Investing more and better in social protection

Social Protection and PFM course

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What do we know?

- Social protection: a human right, an economic necessity, a catalyst for many SDGs
- **4 billion people** live without any social protection
- COVID-19 highlighted the need for Universal Social Protection (USP)
- Risk of divergence in recovery
- Achieving USP and closing financing gaps: a priority for the ILO and the United Nations
What is our vision?

- Expanding social protection to those who are left behind
- Closing the coverage gap is not possible without additional investments
- To achieve USP a system’s approach to social protection is needed
Low-income countries would need to invest an additional **USD 78 billion** (15.9% GDP) to close the annual financing gap in 2020.

The financing gap in low and middle income countries represents **USD 1.2 trillion** (3.8% GDP).

**Sub Saharan African countries** invest today 5.6 per cent of their GDP on social protection. They should add 8.2 per cent, to close the financing gap, or **multiply by 2.5** their current investment.

<table>
<thead>
<tr>
<th>Area</th>
<th>Total gap (billions of US$)</th>
<th>Total gap (% GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All low- and middle-income countries</td>
<td>1,191.6</td>
<td>3.8</td>
</tr>
<tr>
<td>Low-income countries</td>
<td>77.9</td>
<td>15.9</td>
</tr>
<tr>
<td>Lower-middle-income countries</td>
<td>362.9</td>
<td>5.1</td>
</tr>
<tr>
<td>Upper-middle-income countries</td>
<td>750.8</td>
<td>3.1</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>136.9</td>
<td>8.2</td>
</tr>
</tbody>
</table>
How to finance it?

- Domestic resources in middle income countries
- International finances to complement and support domestic resource mobilization efforts in low income countries

Illustration: financing needs for a social protection floor in low income countries: possible avenues for filling the gap
Domestic Resource Mobilization

- **Improve governance** (compliance), curb tax avoidance, fraud, evasion
- Expand contributory social security to workers in the **informal economy** (Algeria, Rwanda)
- **Reallocate** public expenditure (fuel subsidies)
- **Tax reforms** (Botswana, Zambia, Egypt, Ghana)
- **Discussions** with Ministries of Finance (Mozambique (diagram)); **INFF** processes
- Ambition of EC INTPA project

Increasing fiscal space for social protection in Mozambique
International sources of financing

- **Complement** not substitute
- **Aligned** with national social protection strategies (not parallel programmes)
- **Support** domestic resource mobilization (capacity building, technical cooperation) for long term sustainability
- Example of Kenya, Jordan, Lao PDR

Kenya increased domestic financing from 6.6 to 66 percent of its social protection budget
An enabling environment for domestic resources mobilization

- Major reform of the international tax system – taxation @ 15% of MNEs
- Debt Service Suspension Initiative – benefiting 73 LICs, until December 2021
- New allocation of US$ 650 billion of Special Drawing Rights - improve the balance of payments of development banks, finance recovery and development
- Need to meet ODA commitments (0.7% of GNI) and increase share for social protection (less than 2% today)
- Private sector’s legal obligations and ESG commitments (e.g. Call to Action and bridging solution in Bangladesh)
Not only more but also better investments in social protection
Box 3: Guiding principles - Social Protection Floors Recommendation, 2012 (No. 202)

“3. Recognizing the overall and primary responsibility of the State in giving effect to this Recommendation, Members should apply the following principles:

(a) universality of protection, based on social solidarity;
(b) entitlement benefits prescribed by national law;
(c) adequacy and predictability of benefits;
(d) non-discrimination, gender equality and responsiveness to special needs;
(e) social inclusion, including of persons in the informal economy;
(f) respect for the rights and dignity of people covered by the social security guarantees;
(g) progressive realization, including by setting targets and time frames;
(h) solidarity in financing while seeking to achieve an optimal balance between the responsibilities and interests among those who finance and benefit from social security schemes;
(i) consideration of diversity of methods and approaches, including of financing mechanisms and delivery systems;
(j) transparent, accountable and sound financial management and administration;
(k) financial, fiscal and economic sustainability with due regard to social justice and equity;
(l) coherence with social, economic and employment policies;
(m) coherence across institutions responsible for delivery of social protection;
(n) high-quality public services that enhance the delivery of social security systems;
(o) efficiency and accessibility of complaint and appeal procedures;
(p) regular monitoring of implementation, and periodic evaluation;
(q) full respect for collective bargaining and freedom of association for all workers; and
(r) tripartite participation with representative organizations of employers and workers, as well as consultation with other relevant and representative organizations of persons concerned.”
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A Global accelerator for jobs and social protection

- Fiscal space
- PES
- TVET
- MSME
- USP
- Green jobs
- Care economy

1. Green jobs
2. Productivity, formalization, Sustainable enterprises
3. Jobs rich growth, Green and just transition
4. Jobs rich growth, Gender equal transition

- Poverty reduction, Health, education
- More national revenue and fiscal space

- Health, education
- Sustainable enterprises
- Gender equal transition

- Green and just transition
- Productivity, formalization
- Employment and poverty reduction
Three pillars

1. INTEGRATED NATIONAL STRATEGIES AND POLICIES
   - Strategies & policies in jobs and social protection
   - Domestic resources mobilization, INFFs

2. LEADERSHIP BY THE ILO
   - Technical support facility
     - Data collection
     - Technical support
     - Capacity building
     - Results monitoring

3. ENHANCED MULTILATERAL COOPERATION
   - High-ambition coalition of countries*
   - Multilateral forum

Boost national commitments

Align international financial and technical assistance

Boost international commitments

- ODA commitments
- SDRs allocations
- Partnerships with MDBs
- Debt relief programmes
- Private sector

Technical Support Facility: US$ 600 million

Jobs: US$ 982 billion
Social Protection: US$ 1.2 trillion / year

* Selected countries, Ministers of Finance, Planning, Labour

Technical Support Facility: US$ 600 million

ilo.org
A mechanism to mobilize and channel resources to provide basic social protection floors for all and create jobs

Meeting of Heads of State and Government on Jobs and Social Protection for Poverty Eradication

Press Conference (28 September 2021)
https://www.youtube.com/watch?v=-PmFn6f5CaI
Thank you for your attention