PROGRESS AT RISK?
DEVELOPING COUNTRY SPENDING ON
DEVELOPMENT GOALS

THE 2013 GOVERNMENT SPENDING WATCH REPORT

Matthew Martin
Director, Development Finance International
Seminar to IMF, Washington
16 October 2013
WHAT IS
“GOVERNMENT SPENDING WATCH”?

- Partnership between Oxfam International and Development Finance International
- Monitoring, analysing, advocating and campaigning for
  - increased developing country spending and on-budget aid for development goals (the Millennium Development Goals and post-2015 successors, as well as national goals); and
  - increased transparency/accessibility of documents on such spending
WHAT WILL “GSW” DO” (1) ?

- Compile a freely available database of spending on the goals, for 82 LIC and LMI C developing countries (55 online now)
- Most LICs completed – + around 10 LMI Cs, others still being worked on
- Will also probably include G20 and other emerging/UMICs for comparative purposes
- See map
WHAT WILL “GSW” DO” (2) ?

- Write the annual Government Spending Watch Report and other analysis of sectors or other issues (for examples see the website)
- Promote campaigning and advocacy at global, regional and national levels for greater spending and transparency, led by Oxfam and a broad coalition of national developing country officials, parliamentarians and CSOs
- Coordinate all of this through a website – [www.governmentspendingwatch.org](http://www.governmentspendingwatch.org) – which will contain data, analysis and campaign tools
CONTENT OF DATABASE

- 2008-12 budgets + actuals (currently uploading 2013 budgets) + MTEF forecasts to 2015;
- seven key sectors (agric & food, education+primary, environment/climate change, gender, health, social protection, WASH)
- split by:
  - recurrent vs investment (will also split out wages);
  - funding source (government vs donor – will split out budget support);
- presented in:
  - local currency, US$, % of spend, % GDP, per capita
- COFOG/GFS compatible totals for categories though of course some spending categories for goals (eg social protection, WASH cover multiple agencies)
HOW WAS THIS DONE?

- establish comparable methodology across all countries - sectoral reports on education, health, SP, WASH - now on agric/gender

- compiled based on public but not always very accessible documents, budget then execution reports, reports to donors, sector reports etc

- most vital - working closely with a network of budget officials in 50+ countries (close links due to debt/finance work over 20 years) who supplied more detailed tables which are public or given to parliament but not online

- Website – www.governmentspendingwatch.org
FINDINGS OF THE
GOVERNMENT SPENDING WATCH
2013 REPORT
ABOUT THE REPORT/DATA (1)

- Astonishingly, 12 years after the MDGs, this is the first ever report to track how much developing countries are spending on them (and potential post-2015 goals) in budgets.

- The analysis in the report covers:
  - 52 countries (+ 34 in 2014)
  - 7 sectors (agriculture/food, education, environment and climate change, health, social protection and WASH), for which it has isolated GDG spending.
The report discusses

- Accessibility of data in each country/sector
- Trends in budgets, revenue, spending, and aid/debt finance
- Trends in aggregate MDG spending and for each sectors, relating them to targets set, promises made and cost estimates
- Impact of aid trends, absorption, medium- and long-term sustainability
ACCESSIBILITY/COVERAGE OF DATA

- Virtually all data on total spending
- Very high proportion of sector data (especially budget allocations needed to assess compliance with commitments) – though less good on WASH, gender
- More detail more difficult: half of countries sector data by spending type, 1/3 by funding source (lots leave out aid because donors supply no information, and in 8 fragile states there is NO on-budget aid !!)
- Map: excellent share of data for 10 countries, good for 17, moderate for 19 and poor for 5
- Recommend: much more accessibility, donor reporting, make part of budget transparency campaigns and monitoring of post-2015 goals: VITAL DECISIONS AFFECTING BILLIONS OF LIVES MUST BE BASED ON GOOD DATA
OVERALL BUDGET TRENDS

- Poor countries lost US$140 billion in budget revenues and spending due to the global economic crisis compared to pre-crisis projections.

- Nevertheless, due to rapid growth, and strong efforts to increase revenue, many have been able to reduce deficits and aid dependence, and increase spending.

- But a minority have been hard hit by GEC and other climate or conflict shocks. GDP is stagnating and spending being cut.

**Recommend:**

- *even more revenue effort* - by progressive taxes, combating illicit flows and tax havens.

- *OECD countries to report/repatriate illicit flows, end laws which oblige MNCs to pay tax in home country, and stop pressing countries to give MNCs sweetheart tax deals via investment treaties.*
INTERNATIONAL COMMUNITY ROLE

- Aid grants came too little, too late to fill the budget hole or accelerate MDG progress: 40% of extra spending has been funded by debt, + large new off-budget financing for infrastructure. Debt burdens rising again and being used as reason to cut spending.

- **Recommend: strong country debt management policies, control off-budget infrastructure financing, maximise aid grants and loans to preserve “fiscal space” for spending on MDGs**

- Graph: situation less positive for countries with IMF programmes (not causal but worrying): spending has stagnated since 2009 and may fall back in 2013 to 2008 level; spending by other countries rose much more sharply.

- **Recommend maximum flexibility by IMF in adapting deficit targets to encourage higher MDG spending, esp where this can be funded by higher revenues or aid without compromising debt sustainability.**
TOTAL SPENDING HAS RISEN BUT IS STAGNATING AND WILL FALL
OVERALL MDG SPENDING

- Many developing countries are spending more than ever before in real terms on the MDGs: sign of government and citizens’ strong commitment to the MDGs, explains rapid MDG progress in many countries. But others are seeing stagnant or reduced spending and much less progress.

- Targets for MDG spend were set as % of GDP or total spending: MDG spending has risen by only 0.5% of GDP since 2008, and has fallen by 1% of total spending. IMF monitoring of “anti-poverty” spend also shows falls.

- **Recommend:** IMF, UNDG and WB should redouble efforts in all countries to improve monitoring and increase level of MDG spend, and incorporate analysis of such data in all MDG progress reports. IMF floors should be set based on strong increases in spend as % of GDP and spend - to accelerate MDG progress.
**SECTOR TARGETS AND TRENDS**

- Very few countries are meeting targets, no targets for environment or gender (v.low spend)
- Trends negative for agric/gender, stagnant others

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MDG SPENDING TRENDS

- As a result, massive MDG spending gaps
- Trends even less positive for post-2015 – social protection, agriculture, environment and climate change, empowerment of women beyond education

**Recommend:**

- **each developing country include in budget statement of whether it meets targets and commitments**, AU/UN should track
- **Set targets for gender + environment/CC; implement gender-assessed budgets; rapid scale-up of agric, social protection, WASH**
OTHER FINDINGS

Data on source of funding, type of spending, budget vs actual, and plans to 2015 allow other analysis. Report only scratches the surface.
IMPACT OF AID

- MDG spending threatened by aid falls, especially for aid-dependent agriculture and WASH
- High % of education and health aid off-budget, undermining government accountability to citizens
- Virtually no aid for post-2015 areas: social protection (except emergencies), CC/environment, gender

Recommend:
- donors to increase aid in real terms (innovative financing), improve accountability by bringing aid on budget, much more priority to post-2015;
- countries to design strong aid policies and mutual accountability agreements with donors, improve public financial management to enhance credibility
**OTHER FINDINGS (2)**

- **Investment/ recurrent:**
  - Insufficient recurrent spending (and aid to support it) especially to maintain wells, support farmers with extension services
  - *Recommend: enhance revenue + donors aid to recurrent (budget/sector programme support)*

- **Budget vs actual:**
  - Low implementation delaying progress, esp for agriculture and WASH (=mainly delays in aid ?)
  - *Donors and governments simplify procedures*

- **Medium term forecasts to 2015:**
  - Stagnant or falling spend as % of GDP for all sectors, partly due to donor non-reporting of plans (vs Busan)
  - *Recommend: countries plan scale up to reach MDGs, donors report planned aid to 2015*
CONCLUSION/QUESTIONS

- Spending cuts and aid falls could end an age of rapid MDG progress, and strangle the post-2015 goals at birth

- How could IMF see data like this being used:
  - In-country for broader social spending floors, for discussing spending priorities with governments?
  - For research/analysis across countries?
  - Fitting with the Fund’s inclusion/equity agenda?

- Many suggestions for where we should go next – definitely revenue, infrastructure, “bads” such as defense, debt service, in-country disaggregations so as to track equity among regions/beneficiaries etc? – what suggestions would IMF have?