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Feature article:

- **What Kind of International Support for Social Protection Floors?** by Barry Herman



After almost 30 years of service, Dr Barry Herman retired from the United Nations Secretariat in December 2005. Professor Herman now teaches in the international affairs Masters' program at The New School in New York and works as a consultant on financing for development issues. He holds a PhD in Economics from the University of Michigan and an MBA from the University of Chicago.

The proposal for the establishment of a new global fund for social protection was made in 2012 by the two then Special Rapporteurs of the UN Human Rights Council, Olivier de Schutter and Magdalena Sepúlveda.

In their view, while “the costs of providing basic social protection may be affordable when estimated globally, for many countries the domestic costs still may be beyond their capacity, even if they were to devote their maximum available resources to that objective”. In that light a special, solidarity-based financing mechanism guaranteeing the support of the international community to countries that may be in need of such support to introduce or complete national social protections floors should be created. (UNHCHR Briefing Note 7 http://www.ohchr.org/Documents/Issues/Food/20121009_GFSP_en.pdf).

This brief article represents a personal reflection on the proposal to create such a fund.

The proposal received a sympathetic hearing among some international organization staff, for instance at the ILO, the UNHCHR and the FAO, and was advocated by the Global Coalition for Social Protection Floors at the International Conference on Financing for Development in Addis Ababa in July of this year. However, it does not appear that the fund proposal, as such,

has attracted any interest from potential donors, at least not for the time being. While that may not be surprising in the current international economic and political environment, I think that the aims of such a solidarity-based financing mechanism are worthy and should be realized.

While de Schutter and Sepúlveda proposed the creation of a single entity that they called the Global Fund for Social Protection (GFSP), the authors were actually proposing to cluster a set of activities together that might be able to fit under one roof, or not. The authors' real concern is properly on increasing social protection of those in need, not on creating a new international bureaucracy. And none is needed.

The proposal would boost international support to least developed countries (LDCs). Undoubtedly, the LDCs are not the only countries requiring assistance to raise their social protection floors to an acceptable standard that accorded with their governments' human rights obligations. They are, however, a well specified country grouping to which the international community already provides special international trade and financial benefits owing to their poverty and vulnerability. The focus on them is understandable, but the proposal should offer international support to any country in need.

De Schutter and Sepúlveda sought to increase two kinds of international support for social protection services. The first would supplement the financing that an LDC could mobilize domestically for social protection under normal (or average) circumstances. The second would provide special international financing to meet additional social protection obligations created by extreme natural or economic shocks. This note argues against the first and for the second.

Assistance to social protection floors in "normal" times

Funding social protection is a basic obligation of governments everywhere. ILO Recommendation No. 202 calling for social protection floors says that they include "essential" health care and "basic" income security for children, older persons and those in the active population unable to earn "sufficient" income, in each case subject to national definitions. That may be as precise as it is politically possible to be in an internationally negotiated definition of social protection floors.

However, it is doubtful that prospective donors would simply accept national definitions of need. One fear might be that recipient countries would set the target for their minimum need too high so as to take advantage of the donors' generosity. On the other hand, de Schutter and Sepúlveda also said that the international support to individual LDCs should be phased out over time, including specifying a date when the support would end. That means that whatever the level of social protection provided, there would be a political constituency that would press to continue at least that level of protection once the international support ended. That might be an incentive to set the floor too low.

In the end, the recipient country and its donors would have to agree on the targeted content of the social protection floor. It would also have to be offered to all persons in the country, regardless of gender or ethnic identity or location. Furthermore, the recipient should have to open its accounts on social protection programs to donor scrutiny, as well as its tax revenue and fiscal expenditure accounts, since the international support would only cover what was

needed beyond the “maximum available resources” that could be mobilized by the government and that would be made available for social protection. Those accounts should anyway be open to public scrutiny in the receiving country, as transparency is a necessary condition for the government’s accountability, although that is often not the case. In short, international financial assistance specifically to cover a financing gap in the full set of social protection services requires substantial international inspection and inevitably high conditionality.

The proposal is also quite complicated because much of social protection is provided as insurance, paid for by some combination of tax revenue and payments by beneficiaries as insurance premiums and/or as co-pays for the services. It could be that the international support scheme would only apply to the poorest people in the poorest countries, in which case one may assume both the premiums and co-pays would be zero. That would simplify the estimation of the need for international support, but also might excessively limit the number of people covered.

For example, unemployment insurance is one type of social insurance in a social protection floor. The poorest of the poor are more likely than not to be working in the informal or subsistence economy and not be covered by formal unemployment insurance. And yet, unemployment is likely to push many non-poor people into the ranks of the poor. So, should an international subvention be made available to a national unemployment scheme so that a larger percentage of a worker’s wages would be paid during spells of unemployment? Or a scheme that would extend the number of weeks of unemployment that would be covered? Are these decisions that foreign governments or multilateral institutions should make?

In the best of circumstances, the international community would have a tough job deciding how much of which types of social protection services and when and for how long to financially supplement services and in which countries. Similarly, recipient countries would have to decide how much international scrutiny they would wish to invite of their domestic social, tax and overall budgetary expenditure programs in order to qualify for the international support.

That does not mean that campaigns for an internationally supported social protection floor are wrong-headed, only that the transfer of international funds specifically to cover overall gaps in social protection floors is unworkable. Additional technical assistance to help countries design or improve their systems of social protection is fully warranted. And to be sure, there are already a number of funds that address specific pieces of a social protection floor, such as aspects of essential health care, including combating HIV/AIDS, malaria and TB. However, such funds are not the solution. They encourage governments to distort domestic policy priorities in order to capture the money offered for specific services on what are global—but not necessarily each country’s—priorities (see United Nations, World Economic and Social Survey, 2012).

A preferable solution is to assist all aid-receiving countries to qualify for general budget support, convincing donors that it is time to switch more of their assistance to this form of support, and then increasing the funding enough to help countries meet their social protection obligations.

Assistance to social protection floors in difficult times

The second type of activity that de Schutter and Sepúlveda envisaged for the GFSP would to help countries deal with temporary surges in need. Their main proposal was reinsurance; that is, since much of domestic social protection is operated as insurance programs, those programs could, in turn, insure themselves against unexpected surges in demand for their services through international reinsurance schemes.

The reinsurance schemes could be specified for individual social protection programs, such as a surge in health-care expenses needed to fight an Ebola epidemic or to rebuild housing devastated by a hurricane. National health insurance or flood insurance programs could be reinsured against sudden higher obligations owing to some such unfortunate event. Such schemes can even be self-financing as long as the insured events happen in only a limited number of insured countries at the same time.

In a similar spirit, the authors refer to “catastrophe bonds”, in which the government raises funds by issuing bonds whose interest and/or principal are waived if a named catastrophe occurs (for which reason, the interest rate on the bonds is usually higher than normal). The World Bank is already supporting governments that want to issue “CAT bonds”, even issuing its own in 2014 to reinsure the Caribbean Catastrophe Risk Insurance Facility for 16 countries.

It is possible to design additional reinsurance schemes or issue additional catastrophe bonds for national insurance programs and subsidize them when the market does not want to assume the risk at reasonable premiums or interest rates. There is already considerable international expertise on such matters that could be mobilized for an additional effort. That would reduce the need to draw on additional budget revenues in emergencies or issue more government debt or sell more foreign exchange reserves.

However, there is a broader financial strategy that would give the government more flexibility in using the additional funds whatever specific emergency it faced. Such a strategy was implicitly followed by the International Monetary Fund (IMF) in the 1960s and 1970s through its Compensatory Financing Facility (CFF). It provided semi-automatic and quickly disbursed foreign exchange loans to developing countries that were impacted by economic “shocks”. Two kinds of triggers opened access to the CFF. One was loss of export revenue caused by the collapse of export commodity prices (or domestic crises like plant disease or hurricanes). The other was surges in cereal import costs. Those funds could be disbursed in weeks following a quick assessment of the losses incurred and decision on the share that IMF was willing to cover.

The CFF was meant to address temporary needs arising from volatility. The analytical difficulty was in knowing whether a country had a temporary shortage or a structural challenge, as from a secular decline in its export prices. The latter would require an economic adjustment, e.g., switching production from export crops with declining price trends to ones with rising prices. However, the demise of the CFF as a distinct policy tool was not caused by the analytical challenge but an ideological one, namely, the market fundamentalism and shrunken economic role of the state that arrived in the 80s with Reagan in the US and Thatcher in the UK.

The IMF today has a variety of lending facilities, but none that operates like the original CFF. However, with a new global commitment to Sustainable Development Goals, perhaps the political winds can once again change. IMF has the capacity to manage a renewed CFF (subsidizing interest payable on poor country drawings) and countries would have no need to negotiate an adjustment program under the terms for drawing from it.

One reason to suspect that it might be time to try to resurrect a CFF is that general finance as part of the international response to crises has become more common. Thus, the Paris Club, consisting of developed country government creditors, has adopted a practice of jointly offering unilateral postponement of debt servicing owed to them following natural and man-made catastrophes (<http://www.clubdeparis.org/en/communications/page/exceptional-treatments-in-case-of-crisis>). IMF has also created a program of special support for poor countries experiencing shocks, which provides grants to cover debt servicing owed to IMF (Catastrophe Containment and Relief Trust). It has been used by countries fighting Ebola. And on November 19 the Paris Club announced in its debt restructuring for Grenada a first-ever "hurricane clause".

The governments benefiting from such measures are not constrained in how they use the funds freed by debt relief. An obvious priority would be to help finance their crisis-related social protection needs. The principle thus seems internationally agreed. A reformed and enlarged CFF would be a way to further implement it.

The opinions expressed in this article are those of the author and may not necessarily reflect the position of the ICSW Management Committee. The writer may be reached at herman@socdevjustice.org.

➤ **Inter-Agency collaboration on social protection: heated discussions, some practical outcomes and a quest for new vigor** by Sergei Zelenev

The Seventh Meeting of the Social Protection Inter-Agency Cooperation Board (SPIAC-B) took place in New York on 24 November 2015. The participants, who represented the UN agencies, bilateral and intergovernmental institutions, national development assistance agencies, member states and other stakeholders, covered a broad range of political and technical issues. In accordance with the established procedures, the meeting of the Board was co-chaired by senior representatives from the ILO and the World Bank. The ICSW is a member of the Board and actively participates in its work since the inception.

It was noted that the adoption of the 2030 Agenda for Sustainable Development in September 2015, as well as the preparatory process leading to the Agenda, provided a boost to the social protection discourse, moving it forward on both the national and the international levels. The international community recognized the most important role played by social protection in eradicating poverty and achieving various sustainable development goals. Social protection was referred as a fundamental element contributing to outcomes across the area of health, gender, decent work and inclusive growth and inequalities. The Universal Social Protection Initiative, launched recently by the ILO and the World Bank, was highly appreciated as an important collaborative effort to support countries in their quest for providing universal

coverage. (Please go to the July 2015 *Global Cooperation Newsletter* for more details). According to the concept note prepared for the meeting by the SPIAC-B Secretariat, “international organizations and other stakeholders are adjusting their strategic plans, scaling up existing initiatives and launching new ones to respond to demands related to the implementation of the 2030 Agenda”.

The participants of the SPIAC-B meeting not only presented specific information and analyses of the ongoing programmes conceived by the respective agencies in response to the 2030 Agenda, but also made an attempt to explore synergies and other ways to enhance intergovernmental collaboration in the area of social protection in the longer run.

Addressing the Board, the Executive Director of the ICSW noted that the policy space created by the adoption of the 2030 Agenda signifies a new window of opportunity for all stakeholders in finding innovative solutions to the most pressing development challenges, including universal social protection. In this light a new high-level political “push” at the international level aimed at upholding social protection as a stand-alone issue would be highly desirable, particularly in the context of the intergovernmental policy dialogue and negotiations conducted at the United Nations in the wake of the adoption of the new 2030 Agenda for Sustainable Development. Such an outcome of the multilateral negotiations would make it possible to capitalize on the growing recognition of the significant role that social protection plays in society.

The adoption of a dedicated UN resolution on social protection would be most important in focusing attention to some key issues pertinent to universal social protection, including floors, and its multiple benefits for society, thus reinforcing a political impact of ILO Recommendation No. 202 adopted in 2012. Such a dedicated resolution would become a testimony to the high-level political commitment to advance social protection at all levels.

At the same time the UN-negotiated resolution would address a different political constituency, also entailing a system-wide consistent monitoring of the agreed conclusions. In that vein, a proposal was put forward by the ICSW to the members of the Board representing the Member States and working within the remit of the forthcoming 54th session of the Commission for Social Development, namely, to consider elaborating a draft ECOSOC resolution on national floors of social protection as a necessary political step towards universal and comprehensive social protection for all, taking into account that once social protection floors are established and become operational at the national level, the achievement of several core targets of the SDGs comes within reach.

There was an encouraging response to that proposal by the diplomats as well as from the UN Secretariat staff present at the meeting. What specific outcomes could be achieved if such negotiations on a dedicated resolution take place is a matter of political trade-offs. Obviously, further advocacy work on the part of civil society organizations is required to start the ball rolling.

The representative of the International Trade Union Confederation underscored the importance of the coordination work done in the area of social protection at the international level but warned against complacency. He also put forward a suggestion that the Global Coalition for Social Protection Floors should be more closely involved in the Board work, particularly

regarding the ongoing joint efforts of the ILO and the World Bank aimed at social protection assessment and other pertinent practical tools.

In an effort to unpack the social protection deliverables contained in the outcome document of the Third International Conference on Financing for Development convened this year in Addis Ababa, the participants in the meeting shared their plans and strategies to support the implementation of the Addis Ababa Conference commitments to a new social compact that would include a provision of fiscally sustainable and nationally appropriate social protection systems and measures for all, including social protection floors. Given that member states committed themselves in Addis “to strong international support for these efforts”, including exploration of “coherent funding modalities to mobilize additional resources for these efforts, building on country-led experiences”, the participants sought to elaborate measures and schemes to facilitate the support of the international community for social protection financing.

The issues of capacity-building and knowledge-sharing were also discussed at length. In that light the most illuminating was the presentation to the participants of some outcomes of the joint effort to develop the Inter-Agency Social Protection Assessment (ISPA) Tools. This may be considered a quite impressive international effort overseen by the SPIAC Board to develop and test in country contexts specific machinery aimed at supporting government efforts to develop social protection systems. ISPA tools not only highlight current provision and analyze existing gaps, but also provide cost estimates. The tools are still under development, and given that there is no “one-size-fits-all solution” and the needs in different countries will inevitably vary depending on specific circumstances, further efforts are required to provide a more nuanced approach. A progress report by the ISPA Tools team was presented to the meeting, accompanied by a visual presentation of a set of tools on social protection assessment and delivery that are being developed; the announcement was made that the ISPA Tools team is developing a web site and planning for a launch on 24 February 2016.

Social protection capacity-strengthening was one of the important aspects of the Board's deliberations. The European Union Social Protection Systems Programme (EU-SPS) co-financed by the Organization for Economic Cooperation and Development (OECD) and the Government of Finland was unveiled. The aim of the new programme is to support low- and middle-income countries in building sustainable and inclusive social protection systems. As was noted by the representatives of Finland, this programme will be implemented from 2015 to 2018 in partnership with national and regional social protection authorities, think-tanks and expert institutions in ten countries (Cambodia, Ethiopia, Indonesia, Kyrgyzstan, Mozambique, Namibia, Tanzania, Togo, Vietnam and Zambia). Given the growing emphasis put on capacity-development and/or capacity-strengthening, there is a need for greater coordination and better use of the emerging synergies. There is also a clear need for consistent and systematic monitoring, evaluation and lessons-learning.

Dr Sergei Zelenev is the Executive Director of ICSW

➤ **Parliamentarians to galvanize action on climate change**

More than 500 parliamentary delegates, including close to 300 MPs from across the world, will seek to galvanize parliamentary action to deal with the global threat posed by climate change by implementing a potentially landmark global agreement after they meet in Paris next week.

Organized by the Inter-Parliamentary Union (IPU) and the French Parliament, the meeting on 5-6 December is expected to adopt an outcome document and endorse a parliamentary action plan on climate change to support solution-focused global measures to curb greenhouse gas emissions and combat climate change. With a global deal on the issue hanging in the balance, the MPs will urge world leaders at the 21st session of the Conference of Parties to the UN Framework Convention on Climate Change (UNFCCC) and the 11th session of the Conference of Parties to the Kyoto Protocol (COP21/CMP11), taking place in parallel to the parliamentary event, to agree on specific means by which their pledges will be turned into reality. The MPs from more than 80 countries, including 26 Speakers and Deputy Speakers of Parliament, are expected to stress the urgency with which the climate change threat must be addressed and the vital role of parliaments and parliamentarians in delivering change on the issue. The parliamentary meeting will take place at the French National Assembly on 5 December and the French Senate on 6 December. During the two days, the MPs will cover issues relating to the green economy, green energy, moving from climate science to parliamentary action and priorities for global action. "There has been no time to lose on climate change for a long time. More than ever, the world needs a binding agreement to come out of COP21. And it needs parliaments to take that agreement and translate it into effective laws, properly resourced for implementation and follow-up," says IPU President Saber Chowdhury. The MPs will urge COP21 to add the outcomes of their meeting to those of the UN summit. The parliamentary action plan on climate change is also expected to be formally adopted by the IPU membership at its next Assembly in Lusaka in March 2016.

For more details please go to: <http://www.ipu.org/press-e/pressrelease201511261.htm>

➤ **Useful resources and links – the find of the month**

1) Falling through the Net? Gender and social protection in the Pacific

Authors/editor(s): Margaret Jolly, Helen Lee, Katherine Lepani, Anna Naupa and Michelle Rooney
New York, 2015

This paper prepared by the UN-WOMEN examines the gender dimensions and implications of social protection in relation to rapid transformations in the globalizing economies in the Pacific region. Analyzing the dynamics of gender and social protection, the authors explore how best to approach social protection so as to promote gender equality as well as the need to move beyond bipolar divisions of customary and commodity economies or informal and formal economies to consider the everyday realities of making a living.

See more at: <http://www.unwomen.org/en/digital-library/publications/2015/9/dps-gender-and-social-protection-in-the-pacific#sthash.aLfH8N8g.dpuf>

2) **Value for Money analysis of DFID-funded WASH programmes in six countries Synthesis Report** by Sophie Trémolet, Marie-Alix Prat, Lucrezia Tincani, Ian Ross, Ana Mujica, Peter Burr and Barbara Evans. DFID, London, 2015

This report presents summary findings from the Value for Money (VFM) analysis conducted for six programmes funded by the UK Department for International Development (DFID) between September 2013 and April 2015. Based on those findings, the report formulates insights on how VFM analysis can be used to improve Water, Sanitation and Hygiene (WASH) programming. Focus programmes were implemented by the country's government, by large organizations such as UNICEF or by small NGOs. See the project website for more information: <http://vfm-wash.org>

For further details on the report: <http://vfm-wash.org/wp-content/uploads/2015/08/OPM-2015-Synthesis-report-of-6-VFM-WASH-studies.pdf>

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