

A Global Fund for Social Protection to promote policy and fiscal space to make the right to social protection a reality for all

Beyond the health crisis, the COVID-19 pandemic has severely affected economies and people's livelihoods around the world. Experts forecast an additional 250 million people in extreme poverty by 2030¹, while the consequences of the pandemic are resulting in a 10th of the global population suffering from hunger, amounting to 720 to 811 million people worldwide.²

As clearly put by a 67-year-old man, estate agent, living with his children in an urban area in Pakistan, the pandemic has had a devastating effect on people's livelihood: *"There's no business. My source of income has been affected. I'm feeling stressed and irritated by the uncertain situation"*, while a 68-year-old woman, retired farmer from Rwanda, living with her children in a rural area testifies: *"The fall in the economy has made the people who were helping us lose their jobs."*³

Facing these observations, many political leaders and decision makers realized that well-designed social protection systems have a transformative effect on people living in poverty. While these systems do not tackle the root causes of poverty, for which systemic changes in people's income level are needed, they nonetheless are a key tool to building transformatively forward. Indeed, **the importance of regular income support and essential services to uphold basic human rights**, especially healthcare, was made obvious for all to see. Indeed, 93% of countries took social protection measures to respond to the crisis. 75% of them were non-contributory measures and 52% were new measures⁴. It is also estimated that almost 17% of the world's population has been covered with at least one Covid-related cash transfer payment between 2020 and 2021; and the average scale up rate between pre and post-Covid coverage, for cash transfers alone, is 249%.⁵ Yet, the crisis also demonstrated the uneven capacity of governments to enact and finance emergency measures to deliver income and health support to their population. Indeed, even if global spending on social protection increased, it only represents about 3% of global GDP in 2021.⁶ Additionally, the measures taken were uneven, often insufficient in value and coverage and merely temporary.⁷ For instance, only 4.5% of the population in low-income countries benefited

What is social protection?

Social protection is a human right, defined as a set of policies and programs (contributory and non-contributory) aimed at reducing and preventing poverty throughout the life course. While social protection includes regular cash benefits for basic income security, it also encompasses the right to affordable and appropriate health and essential services including the right to water. Social protection also covers social insurance, i.e. contributions to enable the provision of a service by the State, and labour regulations.

¹ Overseas Development Institute, M. Manuel, L. Carson, E. Samman and M. Evans, (2020). *Financing the reduction of extreme poverty post-Covid-19*.

² FAO, (2021). *The State of Food Security and Nutrition in the World 2021. Transforming Food Systems For Food Security, Improved Nutrition And Affordable Healthy Diets For All*. Rome.

³ Interviewed by HelpAge International in the framework of the report Unequal treatment - What older people say about their rights during the COVID-19 pandemic (2021). London

⁴ International Labour Organization, Social Protection Dashboard. *Social protection responses to COVID19 crisis around the world*. Last update: 10/05/2021. <https://www.social-protection.org/gimi/ShowWiki.action?id=3417>

⁵ World Bank (2021). *Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures - "Living paper" version 15* (May 14, 2021). Washington. p. 4, 12.

⁶ World Bank (2021). *Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures - "Living paper" version 15* (May 14, 2021). Washington. p. 14

⁷ Oxfam (2020). *Shelter from the storm - The global need for universal social protection in times of COVID-19*. Oxford. p. 11-17

US\$10.6 trillion were mobilized globally in social protection measures to respond to the COVID19 crisis, however, only .06 per cent of that amount was mobilized in low-income countries. F.Durán Valverde et al., International Labour Organization (2020). *Financing Gaps in Social Protection: Global Estimates and Strategies for Developing Countries in Light of COVID-19 and Beyond*. Geneva

from cash transfers; increasing to 19.3% for middle-income and 26.7% for high-income countries, which were able to build on already existing schemes.⁸

While the proposal for a **Global Fund for Social Protection** has existed for nearly a decade⁹, the disparities laid bare by Covid have **renewed international interest in a global financing mechanism to complement and support at least temporarily domestic efforts**. Indeed, following the 2020 G20 summit, high-level international discussions were held on the topic.¹⁰ In June 2021, the International Labour Conference's (ILC) committee on social security called on the ILO to “*engage in discussions on a new international financing mechanism, such as a Global Social Protection Fund*”¹¹, to which several governments and organizations, including the United-States and the European Union, expressed their support.¹² In parallel, in June 2021, the United Nations' (UN) Special rapporteur for Extreme Poverty and Human Rights presented a report to the UN Human Rights Council on the value, options for governance and potential funding modalities of such a Fund.¹³ Finally, in September 2021, the UN Secretary General mentioned in his report the Global Fund for Social Protection as a potential means to support countries in increasing levels of funding devoted to social protection.¹⁴

However, even if a Global Fund for Social Protection were to be an agreed policy measure, which would therefore be a positive step towards the effective realization of the human right of all to social protection, structural changes will be needed. Indeed, lack of fiscal space, lack of political will to make policy that is compliant with human rights and a deeply unfair macro-economic system will still be obstacles to overcome.

The lack of fiscal space for social protection: a lack of political will

While putting in place and financing social protection is the obligation of governments through domestic resource mobilization, and will be established according to different national capacities and contexts, development partners, and more specifically international finance institutions and G20 States, play an influential role for its development in low and middle-income countries.

Instead, for the past decade **macro-economic policies have been pushing for a decrease in governments' spending** - often referred to as “fiscal consolidation” or “austerity cuts” – as a means to reduce budget deficit and reach fiscal stability. Simultaneously, development partners have been **promoting the participation of the private sector in development projects** in order to leverage the money needed to achieve the Sustainable Development Goals; and bridge the funding gap governments are unable or unwilling to fill.

The narratives around these practices often argue that governments have no other choice but to reduce public spending, and need to call on the private sector for investment. Yet there are various means of increasing fiscal space for public expenditure, which have been named and referenced by civil society¹⁵ and international organizations,¹⁶ to bridge the funding gap for social protection. These include progressive and higher rates of taxation, public expenditure reprioritization, restructuring and in extreme

⁸ World Bank (2021). Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures - “Living paper” version 15 (May 14, 2021). Washington. p. 13

⁹ The idea of a Global Fund for Social Protection was initially put forward in 2012- 2015, in preparation for the SDGs and the Third International Conference on Financing for Development of 2015. The then Special Rapporteurs on the right to food and on extreme poverty and human rights published a briefing entitled *Briefing Note No.7, Underwriting the Poor. A Global Fund for Social Protection* (Oct.2012).

¹⁰ In September 2020 the French Government organized a meeting to discuss the initiative of the Global Fund for Social Protection. The meeting was held in presence of high-level representatives from 13 governments, 15 international agencies as well as international social partners, international non-governmental organizations, and independent experts.

¹¹ International Labour Conference (2021). Reports of the Recurrent Discussion Committee: Social protection (social security): Proposed resolution and conclusions submitted to the Conference for adoption. Geneva

¹² During the 2021 International Labour Conference.

¹³ Special Rapporteur on extreme poverty and human rights to the United Nations' Human Rights Council (2021). *The Global Fund for Social Protection: International Solidarity in the Service of Poverty Eradication*. Geneva

¹⁴ Report of the Secretary-General (2021). *Our Common Agenda*. New-York. p. 28

¹⁵ Civil-20 Finance Working Group's [Communiqué on the Second G20 Finance Ministers and Central Bank Governors meeting](#). 27th April 2021.

¹⁶ ILO (2019). *Fiscal space for social protection – A handbook for assessing financing options*, Geneva.

cases cancellation of sovereign debt, tolerating moderate rates of inflation instead of seeking to eliminate them through fiscal austerity, and additional foreign aid or new allocations of Special Drawing Rights by the International Monetary Fund.

Additionally, as research shows¹⁷, social protection can trigger a virtuous economic cycle that increases employment, productivity, tax revenue and overall economic growth, especially in low and middle-income countries. That is, cash transfer policies, particularly, generate an increase in income and consumption that, in turn, have positive effects on the macro-economy and governments' fiscal space.

Moreover, the establishment of social protection policies can lead to increased tax payments. By benefiting from social protection policies, people's trust in governments increases, hence reinforcing the social contract and fostering the willingness and ability of people to pay taxes.¹⁸

It appears then that the gap in coverage by social protection around the globe is not due to a lack of available resources but to a lack of political will and financial policies to ensure redistribution.

A Global Fund for Social Protection to support policies and fiscal space for universal social protection

The International Labour Organization (ILO) has estimated that, in 2020, the annual resources needed to close the financing gap to reach a universal coverage of a basic set of cash benefits¹⁹ for low-income countries²⁰ was 7.4% of their GDP, with an additional 8.5% for universal access to healthcare. In other words, based on pre-COVID-19 estimates, the fiscal revenue needed to fill the social protection floors financing gap (excluding health care) represented 13.5% of total tax revenue at national level for low and middle-income countries, but as much as 45% for low-income countries. That is more than the latter countries can be expected to mobilize through reprioritization of expenditures or additional taxation measures in the short to medium term.

What are social protection floors?

Social protection floors are a set of **universal** non-contributory guarantees including access to essential health care and basic income security for children (providing access to nutrition, education, care and any other necessary goods and services), persons in active age (in particular in cases of sickness, unemployment, maternity and disability) and older persons.

Social protection floors, as defined by the ILO, are universal by nature, as they provide protection based on contingencies. Indeed, universality refers to social protection's coverage, ensuring that each person, in one of the aforementioned categories is protected regardless of his or her socioeconomic situation, ethnicity, origin or legal status.

Many countries do have the potential to fill their social protection gaps from domestic resources mobilization and that should be a policy priority, social protection being first and foremost a government's responsibility. However, as the ILO states, "*the challenge is much greater for low-income countries, (...) in terms of the relative cost and their relative fiscal, administrative and institutional capacity. That distinction must be considered as a critical factor in the formulation of a specific development assistance policy. Massive financial assistance for starting up and temporarily financing benefits could be a feasible option for addressing the social protection financing gap in low-income countries.*"²¹ And while it is obvious that a Global Fund for Social Protection would not and should not have the same lending capacity as the international finance institutions, such as the International Monetary Fund, it will nonetheless provide to

¹⁷ International Trade Union Confederation (2021). Investments in social protection and their impacts on economic growth. Brussels.

¹⁸ S. Kidd, G. Axelsson Nycander, A. Tran and M. Cretney, Development Pathways (2020). The social contract and the role of universal social security in building trust in government.

¹⁹ Covering children between 0 and 5 years-old, women with newborn children, persons with severe disabilities and older persons

²⁰ According to the country-income classification of the World Bank, low-income countries are defined as having a GNI per capita of US\$1,025 or less.

²¹ F. Durán Valverde et al., International Labour Organization (2020). *Financing Gaps in Social Protection: Global Estimates and Strategies for Developing Countries in Light of COVID-19 and Beyond*. Geneva. p. 7, 31, 48-49

low-income countries the desperately needed push to make a significant step forward towards the realization of the right to social protection for all.

As clearly put by the UN Special Rapporteur on Extreme Poverty and Human Rights : *“The proposal for a global fund for social protection is not that taxpayers from rich countries pay for social protection in poor countries. It is, rather, to kick-start a virtuous cycle in which international support matches domestic efforts and contributes to capacity-building in low-income countries.”*²²

The global financing gap in social protection, including health care, in low-income countries is estimated at US\$77.9 billion per year. Though it may seem as a sizeable amount, when considered as a percentage of the GNI of rich countries, the amount becomes negligible. It is clear that donors are not investing as they could in promoting social protection in developing countries, despite its obvious benefits; ODA for social protection represented 0.0047% of the GNI of the DAC countries in 2017, and in 2019 1.17% of total ODA²³.

What should the Global Fund for Social Protection look like?

The design and guiding principles of the Global Fund for Social Protection should be that of support for work towards the development of universal social protection, starting with the development of social protection floor guarantees for all.

The Global Fund for Social Protection should be developed within the principles of democratic country ownership, representation and inclusivity, and accountability and transparency. Its governing body should bring together representatives from governments, relevant UN organisations, employers, workers and civil society organizations, including women's rights organizations.

The Global Fund for Social Protection will **promote a global vision of solidarity, between Global North and Global South, but also through South-South solidarity** by exchanging practices and providing technical support as well as offering financing. The proposal for a Global Fund for Social Protection aims to initiate a virtuous cycle in which international support complements domestic efforts and contributes to capacity-building in developing countries.

International discussions on creating a Global Fund for Social Protection should be guided **by the principles of the ILO. The ILO encourages countries to adopt rights-based systems of social protection**, implemented in accordance with ILO Recommendation 202 on social protection floors²⁴, and 204 on transition from the informal to the formal economy²⁵, as well as Convention 102 on social security²⁶. The ILO is the leader in establishing internationally agreed principles and is a leading agency in giving practical support to social protection development in countries. The organization works on a tri-partite basis, that of governments, workers and employers, and, as such encourages that social dialogue will be at the heart of the Global Fund for Social Protection's program of financial and technical support.

The Global Fund for Social Protection will support a coherent approach to **social protection from the various international development actors**. As well as being extremely low in amount, international ODA for social protection is highly fragmented in terms of financing and approaches. It is argued that, amongst those funding social protection development projects in low-income countries, the World Bank has been implementing a limited, targeted approach to social protection²⁷; which is incompatible with the universal

²² Special Rapporteur on extreme poverty and human rights to the United Nations' Human Rights Council (2021). *The Global Fund for Social Protection: International Solidarity in the Service of Poverty Eradication*. Geneva

²³ OECD, CRS code 16010.

²⁴ https://www.ilo.org/dyn/normlex/fr/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:3065524

²⁵ https://www.ilo.org/dyn/normlex/fr/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R204

²⁶ https://www.ilo.org/dyn/normlex/fr/f?p=NORMLEXPUB:12100:0::NO::p12100_instrument_id:312247

²⁷ Many publications expose how targeted social protection schemes undermine societies' social contract and fabric, as well as push towards a restricted vision of social protection, granted punctually, incompatible with rights-based social protection floors. Read Caroline Broudic, revue

right to social protection specified by international agreements.²⁸ Additionally, such coordination would allow governments a more harmonized dialogue with development actors. The Global Fund for Social Protection can therefore be a space not only for financing, but as one of technical support, system building and coordination over time to deliver universal social protection in line with the ILO standards and their guiding principles.

Functions of the Global Fund

The Global Fund for Social Protection can **coordinate and finance technical assistance to countries**, especially to support the capacities of local administrations, in particular with labour inspectorates, ministries for social affairs and social protection, and solidarity based financing mechanisms for social insurance, in order to put in place accountable, transparent and participative public finance management modalities, which are a key to a sustainably financed social protection policies.

The Global Fund for Social Protection can **promote domestic resource mobilization for social protection**, through co-financing of social protection systems, i.e. a joint financial contribution of governments and the Global Fund for Social Protection, and a commitment from governments to increase their investments in social protection. The Global Fund for Social Protection would therefore complement and support domestic efforts to mobilize resources, which would rise gradually. The Global Fund for Social Protection could provide a powerful incentive for governments to invest more in universal social protection; giving a premium to countries placing the establishment of social protection floors at the top of their political priorities.

The Global Fund for Social Protection can **provide technical and financial resources to unions and civil society organizations** to foster their participation in the planning, implementation and monitoring of the establishment of universal social protection floors in their country²⁹.

The Global Fund for Social Protection can **promote a horizontal approach to the design and setting up of social protection policies that are deeply rooted in the local policy process**. Other global funds have been criticized for having a “vertical” focus of intervention, operating in silos focused on their particular mandate rather than the major needs of the countries being assisted, as identified in national systems. In the case of the Global Fund for Social Protection, this risk can be tackled by ensuring it covers the horizontal set of policies necessary to end poverty through making a reality of the commitment to the agreed set of human rights necessary for this. Implementation of social protection floors according to the ILO 202 Recommendation will be horizontal as floors encompass basic income security for all people in childhood, parenthood, times of unemployment, when disabled and in old age, as well as access to essential health care. Additionally, the Global Fund for Social Protection will promote coherence across the various national institutions in charge of, or linked to, social protection as well as coherence between social protection and other national policies (employment, skills, etc.).

The Global Fund for Social Protection will actively **promote and illustrate impacts of social protection measures that have a transformative approach to gender inequalities, in line with recommendations of women’s grassroot organizations and local feminist activists**.

Humanitaire n°39 (2014). *Les ONG, cheval de Troie du néolibéralisme ?*, and S. Kidd, G. Axelsson Nycander, A. Tran, M. Cretney, Development Pathways (2020). *The social contract and the role of universal social security in building trust in government*, Nairobi.

²⁸ Social protection is enshrined in several binding international human rights instruments. The Universal Declaration of Human Rights (1948), the International Covenant on Economic, Social and Cultural Rights (1966), the Convention on the Elimination of All Forms of Discrimination Against Women (1979) and the International Convention on the Rights of Children (1989) explicitly proclaim the right to social security, as well as a series of other rights protected by social protection mechanisms.

²⁹ Such participation has, for instance, already been fostered through the €22.9 million EU funded flagship program “Synergies in Social Protection and Public Finance Management”, launched in 2020 in partnership with the ILO, UNICEF and the Global Coalition for Social Protection Floors. The program foresees the strengthening of national civil society organizations in eight countries (Angola, Ethiopia, Burkina Faso, Uganda, Senegal, Nepal, Cambodia, and Paraguay), to enable civil society actors to meaningfully participate in national social protection dialogues, amplify the voices and concerns of communities and beneficiaries, and develop capacities to engage in discussions with governments on social protection design and financing as well as on monitoring and social accountability.

The Global Fund for Social Protection will **help countries respond to shocks, by increasing its support** to countries affected by severe shocks, to which the national social protection system would be unable to adequately respond.

To conclude, while the financing gap for social protection will not be immediately filled — building social protection floors takes time, and coverage of all left behind populations can only be achieved gradually — the combination of political will, international solidarity, capacity-building and domestic resources mobilization will ensure that it does over time. Establishing a Global Fund for Social Protection is an important step in the right direction to ensure coherence and coordination so that social protection becomes a top political priority in the context of fulfillment of human rights and the current global health and socio-economic crisis generated by the Covid-19 pandemic.

This is why, as countries are implementing recovery plans, and vaccination campaigns are being rolled out, the Global Coalition for Social Protection Floors:

- Calls upon the **UN system, the ILO, the International Monetary Fund, the World Bank Group, and all governments, workers and employers organizations** to support **the establishment of a Global Fund for Social Protection**, to bridge the current financing gap and enable the establishment of universal social protection floors.
- Calls upon the **International Monetary Fund, the World Bank Group and G20 States**, to **promote fairer and more redistributive macro-economic, tax and trade policies**, enabling low- and middle-income States to make fiscal space for universal social protection;

Prepared by the Global Coalition for Social Protection Floors' working group on a global financing mechanism for social protection, whose members represent Act Church of Sweden; Action Against Hunger – France; the Africa Platform for Social Protection; Bread for the World – Germany; Friedrich Ebert Stiftung Geneva Office; HelpAge International; the International Trade Union Confederation; Oxfam International; Save the Children; Social Justice in Global Development; We Social Movements; Markus Kaltenborn, Professor of Public Law and director of the Institute of Development Research and Development Politics at Ruhr University Bochum and Michael Cichon, former director of the ILO's Social Security Department and honorary professor of social protection at the Graduate School of Governance of Maastricht University/United Nations University in the Netherlands, September 2021.