

LABOUR AND SOCIAL JUSTICE

FINANCING SOCIAL PROTECTION

Domestic and external options
in low-income countries

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Even if all countries maximised their domestic revenues and allocated a »fair« level for social protection, there would be 31 countries that could not afford for a minimum set of social protection floors.



Since Covid-19, the largest social protection donor, the World Bank, has tripled its aid to 4 billion US dollars per year, nearly the same amount that the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) spends on health.



In their own countries, donors spend the same on social protection as they do on education and health combined. Yet in their aid budgets, social protection receives seven times less than education and health.

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Most low-income countries (LICs) have only a limited potential to increase their total level of tax revenues. There is more scope to increase the proportion that is allocated to social protection. When the needs of other sector are taken into account, social protection's »fair« share of total government spending is estimated to be 14 per cent.

Even if all countries maximised their domestic revenues and allocated a »fair« level for social protection, there would be 31 countries that could not afford a basic system of four social protection floors – children, maternity, disability and old age pension – let alone health costs. While most of the 31 are LICs, the group also includes six lower middle-income countries. Collectively they face a 27 billion US dollars a year funding gap, just on the four floors.



In most LICs extreme poverty rates are so high that a universal approach is cheaper than attempting to target the extreme poor alone.

Until the Covid-19 crisis hit, social protection had not been a priority for donors. Total aid for social protection had been constant in real terms since 2008, representing just 1.2 per cent of all aid in 2019.

Since Covid-19, there is growing evidence that several major donors have markedly increased their support. The largest social protection donor, the World Bank, has tripled its aid to 4 billion US dollars per year, nearly equal to what the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) spends on health.



There is a clear long-term case for rebalancing social protection's share of total aid. It has been the most underfunded sector, compared to the funding gaps in each sector. In their own countries, donors spend the same on social protection as they do on education and health combined. Yet in their aid budgets, social protection funding is seven times less than the funding allocated for education and health. Even a limited rebalanced of aid would enable all countries to provide a social protection floor for every child aged 0-3.

For further information on this topic:

<https://geneva.fes.de/topics/employment-and-social-policy>

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1

EXECUTIVE SUMMARY

1.1 DOMESTIC FINANCING

ODI estimates reveal that most low-income countries (LICs) have a limited potential to increase their total level of tax revenue. ODI estimates suggest that, on average, LICs could increase total revenues by just 15 per cent (to an average of 16 per cent of GDP) by 2030. There is greater potential to increase revenues in lower middle-income countries (LMICs), since their economic structures make it easier to raise substantial revenues while still maintaining an equitable tax system.

Social protection's (SP) »fair« share of total government spending, taking into account the needs of the other social sectors and other government functions, is estimated to be 14 per cent. This corresponds to 2.2 per cent of GDP in LICs (assuming they also increased their taxes to the maximum potential).

However, it is unlikely that many of the poorest countries could increase funding for SP by taking on more debt – either internal or external, since Covid-19 has put immense pressure on countries' fiscal position. Many countries are at risk of reaching unsustainable overall debt levels and many may be seeking to reduce their overall spending.

Even if countries maximised their domestic revenues and allocated a »fair« level to SP, hardly any LIC could afford the full costs of SP (excluding health). Nor could six LMICs. In aggregate these countries could only raise 18 billion US dollars of the total cost of 45 billion US dollars of SP (excluding health), leaving a 27 billion US dollars a year funding gap. Even if countries focused all their resources on SP floor for children (aged 0-5), they would face a financing gap of 11 billion US dollars per year.

These estimates are based on ODI costings for a minimum basic system of four SP floors (excluding health) – children (0-14), maternity, disability and old age pensions (65+). The costings assume benefits are set based on the international SDG extreme poverty line of 1.90 US dollars purchasing power parity (PPP). When assessing the relative need between countries for external financing, this consistent global agreed measure seems a more appropriate benchmark than national poverty lines.

In most LICs extreme poverty rates are so high that targeted schemes are more expensive than a universal approach. Targeted schemes can have 50 per cent exclusion rates, so such schemes need to provide for 100 per cent of the population to be sure of reaching the 50 per cent that are typically in extreme poverty. In such contexts, if tackling extreme poverty is the aim, it is better to go for universal coverage and save the additional 30 per cent costs of targeting.

1.2 EXTERNAL FINANCING

Until the Covid-19 crisis hit, SP had not been a donor priority. Total aid (official development assistance) for SP had been constant in real terms since 2008, at 2.3 billion US dollars per year. Since total aid had increased since 2008, SP's share of total aid fell, specifically by a third since 2008 to account for 1.2 per cent of all aid in 2019. Prior to Covid-19, the World Bank had become the largest SP aid donor, providing five times more than the second-largest donor and over half of all aid, an exceptionally high share for any one institution to have in a sector. Most of the other large donors – the EU, the US and the UK – have been reducing their funding in recent years. Germany was the only donor country that increased its support.

Since the outbreak of Covid-19, however, there is increasing evidence that several major donors have markedly increased their support, with the World Bank, EC and Sweden either doubling or tripling their support in 2020. Overall aid for SP in 2021 looks likely to be double the 2019 levels, with the World Bank's share rising to two thirds of the total. The World Bank is estimated to be spending nearly the same on SP as the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) spends on health.

There is a clear long-term case for rebalancing the share of SP in total aid. It has been the most underfunded sector, compared to the funding gaps in each sector. In their own countries, donors spend the same on SP as they do on education and health combined. Yet in their aid budgets, SP funding accounts for seven times less than education and health. Even a limited rebalanced of SP aid would enable all countries to provide an SP floor for every child aged 0-3.



In the long term, the share of aid being spent on SP should mirror the 14 per cent target for a »fair« share of domestic spending. But setting an intermediate target for DAC members to accord SP (excluding health) just a 7 per cent share of total aid would enable all countries to at least introduce a SP floor for all children aged 0-3.

1.3 OVERALL CONCLUSION

Overall, the analysis reinforces the case made in the past for additional external funding to support those countries that cannot afford universal SP. Greater funding for SP in LICs would correct the current imbalance in donor support across the social sector and would complement donor investment for other sectors, since the cash benefits would facilitate greater access to education and to water, sanitation and hygiene services.

2

BACKGROUND AND INTRODUCTION

2.1 PURPOSE

The purpose of this research report was to provide insight for Brot fuer die Welt (BfdW) on the potential to increase domestic and external financing for social protection (SP) in low-income countries as background to consideration of the potential role for a Global Fund for Social Protection (GFSP).

2.2 APPROACH

In view of the limited time for this background research, ten person days in total, this assignment primarily drew on the author's experience and previous research, supplemented by desk-based research on the latest aid figures and key literature (Annex A sets out the key research papers consulted).

The report focuses on the needs of low-income countries (LICs) and of some of the poorer, lower middle-income countries (LMIC); as earlier research has noted, these countries are the least able to afford even a minimum level of SP.

Annex B lists all LICs and LMICs (as defined by World Bank) and how these relate to other country groupings: least developed country (UN definition) and low-income developing country (IMF definition).

Unless otherwise stated, all US dollar figures in this report are in international dollars, with conversions from local currencies made at market exchange rates.

2.3 ACKNOWLEDGEMENTS

This report was funded by BfdW and has been prepared by Marcus Manuel, an independent consultant. He is also a Senior Research Associate for ODI working on development finance issues, especially in low-income and fragile states. His recent research work has focused on addressing extreme poverty, assessing countries' tax potential and their ability to finance their social spending. He has also advised on public financial management and aid reform in several conflict-affected countries. Prior to joining ODI in 2010, Marcus worked for the UK government for twenty years. His final role was as a regional director at the UK's Department for International Development (DFID). For four years he was seconded from the UK Treasury to be the senior resident adviser in Uganda's Ministry of Finance, Planning and Economic Planning.

The analysis in this report is based on data available in January 2022. The views presented in this report and any outstanding errors and omissions are those of the author alone.

3

POTENTIAL DOMESTIC FINANCING FOR SOCIAL PROTECTION

3.1 REALISTIC POTENTIAL FOR LICs TO INCREASE DOMESTIC RESOURCE MOBILISATION AND INCREASE FISCAL SPACE

In most low-income countries (LICs) and lower middle-income countries (LMICs), ODI estimates that there is a clear but limited potential to increase their total level of tax revenue. Previous ODI research assessed the prospects for each LIC and MIC, based on IMF and World Bank econometric analysis which ODI has updated and synthesised. ODI research factors into its estimates current non-tax revenues (mainly from natural resources). This analysis is described in greater detail in Annex C. The analysis generates figures for each country's medium-term potential (i.e. within five years). The maximum domestic revenue potential in LICs is estimated to be, on average, 16 per cent of GDP (with a range from 6 to 22 per cent) and in LMICs, on average, 26 per cent of GDP (with a range from 15 to 42 per cent). Most LICs are already close to their maximum potential; LMICs less so. As a result, ODI estimates imply that LICs could increase total domestic revenues by 15 per cent on average while LMICs could increase theirs by 25 per cent on average. Some countries are already at or close to their maximum potential; others – most notably Nigeria – are far below.

As everyone working in this area would agree, more research is needed to refine these estimates of potential revenues (including research on natural resource revenues on a country-by-country basis). However the only alternative approach currently available is simply to assume that all LICs can achieve 15 per cent of GDP or that all countries can increase their tax/GDP ratios by one percentage point each year (or every third year). Such approaches are unrealistic and deeply unfair to some LICs, since their capacities, and their degree of current tax effort, vary considerably.

ODI estimates are likely to overstate countries' current revenue potential and the estimates may be best regarded as valid over a 5-8 year horizon (i.e. up to 2030). Due to research funding constraints, ODI last updated these revenue estimates using pre-Covid-19 data. Covid-19 has reduced revenues in many countries. Since it will take some years to design and scale up nationwide SP programmes, the estimated full costs (noted below) would not be realised by

2030 either. So both the revenue and cost estimates should be regarded as 2030 forecasts.

It is unlikely that many of the poorest countries could fund SP by taking on more debt – either internal or external. Covid-19 has put immense pressure on countries' fiscal position. Many countries are at risk of reaching unsustainable overall debt levels and many may be looking to reduce their overall spending.

3.2 ESTIMATING A »FAIR« SHARE OF DOMESTIC SPENDING ON SOCIAL PROTECTION

In the past, SP spending targets have been set as a percentage of GDP. The case for increasing government spending would be strengthened if these were reset as a percentage of government spending. This would make SP spending targets consistent with how African countries have set targets for education, health and agriculture.

Targets expressed as a percentage of total spending would also make it easier to ensure that there is sufficient fiscal space in IMF programmes for SP. When expressed as a percentage of GDP, spending targets can be treated as aspirational longer-term targets beyond the scope of the programme, since they depend in part on progress towards a certain level of taxation as a percentage of GDP. In contrast, it is much easier to apply the concept of a share of current spending directly. Furthermore, if the target were part of a broader assessment of the combined share of spending on social sectors, such targets could be directly linked to the minimum level of social sector spending that often features in IMF programmes. This would help to ensure that appropriate space for spending on SP was being built into IMF programmes.

The final reason for expressing a spending target as a percentage of total spending is that this would rectify the inherent bias of current GDP targets, which result in poorer countries having higher terms (in terms of share of spending). The tax potential of poorer countries, as a percentage of GDP, is markedly lower than that for richer countries. So any target expressed as a percentage of GDP translates into a higher share of government spending for the poorer

countries but a lower share of spending for richer countries. This results in setting even more challenging targets for LICs in terms of spending shares.

A minimum share for SP spending which would seem »fair« and balanced relative to the needs of the other sectors is 14 per cent. While this would be an ambitious target, it would still be less than half the OECD average of 33 per cent. The full analysis behind this figure, including how the needs of other sectors were estimated, is set out in Annex D.

3.3 LOW-INCOME COUNTRIES' ABILITIES TO SELF-FINANCE IF THEY MAXIMISED TAXES AND ALLOCATED »FAIR« SHARE TO SOCIAL PROTECTION

Earlier ODI costing estimates imply that, if all countries increased their revenues to their maximum potential and allocated 14 per cent to SP, then all upper middle-income countries (UMICs) and many LMICs could cover the costs of a minimum basic system covering four SP floors – children (0-5), maternity, disability and old age pensions (65+). These costs include an annual allowance for administration. But as these costs do not take into account the initial costs of building the systems, including the registries, some MICs may need external financing to do so. ODI analysis also covered SP health needs, but since health is much better funded, the focus on this report is on the other SP floors. The full details of the ODI costings are set out in Annex E.

By contrast, hardly any LICs could self-finance the costs of even a limited system of four SP floors. Nor could six LMICs. In total, there are 31 countries that could not afford the full costs. The chart below sets out what proportion of the total costs each of the poorest countries could sustainably

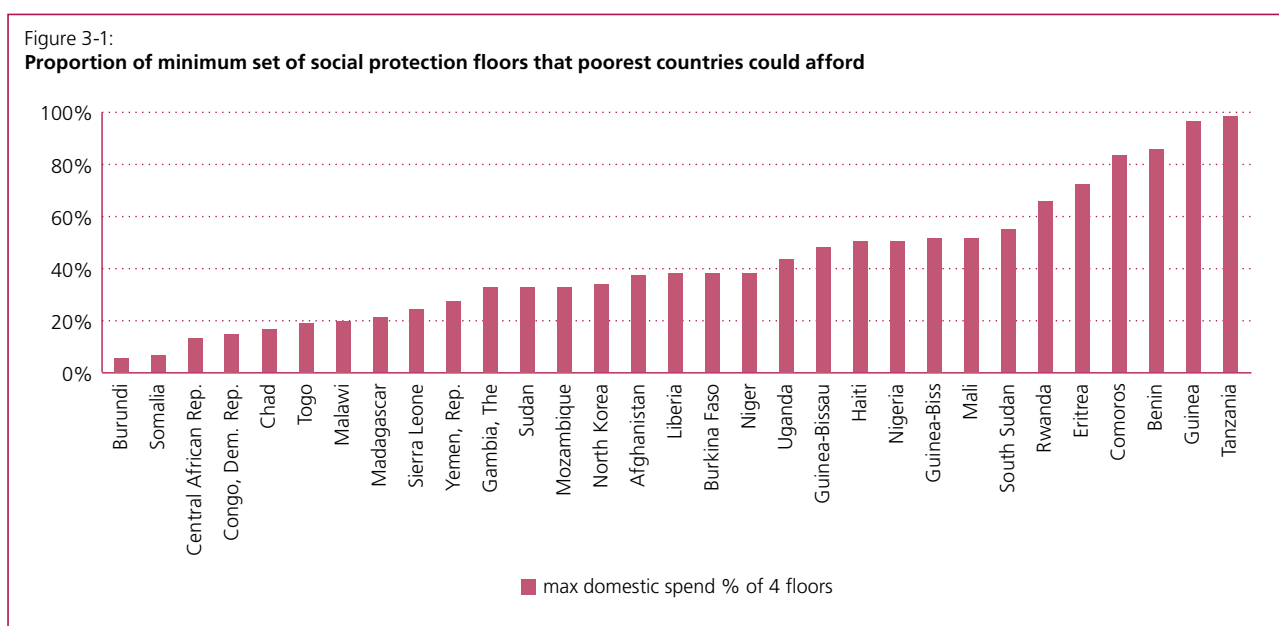
manage. While the best-placed country, Tanzania, is close to 100 per cent, the worst placed would struggle to afford 20 or even 10 per cent of the costs. Twenty countries would not be able to afford half the costs. There are six LMICs that would need external support, with Gambia, Nigeria and Zambia being only able to afford half the costs.

Three points concerning the ODI costings are worth noting.

First, while health is a core part of the SP floors, given the already much higher levels of funding for health, the focus in this report is on the finance for non-health-related floors. However, there would have to be effective coordination between health and SP funding sources. Costings on health are available separately from ODI, drawing on the same source as the ILO used in their 2020 costings.

Second, the costings do not include provision for self-targeted public work programmes, e.g. those that provide work for the informal sector, such as subsistence farmers. Costings on public work programmes are available from ODI.

Third, the ODI costings are calculated using the same international poverty line for all countries, the SDG1.1 level of 1.90 US dollars PPP per day. Richer countries are likely to want to set their own national poverty lines significantly above this extreme poverty line. While in LICs there is often not much difference between their national poverty lines and the international 1.90 US dollars PPP poverty line, MICs may well want to target a higher poverty line. People living below 5 US dollars PPP per day are still poor by many people's standards. But since international aid is so limited, it does not seem appropriate to provide UMICs with aid to fill their funding gaps relative to their national poverty lines, when this will in effect be at the cost of what can be given to much poorer people in LICs. While no choice is easy, the



likely limited availability of funding means a choice must be made. Prioritising all those below 1.90 US dollars PPP is a form of progressive universalism, where priority is accorded to reaching the worst off first. The ILO's costing approach, which uses national poverty lines, is more appropriate for considering what individual countries may want to target. For LICs there is not much difference between ODI's and the ILO's costing estimates. Both result in costs of around 30 billion US dollars per year.

3.4 REMAINING EXTERNAL FUNDING GAPS

The ODI approach described above estimated both the maximum level of domestic funding for SP (excluding health) and the costs of the ILO's four key non-health SP floors (i.e. child, maternity, disability and pensions), based on consistent international poverty line of 1.90 US dollars PPP.

- On this basis the total funding gap for the 31 countries that cannot fully afford the costs is 27 billion US dollars per year. In aggregate, these countries can only afford to spend 18 billion of the total cost of 45 billion US dollars. The total funding gap for the 20 countries that can't even afford half the costs is 17 billion US dollars per year. In aggregate, they can only afford 6 billion of the total costs of 23 billion US dollars.
- The total funding gap for the 24 countries that cannot even fully afford the costs of just an SP floor for children (aged 0-5) is 11 billion US dollars per year. The total funding gap for the 19 countries that can't even afford half the costs is 8 billion US dollars per year.
- The total funding gap for the 18 countries that cannot even fully afford the costs of just an SP floor for children (aged 0-3) is 5 billion US dollars per year.
- There are only 2 countries that cannot afford just the costs of an SP floor for the elderly (over 65) – Burundi and Somalia. Their combined funding gap is just 22 million US dollars per year.

4

POTENTIAL EXTERNAL FINANCING FOR SOCIAL PROTECTION

4.1 SOCIAL PROTECTION AID TRENDS PRE-COVID-19

Until the Covid-19 crisis hit, total aid for SP (excluding health) had been constant in real terms since 2008.¹ Aid for SP jumped in 2008 due to two large-scale, mainly US-funded programmes in West Bank Gaza and Iraq. Since then, disbursements have changed little, totalling 2.3 billion US dollars in both 2009 and 2019.

Since 2008, SP's share of aid had fallen by a third, from 1.8 per cent in 2008 to 1.2 per cent in 2019.

4.1.1 Social protection aid by donor

Multilateral donors' share of aid had risen from one third to two thirds of the total by 2019. This is a much higher multilateral share than in other sectors. Education represents 28 per cent and health 40 per cent.² This increase in the multilateral share is mainly due to the World Bank (IDA), which increased its share from 16 per cent in 2008 to 51 per cent in 2019. One point to note is that the OECD DAC figures reports bilateral funding of a World Bank managed fund as bilateral funding. So the proportion of total funding that flows through World Bank own projects plus World Bank managed projects will be even higher than 51 per cent.

The World Bank had become by far the largest aid donor to SP in 2019. World Bank disbursements of more than one billion US dollars were five times higher than those of the second-largest donor (UK) and 20 times higher than the largest UN agency, UNICEF (core funding – as is the case for the World Bank, UNICEF also manages bilateral donors' funding). (See Annex F for a full breakdown by donor in 2019.)

The other three of the top four donors – the EU, the US and the UK – have all reduced their funding in the last ten years.

Germany is the only other one of the larger donors that has been increasing its SP support – it is now the sixth-largest SP donor at 84 million US dollars. (Note that if a broader measure of support for the social sector is used,³ total »other social services,« this does not change the list of the top six donors. But although the World Bank remains the largest donor, Germany becomes the second-largest donor – see Annex G for details of top ten donors for this broader measure of SP aid.

4.1.2 Social protection aid by recipient

The five large programmes that dominated during the period from 2008 to 2015 are all now much smaller. Support for Iraq, Afghanistan, Pakistan, West Bank Gaza and Tanzania in 2019 is now less than 1 to 15 per cent of their peak levels (in 2008, 2010, 2011, 2013 and 2015 respectively) depending on the country.

Since 2008, aid for SP had gradually been spread across a much wider range of countries. Apart from the above five large programmes, SP aid to all other countries has doubled, increasing from an average of 1 billion US dollars per year in 2005-2009 to an average 1.4 billion US dollars per year in 2011-2015 and to 1.8 billion US dollars in 2019. The largest recipients in 2019 were Bangladesh, Ethiopia and Nigeria (see Annex H for full breakdown by recipient in 2019).

¹ This section is based on funding reported under OECD Development Assistance Committee (DAC) Creditor Reporting System (CRS) sub code 16010 »social protection«. Bilateral aid represents flows from official (government) sources directly to official sources in the recipient country. Multilateral aid represents core contributions from official (government) sources to multilateral agencies where it is then used to fund the multilateral agencies' own programmes. In some cases, a donor can contract with a multilateral agency to deliver a programme or project on its behalf in a recipient country. Such cases are typically counted as bilateral flows. <https://stats.oecd.org/index.aspx?DataSetCode=CRS1#>. A 2015 paper (<https://devinit.org/resources/getting-poverty-to-zero-financing-for-social-protection-in-least-developed-countries/>) explored the challenges and limitations of existing data on social protection aid, since this is often scattered across a wide range of programmes. That paper developed a broad measure of donor social protection support. However, this required an analysis of the text of individual project documents. For the sake of simplicity and consistency in assessing trends, the focus in the present report is on a narrow measure of social protection aid as defined and reported by the OECD DAC (code 16010).

² Source OECD DAC CRS average 2017-2019, education = code 110, health = codes 120 and 130.

³ DAC OECD 160 code for »Other Social Infrastructure & Services«. While social protection is the largest single component within this category, the category also includes employment creation, housing and multi-sector support for basic services.

Figure 4-1:
Aid for social protection (Disbursements DAC code 16010)

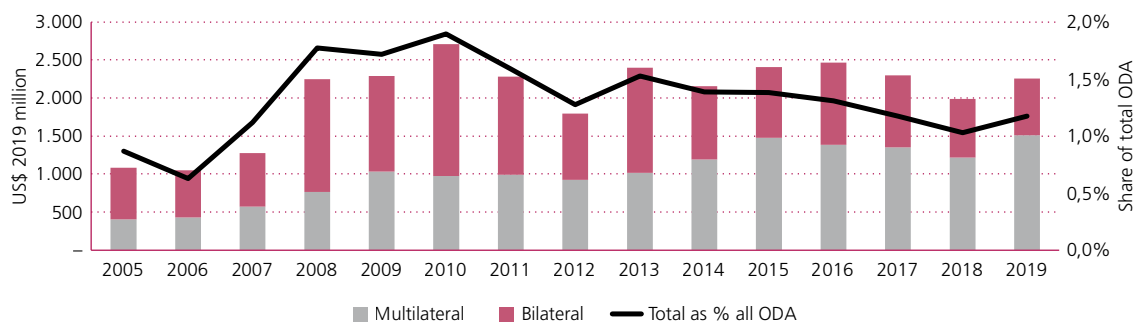
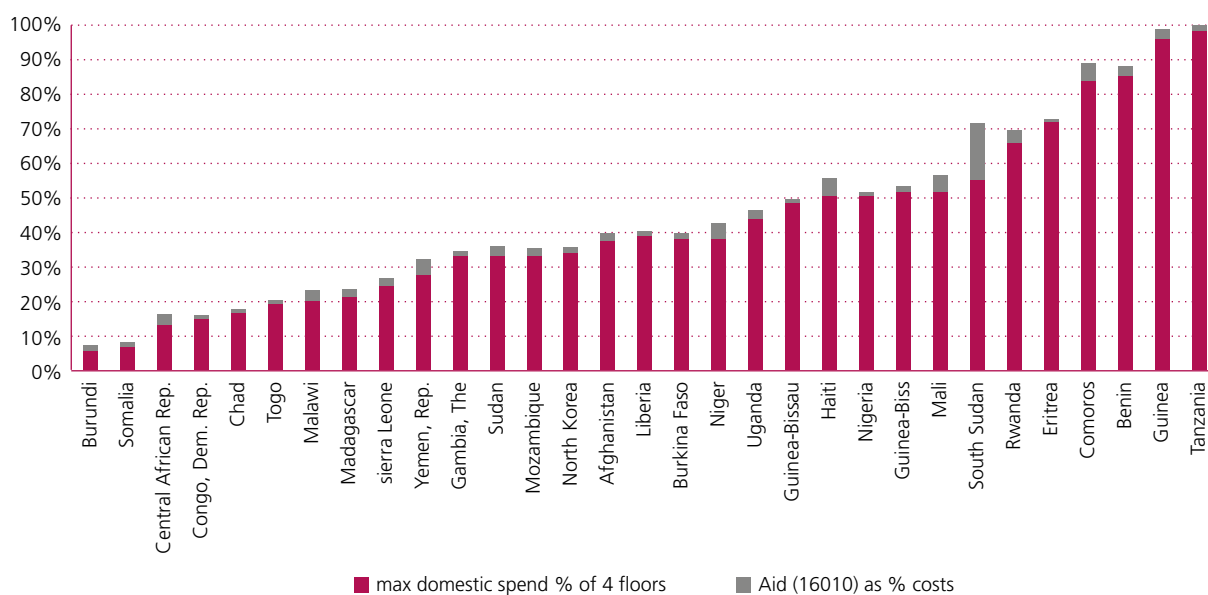


Figure 4-2:
Aid for social protection (Disbursements DAC code 16010)



Figure 4-3:
Proportion of minimum set of social protection floors that poorest countries could afford



Pre-Covid-19, SP aid was making a minimal contribution to what the poorest countries could afford. Unfortunately, country disaggregation post 2019 is not yet available.

Furthermore, the allocation of the limited donor funding does not appear to be well prioritised to where funding gaps are the largest. Only a third of the low-income countries (LICs) appear in the top thirty recipients and most LICs just receive 1 US dollar per person per year, compared to the average funding gap of 34 US dollars per person per year (for the basic set of four SP floors noted earlier). Only three LICs receive more than 1 US dollar per person per year – Ethiopia, Malawi and CAR. And even these receive only 3 to 4 US dollars per person per year.

4.2 SOCIAL PROTECTION AID SINCE COVID-19

Since the Covid-19 pandemic, there is growing evidence that several major donors have markedly increased their support in 2020. The latest OECD DAC data unfortunately only extends to 2020 for a limited number of donors. This points to a remarkable scaling up. Compared to their average disbursements in 2017-2019, the major increases reported so far for 2020 are

- a doubling by the World Bank,
- a tripling by EU institutions,
- a tripling by Sweden, and
- a doubling by Norway.

However not all donors increased their SP aid in 2020. Japan cut its SP aid by 30 per cent in 2020. While figures are not yet available for the second-largest SP donor, the UK, reduced its overall aid in 2020 by around 8% and announced plans

to cut its overall aid by around a third in 2021 (compared to 2019).

IATI data provide some additional information for some donors for 2020 and 2021. Since International Aid Transparency Initiative (IATI) data relies on self-reporting, the timeliness and accuracy vary by donor, so the data must be treated with care. For example, an apparent reduction in aid may merely reflect the fact that no data have been reported in the most recent year. The quality of IATI data depends on the level of investment and commitment by individual donors to reporting to IATI. The World Bank provides frequent updates, and any revisions tend to relate only to the specific month or quarter a disbursement is made. It is therefore significant that, as of mid-January 2022, IATI records the World Bank tripling the level of committed funding in 2020 and 2021 (relative to 2018 and 2019). Based on these growth rates, this report estimates World Bank disbursement will have risen from 1.2 billion US dollars in 2019 to 3.6 billion US dollars by 2021 and will rise further in 2022. This extraordinary scaling up effort is corroborated by the World Bank’s own reports on its response to Covid-19 and anecdotal reporting within the World Bank. The World Bank has also pledged to make continued large commitments in its next funding cycle (2022–2024). IATI data also suggest that the US will have increased its disbursements in 2021 by 50 per cent compared to 2019 and Germany by 30 per cent over the same period.

Combining OEDC DAC and IATI data suggests that overall aid for SP has more than doubled in 2021 compared to 2019 levels, rising from 2.3 billion to 5.2 billion US dollars. The World Bank also seems to continue to be by far the largest SP donor, with its share rising to two thirds of the total. Annex I details the full set of projections and assumptions made.



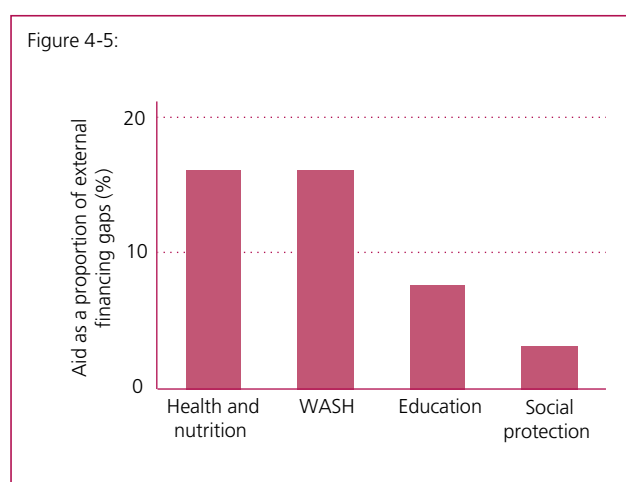
The World Bank is estimated to be spending nearly the same on SP as the GFATM is spending on health. Annex J summarises key figures for GFATM and examples of some other global funds.

The latest figures provide further confirmation of an ODI 2021 study⁴ that concluded:

Official development assistance (ODA) [response to Covid-19 crisis] has been timely, with donors expediting ODA resource mobilisation for the sector by using their existing SP portfolios as a conduit, introducing new instruments and streamlined approval and disbursement mechanisms, bringing forward planned expenditure and reallocating committed funds in favour of extending SP provision. Donors have collaborated to enhance financing efficiencies, with the larger donors focusing ODA on financing increased programme coverage, while more specialised donors have funded technical assistance and inputs to accelerate systems development, offering a legacy benefit for the future performance of national systems.

4.3 ESTABLISHING THE »FAIR« SHARE OF AID FOR SOCIAL PROTECTION COMPARED TO OTHER SECTORS

There is a clear case for rebalancing the share of SP in total aid. Previous ODI research⁵ has shown that, prior to the Covid-19 pandemic, it was by far the most underfunded sector compared to the external funding gaps in other key sectors.



While in their own countries, OECD donors on average spend the same on non-health SP as they do on education and health combined, in their aid budgets they spend seven times more on education and health than on non-health SP. OECD countries spent 33 per cent of their budgets on SP/

other social services and 27 per cent on education and health combined (2017 figures). By comparison, donors provided seven times more aid for education and health combined (including population policies) than for non-health SP and other social services – 19.4 per cent compared to 2.5 per cent (both figures are the average for 2016 to 2018).

Given the scale of discrepancy in donor practice between what they do at home and what they support abroad, it would be interesting to study the political economy reasons that underlie this. One hypothesis is that this may be the result of many governments in poorer countries being less democratically accountable to their citizens, as evidenced by the fewer changes in governments (through a democratically contested process). But there is also a clear difference in budgetary allocations even among democracies in which there is high degree of contestation. In France and Germany, governments spend much more on SP than on education and health combined – a ratio of nearly two to one. The reverse is the case in the US, where government spending on SP is half the combined figure for education and health. This is also the ratio that is implicit in the international spending targets described in Annex D.

While the difference in approach among OECD countries makes it hard to establish a consensus on the »ideal« share of aid for SP, there is little doubt that the current ratio of one to seven seems imbalanced. Just as has happened recently in the global debate about a minimum rate for corporation tax, it might be possible to establish a minimum share for SP/ other social services relative to education and health.

The roles of SP in adapting to climate change and in reducing the risk of disasters are additional reasons for rebalancing SP's current low share of total aid. Poor countries that are vulnerable to climate change face the greatest challenges. Support for the youngest children to ensure that their neurological development is not impaired, is a key investment in the future adaptive capacity of the population. Such investment would complement more targeted adaptation support provided by climate funds. The first step towards making this happen would be to comprehensively document the joint economic benefits of effective SP and climate resilience investments, establishing »best buy« priorities for future funding. The second step would be to investigate the options for accelerating joint funding of SP aid (from development and humanitarian aid sources) and climate adaptation investments (from climate finance and disaster risk management sources).

In the long term, the share of aid being spent on SP should mirror the 14 per cent target for domestic spending. But setting an intermediate target for DAC members to accord SP (excluding health) just a 7 per cent share of total aid would imply a sustained sixfold increase in the level of aid for SP and other social services compared to 2019 levels. The additional funding would enable all countries to introduce at least a SP floor for all children aged 0-3.

⁴ McCord et al. (2021); available at: https://cdn.odi.org/media/documents/ODI_Finance_final.pdf (last accessed on 15 March 2022).

⁵ ODI, 2020; available at: <https://odi.org/en/publications/financing-the-reduction-of-extreme-poverty-post-covid-19/> (last accessed on 15 March 2022).

ANNEX A – KEY REFERENCES

This is not a comprehensive list of references consulted but includes the most important ones cited. Further details of all papers reviewed is available on request. (All web sites last accessed on 15 March 2022.)

Key pieces of earlier research by the author:

Getting poverty to zero: financing for social protection in least developed countries (2015) [NB Although Development Initiatives policy is not to list authors, this paper was written by Marcus Manuel and Charles Lwanga-Ntale]. Available at: <https://devinit.org/resources/getting-poverty-to-zero-financing-for-social-protection-in-least-developed-countries/>

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Durán-Valverde, F., Pacheco-Jiménez, J., Muzaffar, T. and Elizondo-Barboza, H. (2019), 'Measuring financing gaps in social protection for achieving SDG target 1.3: Global estimates and strategies for developing countries', Extension of Social Security Working Paper ESS 073. ILO, Geneva. Available at: https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_729111.pdf

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OFCHR <https://www.ohchr.org/EN/Issues/Poverty/Pages/global-fund-social-protection.aspx> (including all key submissions by low-income and lower-middle-income countries and NGOs)

SPIAC-B (2021) Key COVID-19 Lessons and Recommendations for Working Towards Universal Social Protection, SPIAC-B Joint Statement, October 2021. Available at: https://socialprotection.org/sites/default/files/publications_files/COVID-19%20recovery%20SPIAC-B%20lessons%20final_updated.pdf

UNDP Next practices Innovations in the COVID-19 social protection responses and beyond. Available at: https://ipcig.org/sites/default/files/pub/en/RR60_Next_Practices_Innovations_in_the_COVID_19_IPC_UNDP.pdf

World Bank (2021) Where is the money coming from? Ten stylized facts on financing social protection responses to COVID-19 Mohamed Almenfi, Melvin Breton, Pamela Dale, Ugo Gentilini, Alexander Pick and Dominic Richardson [NB This research only includes two LICs]. Available at: <https://openknowledge.worldbank.org/bitstream/handle/10986/34802/Where-is-the-Money-Coming-From-Ten-Stylized-Facts-on-Financing-Social-Protection-Responses-to-COVID-19.pdf?sequence=5&isAllowed=y>

World Bank (2021) Social-Protection-and-Jobs-Responses-to-COVID-19-A-Real-Time-Review-of-Country-Measures-May-14-2021. Available at: <https://documents1.worldbank.org/curated/en/281531621024684216/pdf/Social-Protection-and-Jobs-Responses-to-COVID-19-A-Real-Time-Review-of-Country-Measures-May-14-2021.pdf>

ANNEX B – LIST OF LOW-INCOME AND LOWER MIDDLE-INCOME COUNTRIES

The World Bank's latest classification of countries by income group was updated in July 2021. It now comprises 27 low-income countries (LICs) and 55 lower middle-income countries (LMICs), a total of 82 countries.

The UN's least developed country (LDC) definition applies to 47 countries, only one of which is an upper middle-income country.

The IMF's 2021 low-income country definition applies to 69 countries, ten of which are upper middle-income countries. The IMF uses this list to determine which countries can access concessional loans.

Country	World Bank income group	UN LDC	IMF LIC 2021
Afghanistan	LIC	TRUE	TRUE
Burkina Faso	LIC	TRUE	TRUE
Burundi	LIC	TRUE	TRUE
Central African Republic	LIC	TRUE	TRUE
Chad	LIC	TRUE	TRUE
Congo, Dem. Rep.	LIC	TRUE	TRUE
Eritrea	LIC	TRUE	TRUE
Ethiopia	LIC	TRUE	TRUE
Gambia, The	LIC	TRUE	TRUE
Guinea	LIC	TRUE	TRUE
Guinea-Bissau	LIC	TRUE	TRUE
Korea, Dem. People's Rep.	LIC		
Liberia	LIC	TRUE	TRUE
Madagascar	LIC	TRUE	TRUE
Malawi	LIC	TRUE	TRUE
Mali	LIC	TRUE	TRUE
Mozambique	LIC	TRUE	TRUE
Niger	LIC	TRUE	TRUE
Rwanda	LIC	TRUE	TRUE
Sierra Leone	LIC	TRUE	TRUE
Somalia	LIC	TRUE	TRUE
South Sudan	LIC	TRUE	TRUE
Sudan	LIC	TRUE	TRUE
Syrian Arab Republic	LIC		
Togo	LIC	TRUE	TRUE
Uganda	LIC	TRUE	TRUE
Yemen, Rep.	LIC	TRUE	TRUE
Algeria	LMIC		
Angola	LMIC	TRUE	
Bangladesh	LMIC	TRUE	TRUE
Belize	LMIC		
Benin	LMIC	TRUE	TRUE
Bhutan	LMIC	TRUE	TRUE
Bolivia	LMIC		

Country	World Bank income group	UN LDC	IMF LIC 2021
Cabo Verde	LMIC		TRUE
Cambodia	LMIC	TRUE	TRUE
Cameroon	LMIC		TRUE
Comoros	LMIC	TRUE	TRUE
Congo, Rep.	LMIC		TRUE
Côte d'Ivoire	LMIC		TRUE
Djibouti	LMIC	TRUE	TRUE
Egypt, Arab Rep.	LMIC		
El Salvador	LMIC		
Eswatini	LMIC		
Ghana	LMIC		TRUE
Haiti	LMIC	TRUE	TRUE
Honduras	LMIC		TRUE
India	LMIC		
Indonesia	LMIC		
Iran, Islamic Rep.	LMIC		
Kenya	LMIC		TRUE
Kiribati	LMIC	TRUE	TRUE
Kyrgyz Republic	LMIC		TRUE
Lao PDR	LMIC	TRUE	TRUE
Lesotho	LMIC	TRUE	TRUE
Mauritania	LMIC	TRUE	TRUE
Micronesia, Fed. States	LMIC		TRUE
Mongolia	LMIC		
Morocco	LMIC		
Myanmar	LMIC	TRUE	TRUE
Nepal	LMIC	TRUE	TRUE
Nicaragua	LMIC		TRUE
Nigeria	LMIC		
Pakistan	LMIC		
Papua New Guinea	LMIC		TRUE
Philippines	LMIC		
Samoa	LMIC		TRUE
São Tomé and Príncipe	LMIC	TRUE	TRUE
Senegal	LMIC	TRUE	TRUE
Solomon Islands	LMIC	TRUE	TRUE
Sri Lanka	LMIC		
Tajikistan	LMIC		TRUE
Tanzania	LMIC	TRUE	TRUE
Timor-Leste	LMIC	TRUE	TRUE
Tunisia	LMIC		
Ukraine	LMIC		
Uzbekistan	LMIC		TRUE
Vanuatu	LMIC		TRUE
Vietnam	LMIC		
West Bank and Gaza	LMIC		
Zambia	LMIC	TRUE	TRUE
Zimbabwe	LMIC		TRUE

ANNEX C – ESTIMATING THE POTENTIAL TO INCREASE DOMESTIC TAXES IN EACH COUNTRY

There is a clear long-term potential to increase tax revenue in most LICs and LMICs. Over the last three years, ODI has developed country-by-country estimates of this potential.⁶ ODI estimates draw on IMF and World Bank econometric research on the structural limitations that a country faces as it seeks to increase its tax to GDP ratio. This approach takes into account that it is easier to raise taxes in economies that are less dependent on agriculture and have established cash economies, higher export/GDP ratios and higher education completion rates. High levels of corruption and inequality also limit tax-raising efforts.

As ODI's research notes, there was considerable pressure at the Addis Ababa Financing for Development conference in 2015 to include a revenue target of 20 per cent of GDP for all countries, before this was rejected. The IMF also had a standard recommendation at that time that all LICs should aim for a minimum of 15 per cent tax-to-GDP ratio. However, the IMF admitted this was an arbitrary benchmark and more recently has started to publish its own country-by-country estimates and to use these in the design of its country programmes. ODI research has also highlighted that the tax-to-GDP ratios of many LICs and MICs are already not very different from those of today's higher-income countries when they were at a similar stage of development. Targeting higher rates too soon can have adverse consequences for development. There is a risk that increasing taxes results in a more regressive taxation. Moreover, other researchers have concluded that, if economic vulnerability and limited human assets are also factored in, many poorer countries, especially in sub-Saharan Africa, are already making outstanding tax efforts. Of course, the actual level of taxation is always ultimately a political choice. Some high-income countries (HICs) and some UMICs (e.g. Singapore and Malaysia) have set their tax-to-GDP ratios below the current average for LICs.

While research on tax potential is still developing in general, two specific limitations of ODI's research should be noted:

- These estimates were based on pre-Covid-19 positions. Covid-19 has set countries back – economies have contracted and revenues have fallen sharply. So while ODI previously estimated that it would take 3 to 5 years to achieve the increases below, it is now estimated to be more like 5 to 10 years.
- These estimates are also based on estimates of the potential for the general level of taxation. Some countries can raise additional revenues from their natural resources (oil, copper, etc.). Assessing this potential requires much more detailed country- and commodity-specific modelling. There is considerable potential in some countries to improve revenues from these sources.

The table below summarises the results.

ODI estimates of tax potential	Current tax/GDP ratio	Potential tax/GDP ratio	Increase revenue \$bn pa
LIC	14%	16%	11
LMIC	21%	26%	321
India (LMIC)	20%	25%	164
Nigeria (LMIC)	8%	15%	30
UMICs	26%	31%	1631

Source: ODI, 2020 – NB country categories as of July 2020

The table reveals that

- the total value of the potential increase across all LICs is relatively small at 11 billion US dollars pa, because
 - their tax/GDP ratios are already closer to potential than in LMICs, and
 - their GDP is much smaller;
- potential increase is much larger in LMICs – 321 billion US dollars a year (and is even larger in UMICs – 1,631 billion US dollars). Among LMICs, the potential increase is particularly large in India (given the size of the economy) and Nigeria (due to its size and because corruption has resulted in the tax/GDP ratio falling to 8 per cent and there is the potential to increase this to at least 15 per cent).

⁶ ODI, 2018; available at: <https://cdn.odi.org/media/documents/12411.pdf> (for detailed discussion on estimating tax potential) and ODI, 2020 <https://odi.org/en/publications/financing-the-reduction-of-extreme-poverty-post-covid-19/> (for latest figures) (last accessed on 15 March 2022).

ANNEX D – ESTIMATING SOCIAL PROTECTION’S »FAIR SHARE« OF GOVERNMENT REVENUES THAT IS CONSISTENT WITH REASONABLE SHARES FOR ALL OTHER SOCIAL SECTORS

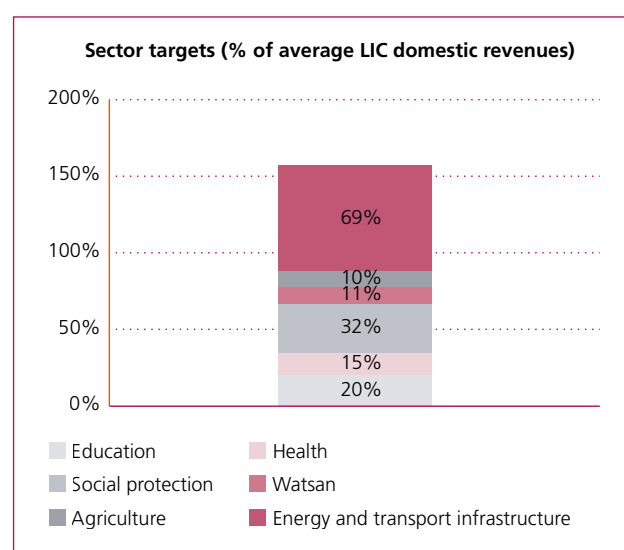
Key points

1. The current set of sectoral spending targets total more than 100 per cent of domestic revenues
2. A reasonable expectation for total social sector spending in LICs is 50 per cent of domestic revenues
3. A »fair« minimum SP spending target is 14 per cent of domestic revenues

1. Individual spending targets are more than 100 per cent of domestic revenues in typical LICs

African countries have committed to various sectoral spending targets. UNDP and World Bank have also estimated water and other infrastructure costs (see extract at the end of this annex for more details). Some are in the form of a percentage of GDP, others of a percentage of total government budget.

Spending targets		% of GDP	% of budget
Bold is original form of target <i>Italics</i> are implied targets based on current LIC domestic revenue			
Education	Maputo 2000	3%	20%
Health	Abuja 2001	2%	15%
SP	Windhoek 2008	4.5%	32%
Agriculture	Maputo 2003	2%	10%
Sanitation	eThekwinini 2008	0.5%	4%
Water	UNDP	1%	7%
subtotal 6 social sectors			98%
Energy and transport infrastructure	WB 2010	9.6%	69%
Total		22%	166%
Memo – median LIC domestic revenue/GDP ratio		14%	
NB No allowance for defence, justice and public administration			



2. A reasonable expectation for total social sector spending in LICs is 50 per cent of the budget

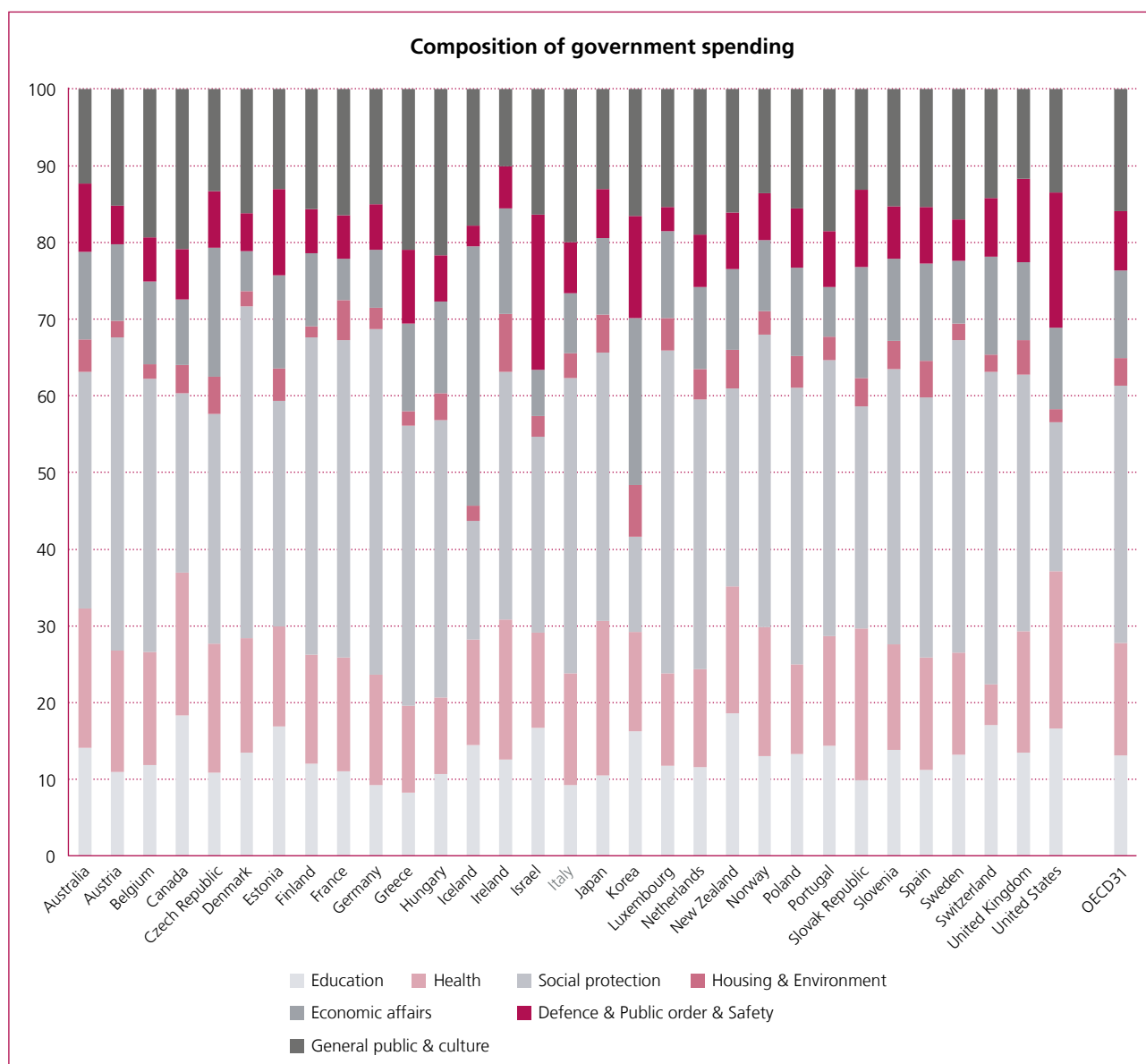
ODI (2015)⁷ noted:

In OECD countries between 40 per cent to 70 per cent of total revenues are used to fund education, health and social welfare with the average share being 60 per cent (OECD, 2013: 76-77). But they have a completely different demography which drives SP expenditure to a large extent...

The assumption taken in the rest of this paper is that 50 per cent of revenues would be available for the education, health and social welfare in developing countries. Only in two OECD countries – Iceland and Japan – is the budget share less than 50 per cent. In practice, this 50 per cent figure is likely to be an ambitious assumption in many developing countries. The costs of other government activities in low-income countries are likely to comprise a much higher proportion of the budget, not least because OECD countries have relatively mature infrastructure and are located in more stable regions.

Aid donors also do not want to limit their funding to social sectors. The assumption, therefore, is that only 50 per cent of aid would be available for supporting the three SDGs on the basis that this is how donor governments choose to allocate resources in their own countries.

⁷ ODI, 2015; available at: <https://odi.org/en/publications/financing-the-future-how-international-public-finance-should-fund-a-global-social-compact-to-eradicate-poverty/> (last accessed on 15 March 2022).



3. A reasonable minimum social sector spending target in LIC/LMICs would be 14 per cent of domestic revenues

Following the approach of ODI (2018)⁸ the table below scales back all the social sector spending targets, so their total is 50 per cent. The SP target is based on ILO’s minimum level of 2.9 per cent of GDP rather than the above Windhoek figure of 4.5 per cent of GDP. This follows both ODI (2018) and Global Spending Watch⁹ (see also extract at the end of this annex).

One complication of applying this to SP, is that the target is currently only expressed in terms of GDP. As LICs and LMICs have different levels of domestic revenues, the 2.9 per cent of GDP target implies different per cent of revenues in LICs and LMICs (14 and 21 per cent). When the SP target is scaled back (along with the other social sector spending targets), the LIC and LMIC spending shares fall to 16 per cent and 12 per cent. So a single reasonable spending target would be 14 per cent of domestic revenues.

⁸ ODI, 2018; available at: <https://cdn.odi.org/media/documents/12411.pdf> (for detailed discussion on estimating tax potential); and ODI, 2020; available at: <https://odi.org/en/publications/financing-the-reduction-of-extreme-poverty-post-covid-19/> (for latest figures) (both last accessed on 15 March 2022).

⁹ <https://www.governmentspendingwatch.org/> (last accessed on 15 March 2022).

LIC Spending targets – scaled to total of 50%		% of GDP	% of budget	Scaled back to fit 50% of budget
Bold is original form of target <i>Italics</i> are implied targets based on LMIC domestic revenue				
Education	Maputo 2000	2.7%	20%	14.8%
Health	Abuja 2001	2.0%	15%	11.1%
SP	ILO minimum	2.9%	21%	15.8%
Sanitation	eThekwini 2008	0.5%	4%	2.7%
Water	UNDP	1%	7%	5.5%
subtotal all social sector			67%	50%
Memo – median LMIC domestic revenue/GDP ratio		13.6%		
LIC Spending targets – scaled to total of 50%		% of GDP	% of budget	Scaled back to fit 50% of budget
Bold is original form of target <i>Italics</i> are implied targets based on LMIC domestic revenue				
Education	Maputo 2000	4.2%	20%	17.9%
Health	Abuja 2001	3.2%	15%	13.4%
SP	ILO minimum	2.9%	14%	12.3%
Sanitation	eThekwini 2008	0.5%	2%	2.1%
Water	UNDP	1%	5%	4.2%
subtotal all social sector			56%	50%
Memo – median LMIC domestic revenue/GDP ratio		21.1%		

4. Comparing a reasonable »fair« share of 14 per cent with OECD

One way to cross-check the estimated 14 per cent minimum »fair« share is to compare it with what OECD countries spend. On average, they spend much more: 33 per cent of their government budgets. And even those countries that spend relatively the least – US and Iceland – do spend at least 14 per cent.

While data on current shares of spending by LIC/LMICs is limited, ILO analysis suggests these are around 10 per cent.¹⁰

EXTRACTS FROM GOVERNMENT SPENDING WATCH (GSW) (2015)¹¹ SECTORAL SPENDING TARGETS

Overall, countries should be spending close to 60% of their budgets on the MDGs (p4) (NB includes agriculture at 10 per cent of the budget)

Setting an overall target for allocation of aid to SDG sectors, at least to match the 60% targeted for government spending by developing country governments in Chapter 2; (p39)

In 2003, African governments meeting in Maputo committed themselves to spend at least 10% of their budgets on agriculture within five years.

There are two international benchmarks for spending on education: governments should spend 6% of gross national product (GNP) and 20% of their overall budgets on education. Hence, GSW tracks total education spending as a percentage of both overall spending and gross domestic product (GDP).

Over a decade ago, two clear targets were established. In 2002, at a Special Summit in Abuja, Nigeria, African Heads of State committed themselves to allocate 15% of government expenditure to health.

Two targets have been established for spending on social protection. In 2008 at the African Union (AU) Windhoek Conference, African governments committed to a basic Social Protection Floor, the cost of which was determined at 4.5% of GDP. In addition, the International Labour Organization (ILO) and others have estimated the level of government spending needed to provide basic social protection at between 2.9% and 5.2% of GDP. Given that GSW tracks only non-contributory spending, we have chosen to measure countries' progress by the lower end of the ILO target (i.e. 2.9% of GDP), although clearly this is a somewhat crude measure.

GSW tracks spending on water and sanitation, using a target of 1.5% of GDP.⁵⁷ This is based on two components: the agreement in 2008 at the eThekwini meeting of AU ministers to spend 0.5% of GDP on sanitation and hygiene;⁵⁸ and studies, including by UNDP, which have suggested that meeting the MDG water goal requires 1% of GDP annually

¹⁰ ILO World Social Protection Report 2017-19; available at: <https://www.ilo.org/global/research/global-reports/world-social-security-report/2017-19/lang--en/index.htm> (last accessed on 15 March 2022).

¹¹ GSW 2015. Financing the Sustainable Development Goals. Available at: https://www.governmentspendingwatch.org/images/pdfs/GSW_2015_Report/Financing-Sustainable-Development-Goals-Report-2015.pdf (last accessed on 15 March 2022).

ANNEX E – DETAIL ON ODI SOCIAL PROTECTION COSTINGS (LAST REVISED 2020)

The precise design of SP programmes to address poverty varies across countries depending on their context and history. ODI estimates do not attempt to consider which precise design would be most appropriate at the national level. ODI estimates aim to ensure countries have the funding they need to provide a basic set of SP transfers and services that can lift the poor population towards or over the international extreme poverty line of 1.90 US dollars PPP. Many countries may choose to spend more than this minimum and provide more than a floor, e.g. through contributory benefits and pension schemes, although those programmes tend to be less progressive. Some countries may also want to make payments conditional, e.g. on children attending school or receiving vaccination.

The stylised ODI costings prepared in 2020¹² are based on the

- size of the aggregate extreme poverty gap in each country, i.e. the shortfall in consumption or income level relative to the extreme poverty line.¹³
- projected levels of poverty, so that programmes are scaled only to be provided for people who are not expected to be lifted out of poverty by broader economic growth.
- need to provide for different forms of transfers and services to consider the demographic and the economic drivers of improved livelihoods of poor people.
- recognition that long-term sustainability and domestic political acceptability considerations imply that the choice of the precise form of demographic cash transfers (e.g. to children and elderly people) needs to balance poverty reducing and universal coverage aims.
- recognition that people with disabilities and those who are chronically ill would need additional support from cash and services.

The costings in this paper therefore cover three distinct types of transfers:

- *Age-specific transfers*: Children are over-represented among the extreme poor. The World Bank estimated that 19.5 per cent of children under 18 years live in 1.90 US dollars extreme poverty compared to 9.2 per cent for adults.¹⁴ Poverty is particularly high for children aged 0-9 and declines in older groups of children. So transfers that reflect the presence and/or the number of children can be a characteristic of an efficient poverty reducing transfer. Very high percentages of extremely poor households contain children in many countries. Most countries also recognise the need to provide support for elderly populations, even though they are less associated with poverty in poorer countries. The poorest countries have high fertility, and a large proportion of households contain children, while other richer countries differ. How far transfers to children (and the elderly) should be universal is thus a question of coverage and efficiency as well as a normative policy question, and is best determined at national level to reflect political and economic constraints. To ensure countries can afford to choose, the costings here assume a universal approach, which is the more costly option. The difference between the universal and targeted approaches is not that large in high poverty countries, because targeted programmes would need to reach most of the population anyway and have much higher leakage rates and administration costs.¹⁵
- *Transfers to people living with disabilities*: People with disabilities face constraints on their ability to earn and have higher living costs for both their care and for essential goods. Transfers to individuals identified as having a qualifying level of disability can be an efficient response to support individuals with low incomes and compensate for the opportunity costs of carers. They also can counter prejudice and discrimination. We assume a universal approach to costing based on estimates of the prevalence of disability in the working-age population (estimated at 8 per cent).

¹² This design has been developed by Martin Evans, Senior Research Fellow in ODI's Equity and Social Policy team in 2018 <https://odi.org/en/publications/financing-the-end-of-extreme-poverty/> and was largely reused in 2020 <https://odi.org/en/publications/financing-the-reduction-of-extreme-poverty-post-covid-19/> (both last accessed on 15 March 2022).

¹³ Costings based just on the poverty gap have been used in many other papers e.g. Greenhill et al (2015); available at: <https://odi.org/en/publications/financing-the-future-how-international-public-finance-should-fund-a-global-social-compact-to-eradicate-poverty/> (last accessed on 15 March 2022).

¹⁴ World Bank (2016); available at: <http://documents.worldbank.org/curated/en/402511475417572525/pdf/WPS7845.pdf> (last accessed on 15 March 2022).

¹⁵ In five countries a universal approach is estimated to be marginally cheaper: Central African Republic, Guinea-Bissau, Madagascar, Malawi and Zambia. For all these countries, the costings used in the rest of this paper have been increased so that the marginally more costly targeted option could be adopted if the countries chose to do so.

- *Productive safety net/livelihood enhancing programmes:* These programmes should assist in smoothing underlying risks from uncertain income generation and encourage increasing productivity. Given that the child transfer allocation would provide an income and consumption smoothing for the large majority of economically active adults in the poorest countries, our stylised example provides for a ‘productive safety net’-type transfer based on public works employment for the adult population combined with ‘livelihood improvement services’ that will help improve productivity and promote business, based on the Ethiopian Productive Safety Net Programme.

The age-specific transfers would be the largest element of the package and universal coverage would ensure the near poor and others who are vulnerable to poverty, as well as the extreme poor, were reached. As Chronic Poverty Advisory Network (CPAN) research has highlighted there is considerable movement over time across the poverty line with households rising above the line for some years but then falling back again later, especially if one member falls ill and health costs have to be covered. The proposed transfer is based on the extreme poverty gap, so the amount per beneficiary would be a small but regular source of income that can smooth income irregularity and reduce risk aversion. As universal demographic transfers can result in a low administration cost and can reduce exclusion error, a conservative 4 per cent administration cost is assumed.¹⁶

The productive safety net/livelihood services would be in two forms. The first would be a productive safety net: a public works programme available to households living in or near extreme poverty who want to have a public works top-up to their demographic allocation. Self-targeting is envisaged, and leakage rates estimated at 20 per cent, but with much higher administrative costs set at 35 per cent (both based on the experience of the Ethiopia Productive Safety Net programme). These higher administrative costs are mainly due to the capital costs of the public works – small-scale irrigation schemes, local roads and reforestation. The second form would be ‘livelihood improvement’ as per Ethiopia Productive Safety Net and are allocated 25 per cent of total expenditure (from higher unit costs) and have an administrative cost of 30 per cent of transfer. As is the case with the Ethiopia Productive Safety Net, the assumption is that public works would be the main transfer and the livelihood improvement transfer would just be 10 per cent of the total productive safety net/livelihood transfer.

As is the case with the Ethiopia Productive Safety Net Programme, the costs include a provision for those living with disabilities and the chronically ill. These groups receive the same level of monthly benefit without engaging in public works and also receive it for the whole year (whereas the public work opportunities are only available for six months).

Characteristics by type of transfer:

Type of transfer	Available to	Leakage	Administration costs
Age-specific	0-14 and 65+	0%	4%
Categorical–disability	Working age (15% of total working age)	0%	8%
Targeted			
Public works (90% of spend)	Working age extreme poor able to work (85% of total working age)	20%	35%
Livelihoods improvement (10% of spend)		10%	30%

Notes: Size of transfer in all cases scaled to poverty gap. Ratio of % of working age in extreme poverty to national poverty headcount rate = 9.5%/12.5% (= ratio of global averages – see paper by Newhouse, David; Suarez-Becerra, P; Evans, M. (2016) New Estimates of Extreme Poverty for Children. Policy Research Working Paper No. 7845. World Bank, Washington, DC (2016).

¹⁶ After five years, Brazilian administration cost rate fell to 3 per cent and Mexican to 6 per cent. In the well-established Pakistan Benazir income support, programme administration costs are 8 per cent. See Manuel and Hoy (2015); available at: <https://odi.org/en/publications/financing-the-future-how-international-public-finance-should-fund-a-global-social-compact-to-eradicate-poverty/> (last accessed on 15 March 2022).

ANNEX F – SOCIAL PROTECTION AID BY DONOR (2019 AND TREND)

Rank (2019)	Donor	Disbursements 2019 (\$m) & trend	Comment
1	World Bank	1,160 – rising	Doubled in last seven years. Loans account for 95% of disbursements. Main three recipients Bangladesh (\$320m), Ethiopia (\$280m) and Nigeria (\$160m). Major commitments in 2018 and 2019: Bangladesh (\$390m), Cote D'Ivoire and Kenya (both \$250m), Tanzania, Uzbekistan, DRC and Malawi (all around \$150m), Ethiopia, Burkina Faso, Niger and Madagascar (all around \$100m)
2	UK	240 – falling	Was \$430m in 2016 but then collapsed to less than \$100m in 2017 and 2018. Main recipients in 2019: Ethiopia and Yemen (both \$40m), Uganda, Kenya, Tanzania, Ghana and Pakistan (all around \$15m) and Zambia, Malawi and Nepal (both \$10m). Commitments in 2019 focused on Yemen (\$50m) and Uganda (\$40m)
3	EU	145 – falling	Was \$350m in 2011-2015 when major funder of West Bank Gaza. Main recipients in 2019: West Bank Gaza (\$60m) and Malawi (\$20m). Main commitments in 2018 & 2019: Tunisia (\$100m); West Bank Gaza (\$60m) and Paraguay (\$50m); Albania (\$25m) and Malawi (\$20m)
4	US	110 – falling	Was \$650m in 2013 – two thirds to West Bank Gaza. Largest recipient in 2019 was Columbia (\$20m), followed by Jordan and Vietnam (both \$10m). Very low commitments in 2019.
5	Japan	100 – flat	Spread across several countries – mainly Asia. Largest recipients in 2019: Indonesia, Myanmar and Syria (all around \$10m)
6	Germany	80 – rising	Was \$50m in 2011-13. Commitments in 2019 were very focused – SSA regional (\$60m) and Malawi (\$30m). Smaller commitments to Jordan and Ukraine
7	UNICEF	60 – falling	Was \$80m in 2016
8	Sweden	30 – rising	Less than \$5m in 2011-2015
9	Denmark	25 – rising	Less than \$5m in 2011-2015
10	Italy	40 – flat	
11	N'lands	20 – falling	Was \$50m in 2016
12	ILO	20 – rising	Was \$5m in 2011-2015
13	FAO	15 – rising	Mainly Angola. Zero in 2011-2015
14	UNDP	15 – rising	Was \$5m in 2011-2015
15	Korea	15 – rising	Was \$5m in 2011-2015
16	Russia	10 – rising	
17	Norway	10 – falling	Was \$20m in 2013
18	Ireland	10 – falling	Was \$30m, in 2017

SP aid = OECD DAC CRS code 16010

Table includes all donors that disbursed more than \$10 million in 2019.

Figures for multilateral institutions and agencies refer to disbursements from their core unearmarked funding. To avoid double counting, these figures do not include their spending on programmes at regional and country level that are funded by bilateral agencies.

ANNEX G – »OTHER SOCIAL« AID BY DONOR (2019)

Rank (2019)	Donor	Disbursements 2019 (\$m) & trend
1	World Bank	1,730 – rising
2	Germany	540 – rising
3	EU	485 – falling
4	Japan	325 – rising
5	UK	320 – falling
6	US	230 – rising
7	ILO	210 – rising
8	France	155 – flat
9	Sweden	120 – rising
10	UNAIDS	120 – rising

Total »other social« aid = OECD DAC CRS code 160 »Other Social Infrastructure & Services«.

While SP is the largest single component within this category, the category also includes employment creation, housing and multi-sector support for basic services

Table includes all donors that disbursed more than \$100 million in 2019

ANNEX H – SOCIAL PROTECTION AID BY RECIPIENT (2019 AND TREND)

SP aid by recipient					
Rank	Recipient	World Bank income	Aid (2019 \$m) & trend	Aid (\$) per person	Comment
1	Bangladesh	LMIC	340 – rising	2	Was \$220m in 2017
2	Ethiopia	LIC	330 – variable	3	Was \$460m in 2017 but only \$150m in 2011–13
3	Nigeria	LMIC	170 – rising	1	6-fold increase since 2017
4	Honduras	LMIC	80 – constant	8	
5	Malawi	LIC	75 – rising	4	4-fold increase in last few years. Focus of EU and German aid
6	West Bank Gaza	LMIC	60 – falling	12	10-fold decrease since 2013
7	Uganda	LIC	60 – rising	1	2-fold increase
8	Cote d’Ivoire	LMIC	40 – rising	2	4-fold increase
9	Kenya	LMIC	40 – falling	1	2-fold decrease since 2011–13
10	India	LMIC	40 – flat	0	
11	Yemen	LIC	40 – falling	1	Was \$135m in 2014. Additional funding from humanitarian sources
12	Mozambique	LIC	40 – flat	1	
13	Pakistan	LMIC	30 – falling	0	10-fold decrease since 2011-2016
14	Madagascar	LIC	30 – rising	1	
15	Cameroon	LMIC	30 – rising	1	
16	Indonesia	LMIC	30 – falling	0	
17	Ghana	LMIC	30 – flat	1	
18	CAR	LIC	20 – rising	4	
19	Colombia	UMIC	20 – flat	0	
20	Tanzania	LMIC	20 – falling	0	7-fold decrease since 2015
21	Zimbabwe	LMIC	20 – flat	1	
22	Vietnam	LMIC	20 – flat	0	
23	Jordan	UMIC	20 – flat	2	
24	Nepal	LMIC	20 – flat	1	
25	Burkina Faso	LIC	15 – rising	1	
26	Benin	LMIC	15 – flat	1	
27	Mali	LIC	15 – rising	1	
28	Somalia	LIC	15 – rising	1	6-fold increase
29	Senegal	LMIC	15 – flat	1	
30	Haiti	LMIC	15 – rising	1	

SP aid = OECD DAC CRS code 16010

All recipients that received more than \$15 million in 2019

ANNEX I – PROJECTED SOCIAL PROTECTION AID DISBURSEMENTS (2018-2021)

Rank (2019)	Donor	2019	2020	2021 (proj)	% shares in 2019	% shares in 2021 (proj)	Increase in IATI commitments (2021 & 2020 v 2018 & 2019)
1	World Bank (IDA)	1,160	2,561	3,624	51%	69%	312%
2	UK	240	265	265	11%	5%	
3	EU	145	420	420	6%	8%	
4	US	110	135	164	5%	3%	149%
5	Japan	100	69	69	4%	1%	
6	Germany	80	91	102	4%	2%	127%
7	UNICEF (core)	60	46	111	3%	2%	185%
8	ADB	14	545	102	1%	2%	729%
9	Sweden	30	75	75	1%	1%	
	All other	316	316	316	14%	6%	
	Total	2,255	4,523	5,248	100%	100%	
	2019 figures OECD DAC						
	2020 figures OECD DAC, except for UK and Germany (using IATI data) and »all other« assumed constant						
	2021 figures projections based on % increase in IATI commitments (last column) or assumed constant						

ANNEX J – EXAMPLES OF GLOBAL FUNDS IN OTHER SECTORS

This analysis is mainly drawn from earlier ODI research including Manuel and Manuel (2018).¹⁷

The Global Fund to Fight AIDS, Tuberculosis and Malaria (the ‘Global Health Fund’) has mobilised the greatest funding to date, mostly from bilateral organisations, but with 10 per cent from private foundations. The Global Alliance for Vaccine Immunization (GAVI) is smaller but has raised a higher share from foundations and substantial funding for innovative financing instruments. The Global Partnership for Education has been relatively less successful than health at mobilising funds. The reasons for this are contested, but the fact that the World Bank hosts the fund, coupled with the predominance of World Bank-implemented projects, make it hard to differentiate this from other World Bank trust funds projects, and this may be part of the explanation. The result is that other, more focused education funds have been developed or are being designed: the Education Can-

not Wait fund targets emergency contexts; the Education Outcome Fund aims to draw on results-based finance; and the International Financing Facility for Education aims to target lower middle-income countries.

As far as climate funding is concerned, interest was galvanised by the global commitment at Copenhagen in 2009 to mobilise an additional 100 billion US dollars a year in climate finance from a wide variety of sources. This has resulted in a plethora of fragmented funds. The largest – the Green Climate Fund – has taken a long time to become operational. There are at least another 19 international funds as well as several funds supported by just a few bilateral organisations. The Climate and Land Use Alliance is an interesting example of foundation funding, as it provides foundations with a platform for collaboration with common joint strategies but where each project is funded by just one foundation.

Examples of global funds

Fund	Age (years)	Spend (\$ millions, pa)*	Host/implementer	Funding/comments
GFATM	15	4,000	Independent. Geneva. 60% to govts; 25% CSOs.	90% govts. 10% foundations/private sector. Headline result = 32 million lives saved.
Global Alliance for Vaccine Immunization	20	2,000	Independent. Implemented by govts with UN/ Foundation/private sector support. Less than 1% CSOs.	80% govts (of which 25% through innovative financing); 20% foundations. Headline result = 13 million lives saved.
Global Financing Facility	5	200	Global partnership housed at the World Bank. Grants directly linked to World Bank finance.	Majority govts. Rest foundations. Three largest funders – Norway, Canada and Gates foundation.
Global Partnership for Education	15	500	Hosted by the World Bank. WB oversees delivery of two thirds of the fund. Some funding to CSOs.	Mostly govts. Headline result = 77 million more children in primary school.
Education Cannot Wait	<5	100	Hosted by United Nations Children’s Fund. Implemented mainly by UNICEF and CSOs.	Mostly govts. Also 2 foundations. Focused on emergencies. Target \$350 million pa. 25% of funding target raised after 3 years.
Education outcomes fund	<1	–	First country pilot in 2020. To be implemented by govts and education innovators.	Early stages of fundraising. Mix of govts, foundations and corporate social responsibility. Target \$200 million pa.
International Financing Facility for Education	<1	–	In design phase.	Focused on lower-middle-income countries. Target \$400 million pa.
Green Climate Fund	5	1,500	Independent. Hosted in the Republic of Korea. WB is trustee.	Context: govts committed in 2009 to mobilise \$100 billion pa by 2020 from a wide variety of sources.
19+ other multi-national and 7+ bilateral climate funds/initiatives	10	4,000 (minimum)	Various. Mostly funded by bilaterals.	
Climate and Land Use Alliance	10	50	United States. CSOs main implementers.	Collaboration of 6 foundations (no collective funding).

* pa = per annum. Spend is indicative only. When only data on deposits or pledges in funds is available, this is assumed to be spent over five years.

¹⁷ <https://odi.org/en/publications/achieving-equal-access-to-justice-for-all-by-2030-lessons-from-global-funds/> (last accessed on 15 March 2022).

ACRONYMS/DEFINITIONS

BfdW	Brot fuer die Welt	LMIC	lower middle-income country (GNI person \$1,000–\$4,000)
CSO	civil society organisation	MDB	multilateral development bank
DAC	Development Assistance Committee (part of OECD)	MDG	Millennium Development Goal
DI	Development Initiatives	MIC	middle-income country (GNI person \$1,000–\$13,000)
GCF	Green Climate Fund	ODA	official development assistance (OECD DAC definition of aid)
GFF	Global Financing Facility	ODI	Overseas Development Institute (a global think tank based in the UK)
GDP	gross domestic product	OECD	Organisation for Economic Cooperation and Development
GFATM	The Global Fund to Fight AIDS, Tuberculosis and Malaria	PPP	purchasing power parity
GFSP	global fund for social protection	SDG	Sustainable Development Goal
GNI	gross national income	SDR	special drawing right
GPE	Global Partnership for Education	SP	social protection
GSW	Government Spending Watch	UMIC	upper middle-income country (GNI person \$4,000–\$13,000)
IATI	International Aid Transparency Initiative	UN	United Nations
IBRD	International Bank for Reconstruction & Development (non-concessional lending arm of the World Bank)	UNDP	United Nations Development Programme
IDA	International Development Association (concessional lending arm of the World Bank)	UNICEF	United Nations Children's Fund
ILO	International Labour Organization	WHO	World Health Organization
IMF	International Monetary Fund		
ITUC	International Trade Union Confederation		DAC member countries include all G7 countries and most other EU members, as well as Norway, Switzerland, Korea, Australia and New Zealand.
LDC	least developed country (UN definition – most LICs and some LMICs)		
LIC	low-income country (World Bank definition – GNI per person less than US\$1,000 a year)		

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