



VGIF – an international fund for women and girls
Small Grants – Local Action – Better Lives

**FINANCING UNIVERSAL SOCIAL PROTECTION
IN DEVELOPING COUNTRIES**
Notes on a session at the Civil Society Forum
IMF/World Bank Annual Meetings
Washington, D.C., October 11, 2017

The NGO Committee on Financing for Development, Social Justice in Global Development, Brot für die Welt, and the Virginia Gildersleeve International Fund jointly organized a session on financing universal social protection in developing countries at the Civil Society Forum of the 2017 Annual Meetings of the International Monetary Fund and the World Bank.

Background

Governments at the United Nations agreed in the May 2017 Financing for Development Forum to discuss aspects of the financing of “social protection systems and measures, including floors” during the next meeting of the Financing for Development Follow-up Forum, which will take place in New York on 23-26 April 2018. This would be the first opportunity for a broad, intergovernmental discussion of policy experiences and needs regarding the financing of social protection and it seemed important to the organizers of this civil society session at the Fund/Bank Annual Meetings to alert the development community to this upcoming event. To this end, the session brought together senior representatives of the International Labor Organization, the International Monetary Fund, the United Nations and the World Bank, together with a representative of the civil society Global Coalition for Social Protection Floors.

Agenda

Welcome

Anita Thomas, Chair, NGO Committee on Financing for Development and UN representative of the Virginia Gildersleeve International Fund

Speakers

Vinicius Carvalho Pinheiro, Special Representative of ILO to the United Nations and Director of the New York Office of ILO

Rachel Moussié, Deputy Director, Social Protection Program, Women in Informal Employment, Globalizing and Organizing (WIEGO) and Global Coalition for Social Protection Floors

Margaret Ellen Grosh, Senior Advisor in the Social Protection and Jobs Global Practice, World Bank

Serpil Bouza, Strategy, Policy and Review Department, International Monetary Fund

Shari Spiegel, Chief, Policy Analysis and Development Branch, Financing for Development Office, UN Department of Economic and Social Affairs

Moderator

Barry Herman, Member of the Board, Social Justice in Global Development and Visiting Scholar, Graduate Program in International Affairs, The New School

Summary

A shared theme of the discussion was that governments should work toward universal provision of at least a basic level of nationally determined social protection of its people, which the international community has deemed the “social protection floor.” As Ms. Moussié of WIEGO observed, the concept of social protection was broader than social “safety nets”, a policy option on which the Bretton Woods institutions have focused. As the name suggests, safety nets are to catch people in the process of falling, as owing to some hazard or difficulty. That is not the only reason for social protection.

Although countries currently differ in the extent and types of social protection they provide, the moderator in his introduction said countries could move toward universal protection by expanding coverage of specific classes of beneficiaries, such as for child and maternal benefits and old age security, including also support of the disabled and the unemployed. These floors of social protection could take the form of cash transfers to beneficiaries at different stages of their life cycle, combined with universal access to essential health services. Indeed, taking the components together, a country having a universal social protection system would realize counter-cyclical economic benefits, as well as respond to the social imperatives for instituting them.

As Mr. Pinheiro of ILO reminded the audience, the international initiative to promote social protection floors began as part of a joint international response to the financial crisis of 2008. As seen almost a decade later, the provision of social protection floors is possible everywhere, even in situations of fiscal constraint. In fact, the number of countries with some social protection programs has more than doubled, from 72 countries in 2000 to 149 in 2017, according to the World Bank’s ASPIRE data base, as cited by Ms. Grosh. The challenge was thus to broaden the coverage in many of those countries, especially the low-income countries where coverage is generally low, and to introduce it in others.

At the same time, the cost of social protection floors must be covered from public revenues in a sustainable way. As Mr. Pinheiro noted, countries use different policy instruments to finance at least part of their social protection floors. Brazil used financial transaction taxes, other countries use tourist taxes, El Salvador makes an effort to limit tax

evasion and redirect it to social protection floors, and so on. In fact, in many countries where social protection levels are low, there is space for expanding the coverage of social protection and increasing its level. However, one obstacle to adequate funding of social protection, as emphasized by Ms. Moussié, was tax policies that undermined the ability of States to mobilize sufficient public resources. She said that international financial institutions had promoted lowering corporate tax rates and she criticized policy decisions taken by a number of countries to grant generous corporate tax incentives that narrow the tax base. In addition, she called for further work to adopt macro-economic frameworks that enhance social and economic resilience rather than cut back on social benefits.

Ms. Spiegel of the UN recalled that the issue of financing social protection got high attention at the 2015 International Conference on Financing for Development (FfD) in Addis Ababa. The Addis Ababa Action Agenda emphasizes domestic resource mobilization, especially strengthening tax systems that can sustainably finance social protection. She noted that programs should be sustainably financed out of current revenues over the medium to long term, and it is important that governments use counter-cyclical forms of financing. As the Inter-Agency Task Force (IATF) on FfD highlights in its 2017 report, the world economy is cyclical and potentially volatile and counter-cyclical measures for social protection, like stabilization funds and state contingent debt can be useful. Quick-disbursing official international facilities may also contribute to counter crises. She noted that the IATF will have a follow-up meeting on alternative financing strategies this fall, to serve as inputs to its 2018 report.

Ms. Bouza reported that the IMF is considering how to better assist countries in strengthening their social protection systems in a fiscally sustainable way. Mobilizing domestic revenue and enhancing spending efficiency will help ensure stable financing sources for social protection. She continued, the IMF will leverage the expertise of other institutions on social protection issues and step up its collaboration in this area with country authorities and development partners. The intention is to encourage countries to build capacity for effective social protection systems in normal times so that effective systems are available during times of crisis. For this, close collaboration will be necessary both during surveillance (i.e. Article IV consultations) and during discussions of IMF-supported programs. To this end, the IMF is drafting a staff guidance note for release in 2018 to support such discussions in low income countries. At the same time, the IMF is also working on an implementation plan that will lay out concrete steps to address the recommendations made by the Independent Evaluation Office in its report, *The IMF and Social Protection* (<http://www.ieo-imf.org/ieo/files/completedevaluations/SP%20-%202017EvalReport.pdf>). This implementation plan will be presented to the Evaluation Committee of its Executive Board in January 2018.

Ms. Bouza further said that IMF will thus develop a strategic framework setting the scope, objectives, and boundaries of the IMF's involvement in social protection. The IMF has always supported universal access to basic services such as education and health and recognizes the important economic benefits of having a strong social protection system that increases countries' resilience to shocks. Nevertheless, the viability of universal cash transfer systems and the appropriate path to achieving these will depend on country circumstances, including implementation and resource constraints, and social preferences.

Expertise and support for the design and implementation of social protection systems are also provided by bilateral partners, peers and multilateral institutions, such as the ILO and the World Bank. In this regard, ILO and the Bank launched the Global Partnership for Universal Social Protection in 2016 with a number of donor governments and other partners. Indeed, the World Bank has been deepening its lending to help develop social protection systems. As Ms. Grosh reported, the World Bank's social protection loan portfolio grew from \$6.7 billion in fiscal 2010 to \$12.5 billion in fiscal 2017 (ending 30 June). Loans have grown especially to help develop social protection systems in low-income countries that borrow from the Bank's highly concessional International Development Association. Nevertheless, many countries still lack capacity and resources and warrant additional international cooperation on terms provided by official development assistance. The time to build the right social protection architecture is now so as to have it in place during crises.

In sum, there is still much political as well as technical and financial work to be done. Ms. Grosh, in particular, called on civil society to help dispel myths about the poor making poor use of cash transfers, as that discourages public support for social protection. Numerous studies show that women especially use the cash transfers in a socially and economically wise way to cover the basic needs of their family members and, should it be possible, even start small businesses that may help ease a path out of extreme poverty. She also called for civil society advocacy for additional fiscal space to accommodate increased outlays for social protection.

Indeed, the forthcoming UN discussion of financing social protection next April provides an opportunity to advance such an agenda, as also for strengthening international financial support for social protection. The moderator thus encouraged the panelists and those present at the current session to consider offering proposals that might be brought to that Financing for Development meeting. It will undertake a multi-stakeholder discussion, welcoming the participation and inputs of governments, international institutions, civil society and the private sector. He hoped that a broader and deeper discussion on these issues will help governments move toward consensus on global policy priorities and actions so as to advance toward realizing adequate, fair and effective financing of social protection for all.