



FOURTH ITEM ON THE AGENDA

The Global Social Trust pilot project: A status review

I. Introduction

1. The Global Social Trust is an innovative concept in which individual contributors in donor countries are brought together in partnership with recipient countries to extend sustainable social security provision.
2. In November 2002, the Committee discussed the feasibility of the Global Social Trust.¹ The Committee recommended that the Governing Body authorize the Director-General to establish a Global Social Trust pilot project, the funding for which should come from extra-budgetary resources.² The Governing Body accepted this recommendation.
3. This report to the Committee on Employment and Social Policy:
 - summarizes progress on the establishment of a pilot project;
 - suggests that the Committee authorize the officers to nominate candidates for a small tripartite advisory board to oversee the pilot project; and
 - informs the Committee of a reserve project which may pilot the concept should the principal project not proceed.

II. Establishment of the pilot project

4. The design of the pilot was based on the feasibility study carried out by the ILO's Financial, Actuarial and Statistical Branch and on the recommendations of the interregional group of experts which met in May 2002.³

¹ GB.285/ESP/4.

² GB.285/13, para. 146.

³ GB.285/ESP/4, Appendices I and II.

5. The first step was to identify two countries which could become partners for the pilot; countries of a size which was sufficient to test the concept, whilst keeping the project manageable. A round of tripartite negotiations following the November 2002 Governing Body led to the identification of Luxembourg and Namibia as donor and recipient countries, respectively. The Government of the United Kingdom supports the backstopping and preparation work by the secondment of an official from the United Kingdom Department of Work and Pensions.
6. The priority need identified by the Government and social partners of Namibia was a family income maintenance benefit for survivors, most of whom are affected by the AIDS pandemic, although the benefit will be available for all survivors and thus constitute a systemic extension to the existing benefit structure. The project will pilot the benefit in one region of Namibia, with payments to begin in mid-2004.
7. The social partners of Luxembourg agreed to collect contributions in the form of a joint project of two existing union-based NGOs. The joint project is to be known as the National Social Trust Project of Luxembourg. The Government will provide some matching funds through its regular technical cooperation financing procedure.
8. The Government of Namibia would provide a proportion of the project financing for the duration of the pilot, along with staff and services, and take over funding of the benefit, and its extension to the whole of Namibia, when the pilot ends in 2008 and provided the pilot proves to be successful. It is assumed that the pilot benefit will reach around 4,000 households by 2008, and 70,000 households when the benefit is extended nationally.
9. The ILO will provide technical backstopping for the pilot project, offering advice and technical support.

Parallel monitoring activities

10. In order to comply with the request of the Governing Body for monitoring and reporting on the project, there will be two parallel project activities.
11. The first of these is a monitoring project which would establish the costs of fund-raising in Luxembourg; the management and administration costs of the national Social Trust; the feasibility and cost of benefit delivery in Namibia; the impact of the benefit on recipients; an actuarial assessment of the long-term fiscal cost of nationwide introduction of the benefit; and an assessment of the long-term macro and microeconomic costs and advantages of the new benefit. This project will be financed by the Government of Germany.
12. The second is a social budgeting project that would develop a medium-term social budget projection for the country as a whole and the pilot region for the duration of the pilot project; and monitor actual social expenditure against planned levels to ascertain whether the resources being invested in the Global Social Trust pilot are wholly additional as is intended. Funding for the project will come from the Government of the Netherlands.
13. These parallel activities will be funded from extra-budgetary resources.

Status

14. The project is at an advanced stage of development, and is currently under consideration by the Namibian Cabinet. Cabinet approval is necessary – due to the implicit long-term

national financial commitments after the pilot phase. The intention is that implementation activity will begin in late 2003-early 2004. The funding for the above parallel activities is conditional on cabinet approval before the end of the year.

III. Establishment of a tripartite advisory board

15. The interregional group of experts concluded that: “the project should have a small tripartite advisory board to be appointed by the Director-General and the Governing Body Officers”.⁴ We recommend that the advisory board consist of tripartite representatives of the donor country; three further tripartite representatives, each from different geographical regions; a representative of the Director-General; and observers from the recipient country.
16. In order to ensure that members of the advisory board are appointed at a suitable time, we suggest that the Committee consider authorizing its Officers to nominate candidates for the approval of the Director-General and the Officers of the Governing Body.

IV. Reserve pilot project

17. We are confident that the proposed pilot in Namibia/Luxembourg will go ahead. However, should circumstances dictate otherwise, we envisage that a reserve project take its place, involving Luxembourg and Ghana.
18. The Government of Ghana is in the process of introducing a new social health insurance system. The ILO has provided technical support and advice to the Government throughout the process. A National Health Insurance Act was passed by the Ghanaian Parliament in August 2003. Among the provisions of the Act is that there be “a mechanism for ensuring that the basic health-care needs of indigents are adequately provided for”.⁵ The ILO has been examining the possibility of subsidizing the health insurance premiums of the poorest members of Ghanaian society, to allow them access to health care on an equitable basis as one such mechanism.
19. With the support of the Government of the Netherlands, a small pilot has begun in the Dangme West district of Ghana, which will test methods of identifying potential beneficiaries of such a subsidy, and paying the subsidy itself to the district mutual health organization. An estimated 2,000 households (around 10,000 people) will benefit from the subsidy.
20. This work, the Ghana Social Trust Project, meets the criteria contained in the conclusions of the interregional meeting of experts for piloting the Global Social Trust concept. We will therefore, should the Namibian pilot fail to go ahead, expand the Ghanaian project into a pilot for the Global Social Trust.
21. *The Committee may wish to note the progress that has been made in establishing a Global Social Trust pilot project partnership between Luxembourg and Namibia.*

⁴ GB.285/ESP/4, Appendix II, conclusion (8).

⁵ S2(j), National Health Insurance Act, 2003, Ghana.

22. The Committee may wish to authorize the Officers of the Committee to nominate candidates for membership of a tripartite advisory board of the project, for approval by the Director-General and the Officers of the Governing Body.

Geneva, 17 October 2003.

Points for decision: Paragraph 21;
Paragraph 22.