



Global Coalition for **SOCIAL PROTECTION FLOORS**

“Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.”

The Universal Declaration of Human Rights (1948), Art.22

A Global Financing Mechanism for Social Protection

A proposal for the decade of action on the Sustainable Development Goals 2020-2030

More than two thirds of the world’s population are still denied a life in dignity and social security: the GCSPP calls for action on social protection financing to deliver on the human right to social protection and the international commitment to guarantee social protection floors for all (SDG 1.3) at a time when the world is richer than ever before.

1. Proposal

The central idea of this proposal is to create a solidarity based Global Financing Mechanism for Social Protection to support countries design, implement and, in specific cases, finance national floors of social protection. Social Protection Floors (SPFs) are a direct and fast-acting mechanism to reduce poverty that can save millions of lives and alleviate misery in further millions of cases.

2. Background

In June 2012 the global community of nations decided that all countries should ensure that all people have access to at least a floor of social protection. The members of the International Labour Organisation have adopted the ILO Recommendation No. 202 on National Floors of Social Protection. According to R.202 national social protection floors “ensure that all in need have access to essential health care and basic income security which together secure effective access to goods and services defined as necessary at the national level”. The Recommendation also puts the floors of protection into the context of wider social security extension strategies that countries are required to adopt.

In Agenda 2030 the international community reconfirms their commitment to “implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable” (SDG 1.3).¹

However, the gap is still large. 71 per cent of the world’s population are not, or only partially, covered by social protection.² What is necessary at this stage is a dedicated financing mechanism that enables the global community of nations to systematically, consistently and sustainably support national efforts to reduce poverty, insecurity and inequality through social protection. This gap could be filled by a Global Financing Mechanism for Social Protection.

3. Mandate

A Global Financing Mechanism for Social Protection Floors should be accessible for countries that need support to introduce or complete social protection floors or to sustain and expand protection in times of crises. While generally the financing of national social protection systems has to come from national budgets, there are countries where the support for the set-up of national social protection floors and co-financing of the international community is needed due to the high relative cost in relation to their current tax revenues³.

The Mandate of the Fund should include

- a) Technical support to introduce or complete social protection floors and to develop their preparedness to sustain and expand in times of crises;
- b) Co-financing of social protection floor transfers, in cases where low-income countries would require a prohibitive high share of their total tax revenue to do so, while global tax co-operation and harmonization contribute to increase national fiscal space in the long run;
- c) Co-financing of social protection floor transfers in times of crises (e.g. natural disasters, reception of large numbers of refugees, economic crisis).

The Global Financing Mechanism does not resemble a vertical fund. Its mandate consists in building up and strengthening universal national social protection systems. A global financing mechanism able to back up national social protection floor guarantees in exceptional situations allows states to adopt rights-based social protection systems without having to fear that adopting such systems might prove fiscally unsustainable in the face of shocks.⁴

4. Governance

The governance structure of a Global Financing Mechanism for Social Protection Floors should be based on the principles of the Global Partnership for Effective Development Co-operation as defined

¹ The African Union also explicitly supports the SPF-concept in its Agenda 2063, Framework Document, The Africa We Want, 2015, p. 34, <http://www.un.org/en/africa/osaa/pdf/au/agenda2063-framework.pdf>.

² International Labour Office (2017), World Social Protection Report 2017-19.

³ Neither on the national nor on the international level social protection can be financed without generating and safeguarding sufficient tax revenue. States offer competing tax incentives to foreign investors and contribute to a fiscal ‘race to the bottom.’ This often erodes national tax bases in those countries where resources to cover social protection floors are already scarce. To effectively protect and enhance national fiscal space, regulation and enforcement on international level is inevitable

⁴ See for more details De Schutter, O. & Sepúlveda, M. (2012), Underwriting the Poor. A Global Fund for Social Protection, Briefing note, http://www.ohchr.org/Documents/Issues/Food/20121009_GFSP_en.pdf

in the Busan Partnership Agreement of 2011 and its predecessor documents.⁵ This means above all that the principle of country ownership must be strictly adhered to. The decision as to what kind and with which priorities social protection programs are to be implemented has to remain the responsibility of the governments of the recipient countries. Moreover, wherever possible, existing structures in the respective country should be used for the administrative implementation of these programmes. It is therefore not advisable to provide the new facility with its own implementation units. In fragile states where the government itself has no means of implementing social protection programs, the Global Financing Mechanism will coordinate with development and humanitarian aid organizations active in the country so that the financial resources can be used effectively for the benefit of the population and contribute to build up sustainable national institutions.

Another key principle of the aid effectiveness agenda which needs to be observed when designing the governance structure of the Global Financing Mechanism is the principle of accountability. In this regard, it is important to ensure that not only the partners involved in the establishment of the new facility are mutually accountable, but that this accountability also exists towards the people who are to be covered by the social protection floors. This leads to the following two consequences: On the one hand, it must be ensured that donor and recipient states are adequately represented in the highest decision-making body of the organization, the board, and that civil society organisations representing the affected population are also included in this body. On the other hand, the establishment of effective control and monitoring procedures is necessary. These include both internal and external audits, as well as evaluation and complaint mechanisms.

In addition to the Board, committees can be set up to deal with specific issues relating to the activities of the Global Financing Mechanism. The administration is carried out by a secretariat which could for example be hosted by the ILO.

5. Financing

A number of studies have shown that most countries can afford to finance a national social protection floor by their own means. The most comprehensive information of the financial size of national social protection gaps - the absolute minimum of resources required to close gaps in the financing of social protection floors – comes from a recent update of the Social Protection Floor Index, a monitoring tool developed by the Friedrich Ebert Stiftung on behalf of the Global Coalition for Social Protection Floors (GCSPF)⁶. The study provides estimates of the financial size of protection gaps in form of an Index that indicates the total minimum necessary additional expenditure for social protection transfers in cash and in kind. These figures provide an indication of the dimension of the financial challenge that countries may face when seeking to close the gaps in their social protection floors. Importantly, the results indicate that some level of effective social protection is affordable everywhere. The Index shows that 107 countries studied could close the gap to a minimum income level of 1.9\$ per day (2011PPP) by devoting less than 2 percent of their GDP to social protection. 133 countries could do so with less than 5 percent of GDP.

Presently only about 10 countries have gaps larger than 10 per cent of their GDP, and are deemed to require international assistance to finance minimum social protection. A global fund to foot about 50 percent of these countries' social protection bills would need \$10 billion to \$15 billion annually. That

⁵ <http://effectivecooperation.org/about/principles/>.

⁶ See Bierbaum, M. et al. (2020). Social Protection Floor Index – Update and Country Studies, FES Berlin.

is equivalent to about 0.9 percent of the about \$1.7 trillion in annual global military spending, as calculated by the Stockholm International Peace Research Institute - a solidarity investment that would yield a much higher peace dividend than the military spending.

The required resources could come from a combination of different sources. Some options are:

- a) Earmarked global, international or national sources, e.g. national, regional or global financial transaction taxes (FTT), arms trade tax, carbon taxes, air ticket solidarity levies, levies on profits of international companies etc.
- b) Development aid and funds for emergency response.

As national social protection budgets need to be fiscally sustainable to provide all residents with adequate social protection in all challenging situations over the life cycle, an international financing mechanism has to count on reliable funds and provide for crises situations.

6. Potential impact

The co-financing of the Global Financing Mechanism for Social Protection, if only channelled to the 10 countries that would need more than 10 per cent of their GDP to guarantee basic social protection to all,⁷ would help to pull about 132 million people out of abject poverty and social insecurity. Technical assistance in further countries which would lead to the set-up or completion of nationally financed social protection floors within a medium term timeframe will reduce poverty by many more millions of people. Social Protection boosts opportunities for inclusive economic development and social cohesion.

Furthermore, the Global Financing Mechanism for Social Protection would also have an important task in crisis situations. Even countries that already have functioning and adequately funded systems in place may be forced by external shocks to temporarily reduce or even completely suspend benefits. The need to extend programmes to additional groups or to increase benefits may arise. Such crises can, for example, be triggered by natural disasters or epidemics. A temporary weakening of social protection systems can also be caused by international economic crises. During humanitarian disasters some countries accept large numbers of refugees within a short period of time. This can be a further reason why a country's social protection system is not able to cope with the additional needs. In such situations, which would mean the loss of basic protection for many millions of people, the Global Financing Mechanism could stabilise social protection programmes in partner countries and cover the increase in the social protection gap caused by external shocks.

Effective Social Protection Floors provide access to essential health care and livelihood security in individual and collective crisis situations. Social protection thus protects the human rights of each individual, but at the same time has important impacts on society, in good times, but even more strikingly in times of crisis. In the case of Covid-19 for example access to health for all is essential to contain the pandemic within the country and globally. Only the access to social protection enables low-income groups (including those belonging to the informal sector) to stay away from work and thus contribute to reduce number of infections. It is also the only viable way to protect more vulnerable families with children, persons with disabilities and older people in such times of crisis.

⁷ According to Bierbaum, M. et al. (2020). Social Protection Floor Index – Update, FES Berlin these are: Benin, Togo, Niger, Guinea-Bissau, Malawi, Mozambique, Madagascar, Congo (Dom.Rep.), Burundi, Central African Republic.

Counter-cyclical social protection measures reduce the depth and duration of economic recession. A world with social protection and access to health for all could face future crises in a different way.

It is time to act: found and fund a Global Financing Mechanism for Social Protection

The global pandemic caused by Covid-19 virus illustrates more drastically than ever before that there is an urgent need to set up an international financing mechanism that will enable the poorest countries to implement at least social protection floors (access to essential health care for all and income security for children, persons in active age and older people) and to maintain these services even in times of severe crisis.