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CHILD OUTLOOK
A policy briefing on global trends and their implications for children

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Global trends and economic policies matter for children because they shape the environment in which children and their families live, and their well-being. A world fit for children is one that must be based on making social and economic progress with equity, with special assistance applied to the most vulnerable and disadvantaged. Faster, deeper and more equitable gains for the children will require a sound understanding of the critical global drivers of and threats to economic and social progress in the 21st century, and a willingness to adapt actions, advocacy and accountabilities in support of children’s rights to the realities of a rapidly changing world.

Child Outlook, a new policy briefing on global trends and their implications issued by UNICEF’s Division of Policy and Practice, is a contribution to that understanding.

In Brief:

**Leader: The changing world**
The world in 2011 is experiencing unprecedented economic and geopolitical shifts that may have significant implications for children now and in the coming years. A better understanding of the global drivers of change and their implication for children is critical to advancing the rights of the world’s youngest citizens.

**World economy: A partial and fragile recovery**
Global recovery is underway but could be undermined by an array of risks, particularly in high-income countries. Spending on employment-generating activities for poor households, children’s well-being and protection must remain a priority.

**Geopolitics: After the Arab spring**
The Arab spring that began in North Africa has spread to other countries in the Middle East. The region’s governments, both new and longstanding, face the task of developing policies that protect children and provide support for poor households.

**Development assistance: The ebb and flow of aid**
Fiscal consolidation in high-income countries may begin to check the flow of aid. Maintaining aid commitments and resources for children, particularly the most disadvantaged and those living in the poorest countries, is imperative in these times of crisis.

**Commodities: Costlier food**
International and local food prices have returned to the historic highs of 2008, and look set to stay elevated. Safeguarding the nutritional status of poor children must be a priority.

**Public finance: From stimulus to austerity**
After a first phase of fiscal stimulus and countercyclical policies (2008-2010), in a second phase (2010-) many governments are implementing austerity measures. If spending cuts occur in health, education and social protection, children are likely to be negatively affected.

**Economic focus: The rise of middle-income countries**
The emerging economies have generally weathered the economic crisis better than high-income countries, and are in the ascendancy, but face key domestic social challenges related to children, youth and equity.

**Employment: Minding the youth employment gap**
The world’s youth are facing an inhospitable job market, and are increasingly isolated from formal employment. It is imperative that policies to promote youth employment are enacted to adapt their skills and training to the job market.

**Environment: Climate change hits the poorest hardest**
Even though the world’s poor contribute least to climate change, they will suffer its consequences most. Investment in adaptation and mitigation strategies is essential to ameliorate the effects of climate change and their impact on children.

**The equity horizon: The ever increasing circles of equity**
The promotion of social and economic progress that is also equitable continues to gather momentum in analytical and policy circles.
The year 2011 has already seen significant geopolitical and economic shifts in its first seven months. Spring witnessed the fall of regimes in Egypt and Tunisia, and protests and violence spread to other countries of Middle East and North Africa. Japan experienced its worst disasters in decades. In sub-Saharan Africa, a new government took over in Cote d’Ivoire, and South Sudan voted to secede from Sudan in July, paving the way for the creation of a new state.

In economics, flux and uncertainty took hold, as the turmoil from the Arab spring caused a 20% spike in crude oil prices early in the year. The global labour market lagged well behind the statistical recovery. Food prices again touched historic highs and remain elevated. Several eurozone countries, as well as some developing countries, are implementing tough austerity measures, and the hitherto unimaginable possiblity of sovereign debt default in high-income countries, including the US, became thinkable.

If the unprecedented Arab spring was a landmark of the first half of the year, a key hallmark of the second will have long been predicted: the day when the earth’s population reaches 7 billion. In another 14 years or so, the world’s populace will swell by a further billion, and is projected to reach 9 billion by 2050. A rapidly increasing proportion of the global community of citizens will be African, with that continent’s share rising from 13% of the world population in 2000 to 22% in 2050. Taken together, Africa and Asia will account for 4 out of every 5 inhabitants by mid-century.

Does the 7 billion threshold really matter or is it merely symbolic? Despite the fact that it has taken only 12 years to add another billion to the world’s population, the rate of global population growth is slowing. Fertility rates are on the decline in every region, especially the Middle East and North Africa. By 2050, the global population will begin to stabilize and a decline thereafter is possible.

What it does mean is that we will be living in a more crowded world. Many are concerned at the pressures that the enlarged global population will exert on the environment, resources, physical infrastructure, to name but three factors. More and more citizens will live in cities – according to the latest World Urbanization Prospects published by the UN, the global urban population will increase by 84% between 2009 and 2050, and will roughly be the same size as the world population of 2004. With almost all of the growth in the urban populace taking place in the less developed regions, developing country governments will face enormous challenges in public housing, transportation, job creation and governance and will need to enact new policies to address these challenges.

Increasingly, the countries of the world will be defined as neither rich nor poor, but middle income. Since 1990, 26 countries have graduated to this country-income class, which now numbers more than 100 nations. Middle-income countries are beginning to be a main driver of global economic activity, led by China, India and other strong emerging economies.

But along with greater wealth and prosperity that growth has brought, disparities have also risen between social and economic groups within these nations, which are the most unequal in terms of household income. Pockets of poverty, often the size of small and medium-sized nations, are prevalent in many populous middle-income countries, and close observation shows a pattern of uneven and highly skewed development that risk leaving millions, perhaps hundreds of millions, behind. Further, as global demand is weak because of the economic crisis, many of these middle-income countries are in a situation of excess capacity and facing the need to develop their internal markets – for this, major efforts will be required to reduce poverty and raise the living standards of populations.

And then there is climate change. The past decade was the warmest on record according to both NASA and the UK’s Met Office. Sea levels continue to rise; carbon emissions grow apace. International negotiations to address climate change and environmental degradation are also advancing, but all too slowly to bring the adaptation and mitigation required.

Implications for children

In the midst of all this turmoil and uncertainty about the future, both immediate and longer term, it is easy to forget about those of us who will arguably bear the risks of the changing world hardest and longest: the world’s 2.2 billion children. Particularly the poorest and the marginalized, the disadvantaged and the vulnerable, the excluded and the invisible; these children, more than any others, are the least likely to be represented in national and international statistics and surveys and the easiest to forget when setting development targets, policies, programmes and strategies.

Efforts to protect the rights of children when faced with crises have been a strong feature of international development and humanitarian assistance for more than a century. But despite these measures, it is clear that children are affected by global risks in a way that jeopardizes their lives and well-being in the short term, and undermines their potential and development in the longer term.

The world is changing rapidly. These changes bring opportunities for development and growth, such as the potential of the enhanced communications, the Internet, new technologies, vaccines and many others, but they will also pose threats that could have profound effects on children and communities. Understanding the changing world and its implications for children will be vital to identifying both risks and opportunities, and to advocating policies, programmes, strategies and investments to guarantee their rights. Child Outlook is a contribution to that understanding.
**World economy**

**A partial and fragile recovery**

Global recovery is underway but an array of risks continues to undermine confidence in the global economic rebound

Although projections suggest that global economic growth rates will remain above 4% in the coming years, the recent upswing is partial and fragile. Market indicators and employment data suggest worrying signs of weakness, and the possibility remains that the recovery could be undermined by an array of risks which have emerged or heightened in recent months.

First, a number of high-income countries are grappling with significant structural weaknesses in banking, public finances, consumer debt and labour markets; these will serve as a drag on domestic demand and employment in the worst-affected nations for several years to come. Since May, financial markets have become increasingly skittish amid growing alarm at the hitherto inconceivable possibility of sovereign debt default in the US, home to the world’s predominant reserve currency, and possibly a few eurozone countries.

Second, commodity prices pose a direct risk to household purchasing power across the world. Oil prices, pushed over the $100/barrel mark in recent months at least partly by speculation and political turmoil in the Middle East and North Africa, look set to remain volatile as tensions in that region linger on.

Food prices, which touched record highs again in February, are also poised to stay elevated, in part due to the continuance of the oil price spike. Sustained highs for oil and food prices are contributing to hesitant consumer demand across the world, fomenting inflation and possibly prompting monetary tightening that could further slow the nascent global rebound.

Third, while prices and growth are critical measures of a nation’s economic health, they do not represent the complete picture. Other indicators, notably employment, can have a great impact in determining consumer spending and domestic demand. With fiscal concerns undermining confidence in Europe and the US, and the world labour market lagging behind the rebound in growth, a full recuperation from the turmoil of 2008-2009 is not yet in sight for many countries – although some regions, notably Asia and Latin America, are doing well. There is a real threat that the risks currently overshadowing the recovery could worsen in the coming weeks and months.

**Implications for children**

A sluggish or even stalled recovery will affect children through two primary channels: constrained purchasing power at the household level; and reduced capacity of governments to provide goods and services that are essential for children. Lower purchasing power as a result of unemployment, asset depletion, tighter credit, and costly food and fuel make it difficult for poor households to spend money on adequate nutrition, health and education services for their children.

Of these factors, high food and fuel prices pose the most immediate threats to children’s well-being, particularly the poorest and most vulnerable. It is well known that poor families spend the bulk of their income on food, and that spikes have a strong negative effect on their effective purchasing power. For example, in the Philippines, a lower-middle-income country, an estimated 85% of households have lowered food consumption since the global economic crisis began; more than half have reduced essential medical expenditures; and 40% have borrowed money.

By the same token, reduced government capacity and spending on health, education, social protection and welfare programmes can also threaten children’s well-being. The austerity measures currently in effect in several EU and developing countries call for sharp cuts in spending; in a few nations child benefits have taken a hit.

The poorest and most marginalized children cannot wait until the global economy settles down. For those in the early years of life, access to good nutrition, health and education are imperative to promote healthy growth and development; any deficiency experienced in the first five years of life in particular can have lifelong repercussions. Adequate nutrition is vitally important; poor nutritional status among pre-school aged children is associated with a loss of stature, schooling and cognitive function – and has been found to result in a potential loss of between 7 and 12 per cent of lifetime earnings.

Governments, signatories to the Convention in the Rights of the Child, bear primary responsibility for the rights and well-being of their youngest citizens. Nine years ago, 180 heads of state and government endorsed a compact to create
A World Fit for Children’ at a UN General Assembly Special Session on children. The compact was based on four goals for children: promoting healthy lives; providing quality education; protection against abuse, exploitation and violence; and combatting HIV and AIDS. Now these leaders have a chance to make good on those promises by ensuring that at the very least spending on children’s development and rights is protected while the aftereffects of the global crisis linger on.

**Geopolitics**

**After the Arab spring**

As summer arrives, there is no immediate end in sight to the turmoil in the Arab world

Beginning in Tunisia, pro-democracy movements and civil unrest have swept across the Middle East and North Africa, creating a situation many are referring to as the ‘Arab spring’ and possibly heralding a new era for the region. Regimes fell in Tunisia and Egypt; civil war broke out in Libya; and demonstrations, large and small, have occurred in 10 of the region’s 20 countries. Thousand have died as a result of protests and fighting.

The revolutions in Egypt and Tunisia could offer better long-term prospects for democracy, representation, and economic growth; however, the fate of the uprisings across the region is still not entirely clear. The Economist Intelligence Unit (EIU), a research institute, predicts that the most likely scenario will include meagre democratic changes (60% probability), where most countries shift to hybrid regimes between authoritarian and democracy. They predict a 20% probability of democratic breakthrough, with fully functional reforms and genuine accountability.

While the outcome of the Arab spring is still uncertain, what is clear is the importance of the shifts. The Arab spring has represented an incredible moment in active citizenship and democracy, as protesters have stood up for their rights and will no longer stand for any form of repression.

The economic impact at the global level is likely to be as a result of higher oil prices, as the crisis is expected to cause disruptions in the supply of oil. Uncertainty and political upheaval will constrain economic activity, slowing the region’s GDP growth to 1.9% this year, down from 3.1% last year.

**Implications for children**

Children make up around 40% of the population in those countries where protesting has been particularly intense. The region as a whole also has the lowest youth labour force participation rates in the world, fomenting further public discontent. Youth labour force participation rates are around 36% in the Middle East and 38% in North Africa, compared with 59% in East Asia and 58% in Sub-Saharan Africa.

Wherever rights are threatened and violence ensues, children are at risk of harm. Children have already been killed in violent clashes, and many others have had their families killed, imprisoned or injured. Many of those injured or killed have been youth, engaged in protests against their governments. According to Save the Children, Libyan children have been abducted, held hostage and raped.

Children in the region already stand to face great obstacles. The Middle East and North Africa region does not compare well with other parts of the world in terms of average levels of schooling. Secondary school enrollment rates for men and women are lower than Latin America and East Asia. The dependence on primary exports is also far higher than any other region, according to the EIU; adequate taxation and public investment policies are necessary.

In the meantime, where there is conflict and violence, aid can help ensure families are able to provide the basic necessities to their children. In post-conflict countries, aid supports families as they struggle to assume normal lifestyles again and build up damaged infrastructure. Where rulers step down or are deposed, the challenge is also to translate popular uprising and activism into democratic institutions, employment-generating growth policies and public support which represent the needs of society, including children and youth.

**Development assistance**

**The ebb and flow of aid**

Official development assistance remains uncertain as high-income countries struggle with debt and deficits

In times of global economic turmoil, high-income economies are often regarded as safe havens, widely assumed to have stronger underlying macroeconomic positions than emerging and developing markets. On this occasion, however, the former are experiencing unprecedented fiscal and financial challenges. The worst affected high-income nations face the
prospect of unwinding large public debts, which have risen sharply in recent years. Tough and controversial austerity measures are being enacted in EU countries and proposed in the US to stave off concerns about long-term solvency. This retrenchment, coupled with lingering concern about the stability of the euro and the possibility of sovereign debt default in several high income countries, including the US, could exert significant pressure on future official development assistance (ODA).

While ODA is lower than longstanding targets of 0.7% of GNI, it held up well through the global economic crisis, dipping by just $2bn to $120bn in 2009 compared to the previous year. Preliminary estimates for 2010 indicate a slight rise of 6.5% to almost $129bn from 2009. This represents 0.32% of the gross national income (GNI) of the donor countries that form the OECD’s Development Assistance Committee (DACs), the primary body of high-income donor nations, far from the 0.7% commitment. ODA linked to maternal, newborn and child health also remained stable compared to pre-crisis years.

This stability occurred, however, in the middle of a global fiscal stimulus. And while some governments, like the United Kingdom, have pledged to retain and increase their aid commitments, others are under greater pressure to be more judicious in their spending. Much of the question now is the extent to which aid flows will remain high in light of government austerity measures.

Despite its resilience during the recession, the truth is that flows of ODA have not always matched the pledges made at 2005 Gleneagles Summit, which envisaged its rise from about $80bn in 2004 to $130bn by 2010 (in 2004 prices). Although ODA has increased since 2004, shortfalls remain. The $11bn assistance to Africa has been far lower than the $25bn originally envisaged. Not all the EU countries that pledged to raise their ratio of ODA to GNI per capita to 0.51% have realized this ambition. Aid to UN agencies from DAC members, while increasing since 2004, has not expanded as rapidly as overall ODA, and is estimated to have dropped in 2011 by almost 4% in nominal terms.

The outlook for ODA is somewhat uncertain. OECD forecasts slower growth in these flows; outside of humanitarian aid, debt relief and supplemental costs, aid for country programmes is set to expand at an annual rate of 2% in real terms from 2011–2013, compared to 8% for the preceding three-year period. The increase to Africa is projected at just 1%, compared to 13% in the past three years – a rate lower than per capita population growth. And

**Commodities**

**Costlier food**

Food prices have risen again, exceeding highs of 2008, and threaten the health and nutrition of children.

Three years after hitting unprecedented highs, the price of food is once again posing a threat to poor families in developing countries. The Food and Agricultural Organization’s food price index (FFPI) hit a historical peak in February 2011, and although it has retrenched slightly, was

Japan’s triple crisis threatens to limit the flow of aid from one of the world’s largest donors, which contributed $11bn last year so far, however, Japan has maintained its commitments.

**Figure 2: Official development assistance % change (2009-2010)**

![Figure 2: Official development assistance % change (2009-2010)](image)

**Implications for children**

Poor families rely heavily on social public expenditures, which are often dependent on ODA and concessional financing in low-income countries. ODA accounting is complex, but it is estimated that in 2009, education and health – which enhance cognitive development and prevent stunting, undernutrition, and other effects which can permanently affect children’s future productivity and wellbeing – accounted for just over 5% of total ODA flows.

While the exact amount of ODA that was allocated for children in recent years has yet to be determined, in 2008 $5.4bn was disbursed in support of maternal, newborn and child health activities across all developing countries. Countries identified as ‘countdown priority countries’ (which includes 68 countries identified as depending on ODA to achieve the MDGs by 2015) received three quarters of all maternal, newborn and child health aid. Another study has found that aid flows to basic education in sub-Saharan Africa also decreased – from US$1.72 billion in 2007 to $1.65 billion in 2008; and aid per pupil has fallen even further, by 7%.

During times of crisis, aid becomes very important for children; they are not only more susceptible to short term shocks, but those shocks could have long-term implications for their future well-being, and even the intergenerational transmission of poverty. The well-being of children’s future is a direct result of what we do today to protect them.
Not all the effects of high food prices are detrimental to the poor; they are profitable for food producers in developing countries and are spurring an increase in plantings. However, the food producers who are more likely benefit are larger-scale farmers in middle-income countries who sell their food on international markets rather than poor small-scale farmers.

While international food prices grab the headlines, their relevance to poor households in developing countries depends on local food price inflation. Poor households pay for food in local currency, while international food prices are denominated in US dollars. A UNICEF study released earlier this year showed that by November 2010, domestic food prices were, on average, more than 50% higher than they were in May 2007. A 2011 World Bank study found that, as a result of the recent food price hikes, approximately 44 million people have been pushed into poverty. Soaring food prices have also been a contributing factor, along with a severe drought and on-going conflict, to the major food and refugee crisis currently unfolding in the Horn of Africa (see panel below).

Unless food prices diminish substantially in the next few years, the achievement of MDG 1, to reduce by half the proportion of people who suffer from hunger by 2015, is at stake. While the proportion of undernourished and hungry people has fallen slightly since 1990, their numbers are increasing. FAO estimates put this total at 925 million in 2010, far from the figure implied by the first MDG target.

Implications for children
The micro picture of hunger and undernutrition is equally troubling. The poorest families spend up to an estimated 80% of their income on food; any increase in prices, therefore, will make it extremely difficult for families to pay for other health and education necessities. Furthermore, because children are particularly vulnerable to nutritional shortages, negative shocks could have long-term implications for their physical and cognitive development.

Skyrocketing food prices and famine conditions in the Horn of Africa
Local food prices have been rising unabatedly since mid-2010 across the Horn of Africa, even prior to the current drought. Increases have been especially pronounced since the start of 2011, and have contributed to the food crises in the sub-region. According to national price indices, average local food prices rose by 16% in Ethiopia during the first half of 2011, by 27% in Ethiopia, by 40% in Somalia and by 180% in Kenya. These national averages, however, hide important subnational disparities; in Busia, a district in Kenya’s Western Province on the border with Uganda that is heavily reliant on fishing and agriculture, local food prices soared by more than 450% in the first six months of 2011. Combined with drought conditions, such spikes suggest that populations in remote, isolated and impoverished provinces and districts are highly vulnerable to the current food crisis, which could spell dire consequences for child and maternal survival, health and nutrition.

Since 2008, many of the poorest families in developing nations have engaged in coping strategies, such as switching from protein and mineral rich foods to pure carbohydrates and fat to bolster caloric intake, and more drastically, to simply eating fewer meals. The high cost of food leaves poor households with difficult choices: either spend money for other essential such as health and education expenditure; borrow to finance current household spending; work longer hours and/or in more vulnerable employment; or some combination of the three. The results of monitoring system facilitated in Nepal by UNICEF and Research Input and Development Action (RIDA) found that 14% of surveyed households experiencing soaring food prices in Nepal had to remove their children from school in order to work, while 19% of households sent their children to cheaper schools.

Figure 3. Local and global food prices (Jan 2007-Jan 2011)

But even these coping strategies are now beginning to be exhausted. Further rises, or continuation at current levels, could spell big trouble for the poorest households. It could also jeopardize efforts to accelerate progress on a number of the MDGs and other internationally agreed goals for children. High food prices make getting children into school, particularly secondary education, less affordable. It also makes it more challenging for families to consider utilizing health-care services, particularly from private providers. Household indebtedness, which can also be spurred by unavoidable expenditures on essentials, can provide a greater incentive to countenance child protection violations, such as child labour and child marriage.

Children who are already undernourished are at great risk of severe deprivation if they experience food price spikes. There are approximately 577 million underweight children globally, approximately 165 of which are under five years of age. Approximately 100 million children under the age of five live in the 40 countries that have already been found to have experienced increases in the local food prices (the countries were identified as a result of available data; the actual number of countries may be substantially higher). Moreover, these countries already have some of the highest rates of infant and child mortality rates.

Protecting children’s nutritional status in countries where prices have been escalating requires coordinated action in both immediately and in the longer term. For the
short term, three priorities stand out. The first is better understanding of the impact of high food prices on poor children and families, including changes in food consumption and household spending patterns. Not enough is yet known on the impact of food inflation on children’s access and utilization of health care and education services.

The second is assessing the coverage and adequacy of current food assistance programmes such as food distributions, school meals and nutritional supplements, and existing social protection systems for children and poor families. Many countries already have some mechanisms of child support and food subsidies and vouchers already in place; however, in many cases, these benefits may be small and inadequate to offset the impact of very high food prices.

Third, current government policies related to food prices should be review to identify modifications that can support household consumption, bolster production and regulate food markets. Farmers that are best positioned to expand output in response to higher food prices should be identified, and capacities for escalating transportation and distribution of essential food and nutrients assessed. Governments should also determine the fiscal space that they have for scaling up emergency assistance in the short-term, as well as policies (e.g. fiscal, trade, agriculture) and their impact on food prices to identify possible changes in the short and longer term to support consumption, boost production and manage food markets. And the international community must stand ready to support food aid, nutritional supplementation and social protection initiatives. Yet the world also needs to move beyond simply managing crisis; high food prices and volatility will continue unless their structural causes are addressed. Technical and financial assistance to agricultural-sector investments that support the provision of food, as well as improving the functioning and transparency of financial and commodity markets should also be urgently addressed to mitigate the negative effects of rising food prices on poor families and their children. Unless these actions are taken, the ramifications of the current food price crisis could last for generations.

### Public finances

#### From stimulus to austerity

As the economic crisis took hold in 2008, in a first phase many governments moved swiftly to counter its effects with fiscal stimulus packages. A recent UNDP study found that about 24% of the total reported fiscal stimulus leveraged by developing countries was directed at pro-poor and social protection programmes. However, in a second phase since mid-2010, governments have been moving to reduce fiscal expenditures and trim deficits.

The key concerns related to the global drive towards fiscal consolidation are what is to be cut, how fast and how far. That some governments are considering cutting spending in areas that might exacerbate social exclusion and marginalization, potentially undermining future growth and development prospects, remains a cause for concern.

The high-income countries are planning to cut deepest and fastest. But low- and middle-income countries are also cutting back on public spending. A 2010 UNICEF review of 126 developing countries reveals that nearly half (44%) are reducing or planning to lower aggregate government spending in 2011-12 compared with 2008-09. A recent update of this study with the latest IMF fiscal data shows that even a larger amount of countries are actually cutting public expenditures, with the average contraction amounting to 3.2% of GDP.

Many of the largest cuts are being experienced by indebted small states; but even much larger middle-income countries are planning reductions in overall government spending. Many of the poorest countries are also under threat. Exactly half of the 44 countries in Sub-Saharan Africa are expected to cut public spending in 2011-12. Before the Arab spring, a number of countries in the Middle East and North Africa – including Egypt, Tunisia and Libya – were expected to undertake fiscal retrenchment. Eastern Europe and Central Asia also has a sizeable number of countries that are cutting or planning to cut public spending.

The advanced countries have projected fiscal deficits that are nearly twice as large (around -7%) as those of emerging and low-income countries (less than -3%). Owing to a lack of data, however, it is still unclear how the planned spending cuts will affect expenditures on social services in developing countries. However, it is plausible that such services are likely to be hit; the aforementioned UNICEF study identified wage bill cuts or caps, subsidy reduction or elimination, and lower spending on social protection as common adjustment measures under consideration by policy makers.

The magnitude of potential impact of such measures on children is significant: More than 1 billion children live in the countries that the UNICEF study found are likely to reduce aggregate spending.

#### Implications for children

During economic crises, the poorest children are not only the ones who contribute least to the problem, but they also bear a considerable impact. Depending on the mechanisms to protect them, the impact on children is not only the result of the crisis itself – which includes reduced incomes and spending – but could also potentially occur through recovery processes that are not inclusive of children’s rights and needs.

Fiscal consolidation, particularly where there are contractions in social spending, could spell further hardship for the poorest families and children. Poor families are vulnerable and heavily reliant on social expenditures; reduced spending in these areas could make it very difficult
for them to obtain the necessary health and education services that they need to survive. In households where the bulk of spending goes towards obtaining necessary food and nutrition, there is already limited capacity for health and education expenditures. A crisis that both limits existing household income, and results in reduced government provision of health and education services, leaves many families with no other option but to pull their children out of school and remain excluded from healthcare.

The UNICEF study identified a number of measures to safeguard children’s health, nutrition, education and protection during times of fiscal austerity. First, safeguard and if possible expand expenditure in key areas related to social sectors. Study after study has shown the merits of investing in quality education, health care, essential public works and social protection even in times of crises. For children, such investments generate intergenerational benefits that can help to reduce poverty and support growth.

Second, decisions on wage bill cuts should consider the impact of these on staff essential to child-related social services, such as teachers, health and social workers, particularly at the local levels, where they serve the most vulnerable. In many countries, the pay of local level teachers or nurses is near the poverty line; in these circumstances, no cups/cuts risk jeopardizing the achievement of the MDGs. Adequate pay, employment and retention of such personnel are vital to ensure the continued delivery of quality essential services.

Third, at a time where food prices are escalating, it is unwise to withdraw or reduce food subsidies unless a well-functioning social protection system supports the most vulnerable. Until such a system is in place, the case may be made to extend such subsidies, particularly if they extend to goods and services that are disproportionately consumed by poor households, such as staple foods.

Finally, trying to get cost savings from further targeting social protection systems to the ultra-poor at this time may result in many people in need lacking support. A strong case may be made to extend universal transfers or to undertake geographic targeting to provide immediate support to vulnerable children and families facing unexpected and prolonged shocks until adequate administrative capacity is developed to implement more sophisticated and robust systems.

Social spending is essential to realize our commitments to children. Given the potential human and development costs of foregone social and productive expenditures, the projected fiscal adjustment trajectory in a number of developing countries remains worrisome. This time of fiscal crisis for many of the world’s countries also represents an opportunity for donors and national governments to show their commitment to children’s rights by investing in those social and public programmes that are of direct benefit for them.

**Economic focus**

**The rise of middle-income countries**

Middle-income countries are making a strong contribution to global recovery but face a number of domestic challenges related to children and equity

At present and for the foreseeable future, the world’s most populous countries, India and China, will grow faster than all other major economies – and most minor ones too. Both saw GDP rise by more than 8% in real terms last year; both are expected to expand by around 9% this year and the next according to the latest forecast published by the IMF in mid-June. With economic expansion far outpacing population growth, average per capita incomes in Asia’s two behemoths are set for further rapid gains. And largely because of this phenomenon, the first target of the first Millennium Development Goal of halving the global number of people living in extreme poverty remains on track to be met on time and in full at the global level.

The economic boom in China and India is reflective of the broader rise of middle-income nations, defined by the World Bank as countries with 2010 per capita gross national income of between $1,006 and $12,725. Their share of global economic output has surged as high-income countries struggle to overcome financial turmoil, structural weaknesses and tepid business and consumer confidence. Low- and middle-income countries accounted for 46% of global economic growth in 2010.
Growth in middle-income countries is not only rapid, but in many cases is also becoming more broad-based, with the focus of economic output increasingly serving domestic markets. With demand consumption in high-income countries constrained by structural issues, middle-income nations are also increasingly seeking opportunities among their peers. South-South trade and investment is booming, and looks unlikely to abate in the near future.

While middle-income countries are growing quickly, their numbers are also expanding. Since 2000, 26 low income countries have graduated to middle-income status, swelling the ranks of this country grouping to more than 100. But the new graduates have also brought their poverty and inequality with them; middle-income countries are now home to more than 70% of the world’s poor compared with 7% two decades ago.

Poverty rates in populous lower-middle-income countries are often remarkably high. In Nigeria, a middle income country, over 83% of the population lives below $2 per day, adjusted for purchasing power parity. India has a poverty rate in excess of 75%.

Figure 5 shows the range of poverty rates across low-income, middle-income and OECD countries. Interestingly, many middle-income countries have poverty headcount rates that are in the same range as low-income countries. An exclusive focus on low-income countries in addressing poverty, therefore, would overlook a considerable number of poor households in middle-income countries.

Figure 5: Poverty headcount range (% of population living on less than $2 per day, PPP adjusted)

Middle-income countries are among the most unequal of all nations. The Gini index is a widely used measure of income inequality whose range lies between zero (total equality) and 100 (total inequality). The Gini for the so-called BRICs (Brazil, Russia, India and China) ranges between 34 and 59 – a considerably higher bandwidth than for OECD countries, which lies between 25 and 41. The Gini range for middle-income countries as a whole is between 27 and 66.

With domestic consumption heavily skewed to richer households and geographic areas within middle-income countries, and foreign markets now depressed and beset with uncertainty, middle-income countries face the challenge of addressing equity as they seek to build more balanced domestic markets. They might use the recent global financial crisis as an opportunity to rethink development models. There is precedent for this: The 1929 financial crash let to a New Deal in which social protection was deployed as a powerful tool to raise living standards and domestic demand in many countries. Similarly, the current crisis presents a historical chance to recast the relationship between economic growth, public intervention and social protection to reduce poverty, narrow disparities, and develop internal markets.

Implications for children

More than 70% of the world’s children live in middle-income countries. As these nations countries grow and become more prosperous, so too will many of the families and children in those countries. But while many families will prosper, others are being left behind.

Uneven advances in economic and social progress within middle-income countries is reflected in marked and sometimes growing disparities in child survival and development. In India, for example, the national rate of under-five deaths has dropped by nearly half since 1990 – from 118 to 66 per thousand children born in 2009. But the remaining burden of that country’s under-five deaths, which totaled more than 1.7 million in 2009, is disproportionately concentrated in the poorest economic groups, the more isolated regions, and the most marginalized and excluded economic groups. Consider this: in Bihar, one of India’s poorest provinces, two thirds of children under-five are stunted; in Himachal Pradesh, one of the richer ones, this figure drops to 14%.

And India is certainly not alone in having these wide disparities; analysis undertaken by UNICEF statisticians in 2010 show evidence of massive disparities in key measures of children’s survival, health, nutrition, education, and protection across middle-income countries.

Within their borders these nations often have pockets of poverty and deprivation that match or sometimes exceed those of low-income nations. Many have burgeoning youth populations, and face the challenging of adequately preparing them to compete in a global job market; rapid urbanization is spawning a mammoth slum population with deprivations often as marked as in poor, isolated rural areas.

Middle-income nations are playing an increasing prominent role on the world stage. And with greater power and influence comes greater responsibility. Focusing on inequities, deprivation and poverty faced by children in these countries will be crucial in addressing the rights and needs of children in middle-income countries in the 21st century. The more equitable a society is, the more an influence future economic growth will have on reducing poverty.
As a result of the global financial crisis, youth unemployment is likely to persist at very high levels. The International Labour Organization (ILO) expects global youth unemployment (those aged 18-24) in 2010 to be approximately 78 million, compared to pre-crisis 2007 levels of 74 million, and only slightly lower than 2009 levels of 80 million. This rate is approximately 2.6 times the adult rate of unemployment.

The unemployment figure does not tell the whole story about youth and jobs, as this rate represents only the number of [young] people looking for jobs in the last four weeks (ILO definition). Other indices are more illustrative, like youth participation in the labour force and employment-to-population ratio. The number of youth participating in the labour force fell by 1.7 million between 2007 and 2009.

The large proportion of youth in the population – often referred to as the youth bulge – as a result of demographic transition in developing nations, presents a tough challenge for policymakers. In recent decades, growth in the total number of youth has outstripped the growth in the number of youth employed. As a result, youth employment as a share of the total population has decreased since the early 1990s, as shown in the employment-to-population ratio in Figure 6.

Since 2000, youth participation rates in the labour force in the Middle East have been lower than any other region in the world. In 2010, they were at 36.3%, and are expected to decline even further by 2015 to 34.7%. The North African and Eastern Europe/Central Asia regions also have very low levels of youth participation in the labour force, at 37.9% and 41.7% respectively. East Asia and Sub-Saharan Africa, on the other hand, have higher levels of youth participation, at 59.2% and 57.5% respectively.

There are cases where these moderate rates are the result of increased number of young people participating in the education system. However, in most cases they reflect a lack of opportunities for employment, particularly for the poor and least educated youth who face difficult challenges in securing decent jobs. The pattern of job creation in recent years has been increased labour insecurity (the so-called “jobless growth”), and segmented labour markets with large wage differentials. With employment lagging behind global recovery, the challenge of obtaining long-term employment for youth will be even harder.

**Implications for children**

Tensions and discouragement arising from youth unemployment, combined with higher food prices and fiscal contractions, may have contributed to increased civil unrest, protests, and political instability, as recently illustrated by recent protests in the Middle East and North Africa.
employment services (job brokerage, counseling offices) may help young people but alone will not generate employment. It is critical that governments understand the complementary macroeconomic and labour policies needed to generate jobs, and that decent employment for youth becomes a primary development objective.

Environment

Climate change hits the poorest hardest

The poorest, most marginalized children are the most vulnerable to the impacts of climate change

The paradox behind climate change is that even though it is the poor who contribute least to the problem, they will bear the heaviest burden. Poor countries consume the least amount of energy, and yet have the least ability to respond and manage natural disasters, floods, and other implications of climate change. As such, it will be even harder for the poorest families to escape poverty.

A new Climate Change Vulnerability Index ranks 170 +countries based on factors such as exposure to extreme events, sea-level rise, human sensitivity (i.e. development, population patterns, natural resources, agricultural dependency, and conflicts) and adaptive capacity. The most vulnerable countries also tend to be low income countries; Bangladesh, India, Madagascar, Nepal, and Mozambique are at the top of the list presented in Figure 7.

Broader socio-economic trends are also likely to be affected by climate change. It is estimated that by 2050 there will be 150 to 200 million forced migrants due to climate-related events. Already, the number of people displaced by natural disasters far outweighs those displaced by conflict. Global trends also show that weather-related disasters are on the upswing. Oxfam predicts that by 2015, the deadline for the MDGs, on average 375 million people per year are likely to be affected by climate-related disasters. This will place considerable strains on the international humanitarian system, already overburdened and under-resourced.

Despite its undeniable importance, climate change discourse risks taking a back-seat in major international policy discussions in 2011, as governments focus on pressing economic and political issues. There are still hopes, however, that a comprehensive binding legal agreement could be possible, with serious progress on the institutional architecture on the new climate regime expected at the 2011 UN climate talks in Durban, and before the Kyoto Protocol expires in 2012. In particular, parties are negotiating the establishment of a Green Climate Fund, a vehicle meant to channel up to US$100 billion a year by 2020 to developing countries for mitigation and adaptation.

Implications for children

Climate change will not only directly affect a significant number of the children, but also threatens the progress made in reducing child deaths, undernutrition and access to safe water among the poorest and deprived children. There are approximately 756 million children living in the top ten most vulnerable countries on the Climate Change Vulnerability Index. These countries also account for over 3.23 million under five deaths per year – around 40% of all child deaths globally.

Children will feel the full force of the consequences of climate change including increases in hunger, disease, population displacements and resource conflicts. Circumstances ranging from physical attributes to social and gender roles expose children and women to the gravest harm when crops and water delivery systems fail and health and other institutions are strained. Recent floods in Pakistan affected 10 million children, exposing them to the threats of undernutrition and different diseases, while leaving them deprived of shelter and any form of humanitarian assistance. Persistent droughts in July 2011 further exacerbated acute food insecurity in the Horn of Africa. The number of severely malnourished children in Somalia, Kenya and Ethiopia is estimated to be 480,000, representing a 50% increase since 2009.

It is estimated that by 2050 there will be 25 million more undernourished children as a result of climate change. Beyond the immediate human suffering there are also profound consequences for poverty eradication; child undernutrition results in lifelong diminished cognitive and physical development, reducing learning and earning potential.

In a commentary on the effects of fossil fuels on children, Frederica P. Perera, a professor at Columbia University in New York City, underlines that humans are particularly susceptible to toxic effects of fossil fuel emissions during

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Source: Maplecroft 2011
periods of prenatal development and early childhood. Exposure to omitted pollutants during this stage may cause prenatal death, low birth weight and reductions in lung function, writes Dr. Perera. Further consequences may include development of chronic respiratory illnesses, cardiovascular diseases and chromosomal abnormalities.

Investment and innovation are needed across the board, in adaptation as well as in mitigation. It is human capital that underpins the transformation of productive and social systems that will move the world towards a low-carbon growth path. Approaches should be country-driven, and international assistance must be aligned with national priorities.

Care needs to be taken, however, so that funds are not diverted from previous development aid commitments. As Bill Gates wrote in his Second Annual Letter early this year, if just 1% of the long-term US$100 billion goal for the Green Fund comes from vaccine funding, 700,000 more children could die from preventable diseases. Additional resources will be necessary for ensuring that adaptation and mitigation programmes can be implemented to protect children.

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**The equity horizon**

**The ever increasing circles of equity**

In recent years, equity has increasingly become a watchword of the Millennium agenda, as the UN and its partners underscore the imperative of making economic and social progress that also helps narrow disparities between population groups within countries. This impetus has been spurred by a growing body of analysis, experience and literature that strengthen the case for development solutions prioritizing the most impoverished, marginalized and disadvantaged within societies.

Equity was a strong focus of the 2005 Millennium Summit, supported by key reports produced by the UN’s Department of Social and Economic Affairs (Inequality Predicament), the World Bank (World Development Report) and UNDP (Human Development Report). The theme of equity in development featured even more prominently in the 2010 Millennium Summit, and has been reflected strongly in the past two UN Millennium Development Goals reports (2010 and 2011).

Our own organization’s contribution to the equity drive, a special report entitled *Narrowing the Gaps to Meet the Goals* released last August, summarized the findings of an extensive review and modeling exercise on equity-focused approaches to child survival, health and nutrition programming. Undertaken by UNICEF experts, the findings showed that equity-focused approaches are not only right in principle but also present the most cost-effective method to accelerating progress towards the health-related Millennium Development Goals for children. The full findings of the study will be published in The Lancet medical journal later this year.

Many other UN organizations and leading research organization have also published new and cutting edge reports on equity in the past year. UNESCO, the UN educational, scientific and cultural organization, focused the 2011 edition one its flagship reports, the *Education for All Global Monitoring Report*, on reaching the marginalized; the report represented a strong follow up to its 2009 edition on overcoming inequality through strengthening governance. UNRISD, a sister UN organization on research in social development, has recently issued *Combating Poverty and Inequality: Structural Change, Social Policies and Politics*, which focuses on deeper root causes of disparities. The World Health Organization, in conjunction with partners, recently published *Social Determinants Approaches to Public Health: From Concept to Practice*, examining different programmatic approaches and emphasizing the need for understanding equity as a key value in public health programming.

Research institutes, too, are making a strong contribution. Over the past year, both the UK’s Institute of Development Studies and the Overseas Development Institute have produced a series of working papers, briefings and reports on equity. And publications related with the 2010 UN millennium summit linked equity with health and education in particular.

These reports built on the momentum generated by several popular books on the subject, among them *The Spirit Level*, by Richard Wilkinson and Kate Picket, and *The Bottom Billion* by Paul Collier. A recent UNICEF working paper, ‘Beyond the Bottom Billion: A rapid review of income distribution in 141 countries’ uses several estimation models to show that 20% of the world’s population commands around 70% of its total income, based on 2007 PPP adjusted exchange rates; in stark contrast, the bottom quintile controls just 3%. And recent article by Andy Sumner of IDS on the new bottom billion underscores the case made earlier in this report on the importance of focusing on inequality in middle-income countries, which are now home to majority of the world’s poor.

There is a danger, however, that in the midst of the turbulence swirling around the global economy, the drive towards fiscal austerity and constrained aid budgets, the momentum towards more equitable development solutions slows. So it is heartening to see that the analysis and evidence for such paradigms continues to broaden. Two notable works in the past few months continue to advance the case.

The first is from a stalwart of the equity and development debate, Jan Vandermorte, a former UN staffer and co-architect of the MDGs. His latest piece, *The MDG Story: Intention Denied*, argues that the donor-centric view of looking at a single issue – such as low economic growth, poor governance or insufficient aid – to explain the lack of progress on the MDGs is flawed. One of the key factors holding back the equity agenda, Vandermortele suggests, is the paradox among development professionals that argue in
favor of a multidimensional approach to poverty assessment, but continue to support measurements and solutions based on an income-based approach. In Vandermortle’s opinion, ‘achieving the MDGs requires fundamental transformations in society which transcend macroeconomic, sectoral and institutional models’.

The transformational mantra is echoed in Ronald Mendoza’s recent paper, *Crises and Inequality: Lessons from the Global Food, Fuel, Financial and Economic Crises of 2008-10*, which examines the interaction of crisis and inequality during the recent food, financial and fuel turmoil of recent years. Mendoza, who has worked with UNICEF as well as UNDP, makes the case that the poor are triply disadvantaged from aggregate shocks.

The first disadvantage is related to their disproportionate suffering; the second to their inability to participate in the recovery until a late stage. But it is the third effect that is the most innovative and potentially controversial; in a world where aggregate shocks are increasing, the poor look set to become more marginalized, as shocks lead to a rise in inequality, which in turn makes them more vulnerable to further rounds of shocks.

The IMF has also underlined the need to reduce inequality as an essential tool for global development. Further, recent analysis by renowned academics Nora Lustig and Andrea Cornia on reducing inequality in Latin American countries show that redistribution policies are possible and political in nature, related to the need to expand internal markets and deepen democracy.

Much of the policy analysis undertaken by UNICEF in the past year shows that poor children are threatened by the food, fuel and financial crises. It also underlines the vital importance of keeping children, equity and development at the centre of the international agenda as we navigate the ebbs and flows of the changing world.

**Further information:**

*UNICEF produces a bi-monthly newsletter highlighting recent peer-reviewed research, working papers and other publications on the issue of equity and development, entitled Scanning the Equity Horizon. To sign up for Scanning the Equity Horizon, please send an email to intheknow@unicef.org*
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