



# SOCIAL AND ECONOMIC POLICY CONCEPT NOTE

JULY 2010  
UNICEF POLICY AND PRACTICE

## RECOVERY FOR ALL A Call for Collaborative Action

A strategy to assist countries to achieve a social and economic recovery for all

- Analyzing and prioritizing budgets to provide immediate support to children, women and households
- Identifying sources of fiscal space for enhancing programmes for children
- Assessing the social impacts of different policy options
- Supporting dialogue on alternative policy options for a robust social and economic recovery

The UN Secretary-General recently emphasized the need for governments to ensure a recovery for all:

“We must design recovery from the ground up. High unemployment, rising food and commodity prices, and persistent inequalities have contributed to a substantial rise in hunger, poverty and associated social tensions. Now, more than ever, investments for the world’s poorest are necessary to recover lost ground in pursuit of development objectives, including the Millennium Development Goals (MDGs)... The recovery proceeds at varied speeds across the world, and is still fragile in most countries... Just as households have borne much of the brunt of coping during the crisis, they now run the risk of being left behind by the recovery. Global stabilization and recovery debates must take into consideration the specific needs of vulnerable populations.”

The UN Secretary-General further urged:

“As the G20 considers ‘fiscal consolidation and exit strategies from extraordinary macroeconomic and financial support measures,’ all governments must take into account—besides the usual macroeconomic indicators—human development objectives and impacts, especially through job recovery... We must act now. We must avoid reverting to the pre-crisis conditions that denied too many of our fellow human beings a fair chance at a decent living... We must work together to establish the basis for a more secure, prosperous and equitable world for all.”<sup>1</sup>

The urgency of this call to action cannot be understated. As the effects of the global economic crisis continue to be felt across many developing countries, households are coping by compromising essential expenditures, and children's rights to education, health and protection are under increasing threat, particularly for those in the bottom quintiles. Despite incipient signs of economic turnaround, the need for public support for children and their families remains great. This reality has widened the scope of the challenges facing UNICEF and its partners and deepened concerns for worsening inequity.

This concern calls for a recovery for all with a view to prioritizing those most affected, the majority of which are poor and marginalized children and women. Furthermore, progress towards the universal realization of the rights of all children, to which 193 countries have committed by ratifying the Convention on the Rights of the Child (CRC), as well as progress towards the MDGs, will be halted if the right remedial policies are not taken expeditiously.

In the 1980s, UNICEF's work on Adjustment with a Human Face was widely recognized as a milestone in the realization that children and their families should not be treated as collateral damage in the business of economic adjustment, but rather are entitled to necessary and adequate development investments. The same arguments remain valid in current times: recovery for all is an urgent imperative.

This concept note outlines a Recovery for All strategy to assist countries to meet their CRC obligations through a robust social and economic recovery. It builds on UNICEF's progress in advancing upstream social and economic policies, as well as ongoing technical assistance to interested

governments in education, health, social protection and pro-poor socio-economic policies. At the same time partnerships are essential—the approach is premised on strong collaboration among UN and other international agencies that work closely in supporting governments. Ultimately, Recovery for All seeks to avoid retrogression in the realization of children's rights and to ensure that recovery efforts benefit the most excluded children and families, rather than accentuating social and economic disparities.

*We very much welcome comments from UNICEF partners and staff on this note.*

## BACKGROUND AND RATIONALE

### **Children need to be protected from the continued impact of the crisis.**

The combination of food and fuel price increases followed by the financial and economic crisis has taken a toll on poor families through lower purchasing power, reduced access to social services and higher unemployment. This crisis comes on top of an existing human crisis. Prior to the recent food and fuel price volatility and global economic slowdown, half of the world was already living below the \$2-day poverty line. The 21st century starts with growing inequalities, social tensions and millions of children being denied their rights. In 2009, the world reached a troubling milestone: over one billion people were hungry and undernourished.<sup>2</sup> On top of the millions already pushed into poverty in 2008 and 2009, the World Bank's latest estimates predict that as many as 90 million more people could fall into extreme poverty in 2010 as a result of the combined and lingering effects of the crisis.<sup>3</sup>

Many developing countries face increased social needs but decreasing government revenues to address them. In many locations, malnutrition is rising and becoming more severe. The effects on children are enduring: detriments in child nutrition—among other deprivations exacerbated by the crisis—have potentially irreversible impacts on their long-term development, with a greater risk of a whole generation of children being denied their right to full potential. Evidence also suggests that delivery of essential services has been impacted in a sizable number of developing countries as, for example, the real value of salaries of primary teachers and nurses has been significantly eroded during 2007-09 (Figure 1).<sup>4</sup> Many governments have expressed serious concerns at the negative impact of the global economic and financial crisis on social development,<sup>5</sup> as well as on the universal realization and effective enjoyment of human rights.<sup>6</sup>

**Premature adjustment of public expenditures raises the risk of non-inclusive recovery and greater inequities.** During 2009, a number of governments mitigated the negative impacts of the financial and economic crisis by allowing their fiscal budget to widen and/or by introducing fiscal stimulus plans, part of which was used to buffer the crisis effects and invested in social protection measures to cushion populations (Figure 2).<sup>9</sup> For example, a majority of Sub-Saharan Africa countries was able to increase public spending during 2008-09 by drawing on the monetary and fiscal buffers built up during the previous period of strong growth.<sup>8</sup>

Figure 1. Selected Countries: Estimated Change in Real Annual Salaries, 2007-09 (in percent)

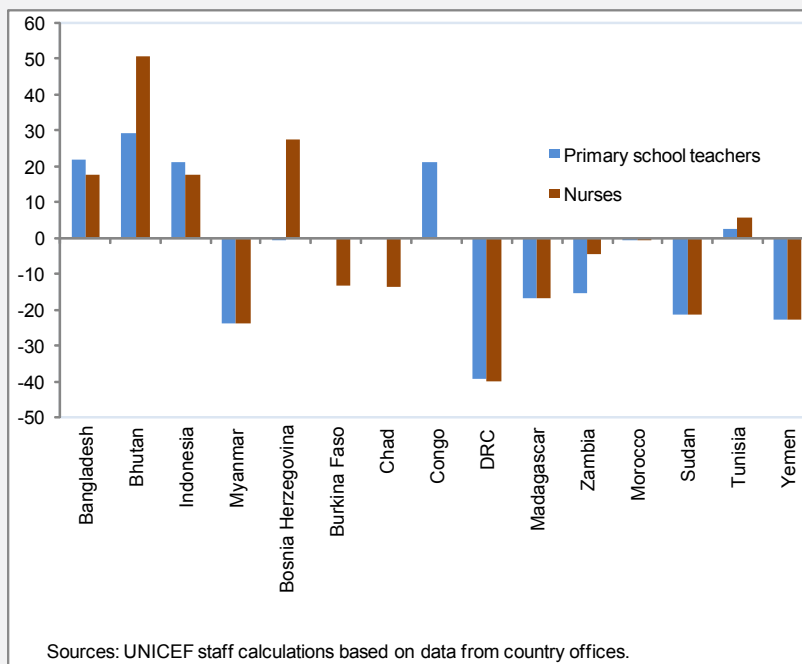


Figure 2. Size of Social Protection Component of Stimulus Packages (in percent of total announced amount)

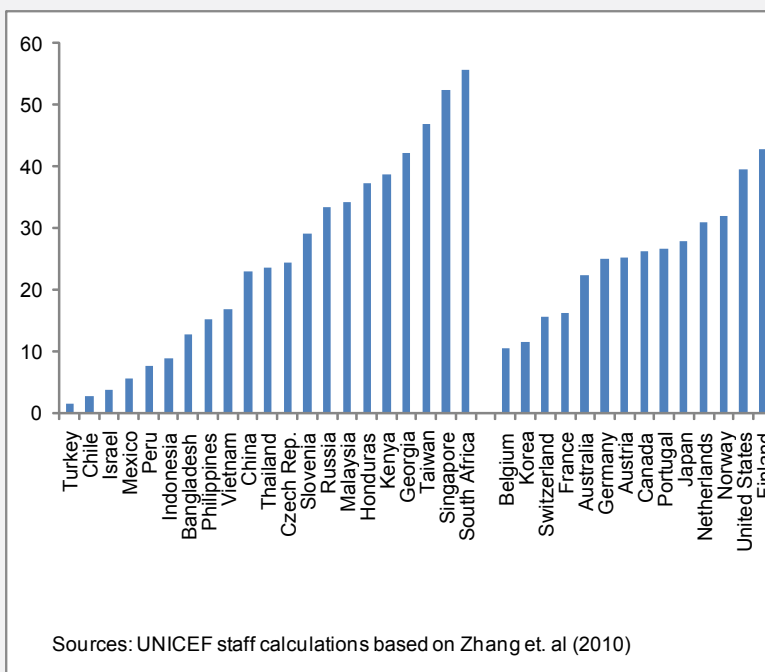
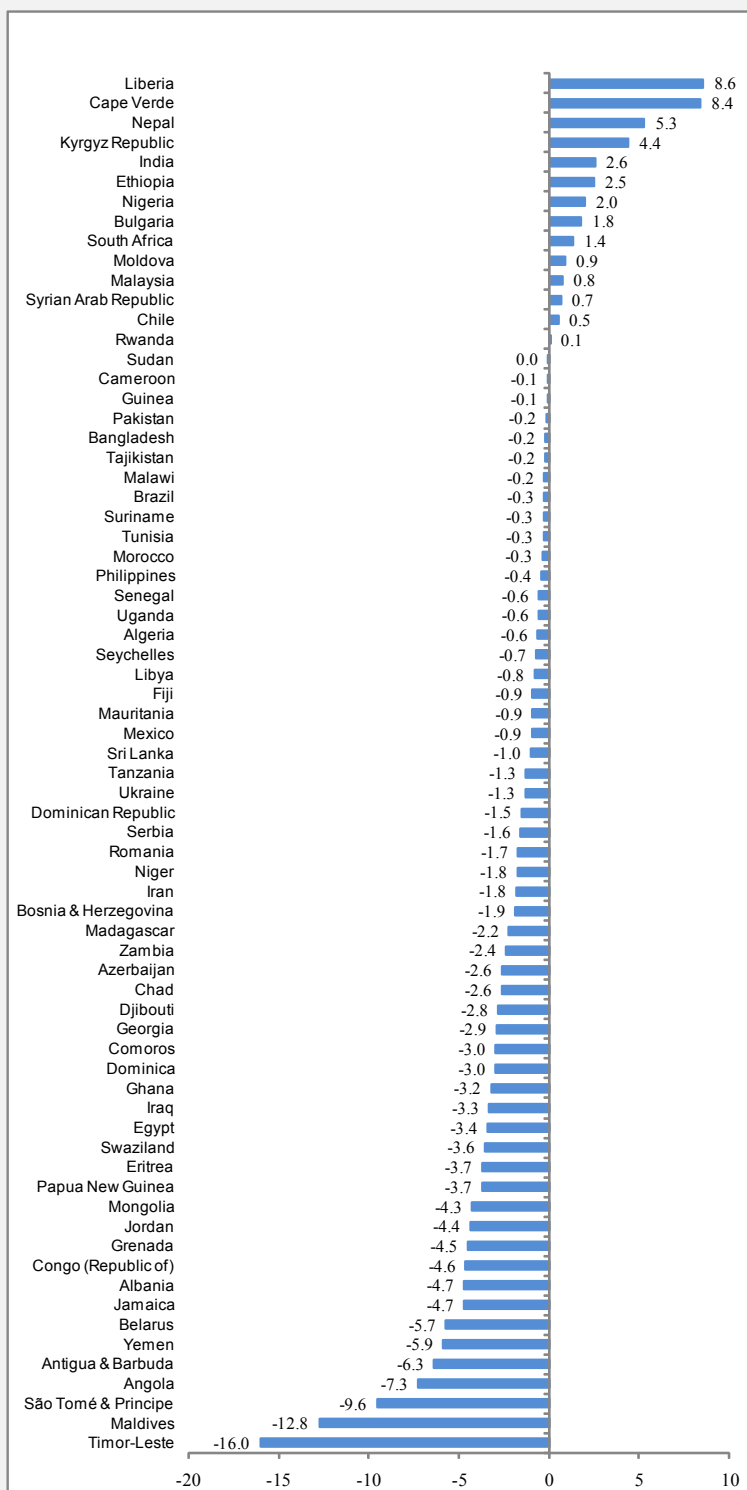


Figure 3. Projected Change in Total Government Expenditure in Selected Countries (in percent of GDP, 2010-11 over 2008-09)



Sources: UNICEF staff calculations based on the IMF's Regional Economic Outlook publications (April-May 2010) and country reports (July 2009-July 2010).

In 2010, however, governments are starting to withdraw fiscal stimulus and cutting public spending, including a significant number of low and middle income countries (Figure 3). While this recent shift in the fiscal stance is largely motivated by concerns for rising levels of debt, there is a need to ensure that the goal of long-term fiscal sustainability does not come at the expense of irreversible human losses and of efforts to further child rights and achieve the MDGs.

Despite signs of recovery in some parts of the world, economic recovery will not be soon or strong enough to provide immediate relief to children and poor households. According to UN agencies<sup>9</sup> and the World Bank, the social impacts of the economic slowdown are still felt in terms of rising poverty levels, unemployment, mortality rates and hunger. Premature fiscal contraction and/or withdrawal of countercyclical measures raise the risk of underfunding—or not funding at all—public support essential for resuscitating those hardest hit, potentially leaving them unable to take advantage of new economic opportunities. In contrast, a fiscal stance that provides breathing space for governments' efforts to scale up public policies and key programmes for socio-economic recovery is needed to prevent worsening inequities and further MDG setbacks.<sup>10</sup>

As mounting fiscal and external pressures induce fiscal consolidation, it is time to recognize that allocating resources to children to the maximum extent of available resources is not merely necessary but also an obligation of governments under the CRC. In the current environment, this implies prioritizing essential socially-responsive expenditures while also protecting core

economic development programmes that effectively support poor children and their households.

**There is an urgent need for pro-poor expenditures for social and economic recovery.** National debates on what constitutes adequate crisis recovery are underway. In addition to scaling up quick-impact social protection interventions and social expenditures, there is a need to invest in pro-poor growth, such as promoting sustainable agriculture and long-term food security, as well as adequate industrial and trade policies that seek to generate employment and broad-based economic activities. Options for both social and economic recovery need to be balanced and mutually complementary, with social investment supporting economic growth, and economic growth being pursued in a manner that most effectively benefits children and the poorest households. Progress towards social development will remain slow unless employment and social inclusion become a central objective of economic policies.<sup>11</sup>

UNICEF's call for a Recovery for All is in full accordance with the UN Secretary-General's and the UN Chief Executives Board's determination to promote responses to the financial and economic crisis that are both effective and equitable. This was expressed through the definition of nine UN Joint Initiatives, including: strategies to provide additional financing for the most vulnerable in countries in distress; progress in food and nutrition security; a global jobs pact; a social protection floor; and improved monitoring and analysis of crisis impacts (e.g. the Global Pulse).

## A FOUR STEP FRAMEWORK

Recovery for All aims to protect the rights of children and their families affected by the crisis and post-crisis adjustment. This can be achieved through various dimensions of cooperation with partner governments, including policy advocacy, dialogue, technical support where needed and leveraging of external assistance. The UN system, including UNICEF, together with other international partners, is in a good position to support governments and other national partners in undertaking a four-step framework of an adequate fiscal response for development needs:

- 1. Analyze and prioritize budgets for a social and economic recovery for all, providing immediate and adequate support to children and women:**
  - a. Scaling up social protection;
  - b. Maintaining (if not increasing) social expenditures such as education and health services, water and sanitation; and
  - c. Protecting pro-poor expenditures aimed at economic recovery and at raising household livelihoods such as increased investments in agriculture/food security and employment-generating activities.
- 2. Identify sources of fiscal space for enhancing programmes for children and poor households.**
- 3. Conduct a rapid assessment of the social impacts of different policy options, including how some crisis/post-crisis adjustments may run the risk of causing retrogression in**

the realization of children's rights and which policy options may help governments best meet their obligations under the CRC.

4. **Develop a set of alternative policy options for social and economic recovery** that can be used in a national dialogue on crisis responses and post-crisis policy adjustments.

## RECOVERY FOR ALL AT THE COUNTRY LEVEL

Recovery for All is anchored on strengthening country-level engagement and policy processes, which includes building on findings of country analysis of poverty, social budgets, the situation of children, etc., as well as policy advocacy work. Recovery for All also links with national policymaking tools and processes, such as poverty reduction strategies and medium term expenditure frameworks. Accordingly, the first step is to establish what opportunities and tools exist to influence public resource allocation processes in the immediate best interests of children, without losing sight of longer-term developmental objectives, including sustained and broad-based economic growth.

Specific activities may include:

1. **Analyze and prioritize budgets for social and economic recovery to provide immediate and adequate support to children and women:** A Recovery for All should assist governments to:
  - a. Identify urgent social protection initiatives that have a quick, positive impact on children, that can be scaled-up cost-effectively or introduced rapidly (e.g. nutrition programmes, cash transfers, guaranteed work schemes, school feeding and child protection services) and that can provide the basis for a sustainable social protection floor. UNICEF and other partners can support this through providing guidance and international good practices on social protection design and implementation options which are appropriate to the national context and best reach vulnerable households and children.
  - b. Identify social sector spending areas to be increased or at least maintained in order to preserve gains in the realization of children's and women's rights, and preserve longer term national development achievements, including progress toward the MDGs. This should include, but not be limited to, basic education, child and maternal health, nutrition, and water and sanitation investments, as well as employment and salaries of teachers, doctors, nurses, social workers, etc. in sector ministries, and the operation and maintenance of key social programmes.

### Box 1. Key Budget Issues to be Monitored

- Contraction of social expenditures
- Reform of social protection:
  - Targeting (reducing coverage)
  - Rationalizing/reducing benefits
  - Pension reform
- Cuts of subsidy essential for the poor (e.g. certain food subsidies)
- Wage bill caps/cuts (e.g. salaries of teachers, health and social workers)

- c. Identify pro-poor expenditures aimed at economic recovery (e.g. in agriculture/food security and employment-generating industry and enterprises), with a view to strengthening households' resilience to shocks so that they are better able to ensure their children's well-being.
- d. Provide estimates of the budgetary costs of these options and use them to assist ministries to build convincing budget proposals.

**2. Identify sources of fiscal space for enhancing programmes for children:**

Governments may need support to identify potential sources of fiscal space to maintain or scale up social protection and other pro-poor expenditures. Potential options to expand fiscal space are: (a) re-prioritizing public expenditures; (b) adopting a more accommodating macroeconomic framework for social and economic recovery; (c) raising taxation; (d) drawing down on reserves; (e) increasing official development assistance; (f) borrowing or renegotiating debt; and (g) eliminating, where immediately possible, inefficiencies at different levels that could lead to cost-savings in public programmes. Such options are supported by policy statements of the international financial institutions and should be considered prior to making decisions on fiscal adjustments that could have potentially detrimental impacts on children and hinder a recovery for all.

**Box 2. Child Rights in Recovery for All**

Recovery for All is not only motivated by the urgency of protecting vulnerable children and women from long-term adverse consequences, but also an obligation implied by the CRC. By promoting social and economic recovery that is inclusive and pro-poor, this initiative contributes to the prevention of retrogression in child rights in the short term as well laying a foundation for the sustained realization of children's rights.

Rights-based perspectives have concrete policy implications, including:

- Assisting in budget formulations that are consistent with the requirement in Article 4 of the CRC that States Parties realise the economic and social rights of children to "the maximum extent of available resources," laying the foundations for long-term guarantee of child rights;
- Providing guidance and advocating for policy options for social and economic recovery that meet the requirements of Article 4 of the CRC as a contribution to national dialogue on crisis responses and post-crisis policy adjustments;
- Assessing the social and distributional impact of policy options on the most marginalised and excluded, the potential retrogressive elements of proposed responses, and the extent to which these options consider children's rights holistically, leveraging the complementarities and interdependence of support in areas such as nutrition, education and health;
- Enabling scaling up of social protection programmes in the short term, with a view to guaranteeing access to all without discrimination in the longer term;
- Supporting the development of social protection systems that have an appropriate corresponding legal framework as well as mechanisms in place for accountability and responsiveness;
- Supporting dialogue and conducting advocacy for Recovery for All in a transparent, inclusive manner that empowers civil society and citizens to participate in the decision making process;
- Engaging donor and partner countries to assist them in meeting their joint obligations under the CRC and using the CRC as a reference point for the accountability of donor support; and
- Supporting States Parties to the CRC and other relevant UN and regional human rights instruments and mechanisms to include information on their response to the economic crisis in their reports to the Committee on the Rights of the Child and regional monitoring bodies.

**3. Rapidly assess the social impacts of different policy options and proposals, including how they might impact on the realization of children's rights, and which policy options may help governments to best meet their obligations under the CRC (Box 2):**

To support governments to embark on socially-responsive and pro-poor recovery measures, the discussion of policy options should take into consideration their likely social impacts, including, but not limited to, the net impacts on: (i) access to social goods and services (education, health, social protection, water and sanitation, as well as access to agricultural inputs and credit);

(ii) demand for labor; (iii) prices facing the poor (e.g. if consumer subsidies are removed); and (iv) social expenditures (including net public transfers to poor households). Drawing on existing household data and situation analysis, the assessment should also examine how and how much different policy options would likely benefit the population by income status, gender, age, indigenous groups and geographic locations.

**4. Develop a set of alternative policy options for social and economic recovery that can be used in a national dialogue on the crisis:**

National dialogues to address priorities in social and economic recovery are a good tool for transparency and accountability in policy-making, as well as for ensuring national ownership. National social and economic recovery programmes should ideally be informed by analyses identifying socially-responsive policy options, including possible sources of fiscal space to implement them. Options could also be framed in the context of the UN Joint Crisis Response Initiatives, engaging together with UN agencies through the UN Country Team and ensuring consistency with the requirements of Article 4 of the CRC. To the extent possible, this should be developed in a participatory manner from the outset so that both national and international stakeholders realize the potential of collaborating on pro-poor crisis responses. A national dialogue on crisis responses has already begun in a growing number of countries (e.g. Box 3 illustrating Pakistan's experience).

**Box 3: Pakistan Commission Report on Economic Stabilization with a Human Face (2009)**

In order to respond to the crisis, Pakistan created an Advisory Panel of leading economists to examine policy options and design a plan for a robust recovery. The Panel submitted an Interim Report titled "Economic Stabilization with a Human Face" to the country's Planning Commission. The Panel has recommended a number of actionable programmes and policies to restore macroeconomic balance and protect poor and vulnerable segments of the country, notably from the recent food and fuel price volatility and the unfolding economic crisis. These measures covered fiscal, monetary, trade and tax policy reforms, along with a more robust social protection response to the crisis. The latter includes increasing coverage of the Benazir Income Support Programme to 4.5 million families, initiating an Employment Guarantee Scheme in poor districts, increasing microfinance outreach and providing housing for the poor. The Panel advocates for taking steps to achieve a quick and robust economic and social recovery, with an emphasis on pro-poor sectors, such as agriculture and small and medium-size enterprises leading the revival of economic growth.



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## V. RECOVERY FOR ALL: REGIONAL AND GLOBAL ACTION

These four steps at the national level can be complemented by regional-level coordination, cross-country networking (e.g. through community of practice) and technical backstopping. They can further be used for high profile regional policy advocacy events and knowledge management initiatives, as well as for coordinating and documenting relevant evidence and country experiences.

At the global level, UNICEF will play a catalytic role by creating innovative tools, operational guidance notes and policy products, among others, as well as by maintaining a high level dialogue with the international financial institutions and other key agencies. UNICEF, as part of the UN family, strongly encourages joint and collaborative initiatives by UN agencies at all levels, the IMF and the development banks, as well as civil society organizations, to assist governments in implementing a Recovery for All.

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For more information on this issue, or to share feedback, please contact Isabel Ortiz ([iortiz@unicef.org](mailto:iortiz@unicef.org)), Jingqing Chai ([jchai@unicef.org](mailto:jchai@unicef.org)) or Matthew Cummins ([mcummins@unicef.org](mailto:mcummins@unicef.org)).

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For UNICEF staff, further advice on the Recovery for All approach can be sought from the UNICEF Regional Social Policy Advisor and the PAKM team at DPP team in HQ—please see contact persons above.