Pro-poor public social spending: concepts, reporting status, challenges, and forward steps

SUMMARY

SDG indicator 1.b.1, Pro-poor public social spending, measures the share of government spending that directly benefits the monetary poor in education, health and direct transfers. Measuring, analysing and reporting on this indicator will help countries access the evidence needed to properly design, implement and finance policies to end poverty and achieve the other SDGs. This briefing discusses measurement and data collection challenges, and illustrates how data on pro-poor social spending can be analysed and reported.

Introduction

Public spending is critical in providing the essential foundations for economies to develop and societies to thrive - foundations such as education, health care, protection from violence and social protection. These foundations are not only merit goods (i.e. they are considered so important that all the population should have access to them, even if they cannot afford them, and should therefore be publicly provided/subsidised). They also contribute to the realisation of human rights - rights that are increasingly under threat, especially for children, as governments around the world struggle to cope with the social and economic impacts of health, economic and climate crises.

Traditionally, the focus has been on the level of government spending on social services, for example, how much is invested in health or education, or how much is redistributed through cash transfers or other social protection. These expenditures are critical to the delivery of public services. They help build a social contract and make essential investments in people's present and future. However, comparatively speaking, we know remarkably little about how these investments are distributed across different groups within countries, and therefore how different individuals benefit from social spending.

In about one in four countries for which data are available, public spending on social sectors is more concentrated on richer groups of the population than on the poor. Compared with a comparative analysis two decades ago, this may suggest some progress towards universal social services and equity in public social spending, but the evidence is limited[1].

This is particularly important for Goal 1 of the Sustainable Development Goals (SDGs), which aims to end poverty in all its forms everywhere and explicitly calls for sound policy frameworks based on pro-poor development strategies. Data and information on the pro-poor share of public social spending

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[1] Mehrotra, S. & Delamonica, E. (2007). Eliminating human poverty: macroeconomic and social policies for equitable growth. Zed Books.

support governments in their planning and decision-making (as they need to understand the impact of their investments and who is affected), and citizens and civil society in holding duty bearers to account and ensuring that government funding decisions are aligned with pro-poor strategies. Further measurement, analysis and reporting on SDG indicator 1.b.1 will help countries access the evidence they need to properly design, implement and finance policies to end poverty and achieve the other SDGs.

What do we measure when we measure pro-poor public spending?

Within Goal 1 of the SDGs on ending poverty, Target 1.b calls for "sound policy frameworks at national, regional and international levels, based on pro-poor and gender-sensitive development strategies, to support accelerated investment in poverty eradication actions". As part of the 2020 Comprehensive Review, the UN Statistical Commission accepted a proposal from UNICEF and Save the Children for a revised indicator to measure this goal. The new indicator 1.b.1 "Pro-poor public social spending" measures the share of government spending that directly benefits the monetary poor in education, health and direct transfers (cash and near-cash transfers). Measuring pro-poor public spending requires benefit or fiscal incidence analyses[2] (see box 1[3]).

> **BOX 1: METHODOLOGY TO MEASURE PRO-POOR PUBLIC SPENDING**
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> In order to measure pro-poor public spending, a benefit or fiscal incidence analysis is required. Such analyses measure the benefits that an individual or household receives from different public services by linking administrative budget data to nationally representative household surveys. The original methodology was developed and documented in the 1970s, building on even earlier work in the US and UK in the 1930s and 1940s.
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> Incidence analysis assigns a monetary value to in-kind transfers (such as education and health services), usually at the average cost to the government. In addition, for SDG 1.b.1, it includes cash and near-cash transfers in the definition of social services (conditional and unconditional cash transfers, school feeding programmes, etc.).
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> For SDG indicator 1.b.1, people living in poverty are defined according to national definitions (in line with SDG 1.2.1)[4]. When measuring the benefit incidence of social spending, it would be necessary to identify those individuals/households living below the national poverty line (e.g. based on income and expenditure surveys).
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> Benefit incidence analyses have been carried out in different contexts and differ in terms of the data sources used, the detailed methodologies applied and the sector they focus on. This poses additional challenges in terms of harmonising different data sources and identifying comparable data for reporting on 1.b.1.

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[2] Meerman, J. (1979). Public Expenditure in Malaysia: Who Benefits and Why. Oxford University Press for the World Bank; Salkowski, M. (1979). Who Benefits from Government Expenditures? A Case Study of Colombia. Oxford University Press; Lustig, N. (2018). Commitment to Equity Handbook; Save the Children (2021). Fair Shares? Fiscal equity for children in Kenya.

[3] Benefit Incidence Analysis is also the basis for SDG indicator 10.4.2. This means in most instances, reporting on 1.b.1 is possible based on the same data sources.

[4] While this indicator measures the incidence on the national poverty line (SDG 1.2.1), other measures are similarly possible when collecting the data (e.g., asset-wealth quintiles; using indigence, poverty, and, vulnerable to poverty lines; men and women; different age groups; ethno-linguistic groups; political administrative units; disability, or other groups, see: https://unstats.un.org/wiki/display/sdgGoodPractices/Data+disaggregation+for+SDG+indicators).

Data collection challenges

There are several sources of data for reporting on SDG 1.b.1. Information on social spending (from public budgets) and on poverty and service use (from household surveys) is available for over 100 countries. However, not all of this information is suitable for SDG monitoring, and many incidence analyses of public spending focus on specific sectors or use methodologies or underlying datasets that are not easily comparable across countries.

Nevertheless, comparable data covering the three sectors (education, health and social transfers) exist for more than 30 countries, covering more than half of the world's population.[5] A few more countries have comparable data covering at least two of the three sectors (see Table 1). These countries cover the majority of the population living in Central and South Asia, East and South-East Asia and Latin America and the Caribbean. The underlying household survey data range from 2007 to 2017, with budget data aligned to the year of the survey.

TABLE 1: REGIONS, COUNTRIES, AND POPULATION WITH COMPARABLE DATA ACROSS AT LEAST TWO SECTORS

SDG region	Number of countries	Population coverage
Australia and New Zealand	0	0%
Central Asia and Southern Asia	2	69%
Eastern Asia and South-eastern Asia	1	62%
Latin America and the Caribbean	15	93%
Northern America and Europe	3	44%
Oceania (excl. Australia and New Zealand)	0	0%
Sub-Saharan Africa	11	24%
Western Asia and Northern Africa	2	16%
World	34	55%

Source: Based on data from the CEQ Institute Data Center on Fiscal Redistribution, Tulane University https://commitmentoequity.org/datacenter/.

While some data on benefit incidence exist in global datasets (see box 2), the combination of the novelty of the indicator with the onset of the COVID-19 pandemic has limited progress in data collection. Hopefully, increasingly more and more countries will measure the share of public social spending accruing to their poor populations. Most importantly, these data are essential for governments to better understand how public spending benefits those living in poverty, and thus to inform more equitable and efficient policy-making. Guidance and technical support is available from a wide range of organisations, including the World Bank, CEQ and UNDP. Both Save the Children and UNICEF are ready to assist countries with data collection, measurement, analysis, use and reporting.

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[5] For comparability with most poverty headcount estimates, poverty is measured at disposable income, that is market/pre-fiscal income plus direct transfers and minus any direct taxes.

BOX 2: GLOBALLY COMPARABLE DATA SOURCES ON BENEFIT INCIDENCE

A few cross-country datasets exist on benefit incidence of social spending, each with its own advantages and limitations.

Most of the data reported in this note come from reports widely known as **CEQ assessments**, which are fiscal incidence analyses using the tools developed by the Commitment to Equity (CEQ) Institute at Tulane University[6]. The tool is used by multiple organisations, including the CEQ Institute and the World Bank.

The **Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE)** measures the benefits of social protection programmes (social assistance, social insurance and labour market programmes) for the poor for more than 100 countries.[7] However, the data are reported by income/consumption quintiles and, consequently, cannot be used directly for assessing SDG indicator 1.b.1.

The **UNICEF Office of Research-Innocenti** has estimated the incidence of public spending on education to the poorest children for 42 countries.[8] The analysis is based on enrolment and expenditure data from the UNESCO Institute for Statistics (UIS) and wealth disparities from the World Inequality Database on Education (WIDE). Latter is mostly based on Multi-Indicator and Cluster Surveys (MICS) and Demographic and Health Surveys (DHS), especially for developing countries. Those surveys provide an asset-based wealth index, but do not include a consumption or expenditure module. This brings an additional challenge with it, as wealth quintiles from those surveys will not necessarily correlate with poverty measures based on income/consumption surveys. Consequently, these data are also not comparable to monetary poverty headcounts.

[6] Lustig, N. (Ed.), 2018: Commitment to Equity Handbook. Brookings.
[7] More information on World Bank ASPIRE: https://www.worldbank.org/en/data/datatopics/aspire; Coverage of ASPIRE database calculated based on World Bank Data (https://data.worldbank.org/indicator/per_sa_allsa.ben_q1_tot)
[8] UNICEF (2020): Addressing the learning crisis: An urgent need to better finance education for the poorest children (https://www.unicef.org/media/63896/file/Addressing-the-learning-crisis-advocacy-brief-2020.pdf)

Analysis, results, and reporting

In Figure 1, the median share of the monetary poor in social public spending across all the 45 countries[9], with data for at least one sector and the 32 countries with data in the three sectors is shown to be 33 percent. It hovers around this value in all three sectors. However, the range is quite large with the monetary poor capturing as much as 80 percent or as little as 1 percent, depending on the sector (and between 67 and 3 percent for the total). While direct cash and quasi-cash transfers have the highest shares, it is surprising that they are not higher, given in most countries they are targeted to the monetary poor (usually via proxy means testing, at least for a good proportion of the programmes). The share of these expenditures benefitting the monetary poor do not seem to be very different from the other two sectors.

FIGURE 1: SHARE OF SOCIAL PUBLIC SPENDING BENEFITTING THE POOR (TOTAL, EDUCATION, HEALTH, AND DIRECT CASH AND QUASI-CASH TRANSFERS)
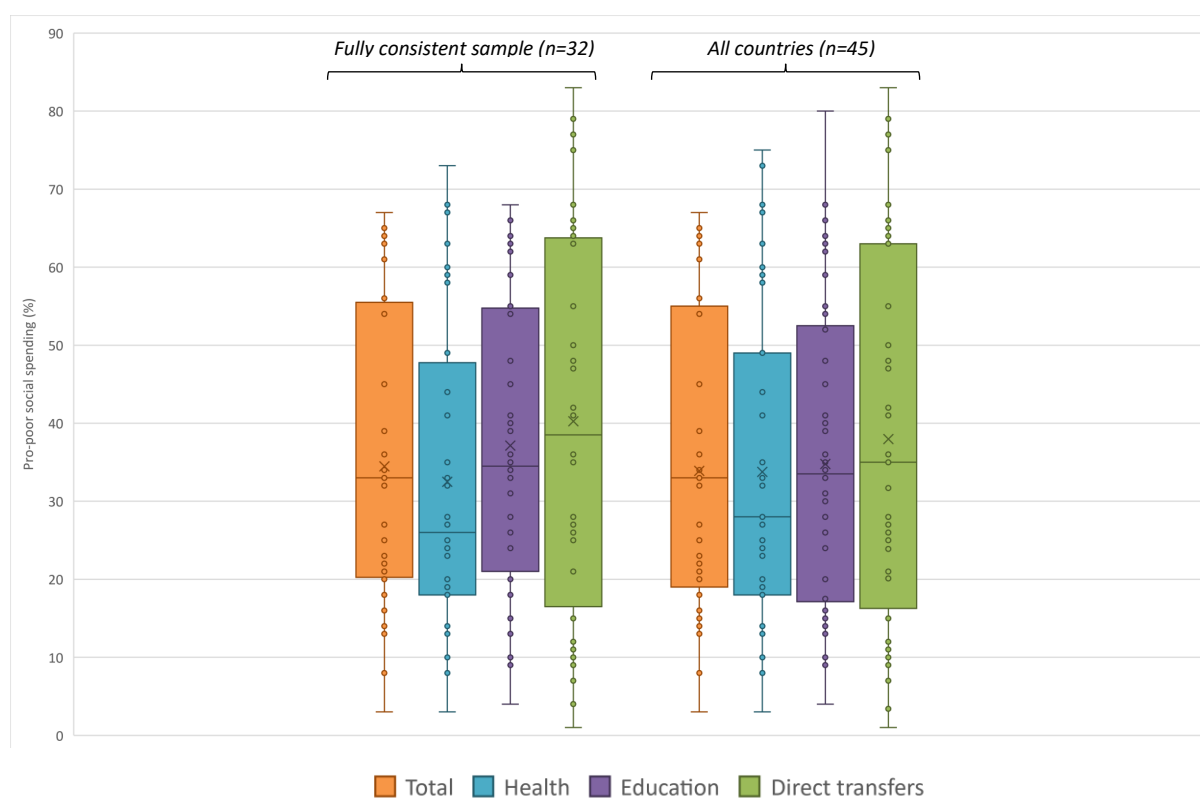
Source: Based on data from the CEQ Institute Data Center on Fiscal Redistribution, Tulane University; World Bank, Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE); and UNICEF (2020): Addressing the learning crisis: An urgent need to better finance education for the poorest children
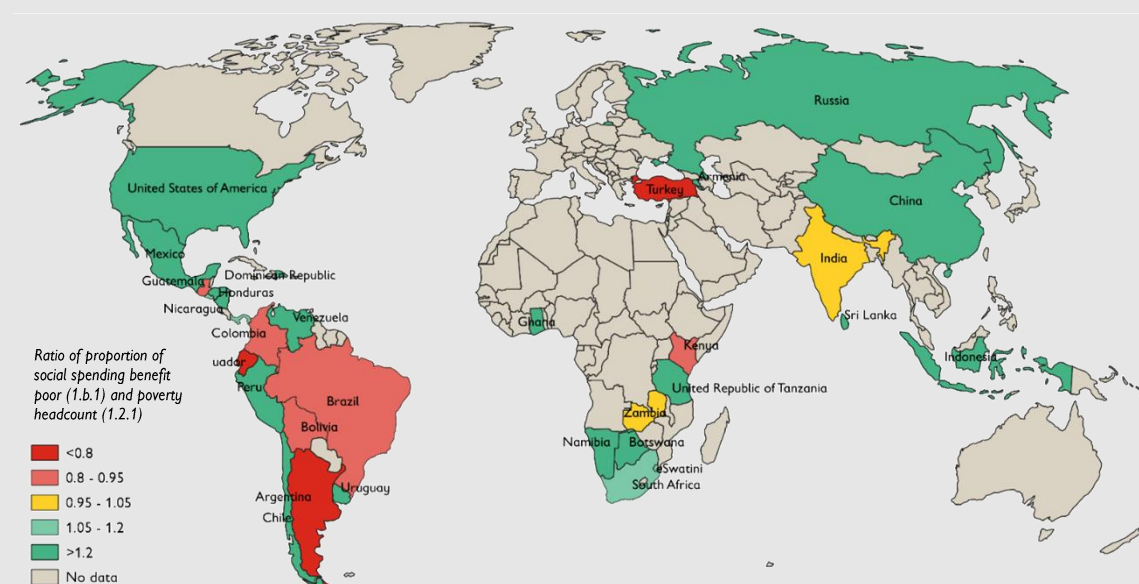
As mentioned earlier, the definition of the monetary poor in 1.b.1 is based on national poverty lines. This makes it consistent with SDG 1.2.1 and should indeed be read together. When the incidence of

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[9] Given the number and heterogeneity of countries, it is not possible to estimate representative averages for the world (e.g., based on population weights). Thus, a basic description based on quartiles is provided. As the ASPIRE and UNICEF analysis is based on quintiles, only countries for which, for the appropriate year, the prevalence of monetary poverty was between 18 and 22 percent were included in the analysis). The exercise was also carried out excluding both rich countries and Least Developed Countries. The results are basically the same except for the first or second quartile in a couple of sectors.

spending and the poverty are compared, we can directly understand how pro-poor public spending on social sectors is: if the proportion of social spending which benefits those living in poverty (as measured by 1.b.1) is larger than the proportion of the population living below the poverty line (as measured by 1.2.1), then we would consider this spending as pro-poor (see Box 3).

BOX 3: HOW PRO-POOR IS SOCIAL SPENDING?

One possible way to compare SDG indicators 1.b.1 and 1.2.1 is to calculate the ratio between them: if the value is above 1, social spending would be considered pro-poor; if the value is below 1, social spending would be considered regressive. In addition, a higher or lower value can inform us about the extent to which social spending can be considered as pro-poor. The map illustrates this idea for 32 countries for which there are comparable data both for the overall social spending (1.b.1) and a recent estimate for the proportion of the population living below the national poverty line (1.2.1). In 23 countries, social spending could be identified as pro-poor. Moreover, while in a few countries social spending is considerable progressive (the ratio being larger than 1.2) in a handful of them, the ratio is below 0.8.

Ratio of proportion of social spending benefit poor (1.b.1) and poverty headcount (1.2.1)

- <0.8
- 0.8 - 0.95
- 0.95 - 1.05
- 1.05 - 1.2
- >1.2
- No data

Source: Based on reported data on population living below the national poverty line as reported in SDG 1.2.1 (World Bank World Development Indicators). Data on proportion of spending and poverty measurement may not reflect the same year. Information about benefit incidence was obtained from the CEQ Institute Data Center on Fiscal Redistribution, Tulane University https://commitmentoequity.org/datacenter/.
Nota Bene: This map is stylized and not to scale. It does not reflect a position by UNICEF or Save the Children on the legal status of any country or area or the delimitation of any frontiers.

Three further points are worth mentioning. First, while there is value in the benefit incidence analysis by sector[10] (e.g., for planning purposes), it is important to assess the impact of the whole social sector on poverty (and policies to eliminate it) as there are complementarities and synergies among sectors that would not be captured in a sector-by-sector analysis. Combining the total with the sector-by-sector, gaps in coverage and missed opportunities for synergies can be exposed. If these missed opportunities were addressed, government efforts against poverty could be more effective and efficient. Secondly, governments could use the information from this benefit incidence analysis as part of the planning process of progressive realization of goals. Thirdly, it has to be

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[10] Thus, countries are encouraged to report these (even if available for just one sector). This information would also be useful when planning and budgeting of sectoral strategies.

remembered that often insufficiency generates inefficiency. For instance, schools without teachers are not very useful for children (thus, education spending expenditure seems inefficient). However, the solution is not to spend less but more (in order to hire teachers). As it is well known that averages hide disparities, a level of expenditure which could be deemed "sufficient on average" could be discovered to entail large inefficiency for some groups due to its undue concentration among other groups. Thus, countries, with this information at hand, may reallocate resources for the groups of people who are under-financed (the monetary poor) and obtain much better overall outcomes than they currently do.

BOX 4: THE FIRST COUNTRY TO REPORT ON 1.B.1 IN THEIR NATIONAL STATISTICS

The Office for National Statistics (ONS) is responsible for reporting data towards the SDG indicators in the United Kingdom (UK). As part of this work, it aims to be a leading example. The UK currently reports against 87% of the indicators, including disaggregated data where possible, on the national reporting platform. To our knowledge, the UK is the first country to publicly report data against indicator 1.b.1, pro-poor public social spending.

Pro-poor public social spending
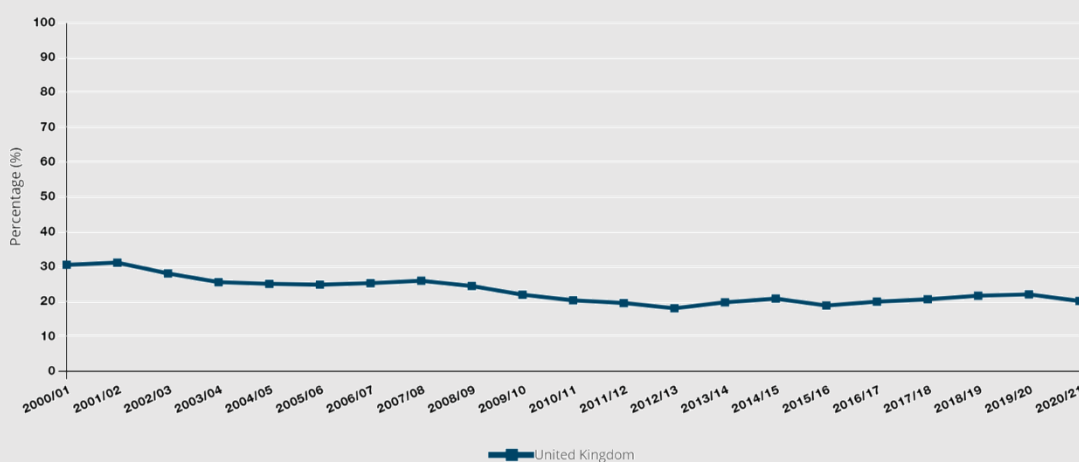
Source: Effects of Taxes and Benefits - Office for National Statistics
Geographical Area: United Kingdom
Unit of Measurement: Percentage (%)
Footnote: Data represents financial years.

The indicator uses data that are regularly collected, and is produced by ONS. Data on effects of tax and benefits on household income are produced using a combination of survey data and data from administrative sources on for example indirect tax (such as VAT) and in-kind benefits paid by the state[11]. Estimates for indicator 1.b.1 will be produced and published on an annual basis.

It should be noted that the survey data used may potentially under-report benefit income. Furthermore, data on incomes of the top and bottom of the scale can be considered less reliable, therefore, 'monetary poor' may sometimes include people whose income is more volatile but may not actually be monetary poor.

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[11] For more information please see the ONS Income and earning statistics guide

Next steps

The revised SDG indicator 1.b.1 allows for effective measurement of SDG target 1.b, which aims to "create sound policy frameworks at the national, regional and international levels, based on pro-poor and gender-sensitive development strategies, to support accelerated investment in poverty eradication action". The indicator measures pro-poor public social spending, defined as the share of government spending that directly benefits the monetary poor in health, education and direct social transfers. For the first time, data can be reported for more than half of the world's population, and data sources exist that can be used to measure and analyse the equity of public social spending in most of the world's countries.

While not all of the available data points are very recent (a common problem with benefit incidence analysis, given the need for both administrative and household survey data), they can be used to establish useful baselines. It is also possible that some national institutions (from statistical offices to NGOs or academics to parliaments) may wish to strengthen their capacity to analyse the data (and run policy simulations[12]), and Save the Children and UNICEF would be interested in working with partners on such initiatives.

Certainly, budget transparency and access are also needed, along with readily and widely available household survey microdata. Strengthening both of these elements is fundamental. Countries that invest in these elements will have data and analysis for more efficient and effective policies to reduce, and ultimately eliminate, poverty in all its forms among men, women and children.

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[12] Save the Children (2021). Fair Shares? Fiscal equity for children in Kenya.