sensitive policy.
- Check whether the expenditure is being spent as planned. This involves checking both financially and the physical deliverables.
- Examine the impact of the policy and the expenditure and assess whether it has promoted the government's gender equity commitments.

**South African Women's Budget Initiative and Gender Education and Training Network** (2000) *Money matters*., Workshop materials on gender and government budgets GETNET, Cape Town, South Africa.

**2 *Developing a gender sensitive expenditure statement of an agency or sectoral budget***

- Identify expenditures according to whether they are (1) specifically targeted to women or men, girls and boys in the community or (2) 'equal employment opportunity' expenditures by government on their employees which are designed to change the gender and skills profile of the public sector workforce or (3) general or mainstream budget expenditure that make goods and services available to the community ('outputs') and need to be assessed for their gender impact ('outcomes').
- Use the tools of gender disaggregated expenditure analysis to assess the gender impacts of these different categories of expenditures.
- Develop a budget statement using this analysis that includes:
  - the aims and objectives of the budget program/activity
  - the resources allocated (actual for the previous year and planned for the current year)
  - the gender issues
  - the gender impacts including measures and indicators of outputs and outcomes
  - changes planned in the coming year in the light of the assessed impacts and performance indicators.

**Debbie Budlender and Rhonda Sharp** (1998) *How to do a gender sensitive budget: Contemporary research and practice*, Commonwealth Secretariat and AusAid, London.

### **3 A gender analysis of the four dimensions of budgets**

- Select a Ministry or program, and over the budget cycle examine planned and realised:
  - financial inputs
  - activities financed
  - outputs delivered
  - impacts on people's well being.
- Undertake a gender analysis of these budgetary dimensions using disaggregated expenditure and revenue tools and approaches (eg. bureaucratic, participatory).
- Apply the analytical tools at the different levels of budgetary decision-making including:
  - aggregate macroeconomic strategy
  - composition of expenditures and revenues
  - effectiveness of service delivery.
- Identify the gender gaps (at the level of the individual and household, economic and social, paid and unpaid) and the budgetary and policy changes that need to be made.
- Convey the results of the analysis with the aim of bringing about changes to budgetary and policy decisions.

**Diane Elson** (2002b) 'Gender responsive budget initiatives: Some key dimensions and practical examples', in *Gender budget initiatives: Strategies, concepts and experiences*, United Nations Development Fund for Women, New York.

#### **Box 3.1 Three functional frameworks for relating budgets to gender equality**

All three frameworks, with varying degrees of success, seek to:

- integrate performance elements into their frameworks through the use of gender disaggregated indicators
- assess budget and policy plans against actual allocations and program implementation
- provide information for monitoring progress towards increased gender responsiveness and equality.

These three functional frameworks are not mutually exclusive. They overlap, reflecting the evolutionary and diverse nature of gender responsive budget frameworks. Moreover, they have adapted in response to the evolving budgetary systems with which they have engaged.. As performance budgetary systems have become more widespread, gender responsive budget functional frameworks have become more explicitly focused on measurement and performance criteria. The most recently articulated gender aware budgetary framework by Diane Elson (2002b) makes the most explicit link to a results based budgetary system.

However a gap still exists between these gender responsive budget frameworks and the output and outcomes performance framework.

As indicated in Section 2, the framework of output and outcomes budgeting involves a particular approach to budgetary and policy performance.

The Introduction to this paper summarised the logic as follows:

1. What does the government want to achieve? OUTCOMES
2. How does the government achieve this? OUTPUTS
3. How does it know if it is succeeding? PERFORMANCE REPORTING.

Such an approach to budgeting involves, among other things, new budgeting language, new ways of describing government activity, different budget reporting formats, an emphasis on measurement, and specified criteria for assessing performance. While many gender responsive budget frameworks (including those in Box 3.1) incorporate some performance elements, a more direct engagement with the output and outcome system of budgeting is required if it is to become an effective framework for these initiatives. This paper will advocate three dimensions of this engagement through:

- developing gender sensitive indicators of inputs, outputs and outcomes.
- extending the existing output and outcomes framework with equity as an explicit indicator of performance (the 4<sup>th</sup> 'E').
- challenging the existing meanings of economy, efficiency and effectiveness.

### **3.3 Develop gender sensitive indicators**

Significantly, a legitimate place exists for gender disaggregated indicators within the framework of output and outcomes budgeting. Gender and other disaggregated data provide additional and useful information to enhance performance oriented budgeting. One advocate of performance measurement, Harry Hatry (1999: 103), refers to disaggregated data as 'break out' data and argues that this data serves two functions, namely to:

- distinguish differences in performance among different population groups and places in order to enable answers to questions about why high or low performance is occurring in some areas and not others; and
- identify inequities among customer groups.

At this stage there are only a limited number of examples of gender sensitive performance measures of budgetary programs using the outputs and outcomes framework. However, the examples that do exist demonstrate the strength of a gender sensitive approach. The most common examples are for specifically targeted programs for women and girls. If a program is gender targeted, then the logic of performance budgeting tends to demand that gender disaggregated performance measures and indicators be developed. An example is the phone-in and drop-in information service provided to women in the community by the South Australian government. This service's output performance indicator was the number of enquiries received, including those from rural women, by the Women's Information Service. The total targeted quantity was 44,000 enquiries, a target met in the previous year (South Australian Government 2003: 22). South Africa has had some limited success in going beyond specifically targeted programs and developing some performance indicators for mainstream programs, particularly those that aim to be sensitive to the most disadvantaged.



An example from South Africa is:

Program	Inputs	Quantity measure	Quality measure
Khula Finance Enterprise (has a focus on loans to women/people in rural areas)	Loan assessors, administration staff	Total value of loans granted	% of total value of loans granted to women/people in rural areas

(Republic of South Africa National Treasury 2002a: 5)

Another area where progress has been made in the development of gender disaggregated performance indicators is that of health. This is partly due to health services being related to particular aspects of male and female bodies, as biological sex is important in the design of health services and demands sex specific indicators. It is also because health (and other social policy) portfolios tend to be more advanced in collecting gender disaggregated data than counterpart economic portfolios because social outcomes are central to their work.

Apart from these types of examples, there is a dearth of gender disaggregated performance information incorporated in output and outcomes budget systems. In a review of the 160 performance targets for public services in the UK by the Women's Budget Group in 2002, only one department had an explicit target for gender equality – to see that by 2004-2005 35% of civil servants would be women and 25% of the top 600 posts would be filled by women (Women's Budget Group 2002). It was noted that while it was a welcome target, it dealt with only a very limited dimension of gender inequality, that of equal employment opportunity within the public sector workforce.

The reasons for the lack of gender sensitive output and outcome indicators vary from 'lack of commitment to gender issues' to 'the difficulty of the task'. Box 3.2 highlights the problem in relation to housing outputs in the South African context.

**Analysing the housing budget from a gender perspective is very difficult.** Recent reforms have stressed the need for measurable outputs to assess performance. For example, the 2002/3 budgets and strategic plans submitted to national government by provinces should now include measurable objectives, service delivery measures and targets for each programme over the three-year medium term expenditure framework (MTEF) period. Within the housing sector, it is proposed that delivery indicators include subsidies approved, serviced/unserved sites allocated, housing units built etc. However, to date, both provincial and national departments have concentrated mainly on developing targets and have been much less diligent in terms of reporting on past delivery. Further, neither targets nor proposed delivery measures are gender-disaggregated in any way.

The absence of gender-disaggregated data is of particular concern given that section 6 of the Housing Act obliges the Director-General to establish a National Housing Data Bank. One of the explicit objectives for the data bank and information system is to provide data categorised by gender, race, age and geographical location. Yet five years since the adoption of the Act, this information is still not available.

**Box 3.2 Measuring the results of the housing budget from a gender perspective in South Africa**

(Pillay, Manjoo & Paulus 2002: 21)

As the authors note, developing gender disaggregated performance indicators is a challenging task for housing programs. A key problem is not being readily able to distinguish between the individual and the household as beneficiaries (Pillay et al. 2002). This particular example demonstrates that the unit of analysis is important in identifying and developing gender sensitive indicators.

**strategy 1:**

Within the conventional output and outcomes budgeting framework, the development of gender sensitive output and outcomes performance measures should be regarded an essential step in gaining performance information hidden by aggregation.

### **3.3.1 Gender aware examples of output indicators.**

Outputs are commonly described as the ‘engine room’ of the performance budgeting framework, because they are the means by which the government seeks to achieve its desired policy impacts, outcomes or ends.

Outputs require performance indicators that reflect quantity, quality, cost timeliness and quality as well as other characteristics, in order to assess the productivity or the *efficiency* of the agency (program, output group or portfolio). This is exemplified in Figure 3.1 Therefore, different measures and indicators seek to capture several specific, and immediate, characteristics of outputs. In practice, however there has been a tendency to focus on quantity, cost and timeliness indicators of outputs. There is considerable scope to make these indicators gender aware. Some examples are provided below:

*Quantity* refers to the volume or level of outputs or ‘deliverables’, for example:

- number of breast cancer screenings by age and locality
- amount of loans and grants for women and men under the small business initiatives
- number of domestic violence victims provided with emergency housing when assessed as needed.

*Cost* refers to the prices paid for the outputs. They can be expressed as total cost, average cost, per unit cost, rates of return and variance of cost at tender and completion. For example:

- ratio of cost of public housing dwelling construction for low income households to cost of private housing dwellings in low income areas
- average cost to government of girls and boys primary education
- cost per child of using centre based day care.

*Timeliness* refers to the time frame for the delivery of outputs. Timeliness is treated by some as another quality indicator. Examples include:

- the number of grants approved to women’s non government groups within the timeframe endorsed
- response times of (government subsidised) access cabs (providing transport to disabled people and their carers), relative to conventional taxi services
- percentage of targets in service agreement contracts and programs completed against agreed delivery time.

*Quality* refers to both tangible and more subjective aspects of outputs that are important to clients and other stakeholders in the delivery of a good or service. There are many types of quality output indicators (see also Box 2.3). Quality indicators can refer to service access and coverage, conformity to service specifications and charters etc, customer targeting, risk coverage, compliance with legal standards and customer satisfaction. Quality indicators are important in capturing aspects of unpaid and paid care work that government activities and programs influence. Gender aware quality indicators should include:

- percentage of Treasury/Finance economic policy documents that included a recognition of the ‘care economy’
- number and percentage of clients who believe they have reasonable access to child care centres
- satisfaction of public housing residents who are primary caregivers of dependant children with the amenity levels (water, electricity and sewerage).

**strategy 2:**

In many cases different ‘types’ of indicators can be used to capture aspects of an agency’s performance in order to assess its contribution to fostering gender equality. That is, there is considerable capacity to develop gender aware versions of these measures. The development of quality indicators of outputs are particularly important as many services, including care services, have at their heart a quality dimension. Developing quality indicators raises issues about the participation of the recipients of services and other stakeholders in performance evaluation, because perceptions of a myriad of groups are important in measuring quality. (See Box 3.3 for an example of participatory assessment of aged care provision.)

**3.3.2 Issues for a gender aware approach to output indicators**

The above discussion illustrates the range of quantity, quality, cost and timeliness gender aware output indicators that can be developed within the terms of the conventional output and outcomes framework. The fact that few such examples are provided in the official manuals explaining the performance framework reflects in part the Treasury/Finance driven nature of performance oriented budgeting. These government institutions have been slow in mainstreaming gender into their budget work and cultural practices (Sen 2000). Treasury/Finance can be captured by ‘market’ accountability demands at the expense of ‘citizen’ accountability (Bakker 2001).

**strategy 3:**

Gender responsive budgets need to develop strategies that ensure Treasury/Finance manuals include gender disaggregated performance indicators.

Other issues which gender responsive budgets need to take into account:

1. *Focus on outputs.* There tends to be a greater growth in the reporting and measuring of outputs with a corresponding neglect of outcomes. This effectively breaks the link between outputs and outcomes.

**strategy 4:**

A gender aware approach to performance budgeting needs to maintain a strong link between outputs and outcomes. Effectively there is a two step process involved whereby those outputs need to be specified which contribute to outcomes that are important for furthering gender equality. This needs to be supported with gender disaggregated data collection and use.

2. *All government outputs can potentially impact on gender equality.* In the absence of a gender responsive budget, outputs are unlikely to be specified and measured on a gender aware or disaggregated basis except in the case of specifically targeted programs for women or men. While specifically targeted programs and allocations to women have been more likely to be reported by governments, they are very small relative to the overall budget and its gender impacts (UNIFEM 2000; Sharp & Broomhill 1990).

**strategy 5:**

The non-gender specific programs and their outputs need to be scrutinised in exercises seeking to make budgets more gender responsive.

3. *Care related outputs add a new analytical dimension that needs to be captured by indicators.* As discussed in sub-section 2.8.4, care activities require, as a starting strategy, a conceptual framework that can incorporate the relational aspects of care services.

**strategy 6:**

Output measures and indicators of care services need to go beyond simple gender disaggregation and confront the analytical issues about the care economy. Other indicators of care outputs need to capture different dimensions than that suggested by the conventional ('goods production') output and outcomes framework.

In relation to assessing the quality dimensions of paid care services, one strategy for proceeding is to develop participatory or stakeholder feedback on the quality of care provided.

**strategy 7:**

Quality aspects of service delivery are crucial for gender responsive budgets. A minimum requirement is that the concept of efficiency in performance oriented budgeting should be based on the assumption that constant quality is maintained. That is, any improvements in efficiency should not be at the cost of service quality. While quality is a difficult to measure, there are practices in the care services that can be drawn on and developed. Existing 'top down' practices of assessing quality in government services should be augmented by 'bottom up' participatory processes for assessing quality.

Box 3.3 provides an example of a ‘top down’ participatory assessment of aged care services where the government monitors the quality standards of nursing home and hostel providers.

**Stakeholder feedback is used in an assessment of aged care services in Australia.** As at 30 June 2001, there were 2977 residential aged care services in the country, providing a total of 142 627 places. Private enterprise and not-for-profit providers who receive Commonwealth funding supply the majority of these places. In 2000-01, the Commonwealth spent \$AUD 3717.8m on recurrent residential aged care. In order to continue to receive residential care subsidies, providers must undergo a regular evaluation process.

The current Australian system of assessing the quality of care has evolved over more than a decade. In 1987, the introduction of *Outcome Standards* heralded a progression from the former Commonwealth inspections that mainly monitored the physical and environmental aspects of nursing homes to a focus on outcomes for individual residents. As a participatory model of assessing care, residents and their relatives were included in the review process. Positive and negative prompts were formulated to assist Standards monitors in assessing important but intangible aspects of care such as freedom of choice. Positive prompts included: residents have choice and control over their daily activities; mechanisms are in place which enable residents to contribute to decision-making; and staff are responsive and flexible to residents’ special requests. Negative prompts included: contradictions between policy and practice; institutionalised attitudes and behaviour; and restrictive policies and rules.

The *Aged Care Act 1997* introduced a system of *Accreditation* that extended the original *Outcome Standards* to include management systems and staff and organisational development. The Aged Care Standards and Accreditation Agency Limited is an independent company that conducts on-site assessments of nursing homes and hostels. During the site audit the team observes the living environment and practices of the home, reviews relevant documentation such as care plans, and interviews residents, relatives, staff and management. The assessment team must meet with at least 10 per cent of the residents or their representatives.

Strengths of this system include:

- a legislated requirement for continuous improvement
- internal and external complaints mechanisms
- power under the Act to impose financial sanctions on providers
- increased respect for consumer rights
- awarding of accreditation for up to three years for homes performing well
- accreditation decisions and reports published on the Agency’s website

Weaknesses are:

- no analysis of the actual cost of providing a benchmark level of care
- difficulty in maintaining consistency between assessments
- lack of objective measures of continuous improvement
- the issue of ‘who gets picked’ to participate in stakeholder interviews
- sanctions, when imposed, are upsetting for residents, family and friends.

In a few high profile cases funding has been withdrawn from nursing home providers not meeting the quality standards. However, this does not change the overall budget allocation because places have to be found for the displaced residents.

**Box 3.3 Assessing quality in Australian residential aged care**  
(Commonwealth of Australia 1997; Gray 2001)

### 3.3.3 Gender aware examples of outcome indicators

Outcomes are defined as the measurable impacts of government policy. If outputs are the means, then outcomes are the ends. Outcome measures enable an assessment of effectiveness of the outputs in achieving government objectives, or in more limited cases, targets. The inclusion of outcome measures therefore allow an assessment of ‘results’ that extends beyond economy and efficiency (see Figures 2.1 and 2.2). Effectiveness indicators used in the conventional framework usually include quantity outcomes and appropriateness, and both these indicators can be gender disaggregated or gender aware.

*Quantity outcome* performance measures and indicators show the extent to which the objectives of the service or policy have been achieved. Examples include the number of homeless people housed, the percentage of women and men who feel safe from violent crime.

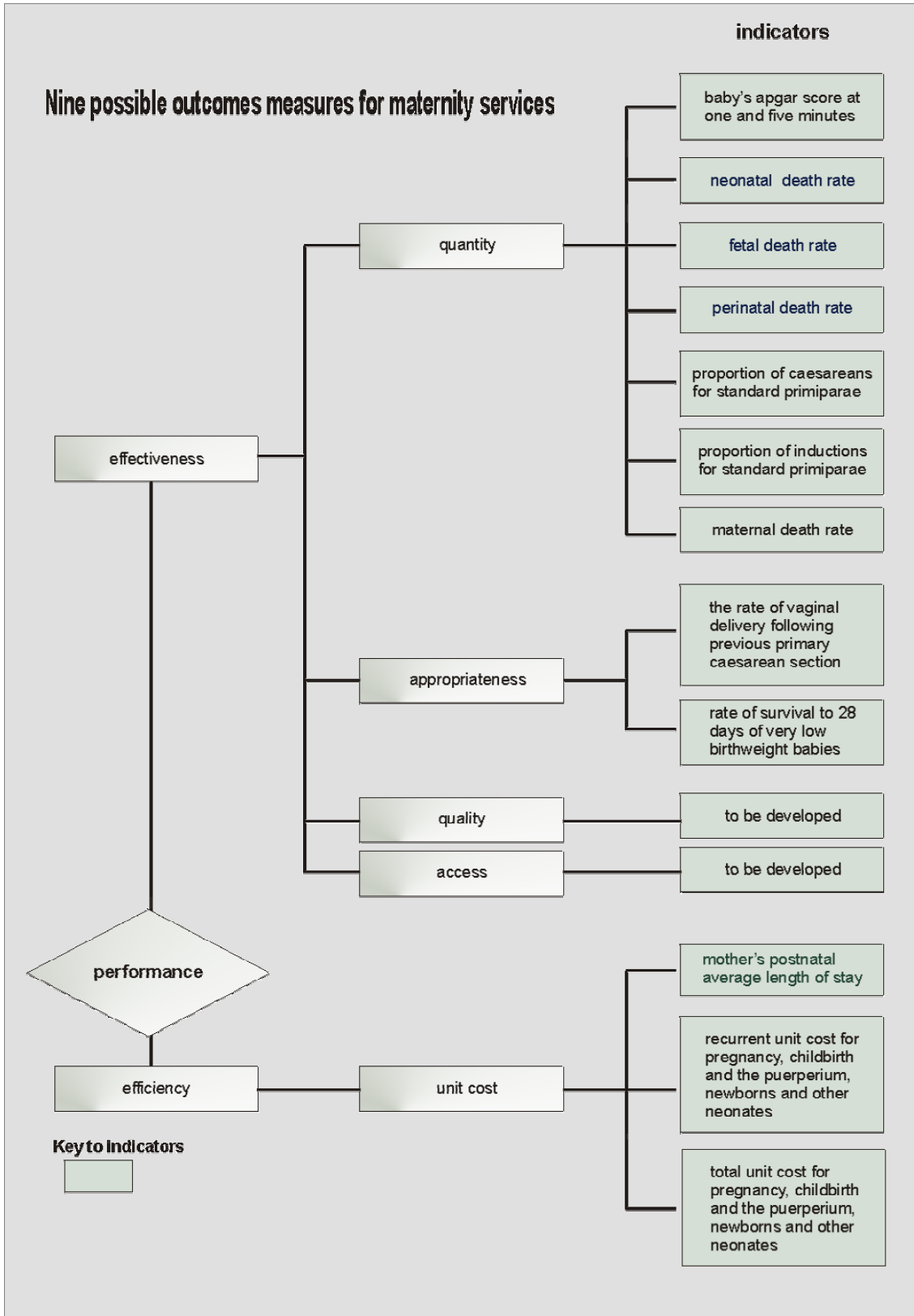
*Appropriateness* refers to how well service delivery meets the needs of the users. Examples of appropriateness indicators of outcomes include:

- rates of housing overcrowding among women headed families
- the rate of under-servicing of mentally ill men and women living with their families
- the proportion of male and female rural dwellers receiving adequate provision of piped water.

#### **strategy 8:**

Outcome indicators (used in conjunction with input and output measures) extend the scope of performance criteria beyond economy and efficiency to effectiveness. Equity should be explicitly included as a dimension of effectiveness as highlighted in Figure 3.1. An example (trends in detection rates by location and gender) is provided in Figure 3.2

Box 3.4 provides an example of nine possible outcomes measures of the performance of maternity services.



**Box 3.4 Outcomes and outputs from maternity services**  
 (Modified from Steering Committee for the Review of Commonwealth/State Service Provision 2002: 230)

### 3.3.4 Issues for a gender aware approach to outcome indicators

Sub-section 2.4.5 noted that few national governments have adopted outcomes based budgeting, although there is evidence of moves in this direction by governments and organizations. Including outcome performance measures has potential advantages for gender budget initiatives. The Engender Women's Budget Group (EWBG) of Scotland in a response to persuasive research commissioned on the feasibility of adopting outcomes budgeting by the Scottish Parliament argued that:

Overall, EWBG is supportive of moving towards outcome budgeting in Scotland and considers that incremental progress in gender impact assessment would be essential to effective outcome based budgeting. Although the group accepts that it is possible to undertake some measurement of the gender impact of spending using output measurements, outcome measures would provide a much more meaningful basis for evaluating the impact of public expenditure in Scotland on women and men and boys and girls. Outcomes are more difficult to measure and often require a longer term view to be taken, but they are more important for understanding the impact of spending. Flynn (2001) identifies that it is difficult to exercise accountability solely for outcomes and that, in practice 'performance budgeting has tended to develop outcome definitions and measurements in parallel with output controls and some form of input controls'. EWBG accepts that no single measurement would work on its own and envisages that, reflecting experience elsewhere, a workable approach would involve a mix of measures with outcomes playing an increasingly important role. (Engender Women's Budget Group 2002: 1)

Other issues for a gender aware approach to outcome indicators include:

1. *Gender aware outcomes budgeting requires the specification of gender equality as a government objective.* Gender equality needs to be a visible objective to be reflected in outcome indicators and effectiveness measures of performance. This may require supporting activities such as the ratification of international conventions such as Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). It is unlikely that government objectives will be non-conflicting, so gender equality would be best supported with the specification of a range of related objectives such as poverty reduction, sustainable development, stronger communities, lifelong education and health and well-being.
2. *Developing measurable outcomes and targets of gender equality.* Outcomes are difficult to specify in a way that ensures that they are amenable to measurement. This is no less true for gender equality than it is for other outcomes, so perseverance is necessary. Some governments focus on identifying measurable shorter term targets which can provide a space for gender responsive budget initiatives to engage in the monitoring phase of the budget process. However, emphasising the achievement of targets is a much narrower goal than measuring effectiveness. Effectiveness measures link outputs and outcomes (see Figure 2.2) in order to assess how well the outputs of goods and services provided by government achieve their stated impacts.

#### **strategy 9:**

Measurable gender equality targets have an important role in gender responsive budgets as they foster the monitoring of annual budgetary achievements in relation to gender impacts and outcomes. However, they are not a substitute for the development of outcome and effectiveness measures of gender equality.



3. *External influences on outcomes.* A central problem is that outcomes are influenced by factors external to government and by outputs across a range of agencies, programs and portfolios. Trends in gender equality, while influenced by government, are also shaped by external factors and structures including a country's history, culture and global economic forces and by a range of government programmes, so one particular programme can't easily 'claim' the credit.

On the one hand this can make politicians reluctant to be held accountable for outcomes they do not have significant control over. On the other hand it is important for governments to be aware of social conditions and know whether the trends are becoming more or less favourable, and adjust policies and budgets accordingly.

**strategy 10:**

Performance information on the outcomes of gender equality policies can assist accountability. One way to proceed is to identify policy specific gender equality outcome indicators, such as the development of gender disaggregated or gender aware outcome measures specifically related to policy areas such as poverty, land access, freedom from domestic violence and educational opportunities.

4. *Gender as a cross cutting outcome.* Gender equality also constitutes a cross-agency (program, portfolio) outcome. That is, many polices can seek to promote equality and remove discrimination between men and women.

**strategy 11:**

A gender responsive budget initiative should seek to promote a more effective performance oriented budgeting system by highlighting the benefits of several (or all?) agencies agreeing on a single outcome statement around gender equality within which they would individually establish their own outputs or output groups.

### 3.4 Adding equity as a performance indicator

A significant limitation for gender responsive budgets of the conventional performance oriented budgeting model with its '3Es' (economy, efficiency and effectiveness) criteria of performance is its narrow focus. An important dimension of performance measurement for gender responsive budget initiatives is equity. Research on gender also shows that inequities add cost and in doing so they undermine efficiency (Elson 2002a; Himmelweit 2002) Moreover, the emphasis given to efficiency by structural adjustment and other neo-liberal budgetary policies can be at the cost of equity, providing a further rationale for the inclusion of equity in budgetary performance criteria.

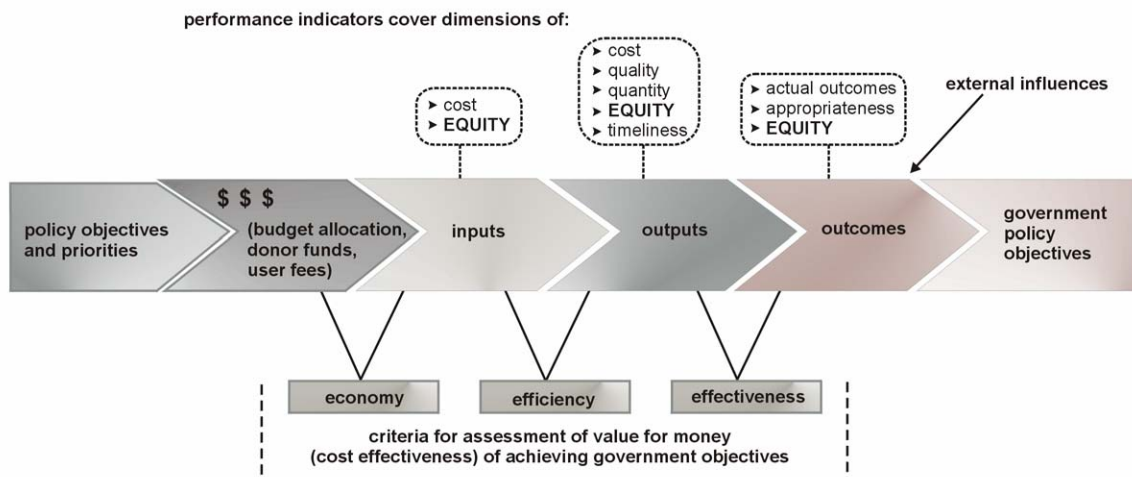
However, within the conventional model the '3Es' have been constructed on ratio's of inputs, outputs and outcomes (see Figures 2.2 and 3.1). That is, economy refers to the minimum price of inputs or the ratio of \$ to inputs; efficiency refers to the ratio of inputs to outputs; while effectiveness refers to the ratio of outputs to outcomes<sup>8</sup>. Within this framework a fourth

E, 'equity', cannot be easily added in as another ratio. Also, equity has many meanings, making it difficult to develop commonly agreed upon measures. However, this is not an insurmountable constraint. A starting strategy would be to focus on the access or the representation of women and men beneficiaries.

Figure 3.1 shows that adding performance information relating to equity into the output and outcomes budgeting framework requires a new type of input, output and outcomes indicators. That is, equity can be a dimension of inputs, such as the existence equal opportunity employment programs underpinning government service provision and employment equity requirements in contracts with non-for profit and other contracted-out service providers. Human resources can be regarded as a key input within the budget framework. Gender responsive budget initiatives have in the past successfully developed indicators of equal employment opportunity in relation to human inputs. Equity can be a dimension of outputs along with the conventional categories of quantity, quality, cost and timeliness. Equity enters at the level of outcomes because it is one of the dimensions of measurable impact, along with quantity, quality and appropriateness in which gender responsive budgets have an interest.

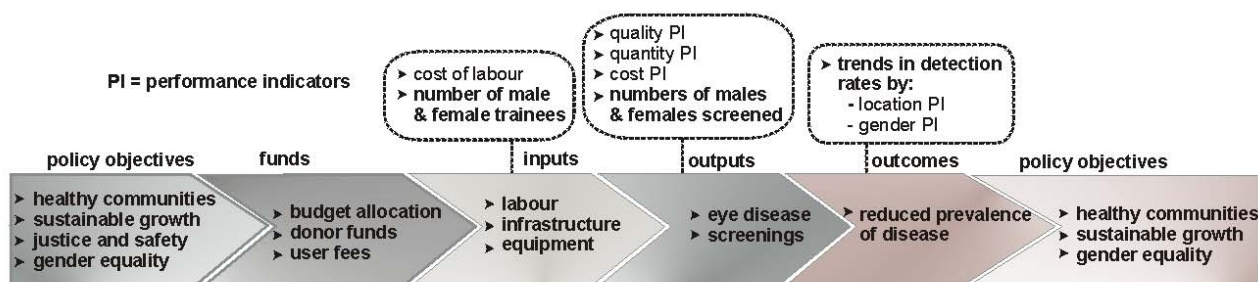
**strategy 12:**

A starting point for developing new types of input, output and outcomes indicators is to define equity in terms of access for, or the representation of, different groups. Figure 3.1 diagrammatically shows equity as an explicit performance indicator.



**Figure 3.1** Equity as an explicit performance indicator

Figure 3.2 provides an extension of the conventional model to include equity, using the example of glaucoma eye disease detection programs.



**Figure 3.2** Adding equity measures and indicators to outputs and outcomes within the conventional framework. Example: glaucoma eye disease

### 3.5 Reassessing the meanings of economy, efficiency, effectiveness from a gender responsive budget perspective

The third dimension to developing a gender aware performance oriented budgeting framework involves a reassessment of the meanings of the performance criteria used to assess budgets.

Performance oriented budgeting proceeds on the assumption that unpaid care activities are not relevant to performance measurement. Only those activities that are monetarised are captured in the conventional approach. Output and outcomes budgeting therefore systematically excludes the unpaid care sector of the economy (see Figure 1.2). Moreover, capturing the quality of paid care work is fundamental because without this the value of the care service is seriously eroded. While performance oriented budgeting in principle has the capacity to incorporate a quality dimension to outputs and outcomes, these indicators are less well developed in practice.

Furthermore, as argued in sub-section 2.8.4 the quality of care is inherently tied to the interpersonal or relational nature of care work, but this is not accommodated in the ‘production model’ of output and outcomes budgeting.

The failure of output and outcomes budgeting to incorporate unpaid activities and the quality of paid care work challenges the claim of performance oriented budgeting that the results of government budgets are being adequately assessed according to a genuinely comprehensive performance criteria of economy, efficiency and effectiveness. Some examples of the problematic aspects of this performance criteria include:<sup>9</sup>

**Economy measures.** Economy measures of performance oriented budgets can be misleading because they only measure monetary costs, not total costs. If the money cost of inputs falls, then performance in terms of economy is assessed to be improved. However, if total costs—money and non-money costs of inputs are considered then the result is a different measure of economy. For example, if budget cutbacks result in public service workers working longer hours and under greater stress, this can lead to non-measured costs such as higher absenteeism, family pressures and health problems. This is a cost not only to the measured

economy through loss of productivity and higher health costs, but also to the unpaid household economy through greater demands on household members' time and quality of life. It is therefore a false measure of economy to ignore non-monetary costs, and unpaid activities can be a significant source of non-money costs of the total costs of inputs.

**Efficiency measures.** Efficiency measures of performance oriented budgets can be misleading because they do not take into account the multi-faceted and complex dimensions of quality in care work which can be sacrificed in the pursuit of maximizing outputs relative to inputs. For example, reducing the teacher student ratio in schools, in the absence of any changes in student enrolments, as in the case where there are not alternative schooling options for poor families, is often deemed a measured improvement in efficiency. It omits the transfer of costs to the unpaid sector in the form of unpaid overtime, teacher stress, lowered job satisfaction, the need for extra input on the part of parents, the need for volunteers to assist children with learning difficulties in remedial programs and so on. A minimum requirement for avoiding false efficiency measures, highlighted in strategy 7 above, is that efficiency improvements need to be contingent on the maintenance of quality standards.

**Effectiveness measures.** Effectiveness measures can be misleading because they do not take into account all the outputs when assessing how well the outputs achieve their desired outcomes. In particular, none of the unpaid contribution of care activities to outcomes is counted. For example, increased literacy is an important outcome of schooling. However, the contribution of parents and others in the household and wider community in teaching children to read, encouraging a love of reading, listening to children practising reading, detecting literacy problems in children and seeking early solutions and providing good nutrition are important 'outputs' that affect the effectiveness of government resource allocations in improving literacy.

Clearly existing performance measures of economy, efficiency and effectiveness provide a questionable basis for budget decision making and resource allocation from a gender responsive budget perspective. However, rather than dismiss performance measurement, a two-pronged approach should be developed to provide a more appropriate knowledge framework for incorporating care (Meagher 2002b).

<b>strategy 13:</b>
A necessary first step towards improved gender equity outcomes from performance based budgeting is a critical interrogation of the gender-blind foundations of conventional performance measurement. This paper has sought to make a step in this direction but further research is required.
<b>strategy 14:</b>
A second step towards improved gender budget outcomes is to develop a more appropriate knowledge framework for understanding unpaid and paid care activities and work.

### 3.6 Gender aware performance based budgeting and the budget cycle

Both performance oriented budgeting and gender responsive budget initiatives recognise that budgets are a process as well as a document. Therefore, a gender aware performance framework has to engage with as much of the whole budget cycle as possible in order to be an effective framework for gender budget initiatives.

<b>strategy 15:</b>
A gender aware performance framework needs to be applied over a budget cycle, not just to the budget documentation (budget enactment stage).

Figure 3.3 provides a view of the budget cycle that stresses the:

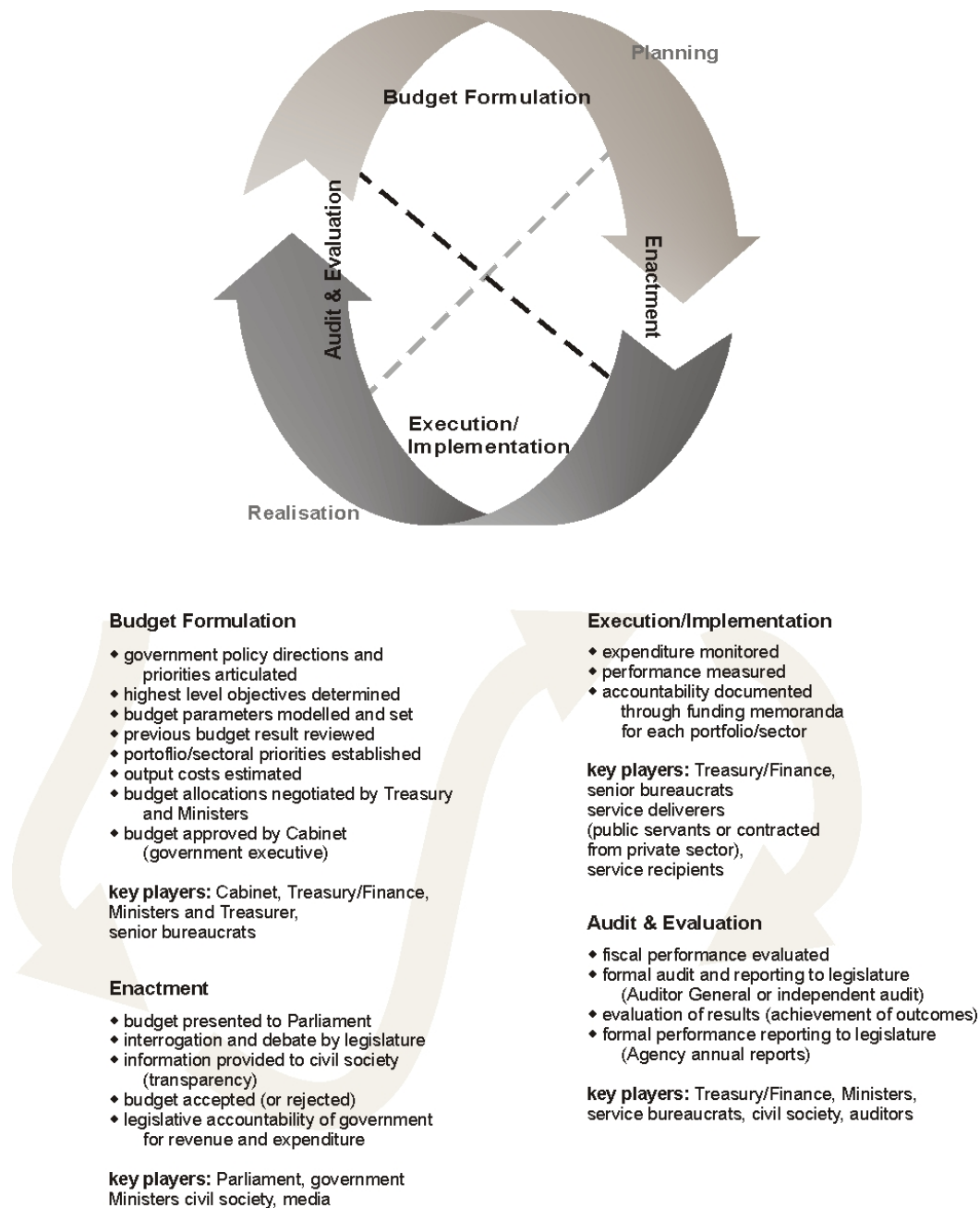
- planning and actual dimensions to budgets and policies
- importance of institutional arrangements in budgetary decision-making
- different stages or entry points for gender responsive budget stakeholders in the budget cycle.

In practice, there is often considerable variation between countries in their budgetary processes and frameworks. Gender budget initiatives seeking to utilise performance oriented budgeting across the budget cycle need to research the actual nature of the budgetary cycle before embarking on such a strategy. A recent model for researching the budgetary process from the perspective of a gender budget initiative has been provided by Ailsa McKay and Rona Fitzgerald (2002) in relation to the national budget of Scotland.

#### 3.6.1 Planning and realization dimensions to budgets and policies

Figure 3.3 shows that the budgets involve a planned (or intended) and a realised (or actual) dimension. This means that the performance budgeting framework of budget appropriations, inputs, outputs and outcomes can be intended or actual depending on the stage of the budget cycle. At the budget planning and enactment stages the emphasis is on plans, while at the execution/implementation and audit and evaluation phases the actual or realised budgets are stressed.

In order to promote the accountability of governments for their gender equality commitments, gender responsive budgets need to bring together information on intended and actual budgets over the budget cycle. Debbie Budlender's five-step framework in Box 3.1 makes this an explicit element of gender responsive budget initiatives. However, this is not easy to achieve for reasons including: gender budget initiatives may have restricted entry points to the different phases; the intended outputs and outcomes may not be adequately specified making it difficult to assess what was realised relative to what was intended, and; the huge gaps between revenue and expenditure plans and actual revenue collections and expenditures that exist in some countries can render meaningless assessments of intentions against actuals.



**Figure 3.3** View of the budget cycle

Performance oriented budgeting in principle demands that budgetary intentions for the next financial year (and for a three year period in Medium Term Expenditure Frameworks) be assessed against what actually occurred. Performance measures and indicators therefore need to be developed for planned and actual inputs, outputs and outcomes. Such performance information is usually not available in sufficient detail in the budget document to make effective comparisons between what governments intended and what was achieved.

Without such information the output and outcomes framework is limited in its capacity to promote accountability. The information may be available in the different documents produced over the budget cycle, such as budget, agency annual reports and evaluation studies, which a gender aware performance framework needs to recognise.

**strategy 16:**

In order to promote the accountability of governments for their gender equality commitments, gender responsive budgets need to bring together information on intended and actual budgets over the budget cycle. Performance oriented budgeting in principle demands that budgetary intentions for the next financial year (and for a three year period in Medium Term Expenditure Frameworks) be assessed against what actually occurred.

Collecting such information can require a substantial amount of detective work. Box 3.4 provides an example of a basic assessment of planned expenditure against actual expenditure from India's National Department of Women and Child Development, Ministry of Human Resource Development 2002-02 budget paper using performance indicators of physical numbers alongside financial information.

**India's budget plans provided for the construction of hostel buildings with day care centres for children (up to 8 years of age) of working women.**

The objectives of the Scheme are as follows:

- To provide accommodation for single working women, widows, divorced/separated women, married woman when their husband are out of town for long durations.
- To provide accommodation to women who are being trained for employment provided the training period does not exceed one year.
- Wherever vacancies are available, to provide accommodation to girls pursuing higher studies. Those studying in post-school professional courses are also eligible to get accommodation in Working Women Hostels.

Revamping of the scheme is proposed in 2002-03 to widen coverage and improve services.

**Physical Performance**

Year/Plan	Target (No. of new hostels)	Achievement (No. of new hostels)	Target (Capacity No. of women)	Achievement (Capacity No. of women)
1997-98	25	23	2500	2269
1998-99	25	14	2500	1137
1999-2000	25	15	2500	1246
2000-2001	25	29	2500	1950
2001-2002	25	6	2500	401
				(Up to Dec.2001)

**Financial Performance (Rs. in lakhs)**

Year/Period	Outlay/BE	Actual Expenditure
	Plan	Plan
1997-98	775.00	748.98
1998-99	775.00	772.18
1999-2000	775.00	698.32
2000-01	702.00	741.77
2001-02	900.00	207.00 (up to Dec.01)

**Box 3.4 Indian government budget plans, targets and achievements**

(Government of India 2002: 29-30)

### 3.6.2 Institutional arrangements in budgetary decision-making

Institutional arrangements are the rules of the game. The introduction of performance oriented budgeting brings new institutional arrangements. Or, as the World Bank argues, performance oriented budgeting is in essence a new set of institutional arrangements:

... Performance oriented budgeting is not very much about particular tools, techniques or structures, but rather about the appropriateness of a country's institutional arrangements. (World Bank 1998: 16)

New Zealand, a pioneer of output budgeting, emphasised new formal institutional arrangements when it introduced the *Fiscal Responsibility Act 1994* as a central plank in its budgetary reforms. The idea behind this bill was to increase the New Zealand government's level of budgetary disclosure by requiring fiscal objectives to be stated and a reporting of progress towards these objectives. Formal institutional arrangements tend to focus on efficiency performance criteria and lack a gender perspective. Indeed, they may contribute to cutting social programs that are important for gender equality. A review body in Parliament assessing progress towards gender equality or poverty reduction would be a positive example of an institutional arrangement that could support a gender aware performance budgeting system. One example is the South African Joint Monitoring Committee on the Improvement of the Quality of Life and Status of Women in the national parliament.

Institutional arrangements can also be informal, for example, a history of community participation in policy decision making such as that experienced by Samoa with its strong village and church networks. The introduction of performance oriented budgeting frameworks needs to provide useable and accessible information if it is to reinforce rather than undermine existing community participation. The institutional arrangements can also be budgetary institutions, such as cabinet rules or non-budgetary systems of governance, such as an informed media.

Appropriate institutional arrangements have been important in contributing to the success of gender responsive budget initiatives. For example, women's budget desk officers in the Australian initiatives and a strong coordinating role of Treasury/Finance Ministries in the Commonwealth gender responsive budget pilots in Barbados and St Kitts and Nevis. The links that the South African and Ugandan initiatives have with Parliament have been important in the success of these civil society initiatives.

A key question for gender responsive budgets is how will institutional arrangements focusing on performance open and close spaces for gender budget initiatives and their stakeholders over the course of the budget cycle? A crucial issue is the performance criteria and incentives and disincentives that will promote the goals of gender responsive budgets. Performance oriented budgeting, for example, devolves the responsibility of producing and delivering government outputs to government agencies who in turn are increasingly contracting out many services.

Performance contracts, such as those between Ministers and the heads of agencies, between agencies and between private providers, play an important part in setting the rules for managing this devolved process.



**strategy 17:**

Gender responsive budget initiatives will have to develop new responses to new performance oriented institutional arrangements.

### 3.6.3 Entry points for gender responsive budget stakeholders in the budget cycle

Gender responsive budget initiatives seek to influence the budget decision-making process at a number of points throughout the budget cycle. Traditionally both inside government exercises and community based gender responsive budget initiatives have tended to have more influence at the budget planning stages and the enactment stage when the budget is debated in Parliament than at other points in the budget cycle (as shown in Figure 3.3). Performance oriented budgeting, however, is meant to operate over the entire budget cycle. To be an effective framework for gender responsive budgets would require these initiatives to be more influential at various stages of the budget cycle than is currently the case, for example, during monitoring and the audit and evaluation stage. The institutional changes that come with performance oriented budgeting may offer new allies for gender responsive budgets, such as senior government officials and ministers committed to making performance oriented budgeting work and the scope for greater community participation.

**strategy 18:**

Performance oriented budgeting brings changes not only in governments' operations, personnel and structures but also in cultures and politics. Power struggles can emerge between those who see the changes as beneficial and those who see themselves disadvantaged by the changes. Gender responsive budget initiatives need to be sensitive to new alliances and new political spaces for effecting change (see also sub-section 2.8.5).

Alternatively, performance oriented budgeting may reduce the capacity to politicise gender aspects of budgeting by imposing a technocratic process on budget decision making that is not readily changed to include gender responsiveness. However, even in the latter case the apparent 'depoliticised' budget decision-making process remains 'political' and with this understanding new entry points into that process may be discovered. Assessing the politics of the budget process can increase awareness of these issues.

In Box 3.6 Andy Norton and Diane Elson (2002: 41) provide a strategy for pro-poor and other equity actors to do this. They recommend examining the ways in which the distribution of power within the budget process frames the distribution of public resources.

**A pro-poor actor would find the following information important in developing a strategy of budgetary change:**

- the formal structure of roles and responsibilities within the budget process
- the formal rules governing decision-making, political choice and accountability within the public expenditure management system
- the networks of stakeholder power and influence (outside the formal allocation of roles and responsibilities), which influence the outcomes of the budget process
- incentives for action (covert as well as overt) affecting the decision-making process of politicians and officials during the budget formulation and execution process
- the latitude for independent discretionary action of bureaucrats at all levels of the budget execution process
- the norms and values prevailing in key institutions within the budget formulation and execution process

**Box 3.6 The politics of the budget process**  
(Norton & Elson 2002: 41)

### **3.6.4 Community based gender responsive budget initiatives and performance indicators**

Different opportunities are available to ‘inside government’ and ‘community based’ gender responsive budget initiatives. These initiatives to some extent share conceptual frameworks and tools but their institutional settings mean, for example, they have access to different information and use budgetary information differently. Such differences in the access to and use of performance information for inside government and community-based initiatives could be the basis for the emergence of different models of performance assessment in relation to budgets.

#### **strategy 19:**

Community initiatives should be encouraged to generate an alternative performance framework that directly addresses the central issue of the budget’s impact on paid and unpaid care work.

Moreover, public expenditure management reforms that include performance oriented budgeting have been associated with rhetoric about the role of the community in public policy and budgetary decision-making. If realised, this could contribute to a greater democratization by both inside government and community based gender responsive initiatives.

#### **strategy 20:**

Drawing on the experiences of, and developing alliances with, other participatory budget exercises that have performance components (such as a community indicator project) would be a fruitful strategy for gender responsive budget initiatives (and vice versa). It would assist both inside government and community based ‘models’ in a quest for alternative performance oriented methodologies and keep a focus on the democratising processes of the exercise.

There is, however, a debate about what greater community participation really means in practice. Box 3.7 examines a community consultation project in Australia involving the development of performance indicators by government and the community. It identifies some of the issues raised by an evaluation of the initial phase of the project, particularly its performance evaluation components.

**‘Tasmania Together’ is a 20 year strategic plan for the Australian State of Tasmania’s progress and community well-being.** The plan was developed by the State Government from a broad ranging consultative process with Tasmanian communities. The plan sets social, economic and environmental goals for the next 20 years. It also identifies policy directions and budget priorities. Tasmania Together’s goals, policy directions and budget priorities are required to be evaluated and publicly reported on at regular intervals. Towards this end a range of performance indicators were developed in consultation with the community. Tasmania’s Women Budget ceased at the introduction of the Tasmania Together project on the assumption that gender would be incorporated into the latter.

A review of ‘Tasmania Together’ by the policy consultants Salvaris et al. (2000: 11) identified the following budgetary issues:

- The performance indicators of the Plan were legitimated by the community consultation process.
- Adequate resourcing of the consultation process was the major issue for the continuing viability of the project. Indicators were important for measuring progress but were only a tool in the consultation process.
- If the Tasmania Together Plan was to succeed it needed to produce social indicators that were as ‘valuable’ in policy and budgetary decision making as economic indicators.
- Government and agency planning processes for Tasmania Together had an emphasis on short term, single year, budget planning. No real attempts had been made to develop plans for a longer cycle, despite government claims that Tasmania Together was to be a 20 year project.
- Agencies tended to see the budget framework as a yearly financial compliance process, which in some cases caused the budget to drive policy rather than the other way around. This undermined the significance of performance indicators.
- The budget lacked a system for defining government and community goals that were integrated into agency plans and which incorporated methods of evaluation.

The consultants recommended a task force approach at the levels of Cabinet, Treasury, agency heads and joint central agency- line agency to build a stronger strategic capacity to address these deficits. The recommended approach would include developing a consistent government wide long term policy planning model separate from the financial planning model, similar to the Norwegian Long Term Programme. They also argued for uniform planning guidelines for all government agencies to make planning, goal setting, community consultation, evaluation and benchmarking processes consistent and comparable.

**Box 3.7 Community indicators**

(Salvaris, Hogan, Ryan, & Burke, T. 2000: volume 1)

### **3.7 Conclusion**

Section 3 outlines a number of strategies to enhance gender sensitive budgeting within the framework of performance budgeting. Firstly, it identifies three dimensions to the task of sensitising output and outcomes budgeting. Two of these dimensions of a gender aware framework illustrate how gender responsive budgets can more effectively use performance oriented budgeting as a framework. The third dimension, however, poses a more radical challenge to performance oriented budgeting, recognising that significant changes need to be made to output and outcomes budgeting to achieve genuine progress towards gender equality.

Secondly, it stresses that performance oriented budgeting brings with it new governance arrangements. Gender responsive budget initiatives need to identify and analyse the budgetary processes throughout the budget cycle in order to effectively engage with a framework of performance oriented budgeting. Clearly, governance arrangements underpinning performance oriented budgeting will close off some political spaces but potentially open new ones for gender responsive budget initiatives.

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## Conclusion

Performance oriented budgeting has progressed through various stages since the 1950s as a response to the shortcomings of traditional line item budgeting. Since the 1990s the form of performance oriented budgeting that has been adopted increasingly worldwide is one that shifts the assessment of government programs and policies away from budgetary inputs to the achievement of results in the form of outputs, outcomes, or both. In reality, however, while both industrialised and developing countries are incrementally moving towards output and outcomes budgeting, for most countries the implementation of this performance system of budgeting is at an early stage. Nevertheless, performance oriented budgeting, if fully implemented, could bring radical changes to how government budgets are presented and to budgetary decision making processes. It also potentially changes budgetary institutional arrangements, the access points and spaces for the different stakeholders.

This paper draws several positive conclusions about performance oriented budgeting as a framework for gender responsive budget initiatives. In the first instance, since performance oriented budgetary reform is on the agenda of many countries, gender responsive budgets simply cannot afford to ignore such changes. The success of these initiatives will be increasingly related to their capacity to engage with the new budgetary framework. Secondly, gender budget initiatives have themselves been handicapped by the limitations of input budgeting and a shift to assessing government activity in terms of its outputs and outcomes is potentially a useful approach for gender budget initiatives. Thirdly, as output and outcomes budgeting is in its early stages of development in most countries there remains scope for gender budget initiatives to be part of this development and to have an influence.

However, the paper has also identified a number of important limitations and strategic problems that exist in realising the potential benefits of a shift to a performance oriented budgetary framework. In particular, Section 3 showed that a gender aware approach to performance measurement needs to have multiple dimensions. At a basic level, output and outcomes budgeting can be sensitised to gender by including gender disaggregated measures of inputs, outputs and outcomes. Sub-section 3.3 argued that this approach can be accommodated in the conventional model to a large degree. However, the inclusion of gender raises important performance measurement questions relating both to the adequate treatment of quality in the assessment of services and the greater emphasis given in practice to efficiency compared to effectiveness indicators.

The addition of equity as a criterion of performance (the 4<sup>th</sup> E) would be a further step in the development of gender sensitive budget indicators. Sub-section 3.4 showed how equity can, in principle, be accommodated within the conventional model, but there are a number of issues that require further consideration, including developing greater clarity of the meaning of gender equity. However, the conventional model of performance budgeting limits the inclusion of equity as an indication of performance. In contrast, the performance indicators of economy, efficiency and effectiveness are constructed differently, on the bases of ratios of inputs, outputs and outcomes. Equity cannot be readily constructed on this basis. As a result, equity is likely to remain as a separate, and, less important, category of performance indicator.

The paper therefore argues that the development of gender aware output and outcomes budgeting ultimately necessitates a radical challenge of the conventional model of performance budgeting. Most importantly, given the central role of unpaid care activities and the issues of quality and quantity of paid care services, a critical interrogation of the performance criteria of economy, efficiency and effectiveness will be paramount in this process.

Consequently, the paper concludes that achieving the core goals of gender budget initiatives within a framework of performance oriented budgeting is possible but not unproblematic. Fundamentally, a performance oriented budgeting framework changes the governance arrangements of budgets and this provides both challenges and opportunities for gender budget initiatives. In seeking to raise awareness of the gender impacts of budgets, gender disaggregated measurements of outputs and outcomes can make an important contribution. However, a culture of measurement, particularly one that emphasises only quantitative measures, can also work against a nuanced understanding of the gender impacts of budgets and policies.

Similarly, the emphasis given to accountability in performance oriented budgeting governance is a two edged sword. As discussed in sub section 1.3.2 there are many meanings given to accountability. An opportunity for gender responsive budgets is to ensure that accountability 'for whom' includes accountability of governments to men and women for their gender equality commitments. However, the underlying notion of accountability in performance budgeting systems reflected in the use of the measures of economy, efficiency and effectiveness, conventionally defined, assumes that only the paid or monetarised sphere is relevant in an assessment of government accountability. This ignores the role of unpaid activities and work that is mostly done by women. In relation to fostering the goal of making budgets more gender responsive, there is little evidence that governments use performance oriented budgeting to directly allocate or reallocate resources. Performance information, though, can be used throughout the budget cycle and have an influence on budgetary decision making. Nevertheless, while gender budget initiatives might not be able to effectively utilise performance oriented budgeting to transform resource allocations, they might be able to improve budgetary deliberations.

The strategic use of performance oriented budgeting by gender responsive budget initiatives in the successful pursuit of their goals requires pragmatically engaging with the budget as a political decision making process. Performance oriented budgeting, while involving technical knowledge and processes, also changes the politics of budgeting. By shifting the focus from assessing budgets in terms of their inputs to outputs and outcomes, new values and meanings are attached to things previously not considered important. In other words, as budgetary boundaries are shifted and reshaped, former political spaces may close and new ones may open. This offers both challenges and potential opportunities to gender responsive budget initiatives to ensure that these values and meanings that emerge with performance oriented budgeting are a tool for progressing gender equality.

## Notes

- 1 The South African Women's Budget Initiative is an exception. Debbie Budlender argues that it is women who are left in a position of disadvantage, and that is where the focus should remain. 'Gender' in her view can be used to hide the asymmetrical reality of men and women's position (Budlender 1997: 42).
- 2 Gender mainstreaming is the process of assessing the implications for women and men of policies, programs and legislation. It is a strategy for making women's and men's concerns and experiences part of the design, implementation, monitoring and evaluation of policies and programs so that gender equality is achieved.
- 3 The Millennium Declaration agreed to by the member states of the United Nations in 2000 establishes the values that should guide global development (freedom, equality, solidarity, tolerance, respect for nature and shared responsibility) and eight goals that commit leaders to radical agenda for change. See UNDP (2002) and UNIFEM (2002) for a discussion.
- 4 See Budlender 2000; Coopoo (2000); Esim (2000); Goldman (2000); Smith (2000); Himmelweit (2002). A review of revenue tools has also been commissioned by the Commonwealth Secretariat and will be published in 2003.
- 5 A different presentation of the interdependencies between the paid and the unpaid sectors of the economy and the structural differences between women's and men's positions across the two sectors using a modified circular flow of income economic model is provided by Himmelweit (2002) and Elson (1997).
- 6 There is a large literature on the shift that has occurred in the values system of government and public administration under the new public sector managerialism and neoliberalism. Of relevance here is Neil Carter, Rudolf Klein and Patrica Day (1992), *How organisations measure success*, Chapter 1, which discusses the historical emergence of performance measurement and performance oriented budgeting in the UK, arguing that it has emerged as part of a package of reforms that reflect a fundamental shift in values in public administration and the redrawing of the boundaries between the public and the private. Jonathan Boston, John Martin, June Pallot and Pat Walsh (1996), *Public management: The New Zealand model*, outline the intellectual underpinnings of these public administration and performance based budgeting reforms, a country regarded as having taken these reforms further than any other.
- 7 For a discussion of the strengths and limitations of performance measurement generally see Mayne & Zapico-Goni (1997); Green (1999); Jensen (2001).
- 8 There are variations and ambiguities in the definitions and applications of the concepts of economy, efficiency and effectiveness. See Carter, Klein and Day (1992) and Flynn, Gray, Jenkins and Rutherford (1988) for a discussion.
- 9 I would like to acknowledge the assistance of Diane Elson's comments on the first draft of this paper in the development of these examples.





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