Investment in children

Report commissioned by Save the Children
Child Rights Governance Initiative

Paola Perezniezo, Anamaria Golemac Powell and Merima Avdagic

November 2011
Acknowledgements

With thanks to Hanna Alder, Gina Bergh, Evie Browne and Ella Page for providing research and writing assistance during this process, to Roo Griffiths for her editorial expertise and to Nicola Jones for providing valuable comments and insights throughout.
Contents

1 Introduction 1
  1.1 Background 1
  1.2 Analytical framework 2
  1.3 Report structure 3

2 Why invest in children? 4
  2.1 Why invest in children: rights, economic, political and social arguments 4
  2.2 Child-sensitive budgeting to finance policies and contribute to child poverty reduction 5
  2.3 Concluding remarks 6

3 States’ budgetary allocations and financial planning cycles 7
  3.1 Overview of the budget process 7
  3.2 Entry points to influence budgeting processes 9
  3.3 Patterns of public expenditure in some key child rights-related sectors 15
  3.4 Child-sensitive spending in the economic crisis and the post-crisis period 23
  3.5 Concluding remarks 26

4 State measures towards budget transparency and accountability 27
  4.1 Why transparency and accountability are critical for equitable financing 27
  4.2 Measures of accountability 28
  4.3 Transparency and accountability linked to better child rights outcomes: the adverse impacts of corruption 29
  4.4 Civil society mechanisms to hold governments accountable 31
  4.5 Concluding remarks 36

5 Taxation and investment in children 37
  5.1 Objectives of taxation 37
  5.2 Types of taxation mechanisms and impact on social interventions 38
  5.3 Tax strategy as a tool for social policy 40
  5.4 Taxation trends in developed and developing countries 40
  5.5 Innovative tax mechanisms 45
  5.6 Concluding remarks 46

6 Aid to promote investment in children 48
  6.1 Overview of aid and child rights 48
  6.2 Types of aid 49
  6.3 Investment in children 50
  6.4 Challenges with investing aid in children 53
  6.5 Concluding remarks 56

7 Conclusions and ways forward 58

References 60
Tables, figures & boxes

Tables
Table 1: Characteristics of budget entry points  
Table 2: Education spending as a share of national income, by income group and region, 1999 and 2008  
Table 3: Low performers on the Corruption Perceptions Index 2011 and the Child Development Index 2006–2011

Figures
Figure 1: The budget cycle and entry points for engagement on child-rights  
Figure 2: Government expenditure on health as a percentage of total government expenditures by WHO region, 2000–2007  
Figure 3: Social security expenditure by region, weighted by population, latest available year (% of GDP)  
Figure 4: ODA to social sectors, by sector, 2005–2008

Boxes
Box 1: Recommendations of the Committee on the Rights of the Child with regard to child-sensitive budgeting  
Box 2: Promoting child rights realisation in the EU through the multiannual budget  
Box 3: The impact of austerity measures on households with children in the UK  
Box 4: International initiatives promoting transparency in the extractive industries
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACPF</td>
<td>African Child Policy Forum</td>
</tr>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>AIDS</td>
<td>Acquired Immune Deficiency Syndrome</td>
</tr>
<tr>
<td>ATAF</td>
<td>African Tax Administration Forum</td>
</tr>
<tr>
<td>BIC</td>
<td>Children’s Investment Bulletin</td>
</tr>
<tr>
<td>BiH</td>
<td>Bosnia and Herzegovina</td>
</tr>
<tr>
<td>BRAC</td>
<td>Building Resources Across Communities</td>
</tr>
<tr>
<td>CCT</td>
<td>Conditional Cash Transfer</td>
</tr>
<tr>
<td>CEF</td>
<td>Commonwealth Education Fund</td>
</tr>
<tr>
<td>CPBC</td>
<td>Children’s Participatory Budget Council</td>
</tr>
<tr>
<td>CPIA</td>
<td>Country Policy and Institutional Assessment</td>
</tr>
<tr>
<td>CRIA</td>
<td>Child Rights Impact Assessment</td>
</tr>
<tr>
<td>CRY</td>
<td>Child Relief and You</td>
</tr>
<tr>
<td>CSO</td>
<td>Civil Society Organisation</td>
</tr>
<tr>
<td>CYP/C</td>
<td>Children and Young People Committee</td>
</tr>
<tr>
<td>DAC</td>
<td>Development Assistance Committee</td>
</tr>
<tr>
<td>DBS</td>
<td>Direct Budget Support</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development</td>
</tr>
<tr>
<td>DG</td>
<td>Directorate-General</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>ECHO</td>
<td>DG Humanitarian Aid</td>
</tr>
<tr>
<td>ESP</td>
<td>Essential Service Package</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FBiH</td>
<td>Federation of BiH</td>
</tr>
<tr>
<td>FTT</td>
<td>Financial Transaction Tax</td>
</tr>
<tr>
<td>GBS</td>
<td>General Budget Support</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>HIPC</td>
<td>Heavily Indebted Poor Countries</td>
</tr>
<tr>
<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
</tr>
<tr>
<td>IBM</td>
<td>Independent Budget Monitor</td>
</tr>
<tr>
<td>ICSAC</td>
<td>Indian Council for South Asian Cooperation</td>
</tr>
<tr>
<td>ICT</td>
<td>Information, Communication and Technology</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Association</td>
</tr>
<tr>
<td>IDASA</td>
<td>Institute for Democracy in South Africa</td>
</tr>
<tr>
<td>IFI</td>
<td>International Financial Institution</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
</tr>
<tr>
<td>ITD</td>
<td>International Tax Dialogue</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IPC</td>
<td>International Poverty Centre</td>
</tr>
<tr>
<td>IPTTTN</td>
<td>Institut Penyelidikan Pendidikan Tinggi Negara</td>
</tr>
<tr>
<td>JAS</td>
<td>Joint Assistance Strategy</td>
</tr>
<tr>
<td>MDBS</td>
<td>Multi-donor Budget Support</td>
</tr>
<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
</tr>
<tr>
<td>MFF</td>
<td>Multiannual Financial Framework</td>
</tr>
<tr>
<td>MoHFW</td>
<td>Ministry of Health and Family Welfare</td>
</tr>
<tr>
<td>NDP</td>
<td>National Development Plan</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental Organisation</td>
</tr>
<tr>
<td>Norad</td>
<td>Norwegian Agency for Development Cooperation</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
</tr>
<tr>
<td>ODI</td>
<td>Overseas Development Institute</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PB</td>
<td>Participatory Budgeting</td>
</tr>
<tr>
<td>PETS</td>
<td>Public Expenditure Tracking Survey</td>
</tr>
<tr>
<td>PFM</td>
<td>Public Financial Management</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
<td>-------------</td>
</tr>
<tr>
<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
</tr>
<tr>
<td>RRA</td>
<td>Rwanda Revenue Authority</td>
</tr>
<tr>
<td>SimIC</td>
<td>Online System to Monitor Federal Government Investments in Programmes for Children and Adolescents</td>
</tr>
<tr>
<td>SPEM 3</td>
<td>Programme for Strengthening Public Expenditure Management</td>
</tr>
<tr>
<td>SPIS</td>
<td>Enhancing the Social Protection and Inclusion System for Children in BiH</td>
</tr>
<tr>
<td>SWAp</td>
<td>Sector-wide Approach</td>
</tr>
<tr>
<td>TAACC</td>
<td>The Apac Anti-corruption Coalition</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNCRP</td>
<td>UN Convention on the Rights of the Child</td>
</tr>
<tr>
<td>UNDP</td>
<td>UN Development Programme</td>
</tr>
<tr>
<td>UNESCO</td>
<td>UN Educational, Scientific and Cultural Organization</td>
</tr>
<tr>
<td>UNFPA</td>
<td>UN Population Fund</td>
</tr>
<tr>
<td>UNIAGCME</td>
<td>UN Inter-Agency Group on Child Mortality Estimation</td>
</tr>
<tr>
<td>UNICEF</td>
<td>UN Children’s Fund</td>
</tr>
<tr>
<td>UNIFEM</td>
<td>UN Development Fund for Women</td>
</tr>
<tr>
<td>UPE</td>
<td>Universal Primary Education</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
</tr>
<tr>
<td>USAID</td>
<td>US Agency for International Development</td>
</tr>
<tr>
<td>VAT</td>
<td>Value-added Tax</td>
</tr>
<tr>
<td>VOICE</td>
<td>Voluntary Organisations in Cooperation in Emergencies</td>
</tr>
<tr>
<td>WASH</td>
<td>Water, Sanitation and Hygiene</td>
</tr>
<tr>
<td>WHO</td>
<td>World Health Organization</td>
</tr>
<tr>
<td>ACPF</td>
<td>African Child Policy Forum</td>
</tr>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>AIDS</td>
<td>Acquired Immune Deficiency Syndrome</td>
</tr>
<tr>
<td>ATAF</td>
<td>African Tax Administration Forum</td>
</tr>
<tr>
<td>BIC</td>
<td>Children’s Investment Bulletin</td>
</tr>
<tr>
<td>BiH</td>
<td>Bosnia and Herzegovina</td>
</tr>
<tr>
<td>BRAC</td>
<td>Building Resources Across Communities</td>
</tr>
<tr>
<td>CCT</td>
<td>Conditional Cash Transfer</td>
</tr>
<tr>
<td>CEF</td>
<td>Commonwealth Education Fund</td>
</tr>
<tr>
<td>CPB</td>
<td>Children’s Participatory Budget Council</td>
</tr>
<tr>
<td>CPIA</td>
<td>Country Policy and Institutional Assessment</td>
</tr>
<tr>
<td>CRIA</td>
<td>Child Rights Impact Assessment</td>
</tr>
<tr>
<td>CRY</td>
<td>Child Relief and You</td>
</tr>
<tr>
<td>CSO</td>
<td>Civil Society Organisation</td>
</tr>
<tr>
<td>CYPC</td>
<td>Children and Young People Committee</td>
</tr>
<tr>
<td>DAC</td>
<td>Development Assistance Committee</td>
</tr>
<tr>
<td>DBS</td>
<td>Direct Budget Support</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development</td>
</tr>
<tr>
<td>DG</td>
<td>Directorate-General</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>ECHO</td>
<td>DG Humanitarian Aid</td>
</tr>
<tr>
<td>ESP</td>
<td>Essential Service Package</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FBIH</td>
<td>Federation of BiH</td>
</tr>
<tr>
<td>FTT</td>
<td>Financial Transaction Tax</td>
</tr>
<tr>
<td>GBS</td>
<td>General Budget Support</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>HIPC</td>
<td>Heavily Indebted Poor Countries</td>
</tr>
<tr>
<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
</tr>
<tr>
<td>IBM</td>
<td>Independent Budget Monitor</td>
</tr>
<tr>
<td>ICSAC</td>
<td>Indian Council for South Asian Cooperation</td>
</tr>
<tr>
<td>ICT</td>
<td>Information, Communication and Technology</td>
</tr>
</tbody>
</table>
IDA International Development Association
IDASA Institute for Democracy in South Africa
IFI International Financial Institution
ILO International Labour Organization
ITD International Tax Dialogue
IMF International Monetary Fund
IPC International Poverty Centre
IPTTN Institut Penyelidikan Pendidikan Tinggi Negara
JAS Joint Assistance Strategy
MDBS Multi-donor Budget Support
MDG Millennium Development Goal
MFF Multiannual Financial Framework
MoHFW Ministry of Health and Family Welfare
NDP National Development Plan
NGO Non-governmental Organisation
Norad Norwegian Agency for Development Cooperation
ODA Official Development Assistance
ODI Overseas Development Institute
OECD Organisation for Economic Co-operation and Development
PB Participatory Budgeting
PETS Public Expenditure Tracking Survey
PFM Public Financial Management
PRSP Poverty Reduction Strategy Paper
RRA Rwanda Revenue Authority
SimIC Online System to Monitor Federal Government Investments in Programmes for Children and Adolescents
SPEM 3 Programme for Strengthening Public Expenditure Management
SPIS Enhancing the Social Protection and Inclusion System for Children in BiH
SWAp Sector-wide Approach
TAACC The Apac Anti-corruption Coalition
UK United Kingdom
UN United Nations
UNCRC UN Convention on the Rights of the Child
UNDP UN Development Programme
UNESCO UN Educational, Scientific and Cultural Organization
UNFPA UN Population Fund
UNIAGCM0 UN Inter-Agency Group on Child Mortality Estimation
UNICEF UN Children’s Fund
UNIFEM UN Development Fund for Women
UPE Universal Primary Education
US United States
USAID US Agency for International Development
VAT Value-added Tax
VOICE Voluntary Organisations in Cooperation in Emergencies
WASH Water, Sanitation and Hygiene
WHO World Health Organization
Executive summary

This report, commissioned by Save the Children Child Rights Governance Initiative (CRGI), provides evidence for the organisation’s CRGI, in particular its global breakthrough on Investment in Children. It looks at reasons to invest in children, focusing on rights, economic and political arguments, using a ‘continuum of financing’ approach which looks at public spending, the creation of fiscal space and economic growth.

Why states should invest in children

States that have ratified the UN Convention on the Rights of the Child (UNCRC) have taken on obligations to implement these rights ‘to the maximum extent of their available resources’ and, where necessary, to seek international cooperation to support the fulfilment of these rights. As the main duty bearer in the fulfilment of children’s rights, the state plays a critical role in generating an enabling environment to do this. It can best foster this through the development of a context-specific, child-sensitive policy framework based on evidence of aspects of child rights that are identified to be lacking or that remain unfulfilled.

There are at least three powerful arguments as to why governments should invest in children: the rights argument is based on Article 4 of the UNCRC, binding signatory countries to act; the economic argument relates to the need to invest in the country’s human capital; and the political and social argument explains how inadequate social investment, high levels of inequality and severe poverty can undermine social cohesion.

Budgeting processes and spending to achieve children’s rights

Budgets are a source of vital information in gauging governments’ commitment to the realisation and attainment of child rights. The Committee on the Rights of the Child urges governments to take special measures and develop special policies and programmes for children. Entry points for child rights researchers, advocates and practitioners to engage with decision makers to promote more child-responsive budgeting and expenditure exist at all stages of budget formation. Nonetheless, some important challenges to budget execution remain in developing countries and pose problems in achieving child rights outcomes. It is important to identify and consider these when planning work with governments to improve their capacity to carry out child rights policy work. Meanwhile, the global economic crisis is posing a risk to the achievement of child rights, as austerity packages often include cuts in social spending, including in European Union (EU) countries. Thus, it is a good moment to advocate for reversing these expenditure patterns to avoid negative impacts on children, particularly the most vulnerable.

Budget transparency and accountability linked to better child rights outcomes

Children’s rights cannot be fully realised without effective, transparent and accountable governance mechanisms to contribute to improving service delivery mechanisms. Budget transparency enables the examination of resources destined for child-sensitive policies and programmes. Corruption, which results from a lack of transparency, accountability and the misuse or misappropriation of funds by those making decisions or in power at different levels, is widespread in social services such as health and education, as well as in public utilities that provide electricity and water. This has negative implications for the fulfilment of children’s socioeconomic rights. If the health system is not governed well, then health workers will be absent, patients will have to pay illegal fees and basic inputs will be lacking, which means the health of the population will suffer. Corruption also occurs in the allocation, execution and use of government budgets earmarked for education, at different administrative levels, including within ministries, districts and schools.

A number of developing countries have enacted legislation to enhance public access to budget information. In addition, international initiatives, such as those of the International Budget Project, CIVICUS, the UN Children’s Fund (UNICEF) and the EU, are working to address the lack of access to information by working with national government and non-governmental
agencies. Civil society and non-governmental organisations, with active participation of citizens—including girls and boys—can play a very active role in promoting transparency and accountability and fostering better spending to improve the lives of children. In particular, social audit methodologies, which are management tools and accountability mechanisms used to understand social performance of an organisation, have gained traction throughout the world as a means to hold governments accountable.

**Taxation and investment in children**

The amount of resources a government can spend on social sectors to fulfil the rights of children is linked to the fiscal space available. An efficient and adequate taxation system can not only help the governments of less developed countries to function and pay for goods and services, but also open the way for other state and market reforms to promote economic, social and environmental development. In relation to children, effective taxation, as the main form of government revenue, is necessary to finance policies and programmes that are necessary for the realisation of child rights. In addition, well-designed taxation mechanisms can be redistributive, contributing to reducing income inequalities. One of the most attractive features of using the tax system rather than direct spending programmes in relation to social policy for children is the lower bureaucratic burden involved. However, they should not be a substitute for direct spending programmes, for a number of reasons.

Tax revenues account for over a third of gross domestic product (GDP) in Organisation for Economic Co-operation and Development (OECD) countries, but far less in developing countries, particularly in Sub-Saharan Africa. In the latter case, there is a need for a well-designed increase in tax through, for example, improved revenue collection and a reduction in the scope for loopholes in the tax system. However, developing countries face challenges in attempting to establish efficient taxation systems. Most have much higher levels of economic disparity, poverty and social exclusion and are characterised by a large informal economy.

Meanwhile, particularly in developed countries, alternative taxation schemes can be considered, in line with specific country settings. Financial transaction taxes, luxury goods taxes, etc. can play a major role in improving the resources available for development, including investment in child-sensitive policies.

**Aid to promote investment in children**

Although aid and public investments are critical to supporting the realisation of child rights, development assistance on its own is not sufficient to drive this agenda, which is equally reliant on national-level commitments and aid effectiveness. This is increasingly the case given that the ‘modalities’ through which aid is delivered have shifted from a project-focused approach towards more nationally linked programmatic modalities in an effort to streamline development assistance and better align it with national priorities.

An examination of investment in children highlights the importance of aid allocations: although official development assistance (ODA) targets remain ambitious, there is little clarity on the proportion targeted towards the fulfilment of children’s rights. This owes in part to a lack of widespread understanding or acceptance that access to resources and power, and experiences of poverty, can differ within households. Instead, an assumption persists that measures to address aggregate household poverty inevitably translate into improvements in children’s lives, even though evidence increasingly indicates that reducing household poverty alone is insufficient to tackle childhood poverty. This said, aggregate household poverty reduction does continue to be an important prerequisite for realising child rights and protection. It is therefore reassuring that trends in the social sectors (education, health, nutrition, water and sanitation and gender development) indicate that overall aid to sectors underlying child well-being has increased substantially in recent decades. There is, however, very limited information on the effectiveness of this aid and its real contribution to improved outcomes, and insufficient evidence linking aid to positive outcomes for children. Children’s rights have become more visible over time within individual donor agencies, but the conceptualisation and articulation of this agenda vary considerably within and across agencies, with significant implications for the
achievement of children’s rights. In addition, in terms of the profile of children’s rights in development assistance dialogues with partner countries, the shifting aid environment has introduced further challenges. These will need to be managed strategically if children’s rights are to avoid suffering from the problem of ‘policy evaporation’, which has often plagued mainstreaming attempts in relation to human rights issues such as gender equality.

**Conclusion**

There has been significant improvement in the visibility of children’s rights in government financing in recent decades. However, this progress has not been characterised by an explicit recognition of the legally binding commitment on countries which are signatories to the UN CRC. A great deal of work remains to be done, particularly in the current economic context, in particular to raise the visibility of child rights in budget (revenue and expenditure) and aid discussions. Additionally, actively promoting transparency and accountability to ensure better use of resources and enabling the generation of more fiscal space through greater efficiencies in spending would be useful to foster continued financing in this critical area. This report in particular seeks to provide a knowledge base for Save the Children International to enable an understanding of the potential entry points and research gaps in relation to this area of work.¹

Further research is needed on effective taxation policies that have led or can lead to more resources to support child-sensitive policies, on the impact corruption is having on child well-being outcomes and how the changing donor agenda in the context of aid effectiveness is affecting (for good or for bad) financing of child rights-related priorities. This would contribute to a greater evidence base for child rights advocates and practitioners and thus help them to better engage with this challenging agenda. A range of organisations—international and national—are now working either directly or indirectly on investment in children. It is important to continue documenting such work, from advocacy initiatives to empirical research, to ensure that new initiatives build on sound methodologies and useful practices to generate even richer knowledge. Similarly, sharing information can help to generate regional and global alliances that can use evidence more effectively for advocacy on investment in children.

---

¹ A second component of this project is a brief note for Save the Children International with programmatic recommendations on investment on children that stem from the evidence in this report.


1 Introduction

States that have ratified the UN Convention on the Rights of the Child (UNCRC) have taken on obligations to implement children’s rights ‘to the maximum extent of their available resources’ and, where necessary, to seek international cooperation to support the fulfilment of these rights. Understanding how and the extent to which developing countries are able to finance children’s rights is a topic of considerable importance in international development, given the strong evidence base that exists on linkages between childhood, life-course and inter-generational poverty (e.g. Harper, 2005). The aim of this report, commissioned by Save the Children International, is therefore to consolidate and make accessible evidence on different aspects of the continuum of financing for child rights. This is particularly pertinent at a time of worldwide economic crisis, with the looming prospect of a double-dip recession in which, unlike during the 2008–2009 crisis, many developed (such as those in the European Union (EU)) and developing countries (such as many in Africa, South Asia and Central America) are opting for contractionary measures to curb fiscal deficits and government debt. These austerity packages are often accompanied by budget cuts in sectors crucial for human development, including those which can have the most impact on children. Given the implications of this potential threat to the financing actions necessary for the realisation of child rights in many recession-affected countries, understanding budgeting for children, advocating for the creation of fiscal space to continue financing such important investments despite the economic slowdown and highlighting the relevance of improving the quality of investment in children through greater transparency and accountability are even more important to protect and promote the best interests of children around the world.

1.1 Background

States that have ratified the UNCRC have taken on the obligation under international law to implement it, ensuring the realisation of all rights in the Convention for all children in their jurisdiction. While the enjoyment of economic, social and cultural rights is intertwined inextricably with that of civil and political rights, Article 4 of the UNCRC asserts that,

‘States Parties shall undertake all appropriate legislative, administrative, and other measures for the implementation of the rights recognized in the present Convention. With regard to economic, social and cultural rights, States Parties shall undertake such measures to the maximum extent of their available resources and, where needed, within the framework of international co-operation’ (UN, 1989).

The article therefore binds signatory states to invest all necessary resources in public policies and programmes that will enable the fulfilment of children’s social and economic rights. There is recognition that a lack of resources—financial and others—can hinder the full implementation of economic, social and cultural rights in some states, as reflected in the concepts of ‘progressive realisation’ of such rights and implementation by states ‘to the maximum extent of their available resources’, where necessary seeking international cooperation to support this. States’ commitment should be reflected in higher and better resource allocations towards the fulfilment of these rights in line with their level of economic growth and availability of public resources. Importantly, when states ratify the Convention, they also take on obligations to contribute, through international cooperation, to global implementation—through either bilateral or multilateral support. This is particularly important for richer countries, which have a double obligation: to ensure the fulfilment of rights within their borders and to support the realisation of rights in less developed countries, including through the provision of aid and technical support.

In addition to the UNCRC, other international rights charters, such as the Charter of Fundamental Rights of the EU (in Article 24), endorse the fulfilment of children’s rights:

---

2 www.unicef-irc.org/portfolios/general_comments/GC5_en_doc.html.
3 These include all countries except two: the US and Somalia.
'Children shall have the right to such protection and care as is necessary for their well-being'. In order to guarantee this, governments must ensure the implementation of necessary actions, which need to be financed through adequate resource allocations.

In the international arena, in addition to legal agreements, most nations have agreed to important policy commitments which set goals that are linked closely with good performance on child well-being indicators. Such is the case with the Millennium Declaration: all the Millennium Development Goals (MDGs) are directly or indirectly relevant to children (UNICEF, 2007). For example, reducing child poverty and deprivation should be a crucial commitment of both governments and the international community, to contribute to the realisation of children’s rights to survival and well-being and also to achieving MDG 1, on halving world poverty by 2015.

There has been important progress globally towards the fulfilment of children’s rights and achievement of the MDGs (Marcus et al., 2011). Nevertheless, there are significant gaps, which imply that children in both developed and developing countries still have their rights denied. For example, while child mortality rates have fallen substantially since 1990, when 12.4 million children under the age of five died, global levels of child mortality remain extremely high, with 7.6 million children under five dying in 2010 alone (UIAGME, 2010). As the main duty bearer in the fulfilment of children’s rights, the state—including all its powers: legislative, executive and judicial—plays a critical role in generating the enabling environment to meet rights.

1.2 Analytical framework

The central argument of this report is that states can best foster the realisation of children’s rights through the development of a context-specific, child-sensitive policy framework which grounds its approach in an evidence-based analysis of aspects of child rights that are identified as lacking or that remain unfulfilled. To realise this strategy and to make progress in the implementation of child rights, it is necessary to ensure that public resources are invested to finance actions in this policy framework. This is why ‘investment in children’ is the topic explored by this report.

The framework used for the analysis presented here considers a ‘continuum of financing’ approach, which looks at public spending as one element in the process of ensuring adequate investment in the achievement of children’s rights. Other important elements include the creation of fiscal space to allow for adequate investment in children in line with commitments. Economic growth provides the easiest way to create fiscal space—assuming there are adequate taxation mechanisms in place to generate fiscal revenue from sectors achieving growth. But even in the absence of economic growth, improving revenue collection, reallocating expenditure and increasing spending efficiency can create the fiscal space to increase social expenditure, provided there is political will. This means generating fiscal revenue in the form of taxes and, where necessary, complementing this with resources from aid—and improving transparency and accountability to ensure good and efficient use of resources.

The most sustainable way for governments to create and maintain fiscal space in the medium and long term, so as to generate sufficient public sector revenue to finance the multiple competing public spending demands they must meet—which include public policies and interventions to fulfil children’s rights—is through strong and efficient taxation. Where governments are too poor or fragile to raise sufficient revenue through national taxation, then aid is essential, particularly in the short term, to help narrow the financing gaps and contribute to fiscal space, although, in the case of less developed countries, concessional lending or grants are also important to avoid pushing them into debt. Sustainable fiscal space also requires that transparency and accountability mechanisms be in place to minimise leakages and wastage which takes available resources away from key areas.

---

4 Fiscal space can be defined as the availability of budgetary room that allows a government to provide resources for a desired purpose without any prejudice to the sustainability of a government’s financial position. See Heller (2005).
1.3 Report structure

This report aims to provide evidence on these issues for Save the Children International’s Child Rights Governance initiative, in particular its global breakthrough on Investment in Children. This latter seeks to increase the amount of money that donors and governments spend on children and to ensure this money is focused on realising the rights of all children. In order to present the available evidence base in an accessible manner, the report is structured as follows.

Section 2 asks why it is important to invest in children, focusing on rights, economic, political and social arguments. Section 3 follows the first dimension of the continuum of financing, looking at states’ budgetary allocations and financial planning cycles, some trends in spending in key child rights-related sectors and how spending in these sectors has changed as a result of the global economic crisis. Section 4 explores measures towards budget transparency and accountability, with a particular focus on mechanisms to curb corruption and promote participation in budgeting processes. Section 5 looks at taxation and investment in children to understand how more fiscal resources can be generated through more effective tax systems to invest in social sectors, particularly with the aim of achieving children’s rights. Section 6 presents some important aspects of aid to promote investment in children, examining the extent to which international donors support child rights. Finally, Section 7 outlines the conclusions of the report.
2 Why invest in children?

‘[...] performance in budgeting for children does not necessarily depend on the level of economic development; what is also required is a political commitment that needs to be manifested; a policy of child budgeting that prioritises the needs of children; allocating sufficient budgets to provide for the basic needs of children; and a commitment to put in place appropriate laws and mechanisms to ensure efficient, effective utilization of budgets to bring about concrete child wellbeing outcomes’ (ACPF, 2011).

In order to fulfil children’s fundamental rights as set out in the UNCRC and meet international development goals, children’s rights need to be operationalised and provisions related to these need to be incorporated into national legal and policy frameworks. Just as importantly, these provisions need to be reflected in programme and expenditure plans. As such, an analysis of a country’s budget—from formulation to execution—and monitoring of its public expenditure performance is a strong tool to hold the government accountable in terms of keeping its financing plans consistent with declared policy objectives and spending and managing financial resources allocated to priority areas appropriately (Robinson, 2006). Such analysis can also reveal where public expenditure addresses needs or is failing to reach certain social groups, such as children.5 We begin by reviewing the conceptual underpinnings for child budgeting work, before turning to a discussion of child-sensitive budgeting approaches and tools.

2.1 Why invest in children: rights, economic, political and social arguments

There are at least three powerful arguments as to why governments should invest in children, both in their own countries and, where possible, through international cooperation, in countries which are likely to benefit from international support.

The rights argument
As Section 1 discussed, Article 4 of the UNCRC binds signatory countries to ‘undertake such measures to the maximum extent of their available resources and, where needed, within the framework of international co-operation’ to fulfil children’s social and economic rights. As such, in the case of less developed countries, the international community has an obligation to provide support to meet this financing gap and to live up to their legal obligation as a signatory to the UNCRC. It therefore becomes important to understand to what extent child rights are on donors’ agenda in their bilateral negotiations with countries they support as well as the extent to which aid institutions prioritise child rights in their policies and strategies for international aid (Save the Children International, 2011).

The economic argument
Expenditure on child-sensitive policies and programmes, particularly those that foster universal and quality education, health services, nutrition and water and sanitation, implies investing in the country’s human capital. Financing social sectors has the aim of increasing individuals’ productive capacities and therefore their potential income by broadening the spectrum of opportunities available to them, ultimately improving their well-being (Becker, 1993, in Marcus et al., 2011). In this sense, there are important complementarities between social and economic policy, with social investment underpinning economic development and productivity. Educated, qualified and healthy workers can contribute better to economic growth, since they

---

5 Work on child-sensitive budgeting, which includes policy research, analysis and advocacy, started being pursued in the early 2000s. By the mid-2000s, a great deal of the seminal work setting out principles, guidance and justification had been published and was being shared, led by the Institute for Democracy in South Africa (IDASA) and including other child-focused organisation such the UN Children’s Fund (UNICEF), Save the Children and the HAQ Centre for Child Rights in India. As such, many of the frameworks for analysis in this field date from the middle of the decade. In the second half of the decade and more recently, the body of work applying such frameworks has been growing. Practical initiatives seek to generate evidence on the importance of investing in children and to promote better financing in areas that are important for the fulfilment of child rights, from the grassroots to the national level.
are better equipped to assimilate the new knowledge and skills required by a rapidly changing economic environment. Capacities developed in childhood contribute significantly to adult outcomes, so an investment during childhood yields higher economic returns through a better equipped workforce, and higher social returns through reduced social costs generated by illness or unemployment (World Bank, 2010). Economic growth and its fair distribution widens the resource base of a society, allowing for a sustained increase in investments in people and increases in productivity, which feed back into economic growth. There is much evidence to indicate that equitable approaches (emphasising equitable access to land and education) have underpinned later growth and improvements in social development (Marcus et al., 2011). In particular, a growing body of evidence points to early childhood interventions reducing a number of adult social ills, as opportunities lost as children cannot be easily compensated for in adulthood. Thus, early childhood interventions can reduce inequality by targeting disadvantaged children, including gender inequality and girls’ education (UNESCO, 2007; Jones et al. 2010; Dornan, 2010). This human capital approach therefore also contains an argument for investing in children for development reasons – investment can produce a healthy, educated population with increased wellbeing and equality (Anderson and Hague, 2007). Another side of the economic argument relates to the effective use of public funds and the detrimental impact corruption can have on child rights outcomes. Given that children are perhaps the largest group of citizens dependent on public services, any failure in the services they receive that result from poor governance and corruption lead to poor outcomes for them, including failures to fulfil their social and economic rights (Save the Children International, 2011).

The political and social argument
Inadequate social investment, high levels of inequality and severe poverty together hinder the development and consolidation of democracy, and can undermine social cohesion—as was seen in the popular protests in several Arab countries in 2011. Social deprivation can diminish participation and solidarity, which are values essential to democratic life. Social investment and sustained human development, on the other hand, widen opportunities for broad sectors of the population, opening channels for social mobility and generating stable processes of social integration (Marcus et al., 2011).

In particular, a society that cares for its children and is prepared to be held accountable for its legal commitments is likely to encourage good governance to the benefit of all citizens, which is in turn likely to promote equity and consolidate social stability. Good governance entails the inclusion of citizens in political processes and decision making, which again may contribute to social cohesion and the willingness of citizens to contribute to the 'social contract', for example by paying taxes. Importantly with regard to public expenditure, most of these resources come from citizens’ pockets, and citizens—especially poor ones—should benefit from government services. It is hence crucial that citizens have access to information and processes that allow them to hold the state accountable for how it prioritises and spends public funds (Save the Children International, 2011). In line with these three arguments, countries can make important progress in the achievement of children’s rights by increasing and/or improving funding to key social sectors, often with the leadership of national governments, work by sub-national governments and technical and/or financial support from the international community. To continue moving forward and narrowing existing gaps, the need to invest in children should be upheld as an essential priority, to achieve the rights of children today and to contribute to more stable and prosperous countries in the near future.

2.2 Child-sensitive budgeting to finance policies and contribute to child poverty reduction
Investment in children is necessary for the implementation of public policies put in place for the achievement of children’s rights. In this sense, the responsiveness of the budget to the realisation of substantive rights such as food, health, housing and education implies a progressive allocation and use of resources in social sectors such as health, education and water and sanitation (UNICEF, 2010a). Such budgets should respond to equity considerations
by emphasising non-discrimination and social inclusion and paying attention to power relations. This could imply, for example, ensuring that actual public sector allocations as well as the decision-making processes that result in budget formulation (particularly at the local level) do not marginalise children, women and poor families. In particular, to foster gender equity, budgets should also be able to respond to the considerations of girls and boys (ibid.).

Child poverty is a particular manifestation of a multi-layered violation of children’s rights whereby children are not only deprived of their right to an adequate standard of living but also prevented from fully accessing multiple other rights (social, economic, civic and cultural). For example, poverty is closely linked to children’s capacity to access and benefit from basic social services, particularly health, education, protection and water and sanitation, all of which contribute to the level of human development of children and their caretakers. To make progress in relation to child poverty reduction—an objective linked intimately the fulfilment of child rights—it is essential that governments as the main duty bearers mobilise public expenditure to finance the provision of accessible and quality services, paying particular attention to poor and marginalised children.

2.3 Concluding remarks

This section has provided a rights-based, economic, political and social justification for governments across the world for prioritising investment in children. It has also provided a brief explanation of the importance of expenditure on basic social sectors in relation to reducing children’s multidimensional poverty. The next sections explore in more detail different components of the continuum of financing required to achieve the objective of effectively investing in children.
3 States’ budgetary allocations and financial planning cycles

This section provides an overview of budgeting and expenditure processes to ensure a better understanding of how these work and, importantly, to identify entry points for child rights researchers, advocates and practitioners to engage with decision makers at different stages of the process to promote more child-responsive budgeting and expenditure. It also explores some of the problems with weak public financial management (PFM) processes which can cause a disconnect between budgeting and spending, and how these can have a negative impact on child-sensitive expenditure. The section then provides a global overview of spending in three sectors essential to the achievement children’s rights (education, health and social security). It finally then moves on to discuss the current situation regarding pro-poor and social sector spending globally in the context of the crisis, identifying some of the implications for children, and points to ways this situation could be partially mitigated through child-responsive budgeting.

3.1 Overview of the budget process

The budget is the government’s most important economic policy tool. Public budgets translate a government’s policies, political commitments and goals into decisions on how much revenue to raise, how to raise it and how to use these funds to meet the country’s competing needs, from bolstering security to improving health care to alleviating child poverty.

Budgets are a source of vital information to gauge a government’s commitment to the realisation and attainment of child rights. They articulate the policy direction, plans and resources available for development in a specific country (Nomdo, 2006). Further, budgets present broad economic choices on national policy priorities and set spending and revenue patterns, shaping what happens to specific sectors and services. Budgets are not single, static documents consisting of a presentation of predetermined revenue and expenditure information by the executive branch to parliament for consideration and approval. Rather, they represent a cycle which consists of a system of planning, budget approval, financial reporting and independent audit, which changes at each of its phases, as discussed below.

As Section 1 discussed, the budget can be a tool for the fulfilment of child rights, since resources need to be allocated towards meeting objectives and fulfilling these rights (UNICEF, 2007). That is, budget allocations have to reflect the government’s policy decisions and legislative actions. In many countries, especially at present, given the effects of global crises, weak budget systems and inadequate budget choices are exacerbating economic constraints.

Box 1: Recommendations of the Committee on the Rights of the Child with regard to child-sensitive budgeting

The Committee on the Rights of the Child consistently urges governments to take special measures and develop special policies and programmes for children. In its reviews, it recommends using the UNCRC as a guide in policymaking and implementation, so as to determine the portion of public funds spent on children and to ensure these resources are being used effectively. The obligation on states to realise the economic, social and cultural rights of children to the maximum extent of their available resources represents an extraordinary challenge to all countries to review and, where necessary, take action to:

- Increase the proportion of government spending on necessary policy and programme areas for children compared with spending on other areas which are not as high priority. A child-sensitive budget should include clear information on how the money spent on children is distributed;
- Increase the proportion of the budget allocated to the social sectors, both from national resources and international aid, particularly when resources to these are not sufficient to meet children’s rights;
- Spend within the framework of the 20/20 Initiative, which calls for developing countries to allocate 20% of their budgets and donor countries to allocate 20% of official development assistance (ODA) to
basic social services. The 20/20 Initiative also aims to ensure resources are used with greater efficiency and equity;

- Improve the revenue and the material, human and organisational resources available at central and local levels and assess how these resources can be applied in the best way possible.

Sources: UNICEF (1998); UNICEF et al. (2011).

**Characteristics of the budget**

Many governments separate their annual budgets into two components: the operating (or recurrent) budget and the capital budget. There are three possible types of budgets: line-item, performance and programme budgeting. Each refers to the type of disaggregation of the information presented, which reflects how the budget is planned. In most developing countries, budgets still blend features of the three; few, if any, budgets worldwide are prepared exclusively on a programme basis (UNICEF, 2007). In reality, there are as many budget formats as there are budgets. It is therefore important to understand how the budget of a specific country is constructed to be able to analyse the information it contains and, in the case of planners in different sectors, to be able to learn how programme planning needs to be budgeted.

Performance or result-based budgeting represents a significant departure from traditional line-item budgeting. The latter was used in the past to help with internal control but was becoming less useful as a policymaking or decision-making tool since it does not show what is being accomplished with the money (the outputs that should result from spending), rather just whether resources are being spent on the approved purposes.

In different countries, child rights champions have linked their work to public sector reform—which generally includes reforms to PFM systems to improve budget planning and expenditure processes—and used the on-going reform of budget processes in particular to mainstream child and gender rights into financial and policy agendas. Underpinning advocacy and technical analysis work in relation to budgeting for child rights is the fact that policies and programmes aimed at their realisation are sometimes under-funded; at other times, they are adequately funded but the efficiency of spending is weak, resulting in suboptimal outcomes. Some less developed and developing countries already spend a higher than average share of their budget on sectors with a potentially important impact on the realisation of rights, such as education and health. In these cases, the key issue is how to contribute to ensuring ‘better’ spending to make child rights-related policy implementation a reality, rather than just how to spend more on children. Some important policy areas, such as those related to child protection and psychosocial wellbeing, are typically under-funded across the world (Harper and Jones, 2011).

It is important to highlight that simply having an annual budget is not enough to ensure the government’s objectives—including those related to child rights—are met. Most policies and programmes take more than a year to be implemented and to start showing the desired outcomes. This is why many countries have introduced medium-term budget planning processes, which,

- Have a clearly defined budget timetable and responsibilities, generally lasting three to five years;
- Set out a clear fiscal strategy based on the level of resources available to the government;
- Prioritise the allocation of scarce resources to the government’s most important economic and social policy objectives;
- Improve the predictability of budget policy and funding;
- Ensure more effective and efficient use of government resources;
- Improve the transparency and accountability of government policies, programmes and decision making; and
- Ensure that the financial impacts in future years are taken into account when making policy decisions and that such decisions are made during the budget planning cycle (World Bank, 2002).
A greater number of countries are moving toward multiannual budget planning. This means that child rights advocates and practitioners promoting child-responsive budgeting should consider a medium-term policy and planning framework to which budget plans should adhere.

The following sections examine these aspects of budget planning, implementation, execution and transparency in order to highlight existing gaps, show good practices and identify opportunities to improve the impact of a government’s budgets from a child rights perspective. Some positive stories and good practices in introducing child rights budgeting in public finance systems are presented at the end of this section.

3.2 Entry points to influence budgeting processes

The budget cycle comprises the following stages: formulation (whereby the executive drafts the budget plan); enactment (when it is interrogated and approved by, e.g., by the legislative branch/parliament); execution (when policies are carried out); and auditing (expenditure is accounted for and assessed for effectiveness) (Streak, 2003).

Figure 1: The budget cycle and entry points for engagement on child-rights

Source: Author’s compilation.
It is important to note that activities related to several stages of the cycle often happen at the same time, and that what happens in one stage influences decisions made in the others. For example, while the executive is formulating the budget proposal for the coming year—making decisions about what programmes to invest public funds in and at what level—the various ministries and departments are executing the budget for the current year and the national audit institution is evaluating expenditures from prior years. Both execution and auditing can provide critical information to the executive as it develops its next budget. Each stage in the cycle is important and provides different actors with opportunities to influence the outcomes.

**Table 1: Characteristics of budget entry points**

<table>
<thead>
<tr>
<th>Entry point</th>
<th>Characteristics</th>
<th>Realities (opportunities/challenges)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formulation</td>
<td>• National budget drafting should ideally be informed by a child rights situational analysis or equivalent diagnostic</td>
<td>• The executive normally formulates the annual budget behind closed doors, with little direct access for the legislature and civil society. However, there are exceptions:</td>
</tr>
<tr>
<td></td>
<td>• It should reflect priorities related to child rights policies and programmes as reflected in the national development plan (NDP) or equivalent multiannual policy.</td>
<td>• A participatory budgeting process shares the draft budget for comments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Annual budgets usually build on previous years, creating opportunities for civil society organisations (CSOs) to release analyses on issues known to be under consideration or which they believe to be priorities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Non-governmental organisations (NGOs) and CSOs can also establish informal lines of communication with executive branch officials</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• CSO initiatives that aim to demystify budget processes and build the capacity of groups and individuals to participate in the process.</td>
</tr>
<tr>
<td>Approval</td>
<td>• Legislative branch discusses, amends and approves the budget proposal</td>
<td>• This phase offers most potential for civil society input because interest in the budget is typically at a high point when the executive presents to the legislature.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Child rights advocates advocate for the budget to be aligned with the government’s child rights commitments and child rights-related programmes.</td>
</tr>
<tr>
<td>Execution (implementation,</td>
<td>• Spending of resources</td>
<td>• Programmes are often hindered not by low budget allocation but poor budget execution, including: poorly trained staff; weak legal frameworks; unclear regulations; absence of effective rewards and sanctions; ineffective central control and audit agencies; poor parliamentary oversight; and outdated information technology.</td>
</tr>
<tr>
<td>monitoring and control)</td>
<td>• Monitoring throughout the year to identify leakages, verify adequacy of the flow of funds and ensure budget allocations are dispersed correctly.</td>
<td>• Unless public reports are issued regularly on the status of expenditure, NGOs and CSOs have limited ability to monitor the flow of funds.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• CSOs can advocate for reforms to strengthen budgetary control and some engage in independent monitoring activities</td>
</tr>
<tr>
<td>Oversight (auditing and legislative assessment)</td>
<td>• Information is generated in relation to the quality and efficiency of the budget including spending on child rights-related programmes.</td>
<td>• In many countries, the general absence of publicly available and up-to-date information on budget issues has seriously hindered the efforts of national and local organisations to participate in the oversight stage.</td>
</tr>
<tr>
<td></td>
<td>• Transparency and accountability can be assessed by looking at the legislative and executive branches’ response to the findings of audit reports.</td>
<td>• Some CSOs pursue new mechanisms to promote more direct citizen engagement, from decentralisation to a wide variety of participatory and consultative processes in national and global policy deliberations.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reporting on budgetary allocations for the implementation of the UNCRC is difficult and few state parties undertake the kind of analysis that is necessary. However most recognise the clear need to monitor budgetary allocations.</td>
</tr>
</tbody>
</table>

**It is important to note that activities related to several stages of the cycle often happen at the same time, and that what happens in one stage influences decisions made in the others. For example, while the executive is formulating the budget proposal for the coming year—making decisions about what programmes to invest public funds in and at what level—the various ministries and departments are executing the budget for the current year and the national audit institution is evaluating expenditures from prior years. Both execution and auditing can provide critical information to the executive as it develops its next budget. Each stage in the cycle is important and provides different actors with opportunities to influence the outcomes.**
Each of the above stages of the budget cycle presents an entry point for introducing child rights-related commitments (Norton and Elson, 2002).

**Box 2: Promoting child rights realisation in the EU through the multiannual budget**

The EU’s Multiannual Financial Framework (MFF) for 2014–2020 will be finalised by mid-2012 following negotiations between EU institutions. As a result, NGOs and CSOs working on the promotion of child rights have been advocating for the adoption in the context of this framework of specific recommendations that will enable better fulfilment of children’s rights and that reflect an understanding of the needs facing children in Europe and the gaps that need to be filled.

Eurochild, a network of organisations and individuals working in and across Europe to improve the quality of life of children and young people, has made the following recommendations for the next EU budget:

- Children’s rights need to be mentioned explicitly and mainstreamed in a holistic way across policy areas in the next MFF.
- A specific children’s budget line should be created, based on Article 3 of the Lisbon Treaty, to ensure the promotion and implementation of children’s rights in the EU.
- The fight against poverty and social exclusion needs to be a clear priority within the 2020 budget and appropriate resource allocation must be ensured to support the European Platform against Poverty.
- The role of European civil society networks working towards the promotion and protection of children’s rights and well-being needs to be acknowledged, and the next budget needs to be sustained for core funding of their operation.
- The use of structural funds needs to include a target on furthering early childhood education and care as part of a broader European policy framework linking labour market policies, family-related leave, family support policies and formal education systems.
- Eligibility of EU funding for de-institutionalisation needs to be ensured and safeguards put in place so that it does not finance institutional child care but rather community-based and family care, which includes the promotion of more progressive social services and social protection.
- Macroeconomic conditionalities should not prevent European structural funds from reaching those most in need.
- Stronger involvement of civil society in the allocation of structural funds at national level is necessary.

Source: Eurochild (2010).

**Formulation**

Initial multiannual national budget drafting should reflect priorities related to child rights policies and programmes as reflected in the national development plan (NDP) or equivalent multiannual policy and development plan. For this purpose, duty bearers (mainly sector ministries and other agencies with programmes and actions geared towards the realisation of the rights of children) should prepare corresponding budgets to reflect their resource requirements, based on the budget ceiling set by the Ministry of Finance and in line with detailed programmes and plans. Ideally, these should be informed by a child rights situation analysis or equivalent diagnostic. The outcome of the formulation stage is a national budget proposal (as expressed in a Finance Law in almost all countries), which includes budget allocations for all government agencies as well as transfers to local governments.

The executive branch normally formulates the annual budget behind closed doors, so generally the legislature and civil society have little direct access to this stage of the process. However, there are exceptions, including participatory budgeting (PB) processes, whereby budget drafts are shared for comments, as well as initiatives which aim to demystify budgets and budget processes and build the capacity of groups and individuals concerned with child rights to participate in these processes. Examples of PB include those in Brazil (see Case Study 4 in Section 4). PB can give more weight to direct citizen participation in the decision-making process regarding the expenditure of public funds (UNICEF, 2003).
The annual budget is rarely constructed from scratch, but rather builds on the previous year’s budget. This creates an opportunity for child rights analysis and advocacy at the formulation stage. During the development of the budget, civil society groups often release analyses on issues known to be under consideration, or which they believe ought to be priorities, with the aim of influencing the budget being formulated. There also may be opportunities for NGOs and CSOs to establish informal lines of communication with executive branch officials.

Approval
In this stage, whereby the legislative branch discusses, amends and approves the budget proposal, a series of negotiations usually takes place, reflecting competing demands for resources. Such negotiations reflect a relatively fixed overall budget ceiling for the year relating to the country’s macroeconomic framework. The extent of negotiations at this stage varies according to the types of institutions in different contexts (e.g. negotiations are likely to be more meaningful in countries where the executive and legislative branches share power). Child rights advocates both within (sector ministries or agencies tasked with the realisation of child rights) and outside (donor agencies, development partners, NGOs and CSOs) government should look at the budget proposal and, where necessary, advocate for its alignment with the government’s child rights commitments and child rights-related programmes.

It is during this phase of the budget cycle that civil society groups often have the most potential for input. Since interest in the budget is typically at its high point when the executive presents it to the legislature, this creates opportunities for civil society groups to gain access to legislative working groups and budget committees for discussion and to obtain media coverage on and other attention to their budget analyses. Further, in countries where the legislature plays a more active role in the budget process, NGOs and CSOs can use their analysis to influence the debate and highlight important issues on the impact of budget proposals on the poor and most vulnerable in society.

Execution (implementation, monitoring and control)
During budget execution, ministries, other relevant agencies and local governments spend the resources allocated, including those given to child-related programmes. Such spending is monitored throughout the year, to identify leakages, verify adequacy of the flow of funds and ensure budgeted allocations are disbursed for the execution of programmed actions. As discussed above, the realisation of programmes that contribute to the realisation of child rights is often hindered not by low budget allocations but by poor budget execution. This can be traced back to, among other issues, poorly trained staff in government agencies; weak legal frameworks; unclear regulations; the absence of effective rewards and sanctions for civil servants; ineffective central control and audit agencies; poor parliamentary oversight; and outdated information technology.

Implementation of the budget is an executive function so, unless the executive issues public reports regularly on the status of expenditure during the year, NGOs and CSOs have limited ability to monitor the flow of funds. But NGOs and CSOs do have an interest in an effective oversight system that promotes adherence to the budget and reduces mismanagement or corruption, so different civil society groups may advocate for reforms to strengthen budgetary control. Similarly, they may engage in some monitoring activities in an independent oversight role. For instance, in Bangladesh, Bosnia and Herzegovina (BiH), Brazil and South Africa, there are NGOs that focus on tracking whether amounts for specific projects, such as a school or a road, have been used for the intended purpose, are being used effectively and have reached the intended beneficiaries.

Oversight (auditing and legislative assessment)
After budget execution comes a process that should be realised in all countries but is often neglected owing to weak checks and balances on government spending: budget auditing and evaluation. Ideally, as part of this process, useful information is generated in relation to the quality and efficiency of spending on child rights-related programmes, as well as with regard to other areas of the budget. This budget stage presents a valuable opportunity for budget groups to obtain information on the effectiveness of particular budget initiatives, as well as to
advance transparency and accountability by assessing whether the legislature and executive branches respond appropriately to the findings of audit reports. When available in a timely manner, audit reports can document poor expenditure practices, leakages and procurement irregularities (Shapiro and Falk, 2001). NGOs and CSOs could support the dissemination of such information to advance reforms.

In addition to key allies and partners, to be effective throughout the budget process, NGOs and CSOs need timely access to different types of information at each stage in the cycle. For example, to play a meaningful role in the approval stage, they need at a minimum access to complete information about the executive’s budget proposal, and could be even more effective with information on how current programmes are operating (data on execution) and how effective programmes have been in the past (audit information). On the other hand, those seeking to improve budget execution need detailed information on the approved budget, ongoing data from periodic reporting on the current year budget and information from prior audits of the agencies or departments administering the programmes. In many countries, the general absence of publicly available and up-to-date information on budget issues—particularly in accessible forms using straightforward language—has seriously hindered the efforts of national and local organisations to participate in discussion on the distribution of public resources. Some of them, however, have been increasingly pursuing new mechanisms to promote more direct citizen engagement, ranging from decentralisation to a wide variety of participatory and consultative processes in national and global policy deliberations. Moreover, the on-going debate on the need to engage stakeholders in decision-making processes and the push to achieve the MDGs have increased the need to mainstream gender and child rights in economic policies and planning tools. This has contributed to a new emphasis on strengthening understandings of macroeconomics from a human rights perspective and promoting children’s and women’s participation in economic policymaking and decision making (UNIFEM, 2004).

To conclude, the task of reporting on budgetary allocations for the implementation of the UN CRC is difficult, and only a few state parties undertake the kind of analyses that yield the information necessary for thorough reporting. However, government agencies, parliamentarians, CSOs, communities and international development agencies recognise the clear need to monitor budgetary allocations, for social equity and sustainability in general, and in particular for the realisation of children’s rights.

**Challenges to budget execution that can affect child rights outcomes**

Although there are steps and processes in place that make budget planning and implementation more open, transparent and efficient, public expenditure management is still a political, rather than a simply technical, process (Norton and Elson, 2002). As such, political will to further child rights through policies and programmes supported by the budget is a necessary condition to pursue better budgeting for children. Nonetheless, even when resources are insufficient, it is not simply because of a lack of funding—including for child rights-related expenditure—that anomalies in the budget process occur, with potentially negative impacts on child-sensitive spending. Some of the problems identified globally over the years causing discrepancies between planned budget and its implementation related to budgeting—which are applicable also to child-rights based budgeting—include:

- Gaps in budget estimates and expenditure (estimates tend to be smaller than the real expenditure requirements and actual allocations);
- Problems in flows of funds from national to local authorities;
- Inability of local governments to meet the matching grant requirement from the state in the case of centrally sponsored schemes, which hinders the flow of funds to sub-national governments;
- Inadequacy of mechanisms to check misappropriation and misuse of funds;
- Dependence on external aid and problems with slow disbursement in relation to budget commitments;
- Flaws in planning of various ministries and departments; and
• Lack of meaningful communication and coordination between planning commissions, finance ministries and ministries/departments concerned with child rights-related issues during formulation of annual or multiannual strategic plans, mid-term reviews and final evaluations of plan periods (Norton and Elson, 2002).

A number of analyses carried out of spending in the execution stages of budget planning point to leakages, that is, resources not being spent on planned outputs (Oxfam, 2003). Programmes that contribute to the realisation of child rights can be hindered not only by low budget allocations but also by poor budget execution (i.e. inadequate spending). As such, child-sensitive budget analysis can be useful to identify the problems at the different stages of the budget and expenditure process that could result in leakages or inefficient expenditure, resulting in poor outcomes for children. Therefore, an important contribution and outcome of any children’s budget analysis initiative is to call for the improvement of information systems that track the situation and monitor government spending on children.

Case study 1: Wales, United Kingdom—policy analysis and performance-based budget cycle with a UNCRC approach

Aim
This case study aims to illustrate how NGOs and CSOs working in an EU member country have achieved progress in making budgets more responsive to children’s rights by identifying entry points for engagement with different branches of the government. The model adopted by the Welsh government for child rights-responsive budgeting can be useful for high-income countries (such as those in the EU) and some middle-income countries.

Case study
Over the past five years, the UNCRC has come to play a major role in decision-making and policymaking processes in the Welsh Assembly—and therefore in budget allocations. Wales is a good example of a high-income EU country where child budgeting has taken a positive course. This case study looks at improvements in budget cycle techniques, including performance budgeting, from a human rights perspective where the UNCRC played a major role.

Starting in the past decade, NGOs and CSOs in Wales have raised awareness on child rights and opportunities. Organisations such as the Children and Young People Committee (CYPC) and Save the Children UK voiced concern that the Welsh budget construction obfuscated analysis of effects on children and that children’s rights were not being prioritised (National Assembly for Wales, 2009). It was difficult to identify what was actually spent on children and in particular vulnerable groups, and challenging to monitor whether allocations were reaching the attended beneficiaries (Save the Children UK, 2010).

Faced with these concerns, the Welsh government started developing children’s budgeting tools (National Assembly for Wales, 2009) and integrated its policy analysis into the performance-based budgeting cycle and improved accountability through increased transparency and outcome monitoring.

In order to comply with the UNCRC from a budget policy perspective, the Welsh government also passed the Children Act 2004, which requires each local authority and its partners to prepare three-year strategic Children and Young People’s Plans and set out how they would improve the well-being of children and young people in their area. Children and Young People’s Partnerships are responsible for planning services and are required to consult with children and parents and feed their priorities into the plan and the budget-setting process—providing a direct connection with the performance-based budgeting cycle.

In light of the adopted UNCRC initiative, and continued awareness-raising activities, the Welsh Assembly commissioned a review of public expenditure on children. The first child budget:

Policy, the performance-based budget cycle and accountability with a UNCRC approach

In terms of budget cycle planning, allocations and expenditures, the UNCRC requires governments to demonstrate (UNICEF, 2002):

• The steps taken to ensure coordination between economic and social policies;
• The proportion of the budget devoted to social expenditure on children;
• Budget trends over the period covered by the report;
• The steps taken to ensure all competent national, regional and local authorities are guided by the best interests of the child in their budgetary decisions and to evaluate the priority given to children in their policymaking;
• The measures taken to ensure the disparities between different regions and groups of children.
The purpose of the analysis was (1) to create methods for assessing current child budgeting mechanisms and establish a baseline for analysing future trends in child-sensitive public expenditure and budget allocations; and (2) to provide information on trends in government spending and the impact of devolution on public expenditure on children and to generate evidence to support the case for establishing a children’s budget in Wales (Save the Children UK, 2010). The analysis found an upward trend in spending on children in Wales in the period from 2003 to 2008 (National Assembly for Wales, 2009), and a move towards more equitable public spending, a higher quality of life, increased satisfaction, greater government transparency and accountability and increased levels of public participation and democratic and citizenship learning (Save the Children Sweden, 2011b). This said, the National Assembly for Wales report also identified substantial variations in levels of spending between local authorities and national health authorities, not all of which seemed attributable to demographic and socioeconomic factors. This analysis was followed by a statistical analysis by Statistics for Wales which found that from 2006-2009, expenditure on children and young people remained static at 28%.

Conclusion

This was the first time any government in the UK had attempted to identify spending on children, significantly contributing to transparency and accountability of public expenditures. Nevertheless, even with performance-based budgeting in place, along with policy analysis from a UNCRC perspective, children’s budgeting analysis in terms of cost–benefit breakdown is in an early phase (Save the Children Sweden, 2011b). Advocacy groups have called for a cost–benefit analysis that is carried out routinely and yearly or biyearly in order to introduce transparency into policymaking and decision-making processes.

The process of policy analysis from a child budget perspective and its linkages to performance-based budgeting has proved excellent positive mechanism for targeting the fulfillment of children’s rights. A wide range of approaches to child budgeting adopted at national and local level, with appropriate budget allocations for children (UNCRC Action Plans with allocated budgets), have represented efficient mechanisms for tracking resources spent on children and examining the results. Programme budgeting and child-sensitive budgeting call for efficient monitoring and evaluation through the usage of results and efficiency indicators (through child-sensitive budget analysis). This is a useful model which can be drawn on, particularly for work with upper-middle- and high-income countries where there are strong public expenditure systems, as a way to operationalise commitments to children’s rights through participatory and democratic processes which lead to better-performing expenditure and better outcomes.

3.3 Patterns of public expenditure in some key child rights-related sectors

We now turn to explore patterns in public expenditure in some sectors that are critical for the fulfillment of children’s rights: education, health and social security/social protection. This section does not present an individual country analysis but rather an overview of the global situation, highlighting some salient characteristics from certain regions. An important issue to note is that, while education and health have tended to receive policy and spending attention (albeit in some countries more than others), which results partly from their closer links to international agreements such as the MDGs, other areas which are also fundamental for children’s well-being and the fulfillment of their rights are more neglected in terms of policy and financing. Such is the case for social protection for children, which can be an important tool for the realisation of the rights of all children, particularly the most vulnerable and disadvantaged (UNICEF, 2011a), while being set out as a right in itself in the UNCRC. Article 26, for example, underlines the responsibilities of all signatory countries for providing social security, including social insurance. Social protection can also contribute to reducing child...

based analysis was performed in 2004 and is repeated on a yearly basis (Save the Children and The Bevan Foundation, 2008).

- The measures taken to ensure that children, particularly those belonging to the most disadvantaged groups, are protected against the adverse effects of economic policies, including the reduction of budgetary allocations in the social sector.

- The partnership of child budgeting analysis in terms of cost–benefit is in an early phase (Save the Children Sweden, 2011b). Advocacy groups have called for a cost–benefit analysis that is carried out routinely and yearly or biyearly in order to introduce transparency into policymaking and decision-making processes.

- The process of policy analysis from a child budget perspective and its linkages to performance-based budgeting has proved excellent positive mechanism for targeting the fulfillment of children’s rights. A wide range of approaches to child budgeting adopted at national and local level, with appropriate budget allocations for children (UNCRC Action Plans with allocated budgets), have represented efficient mechanisms for tracking resources spent on children and examining the results. Programme budgeting and child-sensitive budgeting call for efficient monitoring and evaluation through the usage of results and efficiency indicators (through child-sensitive budget analysis). This is a useful model which can be drawn on, particularly for work with upper-middle- and high-income countries where there are strong public expenditure systems, as a way to operationalise commitments to children’s rights through participatory and democratic processes which lead to better-performing expenditure and better outcomes.

3.3 Patterns of public expenditure in some key child rights-related sectors

We now turn to explore patterns in public expenditure in some sectors that are critical for the fulfillment of children’s rights: education, health and social security/social protection. This section does not present an individual country analysis but rather an overview of the global situation, highlighting some salient characteristics from certain regions. An important issue to note is that, while education and health have tended to receive policy and spending attention (albeit in some countries more than others), which results partly from their closer links to international agreements such as the MDGs, other areas which are also fundamental for children’s well-being and the fulfillment of their rights are more neglected in terms of policy and financing. Such is the case for social protection for children, which can be an important tool for the realisation of the rights of all children, particularly the most vulnerable and disadvantaged (UNICEF, 2011a), while being set out as a right in itself in the UNCRC. Article 26, for example, underlines the responsibilities of all signatory countries for providing social security, including social insurance. Social protection can also contribute to reducing child...
poverty (Jones and Holmes, 2010), which links to Article 27, which underlines the right of all children to a standard of living adequate to their physical, mental, spiritual, moral and social development.

**Education**

The world as a whole is spending slightly more of national income on education than it was a decade ago, but the aggregate picture masks some important variations across countries and regions. On average, low-income countries increased their share of national income spent on education from 2.9% to 3.8% from 1999 to 2008. However, governments in several regions—including the Arab States, Central Asia and South and West Asia—have reduced the share of national income allocated to education. Measured in real financial terms, education budgets have generally been increasing over time as a result of economic growth, with Sub-Saharan Africa posting an average annual increase of 4.6% (UNESCO, 2011a). Spending is still lagging in South, West and Central Asia, where it is well below the world average of 5.0%. In high-income countries, including countries in North America and the EU, levels of education spending are among the highest as a share of national income (at 5.5%) and they showed some growth from the average in 1998. Importantly, education outcomes are inevitably shaped not just by levels of spending but also by its quality and by governance in education. Countries with strong public expenditure management systems and accountable, responsive and transparent education planning systems are more likely to translate increased investment into real improvement (ibid.).

**Table 2: Education spending as a share of national income, by income group and region, 1999 and 2008**

<table>
<thead>
<tr>
<th></th>
<th>1998 (%)</th>
<th>2008 (%)</th>
<th>1999–2008 (% per year)</th>
<th>1999–2008 (% per year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>4.6</td>
<td>5.0</td>
<td>3</td>
<td>1.7</td>
</tr>
<tr>
<td>Low-income countries</td>
<td>2.9</td>
<td>3.8</td>
<td>6.8</td>
<td>3.9</td>
</tr>
<tr>
<td>Lower-middle-income countries</td>
<td>5.5</td>
<td>5.6</td>
<td>3.8</td>
<td>3.4</td>
</tr>
<tr>
<td>Upper-middle-income countries</td>
<td>4.7</td>
<td>4.6</td>
<td>4.6</td>
<td>2.1</td>
</tr>
<tr>
<td>High-income-countries</td>
<td>5.0</td>
<td>5.4</td>
<td>2.7</td>
<td>2.0</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>3.5</td>
<td>4.0</td>
<td>4.6</td>
<td>2.0</td>
</tr>
<tr>
<td>Arab States</td>
<td>6.3</td>
<td>5.7</td>
<td>2.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Central Asia</td>
<td>4.0</td>
<td>3.2</td>
<td>8.5</td>
<td>7.9</td>
</tr>
<tr>
<td>East Asia and the Pacific</td>
<td>4.5</td>
<td>4.6</td>
<td>2.0</td>
<td>1.2</td>
</tr>
<tr>
<td>South and West Asia</td>
<td>3.7</td>
<td>3.5</td>
<td>3.5</td>
<td>1.9</td>
</tr>
<tr>
<td>Latin America/Caribbean</td>
<td>5.1</td>
<td>5.0</td>
<td>5.1</td>
<td>3.8</td>
</tr>
<tr>
<td>North America/Western Europe</td>
<td>5.3</td>
<td>5.5</td>
<td>2.9</td>
<td>2.1</td>
</tr>
<tr>
<td>Central and Eastern Europe</td>
<td>4.6</td>
<td>5.1</td>
<td>6.2</td>
<td>6.1</td>
</tr>
</tbody>
</table>

*Notes: All global, regional and income group values are medians. Only countries that have data for 1999 and 2008 (or closest available year) are used to calculate regional and income group medians.*

*Source: UNESCO (2011a).*

**Health**

According to the latest World Health Report (WHO, 2011a), no country, no matter how rich, is able to provide its entire population with every technology or intervention to improve health or prolong life. But while rich countries’ health systems may face budget limitations, spending on health remains relatively high. For example, the US and Norway both spend more than $7,000 per capita a year; Organisation for Economic Co-operation and Development (OECD) countries as a group spend on average about $3,600. At the other end of the income scale, some countries struggle to ensure access to even the most basic services: 31 of the World Health Organization’s (WHO’s) Member States spend less than $35 per person per year and four spend less than $10, even when the contributions of external partners are included. Governments finance health improvements both directly, through investments in the health sector, and indirectly, through spending on social determinants—by reducing poverty or improving female education levels, for example. Although this captures only the direct component, the proportion of overall spending allocated to the health sector provides important insights into the value governments place on health, something that varies greatly between countries.
Figure 2: Government expenditure on health as a percentage of total government expenditures by WHO region, 2000-2007

Note: These are unweighted averages. Government health expenditure includes health spending by all government ministries and all levels of government. It also includes spending from compulsory social health insurance contributions. Source: WHO (2011a).

According to WHO (2011a), governments in the Americas, Europe and the Western Pacific region allocate more on average to health than other regions. African countries as a group are increasing their commitment to health, as are those in the European and Western Pacific regions. In South-east Asia, the relative priority given to health fell in 2004–2005, but is increasing again, whereas governments in what WHO defines as the Eastern Mediterranean (including North Africa, the Middle East and Central Asia) have reduced the share allocated to health since 2003.

While some of the variation across regions can be explained by differences in country wealth, this is not the only factor at play. Substantial variations across countries with similar income levels indicate different levels of government commitment to health. For example, in the EU, budget allocations to health vary from a low 5.77% in the case of Cyprus to 10.92% in Poland and 16.18% in the Netherlands, reflecting that, despite relatively low levels of national income, some governments choose to allocate a high proportion of their total spending to health; others that are relatively rich allocate lower proportions to health. Globally, 22 low-income countries across the world allocated more than 10% to health in 2007; on the other hand, 11 high-income countries allocated less than 10%, reflecting distinct policy choices. Data breakdowns on health expenditure, however, are difficult to obtain, particularly at an aggregate level, so it is not possible to know how much of these resources is allocated to child health-related sub-sectors and programmes. This amount is likely to vary significantly between countries.

Social security/social protection
A good measurement of the level of expenditure on public social security (which includes social protection and social insurance) is the average share of gross domestic product (GDP) allocated to this sector. According to recent figures from the International Labour Organization (ILO, 2011), on average, countries in the world allocate 10.9% of their respective GDP to

6 http://apps.who.int/nha/database/ChoiceDataExplorerRegime.aspx.
social security. The size of the population in different countries can also be used as a weight to calculate mean percentages of GDP: according to ILO data, for the ‘average’ resident, only 8.4% of the GDP of the country is allocated as social security benefits in the form of cash and in-kind transfers.

**Figure 3: Social security expenditure by region, weighted by population, latest available year (% of GDP)**

![Social security expenditure by region](image)


Figures vary widely among populations living in different regions, and particularly among countries of different levels of income. For example, while governments in Europe invest between 20% and 30% of GDP in social security, in most African countries only 4% to 6% of GDP is spent on social security benefits. Most of these funds are spent on health care rather than on cash transfers aimed at providing income security (ILO, 2011). More generally, while low-income countries spend less than 4% of GDP in public resources on health care and non-health social security income transfers, in middle-income countries this proportion is at least twice as high (between 7% and 10%), and in high income countries the figure is about five times higher.

In addition to the resources allocate to provide this coverage, ILO has identified serious imbalances in the allocation of resources to social security in countries with low incomes, high poverty rates and large informal economies, given that the structure of expenditure does not match obvious patterns of social priorities. Most social protection spending is allocated to health care-related social protection, which is a clear priority, but there is an almost negligible amount of resources allocated to income support measures other than contributory pensions—such as cash benefits to families with children, to those unemployed or to the poor (ibid.).

There is insufficient disaggregated data on the level of global (or regional) spending on child-focused education, health or social security or social protection (e.g. pre-primary, primary and secondary education; immunisations, child and maternal health; social protection benefits for children and families with children). The lack of such a data breakdown, which would allow for a child-sensitive analysis of global patterns in spending on these key sectors, is an important gap which would need to be addressed through the generation and analysis of data disaggregated by age, sex and sub-sector to enable better monitoring of trends in spending on children. Data generation needs to be started by countries, with international organisations then compiling child-sensitive expenditure data. Still, with the aggregated data currently available, it is possible to conclude that there are great disparities between social spending in high-, middle- and low-income countries which are unhelpful for solving the significant disparities in child rights-related outcomes across countries with different levels of income.
Another important gap is the virtual lack of country, regional or global expenditure data on child protection. Child protection encapsulates a variety of policies and programmes which are not uniform in all countries, which makes it harder to compile such data. However, gaps in such data exist even at the national level. Advocacy efforts could support the definition of three or four key categories of child protection related spending for which data could be generated and compiled, to be able to monitor the priority (or lack thereof) of this sector amongst policy makers across the world, as reflected by their willingness to invest in this area.

Case study 2: India—child budgeting as a means to identify and address shortcomings in policy and programming for children

**Aim**

This case study looks at India as a positive example of how ‘child budgeting’ is used as a tool for analysing and examining the resources that national and local governments allocate to policies and services that affect children, mainly across the main child rights sectors, including education, health and social protection. HAQ uses research tools such as child rights situation analysis to assess the situation and identify where the needs of children are not reflected properly within the budget, and then to influence decision makers to alter the policies and budget programming cycle. Given the challenging conditions affecting children in India, responsible authorities at both state and local level have undertaken a series of initiatives with children’s budgeting as a core component in specific sectors and the quality of crosscutting services delivered to improve trends in child-rights related spending.

**Case study**

**Large child population without proper budget representation**

Children under the age of 18 constitute 42% of India’s population (Ministry of Women and Child Development, 2007). Despite India’s booming economy, investments in children, including social protection and development, are insufficient and are not yielding changes rapidly enough (ibid). There has been slow progress towards achieving children’s welfare and fulfilling their rights, as indicated by trends in key development indicators. Child Relief and You (CRY), an advocacy organisation for children’s rights, notes that ‘after more than 55 years after independence the situation of the Indian child is truly bleak’ (CRY, 2004). This is backed by the fact that 60 million Indian children under the age of six live below the poverty line, less than half of India’s children between the ages of six and fourteen go to school, every second child is malnourished and almost 2 million children die each year before reaching their first birthday (Hukku, 2004).

Faced with these concerns, the Indian government’s commitment to socioeconomic growth for the poorest and most vulnerable of its population is expressed through the National Common Minimum Programme, which outlines ambitious targets related to public spending on key services, including education (raised by 6% of GDP in five years up to 2012) and health care (2% to 3% of GDP primary health care over the next five years up to 2012) (Ministry of Women and Child Development, 2007). However, it is necessary to measure these commitments through the budget.

Over the past two decades, the government has been giving more attention to the preparation and analysis of the budget. Since the Indian budget has the elements of a performance-based budget, initiatives promoting child-sensitive budgeting can determine what programmes benefit children and what the allocations to those programmes are in terms of overall budget and GDP; targets and indicators; and expenditure against the allocation in terms of performance. This means measuring the government’s performance in the realisation of children’s rights and establishing the political space for children and their concerns through policy priorities. As such, the Indian government, with support from Save the Children, commissioned HAQ Centre for Child Rights to develop a children’s budgeting guide: ‘The Budget for Children Analysis, A Beginner’s Guide’, which has been used to create ‘child-sensitive’ budgets (HAQ Centre for Child Rights, 2001).

**Child budgeting as an analysis tool for ensuring children’s rights and needs**

In 2001, HAQ Centre for Child Rights developed a methodology to conduct a child budgeting exercise in India, setting up directions for future work. This initial exercise focused on analysis over one decade
The child budgeting exercise focused on three main areas: demonstrating spending on children in particular sectors, identifying priorities and analysing whether allocated resources are used to the maximum extent available (HAQ Centre for Child Rights, 2001).

7 The child budgeting exercise focused on three main areas: demonstrating spending on children in particular sectors, identifying priorities and analysing whether allocated resources are used to the maximum extent available (HAQ Centre for Child Rights, 2001).
Case study 3: BiH—aid harmonisation, PFM reforms and child rights budgeting

**Aim**

This case study provides an overview of efforts to promote reforms in PFM and implementation of child rights budgeting in the post-conflict, transitional environment of BiH. As the reforms are in the initial phases of implementation, this case is presented to provide some initial lessons in terms of the linkage between performance-based and child rights budget initiatives within the social inclusion and poverty reduction sector. It highlights in particular the importance of undertaking child rights analysis in both typical child-focused sectors as well as other sectors that can have an impact on children, to ensure that the budget reflects policy measures to maximise benefits and minimise risks to children.

**Context**

Children in BiH are among the groups most vulnerable to poverty: 26% of all children are classed as poor using the absolute (general) poverty line, and 19% of children are poor using the relative poverty line (household consumption below 60% of the national median). They are significantly more likely to live in materially deprived households and to experience poor housing conditions, such as overcrowding and a lack of important housing amenities. Still, government budgets and planning documents in the past largely failed to address child right issues (Chzhen, 2008). Taking into consideration the above statistics and the need for better analysis to inform the making of the new Social Inclusion and National Development Strategy, Enhancing the Social Protection and Inclusion System for Children in Bosnia and Herzegovina’ (SPIS) (a three-year, multi-donor programme) in partnership with the Programme for Strengthening Public Expenditure Management (SPEM 3) (funded by the UK Department for International Development (DFID)) and the government worked extensively to integrate child rights budgeting in PFM processes from 2009 to 2012.

In addition to a series of budget trainings for professionals, civil servants and NGO representatives, four different analyses were undertaken (Brandon, 2010):

- ‘Development of an illustrative Children’s Budget’, focusing on children with disabilities in the municipality of Novi, Grad, within the Sarajevo canton;
- ‘Workforce and Service Analysis’, focusing on the number of personnel and the estimated cost of meeting better standards for educational and social protection services to children with disabilities in the Republika Srpska (one of the two government entities in BiH);
- ‘Comparative Adequacy of Benefits: Analysis of How Payment to Different Categories of Children and Families Vary in Relationship to an Objective Standard of Need, as Provided by the World Bank Estimate of Poverty Consumption Level in BiH. Federation of BiH Entity plus Cantonal Benefits’ (FBiH is the second government entity in BiH).
- ‘Targeting and Needs Analysis, Based on Multivariate Statistical Analysis of the Multiple Indicator Cluster Survey 3 for the FBiH and Republika Srpska, to Identify Groups with Greatest risk and Assisting in Better Targeting of Services’.

Budget and service structures in BiH did not allow for the development of a complete and reliable children’s budget. SPIS and SPEM 3, together with national partners and CSOs, have developed a methodology and data requirements for a partial children’s budget. Based on the results of the above analyses, as well as on experiences gained from attempting to develop an illustrative children’s budget through the implementation of activities in 10 municipalities (5 of FBiH and 5 in the Republika Srpska), plus the insights gained into the situation and identification of needs when it comes to the demands posed by the system of social protection and inclusion, several recommendations were made to be included if fully useful children’s budgeting is to be developed for BiH:

- Identification of funds allocated or expended on different functions must be introduced.
- Identification of programmes oriented to children should be carried out within each ministry.
- Accurate data must be kept—through administrative record keeping or periodic surveys.
- Accurate service data for all programmes must be developed, distinguishing services to children from those for adults, and those to disabled children and those to the general child population.

---

8 SPIS is an ongoing programme which aims to build national capacities to strengthen multi-sectoral approaches to the protection and inclusion of children, promoting an integrated and inter-sectoral approach to evidence-based policy development, planning, implementation and monitoring and evaluation that will serve to define and strengthen functions, roles and strategic goals in education, health, social welfare and other related sectors as they address specific forms of exclusion of children and families.
## Child rights impact assessments

To strengthen policy work on child rights-based policy and programming, in 2007 the government of BiH, Save the Children UK and UNICEF implemented the Child Rights Impact Assessment (CRIA). The methodology was developed and piloted in cooperation with national government institutions and NGOs and was intended as a cost-effective tool for policymakers to use to assess the potential impacts of new policies on families with children and child-supporting services and institutions. The methodology was developed with the intention both to strengthen national monitoring and evaluation capacities and to address the overall lack of scientifically sound data on child poverty and well-being. The methodology and research were designed and implemented through a combined approach of donors, NGOs and government working in close cooperation with the BiH Directorate for Economic Planning as a lead agency. In order to broaden the scope of capacity building, the project included national NGOs already specialising in child rights monitoring (Krieger and Ribar, 2009). The methodology was developed and tested via pilot research focused on the privatisation of the energy sector, which was expected to substantially increase the prices of electricity and the economic burden on families with children.

Data obtained from a combination of qualitative and quantitative research, desk review and econometric work provided insights into household coping mechanisms and for the first time substantiated concerns about the impact of policy decisions on both families with children and children’s institutions. The results included information on intra-household expenditure and financial coping mechanisms and their effect on children within the household. The CRIA pilot exposed the potential negative impact of electricity price rises on children’s access to health, education and social protection and highlighted the negative impact of household coping strategies on children’s health, child labour, children’s access to information and girls’ and women’s workload. The pilot proposed child well-being/rights indicators for monitoring purposes and reinforced the need for mitigation measures. The survey findings become the baseline for the development of the social protection components of the Country Development Strategy and were integral to the Social Inclusion Strategy for BiH; both of these were finalised but not adopted in 2011. Feedback from government partners on the research and its methodology indicated a high degree of interest, especially given that a number of social sector ministries are currently strengthening their monitoring and statistical departments as part of the public administration reform processes.

The CRIA project was designed in four phases. The second phase has been completed, but the following results point to success of the initiatives in terms of informing both government policy decisions and budgetary allocations for child rights-relevant expenditures:

- In 2008, UNICEF partner supported the drafting of the methodological manual by national government partners, and there are plans to replicate the CRIA in other sectors, such as water poverty, including an increased focus on capacity development of government partners with regard to monitoring and evaluation and the application of the impact assessment methodology to ensure ex-post, ex-ante and formative evaluation of policies and programmes for children.

- Through CSO-led advocacy work based on results of the CRIA in 2008, the Republika Srpska reintroduced subsidies for electricity costs for the poorest households, which were reflected in the budget.

- Further advocacy and influencing work is being done to expand and include other mitigation measures recommended in the study at all government levels in BiH, all of which have to be reflected in the budget.

- Potential for partnership with the World Bank and the European Commission (EC), which are finalising review of the energy sector in BiH, including on the impact of prices on consumers and the potential for stronger joint advocacy, will be explored in order to influence improved targeting of social mitigation measures in families with children and strengthened donor coordination in relevant sectors, to ensure adequate compensatory mechanisms are financed.

## Conclusions

This case study presents two concrete initiatives that relate closely to the achievement of child rights in policy implementation through their reflection in the budget. Some of the factors that have contributed to the success of these initiatives in BiH are as follows:

- Advocacy activities were given credibility, as diverse actors were involved: donors, government, CSOs and children.

- Budget work was carried out at both the national entity and local levels, with significant buy-in from the government.

- Buy-in from all stakeholders at national level was ensured by timing the analysis with the ongoing reforms they were working on.
3.4 Child-sensitive spending in the economic crisis and the post-crisis period

The economic challenges that have arisen since the global economic crisis broke out in 2008 have meant countries have had to make difficult decisions regarding spending and debt reduction in an environment of poor economic growth, high unemployment and uncertainty. In this context, it is useful look at social spending trends since the crisis began to understand the impacts on child-sensitive policies and programmes.

Analysis of fiscal projection data published by the International Monetary Fund (IMF) shows two very different phases of government spending patterns since the onset of the global economic crisis. In the first phase, during 2008 and 2009, most developing countries rapidly introduced fiscal stimulus packages and boosted spending. Beginning in 2010, however, most governments started to scale back stimulus programmes and cut budgets, a trend that appears likely to gain pace in 2011 and 2012 (Ortiz et al., 2011).

In the wake of the 2008–2009 economic and financial crisis, many governments, including those in the EU, took significant steps to improve their coordination of economic governance to bolster recovery. General increases in social spending during the period were facilitated largely by an overall expansionary fiscal stance (i.e. greater spending and, in some cases, a reduction in certain taxes) and reflected a greater policy emphasis on protecting vulnerable populations from the negative shocks of the crisis (Clements et al., 2011; Zhang et al., 2010). The policy focus at the global level then shifted from crisis response to post-crisis adjustments, with discussions focused on undertaking fiscal consolidation to restore economic sustainability rather than using fiscal stimulus to avoid deep recession (G20, 2010; IMF, 2010a; 2010b).

According to some of the limited evidence available, a considerable number of developing countries protected or increased social spending and other priority spending during 2008–2009, despite falling revenues. For example, on average, about 24% of the total announced fiscal stimulus by developing countries was directed at pro-poor and social protection programmes (Ortiz et al., 2011). These are important instruments to address poverty and vulnerability at the household level, and in many cases have an important impact on children. Yang et al. (2009) show that 16 low-income countries supported by IMF lending facilities budgeted for higher social spending in 2009. For example, in countries in Sub-Saharan Africa with IMF-supported programmes, recently available spending outturn data show that the median value of social spending increased by 0.5% of GDP from 2008 to 2009, and real spending growth accelerated from 4.8% to 6.8% (IMF, 2010, in Ortiz et al., 2011). However, despite these general efforts to safeguard social expenditures, there is other evidence that growth in social spending slowed during 2008–2009 in developing countries. On average, social spending (education and health) growth fell to below 2% during 2009 after averaging nearly 10% between 2005 and 2008 (Brumby and Verhoeven, 2010). This is potentially detrimental to the capacity of governments to continue financing programmes that contribute to the fulfilment of children’s rights, particularly their social and economic rights.

In this sense, according to Kyrili and Martin (2010), the 2008–2009 crisis created a huge ‘fiscal hole’ in the 56 low-income countries, by reducing their budget revenues (and their ability to spend to confront the crisis and reach the MDGs) by $53 billion in 2009—nearly 10% of their pre-crisis revenues—and by $12 billion in 2010, creating a total additional fiscal hole of $65 billion over the two-year period. As a result, these countries are cutting budget allocations in 2010 to one or more ‘priority’ pro-poor sectors, which include education, health, agriculture and social protection.

Social spending cuts remain a major concern for many countries in the climate of fiscal contraction which emerged in 2010. Some analyses indicate that, even in countries with a
policy intention of safeguarding ‘priority pro-poor spending’, there is a heightened risk of social spending and service delivery falling below the levels needed to adequately support vulnerable populations, including children (Ortiz et al., 2011). In particular, one of the most immediate effects of the crisis, in both developed and developing countries, is heightened uncertainty in budget planning and implementation, compounding existing weaknesses in social spending and service delivery. In most cases, revisions to budgets and spending plans are not informed by a child rights analysis which could provide information on potential consequences for policies and programmes supporting children’s development and well-being—including in particular social protection, which would help support poverty reduction and reduce inequalities. As a result, poor children are among the most affected (e.g. Browne, 2012).

According to Ortiz et al. (2010), in Sub-Saharan Africa, about half of developing countries are expected to contract total expenditure as a percentage of GDP under current policy directions. This appears to be driven by a substantial decline in expected revenue in 2010–2011 compared with 2008–2009, as well as an apparent inability to secure new financing (i.e. selling government assets and/or new debt borrowing) to offset revenue shortfalls, which reflects the region’s relatively high initial debt burden and limited access to capital markets (ibid.). There is an important risk that investments in critical social sectors essential to continued progress towards the realisation of children’s rights may start contracting, reflecting smaller overall budgetary envelopes, particularly if the level of ODA also contracts. This is of particular concern as many countries in the region are still a long way from providing every child with good quality primary education, basic health and minimum child protection services.

However, recent IMF country reports suggest a greater emphasis on safeguarding ‘priority’ social spending than in the past, most notably in low-income countries supported under the IMF’s new lending framework. For example, the IMF’s latest Regional Economic Outlook for Sub-Saharan Africa (IMF, 2010c) indicated that the median projected value of the budget for health and education spending would increase slightly as a percentage of GDP in 2010, albeit with considerable intra-regional variation, with oil exporters and fragile states expected to undergo declines in 2010. These contrasting reports suggest that the trends in spending differ significantly between countries and, although some low-income countries are making efforts to curb the impact on social sector spending, given the huge gaps that already exist, other countries may be prioritising other spending areas instead. It will be important to monitor this trend going forward, looking particularly at countries which perform well and poorly.

The situation is similar in other regions. Recent regional reports on the South-east European states indicate movement towards severe poverty and deprivation (for most of the population) of any form of social security. Traditionally provided support is increasingly breaking down as a result of economic and social changes, affecting the poorest populations the most. While pre-crisis economic growth may have lifted many households out of poverty, it also has left many people in poverty as a result of growing disparities. Now, after the crises and with declining allocations, questions are raised about the effectiveness of social policy in South-east Europe in terms of poverty reduction. Rather than absolute material deprivation, it is pockets of relative poverty and social exclusion that should be of greatest concern to social policymakers (Bartlett and Monastiriotis, 2010). Social policy frameworks in South-east Europe lack the capacity to protect those who are most vulnerable—and this is hardly unique to the region. It seems that significant shares of crisis response increases in social protection and social service spending which occurred in other regions in 2009 did not reach the neediest, in particular children in South-east European countries, generally as a result of poor targeting (ibid.).

The negative outlook for social expenditures is not specific to developing countries, but rather cuts across the board, including developed countries (UNICEF, 2011b). Reduced government capacity and spending on health, education, social protection and welfare programmes also threatens children’s well-being in several EU and Member State countries. The austerity measures currently in effect in a number of EU and developing countries call for sharp cuts in spending; in a few nations, child benefits have taken a hit. For example, recent UK budget announcements point to the lack of any immediate help for children in low-income families facing poverty (HM Child Poverty Unit, 2009). Following 2009’s emergency budget in June of
that year and the Comprehensive Spending Review in October, the government has not shown a strong commitment to protecting children from public spending cuts, although there have been some changes to the child element of the Child Tax Credit, it is planned to introduce a financial premium for poorer school students and there is a commitment to free child care for disadvantaged two year olds (UNICEF, 2010a). This failure to prioritise children means that the UK government is falling far short of the important milestone of halving child poverty by 2010, and represents a serious setback on the road to ending child poverty by 2020 and the continued fulfilment of children’s rights.

Box 3: The impact of austerity measures on households with children in the UK

Findings from a recent study conducted by the Family and Parenting Institute, UK-based NGO, found that the median income among households with children is set to fall in real terms by 4.2% between 2010–2011 and 2015–2016. Median income is projected to fall by more than 4.2% among families with three or more children, households with young children and those living in private rented accommodation, and by less than 4.2% among single-child households, those whose youngest child is aged 11 or more and those which own their home outright.

Tax and benefit changes to be introduced during this period are one factor driving these trends. The cap on the total amount of benefit families can receive to be introduced in 2013–2014 has particularly significant impacts on large families. Reforms such as the abolition of the baby element of the Child Tax Credit and a reduction in the child care component of the Working Tax Credit particularly affect families with younger children, and cuts to Local Housing Allowance affect only those in the private rented sector. Overall, low-income households with children, particularly non-working lone parent households, lose more as a percentage of income on average from tax and benefit changes to be introduced over this period than pensioners, those of working age without children and richer households with children.

Source: Browne (2012).

In other EU countries, austerity packages are also having negative impacts on children. On the one hand, many governments are cutting child benefits to ensure budgetary savings. For example, in Lithuania, the approved Crisis Management Plan has cancelled child universal allowances, whereas Denmark’s austerity measures reduce child benefits by 5%. The 2011 Irish budget introduced a cut of €10 (£20 for the third child) in the Child Benefit Payment. In Spain, a €2,747 baby bonus subsidy will be cut. On the other hand, a whole range of other benefits touching on child well-being are also at stake: in Hungary, a housing subsidy introduced by the previous government in 2009 has been suspended; in Lithuania, parental leave benefits are expected to fall; in Denmark, unemployment benefits are now available for two years rather than four (Eurochild, 2011).

Countries throughout the EU have seen social spending bear the brunt of public spending cuts. For example, the savings package introduced in Germany in June 2010 requires that 37% of savings come from social spending. Cuts include social care for job seekers; support back into the labour market; and housing subsidies and parents’ benefits: all of these measures could have adverse indirect impacts on children. Further, CSOs working directly for and with children and young people at a local level which depend on local funding have to close down projects as a result of a lack of funding—mainly that from national and local governments—with evident effects on service recipients. For instance, in Romania, many NGOs providing prevention or alternative services, including day centres for children, families and young mothers, are no longer able to provide their services because of a lack of financial support from local and state authorities (Eurochild, 2011).

A similar trend is visible in the US, where expenditures on children in 2010 were affected by the 2008–2009 crisis (Isaacs et al., 2011). US federal spending on children is projected to fall over the next several years as a share of the federal budget, or as a share of the economy. Between 2010 and 2015, for example, outlays on children are projected to fall from $374 billion to $339 billion, a decline of 9%. Since the temporary boost in spending under the
American Recovery and Reinvestment Act of 2009 came to an end, federal spending on education and certain other programmes for children have been falling dramatically (ibid.).

Ortiz et al. (2011) link these shortfalls in social spending globally to the introduction since 2010 of one or several of the following adjustment policies to manage the effects of the crisis: (1) cutting or capping the wage bill (in 56 countries) which, in the case of child-sensitive spending, includes education and health sectors critical to the fulfilment of children’s rights; (2) phasing out or removing subsidies (predominately fuel, but also electricity and food items) (in 56 countries), which is particularly problematic if no other more effective social protection measures are in place to continue protecting the poorest and most vulnerable; (3) rationalising or further targeting social protection programmes (in 34 countries); (4) reforming old-age pensions (in 28 countries); and (5) increasing consumption taxes on basic goods (e.g. value-added tax (VAT)) that the poor tend to consume (in 53 countries). These adjustment policies have the potential to have adverse impacts on children and poor families.

However, it is important to point out that, although fewer in number, some countries are also contemplating or planning alternative options by expanding wages, subsidies, social transfers or pension benefits and/or lowering taxes on basic goods, despite fiscal constraints. Such is the case with some Latin American countries, such as Brazil and Mexico.

It is clear that expenditure decisions—particularly in the context of tight fiscal constraints—are challenging, and in each country depend on a range of policy goals. Commitment to securing social sector spending across sectors—education, health, social protection, child protection and others—to ensure programmes to improve the situation of children are prioritised needs to stem from an active decision to protect this spending and to identify ways to increase the fiscal space available for these critical areas, even in a context of economic constraints. Ensuring that governments understand why such spending should take priority even in the context of economic downturns, and advocating for the continued financing of child-sensitive spending, particularly counter-cyclical spending when the economic is slowing down or progressing very slowly, are essential to minimise the negative impacts on children—particularly the most vulnerable—and to protect the rights of children, particularly to survival and development, despite economic crises.

3.5 Concluding remarks

This section has reflected on a number of important issues. First, it has provided an overview of budgeting and expenditure processes in some countries to identify spaces and entry points for increasing the visibility of children, so they are effectively incorporated in the budget, which is critical to ensure that policies and programmes for children can be operational. Second, it has identified some of the main challenges to budget execution that developing countries face and that pose problems in achieving child rights outcomes. These are important to identify and consider when planning work with governments to improve their capacity to carry out child rights policy work, so as to be able to find ways to help them overcome such challenges in order to improve outcomes for children. The section also has presented a global and regional overview of expenditure trends in three sectors essential to the achievement of children’s rights—education, health and social security—identifying which regions are falling behind in the progressive realisation of children’s rights through adequate allocation of resources. This links particularly to the discussion on the impacts of the crisis on child-sensitive spending at the end of the section. The crisis is posing a risk to the achievement of child rights when governments—including those in the EU—are implementing austerity packages which include cuts in social spending. Thus, it is a good moment to advocate for these expenditure patterns to be reversed to avoid negative impacts on children, particularly the most vulnerable.
4 State measures towards budget transparency and accountability

Global work on child rights governance is built around the premise that child rights cannot be fully realised without effective, transparent and accountable governance mechanisms. Transparency and accountability are critical for the efficient functioning of a modern economy and for fostering social well-being. Without them, trust is likely to be lacking between a government and those it governs, and may result in corruption, social instability and an environment that is less than conducive to economic growth (IMF, 2005). In this section, we begin by briefly reviewing the concepts of transparency and accountability, their critical role in effective budgeting and key ways in which progress in embedding them within state infrastructure can be assessed. We then turn to a discussion of links to child well-being outcomes, and some initiatives to overcome challenges, where they exist.

4.1 Why transparency and accountability are critical for equitable financing

The concepts of transparency and accountability go hand-in-hand: without adequate information on performance and outputs, it is difficult to hold governments accountable for their actions. Transparency of public policy enables the examination of plans, of the quality and extent of resources intended for specific destinations and of the effectiveness of their implementation. Access to this information and the establishment of mechanisms which allow for its examination enable citizens and organisations to hold governments accountable to their stated promises, making governance more democratic and more effective. Giving account of public resources and policy decisions is an integral part of democracy.

In order to hold governments accountable for public spending—including their investment in sectors necessary for the fulfilment of children’s rights—it is necessary to have accurate, reliable and relevant budget and spending data and, to the extent possible, financial reporting based on published accounts and regular audit reports. Freedom of information acts which allow access to records are also useful. In general, government accountability is facilitated by approaches and practices that ensure its activities and outputs meet the intended goals and standards (Transparency International, 2010). Transparency in aid is also important, whereby initiatives to comply with independent standards such as the International Aid Transparency Initiative can help stakeholders to track what aid is used for and its impacts. Citizens and other institutional actors have an important role to play in holding states accountable for their performance. Through transparent access to information, different branches of the government, citizens and other institutional actors can measure the government’s performance and guard against possible misuse of powers and resources. This serves to achieve accountability.

A lack of transparency and/or accountability often results in corruption (Myint, 2000). Where there is no danger of exposure or being caught by internal or external watchdogs, service providers may misuse or misappropriate funds, be absent from work or request or accept bribes. As a result, service performance will suffer and rights may be impossible to uphold. Despite progress by national and international civil society actors to promote transparency, corruption remains an obstacle to progress in many countries. The 2010 Transparency International Corruption Perceptions Index shows that nearly three-quarters of the 178 countries in the index score below 5, on a scale from 10 (highly clean) to 0 (highly corrupt) (Transparency International, 2010). Transparency and accountability measures serve as a check against mismanagement and corruption on the part of public officials and are pillars of sound governance, which is crucial to winning and maintaining the confidence of citizens, investors and the international community. Many initiatives exist to counter corruption through transparency and accountability measures, which are a strong safeguard.

---

9 http://www.aidtransparency.net.
4.2 Measures of accountability

Measures of accountability, as they refer to links between good governance and human rights, are often defined and organised around four areas (UNICEF et al., 2011):

Democratic institutions

When led by human rights values, good governance reforms of democratic institutions create avenues for the public to participate in policymaking, through either formal institutions or informal consultations, establishing mechanisms for the inclusion of multiple social groups in decision-making processes, especially locally. Building clear institutional arrangements can help to legitimise social objectives, streamline the allocation of power and resources within society and strengthen accountability. In order to ensure that child rights issues and concerns are firmly embedded at all levels, there is a need to establish institutions and structures that hold the best interests of the child as a priority; strengthen their capacity to formulate strategies and deliver for children; institutionalise children’s engagement in policymaking, delivery and monitoring; and set up accountability mechanisms.

Service delivery

From a child rights perspective, services need to be child-centred and inclusive in terms of access, affordability, cultural appropriateness and acceptability, and to have built-in mechanisms for child participation and public accountability: children are affected by any action of the state, including those which are not directed at them.

Rule of law

Child-sensitive good governance initiatives promote transparency and accountability of reform processes, especially related to the provision of adequate remedies, due process and fair trial in the context of the administration of justice, with particular importance given to independent and competent judges for the adequate protection of rights set forth in the UNCRC. Child rights should permeate rule of law initiatives, covering civil, political, economic, social and cultural rights, including comprehensive legislative reform to implement the Convention.

Anti-corruption

Good governance efforts rely on principles such as accountability, transparency and participation to shape anti-corruption measures, by establishing institutions such as anti-corruption commissions, creating mechanisms for information sharing and monitoring governments’ use of public funds and implementation of policies. Efforts need to take into consideration the way corruption erodes the capacity of state institutions to provide services and protect child rights and help them to design child-friendly anti-corruption measures.

Transparency, participation and accountability should be interwoven at the policy drafting stage, in the legislative process, in implementation and during the budget and auditing processes. Only then do citizens have the potential to hold the responsible agents accountable. There are numerous cases where transparency in the formulation and implementation of public policies has empowered the public to access social services and demand protection of their rights, and where facilitating the public’s access to information has proved to be a powerful strategy to improve public spending and protect economic and social rights.

Transparency and participation can together lead to better budgetary outcomes, by reducing manipulations of the budget and misappropriation of resources and fostering sensible, accountable and equitable resource allocations. In the past decade, there has been a civil society movement, particularly in developed countries, to improve transparency in budget processes. Additionally, a number of developing countries have enacted legislation to enhance public access to budget information. These government efforts have been aided by a number of international transparency standards developed to provide benchmarks for government performance. However, even with these standards and codes, lack of access to relevant budget information is still often the first challenge CSOs face in seeking to analyse or influence budget
processes. Therefore, efforts to gain access to financial information or campaigning for increased budget transparency are often the first step in budget work initiated by CSOs. For example, The International Budget Project, an information network that provides information on budget processes and promotes budget analysis skills, supports CSOs and other stakeholders to get involved in budget monitoring and analysis to improve fiscal transparency at a country level. This is a useful instrument for promoting social budgeting work.

4.3 Transparency and accountability linked to better child rights outcomes: the adverse impacts of corruption

In lobbying for budget transparency as it relates to its effects on improved investment in children, the premise is that children’s rights cannot be fully realised without effective, transparent and accountable governance mechanisms that can lead to effective service delivery mechanisms in the areas that are most critical to children. Fulfilling child rights in accordance with the UNCRC’s Article 4 depends on opening the political process to transparency and establishing effective mechanisms that enable the public to examine the extent to which governments support, promote and fulfil child rights.

In particular, budget transparency enables the examination of resources destined for child-sensitive issues (including child-focused programmes such as public early childhood development services, as well as those that benefit children indirectly, such as social protection to households with children) to assess the level of adequacy in planning for child rights-related policy implementation, as well as effectiveness in the implementation of resources allocated to these programmes. This enables child rights actors to identify linkages between adequate policy planning on children’s rights, budgeting in line with these plans and, more importantly, effective spending to fulfil those which might result in the realisation of child rights.

Corruption, which results from a lack of transparency and accountability and from those making decisions or in power at different levels (from national politicians to local programme implementers) misusing or misappropriating funds, is widespread in social services such as health and education, as well as in public utilities that provide electricity and water. Poor people find themselves excluded from schools or hospitals that they cannot afford, or asked to pay extra simply to gain access to services to which they already have a right.

Research has found some evidence of the negative impact corruption can have on the delivery of basic social services crucial to the fulfilment of children’s socioeconomic rights. For example, Lewis (2006) carried out research on the impact of corruption in public health systems. She presents findings from a study by Wagstaff and Claeson (2005), who find that, while public spending has the capacity to reduce under-five mortality, this can be achieved only where governance, as measured by the World Bank’s Country Policy and Institutional Assessment (CPIA) score, is sound (above 3.25). The study concludes that more spending in medium and low CPIA countries would not be expected to reduce child mortality. Although some technical considerations mean these findings need to be considered with caution, as an aggregate assessment they provide general guidance on the relevance of corruption affecting health outcomes in developing countries. Lewis's own research based on a review of country evidence and the examination of the cross-country factors that influence performance (and to some extent outcomes) in health care suggests governance plays an important role. If the health system is not governed well, then health workers are absent, patients pay illegal fees and basic inputs are stolen without any consequences for those who mismanage or corrupt the system. As a result, performance of health services will be poor and population health will suffer. Additionally, returns to health investments may be very low where governance is not addressed. Lewis concludes that achieving the dramatic and permanent declines in mortality envisioned by the MDGs is doubtful unless governments shift their attention to the institutional factors that affect performance in health. Given that the health-related MDGs focus primarily on the health of children (through measures of child and maternal mortality), it follows that corruption can have a detrimental impact on children’s rights to survival and development.

Similarly, research in the education sector shows links between poor service delivery and poor performance of education systems and corruption. According to Transparency International (2009), corruption compromises international commitments on more equal and accessible schools, such as targets set out in Education for All and the MDGs. In a corrupt system, students do not acquire the skills and knowledge to enable them to contribute meaningfully to their economy and society, and will not have their right to education fulfilled. Corruption occurs in the allocation, execution and use of budgets earmarked for education. Given the overall size of funding for a country’s education system, even low levels of corruption in budget management can result in a significant loss of public resources. Corruption can occur at different administrative levels, including within ministries, districts and schools.

For example, district inspectors may request bribes from schools in return for a favourable report to the education ministry. Individuals—administrators, teachers and others—may also misuse schools for private and commercial purposes. Educational materials and school supplies may be sold instead of distributed freely. Unauthorised fees may be charged for public schools and universities. Teachers may be absent from the classroom, not teach the required curricula or extort services from pupils (Transparency International, 2009). All of these factors are detrimental to children’s incentives and capacity to attend and stay in school. They make school more expensive (when in most countries it should be free), excluding children who are unable to afford it; they result in poor quality education which is often unattractive to children or parents, who prefer engaging in other activities, such as work; and this takes away the opportunity for children to learn in school. As such, corruption poses an important threat to the achievement of children’s socioeconomic rights.

To provide a sense of how corruption can be linked to negative child well-being outcomes, Table 3 provides a comparison of the 20 countries at the bottom of Transparency International’s Corruption Perceptions Index 2011 and the 20 countries at the bottom of Save the Children UK’s Child Development Index, which is a composite measure of different dimensions of child poverty using a globally representative multidimensional tool. It is made up of indicators in three areas of child well-being: (1) health: the under-five mortality rate; (2) nutrition: the percentage of under-fives who are moderately or severely underweight; and (3) education: the percentage of primary school-age children not enrolled in school. Although there is not a one-to-one correspondence, 7 of the 20 countries on both lists are the same (highlighted), which suggests a relationship between the corruption level and the government’s ability to provide the services required to ensure children’s rights to survival and development.

**Table 3: Low performers on the Corruption Perceptions Index 2011 and the Child Development Index 2006-2011**

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Papua New Guinea</td>
<td>1 Yemen</td>
</tr>
<tr>
<td>2 Paraguay</td>
<td>2 Pakistan</td>
</tr>
<tr>
<td>3 Zimbabwe</td>
<td>3 Guinea</td>
</tr>
<tr>
<td>4 Cambodia</td>
<td>4 Cote d’Ivoire</td>
</tr>
<tr>
<td>5 Guinea</td>
<td>5 Ethiopia</td>
</tr>
<tr>
<td>6 Kyrgyzstan</td>
<td>6 Sudan</td>
</tr>
<tr>
<td>7 Yemen</td>
<td>7 Eritrea</td>
</tr>
<tr>
<td>8 Angola</td>
<td>8 Burundi</td>
</tr>
<tr>
<td>9 Chad</td>
<td>9 Nigeria</td>
</tr>
<tr>
<td>10 Democratic Republic of Congo</td>
<td>10 Djibouti</td>
</tr>
<tr>
<td>11 Libya</td>
<td>11 Guinea-Bissau</td>
</tr>
<tr>
<td>12 Burundi</td>
<td>12 Central African Republic</td>
</tr>
<tr>
<td>13 Equatorial Guinea</td>
<td>13 Mali</td>
</tr>
<tr>
<td>14 Venezuela</td>
<td>14 Chad</td>
</tr>
<tr>
<td>15 Haiti</td>
<td>15 Democratic Republic of Congo</td>
</tr>
<tr>
<td>16 Iraq</td>
<td>16 Angola</td>
</tr>
<tr>
<td>17 Sudan</td>
<td>17 Burkina Faso</td>
</tr>
<tr>
<td>18 Turkmenistan</td>
<td>18 Somalia</td>
</tr>
<tr>
<td>19 Uzbekistan</td>
<td>19 Sierra Leone</td>
</tr>
<tr>
<td>20 Afghanistan</td>
<td>20 Niger</td>
</tr>
</tbody>
</table>

4.4 Civil society mechanisms to hold governments accountable

To promote government accountability and limit corrupt practices, a number of developing countries have enacted legislation to enhance public access to budget information (see also Case Study 4). Efforts to gain access to public finance information and campaigning for increased budget transparency are often a first step in budget work initiated by CSOs. Meanwhile, international initiatives such as those by The International Budget Project, CIVICUS’s Participatory Governance Programme, UNICEF and the EU are working on curbing the lack of access to information by working with national government and non-governmental agencies.

Case study 4: Brazil—achieving budget transparency through access to information and promoting children’s participation

**Aim**

The aim of this case study is to illustrate how initiatives promoting active citizenship and grassroots transparency and accountability can be powerful tools to achieve children’s rights, including through more responsive and child-sensitive budgeting. Two different mechanisms are presented: one which generates relevant budget and expenditure data that enables a child-sensitive analysis of public spending to verify that an adequate level of resources is being committed to this purpose; and another which involves the participation of children in local budgeting. These are both useful examples for practitioners and advocates seeking to promote transparency in child-sensitive budgeting.

**Case study**

Brazil has introduced innovative systems to promote transparency and accountability in its budgeting and expenditure process, in order to promote citizenship as well as to curb corruption and better control resources allocated to and used at the local level. Participatory Budgeting (PB) in particular seeks to give more weight to direct citizen participation in decision making regarding the expenditure of public funds, making the process more accountable and transparent. The PB initiative started in Porto Alegre in 1989, and was used in some form in 103 Brazilian municipalities by 2003. It consists of inviting citizens to identify budgetary priorities, which elected municipality leaders are then committed to follow through on, strengthening their capacity to make successful demands on those in power (Magalhães et al., 2003). Although PB was not originally focused specifically on children, rather on political participation by all citizens, the results of successful initiatives demonstrate that the demands communities and parents make on local officials are generally for improvements that affect children. Among the most common demands have been for improved infrastructure, water supply and access to schools and recreational opportunities (ibid.), all of which contribute to the achievement of different dimensions of children’s rights.

**Child-focused budget transparency and accountability in Brazil**

There have been two main ways in which budget transparency and accountability have been promoted in Brazil to improve child rights-related outcomes:

1) **Online System to Monitor Federal Government Investments in Programmes for Children and Adolescents (SimIC).** The SimIC provides updated information to track the federal government’s budgetary allocations to programmes dedicated to children and adolescents, enabling closer scrutiny of these resources and therefore promoting accountability.

The first edition of the Children’s Investment Bulletin (BIC), which was released alongside the SimIC, is a biannual report which presents and analyses the data collected by the online monitoring system. As such, the BIC can serve to further increase government transparency regarding the share of the federal government’s budget devoted to children and adolescents, while also strengthening civil society’s ability to monitor this. For example, between 2006 and September 2008, the SimIC revealed a marked real increase in Brazilian federal government spending on programmes directed towards children and adolescents. In 2006, federal investment was R$36.8 billion, a figure which jumped to R$37.9 billion in 2007. By September 2008, investment in programmes for children and adolescents had increased to R$46.8 billion, a 27% increase in two years.

Both the SimIC and the BIC were developed by UNICEF with support from the Brazilian NGO Contas Abertas. The data included in the SimIC draw directly on the government of Brazil’s Integrated Finance

---

11 [http://investimentocrianca.org.br/SimIC/InvestimentoCrianca.aspx](http://investimentocrianca.org.br/SimIC/InvestimentoCrianca.aspx)
Administration System—in itself a tool developed to increase transparency and accountability in the public finance system—and can be accessed at www.investimentocriana.org.br.

2) PB by children as a mechanism to promote local-level accountability. Following the success of PB initiatives in Brazil, the city of Barra Mansa, located in the state of Rio de Janeiro, launched the first Children’s Participatory Budget Council (CPBC) in 1998, to foster citizenship among children and teenagers aged 9—15 and strengthen the accountability of the municipal budget towards children. The initiative was supported by the Municipal Secretariat of Education through teachers and head teachers, neighbourhood residents’ associations, church groups and delegates and councillors of the adult participatory budget council (Guerra, 2002). The CPBC was based on a participatory electoral approach. Children and teenagers participated in neighbourhood assemblies electing delegates, who in turn participated in district assemblies and elect districted delegates. Children were trained by facilitators to be better able to engage in this process. This initiative continued for over four years; each year, the CPBC was provided with a small portion of the municipal budget equivalent to about $125,000 for use on priorities determined. Dozens of projects were selected, including repairs to schools and school equipment (especially chairs and desks), better security and improved playgrounds in low-income areas, repairs of sewers and drains and tree planting. All of these had some measure of impact on local children’s well-being. Although the total investment in these projects was small in relation to the total municipal budget, the projects become quite significant in the context (ibid.). After its successful start, each year more than 6,000 young people attended the CPBC assemblies.

Some child participants explained the value of this initiative for them as follows:

‘Before, the mayor decided how to spend the city’s money and the people had to accept it […] now we want to know where the money goes.’

‘We learnt about citizenship through practice.’

‘In the CPBC, we learnt how the money from the city council is spent; before we didn’t know’ (ibid.).

The CPBC project is not perfect, but it represents a collective effort, which the participants themselves support. Central to the project is the portion of the municipal public budget assigned to the council, the planning and allocation of which require approval from city councillors. The personal commitment of the two mayors of Barra Mansa in 1998 and 2002 was also crucial to the development and success of the project.

A major challenge faced by Barra Mansa City Council lay in achieving a transition from children’s and teenagers’ experiences of protest to their participation in tangible projects based on active citizenship. The activities undertaken within the framework of the city consultation contributed not only to increasing transparency and to legitimising the project but also to advancing the debate on children’s and young people’s citizenship and rights, by expanding participatory processes and redefining the theme of local governance through the participation of young people.

Conclusions

These two very different examples of how transparency and accountability in budgeting for children have been achieved provide interesting insights into the importance of close collaboration between governments at national and local levels in generating spaces for such work to take place. The Brazilian experience also suggests that, where there is political will to support such processes, civil society, including through the active participation of children, could play a useful role in monitoring how the government is meeting its commitments to children’s rights through the adequate allocation of funds to related priorities.

For the most part, civil society budget transparency work has focused on the formulation and enactment of budgets. However, more recent initiatives have concentrated on tracking budgets throughout their implementation and by engaging with the budget process continuously. Civil society has started developing important new allies in government, including programme managers in government agencies, auditors and even ombudspersons, each of which influences the decisions made regarding financial expenditures. This has provided CSOs with opportunities to monitor budget implementation—from creating new monitoring methodologies to collaborating with the legislative branch and others on oversight using existing accountability mechanisms such as government reports on the enacted budget, in-year reports, supplementary budgets and year-end reports.

In particular, social audit methodologies, which are management tools and accountability mechanisms used to assess, understand, report on and improve the social performance of an
organisation, plan or policy—including in relation to budget performance and policy and programme outcomes—have gained traction throughout the world as a means to hold governments accountable. These include well-known practices such as public expenditure tracking, citizen report cards, participatory monitoring and evaluation and social budgeting. Key features which systematically characterise the practice of social auditing include a focus on stakeholder participation and accountability, since the participation of rights holders (people) and duty bearers (government or service providers) is critical to their success. This facilitates transparency, knowledge generation (by bringing on board people’s opinions, perceptions and experiences) and accountability (for the delivery of quality public services and policies). Strengthened transparency and duty bearer accountability are major conditions for the improved performance of public policy. In other words, social audits are assessments not only of performance but also of the integrity of the process that leads to the performance and the impact of such performance (Mailloux, 2011) (see also Box 4).

**Box 4: International initiatives promoting transparency in the extractive industries**

Among a growing number of international initiatives to promote better fiscal transparency, accountability and reporting are three focused on promoting transparency in the extractive industries. These are relevant to our discussion given the contributions they can make to the budgets of resource-rich developing countries. Natural resource wealth was once glorified as a blessing for poor countries, but it has often contributed to poverty, violent conflict, corruption and repression. As such, monitoring how resources are used, expanding the fiscal space available for social sector spending and ensuring the financing of required policies and programmes, including those aimed at children, become important tasks. Below are a few examples:

- **The Publish What You Pay campaign** aims to help citizens of resource-rich developing countries to hold their governments accountable for the management of revenues from the oil, gas and mining industries. The Publish What You Pay coalition calls for the mandatory disclosure of the payments made by oil, gas and mining companies to all governments for the extraction of natural resource as a necessary first step towards a more accountable system for the management of revenues in resource-rich developing countries. It is funded and supported by a number of NGOs and think-tanks. The coalition has grown enormously and now consists of over 280 NGOs worldwide. There are currently several Publish What You Pay national NGO coalitions around the world, including in Azerbaijan, Chad, Congo Brazzaville, Democratic Republic of Congo, France, Kazakhstan, The Netherlands, Nigeria, the UK and the US (van Oranje and Parham, 2009).

- **The Measuring Transparency project**, led by Save the Children UK, has developed a standard to assess the performance of companies and governments in support of revenue transparency. It also provides a framework to track their progress over time. In its first phase, the project focused on companies and ‘home’ governments (i.e. governments of countries in which oil and gas companies are registered or raising finance). Ten home countries were ranked with regard to four areas: (1) requirements for disclosure of revenue payments; (2) requirements for disclosure of supportive financial information; (3) access to information legislation; and (4) broader governance. Countries covered were Australia, Canada, France, Italy, the Netherlands, Norway, Russia, South Africa, the UK and the US. A full report, ‘Beyond the Rhetoric—Measuring Revenue Transparency in the Oil and Gas Industries’ was produced (Save the Children UK, 2005). Measuring Transparency was conceived by Save the Children UK and developed in collaboration with investors, independent consultants, ratings agencies and other members of the Publish What You Pay NGO coalition.

- **The Revenue Watch policy programme** has a particular focus on Africa, Azerbaijan, Iraq and Kazakhstan, with the aim to generate and publicise research, information and advocacy on how revenues from the extractive industries are being invested and disbursed and how governments and extraction companies respond to civic demands for accountability. The programme seeks to build the capacity of local groups to monitor government management of oil revenues through training in budget monitoring and reporting on the extractive industries, as well as seed grants to budget watchdogs. Revenue Watch is run by the Open Society Institute.

Source: Authors’ compilation.

---

13 Global Witness, the Catholic Agency for Overseas Development, Oxfam, Save the Children UK, Transparency International UK and George Soros, Chairman of the Open Society Institute.
Implementing social audit methodologies with national partners and CSOs is a part of efforts to promote better access to budget information and share findings and concerns with the government and the public in order to improve governance and reduce corruption (Ramkumar, 2008), which can lead to better policy and programme outcomes. As some of the best models have emerged at the local level, driven either by civil society or local government, there is a need to start reaching down to these levels for innovative policies and practices (ibid.).

One particularly relevant social audit methodology in the case of promoting budget accountability and reducing corruption which has been used extensively in a number of lower- and middle-income countries is the Public Expenditure Tracking Survey (PETS). The objective of the PETS is to identify corruption problems that generate leakages in public funds that can result in inadequate outcomes. PETS initiatives were first implemented in the late 1990s, with the aim of looking at the flow of resources from budget planners to service delivery, and provided the analytical basis for increasing budget allocations to social services—particularly education and health, which are critical to the achievement of children’s rights. To supplement largely ‘desk’ exercises that relied on data from ministries of finance and line ministries (which were not always complete or accurate), PETS have sought to determine the extent to which funds reach the facilities that provide services to final consumers. As well as assessing whether there are delays and leakages of budget transfers, they enable insights into the links between inputs and outcomes and the utilisation of and accounting for those resources. Findings from PETS in different areas of social sector spending—which have now been carried out in many countries, including Albania, Burkina Faso, Cambodia, the Former Yugoslav Republic of Macedonia, Ghana, Peru, Rwanda, Tanzania, Uganda, Vietnam and Zambia, among several others—have been used to inform reforms to improve the effectiveness of budget spending and the impacts on the intended beneficiaries, who are often children. For example, in Peru, PETS were undertaken to look at the level of leakages in a subsidised milk programme for poor children, Vaso de Leche (Lopez Calix et al., 2002). In Cambodia, the PETS focused on spending in primary education to improve the level of resources reaching schools and ultimately students to better achieve their right to education (World Bank, 2005). Results from PETS show that the information and transparency gained can be a cost-efficient way of overcoming systemic problems in service delivery. Ultimately, PETS assess whether the amount of funds appropriated actually reaches intended beneficiaries—mostly children.

Social accountability mechanisms and other CSO actions to promote transparency and accountability require significant efforts, in particular to empower the most marginalised in society to claim their rights. They also imply the existence of channels to ensure transparency in public and private action. For children, the lack of participation mechanisms and avenues for them to exercise their demands on the government exacerbate this difficulty. As such, future work should further reflect on possible entry points for including children in governance processes (UNICEF, 2011a). One rationale behind upstream policy work on child rights is to try and address overarching policy strategies and leverage more resources for children. The key area of focus should be the budget and public finance policies.

**Case study 5: Uganda—transparency and accountability for the fulfilment of children’s rights**

**Aim**

This case study looks at improvements in budgeting and transparency in the education sector in Uganda, as a result of budget transparency and accountability work with the aim of fulfilling children’s right to education. It presents different budget analysis initiatives undertaken by different actors to improve budgeting, spending, transparency and accountability in the sector.

**Case study**

Universal Primary Education (UPE) was introduced in Uganda in January 1997, resulting from a political commitment to meet the cost of primary education for all children who wanted to access it. Total education expenditure went from 2.6% in 1995-1996 to 4.3% in 1999-2000 with 70% of this being spent on primary education (Claassen, 2008). Primary school enrolment increased from 3.1 million children in 1996 to 7.6 million in 2003, with particular increases among the rural and urban poor (Juuko and Kabonesa, 2007). However, in 2007 total government spending on education went down to 3.45% of...
GDP, with 65% going to primary education (World Bank, 2007). One of the main strategies to meet the target of UPE was to devolve funds to the local level for education service delivery. Capitation grants and school facilities grants were transferred directly to schools.

As the sector has expanded, there has been additional pressure on resources, highlighting the need to increase allocations to education and improve spending. One of the main problems currently affecting the primary education system is significant wastage of resources. About one-fifth of recurrent budget expenditure does not generate a tangible input into teaching children (World Bank, 2007).

**Budget transparency and accountability work in Uganda**

There have been different experiences in Uganda in improving budgeting and spending on primary education for children. Some have been more research-oriented, looking at budget and expenditure flows from the national to the school level, namely, PETS; others have been focused strongly on grassroots participation, with the involvement of CSOs, local communities and children themselves. This case study identifies some of the key mechanisms used, and reflects on some of the factors which have contributed to achieving positive outcomes.

**PETS**

Despite a substantial increase in public spending on education in Uganda in the mid-1990s, the increase in primary school enrolment immediately after the introduction of UPE was very limited. World Bank researchers planned a PETS in 1998 to compare budget allocations with actual spending in various tiers of government including primary schools (Ablo and Reinikka, 1998; Reinikka and Smith, 2004). They systematically collected available data from national-level budgets down to information from teachers in schools, with questionnaires asking about, for example, the regularity and punctuality of payments. This first round found that, while funds for primary education flowed from the national level to districts in known amounts, information was missing on the amount of funds sent by districts to individual schools. The level of leakage was determined by comparing data on what schools actually received with what they expected to receive from districts based on enrolment and per pupil capitation.

Following the publication of the first PETS findings in 1996, the Ugandan central government made quick efforts to remedy the situation, publishing monthly intergovernmental transfers of public funds in the main newspapers and the radio. Later, it required primary schools to post information on inflows of funds, making this visible to the school community. The success of this campaign, reducing leakage from 80% to 20%, underscores the value of information campaigns, transparency and the efficacy of mobilising civil society against corruption (Reinikka and Smith, 2004).

**Education budget monitoring by NGOs**

The Commonwealth Education Fund’s (CEF’s) work in Uganda was based on working closely with local partner organisations which have been using budget monitoring as a way to fight corruption. CEF supported The Apac Anti-corruption Coalition (TAACC) to sensitisce communities to the importance of tackling corruption in education, through radio discussions, community events and public demonstrations. A key aspect was to train Independent Budget Monitors (IBMs), elected by local communities, to monitor school facilitiess and teachers. IBMs were tasked with verifying whether grants were spent correctly by conducting school visits and engaging with district education offices (Turrent, 2009).

TAACC’s budget tracking and anti-corruption work led to the dismissal of district education officials and head teachers who had misappropriated funds, as well as the exposing of ‘ghost’ schools and teachers. IBMs also identified fraudulent contractors and communicated their findings to the relevant government institutions. This work’s success was linked strongly to a favourable political environment that supported anti-corruption work (Turrent, 2009).

**Child budget monitors in schools**

The Christian Children Fund Acenlworo has also supported interesting work in involving primary school pupils in school governance by allowing them to take responsibility for monitoring UPE grant expenditure in their schools (Claasen, 2008). Initially, there was resistance from key stakeholders, as the initiative was considered to go against cultural norms, with children questioning the work of adults. However, work explaining the objectives of the project gained support from local leaders, and it was implemented in 50 schools across five sub-counties with the involvement of around 600 pupils (Turrent, 2009).

Participating children were democratically elected by their peers to act as monitors and undertake training on communication and budget monitoring skills and to represent their peers on the schools’ financial committees. Save the Children Uganda provided support on child participation in the child budget tracking programme (Claasen, 2008).

The work of the child budget monitors has resulted in action being taken against fraud and sexual abuse. The project districts have reported increased school enrolment, programme expansion, increased representation of children on school finance sub-committees and an overall improvement in the learning
environment (Turrent, 2009). Most importantly, children’s involvement in the management and monitoring of school funds is now widely accepted (Claasen, 2008).

**Conclusions**

This case study shows three different ways in which different actors (researchers, CSO/NGOs and citizens, including children) can promote budget accountability and reduce corruption through actions at different levels, from the national to the grassroots. It illustrates in particular that disseminating evidence resulting from findings from social accountability work can be effective in pressuring governments to change corrupt practices. Such lessons are important for child rights advocates and practitioners looking to engage in budget transparency and accountability work to improve service delivery for children, which can then result in a greater probability of children’s rights being met.

### 4.5 Concluding remarks

This section has discussed why promoting transparency and accountability in public expenditure and curbing corruption are crucial elements in achieving children’s rights—particularly socioeconomic rights—by ensuring that the government as the main duty bearer adequately and efficiently provides basic social services. Improved transparency and accountability are part of a continuum of financing approach in that they generate an efficient and more effective use of public resources, which can in turn be linked to more availability of fiscal resources as leakage and wastage are eliminated. This is particularly important where fiscal resources are scarce. CSOs and NGOs, through the active participation of citizens—including girls and boys—can play an active role in promoting transparency and accountability and fostering better spending to improve the lives of children.
5 Taxation and investment in children

As discussed in Section 3, in addition to constraints related to political will and budget implementation, the amount of resources a government can spend on social sectors to fulfill the rights of children is linked to the fiscal space available for this purpose. Fiscal space constraints become more evident when there are insufficient resources to allocate to all policy priorities, including child-sensitive policies and programmes. As such, to increase the budget envelope, generating fiscal space for child rights-related spending is important. An efficient and adequate taxation system can help—as the level of taxes collected (revenue generated) is directly reflected in the level of expenditure the country can carry out. Building tax administration capacity is needed to spur development, particularly in developing countries. Tax administrations play a critical role in raising funds for vital services such as health care and schooling; when performing well, they can also contribute to the promotion of good governance and economic development. Furthermore, tax systems can be used to promote social justice and fairness through distributive taxes and benefits and expenditure incentives. As such, an effective tax system would not only help the governments of less developed countries to function and pay for goods and services, but also would open the way for other state and market reforms to promote economic, social and environmental development.

5.1 Objectives of taxation

Taxation has four main purposes that can be related to social policy: revenue, redistribution, representation and re-pricing (Bird and Zolt, 2005):

- **Revenue generation:** Taxes raise money to spend on government administration, to provide services community services, targeted services such as education and health, infrastructure such as roads and water supply, legal services, etc. Without taxation, revenue generation would almost not exist, and hence there would be no resources for expenditure, including social policies.

- **Redistribution of revenue:** Through taxation systems, revenues can be transferred from the wealthier to the poorer part of the society, that is, those in need (depending on the progressivity of the tax system). In this context, the tax system serves as a social policy that regulates living standards and can be tied directly to the welfare and equitable opportunities of vulnerable groups including children (an example of this would be excluding taxation on all child support services for vulnerable groups to make this type of service cheaper for them).

- **Representation:** Tax payers demand accountability and visible representation of the money that is being taxed and spent. This contributes to a fair relationship between government and tax payers (‘no taxation without representation’). A good example of representation and participation can be found in Purnimagati union parishad of Sirajganj district in Bangladesh. In 2005, Purnimagati union parishad started with ‘open budget sessions’ in which all citizens could participate (as the ‘owners’ of the budget), to give suggestions on how and what/who should be taxed, as well as how the resources allocated would be spent. Furthermore, ‘social watches’ were organised to promote transparency and ensure accountability for the services provided. This proved a very good practice, mainly because people now have direct access to the services on which the money is spent. This increased confidence has significantly improved tax compliance (UN, 2005).

14 There are other non-tax government-generated revenues, including revenue from government-owned corporations, sovereign wealth funds, sales of assets and government borrowing/debt.

15 A progressive tax is a tax by which the tax rate increases as the taxable base increases (demonstrating a distribution effect on income from low to high). Progressivity in tax rates is often used as an attempt to reduce the tax incidence of populations with lower ability to pay taxes, while targeting those with higher ability (people with higher income pay a higher percentage of income tax, whereas people with lower income pay a lower percentage—all defined through different tax brackets).
Re-pricing: A taxation system helps to levy various consumption items or behaviours that can lead to negative social externalities, such as through a high tobacco and alcohol tax that discourages smoking and drinking, a stock transaction tax that discourages stock manipulation, a carbon tax that discourages use of carbon-based fuels, etc. Re-pricing methods can have a negative effect on society.

As a result of trade liberalisation, taxes on cross-border trade (which constituted one of the main pillars of the tax system of developing countries in the 1980s) have been reduced. Trade tax revenues decreased globally by about 20% between the early 1980s and the late 1990s (UCLA, 2005). This caused a shift in the tax system focus to domestic revenue mobilisation, through national and sub-national taxation systems. One of the most important fundamental tax policy reforms in the past 20 years has been the introduction of a VAT, in many cases replacing inefficient and distorting sales taxes (Section 5.2 gives more details on VAT). Today, albeit at different levels (depending on consumption and production levels as well as overall tax policies), more than 120 countries worldwide operate a VAT, and this has frequently become the key revenue generator within taxation systems. In addition, the trend in recent decades demonstrates investment in the soundness of an indirect tax system (i.e. tax collected by intermediaries and not direct beneficiaries) focused on reform of the excise tax system (inland tax for specific goods, which falls under indirect taxation), concentrating on a small number of high potential excises with high tax yield (in particular alcohol, tobacco and fuel).

Tax initiatives are associated mostly with revenue collection, but can in fact also be linked to the expenditure side of the budget. The revenue side of the budget includes the taxes collected (income, corporate, sales, service, property, etc.), whereas the expenditure side includes standardised recurrent spending and capital and development investments. The tax system can encourage or discourage spending in particular areas. For example, the Malaysian Ministry of Higher Education provides tax exemption benefits to higher education institutions—in particular tax exemptions for pre—employment training—incentivising this type of training and reducing its costs (IPPTN, 2008). As such, taxation can be an indirect instrument for social policy and is directly correlated with the overall taxation and budget decision-making process.

### Types of taxation mechanisms and impact on social interventions

Setting up an equitable, efficient and manageable tax system that takes into consideration both revenue as a primary effect and expenditures as a secondary effect is a complex task, especially considering that a proposed tax system should not discourage economic activities (i.e. create tax burdens). Below is a list of the most common taxes the government collects and the direct impact they can have on socioeconomic stability (OECD, 1996).

#### Taxes on various forms of income

**Personal income tax: taxation paid on personal income by individuals**

Personal income tax is often scrutinised in order to ensure social justice. Countries frequently attach great importance to maintaining progressivity in this tax by applying various rate brackets (IMF, 2001), allowing for different taxation levels for various income groups: a lower-income family would pay much less in taxes or be exempt. Another principle indirectly connected with personal income tax is the concept of refundable tax credits and tax exemptions, for example taxation exemptions for single parents depending on their number of children. For the population living in poverty, these are often used to offset federal taxes, particularly payroll taxes (including income, unemployment, social security tax, etc.), which impose a greater burden on those with lower incomes. For example, in 1997, the US Congress enacted a new child credit and made it partially refundable for taxpayers with three or more children, followed by the 2001 Tax Relief Act (Urban Institute, 2001), and then extended the

---

16 There are many more taxation types within the revenue-generating cycle, which vary by country and change according to political, economic and social policy pressures and public polls. The list here highlights only the main tax types that are common across the globe.
refundable feature to families with one or two children. However, the problem with this exemption is that the refundable tax credits exclude the non-working poor in society.

**Corporate income tax: taxation paid by corporations and business sector organisations**
Corporate tax encompasses income, capital, net worth and other parameters of a company. It plays a special role in developing countries as it can be a way to promote certain sectors, particularly given sectoral differences, for example lower taxation for sectors that the country is trying to promote, such as sustainable agriculture.

**Capital gains tax: taxation paid on the sale of capital assets**
Capital gains tax includes the sale of capital assets that are not part of ordinary business operations, and may include personal asset sales in many countries.

**Unemployment tax: tax imposed on employers based on the total payroll volume**
Unemployment tax often serves as a social policy, one that historically varies during an economic crisis, when funds are used to pay unemployment benefits. It may be enforced at national and local level with different tax brackets.

**Social security contribution tax**
This is a tax imposed on employers and employees for social contributions related to retirement and health care. It varies greatly across countries, based on the overall country regime and the way retirement and health systems are set up. Usually, some level of contribution is mandatory for formal sector employees and employers, but this often depends on earning level, type of employment and other socioeconomic conditions.

**Taxes on various forms of property**

**Property tax: taxation paid on the property by the owner**
Property tax encompasses land, construction on land (house/building) and personal property on the land, and can be charged by different levels of government and jurisdictions. It is often charged on reoccurring basis (e.g. yearly).

**Taxes on various forms of goods and services**

**VAT**
VAT is paid by the end user, that is, every consecutive buyer in line, but only on operations that create value. For example, if raw materials, such as wheat, are manufactured into a product, such as bread, VAT will be paid by the manufacturer on the additional value that the bread represents. Since VAT is used widely and is often the most important contributor to total revenue collected, it is often examined in terms of its potential negative impact on social policy. For example, in Kenya, it is argued that many girls miss school when they are menstruating because they cannot afford to buy sanitary pads. A woman in Kenya wrote to the Ministry for Gender, Sports and Culture explaining this problem, copying the letter to all women Members of Parliament and to the Ministers of Finance and Education, requesting a waiver of VAT on sanitary pads. In 2004, her request was approved (Elson, 2006).

**Other taxes**
Apart from traditional taxation, governments may impose various fees for accessing particular services, which are often perceived as taxes. This imposition can be associated with the tax impact on the expenditure side: incentives for specific development areas, priority sectors, child development initiatives, etc. Examples include fees for birth certificates and for primary schools. These can have important consequences, depending on how they function, and thus need to be examined properly. For example, in some countries in Africa, there has been evidence of a negative impact on enrolment, particularly of girls, as a result of the introduction of school fees. In Malawi, a rise in school fees in the mid-1980s was followed by a decline in enrolment, mainly among girls. Once fees were eliminated in 1994, primary enrolment increased by 50%, with the new entrants mainly girls (Elson, 2006).
5.3 Tax strategy as a tool for social policy

In reviewing of key taxation categories, it is essential to understand the correlation between taxation and social support, in particular in terms of children's rights. Government revenue collected through taxation is used for direct spending. Both tax collection and tax incentives must consider the multifaceted layers of child poverty, social conditions and needs within the local context, including specific social exclusion circumstances, and identify and assess the adequacy and impact of allocations in terms of the overall advancement of children.

There are many arguments, both for and against, with regard to proposing tax incentives rather than direct spending programmes as a tool to achieve social rights for children. One of the most attractive features of using the tax system is the lower bureaucratic burden (i.e. government resources go directly to the targeted group) that that which is apparent in direct spending programmes. Furthermore, tax resources tend to be more permanent, as they usually do not have to obey the annual budget approval process like programmes do. The taxing system can also provide benefits indirectly, in terms of tax deductions. As such, they are subtracted from income taxes, leaving more financial resources for the family in the distribution of after-tax income. This is illustrated by tax exemptions provided to children as a way to adjust for family size on the assumption that a larger family with many children will have more financial constraints than a smaller family with the same income. Therefore, such a tax system can promote distributive justice. The 2001 Tax Act in the US made children central to the tax return equation: a couple with two or more children receives a tax refund of 29.7% of income, whereas those without children receive one of 2.3% (Urban Institute, 2001).

However, tax systems and benefits as they currently exist are not a substitute for direct spending programs and do not fill the role of expenditure safety net for the very lowest-income families (Urban Institute, 2002). In the US, payments from spending programmes such as Temporary Assistance for Needy Families, food stamps, social security and Supplementary Security Income nearly tripled the incomes of poor families, whereas tax benefits barely raised their incomes at all (ibid.). Populations with very low incomes, which disproportionately include children, often have no attachment to the formal workforce and therefore are not able to benefit from the tax system. In such cases, direct assistance and services through direct spending are more beneficial. Another negativity associated with using the tax system for social assistance is the fact that tax credit benefits are designed as lump-sum reimbursements at the end of the year. However, low-income families need money throughout the year in order to meet day-to-day living expenses, and this is particularly relevant to children's needs, for example schooling expenses. It is difficult for them to come up with the money for necessary items even if they know they will get the money back at the end of the year.

As part of social policy support provided through the tax system, alternative sources of tax revenue collection have been suggested. An example of this is in Nigeria, where there is support to education through the taxation system. In 1995, the Nigerian government established the Education Tax Fund, to which companies with more than 100 employees contribute 2% of their pre-tax earnings. Primary education receives 40% of these funds, secondary 10% and tertiary 50% (Moja, 2000).

5.4 Taxation trends in developed and developing countries

Tax revenues account for over one-third of GDP in OECD countries, but far less in developing countries, particularly in Sub-Saharan Africa, where they correspond to less than one-fifth (OECD, 2011). The most recent data show that the tax level in OECD countries is about double that in a representative sample of developing countries: 38% of GDP compared with 18% (IMF, 2001). Given this disproportion, the needs of OECD countries and developing countries in terms of tax revenues are different. Raising the tax burden might seem like an odd proposition to policymakers in crisis-stricken OECD countries as they bid to raise revenues while stimulating growth. But when taxes account for one-fifth of GDP, a well-designed increase in tax which includes, for example, increasing the tax base, improving revenue collection and reducing loopholes in the system, is what many developing countries need.
In the EU, given the current debt and deficit situation, the overall level of taxation is likely to increase in the medium term. Budgetary consolidation is needed to bring government deficits down to sustainable levels. This is likely to be carried out through cuts in public expenditure but also by increasing taxation. It is expected that tax revenue for EU 27 as a whole will rise by 0.5% of GDP from 2009 to 2012 (Eurostat, 2011), with much of the resources generated going to reduce government deficit rather than financing new programmes.

Common tax policy challenges faced by developing countries
Developing countries face difficult challenges when they attempt to establish efficient taxation systems. Most have high levels of economic disparity, poverty and social exclusion and are characterised by a large grey and informal economy sector (Ahmed, 2011). Below is a description of the most common tax policy challenges facing developing countries. These contribute to their poor capacity to generate adequate levels of fiscal space (in addition to other major obstacles such as low levels of economic growth and poorer economies).

Budget structure
In developing countries, the recurrent administrative budget is usually higher than the capital budget, since the government is the major employer and therefore has a significant payroll. From the tax-generating perspective, this poses a problem. On the one hand, the personal income tax system of the employed population within government institutions should be transparent and accountable and contribute to revenue generation. However, since the capital and development budget is usually small, the taxation pool for development initiatives—in which the private sector plays a key role—is not very active. This significantly reduces direct and indirect tax revenues. For example, in BiH, a significant income share comes from indirect taxes through VAT; if VAT declines, which it is likely to do during crises and in volatile political circumstances, revenue generation is hindered. Furthermore, budget cycle planning capacities as well as budget monitoring capacities are often low, resulting in inadequate planning and inefficient execution of revenues.

Economy and labour market composition and the informal sector
The informal economy is very much present in developing countries, so an important part of the economy is unaccounted for in terms of laws and obligations. As a result, the tax base is much narrower, posing significant challenges and limiting the opportunity to collect additional revenue. In many countries, the largest share of tax revenue is generated from natural resource taxes, such as income from production-sharing royalties and corporate income tax on oil and mining companies (IMF, 2001). The extent of the informal economy in developing countries also hampers efforts at broadening the tax base. Meanwhile, as most workers are seldom paid a regular, fixed, cash wage, their earnings fluctuate. This affects tax collection mechanisms since the base for an income tax is hard to calculate.

Additionally, this population tends to interact with other ‘invisible’ actors. For example, they usually do not spend their earnings in large department stores that keep accurate records of sales and inventories, but rather at other small, informal goods exchange spots. As a result, modern means of raising revenue, such as income taxes and sales taxes, are not adequate. This influences the expenditure side, since revenue is not created as planned, and this has a direct impact on lower levels of expenditures, negatively affecting spending in some sectors, for example social sectors, including those that typically invest in children. This is particularly the case in fragile states, whose economies have traditionally been composed of the informal sector and where tax authorities do not have the capacity to deal with the problem effectively.

---

17 Tax levels will depend very much on the success of expenditure cuts (e.g. in Greece) and the level of growth the EU economy will be able to generate in coming years.
18 An administrative budget refers to the administrative side of running an administration, focused mainly on payrolls of staff employed (government and its services), and is generally regarded as a non-production budget.
19 A capital budget refers to the budget for major capital or investment and expenditure, regarded as a profit-making rather than a non-production budget.
20 Informal economy activities range from small-scale informal traders, such as agricultural workers and unregistered small businesses, to registered businesses that fail to declare profits and criminal syndicates that profit from activities such as drug trafficking and the smuggling of counterfeit goods.
Low level of capacity
The specific nature of the activity to be promoted through the tax system (e.g. helping large families with more than three children) depends on the efficiency of its implementation, which is directly correlated with the level of local capacities (in terms of administrating and planning of revenue flows; information, communication and technology (ICT) support tools and services; and tax collection and administration processes). It is difficult to create an efficient tax administration without a well-educated and well-trained staff, especially when financial rewards are scarce—which is often the case in developing countries.

Additionally, currently, an efficient tax system relies on more efficient management of data (both financial data and information on contributors) using ICT tools, in order to be able to track the money cycle. This includes making sure tax credits and deductions are really being used by those in need (IMF, 2001). Such is not often the case in developing countries. One way to generate more growth and raise tax revenues in poor countries is to improve the effectiveness of tax administration. This means strengthening capacity and resources to improve taxpayer services and enforcement, reviewing tax structures and investing in skills and management systems to reduce corruption by improving the effectiveness and transparency of tax administration system. This is widely accepted as a key step towards achieving the MDGs, and can therefore contribute to the fulfilment of socioeconomic rights. OECD data demonstrate that GDP ratios in Sub-Saharan countries where tax administration reforms are being implemented now exceed 16.8% of GDP (OECD, 2011), which was the average for fragile and lower-income countries in 2006.

Lack of reliable data
Because many developing country economies have an informal structure and face financial limitations, analytical data collection is rarely carried out. This is particularly the case with tax authorities, as they do not generate reliable statistical data (e.g. types of eligible taxpayers, amount of tax collected, types of tax collected and rations over time), posing a major challenge to evidence-based decision making. Decision making based on reliable data would support the formation of stable tax regimes. Frequent alterations in tax systems, most often not based on evidence, affect their credibility, introduce uncertainty, reduce predictability and increase risk. But strategic reform that is evidence-based can improve the business and investment climate, increase voluntary tax compliance and strengthen the capacity of the tax regime.

Highly uneven distribution of income
In many developing countries, income tends to be distributed unevenly, resulting in a relatively small to high-income class, an almost non-existent middle-income class and a large low-income class, often composed of households living on the poverty line or below. Ideally, raising revenues through high taxes imposed on the high-income population and providing tax benefits to the low-income population is an equitable strategy, but is often not implemented, as wealthy taxpayers often have the economic and political power to prevent fiscal reforms that would increase their tax burden. As a result, many developing countries have not fully exploited the distributitional potential of personal income and property taxes and tax systems rarely achieve satisfactory progressivity.

The challenges listed above make it difficult for developing countries to implement the efficient and effective taxation systems critical to promoting development in a sustainable way. Improving the situation will necessitate a strategic and comprehensive approach.

A good example of a comprehensive tax reform that is helping to overcome many of the challenges indicated above was the creation of the African Tax Administration Forum (ATAF) signed by 25 African tax administrations, formally constituting an independent legal body headquartered in South Africa (ITD, 2010). The main aim of this initiative is to aid the creation of effective, efficient and capable tax authorities able to mobilise domestic fiscal resources in

order to provide governments with sustainable, domestically generated revenue and thus reducing reliance on foreign investment and development aid. This in turn should provide African states with the fiscal space to determine spending priorities in line with their own national objectives and socioeconomic needs, including development goals, poverty reduction strategies and democratic governance requirements. Revenue collected and allocated towards financing social policies must be managed coherently. This requires various forms of checks and balances of government bodies and civil society (expenditure tracking, transparency and accountability through measurable performance indicators).

ATAF has achieved significant popular support, which makes taxpayers more compliant. The body, along with other tax and fiscal reforms in African countries, has significantly contributed to revenue generation and poverty reduction, with the average tax ‘take’ from profits (both personal and corporate) in Sub-Saharan Africa now estimated at 71%, compared with 45% in South Asia (World Bank, 2010).

‘Anyone who doubts the importance of tax for spurring growth and development should look no further than Africa’ (Oupa Magashula, ATAF President, in OECD, 2010).

When comparing developed and developing countries in terms of tax system contributions, personal income tax is particularly important, and has risks related to fraud and evasions. For example, the expansion of the tax base for personal income tax is one of the key challenges in tax reform in all developing countries. Personal income taxes have been introduced in some developing countries, but play only a marginal role owing to political and administrative difficulties in broadening the income tax net and to a low level of tax compliance. As a consequence, while personal income taxes yield about 7.2% of GDP in developed countries (paid by around 45% of the adult population), the corresponding figure for developing countries is only 1.9% (by less than 5% of the adult population) (UCLA, 2005).

From the information discussed above, it is clear that the challenges facing developed and developing countries in relation to their tax systems are substantially different. For the former, challenges relate more to the types of taxation decisions made—generally guided by political positions—which can make them more or less redistributive and, depending on their structure, allow them to generate different levels of revenue, with different implications for the economy. In contexts of slow economic growth and growing government deficit, such as in the EU at the moment, and given increasing levels of poverty and shortfalls in social service delivery in some countries as a result of budget cuts, identifying ways to increase the tax revenue without affecting those most in need of support can be an alternative way to finance social services. In developing countries, where there are significant gaps in financing—including of child-sensitive policies and programmes—there are multiple challenges in developing taxation systems that can generate adequate levels of revenue to finance policy priorities. Case study 6 gives examples of developing countries that have achieved this.

Case study 6: Rwanda—efficiency and effectiveness of the taxation system as a tool to contribute to investment in children

Aim

This case study looks at a tax administration reform process aimed at ensuring efficiency and effectiveness in a developing country in order to support the generation of additional resources to finance development and serve as a tool for promoting social, economic and environmental justice for children. This can serve as an example of what developing (particularly lower-income) countries can achieve with political will and adequate technical support, and therefore represents useful information for advocates in other countries to communicate to government counterparts in their policy engagement work.

Rwanda’s taxation system was significantly reformed in order to support the country’s socioeconomic rehabilitation, with special attention towards adequate revenue generation, redistribution and visible representation and accountability of tax-generated funds, mainly through health care and education

Mechanisms to counter fraud and tax evasions are crucial in developing countries (such as specialised audits and invoice crosschecking systems), and these initiatives depend directly on tax authority capacities.
improvements. This case study presents some of these experiences, identifying some of the key mechanisms used, reflecting on some of the factors that have contributed to positive outcomes and highlighting some of the remaining challenges.

Case study
Although Rwanda’s economy together with political and social conditions has improved in the past decade, in the 1990s it was suffering. As the civil war broke out in the early 1990s, followed by the genocide in 1994, the economy was at a low point. Even though the government undertook various reforms, especially in the area of health care and education (Ministry of Education, 2010), such as free state-run schools for nine years, literacy programmes and specialised health care teams for epidemics, basic services were of poor quality. Vulnerable children’s groups, particularly those in extreme poverty, rarely attended school because of school fees and the costs associated with purchasing a uniform, books, etc. (ibid.). Health care remained a major social concern, with one in five children dying before their fifth birthday, often from malaria (WHO, 2009).

It is estimated that about 35% of Rwanda’s population are children and, as such, the country is considered to have a very young population (ITD, 2010). Bearing this and the poverty-stricken state of society in mind, it was evident to the Rwandan government that additional income had to be generated in order to secure basic services for children, including primary schooling support, basic health care in terms of prevention and treatment and social support for families battling extreme poverty (Amnesty International, 2009). Taxes were one way to generate income for key services in order to improve living standards. Revenue administration through taxes has in the past two decades become a focal area of fiscal reform in the country, and various reforms are still taking place to improve operational efficiency, modernise the tax revenue administration and correlate social policies with these efforts (ITD, 2010).

Rwanda tax system reform
The Rwanda Revenue Authority (RRA) was created in 1997 (DFID, 2007). The most significant issues at the time included a narrow tax base, a low level of tax compliance, a poor reputation and limited trust among citizens and limited capacity to administer taxes as well as poor competence among tax personnel. Extensive reform processes commenced in the late 1990s with an initial focus on increasing capacity on collecting tax revenue efficiently, effectively and transparently. Given that the institutional arrangement adopted strongly affects the effectiveness of the tax administration, the revenue bodies in Rwanda opted for an autonomous model, meaning they have considerable freedom to interpret tax laws, allocate resources, design internal structures and implement appropriate human resource management strategies. The RRA modernised tax and customs laws and regulations, which included enacting a law on tax procedures. At the same time, it is responsible for tax, customs and non-tax revenue operations (ITD, 2010). Rwanda introduced innovative taxation mechanisms, such as partnering with local Motor Vehicle Offices to properly collect motor vehicle registration fees and carbon levies for certain types of fuel and vehicle types. Furthermore, although the RRA was funded through the budget, it also introduced a stimulating self-funding mechanism, whereby a bonus of 5% is collected for surplus tax collection. As a result of all these reforms, tax revenue collection as a proportion of overall GDP increased from 9% in 1998 to 14.67% in 2005 (DFID, 2007). The cost of tax revenue collection has reduced as the RRA has operated as an effective business system. These reforms took place with significant donor funding, demonstrating a successful aid coordination mechanism, whereby financial resources and expertise were provided by donors coupled with national logistics and local expertise (ibid.). The RRA has also taken part in comprehensive tax reform in African countries by participating in ATAF (ITD, 2010). Increased tax revenues have provided Rwanda with additional fiscal space to determine spending priorities in line with its national objectives and socioeconomic needs.

Rwanda’s tax system accountability and social answerability
The RRA also recognised the need to provide inputs into service delivery, that is, to offer the public a quality, responsive service. It strengthened its accountability for revenue disbursement through a ‘civil contract’ and ‘social representation’ for money collected, with a focus on decreasing violence and improving living conditions (DFID, 2007). Furthermore, it integrated the tax administration with the social contributions administration, continuously comparing and scrutinising both segments (ITD, 2010). Since administrative documents are not legally binding to revenue bodies in most African countries, Rwanda has implemented a tax procedures code which also includes taxpayers’ rights and obligations—which has been noted as a good practice (DFID, 2007).

Given that strengthening transparency and accountability in tax policy and administration, and linking it more effectively to expenditure, provides an important contribution to improving political governance.
through a 'social fiscal contract’, the RAA supported numerous social policy initiatives. Rwanda’s tax authorities have ensured that tax collection and tax incentives take into consideration the multifaceted layers of child poverty and social conditions and needs within the local context. They have identified areas of improvement and used tax revenues to finance the advancement of children. One such initiative is support to mutual health schemes, usually community-based and often targeting vulnerable children’s groups. Mutual health schemes are improving access to health services for informal sector workers and those living in rural populations24 throughout the country (ITD, 2010).

Conclusion

By significantly improving the tax system through a mix of technical improvements which have led to more efficient revenue collection mechanisms, as well as through the introduction of specific taxes that can yield additional resources to finance priority sectors without causing major market distortions, the Rwandan government now has a much stronger fiscal position than other countries in Africa with a similar level of income. This has given it the possibility of financing its social policy priorities, including sectors that are crucial for the fulfilment of children’s rights, particularly education and health. As such, the RRA has been contributing towards socially just outcomes, creating a positive image for key stakeholder groups within and outside government.

5.5 Innovative tax mechanisms

Innovative tax methods to increase revenue generation and thus the budget envelope are an important part of any discussion on how to generate resources for child-sensitive expenditures. Over the past few years in particular, innovative tax mechanisms have gained more attention as resources have become scarcer as a result of the global economic slowdown, although ideas on innovative taxes to finance development have been around for a few decades.

One controversial tax innovation aimed at reducing poverty was proposed by economist James Tobin in the early 1970s: a currency/financial transaction tax (Save the Children International, 2010b). In times of economic recession, risk taking is very much present in the financial sector, contributing to volatile markets (especially since governments are traditionally unwilling to regulate the financial transaction sector). This proposed tax on financial transactions would increase revenues while discouraging volatility. It would operate by imposing a small tax (for example 0.05%) on each financial transaction which, if applied globally, could raise between £256 and £446 billion annually25 (ibid.). A financial transaction tax (FTT) could be an innovative way of raising the substantial funds needed to address development goals.

For an FTT to work, an international agreement would be useful, but commitments could be made on a regional level, for example on a Europe-wide basis. Individual countries could even act alone. For example, the UK introduced a stamp duty of 0.5% on all share transactions, and this is currently enforced (IMF, 2011).

At the G20 Summit in October 2011, Bill Gates elaborated on findings in his report (Gates, 2011) suggesting that an FTT is a ‘way of raising substantial resources’ for developing countries. He suggests that ‘even a small tax of 10 basis points on equities and 2 basis points on bonds would raise about $48 billion among G20 member states, or $9 billion if only adopted by larger European countries’ (ibid.).

The EC is currently strongly backing the implementation of an EU FTT. Although EU states have discussed this intensely over the past two years, it is partly as a result of consistent pressure from civil society (led by Voluntary Organisations in Cooperation in Emergencies (VOICE), which represents more than 80 European NGOs active in humanitarian aid worldwide) and the European Parliament that a decade-long advocacy campaign resulted in the EC proposing an EU-wide FTT, marking a dramatic change in EC taxation policies (EC, 2011). The proposal

24 Affordability of health care is still cited as the main reason for lack of health care services and enrolment in mutual schemes for the poor.
25 According to Schlumeister, assuming that transactions would decline by roughly 65% with a 0.05% tax on all financial transactions, an FTT would yield revenues equal to 1.205 % of global GDP. £446 billion is based on 2008 and 2007 global GDP (current US$) figures from the World Bank. The lower range figure of £256 billion is calculated by the members of the Robin Hood Tax campaign, based on an average rate of 0.05%, but with lower rates on currency transactions and a higher tax on sales of shares and equities.
suggests that the EU FTT be included in the EU 2014–2020 budget proposal, with the FTT to be introduced by 1 January 2018 at the latest. While the proposal acknowledges the existence of various kinds of FTTs in different Member States, it favours a centralised collection system, arguing that this is in the interests of the EU’s internal market and efficiency (ibid.). Through the FTT, EU can raise its own resources to fund the EU budget to reduce the deficit in Member States, and generate the fiscal space to finance new policies, some of which could focus on poverty reduction and the social sector. This could contribute to reducing poverty and social exclusion in EU countries, two problems that have grown as a result of the economic crisis. Final agreement on the introduction of the FTT has not yet been reached. Countries such as Australia, Canada, China, the UK and the US oppose the tax because it puts more of a burden on banks; Austria, France and Germany support it as a way of alleviating poverty. Closely linked to the FTT is a proposal for a currency tax (Save the Children International, 2010a). This suggests a currency exchange transaction to decrease market manipulation and generate income.

Another innovative tax mechanism, proposed by the IMF and World Bank at the G20 Summit in October 2011 and also supported by Bill Gates is an aviation and shipping fuels tax. This ‘green tax’ initiative could have multiple benefits, providing a clear incentive to reduce environmental damage and raising revenues at the same time (Gates, 2011). Specifically, the World Bank and the IMF are proposing global carbon taxes on aviation and shipping fuels in developed economies to help reduce carbon dioxide emissions as well as to generate income through taxes amounting to $250 billion by 2020 or close to $30 billion annually (ibid.). In some countries, such as Sweden, carbon taxes have existed for a number of years. More recently, Canada, Iceland, Ireland and Japan have decided to introduce different forms of carbon tax, often as part of their fiscal consolidation measures. Funds collected from this type of tax would be used to fight poverty domestically and internationally, as well as global threats such as climate change. Although these proposals are unlikely to be adopted immediately, they have generated debate which will certainly continue in the short and medium term.

Finally, taxes on luxury goods are also being used more widely to finance poverty-reducing interventions as poverty levels increase globally. Taxes on luxury goods appear to be a useful mechanism to ensure income redistribution—that is, the principle that interventions to reduce extreme poverty can be supported by taxes on the richer segments of the population. For example, in Ghana, a 2.5% tax on luxury goods and services was introduced to finance the National Health Insurance Scheme (Oasi-Boateng, 2011). In 2009, Gabon raised $30 million for health by imposing a 1.5% tax on companies handling remittances from abroad (WHO, 2011b). Gabon also introduced a tax on mobile phone companies: this is a very useful example given that the telecommunications sector has become one of the largest economic actors in many countries. In 2009, Gabon collected $25 million in phone company taxes, which was directly used to finance the National Health Insurance Scheme (ibid.).

This overview of innovative tax mechanisms shows that there are some alternatives—primarily for middle- and high-income countries where tax systems are more advanced—to generate additional tax revenue to foster redistribution of income to benefit those in need, including children. Decisions on whether to implement such mechanisms are highly political and need to be analysed in terms of costs and benefits, but should be considered in some contexts.

5.6 Concluding remarks

Effective taxation systems are important for several reasons. First, they are the main form of government revenue, necessary to finance government actions, including policies and programmes for the realisation of children’s rights. Second, well-designed taxation mechanisms can be redistributive, contributing to reducing income inequalities, both through tax benefits for the more disadvantaged and through taxing higher earners and allocating resources to those who are more disadvantaged.

As such, improvements to taxation systems (including strengthening taxation legislation; providing capacity building for tax authorities and bureaucrats; introducing ICT systems to
improve tax management; improving data collection and usage; and re-engineering systems to increase efficiency, effectiveness and transparency) are all critical elements to maximise revenue collection. Improving tax systems also requires reducing tax evasion and fraud, educating tax payers in filling out tax forms and generally increasing trust in tax authorities so citizens have more incentive to contribute.

Once functional and effective tax mechanisms are in place and there is adequate tax collection capacity, alternative taxation schemes can be considered, in line with specific country settings. FTTs, luxury good taxes, etc. can play a major role in increasing the resources available for development, including for investment in child-sensitive policies.

Advocates and practitioners who are working for the advancement of children’s rights, particularly those working to promote more child-sensitive expenditure, need to understand taxation as an integral part of governments’ fiscal policy, one which is linked intimately to its capacity to finance government actions. As such, the information presented in this section has provided an overview of some critical elements of taxation as a tool to support the achievement of children’s rights, when accompanied by the political will to allocate part of the budgetary resources generated to finance identified gaps.
Aid to promote investment in children

6.1 Overview of aid and child rights

To understand aid in relation to children and child rights, it is useful to consider the basics: aid, frequently referred to as official development assistance (ODA), is essentially a voluntary transfer given by relatively rich countries to relatively poor countries to assist them on their development path. This assistance is primarily financial, but may also take the form of other resource and technical inputs. Multilateral systems for development cooperation and resource allocation, such as the UN and the World Bank, play a central role alongside the donor community. Poor countries are in particular need of aid to help finance key public investments in human development, which in turn can determine the extent to which they are able to attain the MDGs. The UN Millennium Declaration of 2000 precipitated increasing aid commitments by donors, and net ODA disbursements reached their highest ever recorded level in 2008, at $119.8 billion (Plan International, 2010). Public investment in health, nutrition and education is especially important for children, and fundamental to realising child rights. International aid can support developing country governments to invest in these areas and mean, for instance, that the opportunity of an education becomes a reality for every child.

Yet the aid agenda is vast and complex—the OECD uses 26 categories to describe the areas in which aid is spent, and only a few of these relate directly to children and their rights (OECD, 2008). So, although aid can help children indirectly through a wide range of MDG investments, multiple and at times conflicting priorities mean that investment in areas directly linked to children, such as child-sensitive community development or child rights and child protection, is too frequently ignored or inadequate (Harper and Jones, 2009a). Despite this, aid has played an important role in promoting social well-being synergies. For example, donor support to the girls’ secondary school stipend programme in Bangladesh is likely to have contributed to success not only in improving girls’ educational attainment but also reducing child morbidity and mortality, although it is counted primarily as support to education. Ensuring girls can afford to go to school means they are not pulled out to work in possibly dangerous conditions. Better educated girls are less likely to marry or have children early, reducing reproductive health problems. Donors can also foster knowledge sharing and technical support that can contribute positively to programme implementation beyond financing. One such case is the dissemination to Africa and Asia of promising practices of conditional cash transfer programmes (CCTs) originating in Latin America, which have contributed significantly to improved monetary poverty reduction and child development outcomes (Ortiz et al., 2010). Donors have shared knowledge on these programmes in other developing countries and financed and provided technical support in the implementation of CCTs in other developing countries (e.g. Malawi, Morocco and Uganda).26

However, development assistance on its own is not sufficient to drive child development progress. It works in contexts where national-level commitments exist to pursue these objectives, so aid can be transformed into functional programmes and services, which can develop through aid-related financial support. But this is only one component of investment in children, and needs to work in conjunction with other dimensions, including good governance, capacity strengthening, monitoring and evaluation, as well as adequate budgeting and expenditure, transparency and accountability and effective taxation systems (the latter having been discussed in other chapters of the report).

26 See, for example, the UN Development Programme (UNDP) International Poverty Centre (IPC) online portal for South-South Learning on Social Protection, a platform for collaborative learning and policy dialogue: http://south-south.ipc-undp.org/about-us.
6.2 Types of aid

In the past, aid was largely allocated to recipient countries by donors (including the international financial institutions (IFIs)) with a heavy focus on support for individual projects as the primary aid mechanism. Throughout the late 1990s/early 2000s, however, increasing emphasis was placed on programmatic aid modalities, such as direct or general budget support (DBS/GBS) and sector-wide approaches (SWAps), in an effort to reduce duplication of efforts by multiple donors, streamline bureaucratic procedures and realign power and leadership with recipient governments. Key vehicles through which aid was disbursed included poverty reduction strategy papers (PRSPs), which have now evolved into NDPs and joint assistant strategies (JASs):

- **GBS/DBS**: Funds provided through GBS are disbursed through the recipient government’s own financial management system and are not earmarked for specific uses. However, they are accompanied by various understandings and agreements about the government’s development strategy. Instead of focusing narrowly on the use of the aid funds, government and donors together monitor implementation of the agreed strategy as a whole. The implications of this funding modality for rights issues, including children’s rights, relates to the presence of these in PRSPs, NDPs and other central government decision-making strategies. This then relates to the strength of lobbyists with key decision makers in government, in particular the finance ministry.

- **SWAps**: A SWAP is a process by which funding for a sector (such as health or education)—whether internal or from donors—supports a single policy and expenditure programme, under government leadership, adopting common approaches across the sector. It is generally accompanied by efforts to strengthen government procedures for disbursement and accountability. A SWAp should ideally involve broad stakeholder consultation in the design of a coherent sector programme at micro, meso and macro levels, and strong coordination among donors and between donors and government. The implications of this for rights-based issues, including children’s rights, relates to their cross-sectoral nature and whether, like other crosscutting issues, such as gender or the environment, they can be adequately captured within sectorally focused initiatives.

The shift towards programme aid via budget support was precipitated by the Paris Declaration in 2005, which constituted an effort to reform the aid system. This was based on widespread recognition and frustration on the part of both donors and recipient governments that aid had become too complex, and a perceived dearth and unevenness of demonstrable and sustainable results from development cooperation. Hundreds of aid organisations were translating into a similar complexity at the national level: in 2001–2005, an average 33 donors were operating per partner country (IDA, 2007), and in many highly aid-dependent countries this number would have been much higher. Donor and aid proliferation had led to the ‘overloading’ of developing countries with projects, missions, reporting and other demands by donors; a failure of governance and an overload, which would have been much higher. Donor and aid proliferation had led to the ‘overloading’ of developing countries with projects, missions, reporting and other demands by donors; a failure

---

27 GBS has been a part of the World Bank’s and the IMF’s development strategy for decades. However, the rise of current strategies can be traced to the failure of the Washington Consensus approach, which required conditionalities. After the early 2000s and the turn towards PRSPs and nationally owned development plans, GBS became more popular, as countries were seen to provide their own conditionalities and goals for development. For further reading on the rise of GBS, see Knoll (2008).

28 Following the introduction of PRSPs (as a condition to qualify for the Heavily Indebted Poor Countries (HIPC) Initiative) and the Paris commitments, NDPs have emerged as key expressions of ownership and hence important vehicles through which donors deliver aid. NDPs have generally been led by ministries of finance, with line ministries, donors and increasingly civil society playing supporting roles.

29 A study by the Norwegian Agency for Development Cooperation (Norad, 2007) found that programmatic aid constituted a key modality for donor support to all 16 African countries in its survey (except Madagascar and Kenya). Although the majority of aid was still project-focused, total programmatic aid constituted close to 30% of total ODA from the 13 OECD donors surveyed to the African countries in question. It also found that GBS was the main ‘programmatic’ instrument, with an overall average of 22%. Aid channelled through SWAps, on the other hand, had limited application (except in Benin and Zambia), with an average of 6%.
of much technical assistance to strengthen local capacity; and cases or patterns of misuse and misappropriation of resources, among other challenges. Paris sought to address these through an attempt to shift the mechanisms through which aid is channelled, on the basis that changes to the mechanics of aid delivery have a potentially significant impact on the nature of the results that will be delivered.

6.3 Investment in children

Funding

Funding is a core component of donor investment and, indeed, has been a central focus of civil society activism vis-à-vis donors’ roles and responsibilities in promoting poverty reduction in the developing world. There have been calls for 0.7% of GDP to be dedicated to ODA, but there is little clarity on the proportion of ODA targeted at the fulfilment of children’s rights (Jespersen and Benn, 2007). Part of the problem is that, conceptually, the idea of differential intra-household access to resources and power and varying experiences of poverty is still not widely accepted. There remains a widespread assumption that measures to address aggregate household poverty will automatically translate into improvements in children’s lives and those of their carers. However, a growing body of literature suggests that, while reducing household poverty is a necessary condition for tackling childhood poverty, it is far from sufficient (e.g. Harper, 2005; Jones et al., 2005). It is often challenging to isolate spending on children from national statistics office compilations, with the exception of investments in education (primary, primary and secondary) and some primary health data. Data on donor support of children’s right to protection from violence, abuse and neglect, as well as their right to participation in decisions that affect them, are much scarcer (e.g. Minujin et al., 2005).

What is lacking is a composite index of total donor investment in the four core but interlinked children’s rights (survival, development, protection and participation), and how these funds are distributed across and within different geographical regions. For example, with growing international attention to the challenge of supporting fragile states, it could be argued that it is vital to understand the extent to which donors are supporting the realisation of children’s rights in states where the capacity, resources and often will are weakest to fulfil the social, cultural, economic and political rights of marginalised social groups such as children. Better data and reporting would also help us to better explore the tensions inherent in the UNCRC around the indivisibility of rights and the principle of progressive realisation, and how donor action (or inaction) shapes the way these principles play out in practice, and to take into account issues of sequencing of policy and programme interventions.

Current trends in aid to the social sectors

Overall aid to child well-being has increased substantially in recent decades. This analysis is based on a review of the following key sectors: education, health, nutrition, water and sanitation and gender development. Bilateral aid commitments to basic social services (education, health, water and sanitation) more than doubled between 1995 and 2004 (from $3.2 billion to $7.1 billion). Spending on primary education increased from $2.3 billion in 2005 to $3 billion in 2009. And between 2006 and 2008, the world’s top 10 donors contributed $13.7 billion in assistance to the health sector ($1.8 billion of which went towards basic health care services)—an increase of $11.8 billion since 1990. In 2007–2008, total annual average bilateral and multilateral aid commitments to water and sanitation amounted to $7.2 billion. Between 2003 and 2008, both bilateral and multilateral aid to clean water increased by 15% and 4%, respectively (OECD DAC, 2010, in Marcus et al., 2011).
However, despite having access to data on volumes of aid to the social sector—including areas that contribute significantly to the realisation of children’s rights—there is very limited information on the effectiveness of this aid, that is, its real contribution to improved outcomes. Sufficient evidence linking aid to positive outcomes for children has therefore not been generated. Recent quantitative analysis on Sub-Saharan Africa (Marcus et al., 2011) indicates a positive correlation between aid and improvements in nutrition, reducing the number of children living with HIV and AIDS and infant mortality rates. These trends are not observed in the data for other regions, possibly given that aid is much more limited. In individual countries, and in particular sectors, the contribution of aid has been very significant. For example, the contribution of aid to prevention of mother-to-child transmission of HIV has been very important. Similarly, aid to basic education (primary and secondary) in Ethiopia, combined with strong policy commitment to and resource mobilisation for these sectors, has also had important impact (ibid). In some contexts, aid has expanded the overall resource envelope, allowing some governments to extend services. In other contexts, such as Bangladesh’s health sector, aid has provided additional funding that has enabled quality improvements in service delivery to contribute to better policy outcomes (see Case study 7).

Case study 7: Bangladesh—efficiency and effectiveness of aid coordination and government financing aimed at improving health care accessibility for children

Aim
This case study illustrates how achievements in health care have been underpinned by multilateral dialogue among stakeholders (including government, non-governmental and donor stakeholders) that are inter-sectoral in nature to successfully target adequate health care for children.

Case study
Bangladesh emerged from civil war 40 years ago, with a significant proportion of the population living under the poverty line, particularly in rural areas. Inadequate knowledge of basic health care, insufficient health care systems and cultural and societal barriers generated disadvantages, particularly in terms of health care access for women (BRAC, 2011).
Bangladesh has achieved some extraordinary health care improvements during 1993–2007: infant and under-five mortality rates have declined by 40% (from 87 to 52 deaths per 1,000 live births) and 51% (from 133 to 65 deaths per 1,000 live births), respectively (Marcus et al., 2011).

Bangladesh’s health care system is composed of both public and private budgets. The public sector provides the majority of physical infrastructure, whereas NGOs and the private sector provide most of the coverage, especially in rural areas. All sectors are managed by government policy guidelines, through the Ministry of Health and Family Welfare (MoHFW) (ODI, 2010). Out of total funding to the sector, public funds account for about 69%, whereas donor contributions are about 31% (ibid.). What explains the progress achieved in Bangladesh’s health sector, considering that other sectors have improved only marginally (ibid.), is a synchronisation of all stakeholders involved. In practice, this means a strong policy-oriented and committed government, alongside a well-developed, action-oriented NGO sector with close government ties and effective partnerships, and a strong presence from the donor community.

**Donor community cooperation and aid harmonisation**

The donor community in Bangladesh, apart from providing humanitarian aid and reconstruction assistance, has focused on funding technical assistance in line with national policies, supporting both government and NGO programmes. In 1998, as part of sector-wide health care reform, the donor community ‘pool’ fund was introduced, channelling all external resources to the health sector through MoHFW (ICSAC, 2011). Pooled support funds around 35% of MoHFW’s budget, through over 30 multilateral and bilateral organisations, and is led by the World Bank (ibid.). This has simplified negotiations between national government and international development partners. Furthermore, it helps to ensure funding is aligned with national planning.

Donors also coordinate aid assistance among themselves to help avoid duplication of resources and effort. Each donor has its own focus area, with UNICEF supporting child health, immunisation and nutrition, USAID and UNFPA supporting family planning services and health education, WHO providing technical assistance in the field of primary health care and maternal and health services and ADB supporting health planning capacities (ICSAC, 2011). The government consequently has a better idea of what is actually happening in the health sector, ensuring resources are invested to achieve greater impact with the most vulnerable children groups.

**Government commitment with strong NGOs partnerships and cooperation**

The government has a number of initiatives resulting in concrete policies and programmes, placing particular focus on poor women and children. The health care system headed by MoHWF has progressed from a narrow, urban-based system to a broader, rural-based system that reaches the most poverty-stricken and vulnerable population (ODI, 2010). The introduction of a SWAP in 1998 brought together government, NGOs and donors under the national strategic health plan and integrated external assistance into MoHFW policies (ICSAC, 2011). NGOs work at the community level and thus develop innovative, participatory and bottom-up programmes for health care delivery (ibid.). The government basically subcontracts NGOs to deliver health services under national policies and programmes, especially since NGOs receive a better response from local communities, which often distrust the government. An example of this initiative took place in 2000. With funding from DFID, the government of Bangladesh contracted 27 NGOs to provide the Essential Service Package (ESP) to about 330,000 married women aged 15–49 years in 27 rural areas. The NGOs received capacity building for service delivery, including education of fieldworkers and paramedics on neonatal care, as well as financial support (DFID funds this initiative through the government). The results were a reduced neonatal mortality rate in the areas where they worked, as compared with Bangladesh as a whole (ODI, 2010).

**Conclusion**

Innovative partnership approaches have resulted in significant improvements to health care service delivery for hard-to-reach groups. By developing and institutionalising coordination mechanisms with the donor community, the government of Bangladesh has mainstreamed all funds, ensuring that all stakeholders work in the most efficient and effective manner.

---

30 A donor consortium led by the World Bank provides financial and technical assistance to Bangladesh’s health sector. Members of the consortium are the Asian Development Bank (ADB), UNFPA, UNICEF and the US Agency for International Development (USAID).
6.4 Challenges with investing aid in children

Conceptualisation of child rights in donor agencies
Donor agencies often contribute to the furthering of child rights, and there is much positive work around. However, the articulation of children’s rights within donor agencies is varied. This conceptualisation within agencies, and the way it then feeds into policy and practice, is likely to be highly significant for the achievement of children’s rights. While much can be at least partially achieved independently of overall agency perspectives on rights, without a comprehensive vision the implementation of children’s rights will always be limited. Additionally, the UNCRC speaks of the progressive realisation of children’s rights. This requires a long-term vision, not only of an overarching roadmap of how children’s rights will be effectively integrated into international development policy and programming, but also of the incremental pathways to realising rights, including issues of sequencing, prioritisation and the implications of ‘progressive realisation’ in relation to the indivisibility of rights.

As is discussed below in more detail, the appearance of rights and child rights principles in key organisational documents is a core indicator of the way the issue has been ‘accepted’ into an organisation, as well as the way it has been conceptualised and, from this conceptualisation, turned into policy and practice. However, child rights strategies are still relatively rare. This may be in part because of the particular approach child rights advocates have adopted. That is, central to a child rights approach is child rights programming with an emphasis on planning, implementing and monitoring programmes to ensure children’s rights are integrated. The emphasis by campaigning groups on child rights programming has, arguably, enabled a donor approach that is focused more at the programming level than within policy. This is the case with DFID, for example, where a central and overarching policy framework for child rights is missing.

Many agencies continue to respond to children’s needs—undeniably a priority—rather than consciously considering the advantages of a rights approach and whether this can also encompass the priority needs of children. Arguably as a result, moving donor agencies from needs- to a rights-based approach has been challenging, as there has been no strong impetus to change understandings of children in relation to international development.

A needs-based analysis could more easily incorporate ideas of incremental gain, phasing in first one agenda (such as education) then another (such as enhanced health services). This is often the pragmatic reality of programming (although it is also derived from a partial assessment of needs, the pursuit of specific donor agendas and a failure to listen to children and their duty bearers). The rights approach recognises that, ultimately, attention to all entitlements leads to far better and more sustainable outcomes by incorporating indivisibility, participation and non-discrimination at the start.

Translating agency strategies and policies into programmes
The content of agency strategies and policies and their translation into programmes reveal how children are both conceptualised and integrated into aid systems, and the extent to which children either are mainstreamed into broader poverty reduction, good governance, humanitarian aid and capacity development or are the objects of specific child-focused policies and programmes. Greater visibility should be reflected in more explicit institutionalisation in core documents and procedures, including high-level government agreements and papers; sector, regional and country strategies and funding instruments; capacity strengthening; technical assistance; and multilateral and non-governmental partnership agreements. This will depend partly on the institutional and conceptual organisation of donor agency departments and strategies, the level of awareness of such policies and programmes among staff and the particular interests and capacities of the people in these agencies. Greater visibility should also be reflected in more explicit institutionalisation of responsibility for the delivery of improvements in child rights fulfilment of partner countries across not only health and education programmes but also those related to the protection and nurture of children, as well as initiatives to promote children’s participation in decisions that affect their lives. Of the four core children’s rights (survival, development, protection and participation), protection is the
most overlooked in the current focus, as child-related spending is most often channelled into health and education rather than protective and preventative social services (Harper and Jones, 2008).

Improved visibility may also be reflected in support in the form of technical assistance and capacity strengthening—either directly or through expert multilateral or non-governmental partners—and related reporting and monitoring and evaluation. In light of the often weak and under-resourced nature of most ministries of social welfare or women and children, an important aspect of visibility may also relate to support for institutional strengthening of these agencies so they can better articulate and represent demands related to children’s rights to more powerful and better resourced government ministries and IFIs.

Another important subset of this aspect of visibility is the reflection of children’s rights in annual PRSP or NDP progress reports. These are ideally meant to function as a compact of sorts between national governments, local civil society and development partners. Funding, especially increased donor funding, is often predicated on good progress vis-à-vis PRSP or NDP targets. The extent to which donors are supportive of specific indicators to measure progress on children’s rights (or accept them being subsumed under more general categories); and are supportive of efforts to collect related data and undertake relevant analysis and monitor progress against these indicators, could thus be seen as another component of donor visibility in this area (see also Jones and Sumner, 2011).

Following the Paris Declaration in 2005, the mechanisms by which donors are able to promote the visibility of particular issues have changed considerably, away from direct conditionalities towards discussion in sector working groups that drive the promotion of new ideas and debates on policy directions within the new framework of general/multi-donor budget support (MDBS). Donors’ active involvement and representation of particular issues within these joint donor–government working groups arguably now constitute an important policy space or venue in which to demonstrate visibility. For example, are children’s concerns being articulated only in education and health sector working groups, or also in other working groups such as on social protection, agriculture or employment? MDBS is still in a fledgling state in many developing countries, but an analysis of country contexts where the process is more advanced (e.g. Ghana, Uganda and Vietnam) could be an important contribution to discussions on donors and their responsibilities as UNCRC duty bearers. Here too, the extent to which child-related advances are included as triggers or targets for the tranche of supplemental funding often reserved for good performance in the MDBS framework could be assessed.

A further and at times overlooked dimension of visibility is institutional positioning. This refers to the implicit and stated position of an organisation with regard to rights and children’s rights. Some agencies place rights at the centre of their agenda, such as in the ODA of Austria and Belgium, which both make child rights a crosscutting theme; or child-focused organisations such as UNICEF or Plan International. Others are oriented towards poverty elimination or the MDGs but support rights to greater or lesser degrees. For example, Germany and the UK conceptualise child rights as a subset of human rights, and focus on poverty elimination rather than affording any particular focus to child rights as a separate theme. Institutional positioning is informed by an aid agency’s unique national and cultural approach to rights, which permeates all government institutions, in part because the individual actors involved reproduce their own national understandings. It is worth noting that, owing in some measure to institutional positioning, aid agencies tend to address child rights through programmatic measures. This means focusing on child-specific programmes rather than developing an overarching policy framework supporting child rights as differentiated from human rights.

A final measure of visibility in donor action worth noting relates to the level of human resources devoted to child and human rights. Here, we consider not only the quantity of positions and the level of seniority accorded to them, but also the level of expertise on children’s issues demanded of such posts. Few bilateral donors have child-rights focal points, indicating that there tends to be a lack of dedicated expertise, although many donors do include child rights and associated expertise within related staff positions. As gender mainstreaming evaluations have highlighted, it is also important to assess the extent to which
child rights responsibilities are integrated into job descriptions and job performance assessments (Norad, 2007). For example, the mandate of the DFID senior management team to ‘champion’ gender would reflect a high level of commitment in this area. Staff understanding of child rights can also require significant investment in training, as many staff are starting from a position of limited knowledge. For example, child participation is not always seen as a valuable input, and can require significant retraining to emphasise its conceptual importance. This reflects a need for staff capacity building to improve limited understandings of child rights before they can be put into practice. Yet capacity building is a further challenge if staff are unmotivated to undertake child rights training, or if opportunities made available are not taken up. For example, at SIDA, the dedicated child rights team have difficulty in securing political buy-in to support child rights training for other staff members. Further to this, organisational learning is important for the consistency of policy application; high staff turnover means on-going and repeated training sessions to ensure all staff are competent in child rights.

Case study 8: The EU—visibility of child rights in EU donor action

Aim

This case study provides an overview of how the EU as a donor agency promotes the visibility of children’s rights through financing, technical assistance and influence in aid-recipient countries. It draws on a more comprehensive analysis of the EU’s donor role by Harper and Jones (2009b), focusing on key aspects relevant to an understanding of how complex it is to render a fundamental issue, such as child rights, visible on the agenda of such a significant donor.

Case study

In the EU, development aid and related policy is channelled through several policy and operational arms, meaning multiple actors are responsible for child rights in different areas. Coordination is a challenge. Delegations assess country needs through the country strategy process, which should include the situation of children. This assessment is linked to NDPs and the actions of other donors as part of the EU commitment to aid effectiveness. The funding trend for human and social development, including children and young people, is on the increase. However, given the sums available, the money in this thematic instrument is relatively (very) small and, being spread across many issues globally, has minimal impact.

Delegations and programming for children

EU country delegations may not explicitly programme for children and may not even implicitly recognise the child-focused work they are undertaking. While explicit child rights work is not always considered, there are multiple sector programmes, in education, maternal, sexual and reproductive health, female genital mutilation, food security and safety nets, that are important for children.

Much programming is through budget support and sector approaches, with a focus on NDPs and donor cooperation. In some regions, there is a concern that budget support weakens development in critical areas, in particular girls’ and women’s rights. As a result of this tendency, there is some fear about budget support and a move to return to financing for specific projects. Current discussions address instruments which can be used for this purpose, in particular human rights instruments. Many country delegations find children’s rights a useful entry point for discussions about human rights in general, on the basis (correct or otherwise) that children’s rights are apolitical.

There is one specific programming guidance fiche on children (EC, 2008). This provides guidance to staff designing development programmes and explicitly states that children are a crosscutting issue and their concerns must be mainstreamed. It lays out the multiplier effect of ‘investing’ in children, obligations under the UNCRC and priority areas. While such guidance is clearly valuable, observers claim this is just one of a multitude of programming fiches, with no particular priority attached to it. Furthermore, the tone of the fiche implies optional rather than necessary choices with regard to consideration of children.

Children in humanitarian crises

At the heart of this debate is a concern that rights are not a useful framework for humanitarian action. Humanitarian actors raise important issues related to the short-term nature of their intervention, not least the danger of initiating processes to do with claiming rights (and participation) but not being present in the long term to support those claims and thus exposing already vulnerable people to further danger and risk. Additionally, there is recognition that much work on rights requires institutional linkages and concurrent institution building, which in many humanitarian interventions is not possible.
However, in situations of long-term crisis, protection of rights is clearly high on the Directorate-General for Humanitarian Aid (ECHO) agenda and integrated into much programming. ECHO’s 2008 Staff Working Document on Children in Emergency and Crisis Situations focused on the following three areas for children: education in emergency situations, separated children and children in conflict. The document insists on the importance of child protection even in natural disasters, whereas most work relating to child protection in emergencies focuses on children affected by armed conflict. Indeed, much of the impetus for raising children’s rights within the EC came from concerns about children in conflict and the subsequent introduction of guidelines in 2003 on children in armed conflict.

**Child rights and aid effectiveness in the EU**

While the move towards aid effectiveness is rightly intended to solve the problem of multiple costly interactions (the EC cites the example that, in Kenya, medicines are purchased simultaneously by 20 donors through 13 different procurement bodies), there are additional effects, in particular the neglect of some issues. Where the aid effectiveness agenda concentrates resources into both sectoral and budget support, crosscutting issues such as child rights can easily fall through the aid net.

In these cases, some delegations have sought funding from more flexible instruments, in particular human rights instruments. This has meant a parallel development: moving towards budget support and sector-specific funding, and at the same time pushing to re-establish projects to tackle important problems left uncovered, for example girls’ rights in North Africa. Currently, EC country strategy papers must always include sections on gender and the environment, but other crosscutting issues are optional.

Pursuing the transparency and accountability part of the Paris agenda, EU-focused NGOs suggest that the key is the disaggregation of data around childhood: ‘How do you know if you are being effective if you cannot monitor what happens to children?’ At present, there are no comprehensive estimates of what the EU spends on children. Beyond this, NGOs are pushing for the EU to implement existing policies, thus using the guidelines to enact change for children in conflict and taking on board EU policy in the development of country strategies.

Although the EU can field internal staff working on child rights and incorporate child rights into multiple documents, the view of the NGO lobby and other critical observers is that it could do much more, is not committing significant funding given its overall size, displays a lack of political emphasis on children and has a lack of real tools to identify children’s issues and enhance inclusion in programming.

**Conclusions**

The EU has programming guidance on child rights and, importantly, a strategy intended to cover child rights in both internal and external actions through the different policy frameworks and instruments. However, complex operational and policy structures make it difficult to fully grasp the sum of the parts, particularly in relation to the overall size of EU operations. Coherency is a significant challenge, and the potential in some areas, such as human rights instruments, is limited by inherent tensions.

The EU agenda has many competing objectives that squeeze out child rights, and it is increasingly constrained by the Paris agenda in terms of realising child rights. Responding to the aid effectiveness agenda, the EU has limited its programming to two focal sectors in each country—a move some perceive as limiting attention to child rights. The progress towards country ownership has in some cases already resulted in a move away from a specific focus on children previously achieved through projects (such as girls’ education falling down the list of priorities in North Africa).

Because of its vast size and potential influence, there is a case to be made for the EU to be held to a correspondingly high standard of accountability. As such, activities in relation to child rights must be viewed in the perspective of the overall capacity of the EU to deploy staff, funds and actions. NGO activity enables the issue to be kept on the policy agenda. The forthcoming EU toolkit on child rights, produced by UNICEF, is one tool which may help to further embed the issue within the EU and the EC.

Source: Marcus et al. (2011).

**6.5 Concluding remarks**

This chapter has addressed the role of aid in child rights, including the resourcing and institutional factors that shape this role as aid is channelled via donor agencies and financing systems. It establishes that, although aid and public investments are critical to supporting the realisation of child rights, development assistance on its own is not sufficient to drive this agenda, which is equally reliant on national-level commitments and aid effectiveness. This is increasingly the case given that the ‘modalities’ through which aid is delivered have shifted.
from a project-focused approach towards more nationally linked programmatic modalities in an effort to streamline development assistance and better align it with national priorities.

An examination of investment in children highlights the importance of aid allocations: although ODA targets remain ambitious, there is little clarity on the proportion targeted towards the fulfilment of children’s rights. This owes in part to a lack of widespread understanding or acceptance that access to resources and power, and experiences of poverty, can differ within households. Instead, an assumption persists that measures to address aggregate household poverty inevitably translate into improvements in children’s lives, even though evidence increasingly indicates that reducing household poverty alone is insufficient to tackle childhood poverty. This said, aggregate household poverty reduction does continue to be an important prerequisite for realising child rights and protection. It is therefore reassuring that trends in the social sectors (education, health, nutrition, WASH and gender development) indicate that overall aid to sectors underlying child well-being has increased substantially in recent decades. There is, however, very limited information on the effectiveness of this aid and its real contribution to improved outcomes, and insufficient evidence linking aid to positive outcomes for children. Children’s rights have become more visible over time within individual donor agencies, but the conceptualisation and articulation of this agenda vary considerably within and across agencies, with significant implications for the achievement of children’s rights. In addition, in terms of the profile of children’s rights in development assistance dialogues with partner countries, the shifting aid environment has introduced further challenges. These will need to be managed strategically if children’s rights are to avoid suffering from the problem of ‘policy evaporation’, which has often plagued mainstreaming attempts in relation to human rights issues such as gender equality.
7 Conclusions and ways forward

There has been significant improvement in terms of the visibility of children’s rights in government financing over the past two decades, moving from inadequate and disparate expenditure on children’s basic needs to a more explicit effort to promote the integration of children’s rights concerns across the continuum of financing. This includes their visibility in budgeting and expenditure processes; greater transparency and accountability in social sector spending; the generation of fiscal space, including through greater tax revenues, to finance key child-focused social sectors; and mechanisms to strengthen the integration of children in international development assistance measures. However, this progress has not been characterised by a clear recognition of the legally binding commitment by countries which are signatory to the UNCRC to allocate all possible resources to the fulfilment of children’s rights. Rather, much of the progress in child rights-related financing is driven by a desire to improve human development outcomes and child development needs—mainly linked to basic social sectors as underpinned by international agreements such as the MDGs. Areas relating to child protection and child participation in particular have remained woefully under-resourced.

Such progress as we have seen, however, should not be dismissed, as it has been achieved through the coordinated political will of national and international actors. While progress has been uneven and there are still enormous inequalities in the achievement of rights—social, economic, cultural and political—across and within countries, there are positive stories of change throughout the developed and developing worlds that provide direction to national and international efforts. Nevertheless, there is still a great deal of work to be done, particularly in the context of the current adverse economic climate, which is threatening to result in a retrenchment in public expenditure, including in areas and sectors that are crucial for the achievement of rights—such as social sector and poverty reduction spending. In this context, raising the visibility of child rights in budget (revenue and expenditure) and aid discussions is a priority. Additionally, actively promoting transparency and accountability to ensure better use of resources by minimising corruption and enabling the generation of more fiscal space through greater efficiencies in spending are key to foster continued financing in these critical areas.

This report consolidates some of the most recent evidence in four important areas related to the continuum of financing of children’s rights, including budgeting, transparency and accountability initiatives; taxation; and international aid. It synthesises research and documented practice pertaining to a range of local, national and international initiatives and approaches which have been undertaken with varied levels of success to contribute to progressing the rights of children through better implementation and resourcing of policies and programmes. The hope is that the report will provide a robust knowledge base for Save the Children International (and others) to better identify potential entry points and research gaps, with which it can enhance its global policy and programming engagement in this area.31

In terms of future directions, overall, there is a significant body of research and documented practice with respect to child-sensitive budgeting and expenditure and transparency and accountability in the use of public funds for children. There is also some useful research that brings together global and regional trends, such as recent work on the impact of the crisis on child-sensitive spending and aid—although this is seldom disaggregated in relation to child-focused spending. There is less research, analysis and advocacy work, however, on areas of taxation to generate resources to invest in children and on how to make children’s rights more visible in donor action.

Our analysis suggests that further research will be needed on effective taxation policies that have led or can lead to more resources to support child-sensitive policies, on how corruption is impacting child well-being outcomes and on how the changing donor agenda in the context of

31 A second component of this project is a brief note for Save the Children International with programmatic recommendations on investment on children that stem from the evidence in this report.
aid effectiveness is affecting (for good or for bad) the financing of child rights-related priorities. This would contribute to a greater evidence base for child rights advocates and practitioners to be able to better engage with this challenging agenda.

The report has also sought to discuss the current situation with respect to investment in children, particularly in relation to expenditure trends in the context of the economic and post-crisis environment, which is proving to have an important impact on governments’ commitments to investment in children. While many countries reacted positively to the initial wave of economic crisis though expansionary and counter-cyclical policies to minimise poverty impacts, including on children, its continued pressure on economic growth and debt has subsequently led many governments to retrench fiscal spending, with implications for social spending on children. Similar trends are emerging with respect to international aid, with donors not honouring aid commitments in light of reduced resources. It is critical to monitor these trends to understand the possible impacts on child-sensitive policies and thus potentially on their well-being, and to identify potential entry points to help to reduce the adverse impact of these negative economic trends.

Of particular importance in the analysis presented above is the inclusion of both developing and developed country contexts. While it is generally the case that progress in the implementation of child-related policies and programmes in developing countries is lagging behind, there are some interesting lessons to draw on that can inform the work NGOs and other civil society actors can undertake in developed countries, such as in the EU. Such is the case of PB and budget monitoring initiatives where children have been involved in holding service providers accountable (such as in Brazil and Uganda) and the introduction of innovative taxation mechanisms to finance programmes that are being underfunded while being essential to the fulfilment of rights. For example, in several EU countries, growing income disparities resulting from the economic crisis are leading to the social exclusion and marginalisation of certain children. Given budget deficits and multiple competing demands for resources, earmarked taxation, such as taxes on mobile phones (as in Gabon) or on other luxury goods and services (as in Ghana), could help to generate fiscal space to protect investments in children which are necessary to guarantee the fulfilment of their rights.

A range of organisations—from international NGOs such as Save the Children to local research institutions such as HAQ Centre for Child Rights in India—are engaging in different types of work that are directly or indirectly related to investments in children. It is important to continue documenting such work, from advocacy initiatives to empirical research, to ensure new initiatives build on sound methodologies and useful practices to generate even richer knowledge. Similarly, sharing information can contribute to generating regional and global alliances that can use evidence for advocacy around investment in children.
References


International Monetary Fund (2010c) ‘Regional Economic Outlook on Sub-Saharan Africa’. October. Washington, DC: IMF.


Jones et al. (2010) Stemming Girls Chronic Poverty: Catalysing development change by building just social institutions, Chronic Poverty Research Centre, 2010


Oversees Development Institute (2010) 'Bangladesh’s Progress in Health: Healthy Partnerships and Effective Pro-poor Targeting'. Development Progress Story. London: ODI.


Save the Children Sweden (2011b) 'Governance Fit for Children’. Stockholm: Save the Children Sweden.

Save the Children UK (2005) 'Beyond the Rhetoric—Measuring Revenue Transparency in the Oil and Gas Industries'. London: Save the Children UK.

Save the Children UK (2010) 'Children’s Budgeting at the Local Level’. Cardiff: Save the Children UK.


UN Department of Economic and Social Affairs (2005) Participatory planning and budgeting at the sub-national level, UN DESA, New York: 2005


