



CONFERENCE SYNTHESIS REPORT

Child Friendly Budgets for 2010 and Beyond: Toward Global Economic Recovery with a Human Face



Global growth is expected to rebound in 2010 and 2011, forecasted at 2.7 percent and 3.2 percent respectively. And while food prices have indeed declined since the price spikes in early 2008, international prices of the majors remain above their historic levels, ranging from 22 percent (wheat) to 75 percent (rice) higher than their ten-year average.¹ National food prices have also remained “sticky”; and in some countries, are actually still on the rise.

The question for many of the poorest families is not whether global economic recovery will arrive; but whether this recovery will ever include them.

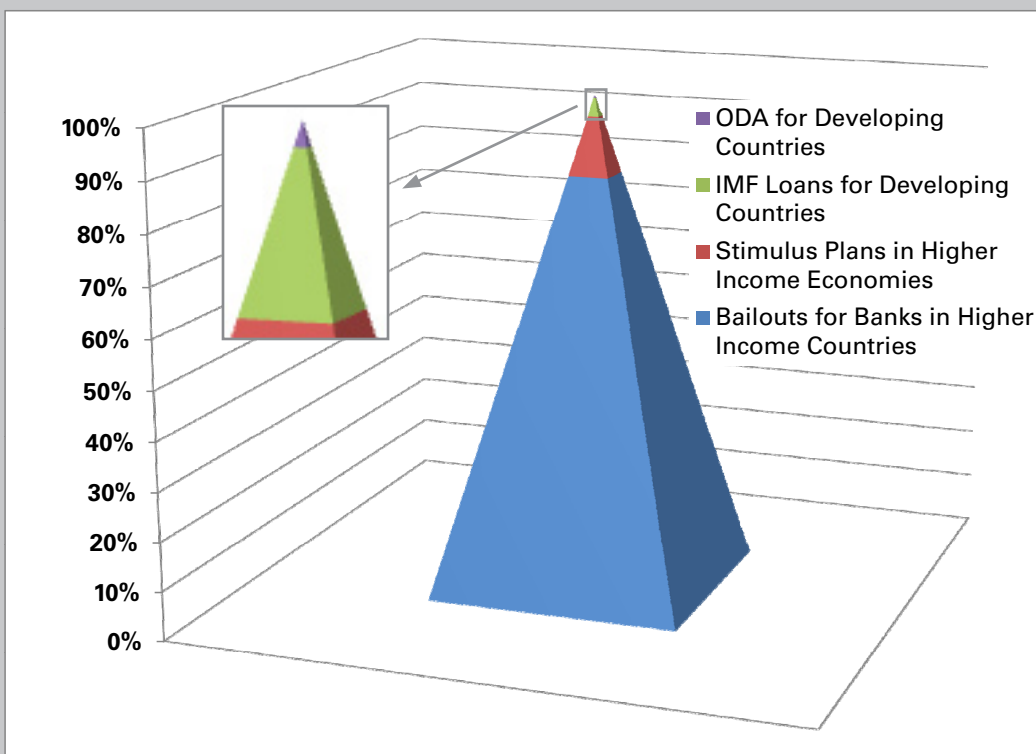
Poor families, children and women are often in a poor position to latch on to recovery processes as crises leave them at their weakest and most vulnerable point. During crises—including the presently unfolding

global economic crisis—there is increasing evidence that poor families struggle to cope, and they do so in ways that are difficult to quickly reverse. Imagine for example selling assets that took months or years to acquire (including productive ones like livestock or farm investments), taking on more debt, and pulling children out of school. Without social safety nets and other support, these types of coping strategies are their only recourse to survival—yet these are also among the reasons that the forthcoming recovery will likely leave them behind. The poor are therefore hit twice—they are among the most harmed when a crisis erupts; and they are also among the most left behind by the recovery process.

To better comprehend the impact of the policy response to the economic crisis on vulnerable groups and suggest concrete policy responses, Fordham University and UNICEF

partnered to organize the policy forum on “Child Friendly Budgets for 2010 and Beyond: Toward Global Economic Recovery with a Human Face” in New York on 18-19 February 2010. The forum brought together experts from various UN agencies, the international financial institutions, government, civil society and academia to discuss emerging evidence on how the impact of the crisis on developing countries, poor households, children and women, and deliberate and spur action and attention on concrete policy options that might help ensure global economic recovery with a human face.

Figure 1: Who Gets What?



The bulk of the resources mobilized to counteract the global economic crisis was spent in industrial countries, and of this, bank bailouts represented the largest share.

Adequate resources for effective programs targeting children, women and poor families, is vital to ensure that the recovery is broad based and holistic rather than confined to few enclaves. "Governments face increasing social demands, but have fewer resources to address them. The situation is likely to tighten in 2010-12, as a large number of governments are phasing out fiscal stimulus and becoming more indebted, so we also need to watch out for a post-crisis adjustment scenario and raise awareness for the need of a 'recovery with a human face,'" said Isabel Ortiz, Associate Director of UNICEF's Division of Policy and Practice. Ortiz, further noted that, globally, over \$21 trillion was mobilized to counteract the global economic crisis, yet about \$18 trillion had gone to bail out banks in higher income economies (figure 1). Only around \$1 trillion went to developing countries in forms of official development assistance (ODA) or IMF loans. "The crisis had caused a massive redistribution of public resources to the financial sector. There must be concerted efforts to ensure that recovery effectively supports children and their households, rather than accentuating social and economic disparities."

COUNTRIES HAVE RESPONDED, BUT ARE CHILDREN AND WOMEN PRIORITIZED?

The capacity of developing countries to adequately respond to the global economic crisis with strong stimulus policies is quite limited. Based on one estimate, only about 49 governments responded with sizable stimulus plans in 2009.ⁱⁱ Out of these, few had a small component for the social sector, and many were probably not enough to counter the effects of the crisis. The funds for social spending are scarcer in developing countries, threatening recovery and anti-poverty programs.

Making a strong plea for international development assistance targeted at vulnerable

groups such as children, Samer Al-Samarrai, Senior Policy Analyst at UNESCO and co-author of the recently released EFA-Global Monitoring Report, noted that in many low income countries, funding for education is being limited by slower economic growth and revenues in turn leading to mounting fiscal pressure. He termed it as irreversible consequences in the field of education.

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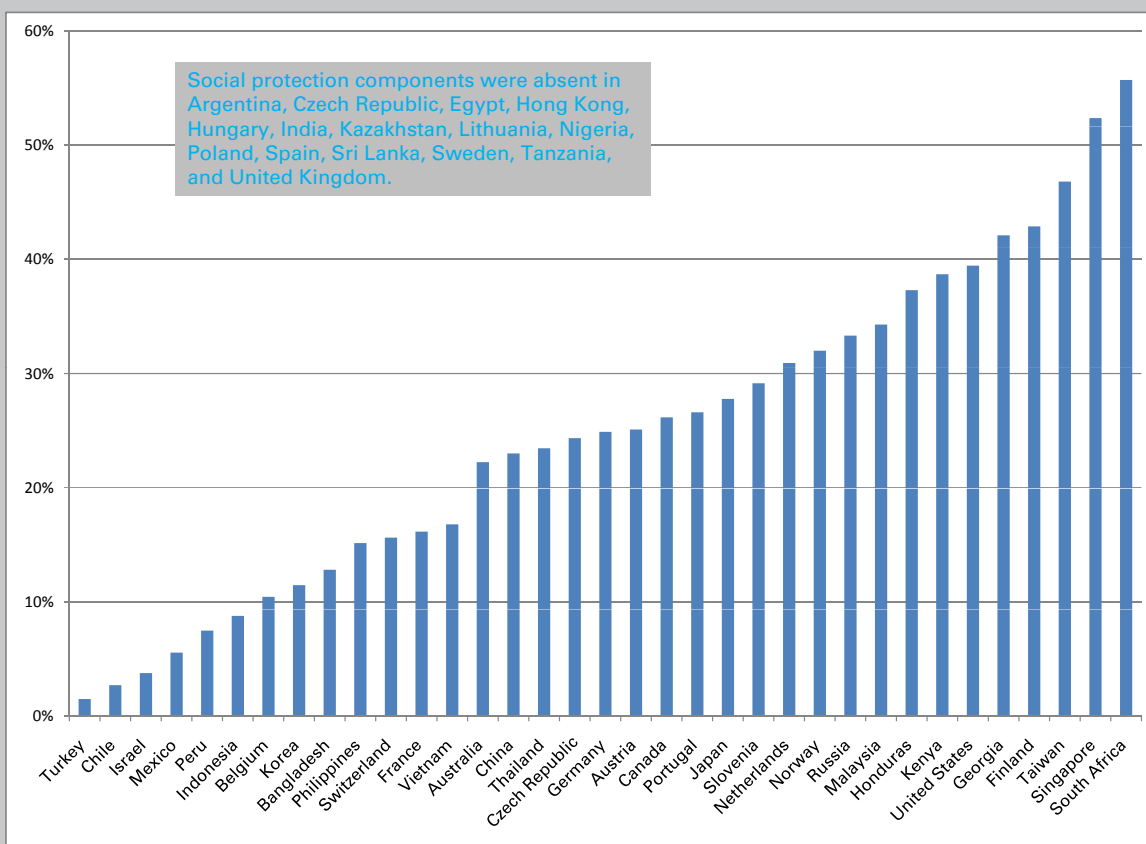
-Isabel Ortiz, Associate Director, UNICEF PAKM

These effects of the crisis limit the availability of public resources for education—and this comes at a crucial time when other crisis effects on children are going to deter them from attending school. The need for international development assistance will go a long way to ensure adequate investments in education and will protect the rights of children to education during the crisis and recovery period.

The discussions also helped to highlight the challenges faced by middle income countries, which may have more resources, but do face other challenges. Cielito Habito, Director, Ateneo Center for Economic Research and Development and a former Secretary of Socioeconomic Planning of the Philippines, informed that the Philippines has mounted a strong fiscal stimulus in order to blunt the effect of the global crisis—the Philippine government increased consumption by 9 percent and construction spending by 16 percent. While this is a drastic improvement from the fiscal austerity strategy employed in the 1997-1998 Asian Economic Crisis, it was not enough to counter declines in in-

Figure 2: Size of Social Protection Components

(in % of stimulus package)



An average of only about 25 percent in each stimulus package was geared towards social protection.

vestments and exports.

Habito further cautioned that the employment programs may not be as effective, given that most of the unemployed are undereducated and investments meant to create jobs could be weakened by various leakages and corruption. Nonetheless, Habito noted the importance of boosting social protection investments, pointing out that the current Philippine government strategy includes funding for cash transfer programs for the poor, as well as employment and housing programs for low income families.

He pointed out that there seems to be a recent convergence in the stand of development economists and the international funding agencies in prescribing more government

spending and encouraging countercyclical policy responses. This is in sharp contrast to the situation in 1997-98 crisis when the prevailing economic prescription called for fiscal tightening and austerity measures, as opposed to the present context where appropriate countercyclical policy responses are encouraged and in fact backed up by lending from the IFIs, notably the IMF.

In India, Enakshi Ganguly Thukral, Co-Director of the HAQ Centre for Child Rights, mentioned that the country borrowed heavily to put together three economic stimulus packages. However, unlike the Philippines, India's economic stimuli turned out to be burdensome, instead of beneficial to children. "Despite a huge stimulus budget in 2009-10, children – 44 percent of the population – got

only 4.21 percent, the least in four years” said Thukral. Worse, the remaining funds were not fully spent. Thukral warned that some of the immediate consequences seemed to translate into a higher incidence of child labor, malnourishment and sexual abuse. Thukral further argued that the children marginalized in today’s government priorities are not only paying a heavy price today; they will also pay a heavy price in the future, when as adults, they will need to shoulder debt repayments.

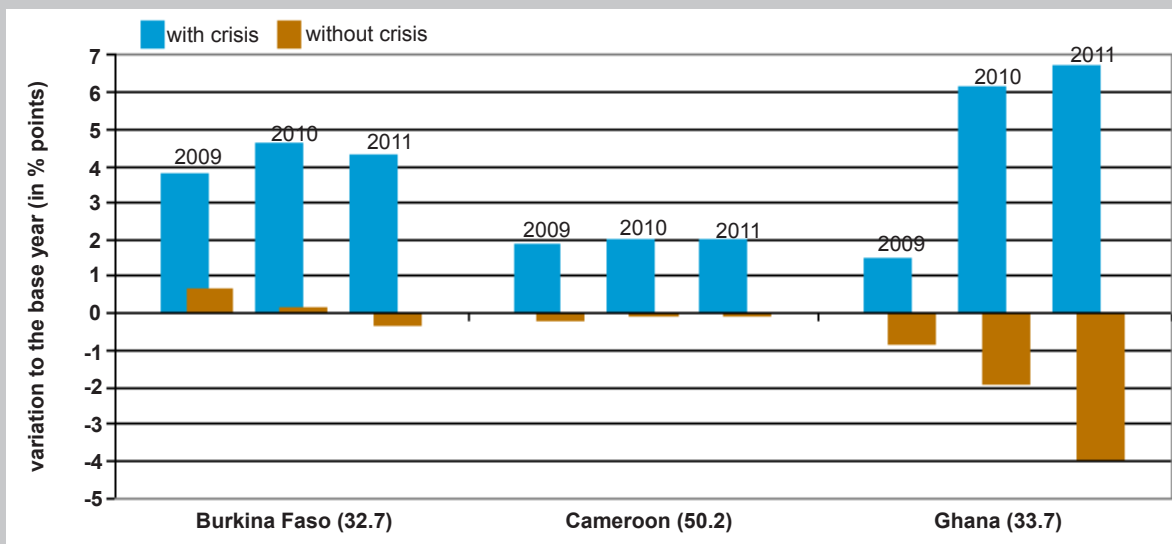
In a broader study of fiscal stimulus packages, Nina Thelen, a Policy Analyst with the UNDP’s Office of Development Studies, informed that in 2008, 49 countries responded to the crisis with fiscal stimulus plans, but only 35 of these countries included social protection measures in their stimulus packages. Furthermore, only \$653 billion of the \$2.4 trillion in stimuli was allocated for social protection—an average of about 25 percent in each stimulus package was geared towards social protection (see figure 2). This sig-

nalled that while there is now growing consensus on the importance of prioritizing spending for the social sectors and protecting investments for the wellbeing of children and women, there is still a long way to go in reflecting these priorities more effectively in over-all resource allocations.

THERE IS STRONG EVIDENCE OF RISING RISKS FOR CHILDREN AND WOMEN

The participants urged the need to understand the risks associated with the inadequate policy response to the economic crisis particularly in low-income countries. If enough resources are not carved out of government and donor budgets, there is a risk that many children and women will become vulnerable to permanent harm from the crisis. For instance, Gustave Nebie, Chief of Social and Economic Policy in UNICEF’s country office in Mali, presented evidence on the impact of high food prices. Between 2006 and 2008, Mali has experienced the full effects of the global food crisis, with price in-

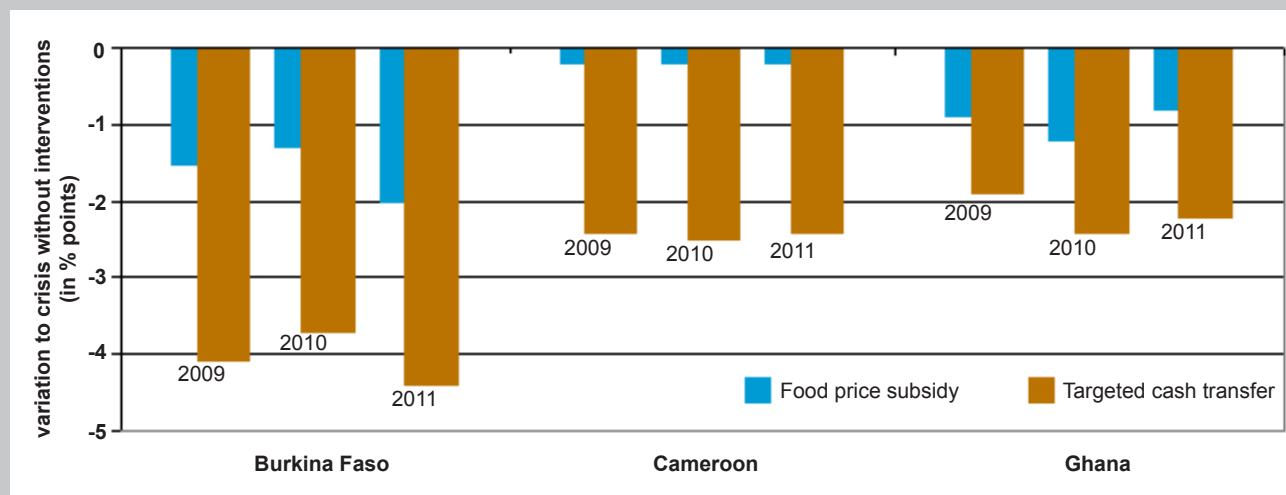
Figure 3: Child Monetary Poverty with and without crisis



Note: Numbers in parentheses refer to the absolute child poverty rate and are calculated from the most recent household survey (2003 for Burkina Faso; 2007 for Cameroon; 2005/6 for Ghana).

The crisis is not only pushing more households into poverty, but also reversing what would have been anti-poverty gains in the post-crisis years.

Figure 4: Reductions in Child Monetary Poverty: food price subsidy vs. targeted cash transfer



Targeted cash transfers, while more difficult to execute, are more effective anti-poverty measures than food price subsidies.

creases of up to 67%. According to a UNICEF study, food monetary poverty among children would have increased from 41% to 51%, with a corresponding rise in the share of children suffering of hunger from 32% to 40%, while the impacts on school participation, work and access to health services would have been relatively weak. A method of targeting social protection intervention to poor children was simulated with microdata: the microeconomic simulations show that while a targeted cash transfer is expected to reduce the negative effects of the food price shocks, its effectiveness is lowered by the identification errors of actually poor children, which increase in proportion with the extremity of poverty. School feeding programs are found to potentially be a particularly efficient policy in that they concentrate public funds exclusively on the consumption of highly nutritious foods, while cash transfers can be used by households for other purposes. Moreover, school feeding programs are likely to have desirable effects on school participation. However, there are important limitations, as these programs exclude children who do not

attend school.

Similarly, Leonardo Menchini and Luca Tiberti, researchers based in UNICEF's Innocenti Research Centre in Florence, presented a research based on economic models to simulate the potential impact of the global economic crisis on different indicators of child well-being in Burkina Faso, Cameroon and Ghana as well as the effectiveness of a bundle of policy options to counteract detrimental effects of the crisis on children.

They revealed that the strongest effects of the crisis are most likely felt in terms of increasing monetary poverty and hunger. Moderate impacts are predicted in terms of school participation, child labour, and access to health care. More specifically, Ghana would likely have children suffering the most in terms of higher monetary poverty and hunger (up to a 10 percentage points increase in comparison with the counterfactual scenario of no crisis). In Burkina Faso, where children already suffer from extremely low child schooling rates, the impact would likely be towards poorer

schooling outcomes, lower access to health services and higher rate of child labor.

In Ghana this deterioration is primarily the result of a reduction in consumer purchasing power and by a large drop in incomes from non-agricultural self-employment. Children living in urban areas are predicted to be most affected. In contrast, in Burkina Faso the driving force is the fall in incomes from agricultural self-employment while, in Cameroon, the impacts are more diffuse.

In the most extreme cases, crises could also lead to a decline in critical investments in maternal and child health, in turn leading to infant deaths. According to Karen Grepin, Assistant Professor in New York University's Wagner School for Public Service, an additional 20 infants die for every 1000 when GDP per capita declines by 1 percent based on an analysis of DHS surveys covering past crisis events. She also pointed out that this effect of income shocks is not equal: females, children from rural households, and poorer households appear much more vulnerable.

The key question then from all these empirical studies is: Whether and to what extent do actual data on the presently unfolding crisis reflect these risks to children and women?

The truth is that more formal empirical studies of the impact of the crisis will not be available at least for several years. Nevertheless, rapid and (almost) real-time data gathering and monitoring initiatives provide some confirmation of the rising risks.

Samman Thapa, a Social Policy Officer based in UNICEF's East Asia and Pacific Regional Office presented the results of real-time crisis monitoring systems in the region, which helped reveal some troubling signals. For instance, the Indonesian government implemented a food security survey in June-July 2009 in four provinces (East Java, Nusa Tenggara Timur or NTT, Central Sulawesi and West

Kalimantan), and it was found that 14 percent of all surveyed households were food insecure, 30 percent were vulnerable and 56 percent were food secure. Furthermore, 56 percent of all households reported experiencing difficulties in the last three months, owing to the lack of cash, high food prices, health expenditures, agriculture/fishing related difficulties, and debt payments. Similar monitoring initiatives in the Pacific Islands revealed households under stress. For instance, survey results from Tonga conducted in December 2009 showed that up to 60 percent of those interviewed reported experiencing more difficulty in paying school-related expenses compared to the last year. Up to 77 percent of households surveyed also reported having more difficulty meeting daily

“Despite a huge stimulus budget [in India] in 2009-10, children – 44 percent of the population – got only 4.21 percent, the least in four years.”
-Enakshi Thukral, Co-Director, HAQ Centre for Child Rights



expenses compared to last year.ⁱⁱⁱ

POLICIES TO HELP ENSURE RECOVERY WITH A HUMAN FACE ARE NECESSARY AND FEASIBLE

The social spending and investments are often cut or kept stagnant at precisely the time when they are needed the most. This en-

hances the risks to children and women. The challenge of mobilizing more – and more effectively channelled – resources for children and women is critical to help ensure a more



inclusive social and economic recovery, a global recovery with a human face. But what are the concrete possible policy options that can be acted on immediately and urgently?

Socially responsible macroeconomic policies and strategies

Broadly, macroeconomic spending policies, as earlier noted by Cielito Habito, must depart from the fiscal austerity measures of the 1990s. Instead, countercyclical policies are needed, and governments must be encouraged to spend on anti-poverty programs especially during crises. Habito argued that these would not only boost the fiscal multiplier, it would also cushion the effect of economic crises on the poor – a win-win policy response.

“Aid has the most immediate potential for protecting social sector budgets.”

-Samer Al-Samarrai, Senior Policy Analyst, UNESCO

Nora Lustig, Samuel Z. Stone Professor of Latin American Economics at Tulane University and a noted senior economist who worked at the World Bank, UNDP and other international agencies, emphasized the critical role of international financial organizations such as the In-

ternational Monetary Fund (IMF) in financing social spending, given that most developing countries will be unable to expand their social protection programs during crises. In agreement, Al-Samarrai urges that “aid has the most immediate potential for protecting social sector budgets.”

In addition, nuanced policy strategies must also reflect priorities for children and women more effectively. Developing and applying tools to examine how broad, national-level policies eventually affect poor households is a step in this direction. Margaret Wachenfeld, a Senior Policy Adviser in UNICEF’s Brussels office, says tools, such as the Poverty and Social Impact Analysis (PSIA) model, are already available for analyzing the impact of policies on the poor. She demonstrated how she modified this into the Child Rights Impact Assessment (CRIA) tool in order to link the effects of policies to children. The CRIA gives special consideration to child-specific transmission channels (e.g. access to health and education services) and intra-household processes that specifically impact children (e.g. employment decisions).

In partnership with the European Commission, UNICEF is working on developing a comprehensive Child Rights Toolkit which aims to support the capacity of donors, government counterparts and development practitioners to effectively identify and address child rights issues in development cooperation and humanitarian situations. The Toolkit consists of nine components looking at the integration of child rights in the following areas: governance, legislative reform, PRSPs/NDPs, social budgeting, emergencies, impact assessment, child participation, working with civil society, and a child rights resource handbook.

Bringing the “public” back into public finance

Increasing resources for the social sectors is

only half the challenge in many developing countries. The resources also need to be used efficiently and equitably so that each dollar spent achieves the greatest good for children and women. For this purpose, budget transparency, and a more participatory and open policymaking are key starting points as they help bring the “public” back into public finance.

Warren Krafchik and Vivek Ramkumar from the International Budget Partnership (IBP) proposed a global budget transparency norm, where all governments make budget data and documents available to the public. Transparency, they argue, would protect public finance from corruption and pave the way for a more active engagement by the citizenry to help ensure adequate budgetary allocations (and effective execution) for anti-poverty programs. They raised the challenge for the UN, civil society and other agencies to help advance this cause. Of 85 industrial and developing countries they analyzed, only 3 out of every 4 budget documents produced are released to the public.

The role of UN agencies like UNICEF and UNIFEM, as well as numerous NGOs in the developing world for efficient and equitable allocation of funds was also highlighted. Radhika Gore, a former analyst with UNICEF’s Division of Policy and Practice and author of the toolkit draft on social budget work, characterized social budget work as a means of ensuring that social priorities and rights are reflected in the way budgets are made, spent and monitored. Based on her work developing the social budgeting component of the EC Toolkit on Advancing Child Rights, Gore noted evidence on how civil society groups and others have addressed malfunctions in public finance policy by helping to make budgetary practices—spanning allocation, deliberation, execution and evaluation—much more equitable, efficient and stable.

Financing the expansion of social

protection systems boosting social services

Preserving, if not increasing critical investments in education, health, social protection and other programs are also necessary to mount a more inclusive recovery. Carlos Carrera, an economist with UNICEF’s Health Section, presented a costing tool that has helped develop an investment case for children. Marginal Budgeting for Bottlenecks (MBB) is currently being applied by UNICEF and its partners in over 50 countries; and this instrument has helped to realize efficiency gains from improved resource allocations, in turn leading to stronger child wellbeing outcomes. In Mauritania, for example, MBB was used to help support a 40 percent increase to the health budget when it was found that a marginal cost of US\$1.50 per capita in health spending would result in a 30 percent reduction in infant mortality and a 40 percent reduction in maternal mortality.

Safeguarding investments in children is especially critical as they are at risk of suffering from long-term and irreversible effects from lack of access to key services such as health and education. H. Dean Nielsen, a former economist with the World Bank’s Independent Evaluation Group, warned that the progress of the Education for All (EFA) initiative—with a goal of abolishing school fees in low income countries—is now under threat. As in past crises, there is a risk that governments (and perhaps local officials) are either overtly or illicitly reintroducing various forms of school fees due to the crisis. These need

“You [officials] view right to information in terms of what it will mean for your power; we [the poor] view right to information in terms of securing our livelihoods; but somewhere down the line, we both need to come together and think about right to information in terms of our common future and the future of our nation.”

-Vivek Ramkumar, International Budget Partnership, quoting Lal Singh’s speech at a conference of senior officials in India

to be counteracted by clear policies that are backed up by resource allocations.

Finally, income transfers and school feeding schemes are some of the critical elements of the over-all social protection system, as noted by various participants in the policy forum. Jingqing Chai, Senior Adviser with UNICEF's Division of Policy and Practice, emphasized that social protection measures should not be seen as a drain of resources—rather, they are investments with long-term positive impact across children, society and the entire economy.

By bridging the gap between policy practitioners and academics, the two day policy forum made a vital contribution to better understand the range of possible policy options for an economic recovery with a human face.

ENDNOTES

ⁱ These figures are based on calculations by Mendoza and Torres (2010) and draw on latest available data at the time of writing in February 2010.

ⁱⁱ Zhang, Thelen and Rao (2009).

ⁱⁱⁱ Patel and Thapa (2010:5-9).

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3. Zhang, Y., N.Thelen and A.Rao. 2009. "Social protection in stimulus packages: Some evidence." UNDP Working Paper. New York.

For further information on this event held in New York City on February 18-19, 2010, please go to www.unicef.org/socialpolicy/index_52658.html. The organizers can be reached at: Ronald Mendoza (rmendoza@unicef.org) and Darryl McLeod (mcleod@fordham.edu). They thank Luv Puri and Gabriel Vergara for helping put together this synthesis report.

UNICEF'S SOCIAL BUDGET WORK IN CONTEXT

UNICEF's mission is to help countries ensure that all children enjoy the right to conditions necessary for a safe and happy childhood, as well as those that will allow them to develop to their full potential as human beings and citizens. The extent to which public investments are appropriately targeted toward boys and girls makes a huge difference in the fulfillment of these goals.

From a child rights perspective, social budget work focuses on building long-term institutions for child-friendly policies, as reflected in public sector budgets. Among the outcomes of social budget work are more—and more effectively channeled—resources for children, women and poor families.

In trying economic times when public sector and household resources are tight, it is particularly important to ensure that public finance policies are geared towards protecting services for children. Without this protection, we not only threaten the progress made toward the Millennium Development Goals, but risk planting the seeds of poverty for future generations.

To maximize resources for children, UNICEF supports governments in identifying funding sources, creating consensus around the need to invest more in children, and using public finance policies to achieve sustainable progress in the fulfillment of children's rights.

HELPING ENSURE MAXIMUM AVAILABLE RESOURCES FOR CHILDREN

The Convention on the Rights of the Child indicates that states parties have the obligation to undertake measures to the maximum extent of their available resources and, where needed, within the framework of international cooperation to ensure the fulfillment of children's rights. UNICEF works with governments and other partners, including civil society, other development agencies, and the donor community to help ensure that budget and policy priorities reflect this commitment.

While UNICEF's specific initiatives will vary from country to country, there are several common goals, each contributing to stronger public finance policies for children:

- Improving equity by helping to ensure that children, women and poor families are not marginalized in both the actual public sector allocations as well as the decision-making process of arriving at these;
- Improving efficiency by helping to achieve the best possible results for children for the amount of resources committed;
- Contributing to stability by helping to secure adequate resources to sustain investments in the social sectors and promote social protection, notably during crises.

UNICEF SOCIAL AND ECONOMIC POLICY WORK

Titles below and more are available at www.unicef.org/socialpolicy/index_publications.html

Working Briefs

1. Two Years into the Crisis: Signs of Severe Coping Strategies that are Impacting on Children (Mendoza, 2010)
2. Economic Update: Countries' Evolving Vulnerability from a Child's Perspective (Chai, 2009)
3. How Economic Shocks Affect Poor Households and Children (Mendoza and Strand, 2009)

Working Papers

1. Aggregate Shocks, Poor Household and Children: Transmission Channels and Policy Responses (Mendoza, 2009)
2. Human Development in Crisis (Conceicao, Kim, Mendoza and Zhang, 2009)
3. Infant Mortality During Economic Downturns and Recovery (Mendoza and Rees, 2009)
4. Moving Toward Free Primary Education: Policy Issues and Implementation Challenges (Nielsen, 2009)
5. Reconstructing Well-being After a Disaster: Bringing Public Service to Those Who Need Them Most in China (Brix, 2009)
6. Children Living in Poverty: Overview of Definitions, Measurements and Policy (Delamonica, Minujin, Davidziuk and Gonzalez, 2006)
7. Incidence, Depth and Severity of Children in Poverty (Minujin and Delamonica, 2005)