

# INTRODUCTION

## THE FIFTH WOMEN'S BUDGET

by Debbie Budlender

### Background

This is the fifth year of the South African Women's Budget Initiative (WBI). The Initiative was established in 1995, soon after the first democratic elections in the country. It is a collaborative project of national parliamentarians and non-governmental organisations (NGOs). In the first years the parliamentary partner was the Joint Standing Committee on Finance. When the Committee on the Status and Quality of Life of Women was established, that became the partner. The two NGOs are the Institute for Democracy in South Africa (Idasa) and the Community Agency for Social Enquiry (CASE). These three partners have over the years drawn in many other people from NGOs, universities, the legislatures and government for research, advice, advocacy and training.

In the first three years the WBI examined the budgets of all the national departments and related agencies. This sectoral research included some limited analysis of the still developing provincial system. In addition, over the three years we had distinct chapters profiling South African women, discussing public sector employment, describing budget reform and South Africa's system of intergovernmental relations, proposing new gender-sensitive ways of understanding economics, and providing a first analysis of taxation.

After the third year we evaluated what we had achieved so far. Participants in the evaluation included researchers, reference group members and others who had been involved over the period. After discussion, we agreed that the WBI should not attempt to produce annual updates on all the departments. The responsibility for such reports, we felt, belonged to government. Each department should, as part of its duty to be accountable, annually report to parliament and civil society how it is spending its our money, and how this will affect different groups of women and men, girls and boys in the society.

We felt that the WBI's role is to be more experimental and provocative. One task is to explore the boundaries of the still developing field of gender budget analysis. A second task is to explore the gender and budget implications of new issues as they emerge in the public debate. These two prongs are what has driven our research over the past two years.

In the fourth year we had three mini-foci. Each of these had been identified as key issues during the evaluation. The first mini-focus was an extension to the local sphere. For this we conducted five case studies of municipal budgets. Our case studies ranged from the very urban and relatively wealthy Cape Town to the very rural and very poor Lebowakgomo. The second mini-focus looked at donor funding to government. The third mini-focus took up the challenge posed by the 1998 Job Summit. It re-examined the budgets of all national departments seen as having a potential impact on job creation.

This year we again have more than one focus. The first is on revenue. This includes three papers – one each on taxation, local government, and customs and excise. The fourth paper constitutes the second focus. It takes health as a case study to explore the relationship between policy-making and budgeting as it occurs across the three spheres of government – national, provincial and local.

One change in this fifth year is that we are not, as previously, producing a book of the detailed research. Instead we will make the papers available separately and as a set, and

through electronic means. We hope in this way to reach a wider audience at a reduced cost. We hope, too, that we will provoke readers to move beyond their primary areas of interest, read other papers and explore – with us – the issues they discuss. You will find details of how to obtain the other papers – as well as previous publications – below.

We will, however, continue to produce further *Money Matters* books. These books are shorter versions of the detailed research. They are intended to be accessible to a second-language English reader with ten years of education. Our first *Money Matters* was based on research from the first two years and the second was based on the local government case studies. This year we will be producing a *Money Matters* based on the three revenue papers.

## **Why look at revenue?**

The major focus of most international budget work – whether from a gender perspective or otherwise – has been on expenditure rather than revenue. Yet most government budgeting processes begin by estimating total revenue. Only then do they begin making the decisions as to how the available money should be spent.

As noted, we included a chapter on taxation in our first WBI book (Hartzenberg, 1996). The chapter in the Third Women's Budget on intergovernmental relations (De Bruyn & Budlender, 1998) also looked, from an institutional rather than individual perspective, at the source of funds for the different spheres and for the provinces and municipalities which make up the provincial and local sphere. And across many chapters we raised the issue of unpaid labour. We pointed out that this can be considered as 'reproductive' tax which many women and fewer men pay.

Revenue is, however, not confined to taxation, especially in developing countries. A southern African regional workshop on gender budgeting held in Harare in November 1999 came up with the following long list of possible sources of government revenue:

- Income tax
- Sales tax/value-added tax (VAT)
- Royalties from minerals and other natural resources
- Custom and excise
- Trading licenses
- Car licenses
- Levies
- Rates
- Donations
- Interest on government bonds
- Profit or sale from state enterprises
- Fines and penalties
- Rate of exchange
- Revenue stamps
- Rentals
- User fees.

Budlender *et al* (1998:68) suggest that one reason for the neglect is that analysis of revenue is 'more difficult and often politically more sensitive' than expenditure. In terms of political sensitivity, analysis could tramp on the toes of corporations and wealthy individuals who are arguing for lower tax. In a global world, it affects the response of international as well as local capital to investment opportunities. And it will be of key concern to policy-makers eager to make the country globally competitive. The South African government is quite clear about

this. In 1999, for example, the Department of Finance announced ‘a far-reaching reduction in the company tax rate’ of five percentage points ‘in response to the challenge of globalisation and in line with the strategy for growth, equity and redistribution’ (1999:141). (We note the ‘equity’ rather than ‘employment’ as an interesting Freudian slip.)

Analysis of revenue can also start questioning moves towards devolution and decentralisation which are occurring in so many developing countries at present. These moves often go together with the idea that lower levels of government should be more self-sufficient. Where this happens, there is often less redistribution between the states, provinces and municipalities at the sub-national levels. Instead it is proposed that the citizens of each state, province or municipality should contribute in user fees or other ways. In developing countries revenue analysis can also call into question the practices of donors, and their relationship with governments and citizens.

A further source of potential political sensitivity is that revenue analysis will at some stage start asking questions about budget deficits and how these are to be addressed. Where government, for example, attempts to reduce the debt by selling assets, these may produce once-off income for government, but could mean that women and men must later pay for private provision of services which were previously provided by government. Our papers this year do not address this issue. However, we note that in South Africa total revenue as a percentage of gross domestic product (GDP) is projected to fall from 32,2% in 1997/98 to 30,7% in 2001/02. While the difference is not that large in percentage terms, it represents a lot of money. Total revenue was R195,6bn in 1997/8 and is projected to be R254,3bn in 2001/02 (Department of Finance, 1999:64). If revenue remained constant at 32,2% of GDP, the amount would be R266,7bn i.e. 5% higher. That is 5% more for spending on gender equity or other government objectives.

In terms of technical obstacles, a first difficulty is that there are probably even greater differences in revenue between developed and developing countries than there are in expenditure. Revenue analysis must thus be even more country-specific than expenditure analysis. On the expenditure side all countries, for example, will spend major portions of their budget on education and health. On the revenue side, a developed country will derive the major part of its revenue from individual and corporate taxation. A developing country, on the other hand, might rely for more than half of its revenue on donor funds, for a smaller amount on consumption taxes (such as VAT), and for a very minor portion on individual and corporate taxation. South Africa falls somewhere in between. Donor funds constitute under 2% of national revenue. Individual and corporate tax together account for over half, but individual taxpayers account for under 10% of the population aged 20 years and above.

Further, in a developed country the taxation system often has direct links with the benefit system. Child and other benefits can, for example, be paid through the taxation system in the form of a varied range of rebates or credits. In Norway, for example, Aslaksen & Koren describe how redistribution between families with and without children now occurs through child allowance, tax deductions for taxpayers with dependents, income exemptions, as well as a lower tax schedule for single parents rather than through simple taxation. Further redistribution takes place through government spending on subsidized childcare and housing expenses (Aslaksen & Koren, 1992: 10). In a developing country, this range is unlikely. The nearest equivalent would be a subsidy or VAT exemption for goods purchased predominantly by the poor.

A second technical difficulty is that revenue is often more difficult to ‘allocate’ to a gendered individual than expenditure. One can overstate the difference from expenditure here, as many

types of expenditure are also difficult to allocate precisely. With housing, for example, women, men, girls and boys all live in dwellings provided by or with the help of government. However, some large expenditures such as education, health and welfare are directly targeted at individuals.

With revenue, individual tax can be simple to allocate if the agency responsible collects and publishes the data. But even here it is complicated if the system is based on a unit other than the individual – for example, the family or the household – and if, for example, there is a distinction between how married and unmarried women and men are treated. Most other forms of revenue are not individually-targeted and thus more difficult to analyse from a gender perspective.

With revenue, then, we have to adopt the same approach as we did with expenditure in terms of expenditures such as housing. We must look at the different needs of female and male people in respect of the goods and services provided, and how the expenditures or revenue sources fit in with their roles. We can also look at the differential impact on rich and poor, urban and rural, and people in different areas, remembering that each of these distinctions brings with it a different gender distribution.

Against all these obstacles we offer three papers as the next step in exploring the field of revenue. The three papers by no means cover all aspects of revenue and gender. They do, though, move us further forward than we were.

- Terence Smith takes the analysis in Hartzenberg's chapter in the first Women's Budget further, with a more in-depth analysis of taxation that also records changes over the intervening years;
- Sikhander Coopoo takes the local government analysis of the Fourth Women's Budget further by examining the impact of local government revenue-raising measures from the viewpoint of the women, men, girls and boys affected, rather than simply as a source of income to municipalities;
- Tanya Goldman ventures into the new area of customs and excise. She focuses, in particular, on the employment effects of these revenue sources.

With the revenue papers we did not, as in previous years, constitute a reference group. Instead each researcher worked more or less independently. Our failure in this respect reflects the overall lack of interest in the topic. We simply could not think of sufficient people who would be interested in being part of such a group. We hope that these papers will help to stimulate interest in the area of revenue generally, and of revenue and gender more specifically.

## **Exploring health**

Health is very different from revenue, in that there has been a lot of research and advocacy in the area. Nevertheless, the issues are complicated and the problems are by no means solved. The WBI paper on health this year is intended to contribute to the existing pool.

With health, there was no difficulty in constituting a reference group. The research was thus initiated with a workshop which brought together representatives of NGOs and research organisations with government health personnel. The authors – Barbara Klugman and Di McIntyre – are well-known in the health field. This was useful both in terms of their background knowledge, but also in terms of contacts during the research.

As noted above, the health paper looks at how policy-making and budgeting are happening within and between the three spheres of government. Health is a particularly interesting case study of this relationship as, in addition to the 'normal' three spheres of national, provincial and local, it includes the developing district level. The paper looks, in particular, at how these processes are changing. And it comments repeatedly on the complications of such process

changes occurring simultaneously with a large number of new policy initiatives. Of particular interest for our purposes is the gender-sensitive nature of many of these policies. Our special interest is in how the changes in the process of policy-making and budgeting are promoting and hindering the implementation of the policies, and promoting or retarding equity.

From the start, one of the more important objectives of the WBI was to promote wider participation and interest in budgets. When we formulated that objective, we were thinking primarily of civil society and its representatives in the national parliament, provincial legislatures and local councils. The health paper has a different focus. It looks at whether and how civil servants at different levels participate in budget making. This, too, is important if policy, budgets and implementation are to 'match'.

### **To obtain more information from the Women's Budget Initiative**

The other papers from the Fifth Women's Budget, as well as previous Women's Budget books and Money Matters, can be obtained from the Institute for Democracy in South Africa (Idasa).

Email: [faldelah@idasact.org.za](mailto:faldelah@idasact.org.za)

Phone: 021-6717634

Fax: 021-6717633

You can also find some information on the Idasa website at [www.idasa.org.za](http://www.idasa.org.za)

To obtain workshop materials for exploring gender budget issues with civil society groups, contact the Gender Education and Training Network (GETNET)

Email: [charmaine@getnet.org.za](mailto:charmaine@getnet.org.za)

Phone: 021-6975355

Fax: 021-6975560

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