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ABSTRACT

This paper explores the role of public expenditure in fostering inclusive growth. It starts with a presentation of salient features of public expenditure. Then, it lays out an analytical framework that describes the channels through which public expenditure affects inequality and poverty in the short and long term. Based on a review of the empirical literature, it discusses the policy options. Finally, the paper assesses the role of key factors such as the initial conditions, and the institutions, in shaping the inclusive spending policies.

JEL Codes: D63, H50, H51, H52, H53, H54, H55

Keywords: public expenditure, social spending, inclusive growth, inequality, poverty

* This paper was also published as IMF Working Paper 21/83: (<https://www.imf.org/en/Publications/WP/Issues/2021/03/19/Public-Expenditure-and-Inclusive-Growth-A-Survey-50190>)

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