

SOCIAL POLICIES And MDG3 COSTING EXERCISES

IN LATIN AMERICA AND THE CARIBBEAN

Proposals and Recommendations
for gender equality financing



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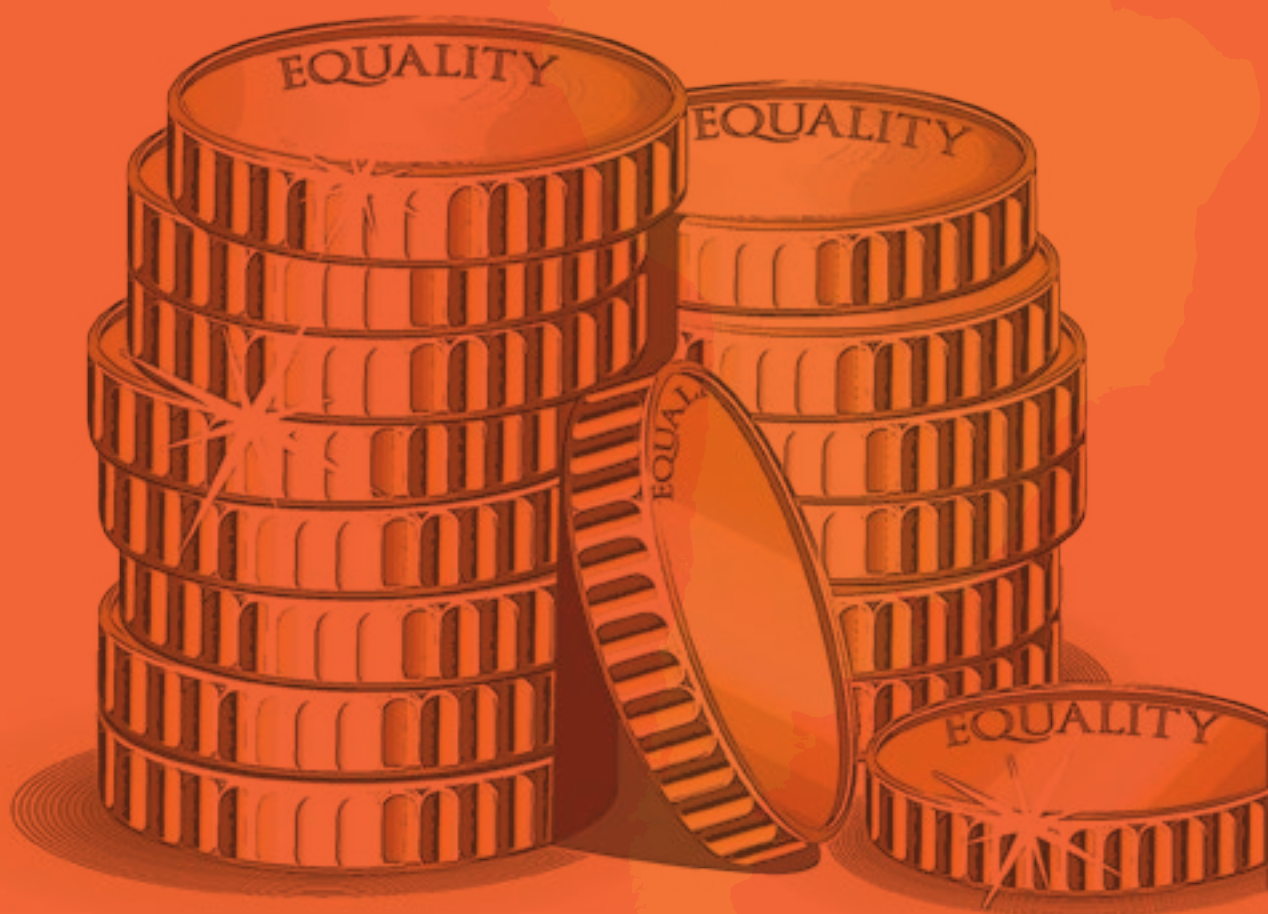
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SOCIAL POLICIES

And MDG3

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Introduction

In the first decade after the year 2000, the United Nations strongly encouraged the development of costing exercises for public policies as part of the Millennium Project framework. For this reason, a series of tools were created in order to cost the various interventions that would allow the proposed Millennium Development Goals (MDG) to be reached.

Gender equality costing exercises have been developed in this same context, as they initially aimed to help secure the fulfillment of MDG 3. Later, they were broadened to be applied to other types of interventions relating to the implementation of laws and strategic plans aimed at achieving gender equality and the realization of women's rights in each country.

The current framework of discussion around the post-2015 agenda provides a unique opportunity to identify the benefits and challenges that might be offered by a more efficient strategy for implementing these exercises.

The **aim** of this document is therefore to offer some findings and recommendations to encourage the development of costing exercises for social policies interventions that promote gender equality in Latin America. They take into account lessons learned from the several experiences in the region.

The ideas and proposals laid out here are the result of the debates and discussions that arose as part of the workshop entitled **Reflection and exchange on costing social policies and MDG 3: Building a future path for gender equality in the region** that took place in Panama City between 17 and 19 June 2013. The workshop was organized by the UNDP Regional Bureau for Latin America and the Caribbean, through the Gender Area of its Regional Centre and the UN Women Regional Office for the Americas and the Caribbean.²

The paper begins by exploring the definition of costing gender equality policies; continues with an explanation for the use of such exercises and suggests some possible methodological approaches. It also points out elements that can be used to analyze the type of fiscal policy framework in which costing exercises may take place. Furthermore, it describes the main challenges posed by these experiences in the region and makes some recommendations for overcoming these challenges. Finally, it concludes offering some strategies for strengthening the use of these exercises and, therefore, improving their results and impact.

² The report on the workshop can be found at www.americaslatinagenera.org



what do we mean by “costing GENDER equality policies”?

Based on current experiences in Latin America and the Caribbean, we can define costing equality policies as the “monetary valuation of the sum of financial and non-financial resources and efforts that must be invested in order to implement a public policy aimed at achieving gender equality. These exercises further involve a technical and political process aimed at influencing public planning and budgeting processes so that these will contribute to bridge gender gaps and support the empowerment of women.”³

Costing exercises are used to generate information on the necessary financial dimensions to carry out (or not carry out) a particular intervention of a public policy.

why is it important to cost policies that promote GENDER equality?

Since the 1980s, the majority of Latin American countries have showed an increasing commitment to gender equality and women’s rights. Most of them have signed the Beijing Platform for Action and ratified the Convention to eliminate all forms of Discrimination against Women (CEDAW). Meanwhile, at national level they have introduced changes to civil and criminal legislation, approved quota systems for political representation at a local and national level and institutionalized government mechanisms for promoting women’s rights and gender equality. However, these commitments and legal advances have not always been supported by the allocation of the necessary budgetary resources required for their implementation.

The inadequate allocation of resources in order to meet gender equality commitments can be caused by many different elements, ranging from a lack of interest on a political level to a lack of capacity for promoting gender equality in practice. Another reason for poor financing in this area is the fact that the achievement of gender equality requires multi-sectorial policies and multi-institutional efforts. This makes it difficult to calculate the necessary interventions to put these policies into practice preventing their inclusion into the operational planning and budgeting processes of the relevant institutions.



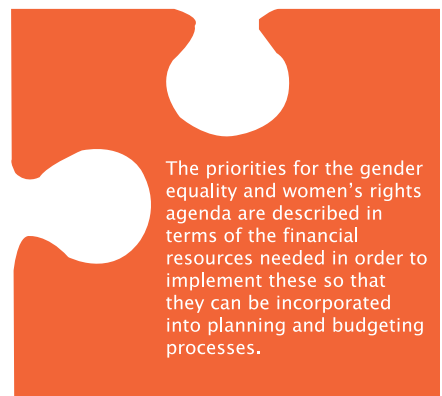
In response to this situation, gender sensitive budgeting (GSB) initiatives have been put in place since the year 2000. The aim of these initiatives is, firstly, to measure the real level of government commitment to gender equality by relating public policies with their respective levels of budgetary allocation and, secondly, to direct and redistribute costs towards the effective achievement of women’s rights. The GSB initiatives promote the empowerment and participation of women in decision-making processes, especially in those involving the allocation of public resources, as well as strengthen a more efficient use of public resources. Such initiatives proved to improve their management and promote transparency, accountability and the democratization of public management processes.

However, having taken important steps forward in this respect, it is also necessary to make progress from another perspective: to ensure that priorities for gender equality are “budgetable”; in other words, that they are not only formulated in terms of “goals”, “activities” and “results”³, but that they are also grounded in terms of the financial resources needed in order to carry them out. In other words, **they need to be costed.**

The two sides of gender sensitive budgets and the costing of gender equality policies



Planning and budgeting processes favor gender mainstreaming and the allocation of resources for gender equality and women’s rights priorities



The priorities for the gender equality and women’s rights agenda are described in terms of the financial resources needed in order to implement these so that they can be incorporated into planning and budgeting processes.

SOURCE: UNDP – UN WOMEN Concept note on costing of social policies and gender equality policies in Latin America and the Caribbean

³ Concept note on the costing of social and gender equality policies in Latin America and the Caribbean. UNDP – UN WOMEN. Panama, June 2013.



Costing exercises are therefore a fundamental tool for **identifying the “lack of financing”**, as they allow us to cost of what is really need in order to reach specific gender equality objectives. At the same time it compares these costs with the resources that are being allocated in public budgets to gender equality objectives

Gender Equality policy costing exercises can be carried out from several methodological approaches:

Impact costing. The aim is to measure the socioeconomic impacts of a specific intervention or problem. These exercises can be used to:

- Demonstrate the “adverse” effects of not tackling a specific problem (for example, what is the impact of “not working to prevent teenage pregnancy”);
- Demonstrate the “adverse” effects of carrying out a specific action (for example, the impact of displacing a village in order to build a dam);
- Highlight the benefits of carrying out a specific intervention (for example, the benefits that would be generated as the result of a running a program that actively promotes employment).

Costing of an Intervention. The aim is to estimate how much financial resources are needed in order to carry out a specific public policy action (for example, to offer a product or service, or to achieve a development object or goal). These exercises can be used to:

- Establish what is necessary to be invested in order to carry out a new intervention or increase the coverage of an existing intervention.
- Define the lack of financing: in other words, the difference between what has already been invested in the intervention and what needs to be invested in terms of the real needs of the project.



Costing as a tool in order to incorporate financial resources in public planning and budgeting.

The objective is to incorporate the financial resources needed to carry out an intervention into governmental budgetary processes. Besides using their own tools to calculate costs of a policy or plan, these exercises can also analyze budgetary processes (including legislation, the formats used and the actors or stakeholders involved) to ensure that approved policies are carried out effectively, by defining priorities and allocating public resources to these interventions.

These three methodological approaches are not mutually exclusive, but can be complementary and can be used simultaneously in a costing experience, depending on the particular objectives involved. However, each approach requires different information and is developed using different methodologies' and tools.⁴

Taxation under dispute: costing as a political exercise

In order for costing exercises to be more effective, they need to explore potential sources of financing as well as calculating the cost that is needed to implement a specific policy or intervention. To do this, it is essential to analyze the economic context and the **fiscal policy** within which the policy or intervention will be developed.

Fiscal policy defines both the sources of income which the State will use to finance the execution of its functions and the allocation of resources for this purpose. Fiscal policy therefore expresses governments' development strategies and highlights their priorities and the direction of their economic and social policies. Depending on the way in which it is formulated, fiscal policy can also represent a fundamental tool for achieving equality, as it provides the main redistribution method used by the states.

In the particular case of Latin America and the Caribbean, one element that contributes to making this region one of the most unequal on the planet is precisely its governments' failure to use their fiscal policies as an instrument for reducing inequality, whether directly (through taxes or transfers) or indirectly (through public

⁴The Concept note on costing of social and gender equality policies in Latin America and the Caribbean brings together some of the tools and methodologies that have been used in the region to cost interventions and to use costing as a tool for incorporation of resources in public planning and budgeting processes.



goods and services).⁵ Although this tendency has begun to change in recent years, it is important to identify to what extent tax collection and allocation efforts are “sufficient” in order to meet needs and to comply with commitments adopted in the areas of development and social and gender equality.

The region has also made progress in the development of methodologies and knowledge of approaching taxation from a gender perspective. Research has been carried out in several countries showing the gender bias in tax systems and numerous budget experiences have been developed from a gender perspective. These developments offer many useful elements for channeling fiscal policy efforts towards closing gender gaps and reducing inequality both in the definition of income and in the allocation of resources.⁶

Costing exercises in Latin America and the Caribbean can contribute to strengthening critical analysis of fiscal systems in the region. They also contribute to formulating proposals and recommendations to develop a more equal and redistributive financing for gender and social equality. Some elements to take into account in this area are as follows:

- It is important to approach economic and social policies in an integrated manner, as every policy has both economic and social effects. Any response to inequality must interlock various different dimensions, such as demographic structures, social protection, decent work and taxation, etc.
- Fiscal policies correspond to a each specific development model. When working on fiscal policy proposals it is therefore necessary to rethink this model, overcoming patterns of accumulation and exploitation in order to position the sustainability of life and care as the ultimate aim of the proposal, as well as to put forward redistribution (not only of financial resources but also of time and power) as a core element.

⁵ For example, the inequality of pre-tax income in Latin America, measured by the Gini coefficient, is approximately 13 times higher than in European countries. However, once tax has been deducted the difference increases to over 60 times higher. This means that people living in European countries proportionately pay much more tax in relation to their incomes. Calculations carried out by López and Perry (2008, cited in *the Concept note on the costing of social and gender equality policies in Latin America and the Caribbean*, UNDP – UN WOMEN. Panama, June 2013.

⁶ Some points of reference can be found at www.presupuestoygenero.net



- On a methodological level, it is important to include non-financial dimensions (unpaid care work, for example) both in the analysis of fiscal policies and in costing exercises.

In order to do this it is critical to promote more systematic and permanent methods of data collecting, particularly in the case of variables in which information is scarce or rarely updated (as in the case of time use surveys) or is not disaggregated by sex. Another key aspect is the development of specific taxation and gender indicators that can help to define concrete goals and measure progress in relation to the reduction of inequality.

- Whenever costing exercises are carried out, it is important to identify financing mechanisms that can help to dismantle what is known as the “theorem of impossibility” (it means the argument that it is “impossible” to allocate resources because these either do not exist or are too scarce).
- The allocation of public resources is a political process. It is therefore important to generate political power building strategies as well as technical arguments in the dispute over resources. This involves developing the necessary alliances both inside and outside government circles (including social movements and the private sector) in order to defend the proposals that are put forward.
- Furthermore, it is necessary to promote the development of fiscal policy within a framework of transparency and participation, enabling the population in general and women in particular to better express their needs and demands, and also to regulate the use of public resources through a process of social control.

Finally, it is important to ensure that costing, taxation and budget issues from a gender perspective continue to be supported and developed by United Nations agencies such as the UNDP and UN WOMEN. This can be done firstly by offering support and technical assistance to the countries involved and secondly by promoting these issues within the agencies themselves, with the aim of guaranteeing that strategies and programs which contribute to gender equality receive financing through the allocation of specific resources. It is also necessary to articulate these efforts using existing mechanisms (such as gender markers, for example).



Useful questions to guide the analyses of fiscal policy before costing exercises

In relation to income:

- What are the main sources of income for the State (or for the government that is able to implement costed policies?) What are the possibilities of widening these income sources?
- Is taxation progressive or regressive? What are the opportunities for this to become more redistributive?
- What are the main tax benefits and exemptions? Who benefits from these? Are there fiscal incentives for institutions promoting gender equality?
- Do financing mechanisms exist for specific sectors (such as the allocation of taxes to finance specific issues such as health, education, etc.). Is there any possibility of incorporating gender criteria into these mechanisms or of generating specific mechanisms for financing gender equality?
- What are the main fiscal and tax reforms on the political agenda? What proposals can be generated from costing exercises in order for these to contribute to a greater degree of social and gender redistribution or to widen financing opportunities for gender equality policies?

In relation to expenditure:

- Is the incorporation of gender perspective mandatory in the development of proposals (in other words, is it included in regulations, such as in the general budgeting law and budgetary guidelines)?
- Do the programs and policies that receive the most financing take gender gaps into account when they are formulated? Do they aim to reduce or eliminate these gaps? What are the possibilities of incorporating interventions that contribute to gender equality into these programs?
- What is the approach of the main social protection policies? Does the way in which these are implemented strengthen or modify traditional gender roles?
- Do budgetary information or data systems exist in relation to the amount of resources allocated to gender equality (or priority programs for gender equality)?

Main challenges and recommendations to conduct costing exercises

Many gender equality costing experiences have been developed in Latin America and the Caribbean. Some of these are part of wider exercises aimed at calculating the amount of resources needed in order to reach a group of development goals (including achieving the MDGs). Others were developed in relation to costing social policies while a third group was designed specifically to cost policies and interventions aimed at promoting gender equality, including the costing of National Gender Equality Plans.

Each experience is different, not only in terms of the type of policy or intervention that is being costed but also in terms of the approach, methodologies and tools that are being used and the type of stakeholders involved.⁷ However, the exchange of experiences that took place at the Workshop demonstrated the existence of some common challenges which can be grouped into **5 different dimensions: political, institutional, technical, information and financial/budgetary**. A number of proposals and recommendations were made for each of these areas, as can be seen in the following table:

⁷The Concept note on the costing of social and gender equality policies in Latin America and the Caribbean includes a map of the costing experiences that were identified in the region, information about the type of policy being costed, the approach that was adopted and the type of methodology or tool used.



Political Dimension

Challenges facing costing exercises	recommendations
<ul style="list-style-type: none"> • A need for access to a reference framework for gender equality policies (a National Gender Equality Plan or Strategy) that allows interventions that do not comply with the priorities established in the equality agenda to be selected or costed. • A need for leadership and institutional and political support at the highest level from the ministries for economy and finance. in order to institutionalize budgetary exercises for gender equality policies and the incorporation of costed interventions as part of sectorial planning and budgetary processes. • A need to guarantee the sustainability of these processes so that they transcend changes in government • A need to guarantee the sustained and broad participation of womens' organizations and equality mechanisms 	<ul style="list-style-type: none"> • Promote the political use of the results of costing exercise as a tool for improving decision-making processes • Develop arguments that are in line with current political priorities, including appropriate language communicate this information. Express the idea that what benefits women benefits society in general. • Collect information on the impacts and benefits that investment in gender equality can generate (incorporate cost-benefit analysis in costing exercises). • Develop mechanisms to highlight the achievements and results of budgetary actions (such as indicators that measure the progress of the investments that have been carried out). • Generate alliances and coordination with sectors involved in costed policies and interventions. Also develop alliances with parliamentary legislators and other key institutions such as finance and planning ministries. • Introduce a participative approach into the costing methodology to allow for the active involvement of social and women's organizations.



Institutional Dimension

Challenges facing costing exercises	recommendations
<ul style="list-style-type: none"> • Institutional weaknesses in gender equality machineries (hierarchy levels, lack of staff and financial resources, etc.) • A need for greater synergy and inter-agency cooperation between the equality mechanisms and the sectorial agencies responsible for implementing costed interventions. • Weak processes of decentralization and territoriality that are still in development. Not all institutions have the political power to promote gender equality policies or to control the resources that have been assigned to them and this can make it difficult to implement these policies. • Capacity weakness on planning and budgeting processes to take into account existing gender inequalities and to incorporate results that contribute to reducing these into their plans and programs. • Limited institutional and human resources capacities in the area of gender and its application to planning and costing processes. Furthermore, frequent changes and turnover in technical staff working on these processes within the relevant agencies. 	<ul style="list-style-type: none"> • Use costing exercises to strengthen the management function of Women's Machineries (monitoring inter-sectorial public policies in favor of gender equality), as well as their steering role by giving them the support they need in order to take the lead in these types of processes. Incorporate resources that help strengthen these agencies as part of the costing process. • Support and promote communication forums and inter-agency liaison as part of these processes. • Take into account the local and institutional realities and competencies of the various agencies when designing gender equality policies and interventions to be costed. • Use costing exercises to improve planning and budgeting systems as well as to track and monitor agencies. Define tracking systems using indicators that measure advances in levels of gender equality that can be incorporated into institutional planning processes. • Strengthen institutional and human resources capacities for gender mainstreaming into planning and budgeting processes and into gender equality policy costing exercises. Incorporate these issues into institutional training activities.



Technical Dimension

Challenges facing costing exercises	recommendations
<ul style="list-style-type: none"> • A lack of consistency between tools used for costing and those used for planning and budgeting. On the one hand, methodological tools are not aligned with the States' planning and budgeting processes. On the other hand, the agencies' planning and budgeting instruments do not allow goals to be disaggregated by gender or for specific gender results to be identified. • The methodological development of costing tools is still in progress and there are still obstacles in applying this to policies that require multi-sectorial interventions. 	<ul style="list-style-type: none"> • Align the costing process with the state planning and budgeting process and create relationships between these processes. • Improve the instruments and tools used in sectorial planning and budgeting processes to allow them to include information about context, results and indicators that measure progress made in terms of gender equality. Promote the use of matrixes and systems that clearly disaggregate goals by sex, areas, etc. • Promote the approval of legislation that institutionalizes instrumental changes in public planning and budgeting systems. • Promote the systematization, documentation and exchange of experiences in terms of costing methodologies and tools. • Develop multidisciplinary teams with gender and costing processes knowledge and capacity.

Information Dimension

Challenges facing costing exercises	recommendations
<ul style="list-style-type: none"> • Lack of up-to-date information that supports decision-making processes in the costing design phase. • Limited availability of data and information systems with indicators and statistics that highlight the current situation of gender gaps in the various different sectors. 	<ul style="list-style-type: none"> • Establish alliances with governmental institutions that produce statistical information in order gender approach be included in data collection tools (surveys, censuses, etc.)



<ul style="list-style-type: none"> • Technical difficulties when implementing multi-sectorial information systems of disaggregated data. Implementing these systems is very time-consuming, not only in terms of having to update technology but also in terms of adopting the new tools. • Incompatibility of institutional information with the information required by the costing tool. 	<ul style="list-style-type: none"> • Establish alliances with governmental institutions that produce statistical information in order gender approach be included in data collection tools (surveys, censuses, etc.) • Develop an information availability mapping to support decision-making processes in the design phase of costing public policies • Adapt costing tools to the available type of information.
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Financial Budgetary Dimension

Challenges facing costing exercises	recommendations
<ul style="list-style-type: none"> • Lack of available information on the amount of public resources that have been allocated to promoting gender equality (many of these resources are not explicitly allocated or identified) • Lack of specific or multi-sector resources to ensure that laws or policies to promote equality (e.g. laws against gender violence, Equality Plans) are implemented. In order for these laws and policies to be implemented, it is necessary for resources to be incorporated into the budgets of various agencies. • Lack of specific mechanisms to ensure the financing of equality policies (i.e., to ensure that resources are supplied by a specific financial source). 	<ul style="list-style-type: none"> • Promote tools and mechanisms for identifying the resources allocated in budgets for gender equality. • Identify programs to which budgetary resources have been allocated and propose reforms so that these will contribute to gender equality. • Identify current and potential sources of financing. Analyze the main sources of state income, what type of tax exemptions and benefits are available, what possible alliances could be made with external financiers (cooperation partners, the private sector, etc.). • Promote the institutionalization of specific mechanisms for ensuring that gender equality policies and costing interventions receive sufficient resources (secure a fixed amount or a percentage of a particular source of income).



Strategies to enhance the use of costing exercises

As well as providing financial or economic calculations, the results obtained from costing exercises should be used to influence the political, social and economic contexts in which they are developed to contribute to gender equality and women's rights. They can be used for various purposes including:

- a. Securing sufficient resources from taxes to finance social and political policies that contribute to gender equality (broadening the fiscal space)
- b. Making fiscal policies more redistributive and effective
- c. Securing sufficient resources for plans, policies, programs and interventions that contribute to gender equality
- d. Improving public management processes

The following section will examine proposed strategies and recommendations for promoting the use of costing exercises:

a. **Securing sufficient resources from taxes to finance social and political policies that contribute to gender equality (expanding the fiscal space).**

- **Widen sources of public sector financing.** Costing exercises can enable us to analyze the main sources of State funding and to propose new financing mechanisms and more efficient ways of directing these towards promoting gender equality.
- **Make tax collection more efficient.** Costing exercises can also help us to analyze the mechanisms used by the state in order to regulate tax payments, as well as to study the main mechanisms used for tax evasion and to generate proposals for reducing this.
- **Make taxation more transparent.** The capacity to collect taxes is closely related to the existence of clear information about how much income the State receives, who provides this, what is it used for and what will be achieved as a result. Costing exercises can therefore be used to develop proposals that help countries to improve their level of transparency in relation to taxation



(income and costs) as well as information systems that demonstrate the impacts of public policy interventions.

- **Examine tax exemptions and reductions.** Tax exemptions and reductions represent a significant drop in tax revenue. Costing exercises can therefore work on identifying these processes and analyzing whether or not they are related to achieving results and propose reforms that help to increase State income, as long as this does not generate negative effects in terms of equality.

b. Making fiscal policies more redistributive and effective.

- **Analyze gender biases and the progressive or regressive nature of taxes.** Both direct and indirect taxation can include gender biases. Costing exercises can contribute to analyzing these biases and to formulating proposals for developing more redistributive tax systems in terms of social and gender equality

- **Examine whether current tax benefits and subsidies are redistributive.** Costing exercises can help to provide information about current tax benefits and develop proposals to increase their contribution to social and gender equality

- **Analyze allocated income and advocate for these funds to be redistributed ensuring more fair or equitable results.** Many countries have mandatory regulations to allocate part of their income to specific uses (e.g. the use of a percentage of VAT to promote sport). Costing exercises can contribute to develop proposals to direct part of these resources towards securing gender equality or to make this pre-allocated income more redistributive.

c. Securing sufficient resources for plans, policies, programs and interventions that contribute to gender equality.

- **Position gender equality as a core issue of the political agenda.** Costing exercises quantify proposals and priorities for achieving gender equality, translate them into numbers and position them into the political agenda. The results of these exercises can also be used to highlight the cost as well as the benefit of certain laws or policies and can therefore help to build arguments for implementing them.



- **Highlight the multidimensional nature of gender inequality and the need of costing to be applied across different sectors.** Costing contributes to analyzing the different elements that generate gender gaps and discrimination against women, thereby promoting the adoption of interventions and policies across a variety of different sectors.
- **Advocate for increased financing for gender equality for implementing specific laws and policies.** The results of costing exercises can be used to compare the amount required to implement laws and policies against the amount of resources that are budgeted for this purpose. In this way they can highlight the lack of funding in this area, generating arguments that can be used to advocate a sufficient allocation of resources
- **Enable the implementation of laws and policies by incorporating them into the public planning and budgeting processes .** Costing exercises can be used to enable laws and policies to be implemented in more specific interventions aimed at a particular target population. By doing so, they allow for these laws and policies to be incorporated into the planning and budgeting processes of the sectorial institutions responsible for implementing these interventions.
- **Identify alternative sources of financing and mobilize external support.** Costing can also be used as a tool for securing external financing. Knowing the necessary amount to carry out a particular intervention facilitates negotiation processes with cooperation partners or private sector institutions. Costing exercises can therefore be an advocacy tool for mobilizing financial support from other sectors around gender equality specific objectives or priorities.

d. Improve public management processes.

- **Improve the quality of services and programs and the efficiency of public spending.** Costing exercises can be used to compare the way programs are originally forecast to perform and what really happens when it comes to be implemented. In this way, costing can contribute to improving the quality of programs and, therefore, make public spending more efficient.



- **Improve and evaluate planning processes and planning and budgeting systems.** When costing exercises are carried out in such a way that they are aligned with planning and budgeting processes, they can be used to evaluate and improve these processes, since they can offer information about existing gender gaps and help to establish specific goals for reducing these and to define the necessary interventions to achieve this.
- **Expand the capacities of public servants.** When costing exercises are jointly carried out with public institutions, it is important to develop gender capacities for the technical staff. This contributes to improving their understanding of gender inequality and strengthening their capacity to incorporate this issue into public planning and budgeting processes.
- **Strengthen the Gender Equality Mechanisms.** Costing exercises can be used as a tool for gender mainstreaming, strengthening the steering role of gender equality mechanisms. These exercises can also contribute to improving their capacity for managing planning and budgeting issues, expanding their budgets and strengthening the institution.
- **Improve information systems and facilitate accountability.** When carrying out costing processes for policies and interventions aimed at promoting gender equality, it is important to have access to a large amount of data. In this way, costing exercises can be used as a tool for strengthening and improving information systems, influencing these processes so that they will include statistics that are disaggregated by sex and other variables and incorporating gender indicators. They can also be used as a base for building indexes for investment in gender equality or for developing and improving monitoring and tracking systems for gender equality. All the information gathered through these costing exercises can also contribute to facilitating accountability processes and complementing the reports that should be developed by the states regarding whether or not national and international commitments to gender equality are being met.

