

LABOUR AND SOCIAL JUSTICE

# CREATING FISCAL AND POLICY SPACE

A pragmatic two-pronged global implementation strategy for universal social protection

**Michael Cichon and Hajo Lanz**  
February 2022



The authors suggest a simple, feasible, pragmatic and affordable global strategy to support the attainment of social protection for all as a central means to combat poverty, inequality, insecurity and ill health; the strategy involves:



Establishing a new international standard of universal social protection or universal social protection floors to extend the policy space for social protection on the national level and



Pivotal, targeted support for the temporary extension of national fiscal space for social protection in the poorest countries through a Global Fund for Social Protection or a similar financing facility.

LABOUR AND SOCIAL JUSTICE

# CREATING FISCAL AND POLICY SPACE

A pragmatic two-pronged global implementation  
strategy for universal social protection

## **A policy proposal**

This note for discussion is largely based on a number of recent briefing notes and papers, such as Cichon 2019: »*Let Us Walk the Talk: the Right to Social Security and Social Protection – the Case For a New International Convention*« in *Polityka Społeczna* 46/1 (2019), pp. 31–36, a non-paper »*A new ILO Convention on social protection and national social protection floors?*« circulated at the International Labour Conference in June 2021 and an opinion piece, »*The vaccine against poverty, inequality and insecurity needs a stronger prescription*« of 17/02/2021; available at: <https://www.developmentpathways.co.uk/blog/the-vaccine-against-poverty-inequality-and-insecurity-needs-a-stronger-prescription/> (last accessed 17.01.2022).

## 1. BY WAY OF INTRODUCTION: BACKGROUND<sup>1</sup>

Global society still faces an enormous social challenge. More than 50 per cent of all people on the planet are living in conditions of total social insecurity (i. e. without being protected by any social protection benefit) and not even 30 per cent of all vulnerable people receive some form of poverty relief social assistance<sup>2</sup>. Prior to the COVID-19 pandemic about 9.3 per cent of the global population lived, which was the equivalent of about 700 million people, in extreme poverty while 1.8 billion or 24 per cent lived on less than 3.20 US dollars PPP (purchasing power parity)<sup>3</sup>. Due to the global pandemic, these indicators have been worsening and are continuing to worsen. Together with other development indicators, this points to a simple fact: despite alleged progress over recent decades the world remains a pretty miserable place for at least half of its population.

People have known for centuries what can be done to improve things. Well-functioning, rationally designed and financed social protection systems are powerful and fast-acting tools against the social fall-out of four of the main plagues of human societies, namely poverty, inequality, insecurity and avoidable ill health. This role is of particular importance during global and national economic, social, environmental and health crises, as the COVID-19 crisis has shown. Over the past year, governments around the world have stressed the pivotal role of social protection during national and global crises. About 93 per cent of all countries have adopted social protection measures to cope with the social consequences of the crisis. Many of these were ad hoc measures that had to be adopted because regular social protection schemes were not in place. Compared to established systems (that simply need to be expanded in times of crises), the effectiveness and efficiency of such ad hoc measures is often limited. Introducing social protection systems before a crisis hits is thus an important element of national crisis preparedness.

As a direct consequence of the last global crisis (i. e. the global financial crisis of 2007–08), the global community of nations decided in June 2012 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.«<sup>4</sup> The recommendation also puts the floors of protection into the context of wider social security extension strategies that countries are required to adopt, and it sets out a canon of 19 principles that national social protection systems should adhere to. These principles range from *inter alia* the primary responsibility of the state for social protection, to the universality of protection, benefits to be prescribed by law and non-discrimination, to financial, fiscal and economic sustainability. Often overlooked, Recommendation No. 202 thus sets out a comprehensive »quasi-constitutional« framework for national social protection systems that aspire to be based on the Human Right to Social Protection.

With the adoption of the 17 Sustainable Development Goals in 2015, the international community reconfirmed its commitment to universal social protection as a global objective, mainly through the goals 1 and 3 and notably the targets 1.3, »implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable« and 3.8, »Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.«

However, even if substantial progress has been made on social protection in a number of countries in recent decades, ten years after the adoption of R.202, the global social protection gap is still large. 71 per cent of the world's population is not, or is only partially, covered by social protection.<sup>5</sup> According to ILO estimates,<sup>6</sup> that coverage gap translates into about 2.5 trillion US dollars for all low-, lower- and middle-income countries that would be needed to close it. Hence, in monetary terms the global protection gap is equivalent to about three per cent of the global GDP. In order to realize the Human Right to Social Protection on a sustainable basis, most of that gap (in fact, probably more than 95 per cent) has to be closed by national resources. Only a small proportion of the necessary investment in social justice may have to be shouldered in solidarity by the global community to give every society the chance to rapidly introduce basic social protection floors consisting of a minimum level of income security and access to essential health care for all people. In recent years, it has also been shown regularly<sup>7</sup> that at least a minimum level of universal social protection is affordable in all countries, except probably about a dozen of the poorest that would require temporary international assistance.

<sup>1</sup> The text of the background section is largely based on: Global Coalition for the Social Protection Floors (GCSPF).2020. *Civil Society Call for a Global Fund for Social Protection to respond to the COVID-19 crisis and to build a better future*; available at: <http://www.socialprotectionfloorscoalition.org/civil-society-call/> (last accessed 17.01.2022) and earlier sources from the Global Coalition and the FES.

<sup>2</sup> See ILO.2021. World Social Protection Report 2020–22, pp. 46 to 48, Geneva 2021.

<sup>3</sup> World bank data available at <https://data.worldbank.org/topic/poverty>.

<sup>4</sup> Available at: [https://www.ilo.org/dyn/normlex/en/f?p=NORML-EXPUB:12100:0::NO::P12100\\_INSTRUMENT\\_ID:3065524](https://www.ilo.org/dyn/normlex/en/f?p=NORML-EXPUB:12100:0::NO::P12100_INSTRUMENT_ID:3065524) (last accessed 17.01.2022).

<sup>5</sup> International Labour Office (2017), World Social Protection Report 2017-19.

<sup>6</sup> See Durán-Valverde, F. et al. (ILO). 2020. *Financing gaps in social protection: Global estimates and strategies for developing countries in light of the COVID-19 crisis and beyond*. Geneva 2020.

<sup>7</sup> See *inter alia* FES.2019. *From international ivory towers to national realities: The challenge of creating national social dialogues for social protection floors 2019*, FES, Berlin 2019, chapters 2 and 3.

## 2. A POSSIBLE TWO-PRONGED STRATEGY FOR CLOSING THE BASIC PROTECTION GAP

To make universal social protection for all people a global reality, concrete measures of global governance can accelerate the closure of the global social protection gap. Two important global governance measures have already been taken. First, global goals for achieving social protection for all have already been set through R.202 and the SDGs. That was an important policy step. However, global goals, as the fate of the predecessor goals to the SDGs – i.e. the Millennium Development Goals (MDG) – has demonstrated, are soft governance tools, because they outline ambitions rather than binding obligations of UN member states. Their realization depends primarily on the goodwill or, better, the political will of nation states. There are no real sanctions associated with failing to achieve the goals and targets on the national level. Secondly, global technical co-operation in social protection (including investments in health systems<sup>8</sup>) has increased over the past two and a half decades as indicated by an increasing share of Official Development Aid (ODA) allocated to social protection and health systems. Total ODA of OECD countries for health and social protection reached a level of about 4.3 billion US dollars, or (still only) about 3.8 per cent of all official development aid, in 2018. During the COVID-19 crisis, that expenditure level has probably stagnated or even contracted. The international community has thus invested more in sharing know-how in the design, operation and financing of national social protection systems than during the decades before the 1990s. In fact, substantial advisory capacity has been built up in the UN system, including the ILO, UNICEF and FAO, and in the international financial institutions (notably the World Bank) as well as major international civil society organizations (such as, e.g., Helpage, Save-the-Children et al.). Technical and policy advice is unfortunately not always compatible, and sometimes even contradictory, because it is often marked by ideological differences between advising institutions, even if, since 2012, first steps have been taken to improve the co-operation and coordination of technical and policy advice.

What is missing for a concrete move from ambition and advice to action is the translation of global goals into realistic national action. International institutions and agencies have limited political and financial means to support such moves on the national level. In view of the huge financial size of the global social protection gap, the present amount of global ODA devoted to social protection is minute. It is thus of paramount importance to use the resources in a pivotal and pragmatic way to leverage national and global policy changes in social protection. It is argued here that there are two efficient and by-and-large low-cost seed initiatives that the global group of international agencies, national donor organizations and international civil society

organizations advocating for social protection can pursue in addition to their present activities in social protection. They can support the creation of policy space for the development of social protection and the creation of fiscal space on the national level in countries where such support is objectively needed.

### 2.1 Supporting the creation of national policy space

Historically, improvements of national social protection systems were most often implemented when concrete and feasible improvements were demanded by the public or specific pressure groups and hence the political will in a society was created.

It is debatable whether international agencies should seek to influence national political will, even if this improves the well-being of people. However, it stands to reason that international institutions should share know-how and develop tools that facilitate the emergence and formulation of national political will and fulfill their internationally defined mandates to do so.

As said above the sharing of know-how is already ongoing and advisory capacities have been built up. What is underdeveloped is the setting and forceful promotion of politically powerful international standards for social protection. Since its inception in 1919, the ILO has issued social protection standards. These standards consist of conventions and recommendations. Recommendations do what their name says, they recommend certain actions to governments but do not sanction non-adherence. Conventions, on the other hand, can be ratified by countries. Consequentially their requirements (e.g. in terms of the adequacy and coverage of national social protection systems) become (or should become) binding national law. The UN has a similar standard-setting capacity. The Convention on the Rights of Persons with Disabilities (CRPD) may serve as an example here. However, the enforcement mechanisms of UN conventions are virtually nonexistent, even if the implementation of the Conventions is internationally monitored. ILO supervision is more powerful but, again, real sanctioning of countries is at best a cumbersome process.<sup>9</sup> Nonetheless close monitoring of the implementation of ratified conventions can exercise considerable soft power by naming and shaming countries for failing to comply with a ratified convention. The initiation of lawsuits by individual or interest groups on the national level against government violations of a convention that has been ratified, and has consequently entered into force, may also force governments to adhere to their internationally accepted obligations.<sup>10</sup>

<sup>8</sup> ODA investment in health systems does not include direct financing for health care delivery (such as vaccination campaigns), international aid agencies or international charities.

<sup>9</sup> Real punitive action has been applied only once in the 100-year history of the ILO. In 1999, the International Labour Conference excluded Myanmar from any meetings or technical assistance because it failed to act on the recommendations of an investigation that found evidence of »widespread and systematic use« of forced labor by the authorities, especially on infrastructure projects.

<sup>10</sup> Or in the worst case, it can lead to the denunciation of a convention by the government in question.

International standards seek to protect national populations, but they also create internationally accepted benchmarks and guidance for the formulation of political will in a society. They thus create policy space that civil society and other interested parties can use to convince governments and parliaments to take action on internationally accepted and recommended levels of social protection. They thus provide a political shield for national efforts to create political will.<sup>11</sup> Policy space is the prerequisite for the formulation of political will; in most countries – except perhaps the poorest low-income countries – political will will create fiscal space; and fiscal space is the prerequisite for the realization of political will.

## 2.2 Creating fiscal space in the poorest developing countries

What allegedly is often also missing for the extension and improvement of national social protection systems is sufficient fiscal space. This is as much a myth as it is a killer argument. Since about the middle of the 2000s, many estimates and real-life experiences have demonstrated that most countries can afford a minimum level of social protection and only a few will probably need international support. The financing of a national social protection system in most countries simply translates into the creation of the political will to use existing or »mobilizable« new resources for social protection rather than other purposes. However, there are a few countries – probably half a dozen or so – where the resources needed to close the protection gap are realistically beyond reach for years to come. Due to the high relative cost of effective social protection floors in relation to their current tax revenues, these countries require temporary co-financing by the international community while they are pursuing all options to expand national fiscal space.

What is missing at this stage is a dedicated financing facility that enables the global community of nations to systematically, consistently and sustainably support national efforts in poorer countries to reduce poverty, insecurity and inequality through social protection.

Hence, the global Coalition for Social Protection Floors, a coalition of more than 100 civil society and faith-based organizations and trade unions has called on governments worldwide to ensure – through national and global solidarity – that financing for social protection floors is made available to all people with the help of a Global Fund for

Social Protection.<sup>12</sup> Already in 2002<sup>13</sup> the ILO's Social Security Department proposed a »Global Social Trust« and in October 2012 the UN rapporteurs for the Right to Food and Extreme Poverty have jointly called for a Global Fund for Social Protection.<sup>14</sup> The UN rapporteur for Extreme Poverty and Human Rights has just renewed that call.<sup>15</sup>

The two following sections set out the key characteristics of the two core elements for a suggested global strategy to achieve universal social protection.

## 3. A NEW CONVENTION FOR SOCIAL PROTECTION FLOORS

A new convention on social protection or better social protection floors could be set by the UN or by the ILO. Due to the fact that the ILO has already a body of up-to-date and rather detailed social security conventions and has issued the latest recommendation on social protection floors, it seems more logical the issuance of a modern social protection convention should be pursued by the ILO. Should that not be possible, the process could be moved *mutatis mutandis* to the UN.

ILO Recommendation No. 202 requests that all countries should (a) make a basic level of social protection (the social protection floor) available to all and that (b) upon that foundation higher levels of social protection should be built for as many people as soon as possible. R.202 also stipulates that social protection systems should be governed by 19 principles ranging from the overall responsibility of the state for the functioning of the social protection system, universality of protection, benefit to be defined by law, adequacy, non-discrimination and respect for the dignity of recipients, to regular monitoring and evaluation. According to R. 202 national social protection floors should comprise at least the following four social security guarantees:

- access to a nationally defined set of goods and services, constituting essential health care, including maternity care, that meets the criteria of availability accessibility, acceptability and quality,

<sup>12</sup> The text of the background section is largely based on: Global Coalition for the Social Protection Floors (GCSPF).2020. *Civil Society Call for a Global Fund for Social Protection to respond to the COVID-19 crisis and to build a better future*: available at: <http://www.social-protectionfloorscoalition.org/civil-society-call/> (last accessed on 17.01.2022) and earlier sources from the Global Coalition and the FES.

<sup>13</sup> See INTERNATIONAL LABOUR ORGANISATION GB.285/ESP/4 285th Session Governing Body Geneva, November 2002: *Exploring the feasibility of a Global Social Trust – Report on the results of a feasibility study and the recommendations of an Interregional Meeting of Experts* (Geneva, 14-16 May 2002).

<sup>14</sup> De Schutter, O., and Sepulveda, M. 2012. A Global Fund for Social Protection (GFSP), Executive Summary October 2012.

<sup>15</sup> See Human Rights Council. Forty-seventh session. 21 June–9 July 2021. *Global fund for social protection: international solidarity in the service of poverty eradication*, Report of the Special Rapporteur on extreme poverty and human rights, Olivier De Schutter.

<sup>11</sup> Furthermore, they help to create a level playing field for countries and economies that compete (often on low labor costs and tax rates) in the global markets. However, that discussion is beyond the scope of this paper.

- basic income security for children, at least at a nationally defined minimum level, providing access to nutrition, education, care and any other necessary goods and services;
- basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and
- basic income security, at least at a nationally defined minimum level, for older persons.

The term »guarantees« underlines that the focus is on the outcome in terms of social security that can be achieved by different types of benefits and different types of schemes (i.e. social insurance, social assistance or labor market measures). Most importantly, however, R. 202 clearly formulates a protection objective: According to Article 4 of the recommendation, »these guarantees should 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.«

Three years after the adoption of R.202, the concepts of social protection floors and universal social protection were incorporated into the Sustainable Development Goals in 2015 (notably in target 1.3 on universal social protection and target 3.8 on universal health care).

## WHY IS A NEW CONVENTION NEEDED?

ILO R.202 has succeeded in raising the awareness of the role and affordability of social protection in most countries, but it remains – as the name says – a recommendation to all ILO member states to adhere to the concept, principles and strategy of R.202. As a recommendation, R.202 cannot be ratified by countries and its content thus does not automatically become binding national law. Member states are not obliged to directly include its content and principles in national legislation. A recommendation can easily be shelved and forgotten. That happened, *inter alia*, to the path-breaking ILO Recommendations R.67 and 69 on income security and medical care of 1944 – formulated amidst the biggest global political crisis of the 20th century – which de facto established the principle of universal social protection, sixty-eight years before R 202.

On the other hand, once a convention is adopted by the International Labour Conference, member states are required by the ILO Constitution to *submit* it to their parliaments within a period of twelve months for *ratification*. If it is ratified, a convention generally comes into force for that country one year following the date of ratification. Ratifying countries undertake to apply the Convention in national law and practice and to report on its application at regular intervals.<sup>16</sup>

A globally adopted convention is a powerful orientation for formulating national policies. If a Convention on Social Protection existed, its ratification could be negotiated in national policy dialogue processes on social protection in all countries with gaps in basic social protection. The processes of negotiating national ratifications could be slow. It can take years of concrete analytical and legal work, since social protection needs and gaps have to be identified and solutions to be developed and estimates of their costs made; laws have to be reviewed and necessary changes have to be negotiated during that process. Regardless of their legislative outcomes, these awareness-raising processes keep social ambition on the »front burner« of national policy debates and hence embody a value in themselves.

A convention would not lose its normative power for a long time. The still increasing number of ratifications of ILO Convention C.102 on minimum standards of social security of 1952 (which defines minimum benefit standards for formal sector workers but does not yet require universal protection) shows that, even almost 70 years after its adoption, that Convention is still relevant. For example, it took years, if not decades of discussions between the government and social partners of the Russian Federation until the country finally adopted Convention No. 102 in 2019. And it was only in October 2021 that Paraguay finally adopted C.102. There are few other policy instruments that have the power to channel and guide national policy debates on social protection for decades. Global Development Goals, for example, have a shelf life of a maximum of 15 years before they have to be renegotiated.

As already said, most champions of social protection at the national and international level have very few instruments at their disposal to trigger positive developments in social protection. Standards of good, globally accepted and negotiated practice – and that is what ILO Conventions are in effect – are one such instrument. Once a country has ratified a convention and its content has become binding law, governments are forced to ensure the respective allocation of budgetary resources to ensure its implementation and hence create and maintain the necessary fiscal space.

After the adoption of a convention, all national social protection policies would also be subject to the ILO supervisory mechanism, which would require all ILO member states to report at regular intervals on why they either cannot ratify the convention or in which way they comply with the Convention. This would ensure that universal social protection would remain on the national policy agendas and hence that it would not easily drop off the development agenda completely in the years and decades to come.

## WHAT COULD BE THE CONTENT OF A NEW CONVENTION?

The new Convention could build on the already agreed-upon language of up-to-date ILO social security instruments (i.e. R.202 and up-to-date conventions on minimum bene-

<sup>16</sup> See <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/international-labour-standards-creation/lang--en/index.htm> (last accessed on 17.01.2022).

fit and coverage standards of individual branches of social security). It could be a brief policy convention that basically demands that ratifying countries should

- adhere to the objectives and principles of ILO Recommendation R. 202 on social protection floors of 2012 and
- as soon as feasible ratify the higher-level up-to-date ILO Conventions on social security (notably its flagship Convention C. 102 on minimum standards of social security).

Even in the complex language of international law that should not take much more than a page or two. In that way, the new convention would in fact strengthen existing ILO instruments (i. e. R.202 and other up-to-date ILO conventions) and would turn them in their entirety into elements of a comprehensive and logically coherent social protection strategy that would cater to all people in »normal« times and times of crisis. The convention would also provide a global umbrella that is fully compatible with existing or planned regional legal instruments or policy frameworks, such as the African Union draft protocol to the *African charter on human and people's rights on the rights of citizens to social protection and social security* or the *ASEAN Declaration on Strengthening Social Protection* of 2016.

#### 4. A GLOBAL FUND FOR SOCIAL PROTECTION

The Global Coalition for Social Protection Floors, the UN Rapporteur for Extreme Poverty and Human Rights and the International Trade Union Confederation (ITUC) propose to create a solidarity-based Global Fund for Social Protection<sup>17</sup> to support countries to design, implement and, in specific cases, finance national floors of social protection. The International Labour Conference<sup>18</sup> has asked the ILO in June 2021 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

<sup>17</sup> The ILO first explored the idea of a Global Fund for Social Protection (called Global Social Trust) in 2002. A major feasibility study was undertaken, the governing body authorized the DG of the ILO in November 2002 to »establish a Global Social Trust pilot project,« and it closely supervised its implementation. The pilot project was successful in partnering two countries (Luxembourg and Ghana) and delivering maternity-related benefits to women in rural Ghana; but it was less successful in collecting individual contributions that were supposed to finance the project. Funding ultimately came from Trade Union resources for development aid. One of the conclusions from the project was that crowd funding alone is not likely to provide stable resources for a Global Fund without major investments in public resource mobilization campaigns. The ILO did not pursue the idea, probably because the appetite for another global fund was considered to be internationally low at that time.

<sup>18</sup> See ILO. 2021 Record of proceedings 7A International Labour Conference – 109th Session, 2021, Fifth item on the agenda: *A recurrent discussion on the strategic objective of social protection...* Date: 18 June 2021.

efforts in order to achieve universal social protection«. There was support from a number of national governments for that position at the ILO and further support for the Fund at the UN Human Rights Council. In addition, additional government support was issued in various contexts. The Coalition agreement of the new German government, for example, explicitly states, »... we also want to support an international financing instrument (Global Fund for Social Protection) for those countries that do not have sufficient resources.«

While the present proposals for a Fund differ in a number of details, the salient and most important features are summarized here.

#### WHAT SHOULD BE THE MANDATE OF THE NEW FUND?

The Global Fund for Social Protection should be accessible for countries that need support to introduce or complete social protection floors and to sustain and adapt their social protection systems in times of crises.

The core mandate of the Fund should include:

- The provision of technical support to introduce or complete social protection floors and to further develop countries' ability to operate national social protection systems effectively and efficiently and enhance preparedness to sustain and expand social protection in times of crises. This includes supporting governments in devising options for domestic resource mobilization, and mechanisms to identify, protect and enhance national fiscal space for social spending;
- The provision of temporary and tapering-off co-financing of social protection floor benefits, in cases where low-income countries would require a prohibitively high share of their current total tax revenue to introduce such benefits, or where these countries face sudden spikes in demand for social protection due to economic, fiscal, political or climate-related crises.

The Global Fund for Social Protection should support comprehensive and coherent programs that together embody national social protection floors and adhere to the principles and fulfil the criteria and definition of such floors given by ILO Recommendation R.202. The principles of R. 202 include supporting national governments in building social protection systems, based on national social dialogues with social partners and civil society.

#### HOW COULD IT BE GOVERNED?

The governance structure of a Global Fund for Social Protection Floors should be based on the principles of the Global Partnership for Effective Development Co-operation as defined in the Busan Partnership Agreement of 2011 and its predecessor documents.<sup>19</sup> This means above all that

<sup>19</sup> <http://effectivecooperation.org/landing-page/effectiveness-principles/>.

the principle of country ownership must be strictly adhered to. The decision as to what kind of social protection programs are to be implemented must remain the responsibility of the parliaments and governments of the recipient countries. Moreover, wherever possible, existing structures in the respective country should be used for the administrative implementation of these programs.

The Fund could be governed by an independent board. Since 2012, at the behest of the G20, international agencies (including UNDP, the World Bank, ILO and WHO) and major national donors are already supposed to co-operate under the umbrella of the Social Protection Inter-Agency Co-operation Board (SPIAC-B). The SPIAC-B also includes civil society actors represented by major international NGOs. With some fine-tuning with respect to fair stakeholder participation and legitimation, this interagency body could be used as a board or governing body for the fund. The administration should be carried out by a technical secretariat that could, for example, be hosted by the ILO.

## HOW COULD THE FUND BE FINANCED?

Several studies have shown that most countries can afford to finance a national social protection floor by their own means.<sup>20</sup> According to recent ILO estimate the global coverage gap translates into a global financial gap of 2.5 trillion US dollars<sup>21</sup> annually in low in middle income countries. However, only about 3.7 per cent of that amount is allocated to low-income countries, i. e. annually about 90 billion US dollars. The remainder falls on lower and higher middle-income countries. The latter countries would have to increase their social protection spending by about seven to eight per cent of GDP to close their SPF gaps (including health care), whereas the lower-income countries in the ILO's sample of 134 developing countries would have to spend a prohibitive additional 18.2 per cent of GDP. It can be assumed that – with determined political will – lower and higher middle-income countries will be able to close their funding gap over the next decade or two by gradually increasing their tax-to-GDP ratio (in 2016, 11.5 per cent for lower middle-income countries and 11.2 per cent for upper middle-income countries on average) to approximately the

level of some high-income countries in Europe (average tax-to-GDP ratio 19.7 per cent in 2019) and hence are not in a priority need of international support which should be of a strictly subsidiary nature. Some of the low-income countries, on the other hand, may face prohibitive financial requirements for a quite some time.

According to preliminary estimates, there are presently only about 10–12 low-income countries which would have to spend more than ten per cent of their GDP to close their SPF gap. If the Fund were to help on a transitional basis to close the SPF gap in these countries by covering 50 per cent of the SPF costs, then the estimated global annual cost would be in the order of 10–15 billion US dollars. Supporting only the poorest five countries with 50 per cent of the cost of the floor would amount to roughly 2–3 billion US dollars. Once the first generation of supported countries graduates out of financial assistance, the next generation of poor countries could be brought in, and so on.

The fund could be financed from a combination of different sources. Some options are

- additional or reallocated development aid from industrialized countries;
- new earmarked global, international or national sources; national, regional or global financial transaction taxes could serve as a mechanism for global financing (or the refinancing of national investments); a fraction of the estimated revenues of a modest global, European or US financial transaction tax could easily fund a solidarity fund of initially around 10–15 billion US dollars;
- other donations could be explored; in addition, donations from charitable organizations, enterprises or regular solidarity contributions from individuals in the form of voluntary add-ons to their national social security contributions could be explored.

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 must count on reliable funds and provide for crises situations.

Alternatively, additionally and complementarily, countries could seek financial support from development banks and the IMF (e. g. by new special drawing rights). Mixed co-financing (from different international sources) of national efforts to close social protection gaps should be possible.

## 5. THE LINK BETWEEN THE TWO ELEMENTS OF THE STRATEGY

As already pointed out, a convention creates policy space on the national level. The exploitation of policy space by interest groups, civil society, governments and lawmakers is the prerequisite for the creation of fiscal and budgetary space. But there also is a more practical link between the two el-

<sup>20</sup> 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 (GCSPPF). The study provides estimates of the financial size of protection gaps in the form of an Index that indicates the total minimum necessary additional expenditure for social protection benefits 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 of the countries studied could close the gap to a minimum income level of 1.9 US dollars per day (2011 PPP) by devoting less than two per cent of their GDP to social protection. 133 countries could do so with less than five per cent of GDP.

<sup>21</sup> See Durán-Valverde, F. et al. (ILO).2020. *Financing gaps in social protection: Global estimates and strategies for developing countries in light of the COVID-19 crisis and beyond*. Geneva 2020.



ements of the strategy. A new convention could also be the legal basis that defines the eligibility of the support of the Global Fund. The support from the Fund could be triggered if countries agree to adhere to the new convention. To be entirely clear and to use a »dirty word« in development policies: support from the Fund could be »conditional« upon ratification of a new convention on social protection floors or universal social protection. That way the supporting international community would be reasonably certain that a country pursues a credible universal social protection strategy (consisting of the imminent establishment of a national floor for social protection and building, as soon as possible and affordable, higher levels of protection on that foundation according to up-to-date ILO social security conventions) and accepts the obligation to codify that strategy into national law. Like R.202, the new convention would only stipulate the outcomes of national social protection policies, i.e. the achievement of a minimum level of income security and health security. The choice of the means to achieve the central objectives of income security and health security for all – for example, whether a country uses means-tested benefits, social insurance benefits or universal benefits – would remain the responsibility of the supported countries and should be determined on the basis of a societal dialogue on social protection.

In a less perfect world, where a new convention would prove to be difficult to negotiate in the tripartite International Labour Conference, adhering to the contents of R.202 could be made the substantial basis of a contractual agreement between the Global Fund and supported countries. However, that would forego the national dialogues on social protection that a ratification process would normally trigger. It also would require additional supervisory efforts on a case-by-case basis that otherwise would be undertaken by the established ILO supervisory machinery.

## 6. THE POTENTIAL SOCIAL IMPACT OF THE STRATEGY

The co-financing of the Global Fund for Social Protection, if only channeled to the 10 countries that would need more than 10 per cent of their GDP to guarantee basic social protection to all,<sup>22</sup> would help to pull directly about 132 million people out of abject poverty and social insecurity as soon as the supported benefits are paid out or delivered (in the case of health care).

The triggering of national policy dialogues and the resulting articulation of national policy demands (in the course of national negotiations on the possible ratification of a new convention), combined with technical assistance in

<sup>22</sup> 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 (Dem. Rep.), Burundi, Central African Republic.

other countries, can lead to the establishment or completion of nationally financed social protection floors within a medium-term timeframe. That again will lead to further substantial reductions of poverty, insecurity, inequality and ill health affecting millions of people. Social protection, furthermore, boosts opportunities for inclusive economic development<sup>23</sup> and social cohesion that would have further positive effects on the level of well-being in a society.

Furthermore, the Global Fund for Social Protection could also play an important role in national and international crisis management. Such crises can, for example, be triggered by natural disasters, epidemics and pandemics or by national and international economic crises. In such situations, which would normally lead to the loss of livelihoods for millions of people, the Global Fund for Social Protection could stabilize social protection programs in partner countries and cover the increase in the social protection gap caused by external shocks.

## 7. THE POLICY ENVIRONMENT

Social protection is not a policy island. All social protection development strategies have to be compatible, consistent and complementary to other global and national development strategies. This would probably make it necessary to systemically link the implementation strategy for universal social protection to other global development strategies, among others strategies that refer to climate justice, combating the causes of migration and combating the social consequences of pandemics. Guaranteed access to basic cash benefits and to essential health care, for example, would be a crucial tool for containing economic migration. This holds regardless of whether such migration is triggered by systemic poverty or by poverty induced by the impact of climate change or by unemployment and poverty due to the economic fall-out of a global pandemic. Income transfers can help to keep people in their regions and countries by providing them with a minimum income and possible resources to rebuild their livelihoods in the wake of an acute crisis or during systemic and lasting changes of their economic livelihoods.

The simple strategy outlined in this paper should also be made compatible with a new social policy initiative just developed jointly by the UN and the ILO, i.e. the new concept of the Global Accelerator for Jobs and Social Protection of

<sup>23</sup> As shown by a study of the International Trade Union Congress (ITUC. 2021: [https://www.ituc-csi.org/IMG/pdf/investments\\_in\\_social\\_protection\\_and\\_their\\_impacts\\_on\\_economic\\_growth.pdf](https://www.ituc-csi.org/IMG/pdf/investments_in_social_protection_and_their_impacts_on_economic_growth.pdf) (last accessed on 7.01.2022)). The study demonstrates *inter alia* that social protection investments generate positive returns in terms of overall economic growth: »An investment of 1 per cent of GDP in social protection policies has a multiplier effect on GDP of between 0.7 and 1.9 in the eight case studies, meaning all countries have a positive return from the investment, and some have an economic gain« (p. 8).

the ILO and UN.<sup>24</sup> The UN Secretary General states in a policy brief on the new initiative that: »The Accelerator will aim to create at least 400 million jobs, primarily in the green and care economies, and extend social protection floors to the people currently not covered by any social protection measure (about 4 billion men, women and children) by 2030, with a focus on [...] developing states, and countries in fragile situations. This would require: US\$ 982 billion in fiscal stimulus measures to respond to the immediate labour market shocks of the crisis and to support a just transition and building systems, when needed; and US\$ 1.2 trillion<sup>25</sup> annually for social protection floors in low- and middle-income countries. These resources should come from a combination of national and international finances, including from the MDBs financing and SDRs...«.

Judged by the above figures, the new initiative sounds huge. In his policy brief on the new initiative, the SG does not request or name concrete levels of resources that should be committed by international donors for inter-country or international transfers under the umbrella of the Accelerator. It is obviously assumed that most – if not almost all – of the estimated 2.2 trillion US dollars will have to come from national resources. The policy brief only asks for about 600 million US dollars to finance a technical support facility for the implementation of Accelerator projects on the country level. And yet, this new initiative has the potential to dominate the development policy debate on social protection for quite some time. Its key challenge will be to demonstrate that it can mobilize the required additional national and international resources for social protection. No matter by which means, the Accelerator has to develop a strategy to close Social Protection Floor gaps of 1.2 trillion US dollars for its social protection component alone. The Accelerator needs a clear national and international resource mobilization strategy consisting of national resources and international resource mobilization strategies. National strategies have been discussed over decades and largely have to be based on the reallocation of existing national resources or adequate increases in national taxation.<sup>26</sup> Our estimates for the dimension of financial support needed by the poorest low-income countries – which would also be the international resource needs of the Accelerator

– is in the order of 10 to 15 billion US dollars annually. Hence, about 99 per cent of the resources for the social protection component of the Accelerator probably have to come from national resources and one per cent from international resources. The one per cent is equivalent to more than double the annual expenditure for the Global Fund for Aids, Tuberculosis and Malaria and hence – realistically – represents a substantial challenge for the international community.

The two-pronged strategy outlined here is flexible enough to become an integrated part of the Accelerator concept, should it become reality. The strategy could help to mobilize national and international resources for the social protection component of the Accelerator in addition to financing through national ODA and to the resources that the IFIs can make available (*inter alia* through additional Special Drawing Rights (SDRS)<sup>27</sup>). A binding convention on national SPFs can effectively tie governments who have ratified the convention to allocating the necessary national resources. The technical facility of the Accelerator could provide technical co-operation that could help national governments to design national SP systems that comply with the convention and at the same time have to be and remain financially sustainable. As stated above, a ratification could also become the prerequisite for obtaining additional international financial support from the Accelerator. To satisfy the latter demands, the Accelerator will need credible financing facilities for its components. For the social protection component, the Global Fund for Social Protection or a facility that operates on similar principles could become that facility. The concept could also be modified to be compatible with the *modus operandi* of the Accelerator, once the contours of the Accelerator became clearer in the future. If embedded in the Accelerator concept, the facility may not have to take the form of a physical Fund. Support for poor recipient countries could be organized in the form of case-to-case joint financing agreements by a number of Accelerator members who have made a formal long-term commitment to the Accelerator and would commit to financing fixed and agreed-upon shares of the necessary multi-year country support.

## 8. CONCLUSION

This note suggests a simple, feasible, pragmatic and affordable global strategy to support the attainment of social protection for all as a central means to combat poverty, inequality, insecurity and ill health. It consists of (a) establishing a new international standard of universal social protection or universal social protection floors to extend the policy space for social protection on the national level and

<sup>24</sup> See UN.2021. Secretary-General's Policy Brief Investing in Jobs and Social Protection for Poverty Eradication and a Sustainable Recovery, 28 September 2021; available at: [https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_821167/lang--en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_821167/lang--en/index.htm) (last accessed on 17.01.2021).

<sup>25</sup> This figure seems to be an over-estimate. The calculation quantifies the size of the financial gap as the cost of a number of universal benefits that would close most of the social protection floor gaps. That figure is inevitably bigger than the actual income gap, which should be equal to the total aggregate poverty gap in middle- and low-income countries. For lack of better figures, however, the order of magnitude is here accepted as an approximation of the level of resources required to close income gaps in these countries.

<sup>26</sup> The most recent analysis of national resource mobilization options was published literally hours before this paper was finalized, see Bierbaum, M. and Schmitt, V.2022.: *Investing more in universal social protection, Filling the financing gap through domestic resource mobilization and international support and coordination*, ILO Geneva 2022.

<sup>27</sup> Even though the potential of additional SDRs and MDB funds is probably more limited than one would expect. If the Accelerator were to support low-income countries with 10 billion US\$ per annum, then that would be equivalent to about 50 percent of additional SDRs that were allocated in August 2021 to least developing countries and about one third of development finance resources that all MDBs had allocated in 2015 to all social sectors.

(b) pivotal, targeted support for the temporary extension of national fiscal space for social protection in the poorest countries through a Global Fund for Social Protection or a similar financing facility. A new convention could act as a catalyst for the formation of national will and the consequential allocation of national resources to social protection. A global fund or financing facility could provide supplementary but reliable and earmarked institutional and financial support for a small group of countries which cannot afford to finance their basic social protection systems alone.

At a time when the world is in the grip of a global health, social and economic crisis, it would be opportune for the global community to set a new social protection strategy that defines good global social governance practice for the period after the actual crisis. During almost the last two years of the pandemic, social protection systems have shown again that they are indispensable instruments for alleviating the negative impact of personal, local, regional or global crises on people's lives. Crises are times of sad individual suffering but also opportunities to learn and improve a society's social defenses.

It would be doubly sad not to learn from the present suffering and let the global society stumble into the next and to some extent even foreseeable crises without a clear and powerful global strategy against their worst social, economic and health effects. That global strategy cannot – and should not attempt to – replace national social protection strategies. It can only help national strategies to become effective, efficient and affordable.



## ABOUT THE AUTHORS

**Michael Cichon** is a fellow of the International Council on Social Welfare (ICSW) and a personal member of the Global Coalition for Social Protection Floors. The views expressed here are nonetheless personal and do not reflect the policy positions of either of these institutions.

**Hajo Lanz** is the Director of the Geneva Office of the Friedrich-Ebert-Stiftung and a member of the core group of the Global Coalition for Social Protection Floors. His previous postings include Kenya, Uganda, Morocco and Costa Rica, as well as the headquarters in Berlin. Again, the views expressed here are nonetheless personal.

## IMPRINT

Published by:  
Friedrich-Ebert-Stiftung e.V. | Godesberger Allee 149  
53175 Bonn | Germany

E-Mail: [info@fes.de](mailto:info@fes.de)

Register no.: VR2392  
Bonn Register of Associations  
Bonn Local Court

President: Martin Schulz  
Secretary General: Dr Sabine Fandrych

Responsible:  
Hajo Lanz | Director | FES Geneva  
Chemin du Point-du-Jour 6bis | 1202 Geneva | Switzerland  
Phone: +41-22-733-3450 | Fax: +41-22-733-3545  
<https://geneva.fes.de>

Editing: Dr. Ciaran Cronin  
Design: Stefanie Brendle

Contact / Orders:  
[Christiane.Heun@fes.de](mailto:Christiane.Heun@fes.de)

The views expressed in this publication are not necessarily those of the Friedrich-Ebert-Stiftung. Commercial use of media published by the Friedrich-Ebert-Stiftung (FES) is not permitted without the written consent of the FES. Publications by the Friedrich-Ebert-Stiftung may not be used for electioneering purposes.

ISBN Nr. 978-3-98628-071-0

© 2022

## FES GENEVA

The FES office in Geneva serves as a liaison office between UN agencies, other Geneva-based international organizations and FES field offices as well as partners in developing countries to strengthen the voice of the Global South. It contributes to the debates in »International Geneva« on

trade and sustainable development, decent work and social policies, human rights, economic and social rights in particular, as well as on peace and security.

## CREATING FISCAL AND POLICY SPACE

A pragmatic two-pronged global implementation strategy  
for universal social protection



At a time when the world is in the grip of a global health, social and economic crisis, it would be opportune for the global community to set a new social protection strategy that defines good global social governance practice for the period after the actual crisis. More than half of all the people on the planet are living in conditions of total social insecurity and, already prior to the COVID-19 pandemic, over nine per cent of the global population lived in extreme poverty. Due to the global pandemic, these indicators have been worsening and are continuing to worsen. Together with other development indicators, this points to a simple fact: despite alleged progress over recent decades, the world remains a pretty miserable place for at least half of its population.



As a direct consequence of the global financial crisis of 2007–08, the global community of nations decided in June 2012 (ILO Recommendation No. 202 on national Floors of Social Protection) that »all in need [should] 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.« With the adoption of the 17 Sustainable Development Goals in 2015, the international community reconfirmed its commitment to universal social protection as a global objective, mainly through the goals 1 and 3 and in particular the targets 1.3 and 3.8. But although global technical co-operation in social protection has increased over the past two and a half decades, the global social protection gap still remains extremely large.



There are two efficient and by-and-large low-cost seed initiatives that the global group of international agencies, national donor organizations and international civil society organizations advocating for social protection can pursue – in addition to their present activities in social protection – to reduce the global social protection gap. They can support the creation of policy space for the development of social protection through a new international convention on social protection floors and the creation of fiscal space on the national level in countries where such support is objectively needed through a solidarity-based Global Fund for Social Protection, or a functionally equivalent facility.

Further information on the topic can be found here:  
<https://geneva.fes.de/topics/employment-and-social-policy>