unicef

FINANCING SOLUTIONS TO PROTECT AND EXPAND SOCIAL SECTOR INVESTMENTS TO DELIVER CHILDREN'S RIGHTS

Key messages

Underinvestment in critical social sectors threatens progress towards meeting the SDGs and exacerbates inequalities. Low—and middle-income countries significantly underfund essential education, health, and social protection services. UNICEF emphasizes the need for increased social spending to ensure vulnerable populations, including children and their families, receive adequate support.

Fiscal constraints impacting social service delivery: Many developing countries face limited fiscal space and increasing debt burdens, hindering their ability to invest in social services. UNICEF advocates for protecting social spending during a crisis, including debt restructuring processes, ensuring that essential services for vulnerable populations, particularly children, are prioritized even in challenging economic circumstances.

Aligning fiscal policies with social sector outcomes: UNICEF emphasizes connecting fiscal policies and public financial management reforms with social development outcomes. This includes improving budget tracking to ensure the efficiency and adequacy of social sector spending, integrating risk planning for essential services, and promoting accountability and transparency in resource allocation decisions affecting vulnerable groups, including children.

Untapping Climate finance to protect social sector investments: UNICEF stresses the importance of incorporating social sector investments into climate finance plans. Recognizing that investing in universal healthcare, education, and social protection is vital for both reducing carbon emissions and protecting vulnerable populations from the adverse effects of climate change is crucial for sustainable development.

Problem statement

Inadequate global investment in social sectors. Low- and middle-income countries invest only one-third of their total government expenditure in social spending. To meet minimum spending targets, these countries must allocate

RELEVANT ACTION AREAS

Domestic Public Resources

Addressing Systemic Issues

Cross-cutting Issues

ABOUT THIS SERIES

The Financing Policy Brief Series has been prepared by the Inter-agency Task Force on Financing for Development to inform the substantive preparations for the Fourth International Conference on Financing for Development (FfD4), to be held in Sevilla, Spain, from 30 June to 3 July 2025.

The Inter-agency Task Force on Financing for Development is comprised of more than 60 United Nations Agencies and international organizations. The policy briefs in this series were not subject to review by Task Force Members, and represent the views of the authoring organizations.

The full series is available at: https://financing.desa.un.org/iatf/report/financing-policy-brief-series

MORE ABOUT THIS TOPIC

The brief was developed by UNICEF. For further information on the topic of this brief, please see:

Social spending monitor briefs
https://www.unicef.org/innocenti/reports/social-spending-monitor-briefs

an additional 0.9% of their GDP to education, 4.7% to healthcare, and 0.6% to social protection.[1] One in three children worldwide lacks access to essential healthcare, nutrition, social protection, and education services.

The increasing budget pressure can lead countries to redirect resources away from essential services. Advanced and emerging economies are expected to increase defense spending by approximately 0.9% of GDP annually.[2] This change in resource allocation may impede progress and exacerbate economic inequalities, potentially leading to social unrest and fuelling conflict. Meanwhile, to meet the SDGs, low-income countries must boost their investment in human capital (education and health) and physical capital (water and sanitation, roads, and electricity) by 12.1% of GDP by 2030.

In many countries, fiscal space to enhance social spending remains constrained. Public investment in the world's least developed countries is expected to decline due to decreasing government budgets, reduced development aid and decreasing FDI. Developing countries face a significant challenge with their increasing debt burden, which impacts their economic stability and ability to invest in social services. In 2022, 61% of the total external public debt is owed to private creditors.[3] This presents various challenges, such as complexities in restructuring debt, outflow of capital, and high borrowing costs. Around one in eight countries globally spends more on debt than social services.[4]

Insufficient focus on outcome-based spending diminishes the potential impact of leveraging all financial resources. Inadequate institutional frameworks and poor interagency coordination result in misalignments between policy objectives and financial strategies across sectors, hindering governments from effectively improving social sector outcomes. The lack of comprehensive data on disaggregated expenditures significantly hampers the ability to oversee and evaluate the equity impact of budget decisions. Additionally, limited financial management expertise within these social ministries impedes their ability to efficiently advocate for, secure, and manage funds, including blended finance instruments.

Ineffective procurement and payment systems lead to low efficiency and corruption. Challenges with procurement and payment systems impact many sectors and can be effectively tackled through wide-ranging reforms spearheaded by finance ministries. Enhancing these systems needs to be prioritized to boost efficiency, minimize corruption, and guarantee the effective allocation of resources across different sectors.

The needs of the social sector are often overlooked in discussions about climate change. Globally, estimating the costs of adapting social sectors is still in its early stages despite increasing evidence of the impact of adverse climate events across social sectors - health, education, social protection, nutrition and WASH. Improving transparency, accountability, and effectiveness in climate finance allocation is crucial due to the increasing impact of climate change on vulnerable populations, including children.

Policy solutions

Linking fiscal policies and PFM reforms with social sector development outcomes is essential to deliver social sector services. It can tackle specific financial challenges within critical sectors such as education, health, nutrition, social protection, and WASH, boosting the efficiency and impact of allocated funds. Evidence generation on the effects of social spending on various population groups helps governments identify resource allocation inequities and make better policy decisions to align budgets with development outcomes. Effective dialogues between finance ministries responsible for budgetary allocations and social ministries overseeing service delivery promote integrated planning and decision-making processes that prioritize social investments (for

1 UNICEF. "Progress on Children's Well-being: Centring Child rights in the 2030 Agenda for every Child, a Sustainable Future", September 2023.

2 IMF. Fiscal Monitor: Fiscal Policy in the Great Election Year, April 2024.

3 UNCTAD. A World of Debt: A Growing Burden to Global Prosperity, 2024.

4 UNICEF. COVID-19 and the Looming Debt Crisis, April 2021.

example, effective policy dialogues in Cambodia, Burundi, and Tajikistan). *UNICEF advocates for effective cross-sectoral coordination through multisectoral platforms.*

It is crucial to prioritize and protect social spending during debt restructuring processes. Transforming debt-related liabilities into impactful social investments is entirely feasible. Debt instruments such as green bonds or debt swap mechanisms can be structured to benefit vulnerable populations, including children (as we see in a few countries such as Djibouti, Cape Verde, and Indonesia). This guarantees that the terms and conditions will not contribute to increased debt stock, thereby avoiding exacerbating debt sustainability issues in many countries. Aligned with the Secretary General's SDG Stimulus initiative, restructuring advocacy should include greater concessional support for heavily indebted LMICs, greater debt transparency in national budget processes, and coordinated action by creditors. *UNICEF urges creditors to expand their social responsibilities beyond narrow debt indicators.*

Improved budget tracking and integration of risk in planning and financing can help alleviate increased spending pressures. Setting up systems to track the expenditure of social sector allocations is critical for ensuring efficient and effective service delivery. Additionally, integrating risk planning into PFM systems creates a resilient framework capable of withstanding economic and social shocks, ensuring continuous support for social services before, during, and after a crisis. Specifically, incorporating spending estimates into medium-term fiscal frameworks (e.g., MTEFs) ensures realistic financial planning for delivering essential services to vulnerable populations (for example, advocacy efforts in Armenia and Benin). *UNICEF supports governments in identifying where resources are most needed to promote equitable spending practices and deliver maximum impact.*

Accountability, transparency, and participatory budgeting promote a bottom-up approach and inclusivity of resource allocation decisions. Robust systems are needed to monitor budgets for SDG targets to ensure credibility and accountability (for example, establishing real-time monitoring in Brazil). While involving citizens, including children and youth, in budgeting processes can be beneficial to ensure their needs and priorities are accurately reflected in public spending, this must be done with care and intention (the International Budget Partnership and UNICEF work on creating citizen budgets in Eastern and Southern Africa). UNICEF leverages media platforms and oversight bodies to hold governments accountable for their commitments to social investments.

Climate Finance Plans and their gap calculations need to consider social investments. There is growing evidence that investing in universal healthcare, education, and social protection is vital for reducing carbon emissions and mitigating the adverse effects of climate change on society. Therefore, investment in social spending needs to be part of the broader climate finance gap calculations through the respective NDCs and NAP processes. UNICEF advocates for a common framework to monitor and evaluate climate finance investments, encouraging the adoption of standardized indicators to assess their impact on vulnerable populations, including children.

Specific recommendations for FFD4

UNICEF's vision for financing is to bring together all finance stakeholders to make essential investments in children. It seeks to tap into all development, climate, and humanitarian financing flows – public, private, domestic, and international – by setting up alternative and innovative finance mechanisms to help governments leverage all funding sources, including non-traditional financial sources from the public and private sectors. The countries' commitments to the CRC and the 2030 Agenda guide UNICEF's approach to financing for children. Domestic resource mobilisation, public expenditure tracking, and reporting are central to the AAA Agenda on Financing for Development.

UNICEF approach defines several recommendations in social sector financing, which include:

a) Evidence generation:

- Supporting studies to analyse the costs and financing options at the sector level to incorporate social sector priorities into MTEFs and annual budgets.
- Supporting the operationalization of sector-specific reporting and budget-tracking systems.

- Identifying PFM bottlenecks and challenges that hinder effective spending in the social sector.
- Conducting benefit incidence analyses to evaluate how social expenditures impact different population groups, including children, and assessing their distributional effects.
- Conducting studies to assess the impact of climate change on social sectors and estimate the costs of climate adaptation for these sectors.

b) Capacity development:

- Enhancing social sector ministries' and subnational agencies' capacity and credibility to effectively plan, cost, and justify their budget proposals, including integrating climate change impacts into planning and budgeting processes.
- Mapping, tagging, and tracking child-related budgeting with established measurement methodologies and equity child rights guidelines.
- Building capacity in procurement planning, contract management, and quality assurance to optimize resource utilization and improve service delivery.
- Enhancing debt management and negotiation skills to protect social spending during debt restructuring.

c) Policy dialogue:

- Advocating for integrating social sector outcomes into broader fiscal and economic policy discussions, ensuring that social investments are seen as crucial for sustainable development.
- Facilitating collaboration between the ministries of finance and social sector ministries to refine fiscal policies and budgetary practices, thus expanding the focus on expenditure, revenue and debt while ensuring they are aligned with social sector priorities and the delivery of child rights.
- Facilitating dialogue between environmental and social sector ministries to ensure social needs are adequately represented in climate finance discussions.
- Promoting budget transparency and participation by implementing reporting and visualization dashboards for the finance and social sector ministries.
- Exploring the catalytic impact of ODA funding to strengthen domestic fiscal space and promote greater private sector capital flows, which are necessary to expedite sustainable development outcomes.