IMF ENGAGEMENT ON SOCIAL SPENDING

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May 26th, 2020
Technical Working Group on Education Expenditure
UNESCO

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Structure of Presentation

- Why do we need a strategy?
- When & How should IMF engage?
- Engagement in program context
- Mapping ourselves to the SDGs
- Financing the SDGs
Why do we need a strategy?

Increasing IMF engagement on social spending issues in context of increasing focus on inclusive growth

- Engagement increased over recent decades in both surveillance and program contexts
- IEO Report on IMF and Social Protection also recognized and welcomed this trend

Strategy needed to guide staff in this engagement

- To ensure consistency and evenhandedness of policy advice
- To establish the appropriate scope and boundaries of this engagement

Strategy approved by the Board on May 2, 2019

- Focused on broader concept of social spending (social protection, education, health)
- Extensive consultation with development partners, academics, CSOs
- Strategy, Background papers, Case studies
- MD Speech at the ILO – Strategy Launch
When should IMF engage?

Channels of macro-criticality

- Engagement would be guided by an assessment of the macro-criticality of a specific social spending issue and consideration of that issue in a program context, as well as by the existence of in-house expertise.

- A social spending issue can be macro-critical if one, or any combination, of these channels is significant a policy concern.
How should IMF engage with development partners?

Typical stumbling blocks
- Competing priorities and misaligned workplans
- Identifying the right counterparts

Differences in approach
- IMF: Top down/aggregate Macro-fiscal context
- Other IDIs: Bottom Up Sectoral & individual program design issues

The way forward
- Early dialogue to align priorities and foster collaboration, both at HQ and in the field
- Establish stronger network of social spending counterparts across development partners

Common concerns
- Fiscal sustainability
- Spending adequacy
- Spending efficiency

Common challenge
- Financing
### Engagement in a program context: conditionality

Programs should aim to mitigate the adverse effects of adjustment measures on the vulnerable, and conditionality should support objectives where critical for the program’s success.

<table>
<thead>
<tr>
<th>PRGT-supported programs</th>
<th>GRA-supported programs</th>
<th>Program conditionality on social spending should be tailored to:</th>
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<tr>
<td>- Strategy <strong>maintains</strong> the mandate of PRGT-supported programs to safeguard social and other priority spending, and whenever appropriate, to increase it</td>
<td>- Strategy <strong>clarifies</strong> that GRA-supported programs should analyze and, as appropriate, document the social impact of adjustment and measures to protect the vulnerable</td>
<td>- Mitigate the impact of adjustment on the vulnerable</td>
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<td>- Programs are expected to explicitly incorporate measures, possibly as conditionality</td>
<td>- Programs would include conditionality if the social spending issues are critical for achieving program success</td>
<td>- Where relevant, strengthen social spending in line with capacity and fiscal space</td>
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<td>- Where relevant, improve quality and efficiency of social spending</td>
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Mapping ourselves to the SDGs

Additional Spending Needed in 2030 to Achieve High Outcomes in Selected Sectors
(Average, GDP Weighted, Percentage Points of GDP)

Source: IMF staff calculations and Gaspar and others (2019), Fiscal Policy and Development, SDN /19/03.

Note: The IMF defines fragile states as those having either weak institutional capacity measured by their World Bank Country Policy and Institutional Assessment score (average of 3.2 or lower) and/or an experience of conflict (signaled by the presence of a peace-keeping or peace-building operations in the most recent three-year period).
Mobilizing domestic revenue is central

- Average for LIDCs and EMs is 16.6 percent of GDP
- In the medium term, countries could raise up to 5 percent of GDP in tax revenues implementing revenue strategies
- Countries’ effort on the revenue side should be mirrored on the spending side with greater efficiency
Financing challenge is greater for LIDCs

LIDCs: Additional Spending and Increased Tax Revenues in 2030
(Billions of 2016 U.S. dollars)

Source: IMF staff calculations.
Mapping ourselves to INFF: Fiscal Building Blocks

SPENDING TOOLS
- SDG Costing Framework,
- Expenditure Assessment Tool,
- Public Investment Management Assessment (PIMA/PFM):
- PEFA/FTE

REVENUE TOOLS
- TADAT, RA-FIT/GAP, TEA, FARI

CORRUPTION and GOVERNANCE DIAGNOSTIC

SUPPORT TO FISCAL INSTITUTION BUILDING
- M-T Expenditure Framework,
- M-T Revenue Strategy,
- M-T Budget Framework,
- M-T Debt Strategy,
- Fiscal Rules