3 MDG SPENDING TRENDS

One key factor ensuring that progress towards the MDGs continues will be the degree to which governments increase expenditures on MDG-related sectors (agriculture, education, environment, gender, health, social protection, and water and sanitation). This section examines total MDG-related spending across these sectors. It also considers the impact of IMF initiatives to improve tracking of poverty-related spending, and to set ‘indicative floor’ targets for such spending in its country programmes. It then goes on to analyse each of the MDG-related sectors in detail to assess whether countries are meeting the spending targets or needs established at regional or global level, and to examine trends and levels of spending. Finally, it explores four factors that could explain the trends in spending, and draws some overall conclusions about whether MDG spending targets are being met and trends are positive.

MIXED TRENDS IN OVERALL MDG SPENDING

For the first time, the Government Spending Watch (GSW) database makes it possible to assess overall MDG-related spending trends in 52 countries. MDG spending has risen in real terms every year since 2008. This represents a remarkable and laudable effort by many governments who, despite losing revenue as a result of the global economic crisis, have considerably accelerated progress towards achieving the MDGs, as the UN progress report (United Nations 2012) has indicated. However, the rate of real growth has slowed sharply, from 7 per cent in 2009, to 3 per cent in 2010–11, and only 1 per cent in 2012.

In addition, when looked at from a different perspective, the picture is less rosy. Governments have set their own targets for MDG spending, and international organisations have estimated the spending levels needed to reach the MDGs. These are all measured as a percentage of GDP or total government spending. Figure 3.1 shows that planned MDG spending has risen as a proportion of GDP since the crisis began, but the main increase took place in 2009, and since then it has fallen in 2010 and 2011, and stagnated in 2012.

Overall, at the end of 2012, countries will be spending only 0.5 per cent of GDP more on the MDGs than they did in 2008.

Figure 3.2 also shows that MDG spending has not kept pace with overall spending since the crisis. MDG spending was very much in line with trends in overall spending in 2009, but while total spending rose by a further 1 per cent of GDP from 2009 to 2012, MDG spending has fallen by almost 1 per cent of total spending over the same period.

MDG spending rose by 15% in real terms since 2008, but is falling against the benchmarks on which targets are set: % of GDP and % of total spending.
MDG spending has risen faster and is higher in countries without IMF programmes.

Trends have been very different between countries with and without an IMF programme. Both groups increased MDG spending in 2009, but whereas countries with IMF programmes reduced MDG spending as a percentage of GDP every year from 2010 to 2012, those without programmes continued to increase spending during 2010 and 2011. Therefore, by the end of 2012, IMF programme countries were spending 0.4 per cent of GDP more than in 2008, but the increase for non-IMF countries has been much higher, at 1.3 per cent, and in 2012 their total planned MDG spending was 0.7 per cent higher than IMF programme countries.¹⁴
How does this compare with the IMF’s own analysis of developing country spending on poverty and the MDGs? The IMF has conducted longer-term analysis which shows that social sector spending has risen slightly over the past 20 years – partly reflecting the advent of Heavily Indebted Poor Countries (HIPC) debt relief, which was specifically channelled to social sector spending (Clements et al. 2011). The IMF has also recently improved its monitoring of current levels of social spending through the introduction of ‘anti-poverty spending floor’ conditionalities (see Martin and Watts 2012a, 2012b). Of 27 countries with IMF programmes, 23 have floors. However, as almost all of these floors began in 2010 or later, they do not provide a basis for comparing MDG spending trends since 2008. There is also a wide variation in the scope of expenditure covered, from less than 1 per cent of GDP (for Kenya) to more than 15 per cent (Mozambique). This reflects the fact that the targets are not covering a comparable set of ‘anti-poverty expenditure’ for all countries: in many countries, important components of anti-poverty spending are not included, making the IMF reluctant to measure aggregate trends.\(^\text{15}\)

The IMF measure of planned anti-poverty floor spending shows an even less positive trend than the GSW data – with spending falling as a percentage of GDP. Moreover, many countries have not lived up to these plans: in 2010, 6 of 17 countries did not reach the floor,\(^\text{16}\) and in 2011, 4 out of 10 did not. This is partly because the floors are only ‘indicative targets’, so programme reviews can still be completed if they are not met, and there is no detailed analysis in programme documents, or discussion with the authorities, of why the target is missed or any corrective measures needed (see Martin and Watts 2012a).

*The IMF’s anti-poverty spending floors are falling as a % of GDP and are not always being met*