CHAPTER 7

Financing Basic Social Services

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The 20/20 Initiative, sponsored by several United Nations organisations and the World Bank, was adopted at the World Summit for Social Development held in Copenhagen in 1995. The Initiative proposes that in order to achieve universal coverage of basic social services, 20 per cent of budgetary expenditure in developing countries and 20 per cent of aid flows should on average be allocated to basic social services (BSS). The 20/20 Initiative is based on the conviction that the delivery of BSS is one of the most effective and cost-effective ways of combating poverty.

The assumption that 20 per cent of government spending would generally be sufficient to achieve universal coverage is based on calculations with regard to the current state of coverage in basic social services and the unit cost of providing these services. Among the assumptions regarding volumes of resource availability are that total government spending in developing countries will remain between 20 and 25 per cent of GDP and that donor countries will make progress towards the goal of allocating 0.7 per cent of their GDP to overseas development assistance (ODA). The numeric target of 20 per cent is simply a means to an end. The real goal is the reduction of poverty by providing basic social services to all.

Under the Poverty Strategies Initiative (PSI) launched by the United Nations Development Programme (UNDP) in 1996, a total of 27 countries received support for the preparation of country reports on national expenditure and the implementation of the 20/20 Initiative. These reports, which in many cases were carried out jointly with UNICEF, aimed first, to determine how much of the national budget and international aid flows are being spent on basic social services; second, to analyse the incidence of public expenditure on social services by income group; third, to establish the scope for inter-sectoral and intra-sectoral budget restructuring in favour of basic social services; and, fourth, to identify areas where the incidence and cost-effectiveness of BSS delivery could be improved.

Although all of the studies had common terms of reference, they vary widely in the data they provide. In some cases, this is because certain data were unavailable. Many country reports also had to completely recalculate budget figures to generate estimates of BSS spending. Nevertheless, this is in and of itself an important by-product of the exercise supported by UNDP, inasmuch as it makes it possible to assess the current availability of data on budget allocations to basic social services, as well as on final outcomes.

This chapter presents findings from 17 country studies on the current status of spending on BSS. It also examines the structure of public finances in these countries, with a view to finding ways of improving the quality and quantity of public expenditure on BSS in light of the 20/20 targets. The 17 countries covered in the chapter are Bangladesh, Benin, Burkina Faso, Chad, Colombia, the Dominican Republic, El Salvador, Guatemala, Jordan, Kenya, Lebanon, Morocco, Nepal, the Philippines, Uganda, Viet Nam and Zambia.

We begin by reviewing some basic concepts and methodological problems in the assessment of budget spending on basic services. Then we undertake an aggregate analysis of public finances in the countries under review, with a special emphasis on the level of allocation to the social sectors and to basic services in general, before assessing the role of ODA in the provision of basic social services in the sample countries. Finally, we provide a disaggregated analysis of social expenditures (education, health, water and sanitation), and conclude by drawing some key lessons for ensuring adequate financing of basic social service provision in developing countries. In order to analyse the extent of need and the potential for financing of basic social services, the chapter will examine existing indicators of poverty, education and health; the size of the national budget compared with GDP; total social spending; the priority given to basic social services out of the total expenditure on social services; and trends in the provision of basic health care and education.

Concepts and methodology

The definition of basic social services

The first methodological problem to be addressed is the definition of basic social services. The 20/20 Initiative defines basic social services as comprising basic education, primary health care and family planning services, low-cost water and sanitation, and nutrition programmes (UNDP et al. 1996).

There is a general consensus on what constitutes basic social services, but considerable variation in the specific definitions used in the countries under review. For example, budget data provided by governments may present expenditure according to level of education (i.e., primary, secondary, university), but the definition of 'basic education' proposed by the Copenhagen Summit includes adult literacy and non-formal education, which are more likely to be reported under other budget items. Even 'basic' formal education is not always defined in the same way. Most countries consider that primary education lasts for six years, but a few consider that primary education consists of as few as four years, while for others it may be as long as nine. Some countries include pre-school within their definition. As a result, it is difficult to accurately and consistently evaluate the total public expenditure on education with existing data.

Likewise, basic health care was defined by UNDP and UNICEF (1998) as including all community health intervention (epidemiological data collection, health system planning, health education, regulation, licensing, environmental health, prevention of communicable diseases, water and sanitation), all personal health services that are preventative in nature (including family planning, maternal and child health, infant nutrition, immunisation and treatment of communicable diseases), and curative care at primary and secondary levels (i.e. health centres and district hospitals). However, national health care budgets often do not differentiate between expenditure for preventative as opposed to curative care, or between basic and non-basic services.[1]

For a more accurate assessment of the progress towards 20/20 targets to be made in the future, some standardisation of national budgets will be essential. For the purposes of the present review, however, the only data available were those provided in the 17 country reports financed by UNDP. The lack of perfectly defined and comparable data will be an obstacle to the analysis, but not a fatal one, if these limitations are clearly understood. Knowing the general direction of progress is more important than the exact extent to which the 20 per cent targets have been reached. Also, the initiative is designed to be flexible in what is required of individual donors and countries. Universal coverage of basic social services, not the figure of expenditure, is the true goal, and the analysis of expenditures should be undertaken accordingly.

The problem of double counting expenditures

A second difficulty that may be encountered in assessing the extent of effort undertaken by the respective countries towards attaining the 20/20 goals is the problem of 'double counting'. Double counting of expenditure occurs when aid flows destined for social programmes are channelled through government development budgets and thus incorporated into the figures for government expenditure on social services, while also appearing in the total of foreign development assistance given for social services. This does not distort the final figure of the proportion of the total government budget expended on basic social services, but does give a distorted picture of the proportion of the government's *own resources* that are spent on BSS.

The country studies provide no way to avoid this distortion, since the reporting of aid expenditures is so inadequate, as is discussed in more detail below. For purposes of this analysis, we must simply be aware that whatever figures are reported for basic social services expenditure out of total government expenditure, especially in countries that receive considerable aid flows, the actual figures for government expenditure out of nationally generated resources are likely to be somewhat lower.

In some of the low-income countries, especially in sub-Saharan Africa, the development budget is entirely externally financed, which makes the issue clearer, even if the extent of the distortion is also larger. In such cases, the proportion of the government's expenditure on basic social services out of its resources is zero and only the recurrent budget should be included in the calculations. As a rule, the proportion of government expenditure out of nationally generated resources can be calculated if the proportion of basic social services expenditure out of ODA is known.[2] Therefore, the problem of 'double counting' is in principle wholly solvable, although the data necessary for this operation are only occasionally available.

Differences between budget allocations and actual expenditures

This review aimed to use actual government expenditures wherever possible. However, due to limitations in the data available from national governments and in the country reports, data on budget *allocations* have more frequently been relied on. There is some reason to expect a greater disparity between budgeted and actual expenditures in the social sectors than in other sectors of expenditure. One reason is that social sectors may often bear post-budgetary discretionary adjustments due to having weaker protecting interests than, for example, military expenditures and external debt payments. Additionally, the degree of illicit 'leakage' between allocated and final expenditures may arguably be expected to be higher in the social sectors for similar reasons of political economy. On the other hand, there may be contrary reasons for the degree of disparity to be lower. For example, the high proportion of non-discretionary wage costs in social sector expenditures may protect it from ex-post adjustments.

Other differentiating features of the social sectors are ambiguous in their implications. For example, smaller costs per final budget item in the social sectors could conceivably lead to superior (due to their small size and degree of standardisation) or inferior (due to their large number) ability to establish financial controls. Suffice it to compare the features of local contracts for school construction as against national contracts for the construction of bridges or the purchase of aircraft. Neither the country reports under review nor other information sources provide a basis on which to form strong judgments on this issue.

Aggregate analysis of public finances

In order to analyse the adequacy of public investment in basic social services, we begin with an overview of public finances in the 17 countries covered in this chapter. We are concerned particularly with the level and pattern of expenditure on social services in these countries.

It is important to note that our sample countries have very different economic and social situations. They have also experienced varying development in their economies and social indicators over the previous decade. Six countries are from sub-Saharan Africa (Benin, Burkina Faso, Chad, Kenya, Uganda, and Zambia), four from Asia (Bangladesh and Nepal from South Asia, and the Philippines and Viet Nam from South East Asia), three from the Middle East and North Africa (Lebanon, Jordan and Morocco), and four from Latin America (Colombia, the Dominican Republic, El Salvador and Guatemala).

Geographical differences in both economic and human development are immediately apparent. For example, the six countries in the sample with the highest child mortality are from sub-Saharan Africa. On the other hand, the highest achievers in terms of GNP per capita are mainly from Latin America. Countries can also be classified in terms of their social indicators by using the Human Development Index

Table 1. Economic and social indicators

	GNP/Capita $ (1998)	HDI[a] (1998)	HPI-1[b] (1998)
Medium Income			
Lebanon	3560	0.74	10.8
Colombia	2470	0.76	10.4
El Salvador	1850	0.69	20.2
Dominican Republic	1770	0.73	15.4
Guatemala	1640	0.62	29.2
Morocco	1240	0.59	38.4
Jordan	1150	0.72	8.8
Philippines	1050	0.74	16.1
Low Income			
Benin	380	0.41	48.8
Bangladesh	350	0.46	43.6
Kenya	350	0.51	29.5
Viet Nam	350	0.67	28.2
Zambia	330	0.42	37.9
Uganda	310	0.41	39.7
Chad	300	0.87	52.1*
Burkina Faso	240	0.30	58.4
Nepal	210	0.47	51.3

Source: UNDP, Human Development Report 1999, 2000.

[a] Composite index of three indicators: life expectancy at birth, educational attainment and real GDP per capita in Purchasing Power Parity US dollars (PPP$).

[b] Composite index measured by the percentage of people not expected to survive to age 40, the percentage of adults who are illiterate, and a combined indicator of access to safe water, access to health services and malnutrition among children under five.

* 1997 figures

elaborated by UNDP. With the exception of Viet Nam, all the countries classified as 'low income' also belong to the 'low human development' category. This includes all of the sub-Saharan African countries in our sample, plus Bangladesh and Nepal. The 'medium human development' group includes all of the Latin American countries, plus Jordan, Lebanon, Morocco, Philippines and Viet Nam.

The level of public spending on basic social services is determined by three factors: first, the level of aggregate public expenditure; second, the fiscal priority assigned to social sector spending; and finally, the priority of basic social services within total social sector expenditure. Governments are constrained in their absolute levels of spending by the size of the national economy, their ability to raise funds for expenditure from internal and external sources, and non-discretionary expenditure obligations in the form of debt service payments. Within the available budget, allocations are made to the major ministries such as health, education, social sectors, infrastructure, defence, and administration.

Thus, the share of spending on BSS to national product can be broken down into the following formula:

BSS/GDP = BSS/SS x SS/PE x PE/GDP, where

- BSS/GDP refers to the 'human expenditure ratio', or the macroeconomic priority assigned to basic social services, expressed as the ratio of BSS spending over GDP;
- BSS/SS refers to the 'social priority ratio', or the allocation within social spending to BSS;
- SS/PE refers to the 'social allocation ratio', or the fiscal priority assigned to social spending; and
- PE/GDP refers to the 'public expenditure ratio', or the potential volume of resources available to government for allocation.

Due to data limitations in the country reports and other sources, we refer here only to central government expenditures. This may lead to some distortion (and, in particular, understatement) of estimated social sector expenditures, especially in larger countries that practice a degree of 'fiscal federalism'. Regrettably, however, there is no ready means available to correct for such error.

Public expenditure levels: The public expenditure ratio

The level of public expenditure, expressed as a ratio of GDP, is known as the public expenditure ratio. The public expenditure ratio shows the potential volume of resources available to government for allocation. A high level of public expenditure *per se* is not a guarantee of high levels of social spending, since the size of public sector spending may be driven by spending on items such as debt payments, military expenditures or subsidies to loss-making state enterprises. However, the public expenditure ratio shows the volumes of resources mobilised by government in total, and thus offers a baseline for discussing the scope for allocation of resources to basic social services.

Clearly, the extent to which the total resources available can be reallocated depends on national and international economic and political constraints, and thus varies widely from country to country. *The Human Development Report* 1991 suggests 20 to 25 per cent as a realisable public expenditure ratio in developing countries (UNDP 1991). The calculation of the 20/20 ratio of BSS/PE as the target for attaining universal access to BSS is based on the assumption that national budgets represent approximately 20 per cent of GNP.

Table 2 shows public expenditure as a percentage of GDP for the countries in the study. Only 7 of the 17 countries in the sample have a public expenditure ratio above the postulated level of 20 per cent. The average public expenditure of all the coun-

Table 2. Public expenditure as per cent of GDP

Country	Public expenditure (% GDP)*
Kenya	42.3
Lebanon	39.3
Jordan	35.3
Colombia	35.2
Viet Nam	23.0
Zambia	23.0
Morocco	21.2
Nepal	20.1
Uganda	19.3
Benin	18.8
Philippines	18.6
Chad	18.1
Burkina Faso	17.8
Bangladesh	17.0
El Salvador	15.3
Dominican Republic	14.8
Guatemala	12.6
Mean	**23.0**

Source: Khundker et al. 1999; Benin 1998; Burkina Faso 1998; Chad 1998; Sarmiento et al. 1999; Aristy 1998; Lazo 1999; Schneider 1999; Al-Bustany et al. 2000; Nganda 1998; Lebanon 2000; Akesbi 1998; Nepal 1998; Manasan 1994; Opio 1998; Viet Nam 1998; Zambia 1998.

* Figures correspond to the latest year available.

tries in the sample is 23.0 per cent of GDP, but this average is distorted by the four outliers in the sample, with public spending of 35 per cent or more: Kenya, Lebanon, Jordan and Colombia. These four countries are at least 12 percentage points higher than the next highest spender, Viet Nam, at 23 per cent. If these four highest-spending countries are excluded, the average for the remaining countries falls to 18.4 per cent. The lowest-spending country is Guatemala, at only 12.6 per cent of GDP. Two of the countries in the sample have public expenditures between 10 and 15 per cent of GDP, while another seven countries have public expenditures between 15 and 20 per cent of GDP. Thus, the countries represented reflect a wide range of public expenditure levels, although a majority are near or above the 20 per cent yardstick established by the 20/20 Initiative.

Overall, these figures suggest that the funds currently available for social services are quite limited, since public expenditure in total is generally low. Where it is high, this may be due to the fact that a country is incurring unsustainable debt finance or is a favoured recipient of ODA. While the question of reallocation will be addressed later, it is clear that social expenditure cannot be increased in absolute terms in most of these countries without economic growth, raising more revenue relative to the size of the national economy, increasing public debt, or a combination of these. Attempts to increase government spending may also directly conflict with fiscal austerity programmes required by international financial institutions.

Increasing expenditure without additional resource mobilisation is unlikely, since many countries are already running substantial deficits. Between 1990 and 1997, the average deficit of countries in the sample was 5.4 per cent of GDP. For the African countries in the sample, the average deficit was higher, at 7.4 per cent of GDP. Without dramatic GDP growth or revenue-generating measures, the existing high deficits are likely to prevent increased public spending.

Social spending relative to public expenditure: The social allocation ratio

While the public expenditure ratio indicates the total government resource usage, the *social allocation ratio* (SS/PE) measures the fiscal priority assigned to social spending. Of public revenues and resources in any given year, the amount available for discretionary expenditure is what remains once non-discretionary payments, like debt services, have been made. Thus, the size of debt payments heavily influences how much can ultimately be spent on social services.

The countries in the sample are carrying a heavy debt burden of on average 23.6 per cent of national expenditure. Kenya and Chad spend 40 per cent or more of their budgets on debt payments, Colombia spends 39 per cent, Lebanon 33.5 per cent, and the Philippines, 32 per cent. In another three countries, debt service accounts for approximately one-fourth of the national budget. Only in Benin and Uganda does

Table 3. Expenditure on defence, debt, social services and basic social services as a share of annual national budget*

Country	Defence	Debt Service	Defence + Debt Service	Social Services	BSS
Chad	21.0	41.8	62.8	29.3	9.5
Lebanon	24.4	33.5	57.9	20.3	8.4
Morocco	25.6	26.8	52.4	40.2	16.5
Kenya	4.5	40.0	44.5	n/a	12.6
Zambia	4.8	39.0	43.8	28.8	6.7
Philippines	8.6	32.0	40.6	20.1	8.6
Jordan	16.6	16.6	33.2	43.6	15.8
Bangladesh	17.5	14.7	32.2	32.0	15.7
Colombia	7.0	23.1	30.1	43.2	16.1
El Salvador	7.1	22.1	29.2	23.8	14.2
Uganda	18.4	7.0	25.4	n/a	16.5
Benin	13.9	9.0	22.9	27.2	9.5
Nepal	4.7	14.9	19.6	29.2	17.3
Guatemala	n/a	n/a	n/a	46.0	13.6
Dominican Republic	5.4	n/a	n/a	38.4	8.7
Burkina Faso	n/a	10.2	n/a	27.0	10.4
Viet Nam	n/a	n/a	n/a	25.0	8.5
Mean	**12.8**	**23.6**	**35.7**	**31.6**	**12.3**

Source: Same as Table 2; IMF Government Financial Statistics.

* Figures correspond to the latest year available.

debt servicing consume less than 10 per cent of their national budgets.

Social expenditure surpasses debt in its 31.6 per cent average share of national budgets. In four countries (Colombia, Guatemala, Jordan and Morocco) social expenditure is over 40 per cent of the total national budget, and in two (Bangladesh and the Dominican Republic), over 30 per cent. In all the countries surveyed, social expenditure is over 20 per cent. Together, social expenditure and debt average over 50 per cent of national budgets in the sample, although the average figures across the sample are somewhat misleading, since they hide vast disparities among countries, especially with respect to spending on debt service. These figures suggest, perhaps surprisingly, that a low priority attached by national governments to social services in general is not one of the reasons for slow progress towards universal access to basic social services.

Of the 12 countries for which both debt service and social expenditure figures are available, debt is greater than social expenditure in four: Lebanon, the Philippines, Zambia and Chad. In these four countries the gap between debt service and social spending is at least ten per cent. With Kenya, these are also the only countries in which debt service consumes more than 30 per cent of the total budget. Although no aggregate social expenditure figure is available for Kenya, it is likely that debt service substantially exceeds social spending there as well, since debt service consumes 40 per cent of its budget, and in only three countries of the sample, none of which is in sub-Saharan Africa (Colombia, Jordan and Morocco), does social expenditure surpass this percentage.

In eight countries, social expenditure is greater than debt payments as a share of the national budget, and in five of these the difference is considerable (15 per cent or more). It must be noted, however, that the figures given for social spending are not perfectly consistent across country studies: in most cases, social spending includes health, education, social security and entitlements (i.e. unemployment benefits and pensions). As will be seen below in the analysis of basic social services in relation to total social spending, some countries spend a great deal on entitlement programmes that do not exist in other countries. In addition to this difference in actual *composition* of expenditures, there are differences in nominal *classification*. For example, some countries include spending on sanitation within their health budgets, while others may place it under capital expenditure on infrastructure. There are also other differences in the definition of social spending that may together account for a few percentage points in one direction or another.

Of the 12 countries for which both defence and social expenditure figures are available, only Lebanon spends more on defence than on social spending, though the trend in defence spending is downward. On average, these countries spend 12.8 per cent of the national budget on defence, compared with 31.6 per cent on social expenditure. Defence spending ranges from a high of 25.6 per cent in Morocco to 4.5 per cent in Kenya. Unfortunately, data for defence spending over time is unavailable, so we cannot conclude if there is a trend towards reallocating defence spending to other budget items, or vice-versa. Lack of commitment to social expenditure as such does not seem to be a reason for low levels of social expenditure, since a high proportion of discretionary resources seems to be devoted to them.

The social priority and human development priority ratios

While social spending occupies an important place in national budgets, the situation with respect to basic social services is much less favourable. The proportion of social spending devoted to basic social services is known as the *social priority ratio*. As illustrated by Table 4, spending on basic social services is usually less than half of total social expenditure: the average is 38 per cent. The proportions vary from a low of 22.7 per cent (Dominican Republic) to a high of 59.7 per cent (El Salvador). Of course, these figures must be interpreted cautiously in the light of the imperfect comparability of data on BSS expenditures across countries noted earlier.

As described previously, the definition of basic social services varies somewhat from country to country. Taking as given that this may cause a variation of a few

TABLE 4. Social expenditure and basic social services expenditure as a share of national budgets*

Country	Social Expenditure %	BSS Expenditure %	BSS/Social Expenditure %
El Salvador	23.8	14.2	59.7
Nepal	29.2	17.3	59.2
Bangladesh	32.0	15.7	49.0
Philippines	20.1	8.6	42.8
Lebanon	20.3	8.4	41.0
Morocco	40.2	16.5	41.0
Burkina Faso	27.0	10.4	38.5
Colombia	43.2	16.1	37.3
Jordan	43.6	15.8	36.2
Benin	27.2	9.5	34.9
Viet Nam	25.0	8.5	34.0
Chad	29.3	9.5	32.4
Guatemala	46.0	13.6	29.6
Dominican Republic	38.4	8.7	22.7
Zambia	28.8	6.7	18.6
Kenya	n /a	12.6	n /a
Uganda	n /a	16.5	n /a
Mean	**31.6**	**12.3**	**38.6**

Source: Same as Table 2.

* Figures correspond to the latest year available.

percentage points, we find that no country in the sample meets the target of 20 per cent of public spending dedicated to basic social services. The average expenditure on basic social services is 12.3 per cent of total spending. This figure is very close to that suggested in earlier studies (Mehrotra et al. 2000).

The six countries devoting the highest percentage of their total expenditure to basic social services are all spending between 15 and 20 per cent: Nepal (17.3 per cent), Morocco and Uganda (16.5 per cent each), Colombia (16.1 per cent), Jordan (15.8 per cent), and Bangladesh (15.7 per cent). The seven lowest-spending countries are all devoting less than 10 per cent of their total public expenditure to basic social services: Zambia (6.7 per cent), Lebanon (8.4 per cent), Viet Nam (8.5 per cent), the Philippines (8.6 per cent), the Dominican Republic (8.7 per cent), Benin (9.5 per cent), and Chad (9.5 per cent). These figures establish a very wide variation in the extent of progress needed to approach the 20/20 objectives, although it is evident that all countries must progress further.

It is interesting to note that there is not in fact any significant correlation between high social expenditure and high expenditure on basic social services. The highest spenders on social services overall (Guatemala, Jordan, Colombia, Morocco and the Dominican Republic) are second, fourth, fifth, eighth, and thirteenth in percentage devoted to basic social services. High social spending thus does not indicate either a lesser or a greater than average priority for basic social services. This important finding underlines the potential large gains to be realised from reallocation of social expenditure towards basic social services.

In fact, in 13 of the 15 countries for which data are available, the social priority ratio is less than 0.5; in other words, spending on basic social services accounted for less than half of total social spending. Only El Salvador and Nepal spent more than 50 per cent of their total social expenditure on basic social services, while the figure for Bangladesh is 49 per cent. As a percentage of total public budgets, spending on basic social services is on average over 20 points lower than total social spending. The low level of spending on basic social services compared to total social sector expenditure indicates its overall low priority.

As Table 3 above illustrates, in a majority of countries, levels of expenditure on basic social services is less than that on debt service. In five of these countries (Chad, Kenya, Lebanon, the Philippines and Zambia), debt service expenditure is greater than that on basic social services by over 20 percentage points. Uganda has the best basic social services to debt ratio, with debt receiving only 7 per cent of public expenditure in contrast to 16.5 per cent for basic social services. This favourable ratio is of course due to its having been an early recipient of debt relief under the Heavily Indebted Poor Country (HIPC) Initiative. In Benin, Bangladesh, Burkina Faso and Nepal, basic social services spending surpasses debt servicing by less than three per cent relative to total national expenditure.

In half of the countries for which there are data, expenditure on basic social services is less than that on defence. On average, basic social services take 12.3 per cent of national budgets, while defence takes 12.8 per cent. For most countries, the two figures are not very far apart. In only three countries (Chad, Lebanon and Nepal) does defence spending differ from basic social services spending by more than ten per cent.

This finding reinforces the lesson that major gains can result from reallocations of social sector expenditure towards basic social services. Comparatively small gains will be realised from the reallocation of discretionary expenditures towards the social sectors from other expenditure areas. Increases in discretionary resources through debt relief can free substantial resources for basic social services. Reductions in debt service and military expenditures are a critical component of any strategy to increase the provision of basic social services.

Reallocation and mobilisation of additional resources

From the above analysis of public expenditure, it is clear that basic social services are currently a relatively low budgetary priority. Basic social services expenditure will have to increase considerably if the 20/20 target is to be met. It might seem that the simplest way to increase basic social services spending is to reallocate resources that are already being spent on non-basic social programmes, since social spending is a large part of most national budgets. However, although social spending receives a large proportion of national budgets, it is more likely to be socially productive than is debt service or defence spending. While these are smaller items than social spending in most national budgets, they are promising targets for reallocation since they do not generally provide concrete benefits for the general population.

By taking such a large percentage of many national budgets, debt service has a negative impact on basic social services spending. Many efficiency and equity arguments for debt relief are today well known — and frequently rehearsed (Sachs 1999). The clear imperative to enhance human capabilities through increased spending on basic social services underlines the argument in favour of debt forgiveness, especially for those countries that already give priority to basic social services by minimising defence and other less productive expenditures.

Reallocation is only one approach to increasing basic social services spending. Given that in many countries public expenditure overall is very low, total resources available for basic social services are necessarily limited. Mobilisation of new resources is also needed in order to increase basic social services spending.

In principle, there are several strategies for mobilisation of additional resources. One is to improve the efficiency of tax collection. Another is to impose new taxes. However, both of these strategies face challenges in practice. Improving the efficiency of tax collection is made difficult by informational problems that are acute in developing countries. There is scope, nonetheless, for reversing the degree of leakage of resources within the tax collection system through appropriate restructuring of incentives (Klitgaard 1991). Tax rates in developing countries tend to be quite low. Resources can be raised in the short term by selling state assets and enterprises, but there remains limited additional scope for such gains in many developing countries and there is thus a need to identify new tax instruments and to employ existing ones thoughtfully.

In some developing countries, the dominant approach to adjustment is derived from ‘first best’ arguments that have overlooked the revenue-generating role of certain instruments. For instance, customs and excise taxes were a central source of tax revenues in many less developed countries, especially in Africa. In many cases, these taxes have been eliminated in order to facilitate gains from trade, although few alternative revenue sources may remain to the government. Gains in economic efficiency from such policy shifts should properly be balanced against the cost to social investment from the ensuing losses in revenue. Such a comprehensive approach to economic policy analysis has not been adequately pursued in the past.

Trends in basic social services expenditure

Only 9 of the 17 country studies reviewed for this chapter provide information on basic social services expenditure for three or more years. This sample is too small to draw any firm conclusions about general trends in basic social services spending. However, the pattern that emerges from this very small sample is that spending on basic social services tends to be stable. No country's expenditure varied by more than four per cent of total national spending over three consecutive years. All but two remained within two percentage points of where they began.

The greatest year-to-year changes noted are of just less than four per cent. Between 1996 and 1997, Uganda and Nepal increased their spending by this much. Given the very small yearly changes, countries tend to remain in similar relative positions. The highest expenditure recorded between 1994 and 1998 was by Colombia, which spent nearly 18 per cent on basic social services in 1995, but reduced this to 16 per cent by 1997. The sharpest fall is recorded by Chad, which reduced its basic social services spending from nearly 12 per cent to just below 10 per cent between 1995 and 1996.

In no country was the trend steady, even over the very short time period studied. All countries aside from Bangladesh (whose spending remained exactly the same for two years before declining) recorded both increases and declines in basic social services spending, although these may have been extremely slight. No country for which figures were available decreased its basic social services spending between 1996 and 1997.

Although the general trend seems to be one of gradual increases, the present rates of increase are so small that, even if they continued, it would take several years for most of the countries surveyed to reach a basic social services expenditure level of 20 per cent of national expenditure. Not only steady, but more significant increases in basic social services spending will be required if countries are to reach the 20/20 target.

Role of ODA in the provision of basic social services

The 20/20 Initiative is conceived as a compact between developing and industrial countries and thus targets donors as well as national governments. ODA should be monitored, as is national expenditure, to examine whether it is being used efficiently and equitably, and in particular as to whether the target of 20 per cent of resources devoted to BSS is being met. This section, therefore, reviews the extent to which aid flows are being channelled to the financing of basic social service provision.

Role of ODA in national economies

The influence that ODA spending has on conditions in a country will vary widely depending on how large a role ODA plays in the national economy. Table 5 ranks the countries surveyed according to the percentage share of ODA in GDP.

Table 5. The scale of ODA*

Country	ODA/GDP 1997 %	Public expenditure/ GDP %	ODA/ Public expenditure %
Zambia	19.0	20.1	94.5
Burkina Faso	13.0	17.8	73.0
Chad	13.0	18.1	71.8
Uganda	12.0	23.0	52.2
Benin	10.0	19.3	51.8
Kenya	5.0	17.0	29.4
Lebanon	10.4	39.3	25.4
Jordan	5.0	23.0	21.7
Viet Nam	4.0	18.8	21.3
Nepal	8.0	42.3	18.9
Guatemala	2.0	18.6	10.8
Bangladesh	2.0	21.2	9.4
Morocco	1.0	12.6	7.9
Dominican Republic	1.0	14.8	6.8
Philippines	1.0	35.3	2.8
Colombia	0	35.2	0
El Salvador	n/a	15.3	n/a

Source: Same as Table 2; UNICEF, State of the World's Children 2000.

* Figures correspond to the latest year available.

Public expenditure as percentage of GDP is given by way of comparison.

The level of ODA relative to the size of the economy varies widely, with one per cent or less of GDP in the highest-income Latin American countries, but ten per cent or more of GDP in the poorest five sub-Saharan African countries in the sample. In Burkina Faso and Zambia, ODA represents a larger percentage of the economy than discretionary public expenditure. Further, it finances anywhere between zero (Colombia) and 95 (Zambia) per cent of the budget. The 20/20 compact clearly has to be interpreted flexibly in light of these differing circumstances. In cases where the national budget is heavily donor-financed, it may be reasonable for donors to take a correspondingly larger share of responsibility for financing basic social services, as some other public responsibilities normally can only be financed nationally.

Is ODA meeting the 20/20 target?

The question of whether or not donors are meeting the 20/20 targets for spending on basic social services is partially answered by the data contained in Table 6. Only countries for which figures are reported for at least two years during the 1990s are included.

In very few instances, and only in one country consistently (Bangladesh), has

Table 6. ODA inflows to basic social services as a percentage of total in the 1990s*

Year/Country	1990	1991	1992	1993	1994	1995	1996	1997
Bangladesh	17.5	21.7	21.2	21.4	22.6	21.9	-	
Benin	-	-	-	10.4	14.0	14.1	18.4	-
Burkina Faso	15.0	12.7	13.5	15.2	18.4	17.8		
Chad	-	-	-	-	-	12.1	8.0	28.7
Kenya	7.8	14.7	9.6	11.4	17.6	22.4	-	-
Nepal	-	-	7.5	11.0	14.3	13.8	15.5	-
Uganda	-	-	-	27.5	21.6	17.1	-	-
Viet Nam	5.2	-	-	18.6	-	-	-	10.0
Zambia	11.8	55.0	2.8	21.7	-	0.8	0.2	4.3

Source: Same as Table 2; Authors' own calculations.

* Figures correspond to the latest year available.

basic social services spending constituted 20 per cent or more of ODA. The figures clearly indicate that donors need to increase their spending on basic social services in order to meet the 20/20 target, although it may be misleading to compare figures precisely across countries, since as noted earlier, there is as yet no clear consensus among donors on which development activities constitute basic social services. In some countries such as Benin, Chad, Kenya and Nepal, there appears to have been a sharp rise in the proportion of ODA devoted to basic social services over time. However, given the lengthy (decade-long) period over which growth in the share of ODA devoted to BSS is observed, it seems reasonable not to attribute this directly to the 20/20 Initiative, but rather to the broader growth in awareness of the importance of BSS, of which the Initiative is a part.

Prerequisite to ODA analysis: The problem of reporting

The greatest problem in discovering how much ODA is being spent on basic social services is that much information on aggregate ODA flows and composition is still unreported. While most donors describe basic social services as being an important component of assistance (OECD/DCD and UNICEF 1998), the country studies commissioned by UNDP under the PSI programme contain very little information on how much ODA is dedicated to social spending generally, and even less on the amount devoted to basic social services. There is only limited evidence on this score. For instance, data from Chad establish that a preponderance of ODA is directed towards investment, with basic health care representing 17 per cent and basic education 9 per cent of external assistance.

Donors keep records according to their own standards and policies. The first step towards monitoring and implementing the 20/20 Initiative with respect to

ODA will be to develop common standards for reporting on aid among donors. Clear, common interpretations of basic social services among donors will enable international comparisons to be made. It will be important to note not only the type of use to which ODA is directed, but whether the final recipient is government or non-governmental actors in order to make correct assessments of national government commitments towards BSS, in particular through correcting for the problem of 'double counting'.

There is already a trend in this direction: the Development Assistance Committee (DAC) of the OECD has developed a Creditor Reporting System (CRS) in which donors are beginning to participate. The CRS system sets out codes for different development activities, so that activities reported upon under the same codes are certain to be comparable. This system could be adapted to collect comprehensive data on external funding for basic social services. At the present time, there is a fairly clear consensus among donor governments, international agencies, and the DAC on the definition of basic education, which is the same as the 20/20 definition. There is also a general consensus among these parties on basic health: the definitions of the CRS, 20/20, and individual donors are quite similar. However, on nutrition, water and sanitation, there is much less agreement. These issues will have to be resolved if the CRS reporting system is to realise its potential as a tool for evaluating progress under the 20/20 Initiative.

Convincing donors of the validity of 20/20

Apart from the problems of lack of consistent reporting on funding of basic social services by donors, the 20/20 Initiative faces a few obstacles in being accepted by all donors. Donors may resent attempts by the international community to influence the pattern of their activities. Some donors appear to have misunderstood the Initiative to be a binding compact, and as such believe it is unrealistic. There are regular proposals for the improvement of development assistance, and donors may be cynical about the utility of new initiatives, particularly of such a systemic character.

In the 1990s, some donors have adopted 'Sector-Wide Approaches' (SWAps), bilateral agreements with recipient governments that cover an entire sector, such as health or education, in which the responsibilities of both the donor and the recipient country are set out. The objective is to integrate areas in which initiatives of both donors and governments have been fragmented, and to build the capacities of recipient countries. While SWAps are not incompatible with 20/20, they emphasise a sector-specific approach to development aid, which may or may not acknowledge the 20/20 targets that pertain to basic social services overall.

When 20/20 is interpreted formalistically, as a simple numerical target, it will not attract donor support and cooperation. Donors must understand that the goal of the 20/20 benchmark is universal coverage of basic social services, and that pursuit of the initiative is compatible with and even complementary to other development approaches.

Disaggregated analysis of social expenditures

The previous section allowed us to analyse the overall fiscal priority of social expenditure in the countries studied. This section will examine in detail the pattern of expenditure *within* the social services budget of these countries. In particular, it will analyse the priority awarded to basic social services, and if possible, draw conclusions on efficiency of spending. The analysis that follows will attempt to elaborate on the main finding of the previous section, namely, that although social services as a whole occupy a significant proportion of the government budget in many countries, allocation to basic social services remains a low priority. After a brief overview of the social service budget, a more detailed analysis of spending on the health, education, and water and sanitation sectors will provide information on the efficiency and equity of major components of basic social services expenditure.

Breakdown of social expenditure

Social expenditure is generally defined as including that on a subset of the following: education, health, social welfare, water and sanitation, employment, and housing. In some countries, the water and sanitation spending is included as part of the health budget allocation, and in others it appears in a separate category.

Education usually accounts for the most significant proportion of the social services budget. The average for the countries in this study is 44 per cent of the total. Health spending is much lower, at around 20 per cent. Health and education combined, as shown on Table 7 below, thus account for almost 65 per cent of the total social services budget.

In the middle-income countries of the data set for which figures are available, Colombia, the Dominican Republic, Jordan and Morocco spend around half of their social sector budget on ‘other’ social services including housing, social welfare provisions, and social security. It appears that Lebanon spends a notably high percentage of the social security budget on education and health, though the budgets calculated for the individual sectors include spending from other ministries that are not included in the total social services budget. The Philippines spends a relatively high proportion on health and education, though most notably on education.

The average for the low-income countries in the sample reveals higher overall priority given to education and health (around 70 per cent) as the range and level of social services provided is lower. This sectoral priority is likely to be appropriate in poorer countries, but must be supplemented by a high priority accorded to basic social services *within* expenditure on education and health.

Table 7. The pattern of social services expenditure across countries*

	As % of government spending			Health and education as % of social spending
	Total social sector spending	Health	Education	
Lebanon	20.3	5.3	12.4	87.2
Viet Nam	25.0	5.6	15.0	82.5
Bangladesh	32.0	6.2	18.2	76.3
Benin	27.2	4.72	15.6	74.7
Philippines	20.1	2.2	12.6	73.6
Nepal	29.2	5.3	13.9	65.8
Chad	29.3	5.3	13.3	64.8
Zambia	28.8	10.4	10.8	58.9
Dom. Republic	38.4	8.6	13.8	58.3
Jordan	43.6	9.2	14.6	54.6
Morocco	40.2	3.5	16.5	49.8
Colombia	43.2	8.6	10.3	43.9
Guatemala	46.0	n/a	16.0	n/a
Burkina Faso	27.0	n/a	n/a	n/a
El Salvador	23.8	n/a	n/a	n/a
Kenya	n/a	4.3	22.0	n/a
Uganda	n/a	6.3	22.0	n/a
Average	31.6	6.2	15.3	63.9

Source: Same as Table 2.

* Figures correspond to the latest year available.

Education expenditure

Education represents the single biggest spending item in the social services budget for most countries. The average expenditure on education is around 45 per cent of the social services budget, or 15.3 per cent of total government spending. However, high total education spending without efficient allocation is not sufficient to guarantee universal access to primary education, or to increase adult literacy. Indeed, it is well known that a large proportion of education budgets in some developing countries is taken up by higher-cost secondary and tertiary education that does not serve these goals (Watkins 1999). Basic education is defined as primary education and adult literacy by most of the country reports, although there are some differences in the length of primary education (which ranges from four to nine years), and some countries include pre-school education in their estimates.

Whereas the adult literacy rate for a country gives a good indication of the 'stock' of educational attainment accumulated over previous years, primary education enrolment rates provide a very concrete and current 'flow' estimate of governments' success in providing basic education. Enrolment figures, and in particular those for gross enrolment (which do not account for repetition of years), only provide information on the extent of access to basic education, and not on the quality of that education, which will of course have an important impact on future literacy rates.

Table 8 provides an overview of the share of education in the government budget, along with adult literacy rates and gross primary enrolment rates for the sample countries. It may be observed that the relation between the literacy rate and education spending either as a percentage of GDP or as a percentage of total public expenditure is weak, even after making allowances for the income group. This fact underlines the importance of factors unobserved at this level of aggregation (in particular, the internal composition of education expenditures and the quality of service delivery) in determining final outcomes.

The average literacy rate for the medium human development countries as a whole is 75.9 per cent. The average literacy rate for the least developed countries

Table 8. Selected education and expenditure indicators*

Country (Ranked by literacy rate)	Literacy Rate	Gross Primary Enrolment Rate	Education spending (% of total spending)	Education spending (% of GDP)
Middle income				
Philippines	94	117	14.6	2.71
Colombia	90	118	10.3	3.63
Lebanon	88	95	12.4	3.91
Jordan	86	94	13.8	4.87
Dominican Republic	82	103	16.5	2.44
El Salvador	76	94	n/a	n/a
Guatemala	65	84	12.6	1.59
Morocco	44	84	15.6	3.31
Low income				
Viet Nam	91	114	16.0	3.68
Zambia	78	89	13.9	3.20
Kenya	77	85	22.0	9.31
Uganda	62	73	22.0	4.25
Chad	48	65	13.3	2.41
Bangladesh	38	69	18.2	3.09
Nepal	36	110	13.9	2.79
Benin	32	76	15.0	2.82
Burkina Faso	19	40	n/a	n/a

Source: Same as Table 2; UNICEF, State of the World's Children 2000.

* Figures correspond to the latest year available.

as a whole is 48.5 per cent (UNDP 1997). It can be seen from Tables 7 and 8 together that Viet Nam, Kenya, and Zambia have high literacy rates compared to the average for their income or human development group, whereas Guatemala is under-performing in terms of literacy achievements compared to countries in its group at 65 per cent. The contrasting average for Latin American countries as a sub-group is 87.2 per cent. The high-performing poor countries have high spending on education as a percentage of GDP, whereas Guatemala has notably low spending. This suggests that absolute resource commitments as well as patterns of expenditure are important determinants of final achievements.

Burkina Faso is a striking example of a low-income country that under-performs in terms of literacy rates, with an extremely low average literacy rate of 19 per cent. The gross primary enrolment rate is also the lowest in our sample of countries. The objective of the government's current strategy for human development is to increase primary enrolment from 34 per cent to 60 per cent for boys, and from 30 per cent to 50 per cent for girls by the year 2005. Goals for improved literacy are also included in the strategy. However, there are other targets set for scientific and technical education, and quality of tertiary education, which may impinge on the availability of funds for basic education. Difficult choices in terms of the targeting of the available resources are in this case, as in others, inevitable.

Benin also has a low literacy rate, despite a respectable resource commitment to education. No time series is available for basic education expenditure, which stood at 5.2 per cent of total government spending or roughly a third of education spending overall in 1997. The increase in primary enrolment in recent years has resulted in higher pupil/teacher ratios, which has implications for the quality of primary education, in the absence of an increase in resources. Intra-sectoral reallocation is likely to be a key strategy in Benin, as elsewhere.

Nepal's literacy rate is well below the average for the developing countries, and even for the South Asian sub-region, which has one of the lowest regional averages in the world (48.4 per cent, excluding India). However, Nepal has achieved a high gross primary enrolment rate, even when compared to countries with much higher levels of economic development. The share of budget dedicated to education has increased from 8.8 per cent in 1991 to 13.9 per cent in 1997, and also the share of basic education within that budget is relatively high, at around three-quarters of the total. The efficiency of resource use is, therefore, a key issue. Efficiency of basic education expenditure can, in particular, be improved by lowering dropout and repetition rates in primary schools.

Table 9 shows the relative proportion of the education budget dedicated to basic education for the latest available data, as derived from the country studies under review. It may be observed that the relation between educational achievements and spending on basic education as a percentage of government expenditure is

Table 9. The relative importance of basic education expenditure*

Country (Ranked by literacy rate)	Literacy Rate	Gross Primary Enrolment Rate	Basic education spending as % of total public spending	Basic education spending as % of education spending	Basic education spending as % of GDP
Middle income					
Philippines	94	117	n/a	n/a	n/a
Colombia	90	118	7.5	72.57	2.64
Lebanon	88	95	7.4	59.7	2.33
Jordan	86	94	9.1	65.94	1.35
Dominican Republic	82	103	5.9	35.66	1.25
El Salvador	76	94	8.9	n/a	n/a
Guatemala	65	84	8.8	69.44	1.63
Morocco	44	84	14	89.74	2.63
Low income					
Viet Nam	91	114	5.3	32.81	0.62
Zambia	78	89	n/a	n/a	n/a
Kenya	77	85	10.6	48.18	4.48
Uganda	62	73	12.7	57.73	2.45
Chad	48	65	5.2	39.10	0.94
Bangladesh	38	69	n/a	n/a	n/a
Nepal	36	110	8.3	76.85	1.69
Benin	32	76	7.0	46.67	1.61
Burkina Faso	19	40	5.6	n/a	n/a

Source: Same as Table 2; Authors' own calculations.

* Figures correspond to the latest year available.

weak. The relation between educational achievements and expenditure on basic education as a percentage of GDP is stronger within each income group, even though there are still notable exceptions to such a relationship, underlining the importance of the efficiency of resource use.

Viet Nam has noticeably low spending on basic education as a proportion of education and high education achievements. However, the country has a long history of investment in education, and literacy rates are very high, with near-universal primary enrolment and low dropout figures. Spending on education appears to have been increasingly devoted to higher levels of education without impeding primary level enrolments. Yet there remain some regional and gender disparities that merit further investment in basic education. The Dominican Republic and Jordan also have reasonably high literacy rates at low levels of basic education expenditure, suggesting that the additional effort necessary to attain universal literacy may be low.

Especially in the African countries, the share of development expenditure in the education budget is extremely low. Where donors do not make up the shortfall, households are forced to foot the bill for textbooks, pay user fees, or contribute to capital investments. Chad and Benin, for instance, appear to be under-investing in basic education relative to the education sector as a whole, and to have notably low overall achievements as a consequence. In Chad, the education indicators are extremely poor. Enrolment rates are fairly low (60 per cent), and the pupil/teacher ratio is high at 65 students per teacher. The level of capital investment needs to increase, since only half of all classes take place in an adequate classroom. State spending on education includes only teachers' salaries, as development expenditure is financed entirely by donors. Around nine per cent of aid inflows to Chad are spent on basic education, which amount to approximately twice the state budget for basic education. To the extent that domestic constraints prevent the generation of additional resources, assistance from donors or debt relief directed towards BSS will be indispensable.

Taking into account all the countries in the sample, the macroeconomic priority assigned to basic education is on average just below two per cent. As noted earlier, this figure depends on three factors: the size of the public sector; the importance of the education budget as a proportion of the total public expenditure; and the priority assigned within the education budget to basic services. Relative to other basic social services, it is basic education that receives the greatest portion of resources, mainly because of the priority of education within total government budget relative to health and other social services.

Health expenditure

The level of government spending on health, as a percentage of both the social services budget and of total government spending, is appreciably lower than that of the education sector for all of the countries studied here, with the average level being just over six per cent of public expenditure. Within the health budget, resources allocated to basic health services vary considerably in their importance. Also, in many countries, government is not the only provider of health care, as there may also be the presence of the private sector and national and international non-governmental organisations (NGOs). The financing of publicly provided health care also frequently comes from not only general taxation, but also user fees, which have a potentially significant impact on access to primary health care (Reddy and Vandemoortele 1997).

Table 10 shows the relative importance of health sector spending in the sample countries, as well as their health status as indicated by child mortality rates. The average under-five mortality rate (U5MR) for the developing countries as a whole is 95 per 1000 live births. Thus, half of the sample countries have higher under-five mortality rates than the average.

Table 10 suggests a fairly strong rank-order relation between health expendi-

Table 10. Selected health and spending indicators*

Country (Ranked by U5MR)	Under-five mortality rate (U5MR)	Government health spending	
		% of total spending	% of GDP
Middle income			
Colombia	30	8.6	3.0
El Salvador	34	n/a	n/a
Jordan	36	9.2	3.2
Philippines	44	2.2	0.4
Dominican Republic	51	8.6	1.3
Guatemala	52	n/a	n/a
Lebanon	58	5.3	2.2
Morocco	70	3.5	0.7
Low income			
Viet Nam	42	5.6	1.3
Nepal	100	5.3	1.1
Bangladesh	106	6.2	1.1
Kenya	117	4.3	1.8
Uganda	134	6.3	1.2
Benin	165	4.7	0.9
Burkina Faso	165	n/a	n/a
Chad	198	5.3	1.0
Zambia	202	10.4	2.1

Source: Same as Table 2; UNICEF, State of the Worlds' Children 2000.

* Figures correspond to the latest year available.

tures as a percentage of GDP and U5MR among the middle-income countries, which is perfect if the outlying case of the Philippines is discounted, and a weaker rank-order relation between these two statistics among the poorer countries. However, taking account of the presence of HIV/AIDS, which especially affects Zambia and Kenya among the sample countries, would be likely to greatly strengthen this relationship.

The Table shows that Colombia, Jordan, Lebanon and Zambia spend the most on health in relation to GDP. However, as they belong to different income categories, this comparison is not directly meaningful. Whilst Colombia, Jordan and Lebanon have relatively high health indicators in the group, Zambia is the country with the highest under-five mortality rate, at 202 per 1000 live births. The country also has very low indicators of health as measured by indicators of malnutrition, and water and sanitation. It is therefore encouraging to see that the latest figures (1997) show a relatively high percentage of spending devoted to the health sector (approximately ten per cent). In previous years, however, expenditure on health was low (around six per cent), and has increased only since 1994. The relative squeeze on health spending in the late 1980s and early 1990s was attributed to declining GDP due to external price shocks.

Looking at the countries with below-average under-five mortality rates shows that they devote relatively more resources to health than the other countries. A notable exception is the Philippines, which of all countries for which data are available devotes the lowest proportion of government resources to health, at only 2.2 per cent. This amounts to just 0.4 per cent of GDP, or less than $5 per capita. The country's tradition of pursuing social achievements, and the complementarity between high educational attainments and good health, may partially explain its high health achievements. With the exception of Zambia, the low-income countries in the sample devote approximately five per cent of government spending to health.

Countries also seem to be experiencing different evolutions of their health budgets. Of the countries for which a time series is available, Colombia, Jordan, Bangladesh, Nepal, Chad and Zambia show an increase in health care spending relative to the total budget over time. On the other hand, the Philippines, Kenya, Benin and Uganda experienced declines in their health care budgets, likely due to the increasing burden of debt payments, as discussed in the previous section.

The macroeconomic priority assigned to basic health care can be seen from the health expenditure/GDP ratios in Table 11. Of the countries under review, only Colombia spends more than a single percentage point of its GDP on basic health. Most countries in the sample are spending around 0.5 per cent. Given the health indicators for most of the countries in the sample, and the relationship examined above between health expenditure and outcomes, this is clearly not enough.

A common theme to emerge from the country studies is a lack of focus within health budgets on the most efficient forms of intervention. Most countries are spending too much on expensive tertiary and curative care. Of the ten countries for which detailed data on health expenditure is available, only four (Nepal, Uganda, Benin and Colombia) spend 50 per cent or more of their health budget on basic health interventions.

The Philippines, which has already been mentioned as having low absolute levels of health expenditure, also appears to devote resources to inefficient uses, with overspending on curative services, and high administration costs, when five out of six leading causes of death are infectious and therefore likely preventable. Usage of low-cost preventative and curative interventions is limited. Less than half of diarrhoeal cases of children under five are treated with oral rehydration therapy (ORT), an extremely inexpensive intervention. Also, spending on water and sanitation is very low, leading to an environment of high risk with regard to communicable diseases.

Jordan only spends 20 per cent of the health budget on basic health, and this figure also shows a decline between the years 1991 and 1997. Jordan has had a

Table 11. Basic health spending as a share of health spending, total government spending and GDP*

Country	Government basic health spending		
	% of public spending	% of health spending	% of GDP
Middle income			
Colombia	4.3	50	1.51
Dominican Republic	2.7	31	0.40
El Salvador	4.1	n/a	n/a
Guatemala	3.8	n/a	n/a
Jordan	1.8	20	0.64
Lebanon	0.9	13.8	0.30
Morocco	1.4	40	0.30
Philippines	n/a	n/a	n/a
Low income			
Bangladesh	n/a	n/a	n/a
Benin	2.7	57	0.51
Burkina Faso	4.5	n/a	n/a
Chad	2.1	40	0.38
Kenya	1.3	30	0.55
Nepal	3.1	58	0.61
Uganda	3.6	57	0.69
Viet Nam	2.2	40	0.52
Zambia	n/a	n/a	n/a

Source: Same as Table 2.

* Figures correspond to the latest year available.

decrease in infant mortality, and an increase in available doctors, beds in clinics, and maternity care per capita. However, there has been a decline in the number of health centres and village clinics compared to previous years. Morbidity due to infectious diseases has also declined, though there has been an increase in the incidence of dysentery. There is still a lot of progress needed for Jordan to meet basic health targets. For example, immunisation of children is currently at 85.7 per cent. The main areas for freeing up expenditure on basic health appear to be wages and administrative costs. Clearly, restructuring of the existing health budget in favour of basic interventions is readily feasible and can serve to substantially enhance Jordan's basic health performance.

Chad spends a relatively small amount of its budget on basic health. At only 40 per cent, this amounts to just 0.38 per cent of GDP. Chad has extremely weak health indicators, and a very low level of coverage in basic health interventions. Life expectancy is low, even compared to the sub-region. Twenty per cent of infants are severely malnourished, and the total immunisation rate for infants under two years is just 13 per cent. ODA in Chad finances the entire development budget for health, and non-salary recurrent expenditure, including nutrition, water and sanitation. These expenditures amount to 16 per cent of international aid to Chad. Restructuring of expenditure in the health sector towards BSS is clearly a key imperative for Chad, as is an increase in the proportion of ODA devoted to health, which is currently below the 20 per cent level.

Nepal, with total health spending at only 5.3 per cent of public expenditure, has however managed to allocate a substantial portion of total health expenditure to basic health, and thus raised its level of basic health spending as a proportion of GDP above the average of the ten other countries with detailed data available. This is a considerable achievement, given that the total resources available for public expenditure in Nepal are lower than the average, and suggests what can be accomplished elsewhere even at low levels of total expenditure.

In summary, the countries studied spend relatively little on health. As a per cent of government spending, they average around three per cent. As a proportion of GDP, basic health represents just 0.4 per cent. This is mainly due to a lack of priority of health expenditure in national budgets. However, it is also true that within the health budget, most countries are not targeting low-cost, effective and efficient preventative interventions, but rather spend a disproportionate amount on expensive curative services. A majority of the countries in the sample for which data are available spend less than half of their health budget on basic services. Also, many of the country studies cite inefficiencies within the basic health system, such as over-centralisation, lack of proper accounting procedures, and over-reliance on expensive medicines.

Water and sanitation spending

Low-cost clean water and adequate sanitation are essential prerequisites for a healthy population, yet expenditure on their provision is low and falling in most of the countries in the study. Expenditure on water and sanitation is sometimes included in basic health expenditure, and sometimes separated. It is clear from the studies that water and sanitation occupy a low status within the government budgets. They also are little considered in the reports, likely because of lack of data.

Examination of expenditures in the sector in the countries for which information is available shows a declining trend in most of them. A notable exception is Viet Nam, which has increased the budget allocation to water and sanitation during recent years, though to a fairly low level of 0.5 per cent of total expenditure. The country has fairly poor levels of water and sanitation coverage compared to other social service indicators, indicating a comparative lack of commitment to these services in the past.

In Kenya, water and sanitation expenditures have declined severely as a proportion of the government budget, from 2.4 per cent, to 0.4 per cent. In Nepal, government investment expenditure on drinking water has declined continuously in recent years, though the share of basic services within the water and sanitation sector has increased. Local NGOs are also reported to have played an important role in the provision of adequate drinking water. No disaggregated data is available on water spending for Chad. Benin, in turn, spends relatively high amounts (2.7 per cent) of its budget on water and sanitation, in the face of extremely low indicators of coverage.

Among the middle-income countries in the sample, we find that in Lebanon, the charge for clean water is higher in poorer rural areas, which also have a lower cost of basic provision. This implies that poor households are subsidising richer households. The standard of sanitation is also poor in the Philippines, where issues of effectiveness of water provision, and problems with pricing strategies and cost-recovery need to be addressed urgently. Latin American countries, as a rule, are spending low amounts on water and sanitation, despite these being the areas with the greatest shortfall in coverage among the basic social services.

Conclusions and recommendations

Most of the countries in this chapter have not reached a level of 20 per cent of public expenditure devoted to basic social services. Indeed, the average level for the group of countries studied is 12.3 per cent. Since government budgets are partially financed by ODA, the level of expenditure on BSS out of nationally-generated resources is even lower. This central fact underlines that the 20/20 targets are a worthy but still distant goal.

Social expenditure overall represents an extremely high proportion of discretionary expenditures (i.e. after debt service) for the countries in the study. This fact underlines that a lack of government commitment to social expenditures as such is not, contrary to popular perception, the primary reason for the failure to attain universal access to basic social services. A detailed review of social sector expenditures reveals nonetheless that there is substantial scope in most countries for reallocation of social sector expenditures towards basic services. Such reallocation, combined with a relaxation of government resource constraints through debt relief, reductions in relatively unproductive (e.g. defence) expenditure, and increased domestic and international revenue mobilisation can significantly promote the 20/20 objectives.

A detailed analysis of the health, education and water and sanitation budgets, and the allocations within each sector to basic social services in the sample countries, reveals that:

- Education expenditure enjoys budgetary priority over the health sector;
- In both of the major sectors, spending is not targeted well at basic services;

- The relation between overall social sector spending and social sector outcomes is weak in education, but stronger in health;
- These relations seem stronger when the focus is placed on basic social services expenditure;
- The allocation to basic interventions is generally lower for the health than for the education sector;
- In almost every country under review, there is a substantial scope for improved efficiency of resource use within the social services budget.

The level of public spending in most countries is below the level assumed in the original 20/20 estimate of the requirements to meet the goals of universal access to basic social services. As a result, attention to increased revenue-generation is essential. Evaluation of progress towards 20/20 targets should therefore take place in the overall context of an assessment of national economic strategies, including mechanisms of tax collection. For heavily indebted countries, debt relief is an essential component of the pursuit of 20/20 objectives and should be pursued as an integral element of the development and assessment of 20/20 strategies.

Other policy recommendations include improved monitoring mechanisms. There is an urgent need for more systematic recording of donor efforts by type and recipient, bound by a commonly accepted taxonomy. At present, in the absence of such a system, the database for evaluating the extent of donor and national government commitment to basic social services is weak. There is also a need to extend reporting of expenditures on basic social services to levels of government other than central government, in order to permit a more comparable and accurate understanding of the extent of national efforts, as well as the areas of most urgent need for the redirection of resources. At present, the data required to make such judgements do not exist.

The data reveal both an inadequate level and a very slow rate of growth of expenditures on basic social services. That higher expenditures on basic social services would be helpful to the attainment of the 20/20 goals is illustrated by the stronger relation that exists in the sample countries between such expenditures and human development outcomes than between poorly targeted overall social sector expenditures and final outcomes. More rapid attainment of universal access to basic social services will accordingly require both a relaxation of resource constraints and a reallocation of available resources to higher social priority uses, though the appropriate balance of these will depend on national circumstances.

Finally, no realistic analysis can afford to ignore considerations of political economy. Some of the structural changes envisioned here are more realisable than others. The formulation of appropriate strategies will in the final analysis depend not only on where the greatest opportunities seem to lie from the point of view of accounting, but also from the point of view of politics. In this light, existing budgetary patterns of strong support for social expenditure without a correspondingly strong support for basic level services should be read as revealing the past and present power of existing political constituencies. These are often of a broad-based or even mass nature, although they frequently exclude the poorest.

Realistic strategies will thus often involve forging workable compromises between the interests of these different groups, for example by sometimes favouring more universal over narrowly targeted approaches to provision. Such national compromises should be supported through the extension of debt relief to countries for which increases in basic social service expenditure are heavily obstructed by debt service obligations. The 20/20 vision is that progress towards universal access to basic social services will be attained not only as a result of moral concern, but also of the articulation of shared responsibilities and the pursuit of economically and politically well-designed and feasible strategies. ■

Notes

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[1] The interpretation of basic services outlined here can be questioned. For example, curative care delivered even at tertiary levels is often 'basic' in nature (Reddy and Vandemoortele 1997). However, in this paper, we adopt without further enquiry the definitions provided here.

[2] Specifically, the share of nationally generated resources devoted to BSS is given by (BSS – θ ODA)/ DEVT, where BSS, ODA and DEVT refer to the total levels of expenditure on BSS, ODA, and the development budget, respectively, and θ is the share of BSS in ODA.