

**Panel “Financing Universal Social Protection in Developing Countries”
A Session at the Civil Society Forum at the Annual Meetings of IMF and
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STATEMENT TO OPEN SESSION

I am pleased to moderate this discussion of financing social protection floors, a topic that has gotten increased political attention over the past year or two and that will get more over the next six months as I will explain. My hope is that the attention matures to the point that some countries and institutions take additional steps to deepen national systems of social protection, increase the scope of protection, and that countries provide more peer-to-peer learning and also international support to developing countries seeking assistance in strengthening their systems. In particular, I hope that steps may be taken to assure that the financing for what the International Labor Organization has defined as national floors of social protection is fully available into the foreseeable future, year in and year out, in bad times as well as good ones.

Before starting the discussion, let me try to specify the financing challenge so we are all “on the same page”. When we talk about social protection, and especially social protection floors, we are referring to government cash transfers that may range from public support to mothers and children, support to the disabled, support to the involuntarily unemployed, support to the aged and to other people in need, as in the provision or financing of health services. Countries differ in how many types of assistance their governments offer and how much of the population in need they should reach and are able to reach. Countries also differ in whether they seek to target their assistance to specific populations, e.g., the “extreme poor”, or offer the support universally as a right. The ILO and the World Bank have jointly committed to promote “universal” social protection, which will entail significant, regular and reliable budgetary outlays. Whatever the scope and ambition of the national social protection systems, it is essential that the public resources for them be available. Protection fails to protect without adequate financial resources.

We may conceive of government budgets as having four categories of expenditure. One is wages, salaries and purchased inputs for government expenditure programs. A second is the transfer payments made to individuals, including the social protection system. A third is payment of interest and principal on the public debt, and the fourth is public investment. In most countries, the mandatory first use of public revenues is public debt servicing. The lowest priority is investment, which is typically postponed when revenues dip during economic downturns. In addition, in times of austerity, government expenditure programs may be reduced, wages may be cut and the work force may be reduced to absorb the reduction in public revenue; for example, budget constraints may translate into fewer teachers and thus more students per class. In addition, governments sometimes are forced to cut back on social transfers, which may be seen as a violation of an implicit social compact and as a challenge to trust in government. I will come back to this point in a moment.

We may similarly conceive of government budgets as having two main categories of funds. First is taxation of incomes or economic activity, but including as well royalties on mineral exports and other categories of revenue inflows that a government counts on every year. The second category is borrowing, whether from domestic sources in local currency or foreign sources in foreign currency or any combination that fits the state of development of the financial sector and of the access to foreign financial sources. Governments borrow especially to finance public infrastructure investment that will deliver services over decades but they also borrow to meet temporary shortfalls in revenues, as during economic downturns. In addition, many developing countries also receive foreign grants in aid, either targeted to specific expenditure programs or as general budget support.

What we want to focus on today is how to make sure that the transfer payments and public health system that make up a country's social protection floor are fully funded over the medium to long run and are not jeopardized by any of the various volatilities to which we have become especially sensitive in recent years. As I said before, social protection is not protection if it does not protect, especially in times of personal or economic crises. Unfortunately, the people in many countries can tell us about instances in which social protection did not protect. How do we make sure that stops being the case? How can we protect social protection, especially at the level that ILO identifies as the "social protection floor"?

One answer that we don't accept is we only offer tiny programs or none at all and leave many needy people in distress, hungry, weak and prematurely dead. If we believe in human rights, we believe there are legal (if rarely enforceable) obligations on governments to address the need for social protection. Even if you reject that the human rights argument applies to you or your institution, most people have a sense of justice and feel an obligation of justice or at least an obligation of charity. All the major religions embody that intuition. So, our starting point is that all our governments should have universal floors of social protection. How do we assure they are appropriately and assuredly financed? Who is the "we" in that last sentence? That is our theme for today.

Finally, let me say why the organizers of this session ask this question now. It turns out that this topic has made it to the intergovernmental agenda of the United Nations through the Financing for Development process. An intergovernmental FfD Forum was created at the international FfD conference in July 2015 in Addis Ababa, Ethiopia in order to follow up on the negotiated conclusions and recommendations reached there. The FfD Forum agreed at its May 2017 meeting that the issue we are to discuss here warrants more international attention. It thus agreed to hold some further policy discussion at its next meeting in April 2018. I think the organizers of this session hope to inspire those present today to begin to focus on what might be considered next April, what specific proposals might warrant further study as a step toward action, what modalities of international cooperation might be boosted, such as additional official development assistance to help speed along the development of well financed social protection systems, and other actions.

To that end, let us begin our discussion...