Social spending and inequality

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Rodrigo Cerda
Division Chief, EPD, Fiscal Affairs Department
Inequality and social spending issues having become important policy objectives for the IMF in program, surveillance and CD in recent years.

Since 2015 the IMF has made distributional issues and inequality subject of a more systematic focus.

In 2015, the IMF started a pilot initiative to operationalize its work on inequality with the objective of providing lessons on how to effectively integrate distributional issues into broader surveillance and program work.

45 pilot studies were concluded in 2015-18 and since then the coverage of inequality issues has been mainstreamed in surveillance.

About 50 AIV reports have a meaningful coverage of inequality issues, which include inclusive growth, inequality trends, drivers and policies; distributional implications of macroeconomic and structural policy reforms; regional inequality; gender inequality; and financial inclusion, among others.
Programs (Lending)

IMF-supported programs mitigating the adverse effects of fiscal adjustment on the vulnerable is central.

Both PRGT and GRA-supported programs often include quantitative spending targets on social and other priority spending.

These quantitative targets are often complemented with structural conditionality i.e., the adoption of specific reform measures that are designed to protect vulnerable groups sometimes established as prior actions or structural benchmarks (SBs).

Structural conditions include structural benchmarks and prior actions. SBs and PAs are reform measures that are often not easily quantifiable.

- **Structural Benchmarks**: For example, a SB would specify the development of a social registry of vulnerable households rather than specifying an increase in social spending.

- **Prior Actions**: When upfront implementation is essential to achieve program goals or monitor implementation, PAs are measures which a country agrees to take before the IMF Board approves financing, completes a review, or grants a waiver.
The IMF also provides increasing capacity development to countries on how to strengthen progressivity of the entire tax-and-benefit system and how to protect the vulnerable groups when implementing major reforms.

Distributional analysis has become an integral part of technical assistance.

The IMF also established an internal Inequality Advisory Group to facilitate knowledge sharing both within the institution and with other development partners, including through joint seminars.
Additional reports:

- Solomon Islands, Country report 22/15, Selected Issues
- Pakistan: Spending Needs for Reaching the Sustainable Development Goals (SDGs). IMF working paper, WP/21/108
- Nigeria, IMF Country Report No. 20/177
- Tonga: IMF Country Report No. 20/212
- India: The Spending Challenge of Achieving the SDGs in South Asia: Lessons from India, WP 21/294
- Cambodia: IMF Country Report No. 19/387
- Mexico: IMF Country Report No. 19/337, Selected Issues
- Brazil: WP19/236 Doing More with Less: How Can Brazil Foster Development While Pursuing Fiscal Consolidation?
- Chad: IMF Country Report No. 19/259, Selected issues
- Indonesia, Benin, Guatemala, Myanmar, Uzbekistan, Vietnam, Wanda

SDG

Angola: SDG Costing Assessment Detail: Education

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<tr>
<td>GDP per capita</td>
<td>1,743</td>
<td>1,821</td>
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</table>

Cost Drivers and Other Factors

- Students per teacher ratio: 17.8
- Teacher wages (ratio to GDP per capita): 2.7
- Capital and other recurrent spending (% total spending): 43.5
- Student age population (% total population): 33.2
- Enrollment rate (primary to tertiary): 77.9
- Private share (% of total spending): 34.6

Spending and Outcomes

- Public health spending (percent of GDP): 3.8
- Private health spending (percent of GDP): 3.2
- Per capita health spending (US$): 310.9
- SDG3 index: 78.5

SDG

Angola: SDG Costing Assessment Detail: Health

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<td>GDP per capita</td>
<td>1,743</td>
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Cost Drivers and Other Factors

- High-cost population (<1 and 60+) (percent of total population): 15.4
- Doctors per 1,000 population: 2.1
- Other medical personnel per 1,000 population: 4.6
- Doctor wages (ratio to GDP per capita): 7.1
- Other recurrent & capital health spending (percent of total health spending): 55.6
- Private health spending (percent of total health spending): 46.2

Spending and Outcomes

- Health spending (percent of GDP): 7.0
- Public health spending (percent of GDP): 3.8
- Private health spending (percent of GDP): 3.2
- Per capita health spending (US$): 310.9
- SDG3 index: 78.5
Taxation and fiscal revenue

the IMF also advices and helps countries to expand fiscal space to allow for or increase financing of key social spending.

Raising tax progressivity and strengthening overall tax capacity can help increase tax collection and create sustainable sources of funding the government expenditure.
The IMF-supported programs also often have extensive quantitative and qualitative conditionality on the tax side.

### Table 7. Benin: Quantitative Performance Criteria and Indicative Targets, 2021–2023

(CFAF billion)

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<td>Est. PC</td>
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<td>Performance Criteria</td>
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<td>A. Quantitative performance criteria</td>
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<td>Basic primary balance (floor)</td>
<td>-148.5</td>
<td>-77.3</td>
<td>3.6</td>
<td>Met</td>
<td>-154.4</td>
<td>-60.9</td>
<td>-127.6</td>
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<td>Net domestic financing (ceiling)</td>
<td>-380.8</td>
<td>290</td>
<td>129</td>
<td>Met</td>
<td>431</td>
<td>264</td>
<td>377</td>
<td>130</td>
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<td>B. Continuous quantitative performance criteria (ceilings)</td>
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<tr>
<td>Accumulation of external payments arrears</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>Met</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>Accumulation of domestic payments arrears</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>Met</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>Ceiling on the present value of new external debt contracted or guaranteed by the government</td>
<td>1,016.0</td>
<td>620</td>
<td>253.7</td>
<td>Met</td>
<td>620</td>
<td>432</td>
<td>620</td>
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<tr>
<td>C. Indicative Target</td>
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<td>Tax revenue (floor)</td>
<td>1,082.3</td>
<td>578.9</td>
<td>617.2</td>
<td>Met</td>
<td>876.7</td>
<td>914.9</td>
<td>1,232.9</td>
<td>321.5</td>
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<td>Priority social expenditure (floor)</td>
<td>150.0</td>
<td>46.2</td>
<td>76.5</td>
<td>Met</td>
<td>92.5</td>
<td>TBD</td>
<td>149.1</td>
<td>16.4</td>
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Sources: Beninese authorities, IMF staff estimates and projections.

1 The terms in this table are defined in the Technical Memorandum of Understanding (TMU).