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A Global Fund for Social Protection Floors: Eight Good Reasons Why It can Easily be Done

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This contribution is published as part of the Think Piece Series The Road To Addis and Beyond, launched to coincide with the third and final drafting session of the outcome document of this summer's Third International Conference on Financing for Development. In this Series, global experts discuss a range of topics complementary to the UNRISD research project on the Politics of Domestic Resource Mobilization on how to fund social development and raise provocative or alternative perspectives that can generate further ideas and debates. Please share your thoughts on this article in the comments space below.

We know that social protection is the most direct tool we have to combat poverty and inequality and that implementation can begin when countries are at a relatively early stage of development. However, there are today a few countries which need the solidarity of others to close the social protection gap. This think piece puts forward eight good reasons why a global fund for social protection is needed and can easily be initiated.

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Eight good reasons for a global fund for social protection floors

Social protection is the most direct tool that societies have at their disposal to combat poverty and inequality. This has been demonstrated time and again over the last decade or so. We also know that basic—and pivotal—elements of national floors of social protection are affordable in most countries. The examples of Brazil, Ghana, Mauritius, Mexico, Namibia, Nepal, Thailand, South Africa and others have demonstrated this also for developing countries.

All successful economies around the world have highly developed social protection systems, all of which were created when they were relatively poor. The claim that countries have to grow first before they can redistribute is therefore a historical, economic, fiscal and political myth. Moreover, social protection has proven to be an investment in social and economic development.

While substantial progress has been made in extending national social protection systems in some developing countries, others are still lagging behind. Most countries can afford complete floors of social protection that provide a minimum level of protection for all residents. Some of those who are lagging behind, however, can presently not afford to close the gap in their national social protection floors (SPF). These—very few—countries depend on the solidarity of others to close their protection gaps, at least until their economies have caught up to a point at which they are able to collect sufficient amounts of taxes and contributions themselves.

What is needed to extend national social protection systems in these settings is therefore a solidarity financing mechanism that pools resources and spreads the burden of solidarity between states, organizations and individuals. What is needed, in other words, is a global fund.

Setting it up need not be expensive, nor does it require a new global body. According to estimates by researchers at the Graduate School of Governance in Maastricht it would not require more than 7-10 per cent of the present global level of net ODA, which stands at about USD 150 billion (World Bank Data for 2013). It is also not necessary to create a new fund, it suffices to reanimate an existing one.

Here are eight good reasons why a global fund for social protection floors is needed and can easily be initiated.

1) There already is a global consensus on social protection floors for all

In June 2012 the global community of nations decided that all countries should ensure that all people have access to at least a floor, or a minimum level of social protection. From its beginnings in a Joint UN Crisis Initiative in April 2009, the 184 member states of the International Labour Organization went on to adopt ILO Recommendation No. 202 on National Floors of Social Protection (R.202).

According to the constitution of the ILO, the oldest UN agency, all member states should take this ILO Recommendation into account when drafting national social legislation. R. 202 is a global legal social standard and hence an instrument of international law, albeit a weak one as it depends largely on national governments and parliaments to implement (or not) the declaration of good will that they have jointly adopted. But as a consensual, global and unanimous declaration of good will, it creates the policy space and the legitimacy for national and international interest groups to demand that societies live up to their promises and close their social protection floor gaps. A quick reminder of the definition of social protection floors is provided in the following box.

The concept of national floors for social protection

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;
- 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 instrument is extremely flexible on the national means of implementation. In this way the Recommendation "guarantees" that the focus is on the outcome rather than on specific types of benefits or schemes. However, it clearly formulates a protection objective: "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." The Recommendation also puts the floors of protection into the context of wider social security extension strategies that countries are required to adopt.

2. The global community has already accepted that global solidarity may be needed to achieve social protection for all

R. 202 states explicitly in Article 12 that "National social protection floors should be financed by national resources. Members whose economic and fiscal capacities are insufficient …may seek international cooperation and support that complements their own efforts". By other words the global consensus on social protection of 2012 even encompassed the potential need for global social solidarity.

3) A financial pooling mechanism is needed

It is obvious that single donors cannot finance the closure of national social protection floor gaps in least developed countries (LDC) for longer periods until self-sufficiency is reached. Increasing global ODA by 7-10 per cent is probably not feasible for a single donor. However, a coalition of donors could. 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 to reduce poverty, insecurity and inequality through social protection. That financing facility could be a global fund dedicated to social protection.

The fund would not be a new "standard" single-purpose vertical fund. Social Protection Floors as the core of all national social protection systems encompass basic income security and access to essential health care. Income security is defined as a state where people have the means in cash or in kind which guarantee access to all essential goods and services, including housing, education, clean water, sanitation and so on. The fund would thus be a "cross-cutting" or "horizontal" investment in social justice seeking to co-finance access to essential goods and services for all.

4) There is no need to create a new fund, there already is one that can be used

The proposal is not new. Already in October 2012 the UN rapporteurs on the Right to Food and on Extreme Poverty and Human Rights jointly called for a Global Fund for Social Protection. Interestingly, a fund for global social solidarity does not even have to be created. It already exists: the World Solidarity Fund (WSF). Created by Resolution 57/265 of the United Nations General Assembly in 2002, largely at the instigation of the government of Tunisia, it has however remained largely unused by donors. Its "objective is to eradicate poverty and promote human and social development in developing countries, in particular among the poorest segments of their populations". The UN commitment to the WSF was explicitly confirmed by the outcome document of the Conferences on Financing for Development in Monterrey and in Doha. Unfortunately the Fund has remained nearly empty so far. What needs to be done at the Conference on Financing for Development in Addis Ababa in July 2015 is to revive the Fund, perhaps adapt its mandate and generate pledges for financial support.

5) The mandate and the supervisory mechanism for the fund do not have to be invented

The revived WSF can assist LDC countries that need financial support to introduce or complete national social protection floors. The core function of the fund could be to help countries to develop the financial, analytical and administrative capacity to operate national social protection floors effectively and efficiently. Hence, the mandate of the fund should be twofold:

- Provide technical support for national efforts to plan and design national SPFs and train national planning and administrative staff;
- Through resource matching, co-finance national efforts to finance SPF benefits in exceptional cases. Exceptional cases could, for example, be cases of low income countries who would need more than 10 per cent of their GDP to complete their social protection floors. According to calculations of the Global Coalition for Social Protection Floors, this would mean that at present no more than 10 to 12 countries would be eligible for support.

Again, there is nothing new to this mandate. International agencies, such as the ILO and the World Bank, are already providing technical cooperation for social protection. Individual donors such as DFID (UK)—albeit on a relatively small scale and an individual scheme basis—are already providing financial support to national social transfer schemes (such as the LEAP programme in Ghana).

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 cooperate under the umbrella of the Social Protection Inter-Agency Board for Co-operation (SPIAC-B). The SPIAC-B also includes civil society represented by major international NGOs. What it lacks is “teeth” in the form of funds to finance meaningful technical and financial support at the national level. After some fine-tuning with respect to fair stakeholder participation and legitimation, this interagency body can be used as used as board or governing body for the fund.

6) The fund can start modestly

To enable the emergency co-financing of transfers and the financing of technical cooperation and massive capacity-building initiatives, the desirable annual expenditure volume of the WSF would be in the order of USD 10-15 billion. To begin with, the WSF could be reanimated on a limited basis with a smaller initial budget.

The Global Coalition for SPF together with the Graduate School of Governance in Maastricht is presently developing a global SPF index which measures national SPF gaps as a percentage of national GDP. According to our preliminary estimates there are presently only about 10-12 LDC countries which would have to spend more than 10 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 USD 10-15 billion.1 Supporting only the poorest five countries with 50 per cent of the cost of the floor would amount to roughly USD 2-3 billion. 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:

- Development aid from industrialized countries.
- New earmarked global, international or national sources. A mechanism for global financing (or the re-financing of national investments) could be national, regional or global financial transaction taxes. 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 USD 10-15 billion.
- 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.

7) The potential direct impact on poverty could be huge

Social protection floors are direct and fast-acting poverty relief mechanisms that can save millions of lives and alleviate misery in further millions of cases. Benefit delivery in social protection will never be perfect and will inevitably lead to some efficiency losses, exclusion and inclusion errors but combined with some investment in good governance the emergency co-financing of the SPF in the 10 poorest countries would rapidly help to pull up to 100-120 million people out of abject poverty and social insecurity. If one assumes that normally financial assistance should not last longer than five years per country, then about 300 million people could benefit from financial support within the next 15 to 20 years. That is the equivalent of about 30 per cent of all people presently living on less than US 1.25 per day today. Which other policy tool has the same potential?

And this can be done at a cost of 0.03 per cent of the USD 45.8 trillion which was the total GDP of 31 high-income OECD countries in 2013.

8) In short…

…there is no good reason why it should not be done.

FOOTNOTES
1This figure would cover the benefit cost for social assistance schemes to close the USD 1.25 poverty gap, the health access gap and the administrative costs of ensuring benefit delivery.

NOTE
This think piece is largely based on:
- a proposal for a fund for social protection developed by some member organizations of the Global Coalition for Social Protection Floors (*Global Coalition Paper: A Global Fund for Social Protection: A proposal for the Conference on Financing for Development,* April 2015)
- a think-piece to be published by the Maastricht Graduate School of Governance (A. Oppel, S. Tromp, M. Bierbaum and M. Cichon. *A Social Protection Floor Index as a monitoring tool for national social protection policy implementation*, forthcoming 2015.)
The views expressed here are nonetheless those of the author.

ABOUT THE AUTHOR

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COMMENT

This article reflects the views of the author(s) and does not necessarily represent those of the United Nations Research Institute for Social Development.

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