Improving synergies between social protection and Public Finance Management: Course session briefs

Session 6: Investment cases and value for money (cost-efficiency, cost-effectiveness and cost-benefit analysis) in social protection. Equity in social protection expenditure (benefit incidence analysis).

Session by **Anthony Hodges,** currently an Associate of Oxford Policy Management. Anthony was previously Regional Social Policy Advisor in UNICEF's West and Central African Regional Office, in Dakar (2007-2009), and Social Policy Chief in UNICEF China (2005-2007). He has more than 35 years of professional experience, mainly in Africa and Asia.

Objectives

The objective of this session is to:

- ensure participants have the necessary capacity and knowledge to analyze social protection budgets
- provide key tools to participants to advocate and improve effectiveness and efficiency of social protection spending

Content

This module will focus on key concepts and tools used to analyse the quality and equity of investments in social protection. It will introduce the basics of how to make investment cases and analyse value-for-money (VfM) in social protection, including cost-efficiency, cost-effectiveness, and cost-benefit analysis. It will also address the question of equity in social protection expenditure and introduce the basics of benefit incidence analysis (BIA).

It will further provide a real-life country example that will apply the concepts and tools to link public finance management to social protection.

Methodology

The module will be organized around 2 sessions. The first session will be delivered through a video lecture to participants. It will provide necessary background on the key concepts, methods and tools necessary to analyze public investments in social protection.

Session 2 will adapt a case-study on Tunisia used in UNICEF's global Public Finance for Children (PF4C) course, on the introduction of a universal child grant (UGC) in Tunisia to show how cost-

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effectiveness analysis and benefit incidence analysis can be used to make a strong evidence-based case for investment in a social protection programme.

Reading

Universal Child Benefit Case Studies: The (planned) experience of Tunisia

Cost-Efficiency and Cost-Effectiveness Study of UNICEF "Cash Plus" Interventions in Lebanon and the Democratic Republic of Congo

Value for money and international development: Deconstructing myths to promote a more constructive discussion. OECD.

UNICEF videos to give step by step guides to measuring inequality:

- Measuring Inequality Part 1 – Lorenz Curves https://vimeo.com/281812333
- Measuring Inequality Part 2 – Gini Coefficients https://vimeo.com/281814634

Other resources.

The World Bank Open Budget Portal on Public Expenditure Reviews

Gurkan, A., Kaiser, K., and Voorbraak, D. PRMPS (2009). 'Implementing Public Expenditure Tracking Surveys for Results: Lessons from a Decade of Global Experience'. World Bank. **Read pages 1-13** (13 pages)

White P, Hodges A and Greenslade M (2013). 'Guidance on measuring and maximising value for money in social transfer programmes – second edition', **Part I ('Toolkit', pages 8–18)**, UK Department for International Development, April. (11 pages)

Hamid R. Davoodi, Erwin R. Tiongson, and Sawitree S. Asawanuchit, 'How Useful Are Benefit Incidence Analyses of Public Education and Health Spending?', IMF Working Paper, 03/227, (read **pages 3 to 16**)

UNICEF PF4C Framework, Action Area 1 (page 13 – 17)

Demery, Lionel. Benefit incidence: a practitioner's guide

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Session 7: Macro framework, fiscal and monetary policies, debt, and role of IFIs.

Session by **Alvaro Ramos-Chaves**, Technical Expert in Social Protection Financing, EU funded Programme on SP&PFM. Department of Social Protection at ILO.

Objectives

- Learn about two options for raising fiscal space: More accommodating macro framework and renegotiating debt.
- Realize that the mandate of Central Banks, Finance Ministries and some IFIs may generate concerns with proposals that involve these two options, especially with a view to Credit Rating Agencies.
- Discuss how to generate technical and evidence-based advocacy of these policies to address the issues that the central bank and the ministry of finance of the country may raise.

Content

According to typical introductory economics textbooks, government economic interventions using monetary and fiscal policies are distortionary and should be minimal. This criteria has led to excessive rigidity in monetary and fiscal policymaking, in spite of the well-known fact that government support is indispensable to smooth the boom-bust business cycle and achieve potential output at all times. Hence, there is fiscal space if macro policies are less rigid. However, if a country has accumulated debt, its debt service payments reduce the scope to have an accommodating macro framework. Besides this reason, debt service by itself, as an expenditure, is a crucial concept when discussing fiscal space.

As a recent example, during COVID, the Group of Twenty designed a Debt Service Suspension Initiative (DSSI). We will discuss how it works, why it has attracted some criticism, as it is not the same as a full debt renegotiation or cancellation, and why this institutional design was partly conditioned by the way credit rating agencies work.

Methodology

A brief review of usual analyses of monetary and fiscal policy, and the difficulties inherent in attempting to attain the same results when the country has to incur in large debt payments. Furthermore, we will look at a brief exercise to understand why debt "snowballs" so easily and the possible role of rating agencies in this.

Reading

Debt Service Suspension Initiative

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Other resources

Chapters 9 and 10 of Fiscal Space for Social Protection: A Handbook for Assessing Financing Options

What is debt sustainability?

Inflation scares in an uncharted recovery

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