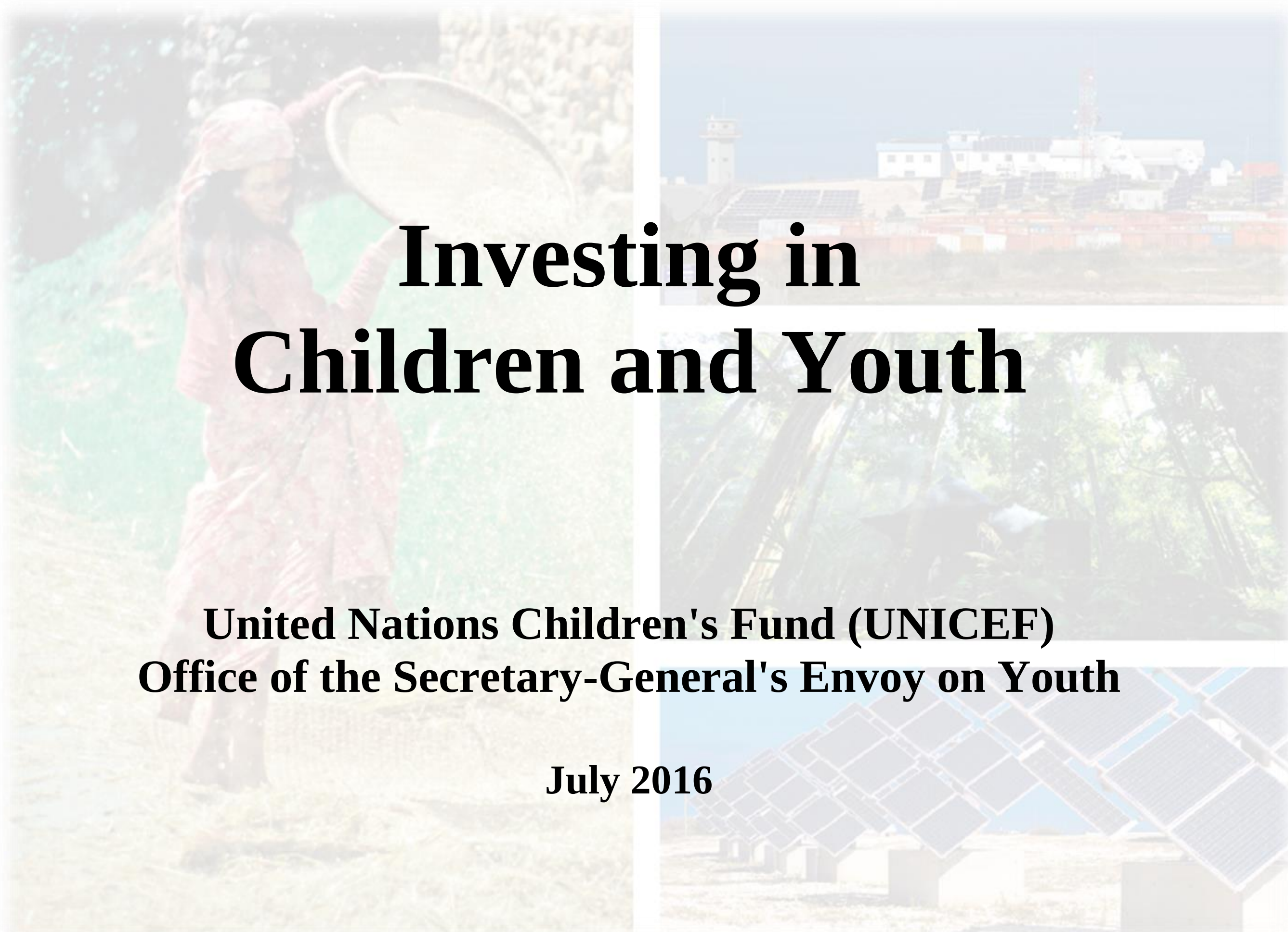
INTER-AGENCY TASK FORCE
ON FINANCING FOR DEVELOPMENT

Issue Brief Series



Investing in Children and Youth

United Nations Children's Fund (UNICEF)
Office of the Secretary-General's Envoy on Youth

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SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

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1. Introduction[1]

There are 3.1 billion people aged 0-24 worldwide. Children and youth make up 42.31% of the world population[2]. What is more, compared with 1990 when 11.9% of children and youth lived in least developed countries (LDCs), 18.4% of children and youth now live in LDCs as of 2015. This trend is going to continue, given wide-spread and accelerating changes in the demographic structures of many developing countries.[3] The demographic dividends associated with these developments represent important opportunities for future growth, but require prioritizing and bolstering public investments in child-focused programs and services today.

The Addis Ababa Action Agenda (AAAA) recognizes that investing in children and youth is essential for achieving the agenda 2030's wider goal of inclusive and sustainable development (Para 7).[4] This language moves beyond previous financing agreements of Monterrey and Doha, by treating children and youth as active agents of future growth and development, rather than just passive recipients of social assistance. The AAAA also includes a range of additional commitments for children and youth, such as under the new social compact (12), with regard to youth employment and the promotion of national youth strategies (16), access to technology and science for youth and children (114), in global partnerships (77) and education (78), with regard to the human rights of girls (78) and migrants (112), and as part of responsible business (37).

2. Stocktaking (progress and implementation gaps)

AAAA and SDG commitments to children and youth build on strong progress achieved during the implementation of the Millennium Development Goals (MDGs). Children born today are significantly less likely to live in poverty than children born at the start of the new millennium. They are also over 40 per cent more likely to survive to their fifth birthday and more likely to be in school. Compared with year 2000, the world average child underweight rate has decreased from 30% to 15%, ratio of children finishing grade 5 has increased from 77% to 93% according to survey data[5] (SOWC 2000 & 2015).

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1 This brief was prepared jointly by UNICEF and the Office of the Secretary General's Special Envoy on Youth

2 UN DESA Populations Division, World Population Prospects, the 2015 Revision.

3 For example according to UNICEF estimates and the UN's Populations Division one third of the world's children and over a quarter of all youth will reside in sub-Saharan Africa by 2050 (World Population Prospects, the 2015 Revision).

4 'We recognize that investing in children and youth is critical to achieving inclusive, equitable and sustainable development for present and future generations' (AAAA paragraph 7).

5 UNICEF, *The State of World's Children Report*, 2000 and 2015.

Yet, in the midst of these improvements considerable challenges remain. Millions of children continue to live – and die – in unconscionable conditions, with often large gaps between LDCs and developed countries. Considerable equity gaps also remain within countries, including in developed and middle-income countries and across a range of SDG and FFD priorities like health, child poverty, sanitation, education quality, and child mortality. For example, according to survey data on 41 developed countries, the relative gap between the median and the bottom 10 percentile has widened in the majority of the countries in areas of child poverty, self-reported health outcomes, and education achievement.[6] Another study of multidimensional poverty among children and youth in sub-Saharan Africa returned similarly alarming results. In the 30 countries for which comparable data were available, 247 million (67.1%) out of a total of 368 million children and youth under age 18 experienced two to five deprivations that threaten their survival and development.[7]

Furthermore, while the era of the MDGs saw important progress and gains in advancing the first decade of life in many regions, these gains have not necessarily and not sufficiently translated into improvements in the second decade of life for young people around the globe. Many adolescents and youth continue to face tremendous obstacles with regards to the core life transitions from childhood to adulthood including challenges in the school to work transition, the transition to financial independence, lack of opportunities for meaningful civic and political participation, and challenges in the transition to marriage and family formation, including the lack of autonomy of millions of adolescent girls and young women to make informed decisions about when and whom to marry and the lack of access to sexual and reproductive health information, education and services.[8]

Going forward concrete, time-bound action will be required to achieve commitments to children and youth and to ensure that no child or young person is left behind.

Domestic finance for children and youth

According to available IMF and Eurostat data[9], the amount of government resources available for child- and youth-focused investments has followed a positive trend over the past years.

[6] In 19 of 41 rich countries the relative income gap exceeds 50 per cent: the child at the 10th percentile has less than half the disposable household income of the child at the median as of 2014. Self-reported health outcome survey data suggests that in 20 out of the 34 countries, the bottom 10 percentile's health outcome have declined more than the median (also declined), in 5 countries, the bottom 10 percentile's health outcome improved less than the median, and only 9 countries decreased the gap comparing 2014 to 2002 data. Source: UNICEF Innocenti Report Card 13, 'Fairness for Children: A league table of inequality in child well-being in rich countries', 2016.

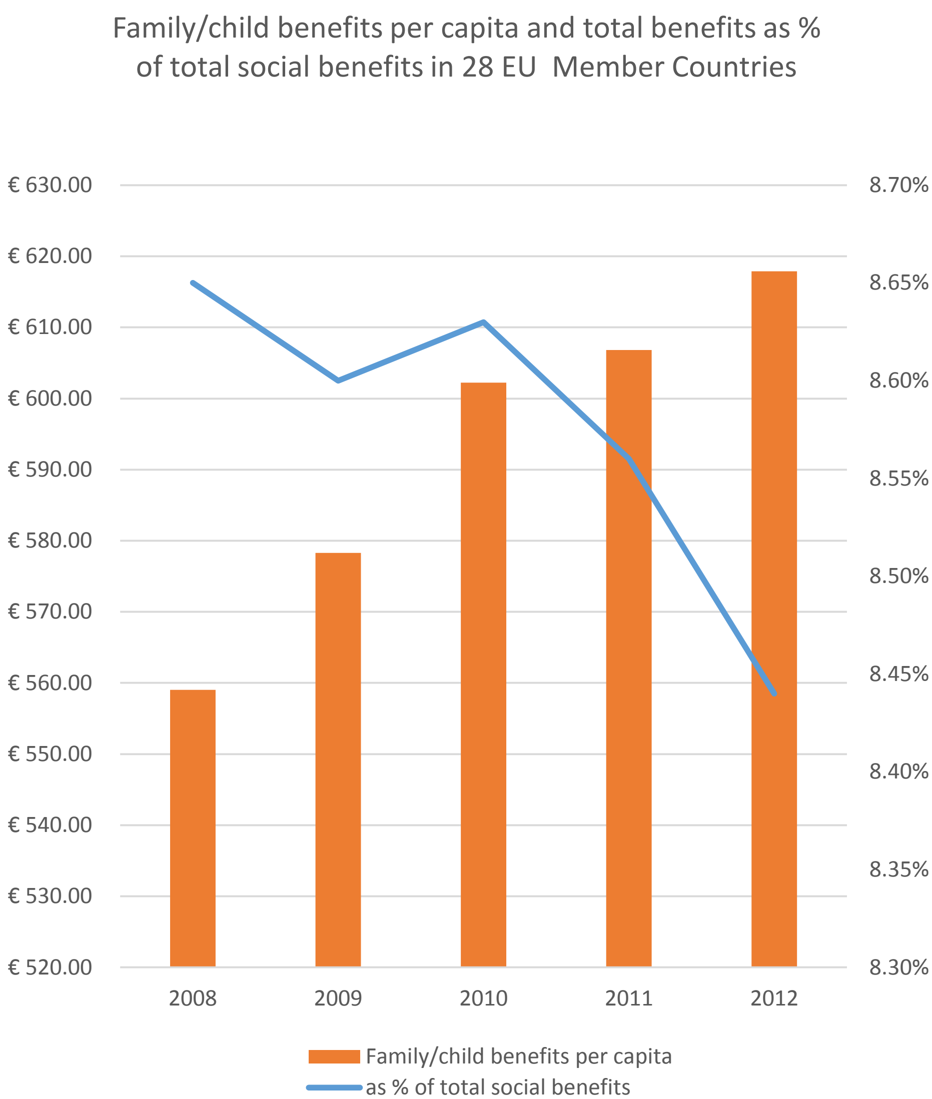
[7] de Milliano, Marlous, and Ilze Plavgo, 'Analysing Child Poverty and Deprivation in sub-Saharan Africa', Office of Research Working Paper: WP-2014-19, UNICEF Office of Research, Florence, November 2014, p. 18

[8] Research on 34 high-income countries from 2002-2014 suggests that the gender gap in adolescent health is not only wide-spread but consistent, and has widened in 10 of the 34 countries. Source: UNICEF Innocenti Report Card 13, 'Fairness for Children: A league table of inequality in child well-being in rich countries', 2016.

[9] Available data on domestic finance for child and youth-focused investments in developing countries so far is limited and not suitable for cross-country aggregation and comparison. Data from IMF for government spending per capita on education and health is used as a proxy for the analysis.

For example, in the majority of EU countries, per capita spending on family and child-related benefits increased after the 2008 crisis, albeit not at the level required to avoid a rise in child poverty and with significant reductions in spending during austerity in some Member States (UNICEF 2014). Children in many cases also benefited indirectly from other forms of Social Protection spending, like unemployment benefits, even though this implied a modest decrease of the share of child and family benefits in total social protection spending (Figure 1).

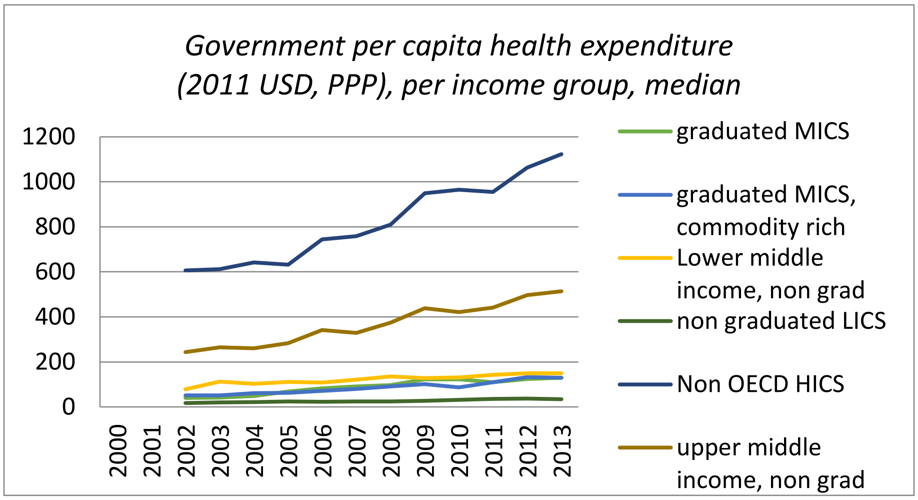
Figure 1: Family/child benefits per capita and as % of total social benefits in European Union member countries

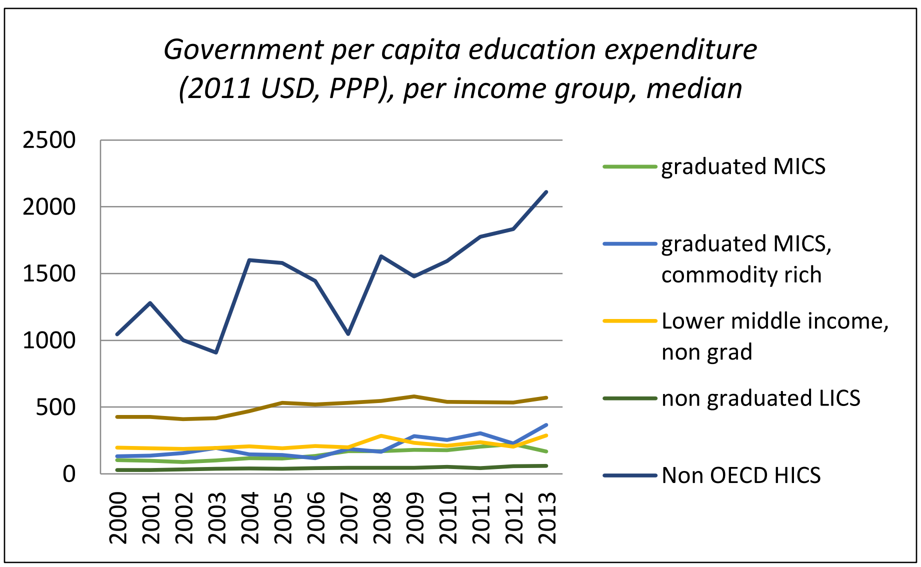


Source: Eurostat, last update 06/07/2016.
Social benefits consist of transfers, in cash or in kind, by social protection schemes to households and individuals to relieve them of the burden of a defined set of risks or needs. The functions (or risks) are: sickness/healthcare, disability, old age, survivors, family/children, unemployment, housing, social exclusion not elsewhere classified.

In emerging economies, growth and the graduation of many low income countries to middle income status has led to an unprecedented increase in the amount of domestic public and private resources. This trend is not limited to commodity-rich countries, but is true for almost all recent MIC graduates (World Bank 2015).

Box 1: Changes in government per capita spending





Source: IMF Government Finance Statistics

Average per capita spending in selected sectors across the major county income groups. The graphs account for changes in country income classifications since 2000 through a separate category for countries that have recently graduated from Low Income to MIC status. They also distinguish between commodity rich and non-commodity rich graduates to account for differences in the underlying drivers of economic growth.

Despite these improvements financing capacities remain uneven. Most low and lower middle income countries continue to be challenged by low levels of revenue, which limit their ability to adequately fund even the most basic social services. For example, while government spending in key sectors like education and health has improved in Lower Middle Income Countries and recent Middle Income graduates, the rate of growth has been much slower than in Upper Middle and non-OECD High Income Countries (see Figure A in Box 1). Absolute amounts of finance available per individual also continue to differ significantly across country income groups (see Figure B in Box 1). To make matters worse, economic growth in developing and developed countries alike is slowing just as we enter the period of SDG implementation.

Available information on government spending only provides an approximate picture of the amount of investment that reaches children. Most government budgets are organized by sector and functional areas, but do not routinely report how much expenditure directly addresses the needs of children and youth (see below). For most countries youth policy implementation operates with meager financial resources – often erratically released – and weak institutional structures. Other new priority areas for children under the SDGs, like child protection, social protection, nutrition or WASH, cut across multiple sectors or ministries and require separate reporting mechanisms for effective monitoring. There is also a need for more disaggregated budget information to understand the value for money of spending and ensure that resources are well managed and reaching the most disadvantaged children and youth. For the purpose of this brief, government per capita health and education expenditure are used as proxies for child- and youth-focused spending.

International public finance

The large differences in domestic financing capacities illustrate the continued importance of ODA and international partnerships for countries with the most constrained resources. The AAAA recognizes these needs, by pledging to support countries that face particular challenges in making the requisite investments in children and youth (para 7). The urgency of these commitments becomes particularly clear when demographic trends in the developing world are taken into account. In many countries that are in the early stages of demographic transition targeted investments in children's development, and through adolescence and into young adulthood can make the difference whether these countries will reap substantial dividends from demographic change , or whether they will suffer non-recoverable future losses for the individuals and societies. Yet, in these countries rapid growth in the number of young people also puts the greatest pressure on domestic resources. In many of these settings continued strong commitments for ODA to child- and youth-focused purposes will be needed to avoid a stagnation or even decline in the amount of resources available for investments in children's and youth's development.

As with domestic public finance, existing ODA classifications do not permit tracking the full amount of aid that addresses the needs of children and youth (for example there is no child- or youth-focused equivalent to the ODA gender-equality marker). Despite these limitations some indications can be drawn from OECD DAC indicators for selected child and youth-focused programme areas (Box 2). These areas suggest that donors are broadly responsive to changing needs for child- and youth-focused investments in the context of ongoing demographic trends in developing countries. Using a classification of the World Bank that divides countries according to their position in the demographic transition (see World Bank 2015[10] and explanations at the bottom of Box 2), ODA in key areas that benefit children and youth has increased in countries with the largest expected growth in the number of children and youth (countries that have not yet entered or are at the early stages of the demographic transition to lower fertility rates). These positive trends provide a basis for future ODA programming to keep track with the magnitude and speed of demographic changes currently under way in many developing countries.[11]

The provision of ODA to disadvantaged children and youth has also improved through a number of important new initiatives that correspond directly to key commitments of the AAAA for children and youth.

1) The Global Financing Facility (GFF) in support of Every Woman, Every Child was launched in Addis Ababa and is currently being rolled out in a number pilot countries. The GFF will strengthen health sector reforms and domestic resource mobilization efforts in areas of reproductive, maternal, newborn, child and adolescent health (AAAA para 77).
2) The End Violence against Children partnership and Fund to address violence against and-online exploitation of children (AAAA para 112).
3) The new Education Cannot Wait Fund, launched at World Humanitarian Summit in May 2016 with a five year funding target of $3.85 billion. The fund will address a major source of inequality in education by providing quality education to over 13 million children - in crisis situations over the next five years and 75 million children by 2030 (AAAA para 78).
4) The Power of Nutrition (PON) partnership will raise additional resources for the fight against malnutrition, using innovative public-private matching grants (PON).

Other new and promising initiatives include:

5) Global Initiative on Decent Jobs for Youth, a UN-system wide initiative which aims to facilitate increased impact and expanded country-level action on decent jobs for youth through multi-stakeholder partnerships, the dissemination of evidence-based policies and the scaling up of effective and innovative interventions.
6) Compact for Young People in Humanitarian Action, launched at the WHS, which offers an unprecedented and collective commitment of key actors to ensure that the priorities, needs and rights of young women and young men affected by disaster, conflict, forced displacement and other humanitarian crises, are addressed, and that they are informed, consulted, and meaningfully engaged throughout all stages of humanitarian action.

[10] World Bank, Global Monitoring Report 2015/2016: *Development Goals in an Era of Demographic Change,* 2015.

[11] More detailed overviews of recent ODA trends are discussed in other IATF issue briefs. These also document ongoing efforts to increase total amounts of ODA and to reverse the declining trend in allocations to the least developed countries (LDCs) and other countries with special needs.

3. Policy options and recommendations for corrective action

Invest in better data on child- and youth-focused spending

Good data is crucial for monitoring progress and for ensuring continued commitment around key AAAA and SDG priorities for children and youth. A country's budget in particular reflects how well political commitments are being translated into direct actions to benefit the most excluded children and youth. These data need to be complemented by better coordination and planning between ministries of finance and relevant line ministries and agencies.

At a time when policy and investment decisions are increasingly data driven, however, data on children and youth development and well-being remains often fragmented and inconsistent. This limits understanding of how young people are doing vis-à-vis other population groups and peers in other countries, and it helps explain why needs of young people often remain underexposed. Moreover, for youth, there is limited data available on the progress in meeting the diverse needs of specific youth groups, in particular the most marginalized. Global funding for youth organisations and youth movements is inadequate at providing the resources needed for youth civil society to survive and thrive and contribute to youth development.

The AAAA and SDG / MOI indicators outlines key steps to improve existing monitoring frameworks. Paragraph 126 of the AAAA and several SDG and MOI indicators highlight the need for better data that are disaggregated by sex, age, and other socio-economic categories. For example, in the area of social protection, SDG indicator 1.3.1 is meant to distinguish children in the breakdown of the population covered by social protection systems. In education governments committed to distinguish between the participation rate of youth in formal and non-formal education and training.

In many other cases more advanced methods are required. This applies in particular to multi-sectorial SDG priorities for children and youth that are not well captured by existing sectorial budgets, such as nutrition, early childhood development, child protection, and national youth strategies. High quality data, linking spending to results and again disaggregating by age and socio-economic characteristics, are also needed for monitoring the impact of budget decisions on the most vulnerable and most marginalized children and youth.

Going forward governments and stakeholders can draw on several experiences to improve the monitoring of child- and youth-focused investments. Examples include:

- **Child-spending markers and taxonomies that assess and monitor the size and composition of public investments that benefit children and youth directly or indirectly**, including in multi-sectoral SDG priorities such as nutrition, early childhood development, and child protection. Argentina, Colombia, Dominican Republic, Ecuador, El Salvador, Haiti, Honduras, India, Mexico, Paraguay, Peru, Uganda and Yemen continue to use such tools, while others are currently being developed in Bangladesh, Bolivia, Jordan and Nicaragua. While to date no such markers exist for the youth sector, efforts could be undertaken to establish these and offer them to Member States.
- **Reporting practices on child-focused spending and reforms established by signatories of the Convention of the Rights of Child (CRC)** under Article of 4; the Committee on the Rights

of the Child is issuing General Comment No. 19 in September 2016 to offer more detailed guidance on reporting practices.

- **International data collection and harmonization efforts in several child and youth-related AAAA and SDG priority areas**, such as under the Global Nutrition Report initiative, the Scaling Up Nutrition (SUN) Movement, new global alliances and partnerships on ECD and to end violence against children, and the Lancet Countdown to 2015 Initiative for tracking progress in maternal, newborn and child survival, the Global Financing Facility and H4+ technical partnership for the SG's Every Woman, Every Child initiative.
- **Public expenditure benefit incidence analysis**, which capture the distribution of resources across different age groups and dimensions of well-being and can highlight their impact on the most disadvantaged children and families. Examples include equity-focused Public Expenditure Reviews (PERs) as well as innovative analyses like the Report on Equity of Public Expenditure on Children and Adolescence in Mexico carried out by UNICEF and UNDP.

Leveraging partnerships and strengthening domestic capacities to increase the amount of finance available for children and youth.

The magnitude of financing needs and the large differences in financing capacities between countries underscore the importance of AAAA commitments to increase the amount of resources available for development purposes, including AAAA's emphasis on improvements in the collection and use of domestic revenues and the tackling of resource losses due to illicit finance. While improving the tax regimes, special attention needs to be given to impact on families with different income. This will help ensure that existing and new taxes do not have a disproportionate negative impact on poor families. Going forward these reforms should also be integrated with the SDGs and national development plans, particularly child- and youth-focused development strategies. This will help ensure that the additional resources generated will be used effectively and smartly. For example, governments' investment decisions should more clearly recognize the high economic and social returns and future cost savings associated with relevant child- and youth-focused interventions. Donors, including from the global South, and technical agencies can provide international support to strengthen domestic capacities in these areas.

Developed and other countries faced with an ageing population and an increasing dependency ratio, equally need to invest in their proportionally decreasing populations of young people. Further stagnation, or decline, in fertility rates expected in some countries, and the need to support growing populations of elderly persons imply that young people must become self-supporting and able to contribute to the economic and social development of their respective societies.

While developing countries should not overly rely on ODA to address the immediate financing needs of children and youth, there is also a strong case for increasing external support for child-specific purposes in countries most in need. The size of investment required to reap the full benefits from ongoing demographic changes are clearly beyond the financing capacities of most Low and Lower Middle Income Countries. Prioritizing aid on child- and youth-focused services in these contexts can strengthen the catalytic role of ODA and contribute to the SDGs' wider goal of sustainable and inclusive growth in the long run. Donors should maintain positive ODA trends in these areas and adjust allocations as needs continue to evolve.

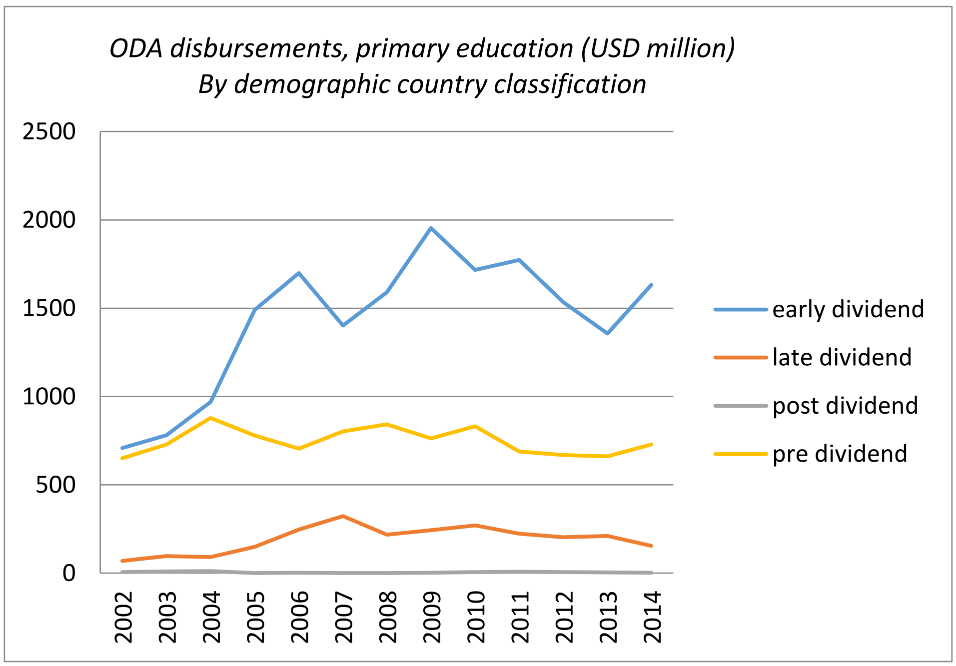
Lastly, the private sector and philanthropies provide a large, and often untapped, potential to increase finance for children and youth. The experience of the MDGs, especially under the health-related targets, has illustrated that involvement of the private sector can make the difference in developing new interventions for children and taking them to scale. Available data on charitable and philanthropic giving suggest that education, health, and other child-related areas are among the top priorities of private donors (e.g. in the U.S. 16% of charitable donations in 2015 was in education, 12% in human services, including family and child services, and 8% in health[12]). These positive experiences can be expanded and built on under relevant commitment areas of the AAAA, including by encouraging companies to embrace business models that take into account the rights of children and youth (37), investments in underfunded areas and countries (45), and philanthropic engagement that is transparent and accountable to children and youth (42).

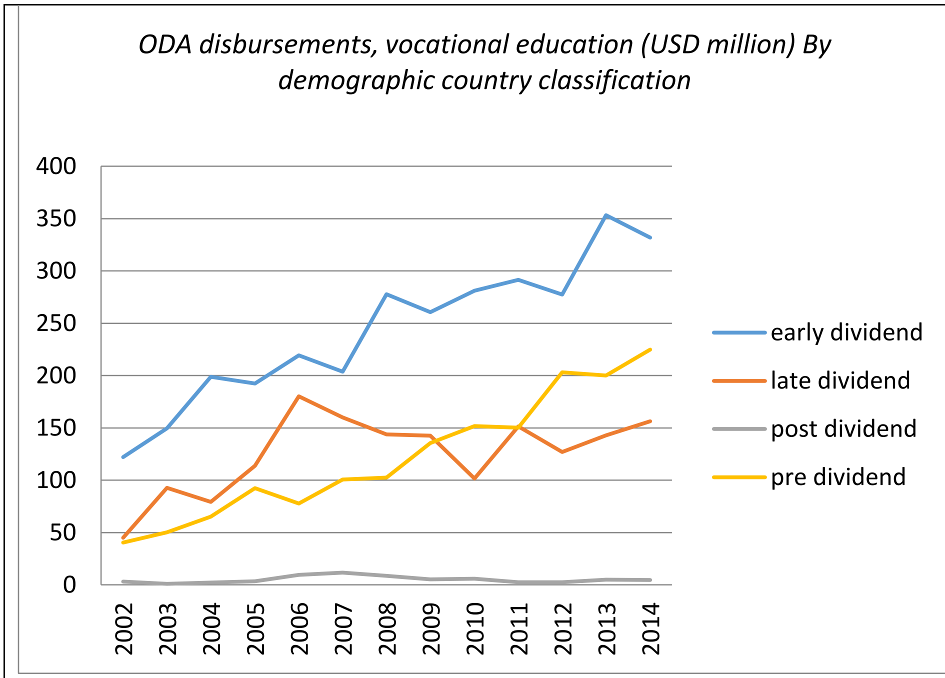
[12] Giving USA Foundation, Giving USA 2016, as cited in National Philanthropic Trust, "Charitable Giving Statistics".

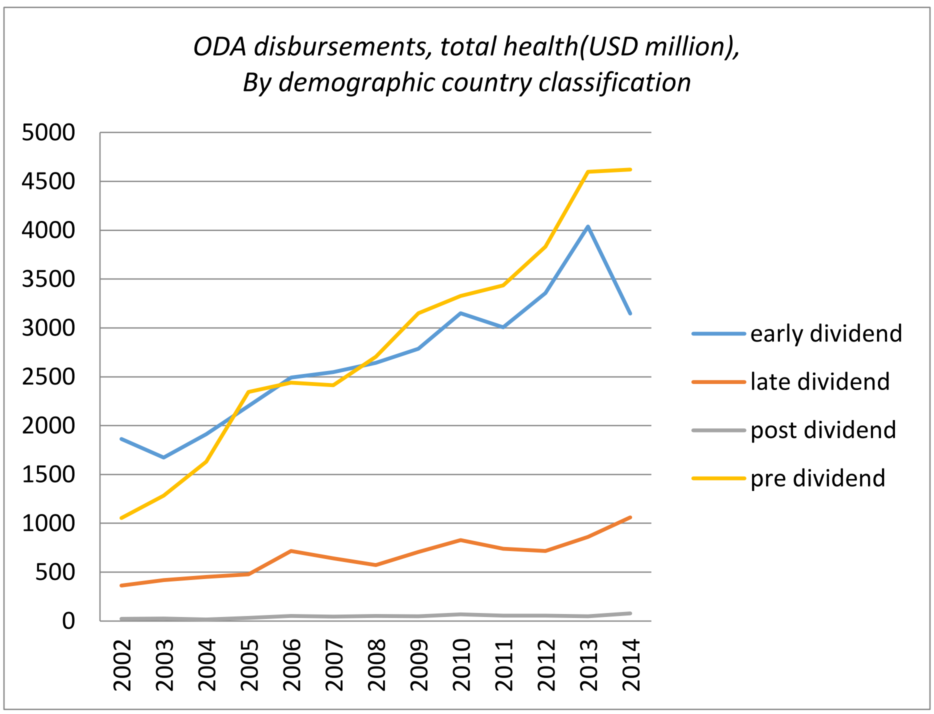
Box 2: ODA trends to developing countries, based on demographic classification

The graphs classify countries according to their position in the demographic transition (World Bank 2015).

- *Pre-dividend countries* are mostly low income countries, where fertility rates are four births per woman or higher. These countries tend to lag in key human development indicators and face rapid population growth.
- *Early-dividend* countries are mostly lower-middle-income countries further along the fertility transition. Fertility rates have fallen below four births per woman and the working-age share of the population is likely to rise considerably.
- *Late-dividend* countries are mostly upper middle-income countries where fertility rates are typically above replacement levels of 2.1 births per woman, but fertility continues to decline.
- *Post-dividend* countries are mostly high income countries where fertility has transitioned below replacement levels. These countries continue to see shrinking working-age shares and have some of the highest shares of elderly in the world.




ODA disbursements, vocational education (USD million) By demographic country classification
400
350
300
250
200
150
100
50
0
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
early dividend
late dividend
post dividend
pre dividend


ODA disbursements, total health(USD million), By demographic country classification
5000
4500
4000
3500
3000
2500
2000
1500
1000
500
0
2002
2003
2004
2005
2006
2007
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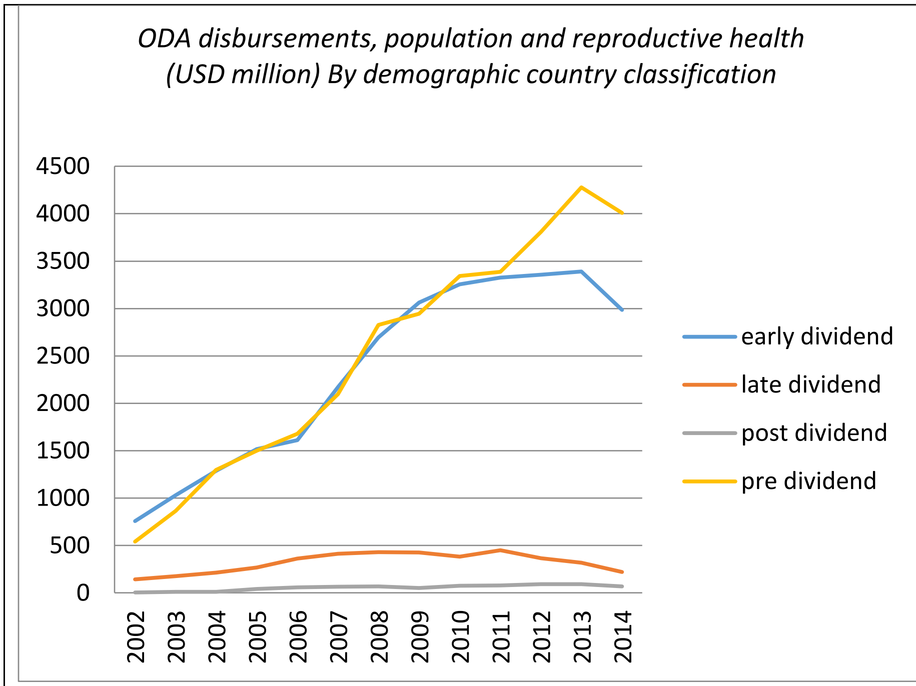
early dividend
late dividend
post dividend
pre dividend



Source: OECD DAC data.