T20 POLICY BRIEF

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Task Force 01

FIGHTING INEQUALITIES, POVERTY, AND HUNGER

Fighting Inequalities from Day 1: What Role for Nutrition and Early Child Development Policies in the G20 and Beyond?

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Abstract

This brief looks at the implications of the cost of inaction incurred for early childhood development. Evidence suggests underinvestment worsens child and family outcomes and burdens society with costly inefficiencies. It concludes with recommendations for countries to re-balance their public expenditures by focusing new spending on the youngest children. **Key findings include:**

- Spending by age – particularly on early childhood development – varies widely among countries, and the youngest children receive the least support.
- Lack of investment in young children has a high cost for children and society.
- G20 countries should move in line with the 2018 ECD initiative and focus new spending on the youngest children to rectify imbalances in public expenditures.
- Investments in policies such as universal child benefits, nutrition, and early years support, as well as data to monitor these effects, can produce high rates of return.

Diagnosis of Issue

In 2018, the Argentinian G20 Presidency agreed on the G20 initiative for Early Child Development (ECD) (ECDAN 2023), **stating G20 countries were ready to "demonstrate our leadership towards strengthening comprehensive and coordinated inter-sectoral strategies delivered through effective, equitable and sustainably financed ECD interventions" and called on financial institutions worldwide to "mobilize resources to scale up quality ECD programs in low-income and developing countries". The Bhopal Declaration in 2023 (G20 India 2023a) underlined how public investment in ECD was key to human capital investment and inclusive growth and that Universal Social Protection – starting with the youngest – was a simple, scalable, and sustainable policy option. Yet public investment in ECD policies remains significantly lower than spending in later stages of childhood in most countries, and significantly lower in low- and middle-income countries than high-income ones.**

Child development starts from day one, yet despite the wealth of evidence supporting the promotion of children's development and well-being from the earliest days of life (OECD 2009), many countries still lack coherent, holistic approaches to child policy and/or fail to invest enough to maximise development opportunities (UNICEF Innocenti 2023). In the absence of sufficient public investment in children's basic needs, malnutrition continues to blight millions of children worldwide and is linked to the cause of death for half of all children who die before reaching age 5. Since children start developing their innate human skills from utero onwards (Richardson et al 2022), and well-being outcomes in younger children generally influence educational returns more than in older children; it makes no sense for public entities to wait to invest until children are primary school age.

The 2022 Tashkent Declaration sets the importance of directing broader education investment to preschool. Underinvestment in preschool policies particularly in low- and middle-income countries (UNICEF Innocenti 2023) – costs children, parents, communities, and societies, seriously undermining human and social development efforts (Richardson et al 2020). It places an unmanageable burden on education systems to deliver on child and human development, exacerbates costly inequalities both within and between countries, and threatens to worsen social conditions for millions, if not billions, of children (ILO and UNICEF 2023).

Increased spending needs to be smart spending

Calls to increase early years expenditure must also address the 'how' of spending – not all policy designs produce the same results, and not always at the same speed.

Table 1 illustrates differences in spending effects in G20 countries on childcare and maternity benefits when policy design is more targeted or more universal (see **online Appendix** for details). Results show significant and progressive effects of spending in the early years on child poverty reduction.

One unexpected result is an association between childcare spending in universal systems and increased child poverty one year later, although under the same systems longer-term effects show significant poverty reduction effects. Other associations report long term effects of universal maternity payments on child poverty, and short-term and medium-term effects of universal childcare on female labour market participation. Notably, when childcare spending is targeted, this is associated with increased relative child poverty in the short term.

TABLE 1. Associations between increased spending when cash benefits and services are targeted or universal

		Relative child income poverty	Female Labour market participation (15-64)
Maternity for the insured only	Spending in the year before	++	-
	Spending 2 years before	+	-
	Spending 3 years before	++	-
Maternity available to unemployed and uninsured	Spending in the year before	-	+
	Spending 2 years before	-	+
	Spending 3 years before	-*	+
Childcare is not universally available	Spending in the year before	++ *	+
	Spending 2 years before	---	+
	Spending 3 years before		
Childcare is universally available	Spending in the year before	++***	+++*
	Spending 2 years before	--	+++*
	Spending 3 years before	--**	

Note: number of '+' and '-' signs show strength and direction of associations. *** sig, at the p>0.001, ** p<0.01, * p<0.05. Grey shade denotes no data. Metadata for Table 1 is presented in the online Appendix. **Source: Author's calculations.**

Differences in age-related public spending G20 countries and partners

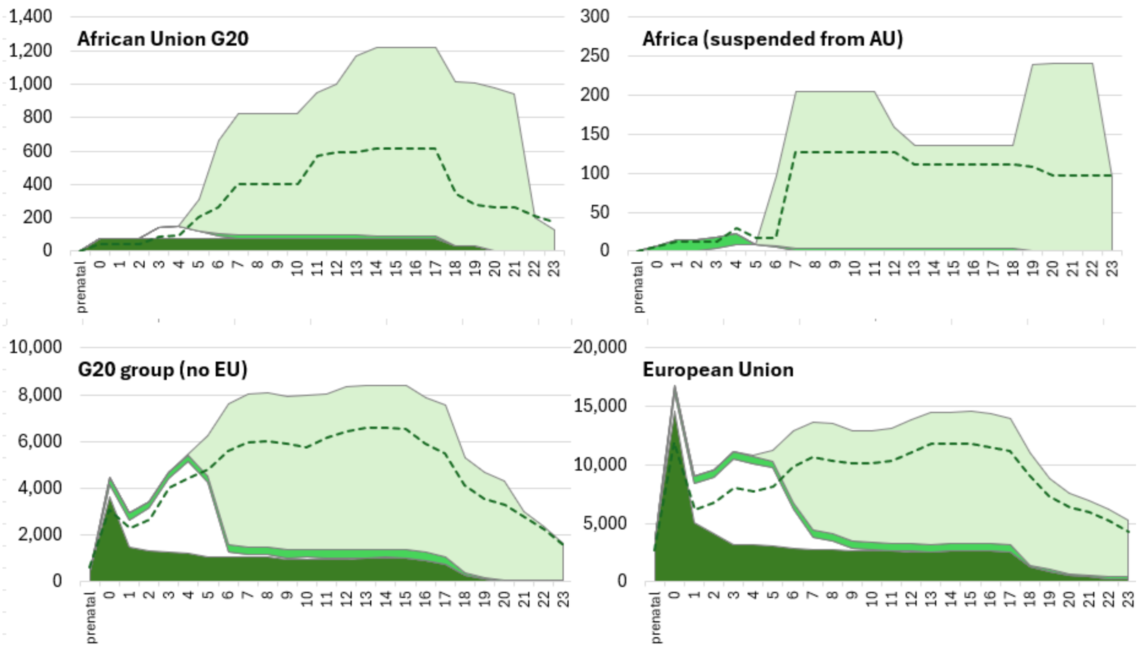
Spending by age, particularly on ECD, varies widely between countries, suggesting the benefits of ECD spending are not available to all – a condition the G20 ECD initiative seeks to address.

Figure 1 compares the average profile for observations available for G20 countries, the European Union, the African Union, and three African countries that have been suspended from the African Union due to military coups. The profiles capture identifiable child-specific spending for all countries with data, reporting USD PPP per capita spending on the average child; health spending is excluded because it is not possible to fully allocate by age (UNICEF Innocenti 2023). The profiles reveal very different conditions across country groups:

- On average, countries in the **African Union** spend just 835 USD PPP per child under age six and 12,770 USD PPP per child per capita overall. **Just 6.5% of public spending on children is reserved for those under six.**
- For the **three African countries with data outside of the Union**, total spending per child under six is less than 84 USD PPP, **just 4%** of the 2,049 USD PPP overall.
- In contrast, countries in the **European Union** spend 72,000 USD PPP per child under age six, **30%** of the 237,000 USD PPP per child per capita overall.
- **Other G20 countries** spend just USD 29,8000 PPP per child under age six, **23%** of the 132,000 USD PPP per child per capita overall.

For the other G20 countries, the difference compared to the European Union is relative investment in social protection around the time of birth and overall lower spending levels. For African countries, spending on other benefits in-kind is barely registered, cash and childcare spending in the early years is very low in comparison to the G20 and Europe, and peak spending per capita is one-sixth of the highest spenders in Europe. Countries recently experiencing conflict and presently suspended from the African Union spend the least on child development by far. These findings are contrary to theories on optimal spending outlined by Heckman (2008) and UNICEF Innocenti (2023).

FIGURE 1. The youngest children receive the least public support due to a lack of spending on early years family policies



Note: Figure 1 metadata in the [online Appendix](). Source: OECD Family Database (2024), with remaining countries' Authors' calculations using ILO, World Bank ASPIRE, and UIS datasets. X-axis refers to age, Y-axis is USD PPP per child.

Figure 2 compares expenditure data on children's first 6 years from Figure 1, highlighting large differences in ECD expenditures and policy approaches between key blocs of the G20 membership. With recognition of the evidence of personal and social costs of underinvestment in ECD policies, Figure 2 presents conditions which will result in growing inequality between countries worldwide.

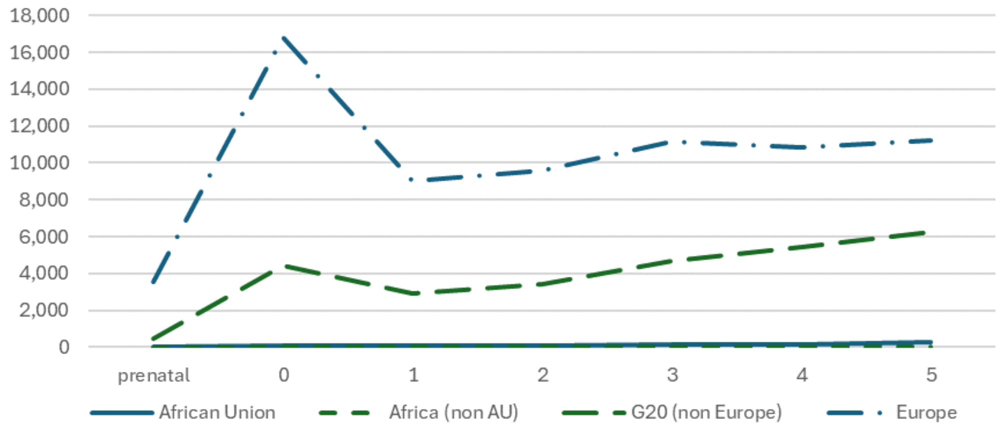


FIGURE 1. Differences in spending (per child USD PPP) by age will increase between country inequalities

Notes and source: See Figure 1. X-axis refers to age, Y-axis is USD PPP per child.

Recommendations

Given the chronic underinvestment in the youngest children – in contrast to the best available evidence on public policies for child development and the beneficial impacts of ECD policies for both the economy and society – G20 countries should move in line with the 2018 initiative and focus new resources on the youngest children to rectify the imbalance in spending portfolios.

To rectify the age-spending imbalance without weakening the effects of existing expenditures and policies, countries should consider spending one-half of all new spending on children's preschool years. Particular attention should also be paid to ensure such spending is balanced within the early years to maintain the importance of investments in infancy and beyond (maternity payments, birth grants, home visiting, etc.). A comprehensive spending portfolio that includes investments before preschool maximizes opportunities for children's well-being and development.

- **All countries should begin with a Universal Child Benefit (UCB).**
  - UCBs are the foundational child policy – they provide a **scalable and simple solution**. They reduce child poverty in both absolute and relative terms while laying the foundation for a broader set of policies for children (ILO et al 2024). A UCB **can eradicate poverty** among children when properly sized. While all children should be eligible for UCBs, fiscally-constrained countries can consider beginning with the youngest children and expand as those children age. All countries have the option of

creating a UCB and can immediately begin to eradicate poverty for their youngest children.

- **In addition to UCBs, countries should add pregnancy grants, birth grants, paid parental leave policies, and early childhood education within an inclusive and gender-responsive framework** (G20 India 2023b). This will build out a complete set of early childhood policies to achieve the rights of young children while helping them arrive at school ready to learn. Policies should include all children and should be designed to not exacerbate the care responsibilities of women. See the online Appendix for a comprehensive set of child and family policies by age, including:
  - **Leave-related cash benefits** should be made available to the unemployed and uninsured at rates adequate to meet the costs of raising children and maintaining living standards and equitable to both parents to encourage shared caring responsibility and avoid potential gender discrimination in the labour market driven by the perceived 'employer costs' of additional leave being available to mothers (by extending paternity leave rights, not reducing maternity leave rights).
  - **Childcare services** – indeed all family social services – should be accessible to all parents and delivered to the highest attainable standards. Costs should be affordable and free for families who are unemployed or in education or training. Implementing an affordable fee structure helps with public costs of delivery and can take the form of a progressive marginal effective tax on higher earners to simultaneously address income inequality.

- **Countries should create an enabling environment in public finance for comprehensive child and family policy portfolios and shock-responsive social protection.**

  - Creating fiscal space to increase investments in effective public finance for children can be achieved through cost-savings (system optimization), cost-effectiveness (returns on investment), and debt relief or debt swaps for the poorest countries – for example, targeting countries whose debt- servicing costs are higher than their total investment in education, health, and social protection combined (UNICEF Innocenti 2021).

  - Children living at higher-risk to climate shocks are also those who live in areas with lower coverage of social protection (Global Coalition to End Child Poverty 2023). Poor children, particularly the youngest, are most vulnerable, and adaptive social protection (ASP) is key to mitigating food insecurity through smoothing consumption during climate shocks, helping families with asset management, and reskilling in green economy transitions (Bagalore 2014).

- **Countries, international organizations, and donors need to improve data collection and analysis on child investments**. Effective monitoring of ECD initiatives, including the G20 commitment, is hampered by limitations in key datasets.

  - **More recent or real-time child expenditure data** are needed for all countries. Local government expenditures and profiles should be disaggregated by income level, gender, migration status, and disability.

- International organizations need to **improve coverage, quality, and timeliness** of mapping public expenditures and child policies, including through greater financial support and cooperation in collaboration with governments.
- **Donors can propose funding solutions** to map more family and child-relevant policies in international collections – such as birth grants and parental leave policies, childcare systems, and child protection systems. Building on existing mechanisms and support efforts of international partners, they can set up real-time, standardized data collection of expenditures country by country, in partnership with governments. They can regularize and standardize these collections for use in international agreements and the domestic policy arena.

Scenario of Outcomes: High Levels of Return on Investment

Exact estimated values on returns on investment in ECD policies, in line with the G20 initiative, are not calculable country by country. But evidence shows that:

- Policies to improve general living standards of families with young children (e.g. UCBs), as well as at key points in the life course (e.g. maternity), generate significant returns through lower poverty risks (Genesis Analytics 2021), better nutrition (Ahmed et al 2023), better health (Madise 2023) and better and stable housing conditions (Fowler et al 2018) in the short and long term for children, parents, and the communities and societies in which they live.
- Childcare policies can generate large returns for families and the economy (Sasser Modestino 2021), through parental employment (Belfield 2023) as well as child development (Nakajima et al 2016) – the latter can also lead to cost savings in high-need services and greater efficiency in education investments.

Estimating effects of a more balanced public spending profile by age: BRAZIL

To take one country example, Figure 3 reports the age-spending profile for 2019 (left panel) and estimated changes (right panel) for Brazil if:

- UCBs were to be paid at 6 per cent of average wage in 2019 to children 0-17.
- Universal maternity benefits were paid at 80 per cent of the average wage one month before the birth and for two months after and
- Childcare expenditures at ages 4 and 5 are paid at the same rate for ages 1 to 3.

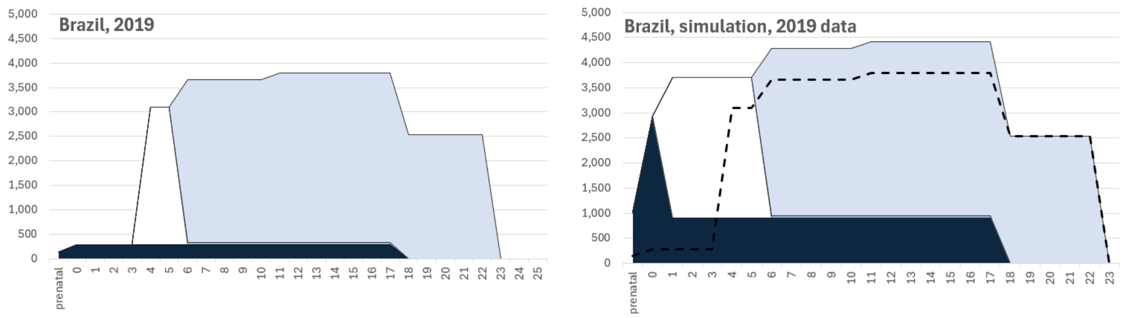


Figure 2: Expansions in child allowances, maternity payments, and childcare would result in a more balanced age spending profile in Brazil

Notes: Figure 3 metadata in the online Appendix. Source: Authors' calculations. X-axis refers to age, Y-axis is USD PPP per child.

The costs associated with the estimates **increase family expenditure in Brazil by 2% of GDP**, or from an estimated 1.0% of GDP to 3.0% of GDP (for family cash benefits and pre-pre-primary spending only) – equivalent to around 12th in a ranking of OECD spending levels (OECD 2024). The total share of **spending on children under six would increase from 14% of total child spending to 30% of child spending**. With this change to social protection payments, Brazil **eradicates extreme child poverty** and reduces relative child income poverty by a quarter, or from 31.3% of children to 23.8% – protecting a further 3.8 million children from relative income child poverty. Changes to childcare provision will enable more families to return to the workforce, further reducing poverty risks. If low-income families access these services with low or no fees, earnings inequality falls between families, reducing income inequality across the population and helping vulnerable families establish stable and formal employment opportunities.

Recent evidence suggests Brazil would also see significant improvements in home learning environments and school conditions, parenting (lower stress, more time with children, and more affectionate parenting styles), social-emotional, and cognitive child development, health outcomes (morbidity and mortality), and housing quality and stability (Richardson et al 2024 forthcoming).

Conclusion

Evidence shows investing in young children can improve income, nutrition, health, and learning outcomes, produce high rates of return on public spending, and reduce inequalities within and across countries. G20 leadership to increase investment in early childhood development can produce lasting results for children and societies across the globe.

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