

A RECOVERY FOR ALL

Current Public Expenditure Contraction and Implications for Children

Isabel Ortiz

Associate Director DPP

Jingqing Chai

Senior Policy Advisor DPP

Matthew Cummins

Staff Consultant

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UN Secretary General:

“We must design recovery from the ground up. High unemployment, rising food and commodity prices, and persistent inequalities have contributed to a substantial rise in hunger, poverty and associated social tensions. Now, more than ever, investments for the world’s poorest are necessary to recover lost ground in pursuit of development objectives, including the MDGs... The recovery proceeds at varied speeds across the world, and is still fragile in most countries... Global stabilization and recovery debates must take into consideration the specific needs of vulnerable populations.”



Crisis: Transmission Channels

Employment and Income

- Wage cuts, reduction in benefits
- Decreased demand for migrant workers
- Lower Remittances
- Returns from pension funds

Prices

- Basic food
- Agricultural inputs
- Essential drugs
- Fuel

Assets and Credit

- Loss of savings due to bank failures
- Loss of savings as a coping mechanism
- Home foreclosures
- Lack of access to credit

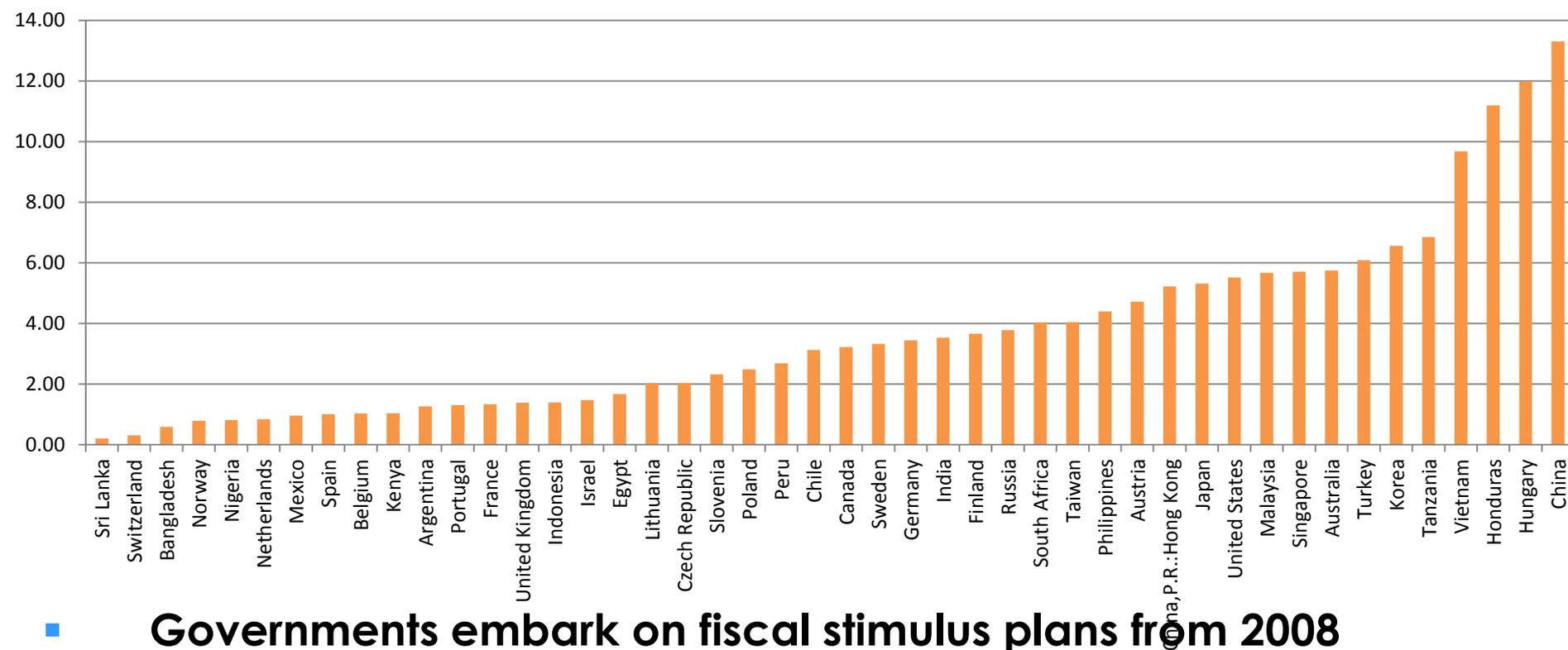
Government Spending and Utilization of Social Services

- Education
- Health
- Social protection
- Employment programmes

Aid Levels - ODA decreasing?

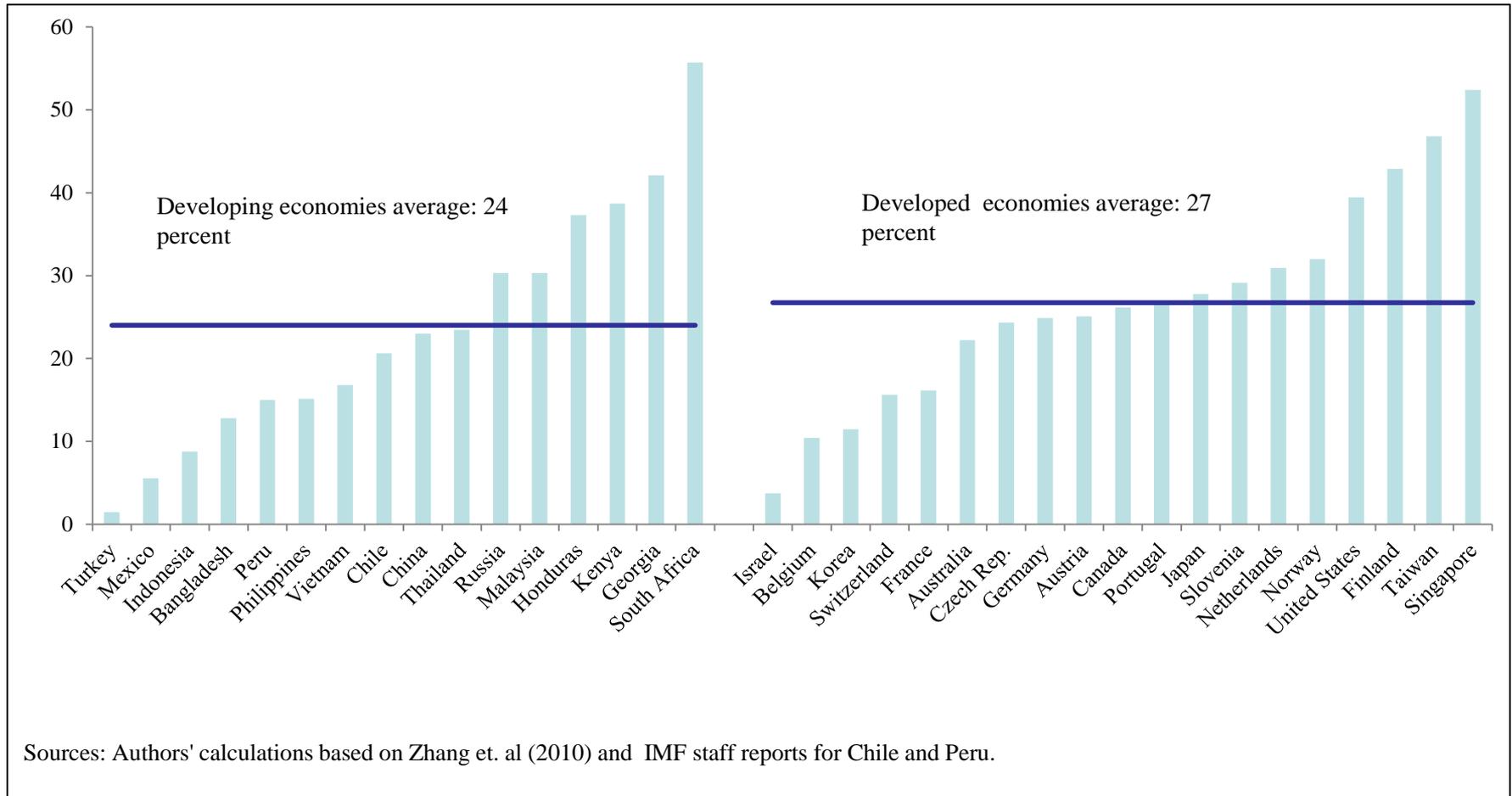
MDGs at Risk

Announced Fiscal Stimulus Plans Q4 2008-Q4 2009, %GDP



- **Governments embark on fiscal stimulus plans from 2008 onwards**
- **As an average, 25% of stimulus plans spent on protection (UNDP, 2010)**
- **Mostly in high and middle income economies – but slow progress in LICs**
- **Positive development, social protection expanded during crisis**

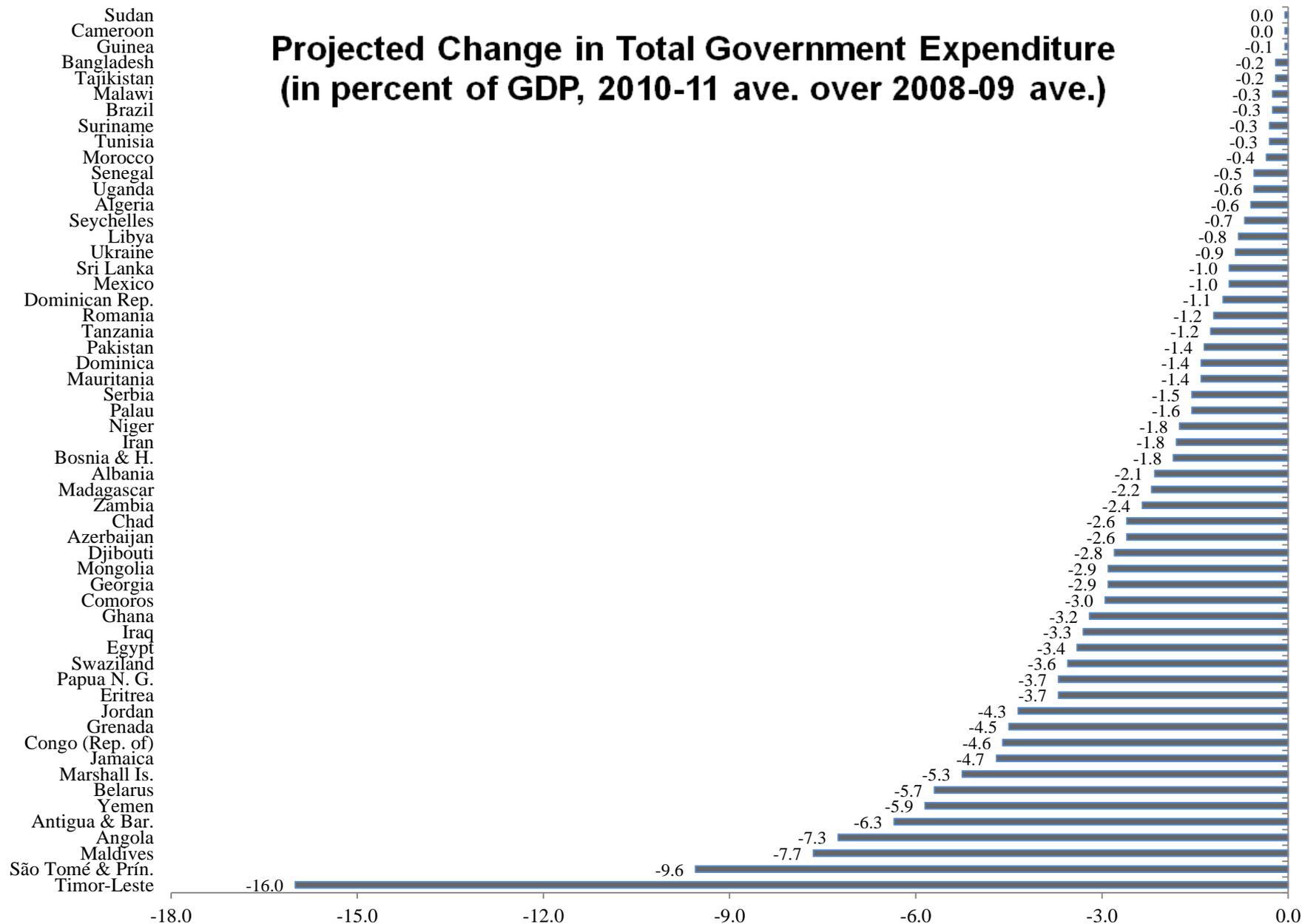
Social Protection in Fiscal Stimulus Plans



Source: UNICEF, based on Zhang, Thelen & Rao, 2010

BUT 2010-11: Governments Contracting Public Expenditures

Projected Change in Total Government Expenditure (in percent of GDP, 2010-11 ave. over 2008-09 ave.)

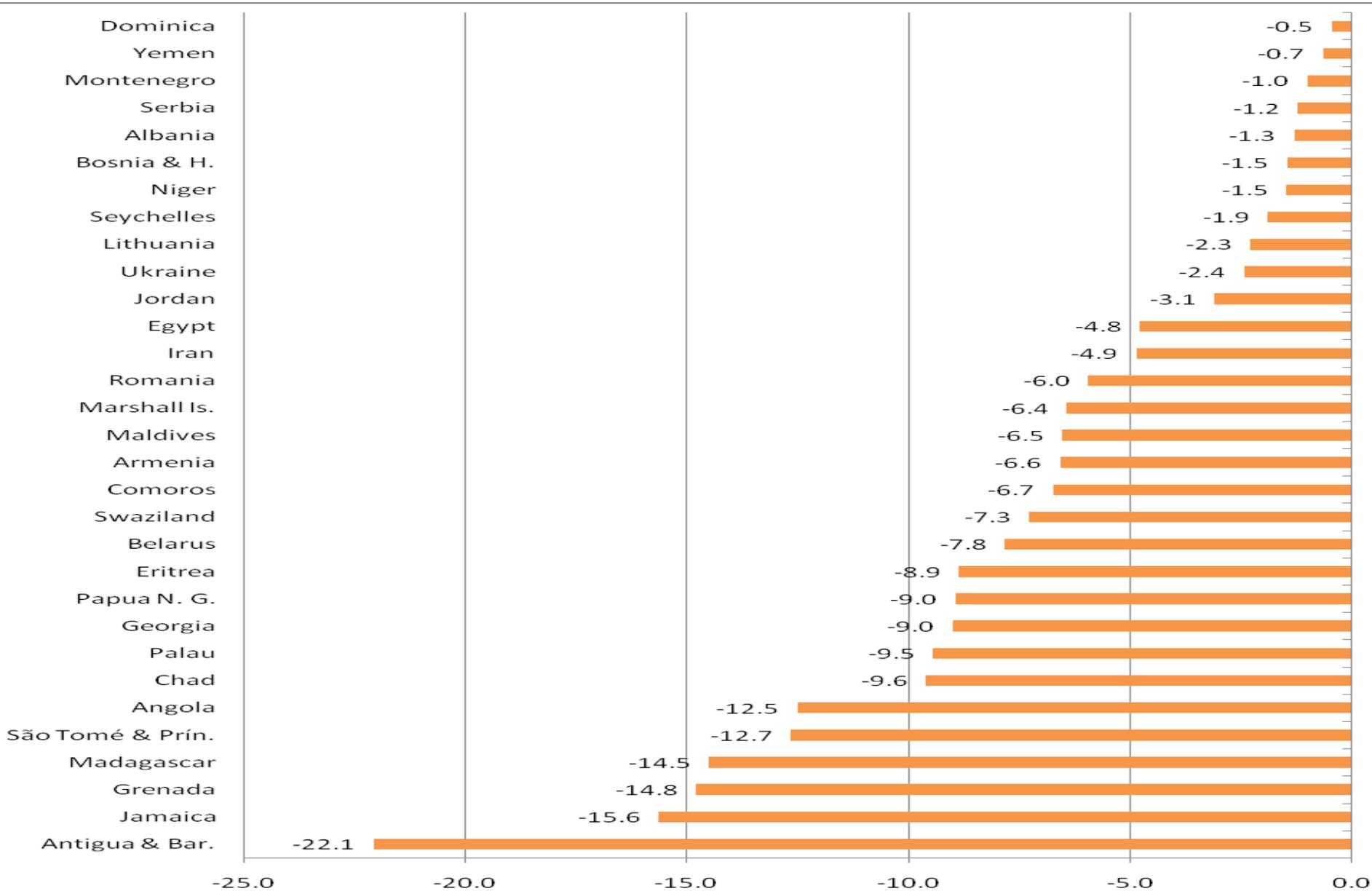


Regional Changes in Total Government Spending, 2010-11 avg. versus 2008-09 avg. (% GDP)

Region	Countries in Sample			Countries that Raised Spending			Countries that Lowered Spending		
	# of Countries	<u>Δ in Spending</u> Average	Median	# of Countries	<u>Δ in Spending</u> Average	Median	# of Countries	<u>Δ in Spending</u> Average	Median
East Asia and Pacific	13	-0.1	0.7	8	3.4	1.6	5	-5.9	-3.7
Europe and Central Asia	21	0.3	0.6	12	2.1	1.9	9	-2.1	-1.8
Latin America and Caribbean	27	0.7	0.5	19	2.0	1.4	8	-2.4	-1.2
Middle East and North Africa	12	-1.7	-1.3	2	1.9	1.9	10	-2.4	-2.3
South Asia	8	0.6	0.8	4	3.8	4.1	4	-2.5	-1.2
Sub-Saharan Africa	45	0.8	0.6	25	3.4	2.0	20	-2.4	-2.0
Total	126	0.4	0.3	70	2.8	1.8	56	-2.7	-1.8

44%

Projected Growth of Real Government Expenditure (2010-11 avg. over 2008-09 avg.)



Sources: UNICEF staff calculations based on the IMF's Regional Economic Outlook publications (April-May 2010) and country reports (July 2009-July 2010). See Appendix I for complete details.

Projected Growth of Real Government Expenditure by Region, 2010-11 avg. versus 2008-09 avg.

Region	Countries in Sample			Countries that Raised Spending			Countries that Lowered Spending		
	# of Countries	<u>Δ in Spending</u>		# of Countries	<u>Δ in Spending</u>		# of Countries	<u>Δ in Spending</u>	
		Average	Median		Average	Median		Average	Median
East Asia and Pacific	13	7.7	6.0	10	12.5	9.3	3	-8.3	-9.0
Europe and Central Asia	21	7.5	0.8	11	18.0	13.7	10	-3.9	-2.4
Latin America and Caribbean	27	8.6	7.7	23	12.4	9.4	4	-13.2	-15.2
Middle East and North Africa	12	3.9	2.6	8	7.5	5.1	4	-3.4	-3.9
South Asia	8	15.9	9.6	7	19.1	11.5	1	-6.5	-6.5
Sub-Saharan Africa	45	11.3	10.8	36	16.2	12.6	9	-8.4	-8.9
Total	126	9.3	6.7	95	14.6	11.5	31	-6.9	-6.5

25%

Social Expenditures 2008-09:

- **Limited information**
 - **IMF - Yang et al (2010)** - 16 of 19 LICs supported by IMF lending had budgeted higher social spending in 2009
 - **UNDP - Zhang et al (2010)** – 48 stimulus packages, mostly MICs/higher income countries, 25% invested on social protection measures

BUT Social Expenditures 2010-11?

- **A significant amount of MICs/LICs contracting overall public spending (% GDP, real expenditures)**
- **Will social spending be supported?**
- **Oxfam - Kyrili and Martin (2010)** 2/3 of low-income countries surveyed are cutting budget in one or more “priority” social sectors (education, health, agriculture, and social protection)

Adjustment Measures and their Potential Risk to the Poor

- **Contraction of social expenditures**
- **Social protection:**
 - **Targeting (reducing coverage)**
 - **Rationalizing/reducing benefits**
- **Eliminating subsidies (eg food)**
- **Wage bill – Salaries of teachers, health and social workers**

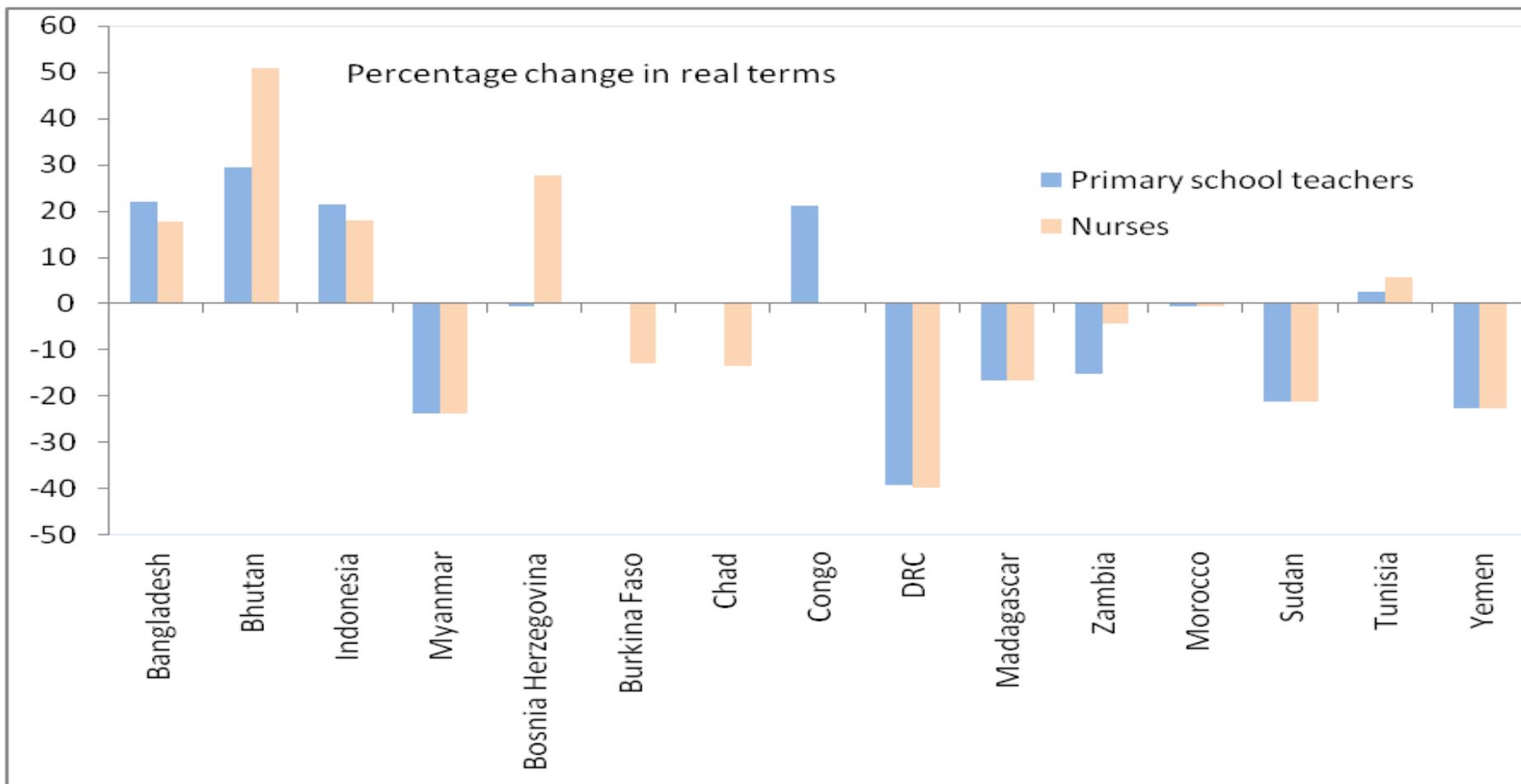
- **While social protection expanded during the crisis - now contraction? A social protection floor needed to achieve the MDGs and as a mechanism for future crisis.**



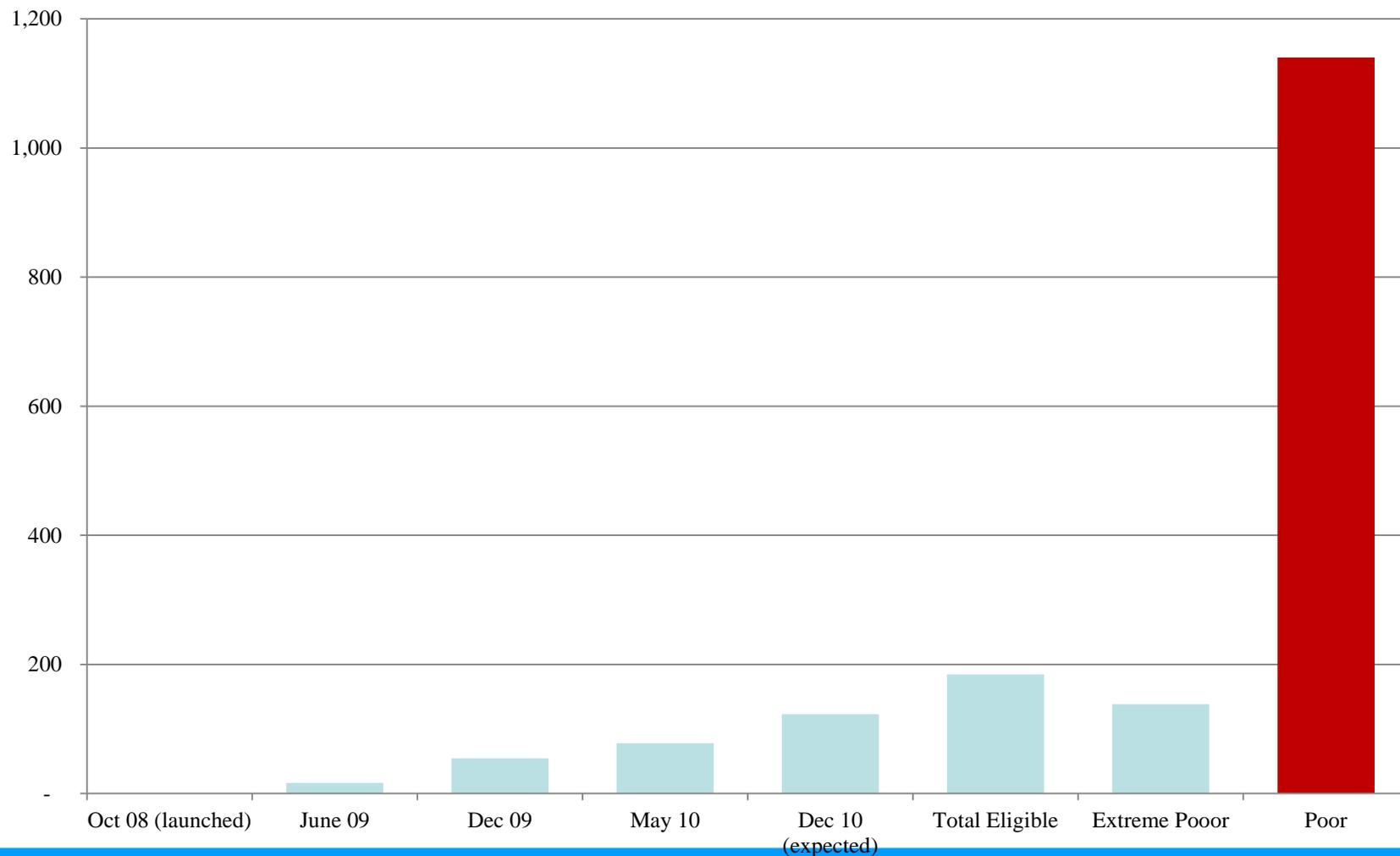
Selected Issues in MICs and LICs (2009- 2010)

Limit subsidies	Wage bill caps/cuts	Wage bill caps/cuts (II)	Rationalize /further target social protection
Belarus Bolivia Burkina Faso Cambodia Cote d'Ivoire Egypt El Salvador Ghana India Iran Libya Lithuania Malaysia Maldives Mexico Mongolia Morocco Nigeria Republic of Congo Romania São Tomé and Príncipe Sri Lanka Syria Timor-Leste Togo Tunisia	Algeria Belarus Belize Benin Bhutan Bosnia and Herzegovina Botswana Burundi Cambodia Comoros Cote d'Ivoire Democratic Republic of Congo Egypt Fiji Georgia Grenada Guinea-Bissau Iraq Lesotho Libya Lithuania Maldives Mali Marshall Islands Mauritania	Mauritius Montenegro Palau Philippines Romania Serbia Solomon Islands South Africa Sri Lanka St. Lucia Syria Togo Tonga Zambia Zimbabwe	Armenia Azerbaijan Bosnia and Herzegovina Cambodia Fiji Georgia Grenada Iraq India Libya Lithuania Maldives Mauritania Mauritius Moldova Mongolia Romania Syria Timor-Leste Togo Ukraine

Changes in Annual Salaries of Primary Teachers and Nurses, 2007-09



Moldova: Beneficiaries under the New Social Assistance System (in thousands of persons)

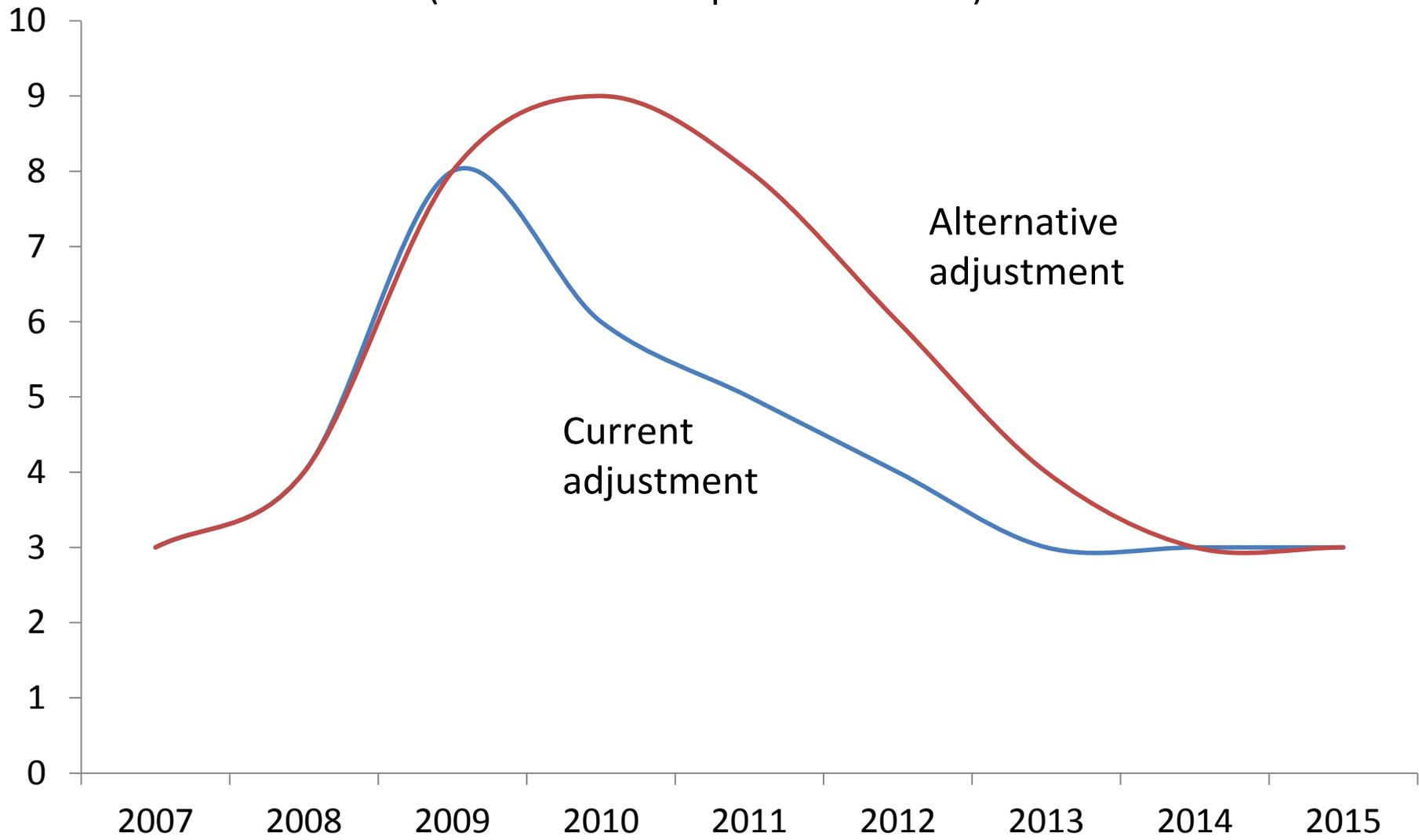


Need to Keep Momentum on Social Protection: Building Social Protection Floors

- Fiscal stimuli expanded safety nets however this should lead to longer-term SP systems
- SP systems, starting by a social protection floor, are necessary to:
 - cushion populations from future shocks
 - reduction of poverty and inequalities
 - contributions to economic growth and human development
 - supporting political stability
- MDG Summit Outcome Document
- Key Policy Issues:
 - Expanding social protection coverage
 - Attention to “targeting” and reducing benefits under adjustment
 - Affordability, working with governments to expand fiscal space

Fiscal Space: Illustrated Adjustment Paths

(Fiscal deficit in percent of GDP)



A Recovery for All

Four Actions at Country Level (I):

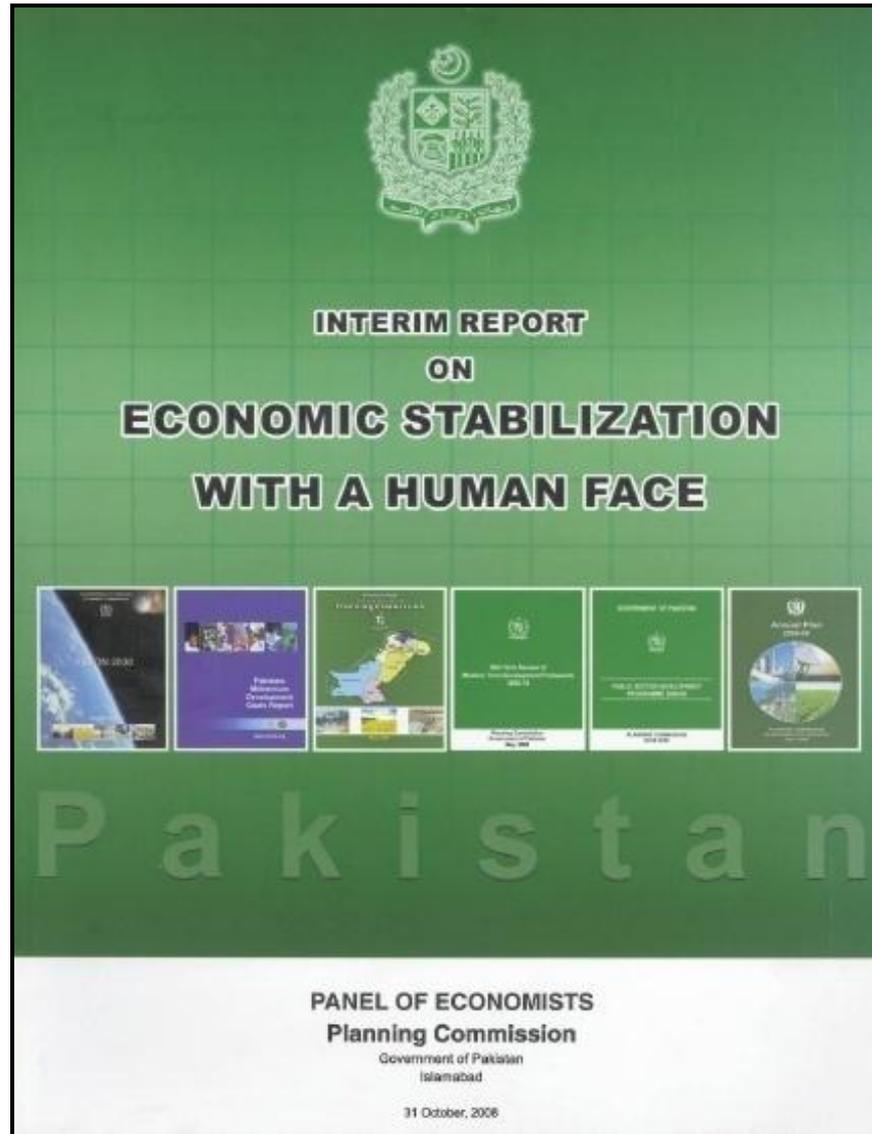
1. Analyze budgets for social and economic recovery, to provide immediate support to children and households:
 - a. Scaling up social protection
 - b. Increasing social expenditures such as on education, health services, water etc;
 - c. Protecting pro-poor expenditures aimed at economic recovery and at raising household living standards, such as increased investments in agriculture/food security and employment-generating activities

A Recovery for All

Four Actions at Country Level (II):

- 2. Identify options for fiscal space**
- 3. Conduct a rapid assessment of the social impacts of different options**
- 4. Present a set of alternative policy options for social and economic recovery that can be used in a national dialogue**

Providing Options to Assist Governments in a Country Dialogue on Social and Economic Recovery



MDG Summit: Keeping the Promise

- How to achieve MDGs for everyone, everywhere
- Making commitments work in the aftermath of global crisis



Thank you

