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**Mandate of the Special Rapporteur on extreme poverty and human rights**

**Briefing Note:**

**The contribution of a Global Fund for Social Protection**

**to the financing of social protection**

**2 May 2022**

**SUMMARY**

*This Briefing Note is intended as a contribution to the debate on the role of social protection in the new social contract that should allow to put the economy and societies on a sustainable track in this reconstruction phase, in line with the 2030 Agenda for Sustainable Development. It recalls the role of social protection (1) as well as the estimates of the financing needs for the universalisation of social protection floors (2). It then focuses on the role of international solidarity in closing the financing gap for countries which currently lack the fiscal space needed to guarantee the right to social security (3), and clarifies how the proposals for a Global Fund for Social Protection relate to other similar initiatives, including the Global Accelerator for Jobs and Social Protection, and the IMF's Poverty Reduction and Growth Trust and the most recently announced Resilience and Stability Trust (4). Finally, the Briefing Note provides an initial mapping of the financing options that exist in order to enhance international solidarity for the establishment of social protection floors and the extension of their coverage (5).*

**1. Why do we need to invest more on social protection?**

Proposals for the increase of international financing for social protection start from a simple finding: too little has been invested in social protection in the past.The COVID-19 pandemic therefore caught countries off guard and the emergency responses of countries to the social impacts of the pandemic remained largely insufficient. A total of 2.7 billion people worldwide have not received any support to face the crisis and, as a result, according to [World Bank estimates](https://www.worldbank.org/en/publication/poverty-and-shared-prosperity), an additional 88 million to 115 million people have been pushed into extreme poverty by the COVID-19 crisis in 2020 alone, with an additional increase of between 23 million and 35 million in 2021.

This is the lesson from the crisis: in order to strengthen the resilience of societies against shocks, we need to do more to fulfil the right to social security. Social protection plays a stabilizing role in times of economic downturn because of its poverty-alleviation impacts and its ability to raise consumption levels of low-income households. Social protection also allows households to increase their savings, protecting them from having to sell productive assets in times of crisis and from being driven into destitution because of catastrophic health payments. It is also critical to ensure inclusive and sustainable growth, favouring a form of development that is more equally shared, with more significant poverty-reduction impacts.

**2. Is the universalisation of social protection floors affordable?**

The [most recent ILO estimates](https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_758705.pdf) (taking into account the impacts of the COVID-19 crisis) are that the financing gap for low-income countries is US$77.9 billion (including US$41.8 billion for healthcare): this is therefore the sum it would take to allow the 32 poorest countries (with an annual per capita gross national income (GNI) of less than $1,026) to guarantee income security to their population of 711 million, as pledged in ILO Recommendation (No. 202) on National Social Protection Floors (R202). (By way of comparison, lower- and upper-middle-income countries would need to invest additional US$362.9 billion and US$750.8 billion respectively, equivalent to 5.1 and 3.1 percent of their respective GDPs.) While this represents 15.9 percent of their GDP —an altogether unaffordable amount for low-income countries — it is a modest sum for rich countries collectively. Indeed, by way of comparison, it represents only about *half* of the US$151.7 billion [provided](https://stats.oecd.org/Index.aspx?lang=en&DataSetCode=TABLE1) in official development assistance (ODA) by the 30 OECD countries members of its Development Assistance Committee in 2019, representing 0.30% of their combined GNI.

Beyond the numbers, however, what matters is the nature of the investment in social protection. If financing through the Global Fund were to be made conditional upon beneficiary countries investing more in social protection by mobilizing domestic resources, it could lead gradually to a virtuous cycle emerging, in which increased international support contributes to inclusive growth and to social resilience, allowing public revenues to grow, thereby allowing increased mobilization of domestic resources. In that way, international assistance creates a situation not of dependency, but rather the opposite. It allows countries to move away from dependency on short-term, ad hoc aid of a humanitarian nature, and to gradually gain the fiscal space required to finance social protection without external support. This should be seen as an investment with potentially high returns, since it leads to building human capital, has significant multiplier effects in the local economy, and contributes to inclusive growth and to resilience in times of crisis.

**3. Is there support for increased international solidarity to encourage investment in social protection?**

Support has gradually grown for a Global Fund for Social Protection, in particular thanks to the strong advocacy of global unions (through the International Trade Union Confederation) and of the Global Coalition for Social Protection Floors, a group of over a 100 civil society organizations and trade unions.

On 19 June 2021, the International Labour Conference gave a mandate to the International Labour Office to initiate and engage in discussions on concrete proposals for “a new international financing mechanism, such as a Global Social Protection Fund, which could complement and support domestic resource mobilization efforts in order to achieve universal social protection”. Also in June 2021, the UN Special Rapporteur on extreme poverty and human rights presented a [report](https://documents-dds-ny.un.org/doc/UNDOC/GEN/G21/093/37/PDF/G2109337.pdf?OpenElement) to the UN Human Rights Council (A/HRC/47/36), making the case and providing a roadmap for a Global Fund for Social Protection. In September 2021, as part of the "new social contract anchored in human rights", in his [report](https://www.un.org/en/content/common-agenda-report/assets/pdf/Common_Agenda_Report_English.pdf) "Our Common Agenda", the United Nations Secretary-General noted that a Global Fund for Social Protection could “support countries in increasing levels of funding devoted to social protection over time” (p. 28).

**4. How does the proposal for a new international financing mechanism in support of the establishment of social protection floors relate to other initiatives?**

In recent months, other initiatives, which are complementary and mutually reinforcing, have been strengthened or developed to mitigate the negative economic and social impacts of the COVID-19 pandemic. In addition, some tools have already been set up, to fulfil some of the functions the Global Fund for Social Protection would be intended to provide. The most significant of such initiatives and tools are the following:

**a) The Global Accelerator for Jobs and Social Protection**

In September 2021, the UN Secretary-General and the Director-General of the ILO [launched](https://unsdg.un.org/sites/default/files/2021-09/SG-Policy-Brief-on-Jobs-and-Social-Protection-Sept%202021.pdf) the initiative to set up the **Global Accelerator for Jobs and Social Protection**. The Global Accelerator includes measures to create at least 400 million jobs – primarily in the green and care economies – through a US$ 982 billion fiscal stimulus plan, in order to respond to the immediate labour market shocks of the crisis onset by the COVID-19 pandemic. It also seeks to raise resources from “a combination of national and international finances” (p. 23) to build social protection floors.

**Both initiatives are complementary and mutually supportive**. They both seek to increase support to beneficiary countries in order to encourage them to invest more in social protection, through a combination of international assistance and cooperation and increased mobilization of domestic resources.The Global Accelerator seeks to extend social protection floors to the roughly 4 billion persons currently not covered by any social protection scheme, particularly in low- and middle-income countries. This is estimated to require the mobilisation of US$1.2 trillion annually, mostly from domestic resources (see the September 2020 report of the ILO, [Financing gaps in social protection](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_755546/lang--en/index.htm)).The Global Fund for Social Protection can make a significant contribution to the mechanisms proposed by the Global Accelerator for Jobs and Social Protection, particularly in order to allow low-income countries to overcome the financing gap they face.

These initiatives aim not to create new institutions, but rather to “enhance multilateral cooperation in the social sphere” (p. 23 of the [policy brief](https://unsdg.un.org/sites/default/files/2021-09/SG-Policy-Brief-on-Jobs-and-Social-Protection-Sept%202021.pdf) presenting the Global Accelerator). The Global Accelerator is planned to benefit from a technical support facility, which would bring together expertise of the UN system, and build on or complement the work of the Joint SDG Fund. The Global Accelerator is also planned to be supported by “a high-ambition coalition of countries, represented by Ministers from relevant fields”. As regards the Global Fund on Social Protection, it [has been proposed](https://documents-dds-ny.un.org/doc/UNDOC/GEN/G21/093/37/PDF/G2109337.pdf?OpenElement) to rely for its implementation on five bodies: a high-level political alliance (building on the existing USP2030 partnership), a board (appointed by this high-level political alliance), a secretariat (which could be located within the ILO Flagship Programme Social Protection for All), a multi-partner trust fund (the existing UN Multi-Partner Trust Fund Office) and an independent accountability unit.

The bodies that are planned by the two initiatives could thus be developed jointly and streamlined, instead of having several parallel bodies working on similar issues. The challenge now is to strengthen those structures – not to weaken or duplicate them – in order to ensure they work more effectively with one another, and to scale up the level of support while ensuring that such support is also adaptive to future shocks.

**The Global Fund for Social Protection and the Global Accelerator can therefore be developed jointly – rather than separately – to support the objectives of both initiatives, which largely overlap when it comes to the social protection component of the Global Accelerator.**

**b) The IMF’s Poverty Reduction and Growth Trust (PRGT)**

The PRGT is part of the funding line of the IMF for low-income countries. It was established as a consequence of the global economic crises of 2007-2009, replacing the Poverty Reduction and Growth Facility (PRGF). The PRGT was intended to provide an enhanced focus on poverty reduction (all countries seeking IMF financial assistance under PRGT must indicate how the program aids poverty reduction and growth); to ensure greater concessionality, with a zero percent interest rate; and to provide a more flexible and streamlined conditionality.

An [assessment](https://www.new-rules.org/storage/documents/enhancing_imf_focus_on_growth_and_poverty_reduction_in_lics.pdf) of 37 PGRT agreements, however, found limited impact on an enhanced focus on growth and poverty reduction compared to the previous PRGF facility programs. Additionally, there continues to be little or no analysis of the likely growth drivers of poverty or distributional impact of the programs, even though reliable tools are available outside the Fund. Moreover, the PRGT has standardized evolutionary changes that had been occurring since the early 2000s. For example, while there have been more steps forward showing increased flexibility by the Fund, most were introduced before the PRGT. **Therefore, the PRGT is not a substitute for the GFSP. In fact, the PRGT's aims could be best achieved through the establishment of the GFSP.**

**c) The IMF's Resilience and Sustainability Trust (RST)**

In April 2022, the IMF Executive Board approved the creation of a new Resilience and Sustainability Trust (RST), to come into effect as of 1st of May 2022. Its intention is  to help low-income and vulnerable middle-income countries address longer-term structural challenges that pose macroeconomic risks, including climate change and pandemics.

The RST aims to amplify the impact of the US$650 billion SDR allocation implemented in 2021 by channeling resources from economically stronger members to countries where the needs are greatest. The aspiration is to build a Trust of at least US$45 billion in resources.

The RST will serve as a third pillar of the IMF’s lending toolkit, in addition to the [General Resources Account](https://www.imf.org/en/About/Factsheets/IMF-Lending)and the [Poverty Reduction and Growth Trust](https://www.imf.org/en/About/Factsheets/IMF-Support-for-Low-Income-Countries). The RST will provide policy support and affordable longer maturity financing – with a 20-year maturity and a 10½-year grace period – to help build resilience against long-term risks to balance of payments stability. About three-quarters of the IMF’s country membership will be eligible for RST financing, including low-income members as well as most middle-income countries and all small developing states.

While it is important to finance adaptation to and mitigation of climate change as well as recovery from the COVID-19 pandemic, as the RST seeks to do, only standing social protection floors, financed through a combination of international and domestic resources (with the financing through domestic resource mobilization increasing gradually), will ensure the long-term resilience to shocks which is required. Therefore, **the RST does not provide a complete answer to the urgent need to finance social protection. In his** [**report**](https://documents-dds-ny.un.org/doc/UNDOC/GEN/G21/093/37/PDF/G2109337.pdf?OpenElement) **on the Global Fund for Social Protection, the Special Rapporteur on extreme poverty and human rights noted that unused SDRs could be dedicated to provide the GFSP with funding, together with other sources as detailed below.**

**5. Which sources of funding could be mobilized to ensure international support for the establishment of social protection floors?**

It is a common misperception that the GFSP should primarily or exclusively be funded through official development assistance (ODA) from OECD countries, the competing with other development priorities. ODA can of course be an important source of funding for the GFSP, but other sources should also be explored.

**a) Official development assistance (ODA)**

Social protection is significantly underfunded in ODA, representing about 1.1% of the total ODA, despite its important multiplier effects and the pledges made in recommendation No. 202 on Social Protection Floors and in the Sustainable Development Goals (Target 1.2).

As noted above, if only half of existing levels of ODA went to support the establishment of social protection floors in low-income countries, that would practically cover the financing gap. In addition, if rich countries were to fulfil their pledge, reiterated in the Sustainable Development Goals (Target 17.2), to raise their ODA levels to 0.70 per cent of their GNI, the additional financing provided would be sufficient to fill the gap.

**b) Special Drawing Rights (SDRs)**

Both the United Nations Conference on Trade and Development ([UNCTAD](https://unctad.org/system/files/official-document/gds_tdr2019_covid2_en.pdf)) and the Commission on Global Economic Transformation ([CGET](https://www.ineteconomics.org/research/research-papers/the-pandemic-and-the-economic-crisis-a-global-agenda-for-urgent-action)) have advocated for expanding the fiscal space of developing countries in order to help them alleviate the impacts of the COVID-19 pandemic by a new allocation of special drawing rights, for the equivalent of $1 trillion to $3 trillion, 39 per cent of which would automatically go to developing countries under the current quota system.

The Commission on Global Economic Transformation explicitly recommends that, since a number of countries are unlikely to use their new allocation of special drawing rights, particularly when they have external balance surpluses, they could make available their allocation to countries in need, including by contributing special drawing rights to the Global Social Protection Fund. This reliance on unsused SDRs would be an essentially costless way to support the fund.

**c) Debt relief and debt restructuring**

Debt restructuring and debt relief could be a way to support developing countries in their efforts to establish social protection floors. As [noted](https://documents-dds-ny.un.org/doc/UNDOC/GEN/N21/194/50/PDF/N2119450.pdf?OpenElement) in 2021 by the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, the constrained fiscal space, sharp contraction of gross domestic product (GDP), increasing expenditures and inadequate condition-free liquidity have pushed countries into further indebtedness, with great consequences for the realization of the human rights of their populations and of the right to development of those countries.

As debt difficulties grow, resources are increasingly diverted to debt crisis containment and management, away from the urgent needs of the poor and vulnerable. This is particularly concerning in low-income countries, small island developing States and middle-income countries, which have been excluded from initial debt service relief.

In its [resolution 46/8](https://documents-dds-ny.un.org/doc/UNDOC/GEN/G21/076/46/PDF/G2107646.pdf?OpenElement) of 23 March 2021, the Human Rights Council recognized that “developing countries require massive liquidity and financing support to deal with the pandemic and its repercussions for the economy and for all human rights, and that debt relief can play a key role in freeing-up resources for sustainable growth and development, including poverty reduction and the 2030 Agenda for Sustainable Development”. Therefore, the Human Rights Council noted, “debt relief measures, where appropriate, should be pursued vigorously and expeditiously, ensuring that they do not replace alternative sources of financing and that they are accompanied by an increase in official development assistance”. Future debt relief and restructuring initiatives could be taken with a view to incentivize poor, heavily indebted countries to invest more in social protection. This source of funding could be included in assessment-based national dialogues led at country level to adopt multi-year action plans for establishing social protection floors, with the support of the GFSP.

**d) Border Tax Adjustments**

The introduction of border tax adjustments, as allowed under Article II:2(a) of the 1994 General Agreement on Tariffs and Trade (GATT) (as incorporated as part of the WTO Agreements), could constitute another souce of funding for an international financing mechanism in support of social protection floors. This is the case in particular of carbon taxes imposed at the border to equalize carbon taxes imposed on domestic producers.

The Carbon Border Adjustment Mechanism (CBAM) [proposed](https://ec.europa.eu/taxation_customs/green-taxation-0/carbon-border-adjustment-mechanism_en) in the EU provides an illustration. Under the CBAM, such taxes would be paid by the importer when products enter the EU. They would be collected by customs for an amount reflecting the price of carbon in the Union combined with a default carbon intensity of the products.

Those new revenues should allow for greater support for climate action and the objectives of the Green Deal, such as the just transition and the decarbonisation of Europe’s economy. They should also allow, however, an increase in the EU’s contribution to international climate finance in favour of Least Developed Countries and Small Island Developing States, which are most vulnerable to climate change, in particular to support them to undergo an industrialisation process based on clean and decarbonised technologies ; as well as an increase in the support of the EU to the establishment of social protection floors and the expansion of their coverage in developing countries, including in particular low-income countries.

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**Mr. Olivier De Schutter** was appointed as the [*UN Special Rapporteur on extreme poverty and human rights*](https://www.ohchr.org/EN/Issues/Poverty/Pages/SRExtremePovertyIndex.aspx) on 1st May 2020. As a political appointee of the UN Human Rights Council, he works on a voluntary basis and is not UN staff. He serves in his individual capacity and is independent from any government or organisation.