

Financing social protection floors throughout economic cycles

Side Event at the United Nations Headquarters, New York. Monday 22 May, 2017.

A side event on financing social protection floors (SPFs) was held on Monday 22 May, 2017, on the occasion of the Second Economic and Social Council (ECOSOC) Forum on financing for development follow-up (FfD forum) which took place at the UN in New York from 22 to 25 May 2017. The event was entitled "Financing social protection floors throughout economic cycles", and was organized jointly by the Federal Ministry for Economic Cooperation and Development (Germany), the Permanent Mission of Argentina to the United Nations, the International Labour Organization (ILO), and Brot für die Welt and SocDevJustice on behalf of the Global Coalition for Social Protection Floors.

The list of Speakers comprised: H.E. Mr. Martín García Moritán, Permanent Representative of Argentina to the United Nations; Mr. Stephan Reichert, Deputy Head of Division, Donor Relations and Financing for Development, Federal Ministry for Economic Cooperation and Development (BMZ), Germany; Mr. Vinicius Pinheiro, Special Representative to the United Nations, International Labour Organisation (ILO); Mr. Roberto Bissio, Coordinator, Social Watch/Global Coalition for Social Protection Floors; Ms. Serpil Bouza, Strategy, Policy and Review Department, International Monetary Fund (IMF); Ms. Shari Spiegel, Chief, Policy Analysis and Development Branch, Financing for Development Office/United Nations Department of Economic and Social Affairs. Ms. Gemma Adaba, SocDevJustice/Global Coalition for Social Protection Floors moderated the session.

Background

The Addis Ababa Action Agenda (AAAA) on financing for development incorporates a new "social compact" (para. 12) featuring a commitment to social protection, including floors. As nations strengthen their national floors of social protection, they are aware of the need to maintain adequate public funding for them throughout the economic cycle: both in bad as well as in good times. While discussions at the UN have highlighted national work and international cooperation on tax policy and capacity building in developing countries, additional policy advances in design and financing of social protection floors (SPFs) are needed, not only to improve national social protection floors, but also to assure their full operation in the face of adverse shocks. Indeed, as the Inter-Agency Task Force (IATF) reported this year, multilateral financial institutions and bilateral donors have introduced or are considering various relevant initiatives in this regard.¹

¹ See IATF, *Financing for Development: Progress and Prospects*, available at https://developmentfinance.un.org/sites/developmentfinance.un.org/files/Report_IATF-2017.pdf.

In response, the internationally agreed conclusions and recommendations of the FfD Follow-up Forum called for expanded peer learning and experience-sharing among countries and regions, and encouraged “support for capacity building to help countries...design and implement nationally appropriate social protection systems....” The agreed conclusions further invited the IATF “to prepare an inventory of domestic and international financial instruments and funding modalities” in its next report, which would be discussed at the 2018 session of FfD Follow-up Forum (E/FFDF/2017/3, para 7).

Financing social protection floors - domestic and international considerations

The side event offered an invaluable opportunity to focus on the domestic and international dimensions that should be considered in the financing of social protection floors. Representatives from the Governments of Argentina and Germany, from the International Monetary Fund, the ILO, the United Nations and from the civil society Global Coalition for Social Protection Floors, all shared insights and proposals with the participants of the side event who were invited to join the discussion.

Ambassador Moritán described Argentina’s human rights approach to social protection, underpinned by the principle of social support throughout the life cycle, as well as the idea of citizenship and citizens' rights. Argentina offers a wide range of financial allowances, including payments to parents with economic need per child up to the age of 18 for up to 5 children, monthly support payments for the disabled, pregnancy support, and universal monthly allowance for people over 65 years of age. Argentina’s goal is to prevent the inter-generational transfer of poverty, and to ensure that indeed, no one is left behind.

Mr Reichert noted that Germany recognized the normative framework of ILO Recommendation 202 (2012) on SPFs, and welcomed the call made by the 2030 Agenda on Sustainable Development Goals (SDGs) for human rights to guide the formulation of relevant social policies. He believes that most countries have the necessary resources to build their SPFs. Implementing SPFs requires the political will to create fiscal space through a range of measures, including sufficiently progressive taxation, adequately broadening the tax base, and addressing tax evasion and avoidance. He also called for active labour market measures and practice of the politics of solidarity, promoted through social dialogue that brought together government, employers and trade unions to build consensus for nationally defined, sustainable SPFs.

SPF disbursements must be assured in advance of crises, including provision for quickly increasing them as needed. In this regard, Germany is supporting the G7 “African Risk Capacity” initiative for insuring against extreme weather events and other natural disasters. BMZ has also announced a "Marshall Plan for Africa", entailing a mix of domestic and international support mechanisms, as well as private and public funding.

Mr Pinheiro emphasized the need for follow-up of the commitments made in the AAAA (para 12),² and in the social protection paragraph of the 2017 FfD Forum Outcome Document (para 7).³ Deconstructing these paragraphs, he underscored the need to balance long-term investments in infrastructure with consistent application of SPFs as part of coherent, national sustainable development strategies. International cooperation should deepen support for national efforts through a) peer learning, sharing experiences nationally, regionally, globally; b) capacity building for SPF systems; c) research/inventory on domestic and international funding modalities. The UN regional commissions have an important role to play in convening opportunities for peer learning, including on line. Ultimately, the goal in implementing all of these agreed follow-up measures was to ensure that SPF programs were designed to have real impacts on poverty reduction, rather than worsen the conditions of the poor, through application of inappropriate policies such as regressive taxation, for example.

Mr Bissio emphasized the need to apply the human rights principle of no retrogression when implementing social protection systems, thus ensuring positive counter-cyclical economic impacts, the opposite of the experience of Greece where excessive austerity was applied. Such pro-cyclical interventions in crisis times only serve to worsen the situation of vulnerable groups, and indeed of populations more generally. Poor governance practices also threatened to drain public resources needed for SPFs, an area of concern for Latin America. In this context, he sounded a word of caution on the promotion of Public Private Partnerships (PPPs) for infrastructure investment, noting that the recent experience of a number of countries in Latin America demonstrates the potential for mismanagement of funds, thus undermining sustainable development objectives, including availability of adequate public financial resources for social protection.

Ms Bouza highlighted the results of a new IMF Staff paper prepared for submission to the Executive Board, evaluating the impacts of a 2010 policy initiative aimed at mitigating the impact of economic adjustment programmes on vulnerable groups in low income countries (LICs). The policy under review focused on targeted assistance through social safety nets. Ten percent of the countries reviewed did not adopt spending targets, as they lacked the capacity to monitor their impacts. Of the remaining 90%, only two thirds met their targets for maintaining a nationally defined floor for social spending. Thus, monitoring and evaluation need to be improved, and care should be taken to make programmes scaleable in crisis times. Every effort should be made to ensure that fiscal buffers are not exhausted, as by spending more efficiently, eliminating unproductive spending, and raising tax revenues to maintain social supports to protect the vulnerable during stressful times. In response to questions, Ms Bouza pointed out that targeted social assistance to the most vulnerable, coupled with contributory systems for the non-poor was compatible with universal approaches to SPF provisioning. Policy choices in that regard were the responsibility of individual governments.

Ms Spiegel reminded the meeting that the AAAA encouraged country ownership of development, and that a key aspect of that was “national sustainable development

² Adopted by the UN General Assembly as resolution 69/313.

³ E/FFDF/2017/3.

financing strategies,” including for the building of SPFs. The main message of the Inter-Agency Task Force (IATF) report was that global economic growth will not by itself deliver the SDGs. There was need, not only for more long-term investment (especially infrastructure), but also for better social protection arrangements. Funding SPFs requires that special attention be paid to counter-cyclical loans to governments, and the possibility to introduce “state-contingent” public debt, as well as more international aid for capacity building. She drew attention to the online annex of the IATF 2017 report which contains relevant data.

Next steps

Some of the ensuing discussions focused on next steps, including the need for more work on tax policy, preparing better for crisis times, addressing governance issues, addressing inconsistencies between tax concessions to investors and broadening the tax base. The G20 (chaired by Germany in 2017, and by Argentina in 2018), was flagged as a relevant forum for advocacy to maintain a spotlight on the importance of the topic of financing SPFs.

A webcast of the side event is archived at <http://webtv.un.org/watch/financing-social-protection-floors-through-economic-cycles/5444071127001>.