

**Summary of the Stock-take on:
“Gender and Intergovernmental Transfers to Subnational Governments”
May 5-15, 2015**

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1. Background

In joint collaboration between Gendernet and DDLGN a stock-take on GENDER and FISCAL DECENTRALISATION was conducted between May 5-15, 2015. The exchange focused on the gender dimension in intergovernmental fiscal transfer schemes. Given this theme is a “frontier topic” with limited conceptual development and references to country cases, the consultation was framed as a “stock-take” with the aim to build up a first information base.

This Summary provides the main findings from the stock-take along the four questions that were posed. Given the early stage of knowledge development, the approaches summarized here do not constitute policy options or even recommendations. They simply highlight different approaches that are being applied by countries; in some cases, further information and research is required in order to fully understand the specific objectives, design, and operation of the mentioned transfer systems—and their impact on gender.

Without constituting a specific or comprehensive guideline for implementation, an Annex summarizes the main technical and problem analysis that would need to be conducted if gender-oriented transfers are being considered.

We appreciate the valuable inputs for the stock-take that were received by:

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Hussain Akhlaqi (SDC, Afghanistan);
Khim Lal Devkota (Nepal);
Michael Engquist (LOGIN Asia, Cambodia);
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Valbona Karakaci (Helvetas, Albania);
Kristina Kolozova (SDC, Macedonia);
Tobgyal Kingzang (SDC, Bhutan);
Zolzaya Lkhagvasuren (SDC, Mongolia);
Annonciata Ndikumasabo (SDC);
Veena Mahor (Setu Abhizan Learning Lab, India);
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Nhek Sarin (Cord Asia, Cambodia);
Jesper Steffenson (DEGE Consult);
Treena Watson (UNDP, Bangladesh);
Sally Yacoub (SDC, Egypt);
Elena Zakirova (SDC, Kyrgyz Republic).

The full set of comments received is being circulated in a separate document, along with supplementary information which was submitted.

2. Question 1: Understanding the Gender Challenge

Guiding Questions:

- **What are key challenges regarding gender equality in your country context?**
- **Is there a “territorial/subnational” dimension? For instance, do we observe regional disparities with regards to gender equality?**
- **Are there gender-specific needs for women and men that require specific financing and resourcing on subnational/local level? (i.e. regarding access to education, health care, mobility and transport, public and personal security etc.)**

Peers have mentioned gender-specific issues in a wide range of sectors and service delivery areas. The examples referred to include:

- Justice (Afghanistan);
- Transport (Kosovo); Safe Mobility (Bhutan); transit homes for vegetable vendors (Bhutan).
- Health care (Kosovo), including elderly care (Macedonia); maternity health (Bangladesh); accessibility of the facilities (Bhutan); male-female ratio of health care givers (Bhutan); limited transport to access health clinics (Cambodia).
- Education – analphabetism (Benin); school drop-outs (Mongolia); tertiary education (Mongolia); women specific facilities at schools (Bangladesh); gender-sensitive teachers (Bhutan); lack of safe transport to schools (Cambodia)
- Children day care and pre-school (Kyrgyz Republic; Macedonia; Bhutan);
- Irrigated water (Kyrgyz Republic);
- Water and sanitation (Bangladesh; Bhutan; Cambodia).

With regards to the territorial dimension of the gender challenge, participants have noted three different sets of problems.

- (i) The urban-rural divide appears to be the main territorial cleavage, with rural areas often discriminating to a higher degree than urban areas. This is often compounded by the more limited coverage and quality of services in the rural areas particularly with regards to infrastructure. Direct country references to the urban-rural issue include Kosovo, Macedonia, Kyrgyz Republic, Bangladesh and Bhutan.
- (ii) Territories which are marked by ethnic differences (Kosovo Serb Majority municipalities).
- (iii) Territories with high poverty incidence (Egypt).

There are numerous references about a series of contextual factors that do reinforce the issues stated above. These include, among others:

- Gender-based violence;
- Participation in decision-making;
- Representation of either population groups in political representation (national or local councils);
- Employment opportunities for either population groups in the public administration (national or local).
- Traditional roles of either population groups in society or the economy.

Another mentioned considerable challenge is the general lack of robust gender-disaggregated data in various sectors as well as inadequate use of available data, from policy planning through to service provision (Mongolia). This can undermine, among others: the analysis and definition of the specific service delivery problem at hand; dialogue and agreement among stakeholders about the challenges and issues at hand; and ultimately also the design of

transfers and monitoring of their implementation. However a few examples, first and foremost from India, do underscore the important role of local governments in monitoring gender-related data and indicators.

3. Question 2: Transfer Objectives and Design Elements

Guiding questions:

- **Do you know of any transfer scheme (grants, development or infrastructure funds, other) that in its design addresses these (local) gender challenges? How?**
- **For instance, do you know of examples of a transfer scheme that follows a needs-based approach and which includes the gender dimensions?**
- **What allocation criteria are being used?**
- **Do you know of so-called “performance transfers” which consider the gender dimension? What criteria are being used in this case?**
- **What could be incentives for subnational governments to plan for and spend on gender-sensitive programs? (Do you have examples?)**

The stock-take has brought up useful references to (i) transfers to subnational governments; (ii) performance transfers as a financial incentive mechanism; (iii) complementary measures to transfers; (iv) alternative measures.

3.1. Transfers to Subnational Governments

One approach is to use allocation criteria in sectoral transfers. The social sectors are particularly relevant. There are three possibilities.

(i) Using horizontal allocation criteria which refer to gender

Country examples:

- Kosovo: the formula for the Specific Grant for Health takes into account age and gender distribution of persons registered at primary health care providers.
- Belgium, Germany, Netherlands, and Switzerland apply gender factors in “need-based top-up for health care in general grants”¹.
- England, Italy, Norway, Scotland, Wales apply gender factors in “need-based, specific-purpose transfers for core health services”².
 - An example is the so-called “Regional Allocation”³ used in the UK and which finances subnational health expenditures with a view to foster territorial equity.

It uses three factors, the first of which explicitly being a gender indicator, namely age and sex with regards to “expected health care utilization of each demographic group, approximated using the national average of hospital bed utilization and adjusted standardized mortality ratios” (Smith 2008)⁴.

¹ Boadway et al, page 38.

² Source: Boadway, Robin; Shah, Anwar (eds.), 2007, “Intergovernmental Fiscal Transfers - Principles and Practice”, World Bank, Washington DC, page 38.

³ Allocation objectives and criteria were adjusted over several decades and is based on “weighted capitiation”. Further sources of information on this approach in: Smith, P. (2008). "Resource allocation and purchasing in the health sector: the English experience." *Bulletin of the World Health Organization* 86: 884-888. Also refer to: <http://www.cgdev.org/sites/default/files/CGD-Consultation-Draft-Glassman-Sakuma-IGFT-Health.pdf>

⁴ The other two factors are (i) local clinical need (conditions broken down into a number of broad categories; local, condition-specific standard mortality ratios calculated for population of an area) and (ii) area-specific costs (area cost adjustments applied to all budgets to reflect the large variations in input prices, especially pay, among regions).

(ii) *Earmarking of resources to specific gender-related expenditures and spending areas*

Country examples:

- Rwanda earmarks transfers for Gender Based Violence (GBV).
- Kerala (India): a scheme that was applied during 1996-2001 stipulates that more than one-third of the state's plan (development) funds was to be transferred to local governments with earmarking: (a) 40% of the allocated fund be spent on productive sectors, (b) 10 % be spent on women-related projects and (c) no more than 30 % be spent on infrastructure.

A general observation is that earmarking of resources is a useful approach to signal national priorities to subnational governments⁵. Although earmarking restrains local autonomy and it is cumbersome to monitor compliance in practice⁶, the signaling effect is useful.

(iii) *Using needs-based allocation criteria which indirectly benefit either men or women*

Country examples:

- Kosovo: the formula for the Specific Grant for Education takes into account 'special needs' and 'location' which might indirectly benefit women.

3.2. Performance Transfers

Performance transfers provide a monetary incentive to subnational governments for the fulfillment of certain targets or criteria. These have been increasingly popular given they can cover potentially wide ranging service-delivery and policy-relevant areas⁷. Performance transfers therefore are a potentially useful tool to improve the framework conditions for addressing gender-related issues, always taking into account that subnational governments are heterogeneous in their capacities and therefore responses to the targets are likely to be uneven, a natural effect that needs to be anticipated. There are two approaches.

(i) *Gender-related performance conditions –once fulfilled the resources are unconditional for the use on behalf of the subnational governments*

Country examples:

- Nepal: performance evaluations for local governments include indicators related to gender issues, e.g. whether local governments have prepared overall district plan for the targeted groups including women; and whether they have allocated a required minimum budget for these groups (local governments have to ensure at least 35 % for the targeted groups including women: 10 % women, 10 % children and 15 % disadvantages groups).
- In Burundi, SDC funded an IGFTs (FONIC) managed by the Ministry of District Development. Based on a performance assessment, each fiscal year the best communes were awarded a bonus by the IGFT. One of the criteria for performance was on gender sensitive investment, that is, what investment the commune has done that addresses women issues.

⁵ This could be complemented by additional regulatory requirements for local service delivery, for instance, ensuring access to services which given the problems identified are particularly important.

⁶ Resources provided by transfers are fungible—once entered the subnational government budget it is impossible to trace back the different sources of funding. Such analysis can only be done on estimates and using case analysis, including field visits.

⁷ For Eastern Europe, NALAS is starting to introduce performance based criteria for gender topic. Rwanda is preparing performance based transfer which considers gender.

- In Cambodia, there are elements of performance incentives in intergovernmental transfers, such as increasing the women’s participation, addressing the needs of women, and motivating women to be the leaders.

(ii) *Gender-related performance conditions – once fulfilled the resources are earmarked to projects designed and implemented by specific population groups*

Bangladesh has a national local governance support program called LGSP II (World Bank loan). The program is mainly known for its ‘performance grants’, which are allocated based on annual audit report’s results. Each year every single local government of the lowest tier (total 4550) – the Union Parishad (UP) (there are two tiers) -- is audited based on around 12 indicators. Depending on results – they get 75% or 100% of a national grant/per LG. The amount is earmarked: the UP has to spend at least 30 % of the resources for the schemes selected exclusively by women. There is a control mechanism to ensure that the committed schemes were implemented in practice.

3.3. Complementary Measures

Several complementary measures were mentioned and could be given consideration. Several colleagues particularly referred to gender-responsive budgeting⁸ either as a useful preparatory step or as a framework for resource allocation in parallel to gender-specific transfers. Gender-responsive budgeting:

- Analyses the (national, subnational) budget from a gender perspective (Gender Budget Analysis);
- Determines how revenue and expenditure affect women, men, girls and boys – who benefits from budgetary decisions and who does not?
- Develops starting points for a gender-equal restructuring of the (national) budget and to effect changes in the fiscal policy priorities;
- ensures that resource allocation is done efficiently.

Given it involves important measures which can go beyond service delivery, gender-responsive budgeting can be usefully supported by performance transfers.

3.4. Alternative Measures

Transfers targeted to individuals—in contrast to transfers to subnational governments which are the topic of the stock-take—can ensure gender relevant impacts. These can be applied in parallel to transfers to subnational governments—or also as an alternative if the targeting to individuals is the prime objective. These type of transfers come either as:

- Conditional Cash Transfers (CCT) which provide a monetary incentive to individuals to implement certain actions; the example of Egypt is a relevant case.
- Transfers which ensure individualized benefit or service delivery as an entitlement, for instance by applying voucher schemes.

Importantly, these mechanisms do not by themselves constitute service delivery, but provide an incentive to individuals to use available public services (provided by national or subnational governments), and therefore contribute to amending access-related gender barriers.

⁸ Rwanda, for instance, is developing “budget circulars” which develop indicators for gender equality: in gender-based violence, education, health, and justice.

4. Question 3: Reports and Studies

A package of relevant information is being circulated separately.

5. Question 4: The Role of SDC

Explicit involvement of SDC with regards to financing gender-related transfers rather seem to be the exception. These are related to the few cases of performance transfers which include a gender component (Bangladesh, Nepal, Rwanda).

From the responses of peers obtained in this stock-take, one can conclude that SDC contributes to this topic mostly through its gender mainstreaming approach in all its cooperation strategies. This is enhanced by specific gender-relevant activities and projects, for instance, those which are aimed at strengthening women and their organizations in policy-making and participation; in coaching municipalities in inclusive policies and practices; and in gender-responsive budgeting which, as mentioned above, is a particularly relevant complementary measure to transfers (cases in Eastern Europe, Rwanda).

6. Conclusion from the Stock-Take and the Way Forward

From this stock-take, five conclusions can be drawn:

- **First, the “gender and transfers” topic is a “frontier topic” with still limited conceptual development and systematization of country experiences.** It elicits a series of further questions which would need to be addressed, including a thorough problem analysis in order to drill-down at the specific gender issues which can be effectively addressed with transfers to subnational governments as a specific financial mechanism. Some of these conditions are spelled out in the Annex.
- **Second, gender-focused transfers are likely to be applicable only in a narrow set of service delivery situations.** Transfers are not a universal remedy for all service delivery problems and limited to address only specific aspects related to fiscal disparities. Most gender sensitive intergovernmental fiscal transfers are related to the social sectors where the health sector is prominent, given cost and need differentials can be considerable.
- **Third, in order to ensure the provision of key services with commensurate access of population groups, intergovernmental transfers are likely not only earmarked but also require additional regulations.** This is particularly warranted in so-called “merit goods” which are related to the coverage of basic needs; these often include health and education. The gender dimension falls into these categories. In such sectors a core objective is to ensure service delivery at comparable if not equitable standards across the different localities. For this very reason however transfers can also end up as an administratively burdensome instrument and also limit local autonomy in the choice of service delivery models.
- **Fourth, Performance transfers can contribute to creating appropriate framework conditions which can deepen the gender impact.** These include establishing a framework for resource allocation through gender-responsive budgeting. Other important measures are gender-balanced political representation and supporting sex-disaggregated data collection.

Performance transfers however should not be designed as a recurrent financing scheme or put in place to substitute intergovernmental fiscal transfers which have the objective to finance service delivery related expenditures on a permanent basis. Performance transfers are best used as a temporary measure to set critical incentives that trigger a set of locally implemented actions; but given likely volatility in resource flows and the limited

possibility to equalize resources across the subnational units, their use should be reserved for strategic interventions.

- **Fifth, in situations where the prime objective is to ensure proper targeting to individuals or creating entitlements for specific population groups, a series of alternatives to intergovernmental fiscal transfers should be given consideration.** This can include monetary incentives targeted to individuals, among others conditional cash transfers (CCT) or voucher schemes. These mechanisms do not ensure that service delivery is provided in practice, but create an incentive (CCT) or entitlement (voucher) to use specific public services (which are either provided by national or subnational governments).

The Way Forward:

The gendernet will elaborate a thematic factsheet on local governance and gender (title will be defined later) until the end of the year. The conclusions of this stock take will be taken into account.

Annex: Problem Analysis and Transfer Design

While this stock-take cannot provide a full guideline for design and implementation of gender-specific transfers, it is useful to illustrate the key analytical steps that might be required. These steps are relevant for all design questions related to transfers, however given the complexities involved with regards to the gender topic these merit particular care. These are related to (i) the problem analysis and (ii) transfer design.

1.) Problem-analysis

Given the complex causal relationships it would be important to conduct a thorough problem analysis that identifies the specific gender issue. It would be useful to proceed in three steps.

A first step is to identify the gender-specific needs for women and men. An illustrative example for this is the health sector which is one area where transfers are being employed to address gender-related issues. There are at least four factors that create differences in the use of health services across the two sexes⁹:

- (i) possible under-use or over-use of services relative to the needs of men and women (for instance, related to preventive care, others);
- (ii) exclusive uses of services (maternity support);
- (iii) constraints in access to service delivery (either population group that cannot access health services due to lack of or insufficient transport to facilities; formal employment which reduces time and opportunity to receive health services);
- (iv) socio-economic condition of the individual to cover costs of health care.

Analysis needs to be conducted whether the identified service delivery problems mentioned above are inherently “in the nature” of different demands of population groups (hence do not per se or necessarily require a response which counteracts discrimination); or whether a unique service delivery problem is at hand which requires a public intervention or response.

A second step is to identify the incentive problems and fiscal disparities which are associated with responsibilities of subnational governments. The main issues generally encompass the following:

- positive externalities are benefits which accrue to other jurisdictions and which create a disincentive for an individual subnational government to use their own resources to spend on a specific service (example: public health issues related to epidemia/immunizations; productivity of the economy);
- needs-based differences which originate in the demographic profile of a jurisdiction (example: higher proportion of men or women with specific needs in a locality, which in turn creates fiscal implications);
- cost-drivers related to geographic conditions (example: rural areas have higher costs to deliver services given population dispersion and distances to be covered)

A third step is to select the factors which a transfer will ultimately address. From the above one needs to differentiate between (i) factors under reasonable control of subnational governments (SNGs), for instance related to efficiency in provision and the quantity and quality of a service; and (ii) factors which are rather “structural” or context conditions and therefore outside the control of SNGs. Typically this would entail needs-and cost based factors (geographic factors or demographic conditions). Transfers would typically be employed for the latter (factors “ii”).

⁹ Gender budget analysis/ gender based budgeting could help identify these issues by highlighting sex-disaggregated data.

It is also clear that the above mentioned analyses require that the responsibilities of subnational governments need to be clearly defined. This is particularly important for shared tasks among several levels of government (“concurrent responsibility”); such shared responsibilities are more common and often required in the social sectors; the case of Albania is insightful in this regard¹⁰.

2.) Transfer Objectives and Design

The next step is to define the specific transfer objectives and therefore design elements that can best address the problem identified. Some of the possible guiding questions are the following:

- Are positive externalities so significant that the transfer should primarily address and prevent possible under-provision of services?
- Should it address territorial inequities?
- If so, what type of distribution or equalization is sought: is it about ensuring a minimum standard across subnational territories? What standard should be selected, the national average, or some target below?
- Taking into account other intergovernmental fiscal design aspects, how does subnational taxation come into play? Should one strive for comparable service levels at comparable tax rates?

It is clear that there are no predictions and fixed rules as to how a transfer scheme should be designed – be that for gender-related issues or others. The main point is to tailor design to the specific service delivery problem at hand.

¹⁰ The example of Albania underscores this point: “Overall there is a consensus that social-health and education services are more gender sensitive, but at the moment such services are shared between local and national government. They are not really a direct function of the local level.”