Poor countries endanger development by spending less than promised
Woefully insufficient amounts going on social protection, gender equality and climate change, according to Oxfam report

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guardian.co.uk, Thursday 16 May 2013 00.04 BST

Residents in a shanty town in Luanda. Angola has enjoyed high growth thanks to natural resources, yet wealth remains confined to the elite. Photograph: Stephane De Sakutin/AFP/Getty Images

Countries are barely funding social protection, gender equality and climate change programmes, crucial for meeting sustainable development goals after 2015, a report by Oxfam and Development Finance International (DFI) said on Thursday.

Putting Progress at Risk, the first report to track what developing countries are spending on the millennium development goals (MDGs), found most are spending much less than they promised, or has been estimated is needed by international organisations, on all the targets.

Most sectors show increases in funding, but these are woefully insufficient, said the report. No spending target is on track: only one-third of developing countries are meeting promised or needed levels for health, one-quarter for education, and one-fifth for agriculture and water, sanitation and hygiene.

Trends for each MDG sector show that spending is either stagnant or falling back from promised or needed levels, with agriculture demonstrating the worst trend. Despite poor countries' efforts to overcome the impact of the 2008 crisis by increasing their own revenue-raising efforts, less than one in five countries are spending the recommended level on agriculture, said the report.

Although many had managed to increase spending in these areas, and in others such as education, this was funded by a large increase in borrowing. Fears about rising debt, combined with recent aid cuts mean governments are now cutting back.

The report found that poor countries lost $140bn in revenues due to the crisis – a situation compounded in the past two years by aid cuts. As a result, between 2008 and 2013, 40% of their extra spending has been funded by borrowing, much of it expensive –
for example, by using off-budget private infrastructure finance initiatives and domestic and external commercial bonds.

Looking beyond 2015, the report noted that social protection, gender equality and climate change will be crucial areas if inequality is to be tackled. Inclusive and equitable growth is seen as of the utmost importance in any post-2015 framework as economic growth in itself without spreading benefits evenly through society can increase inequality and hurt social cohesion.

The Africa Progress Panel and others have expressed concern at how countries such as Angola and Equatorial Guinea have enjoyed high growth thanks to natural resources, yet wealth remains confined to the elite.

"The assumption is that the post-2015 framework will tackle inequality, and that is about providing social protection," said Matthew Martin, director of DFI. "But nothing is being spent on that despite the noise globally. There is no donor money going towards social protection."

UN experts last year mooted the idea of a $20bn global fund to promote the creation of social safety nets for the most vulnerable people in poor countries. The International Labour Organisation (ILO) estimates the costs of universal social protection to be 2%-6% of world gross domestic product (GDP).

According to the ILO, 75%-80% of the world’s population does not have access to “comprehensive social security” protection to cushion the effects of unemployment, illness, disability, crop failure or soaring food costs.

While acknowledging that the idea may meet resistance in hard economic times, Olivier De Schutter, the UN special rapporteur for food, said a global fund would save money in the long run.

According to the Putting Progress at Risk report, spending by African governments on social protection – social insurance and food or cash transfers for the poorest – is falling well short of their own target of spending 4.5% of GDP.

Of the 26 African countries for which social protection data is available, only Burundi, Kenya and Rwanda spent more than 1% of GDP on social protection during 2011 or 2012. Outside Africa, Bangladesh, India, Papua New Guinea, Samoa and Tajikistan are spending 1% or more of GDP, but the average level of spending is well below 1%.

Despite the success of large-scale social protection programmes such as the Bolsa Família in Brazil or social security grants in South Africa, the report saw little sign of any substantial increases in spending on social protection.

The report was also concerned that there was no sign of increased spending on the broader empowerment of women (beyond equal access to education) to reduce gender inequality.

"Under the MDG framework, the international community has not even made spending commitments for gender or the environment," said the report. "Hardly any countries are tracking the degree to which spending targets women; and no country is meeting commitments or estimated needs for social protection spending."

The report suggested that developing countries needed to make data on MDG spending more accessible to their citizens, while donors were urged to report and repatriate illicit outflows, end laws and investment treaties that reduced poor countries’ revenue, increase innovative financing such as financial transaction and carbon taxes, and put more aid through developing country budgets.