Global Forum on Adaptive Social Protection

Protecting lives and livelihoods in times of crisis

13-15 June 2023 • Berlin

Plenary Session 3: Financing

From Reaction to Readiness: On the need for more sustainable financing of social protection

USP2030 UNIVERSAL SOCIAL PROTECTION Working Group on Financing

unicef for every child

Federal Ministry for Economic Cooperation and Development

WORLD BANK GROUP Social Protection & Jobs

3 principles for financing universal social protection

1. A rights-based approach
2. The State is the key actor for social protection financing
3. International resources are needed to support expansion

USP2030
UNIVERSAL SOCIAL PROTECTION
Financing Working Group

Joint Statement: Principles for Financing Universal Social Protection

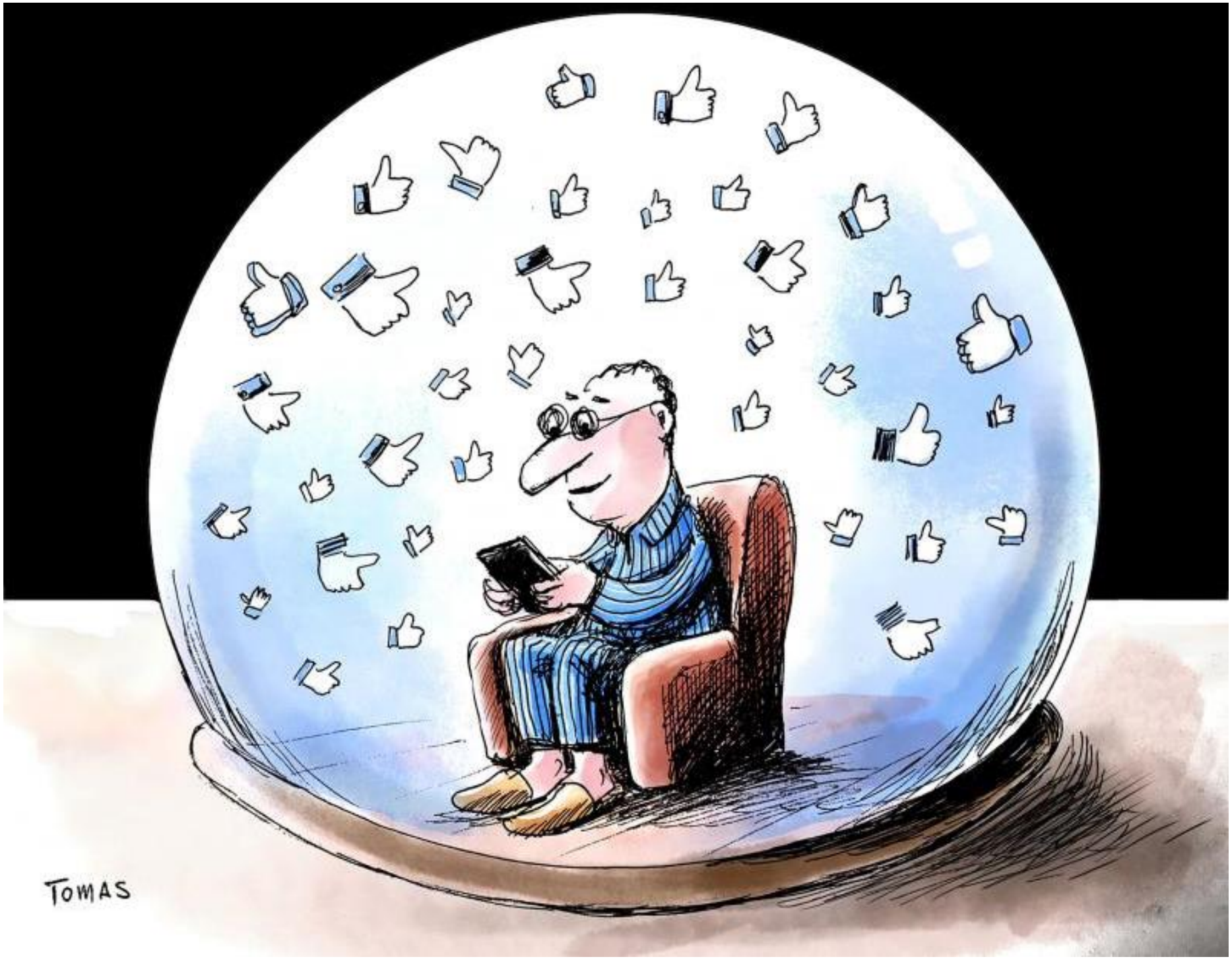
Summary

Universal social protection is an essential means to prevent and reduce poverty and inequality and is at core of the social contract that connects the state with the society, contributing to more inclusive, equitable, stable, and peaceful societies. With the ongoing economic effects of COVID-19, the unfolding cost of living crisis, and the ever-growing impacts of climate breakdown the need for social protection has never been greater. And yet large and entrenched coverage gaps remain, with a lack of available and accessible financing a major bottleneck in achieving universal social protection. In light of this challenge the USP2030 working group on financing has jointly agreed the following key principles to guide the international and national financing of social protection.

I. **The financing of social protection should take a rights-based approach and be guided by international social security standards.** States have the obligation under international human rights treaties and international social security Conventions to progressively realize the universal right to social security, including to allocate maximum available resources to realize the right of all individuals to social security.

II. **The State is the key actor for social protection financing and implementation with six key priorities outlined for domestic resource mobilization.** These include:
   i. Assign greater priority to social spending within government budgets.
   ii. Enhance the progressiveness and effectiveness of the tax system to increase tax. revenue and ensure equity in financing efforts.
   iii. Increase revenues from social insurance contributions by expanding coverage of social insurance schemes to previously uncovered workers.
   iv. Improve the efficiency and transparency of public financing of social protection across all relevant levels and agencies of government and partners.
   v. Ensure adequate provision of shock-responsive financing.
   vi. Engage in inclusive social dialogue to determine the reforms and financing of the social protection system.

III. **International resources should support the expansion of social protection systems in countries with limited fiscal space.** Given that closing financing gaps for social protection through domestic resources will not be possible in the short term for many countries, there needs to be increased international support, with a focus in the following areas:
   i. Increased and better coordinated international financial support for social protection.
   ii. Debt relief and restructuring.
   iii. International tax reform to increase revenues.
   iv. Coordinated international policy advice.


TOMAS

An advocacy frame

1. What is needed?
2. Who can make it happen?
3. What do they need to hear?

These questions draw from the work of Jim Shultz and UNICEF's Advocacy Toolkit

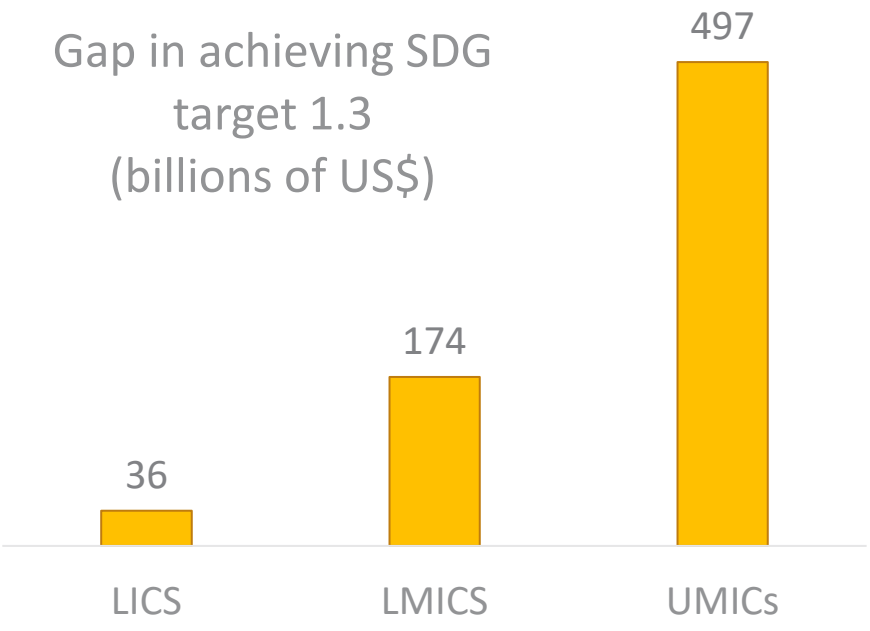
What is needed?

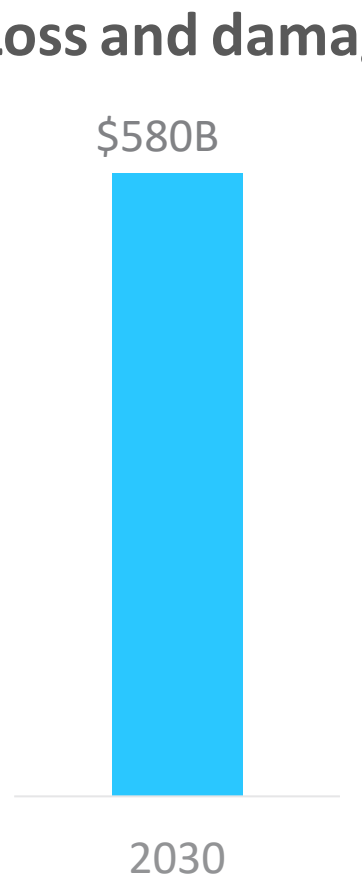
Universal access to social protection, that is ready to expand as needed to meet shocks

These questions draw from the work of Jim Shultz and UNICEF's Advocacy Toolkit

These questions draw from the work of Jim Shultz and UNICEF's Advocacy Toolkit

3 financing gaps





Less!

Gap 1
Strong systems

Gap 2
Costs to respond

Gap 3
ASP/DRF

2. Who can make it happen?

"Now then, what does Madam desire?"

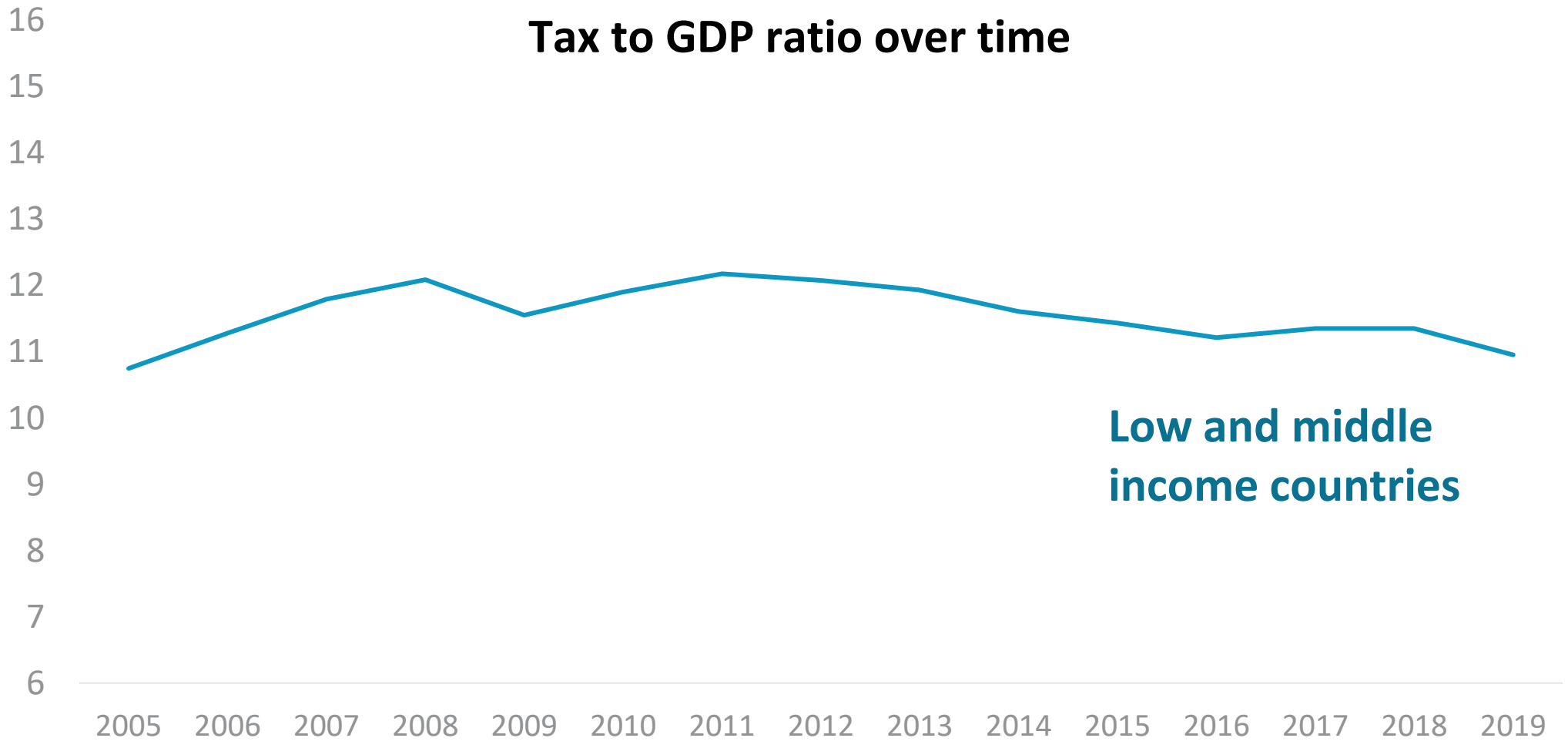
A tough context….

- 37 out of 69 of the world's poorest countries at high risk or already in debt distress.
- 1 in 4 middle-income countries at high risk of fiscal crisis.

Sources of financing

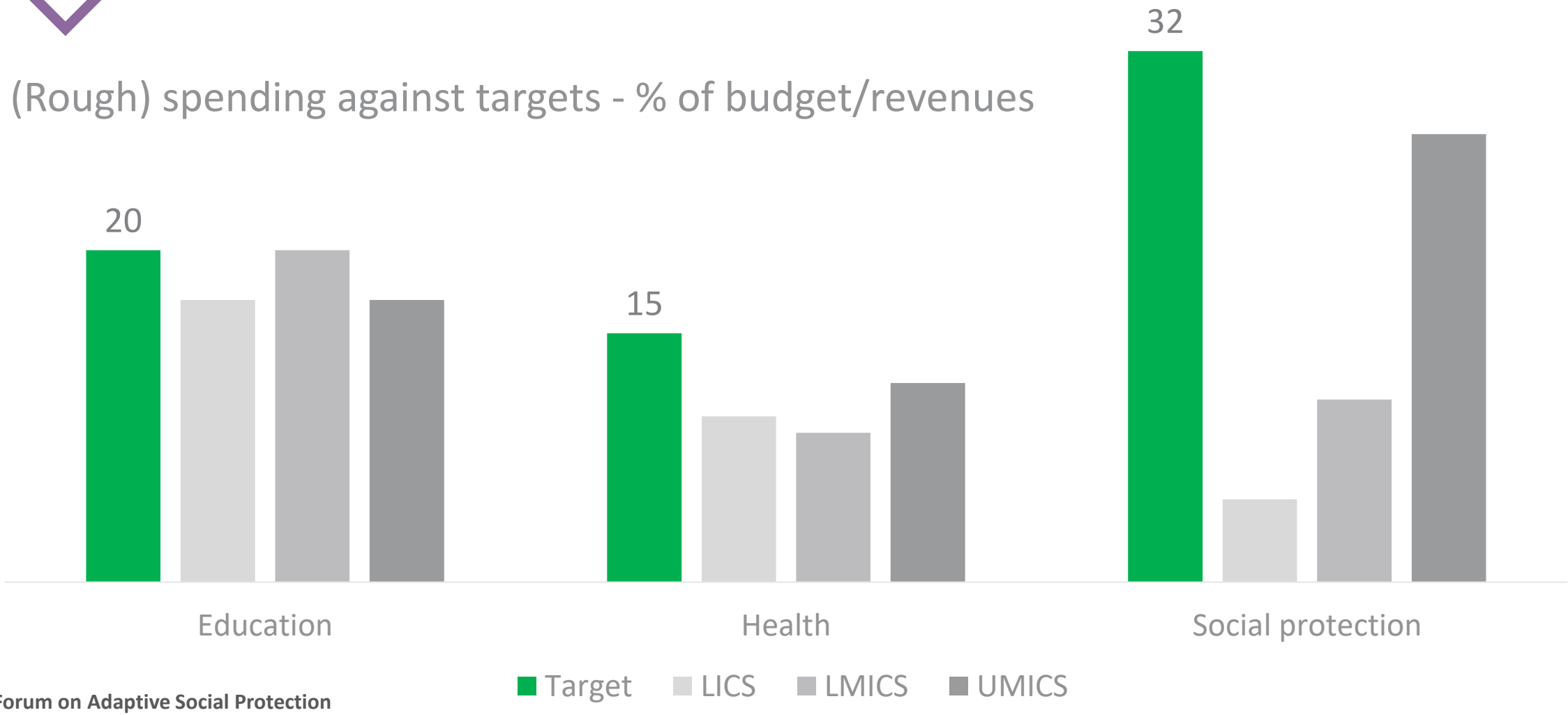
1. Expanding social security coverage and contributory revenues;
2. **Increasing tax revenues**;
3. **Reallocating public expenditures** and increasing efficiency;
4. Eliminating illicit financial flows;
5. Managing debt;
6. Adopting a more accommodating macroeconomic framework;
7. **Increasing official development assistance (ODA)**.

Increasing tax revenues



World development indicators

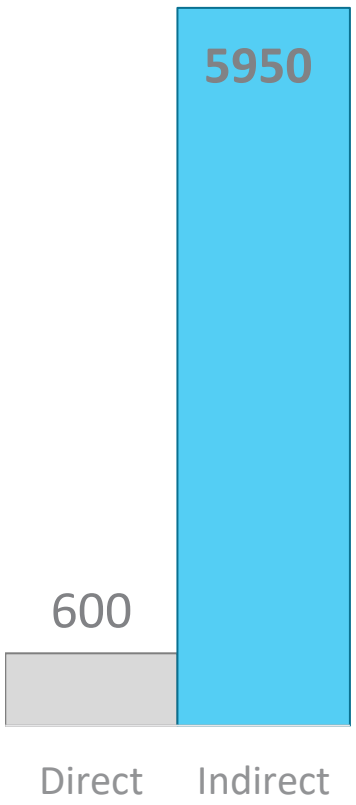
Reallocation: starting point



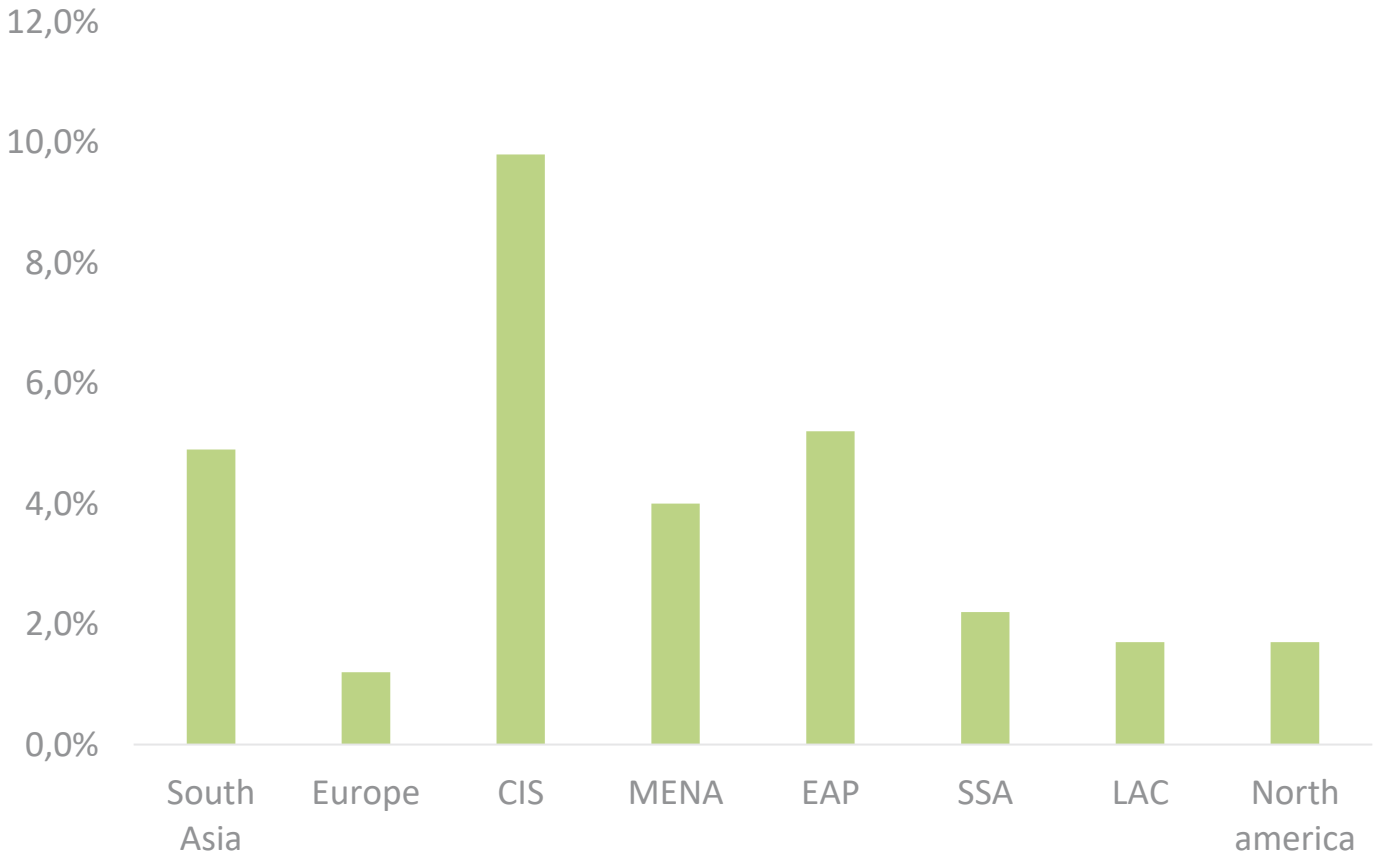
ODI: Evans, Manuel, McNabb, Kamninga Manea

Fuel subsidies and carbon pricing

Global fossil fuel subsidies – 2021 (US$ billions)

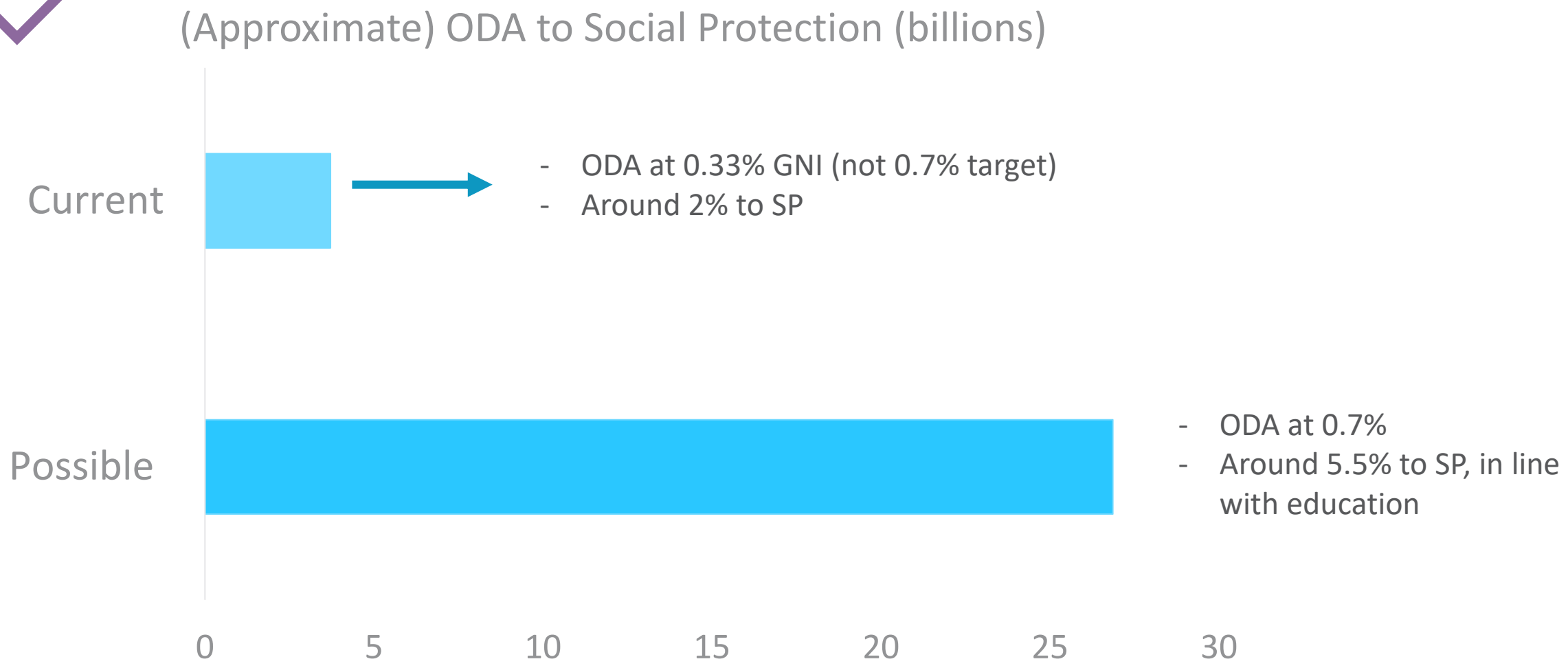


Revenue gain % GDP



IMF: Parry, Blank and Vernon

External sources (ODA)



- ODA at 0.33% GNI (not 0.7% target)
- Around 2% to SP

- ODA at 0.7%
- Around 5.5% to SP, in line with education

Source: *ODI: Evans, Manuel, McNabb, Kamninga Manea and some author rough calcs*

Will the increases come?

Reasons for optimism

- $87 out of $100 bn for adaptation in 2020
- Green climate fund - $10 billion pledged
- Loss and damage discussions underway.
- Growing momentum around the Global Accelerator for social protection and SDG funding window for social protection
- SDG stimulus
  - Address debt distress
  - Scale up development finance

Source: Adaptation Gap Report. 2022. And Watson, Schalatek, Evequoz, ODI and HBS. 2021. Oxfam.

Disaster risk financing

- From ex-post to ex-ante
- Channelling resources quickly and efficiently for different types of risk
- Different approaches for different risks

Country	DRF strategy	Risk retention instruments	Risk transfer instruments
Cambodia	No	• Contingency fund • Food reserve system	• None, although part of SEADRIF
Indonesia	Yes	• Disaster reserve fund • Pre-allocated budgets • Contingent financing	• State asset insurance
Lao PDR	No	• State reserve fund • National disaster trust fund	• None, although part of SEADRIF
Malaysia	No	• National disaster trust fund	• None
Myanmar	No	• National disaster fund	• None, although part of SEADRIF
Philippines	Yes	• Special purpose fund • Pre-allocated budgets • Contingent financing	• Catastrophe risk insurance • Catastrophe bonds • State asset insurance
Thailand	No	• Contingency fund for emergencies	• None
Viet Nam	No	• State reserve fund • Disaster recovery budget	• None

Source: DRF in Asia and the Pacific. UNICEF

3. What do they need to hear?

"Now then, what does Madam desire?"

The investment case for **adaptive** social protection

Some key areas of concern for decision makers		**Preparing for and responding to shocks**
✓ HH Poverty and productivity	→	✓ **Build resilience, avoid depleting core assets and migration**
✓ Sector outcomes	→	✓ **Build human capital and resilience, avoid negative coping mechanisms**
✓ Social cohesion & social contract	→	✓ **Fundamental to the role of the state**
		✓ **Growth, and avoiding long term economic damage**

Thank you

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Thank you!

14th June 2023

David Stewart

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Federal Ministry for Economic Cooperation and Development

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