



Statement on the development of a new international financing mechanism for social protection

The [Global Coalition for Social Protection Floors \(GCSPF\)](#), comprising more than 100 NGOs and labour organisations, acknowledges recent initiatives taken by the ILO, World Bank, and other development cooperation partners to direct greater international financing towards supporting social protection programs in the context of the ILO Global Accelerator on Jobs and Social Protection.

Such efforts could be a first step towards the creation of an international financing mechanism on social protection, or [Global Social Protection Fund](#), long-promoted by the GCSPF as necessary in order to mobilise and coordinate international financial assistance in order to truly support the development of universal social protection systems, particularly in the global south.

The GCSPF wishes to underline some key specific criteria that need to be met by any kind of international financing mechanism that would be developed: in particular the need for such a mechanism to provide direct support to states with limited financial capacity to extend social protection systems on their own in the short term, in addition to technical support. The GCSPF equally reiterates the need for an inclusive and democratic governance structure for such a fund, enabling the participation of recipient countries and not just donor countries in funding decisions, as well as the meaningful participation of civil society and social partners who represent those that would benefit from social protection extensions.

Context: Major financing gaps for social protection

The Global Coalition for Social Protection Floors (GCSPF) recognises social protection floors as key instruments to realise the UN Sustainable Development agenda, as they are crucial for preventing and reducing poverty, ensuring inclusive economic growth and reducing inequalities amongst all members of society. They are also the tools to ensure States' compliance with their obligations regarding the right to social security included, among others, in the Universal Declaration of Human Rights (Art. 22) and the International Covenant on Economic, Social and Cultural Rights (Art. 9). Nevertheless, major financing gaps persist today that impede countries to improve the adequacy and coverage of their social protection systems. Annually, 1.2 trillion USD is needed to fill the financing gap for low- and middle-income countries, and of that amount, around 78 billion USD is needed to finance social protection in the world's poorest countries.¹ While this latter amount represents only 0.25% of global GDP, this represents 15.9% of the collective GDP of low-income countries and 45% of their collective tax revenue² – an insurmountable burden for them to finance alone without international financial assistance.

At the same time, international financial support to social protection is extremely limited; before the pandemic, only a dismally low average of 1.2% of existing Official Development Assistance (ODA) had been dedicated to social protection globally.³ While ODA has increased somewhat in this area due COVID response measures, the majority of this support went only to temporary emergency measures rather than

¹ ILO (2021) Secretary General's Policy Brief "[Investing in Jobs and Social Protection for Poverty Eradication and a Sustainable Recovery](#)".

² ILO (2020) [Financing Gaps in Social Protection](#).

³ Marcus Manuel (2022) [Assessment of potential increase in domestic and external financing for social protection in low-income countries](#).



strengthening social protection systems. Moreover, worryingly, a number of countries have also cut public spending in social protection in recent years as part of austerity measures. Governments and donors must see social spending as a crucial investment which can yield almost twice its value in economic returns.⁴

Options available – the need for inclusive governance

The GCSPP welcomes efforts to put together a financing mechanism for social protection in the context of implementing the Global Accelerator on Jobs and Social Protection; strengthened international financial assistance is critically needed in order to deliver on the Accelerator’s stated objectives of closing financing gaps and extending coverage to the 4 billion people currently without any social protection.

However, the GCSPP recalls that international support for the expansion of social protection systems should be mainly directed towards supporting national governments, as the key actors for the development of long-term sustainable, inclusive, and universal social protection systems.⁵ Any financial mechanism should be developed to ensure the complete ownership of recipient countries over their social protection systems, involving national governments in decisions around how funding is allocated and how social protection systems should be extended, as well as ensuring broad-based and meaningful societal dialogue on reform priorities, bringing together social partners and civil society. Support should moreover be coherent with internationally-agreed social security standards, including General Comment 19 on the right to social security of the Committee on Economic, Social and Cultural Rights, ILO Convention 102 and Recommendation 202.

The GCSPP therefore considers that any financing instrument to be developed must put in place inclusive governance mechanisms that ensure a fair and balanced decision-making process, particularly regarding the allocation of funds. This process should involve representatives from both donors and recipient countries, which are utilising the resources to enhance their social protection systems. Equal voting rights shall also be a requirement for fair and accountable governance.⁶

At a point where various possibilities for setting up such a financing instrument are being discussed at international level, the main choices currently identified are:

- Using the World Bank’s Rapid Response Mechanism Trust Fund;
- Using existing UN funding architecture through creating a UN Multi-Partner Trust Fund or opening a special window of the UN Joint SDG Fund;
- Combining these two options (World Bank Trust Fund and UN Multi-Partner Trust Fund);
or
- Developing a Financial Intermediary Fund.

The Global Coalition for Social Protection Floors would strongly advise against the use of a World Bank Trust Fund for social protection as it would fail to meet certain essential criteria for a partnership-based financing instrument that is acceptable to the Global South – as indeed equal decision-making power, with more than only limited ‘consultative’ space for civil society’s participation. The GCSPP would also be concerned with situating such a financing instrument directly within the World Bank, given that technical

⁴ ITUC (2021) [Investments in social protection and their impacts on economic growth](#).

⁵ The overall and primary responsibility of the State in expanding social protection is among the agreed USP2030 “[Principles for Financing Universal Social Protection](#)”.

⁶ For an extended discussion of the criteria to be met by the international financing instrument to support social protection in the global south, see: Markus Kaltenborn (2023) [Expanding Global Social Protection – Options for the Design of an International Financing Mechanism](#). FES.



advice from the World Bank on social protection has often run in contradiction to international labour and social security standards.⁷

The development of a special window of the UN Joint SDG Fund or making use of the UN Multi-Partner Trust Fund, while being a more inclusive option in terms of governance, also has some limitations. This is mainly because such UN funds assign the main responsibility for implementing the fund to the respective participating UN organisations.⁸ This would therefore likely restrict the scope of funding to only UN technical support to states, which would not be sufficient on its own to allow states meet the scale of the challenge in terms of financing social protection.

The creation of a new Financial Intermediary Fund would have substantial added value in directing financial support towards states themselves, so that they can extend social protection systems and develop long-term sustainable strategies. If well designed, it could also give the possibility of providing equal representation to Global South countries in their governing bodies, and incorporate civil society into the decision-making process⁹. The creation of such a fund would entail in the short term greater administrative burdens in terms of setting it up as compared to the other three options, as well as a minimum commitment of 200 million USD from development partners. That being said, there are recent examples of successfully setting up such Financial Intermediary Funds, including the Global Fund to Fight AIDS, Tuberculosis and Malaria as well as the Pandemic Fund - which have been able to benefit from financial support from the World Bank as well as from development partner organisations.

In short, while the Global Coalition could be supportive of strengthened finance for UN technical support for social protection through the establishment of such a special window of the Joint SDG Fund or UN Multi-Partner Trust fund, we believe that additional funding through a Financial Intermediary Fund would have substantial added value. The Global Coalition would therefore support a new international financing instrument for social protection through the establishment of a Financial Intermediary Fund.

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⁷ See for instance, Global Coalition for Social Protection Floors (2022) [Response to the World Bank's Social Protection and Jobs Compass](#).

⁸ Markus Kaltenborn (2023) [Expanding global social protection – options for the design of an international financing mechanism](#).

⁹ Ibid.