

Global Action on Improving Synergies between Social Protection and Public Finance Management

Advisory Board Meeting

Tuesday 31 August 2021

15h00-17h25 (CET Time)

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Minutes

The meeting opened at 15h00 CEST with the attendance of:

Evelyn Astor, ITUC

Luis Rodrigo Morales, IOE

Pierre Vincensini, IOE

Barry Herman, Social Justice in Global
Development

Laura Alfery, WIEGO

Michael Cichon, Independent Expert

David Coady, IMF

David Bradbury, OECD

Marius Olivier, Institute for Social Law and
Policy

Gabriella Fesus, EC-INTPA

Shahra Razavi, ILO

Natalia Winder-Rossi, UNICEF

Valérie Schmitt, ILO

Doerte BOSSE, EC-INTPA

Noemie LEBRETON-PINSOLLE, EC-INTPA

Florian Juergen, GCSPF

Celine Peyron Bista, ILO

Veronika Wodsak, ILO

Alvaro Ramos Chaves, ILO

Aristide Kielem, UNICEF

1. Introduction to the meeting

The first part of the meeting was facilitated by Mr Aristide Kielem, UNICEF.

Welcoming remarks by Ms. Gabriella Fesus, Head of Social Inclusion and Protection, Health and Demography Unit (INTPA.G.4), EC-INTPA



After thanking the experts of the Advisory Board, she recalled the main purpose of the meeting which is to guide and inspire the further implementation of the Programme, in particular around three axes:

- how to strengthen analytical work to ensure that it leads to improvement of social protection systems, including to respond to shocks;
- how to improve the macroeconomic environment, domestic resources mobilization, and public finance management (PFM), in particular in the context of recovery;
- how to better engage with social partners and civil society on more sustainable financing.

Ms Fesus indicated that the discussion is also relevant in the framework of the forthcoming mid-term review of the Programme that will start in October. She summarized the main findings and some of the lessons learnt of the first annual report:

- Social protection plays an important role to respond to co-variate shocks. To best support countries, it is important that the Programme continuously adapts to ongoing developments.
- With regards to the analytical work and the multiplier effects study, it is important to bring in-country work and lessons to the global level, and identify good practices.
- The linkages between social protection and PFM needs to be stronger and better reflected in the overarching work.
- Participation of the civil society and social partners can be strengthened.
- More work on building shock-responsive social protection is expected in 2021.
- Communication and visibility around the interventions and results of the Programme should be improved.

Introduction of the SP&PFM Programme and the intended role of the Advisory Board

Ms Valerie Schmitt, Deputy Director, Social Protection Department, ILO, recalled the genesis and strategic fit of the Global Action:

- This Global Action was developed as part of the ILO flagship programme on social protection, thus recognizing the leading role of the ILO on social protection, on the basis of its systems and life-cycle approach.
- The Programme offers a unique platform that links technical assistance to improve social protection systems with budget support programmes that can boost (support and complement) domestic resources mobilization, through a better mainstreaming of ILO social security principles (Recommendation No. 202 in particular) in decisions related to financing.
- It also responds to the ILO constituents call during the International Labour Conference, in June 2021, to implement universal, comprehensive, adequate and sustainable social protection systems.



- The Programme was able to quickly support governments' COVID-19 response through the project team in place in the eight partner countries and additional on-demand support to 10 countries through its second approach.

Finally, she clarified the role of the Advisory Board: 1) to provide technical guidance on the analytical work at country level and global research; 2) to support the advocacy work of the Programme notably in global fora such as UN Financing for Development Initiative, Integrated National Financing Framework initiative, SPIAC-B, USP2030 among others, and with International Financing Institutions.

Ms Natalia Winder Rossi, Director, Social Policy and Social Protection, UNICEF, shared the important role and key achievements of the Programme so far:

- The Programme highlighted the need to scale up the reach of the social protection systems as a pillar to reduce poverty and inequalities in the recovery context.
- The Programme was able to respond to the immediate needs of the COVID-19 health and economic crisis. The Programme contributed to raise the importance of having sustainable and inclusive social protection systems.
- The Programme mobilizes a strategic partnership that allows for leveraging broad and solid expertise and comparative advantages of UNICEF, ILO and the Global coalition on social protection floors and achieve tangible changes on the population. This joint effort can have more impact with the advocacy efforts of each of the high-level experts in this advisory board.
- UNICEF released a Call for Action for Financing Inclusive Recovery, where prioritizing the scale up of inclusive social protection systems is a core priority. The work of this joint Programme covers the critical elements of this call: the importance of making a strong case for investments in social protection; impacts of the pandemic on children and other vulnerable groups; the need to protect budget for the social sector, particularly social protection, even in the context of fiscal contraction; enhancement of efficiency, efficacy, equity and transparency of existing allocations; and new financing options- domestic and overall international.
- The programme is already generating critical results in this regard in Burkina Faso (financing strategy and fiscal space analysis for social protection), Nepal (financing options for social protection as a response to COVID-19), Angola (budget transparency and a game changing MoU with the Ministry of Finance).
- The Programme responds to the needs for improving efficiency, sufficiency and adequacy of national budget for social protection, and ensure that investments in social protection are maintained and continue improving through new financing strategies.

Introduction of the Advisory Board members and selection of the Advisory Board Meeting Chairperson

Following the short self-introduction of each member of the Board, **Mr Michael Cichon** was elected chairperson of the first meeting of the Advisory Board.



2. Discussion and guidance for improving synergies between social protection and public finance management at country level

Ms Celine Peyron Bista, ILO and Mr Aristide Kielem, UNICEF presented the approach and key results of the first year implementation of the Programme:

The Programme operates through a twofold interconnected approach, at country and global levels. The work and lessons to improve linkages between social protection and PFM in the eighteen countries are documented and brought to the global level through global research products, policy briefs, tools and methodologies that can then continue supporting further countries and strengthening advocacy in global fora such as the UN Financing for Development, USP2030, SPIAC-B.

In 2020, the Programme mainly supported the response to the COVID-19 health and economic crisis. Work is now accelerating to strengthen the resilience and robustness of the social protection systems to prevent against future crisis, and to improve the sustainability of the systems in the context of recovery.

Reactions from the experts:

Ms Evelyn Astor, International Trade Union Confederation (ITUC), expressed her appreciation of the use of the ILO Handbook on Creating Fiscal Space for Social Protection to support the analytical work. While not all the financing options might be useful, she recommended deeper analysis of the different options. For instance some of the taxation options, such as the VAT, may have some impact on the workers and population. Looking at more progressive forms of taxation would be important. Such investigation work should rely on an active dialogue that will engage social partners and representatives of the civil society. She recalled the strategic alignment with the Conclusions of the International Labour Conference (ILC) to guide the Programme's work on social protection financing, including through the extension of social insurance coverage to informal workers.

Mr David Coady, International Monetary Fund (IMF), commended the work at the country level through a system approach, where changes are more likely to happen. He encouraged to engage with the IMF country teams to seek coherence with the social spending floors and synergies with the IMF work on PFM. He also recommended closely looking at the overall macroeconomic and fiscal framework. The Programme should improve the demonstration effect of country experiences that work.

Mr Barry Herman, Social Justice in Global Development, insisted on exploring ways for better using PFM reports for advocacy for social protection and for better including the civil society in all the work that ILO and UNICEF are undertaking. With regard social protection conditionalities recommended by IMF, those needs to be looked at very carefully. Among the financing options, reserve management may not be the most effective option for financing social protection.



Mr Luis Rodrigo Morales, International Organization of Employers (IOE), recalled the strategic fit of the Programme to give effect to the ILC Conclusions, that recommend actions to scale up social protection and benefits. He agreed that the Programme needs an approach that look at financing options that remain fiscally sustainable, and encouraged dialogue with the International Financing Institutions. For this, it is crucial to bring social partners to assess the impact of any measures for financing social protection, especially in the current context of COVID-19 crisis. He stressed the need to look at options for extending contributory schemes too. Finally he recommended more efforts to ensure that employers' needs are well addressed through this Programme.

Mr David Bradbury, Organisation for Economic Co-operation and Development, (OECD), reiterated the importance to place the discussion on financing social protection within the broader macroeconomic fiscal policies and align with the international debate on taxation. Domestic resources mobilization and spending initiatives should be complemented by economic reforms, taking into account the possible impact of tax reforms on formalization.

Mr Michael Cichon insisted on the fact that a country cannot make a social protection case without a solid discussion on financing options and fiscal reforms.

Ms Laura Alfery, Women in Informal Employment: Globalizing and Organizing (WIEGO), recommended exploring strategies for promoting formalization of workers, including through sectoral approaches. It would be useful to review more closely what were the challenges and difficulties to engage the social partners and civil society. She suggested strengthening training of civil society on PFM in the continuity to what was done the first year.

Mr Michael Cichon strongly recommended setting clear criteria for prioritizing social protection reforms and such discussion should be reinforced at country level, in addition to the financing discussion.

3. Discussion and guidance on research work to better link social protection and PFM

Mr Alvaro Ramos-Chaves, ILO, presented the methodology and preliminary results of the study on multiplier effect of social protection expenditures on GDP. The study is based on nine country cases and uses the methodology of the Structural Vector Autorregression (SVAR) of the Blanchard-Perotti (2002) which is a system of simultaneous regressions with lagged versions of the variables of interest (e.g. output, taxation and social protection expenditures). Early results show that the shock multipliers vary from zero or negative to 1.1; and the accumulated multipliers around 2-3. Some countries have multipliers twice as large.

Mr Marius Olivier, Institute for Social Law and Policy, echoed that extension of coverage to informal economy workers is very important. The Programme could build on the extensive work done by the other



UN Agencies, in particular the comprehensive assessments, on strengthening shock-responsiveness, including economic shocks. In those assessment, the response integrates several socio-economic pillars, employment, etc. and does not take social protection as the only measure. In terms of partnerships, he recommended working more closely with regional entities, such as the African Union.

Ms Evelyn Astor, ITUC, pointed that it would be interesting to compare the methodology and results of the multiplier effect study with the recent ITUC-Development Pathways study on [Investments in social protection and their impacts on economic growth](#).

Mr Michael Cichon: the methodology should also look at the broader and longer term effects on other indicators, and not only effect on GDP.

Mr David Coady, IMF, recommended investigating what are the channels for the social protection multiplier effect to happen in order to better build the argument for the policy choices. The Programme should bring evidence of the broader impact, referring to the work of Francesca Bastagli at the Overseas Development Institute (ODI).

4. Conclusions and way forward

The Chairperson summarized the main points:

1. The Programme should improve its way of communicating the outcome of the country studies through some more formal and systematic channels to Member States, including consideration for financing social protection. For instance, this could be done through improving global tools and methodologies; and documenting and disseminating country cases that have made good progress in achieving sustainable financing of social protection.
2. The discussion seems to focus on the issue of sustainability of financing through taxation, but there should be an overarching social budget and PFM approach that includes consideration on formalization to increase social contributions.
3. The Board recommends complementing the multiplier study with a multidimensional indicators analysis to strengthen the social protection case.

Ms Dörte Bosse, EC-INTPA indicated that the information is very useful for giving advice to the EU Delegations to shape the future geographic programming. The Programme needs to reinforce the overarching level and build global knowledge building on country good cases, that can benefit EU programming, international debate, other development partners and countries.

Ms Natalia Winder-Rossi, UNICEF, recalled that focus should not only be at global level, because critical discussions and changes are happening at country levels and are very country specific. Making the case for social protection investment should include impact on other social sectors in a complementary approach. While assessing the multiplier effect, we should not look only at impact on beneficiaries of



particular programmes, but also look at the impact on the overall economy. We should also look at other spending as social protection should not be seen as competing with other social sectors.

Mr Florian Juergens, GCSPF stressed out the uniqueness of the Programme bringing many partners together, including the important role of civil society in supporting reforms. The GCSPF is also connecting with other civil society organizations to enrich the debate.

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Mr Michael Cichon insisted again on documenting and exchanging country experiences to support the advisory work delivered to Member States.

Ms Shahra Razavi, Director, Social Protection Department, ILO recalled that the COVID-19 pandemic has stressed the need for robust, universal and sustainable social protection systems to protect people, jobs and enterprises, during crises and shocks, but also for the day-to-day routine life-cycle contingencies that people face (idiosyncratic shocks). The government, workers and employers' organisations in the ILC Conclusions clearly called for urgent action towards building universal, comprehensive, adequate and sustainable social protection systems adapted to developments in the world of work. For this, it is important to strengthen the in-country analysis not only of costing but also financing. There is a need to building systems that are financially, economically and fiscally sustainable, but also in a manner that recognizes and supports social protection as a human right, in line with the principle of equity and solidarity. She reinforced the need for strengthening the social protection case, recalling that on one hand, social protection policies require enabling fiscal and macroeconomic policies, but on the other hand, macroeconomic performance is contingent on adequate investments in social protection systems. Financial constraints will depend on the sense of ownership and transparency of the financial resources and willingness to contribute to the systems through taxes and social contributions. Macroeconomic stability and fiscal policy must be assessed in the broader framework of the social objectives including those of the SDGs. This balance and mutual recognition will be reached through dialogue between ministries of finance, and social ministires, social partners, as well as between the IFIs and UN agencies.

The meeting closed at 17h25 (CEST).