International Labour Organization

ILO brief

Policy Brief

July 2022

Creating fiscal space for financing social protection: What workers' organizations need to know

Key points

- While almost all countries expanded their social protection measures in unprecedented ways in response to the COVID-19 crisis, the pandemic has laid bare huge social protection financing and coverage gaps, evidencing that without adequate fiscal space achieving SDG target 1 of ending poverty by 2030 will be out of reach.
- ILO Member States have at hand different strategies to fast-track the mobilization of resources, including through increasing tax revenues, expanding social security coverage and contributory revenues, re-allocating public expenditure, increasing aid and transfers, and eliminating illicit financial flows.
- National social protection systems should be primarily financed from domestic resources. This may be particularly difficult for low-income countries with marked underinvestment in social protection and limited domestic fiscal capacities, as filling existing financing and coverage gaps may require the mobilization of considerable resources.
- For these countries, domestic resource mobilization efforts could be temporarily complemented by international solidarity, including through official development assistance (ODA) and the Global Accelerator for Jobs and Social Protection, as well as a possible new international financing mechanism, such as a Global Fund for Social Protection.
- Creating fiscal space for social protection is a priority for the ILO and a key factor towards building comprehensive, adequate and sustainable social protection systems for all, in accordance with ILO social security standards and the UN 2030 Agenda for Sustainable Development. ILO estimates of the social protection financing gaps and international experience demonstrate that creating fiscal space for social protection is feasible, and there are alternatives, even in the poorest countries.
- The Resolution and conclusions concerning the second recurrent discussion on social protection (International Labour Conference 2021) urged Member States to secure adequate and sustainable financing including through a combination of different sources of financing to increase fiscal space.
- Workers' organizations should regard the crisis as a wake-up call for contributing to building forward better with a human-centred approach, in line with the priorities set out in the ILO Centenary Declaration, the Global call to action as well as in the 2030 Agenda for Sustainable Development. The achievements made during the crisis should serve as a stepping-stone for a recovery with adequate and sustainable financing to progressively achieve universal social protection.
- This policy brief aims at not only explaining to workers' representatives the commitments made by tripartite ILO constituents at the International Labour Conference 2021 regarding social protection financing, but also helping them to better understand the challenges of creating fiscal space for financing social protection and the different policy options to overcome these challenges. Its ultimate purpose is to provide a basis for workers' representatives for effectively contributing to policy discussions on mobilizing resources for adequate investments in universal social protection.

1. Introduction

Social protection is a human right and an investment with high social and economic returns. It reduces poverty and inequality while enhancing social inclusion, peace and resilience. It bolsters productivity and aggregate demand, especially during economic downturns, while providing income security and support to people over the life cycle. Universal social protection systems are also a key policy element for contributing to the achievement of the UN 2030 Agenda for Sustainable Development, most notably Sustainable Development Goal (SDG) target 1.3 on social protection and SDG target 3.8 on universal health coverage.

Despite considerable progress in recent years in extending social protection in many parts of the world, the COVID-19 crisis has exposed deep-seated inequalities and significant gaps in social protection coverage, comprehensiveness and adequacy across all countries. When the pandemic hit, only 46.9 per cent of the global population were effectively covered by at least one social protection benefit, while the remaining 53.1 per cent – as many as 4.1 billion people – were left wholly unprotected (ILO 2021a).

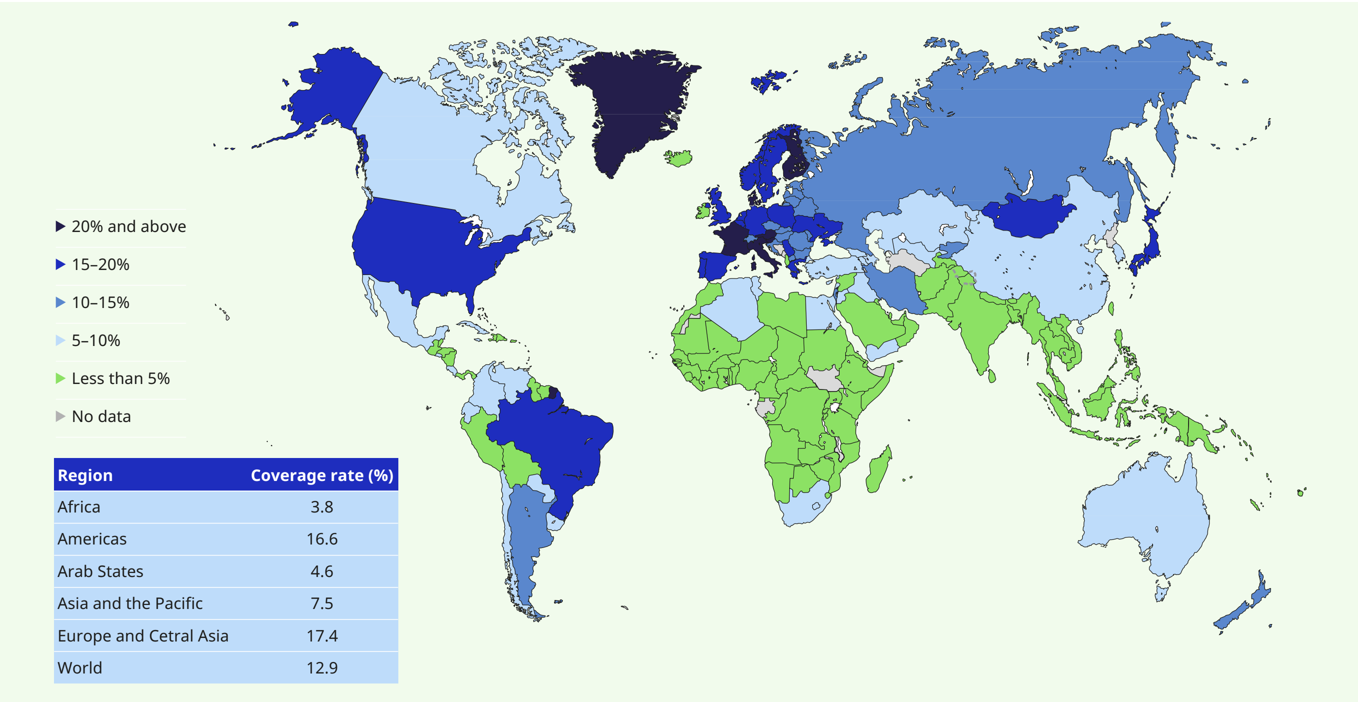
These large and persistent gaps in social protection coverage, comprehensiveness and adequacy are linked to high and sometimes growing levels of labour market informality, low contributory capacity and poverty, institutional fragmentation of social protection systems, and significant financing gaps for social protection.

Governments across the world have made unparalleled efforts in response to the socio-economic challenges brought by the COVID-19 pandemic, through extending social protection measures, including to vulnerable workers such as those in the informal economy, who were disproportionately affected due to the lack of coverage and/or inadequate levels of protection (see OECD 2021a). Between 1 February 2020 and 16 February 2022, 1,721 social protection measures have been announced by 209 countries around the world (ILO 2021b; Razavi et al 2020).[1] These achievements made during the crisis should not be lost but serve as a stepping-stone for a recovery with adequate financing to progressively achieve universal social protection.

2. Social protection expenditure

Experience shows that there is a positive correlation between levels of economic development and investment in social protection. High-income countries spend on average 16.4 per cent of their Gross Domestic Product (GDP), or twice as much as upper-middle income countries (which spend 8 per cent), six times as much as lower-middle income countries (2.5 per cent), and 15 times as much as low-income countries (1.1 per cent) (ILO 2021a). There is also a high

▶ Figure 1. Public social protection expenditure (excluding health), percentage of GDP, 2020 or latest available year



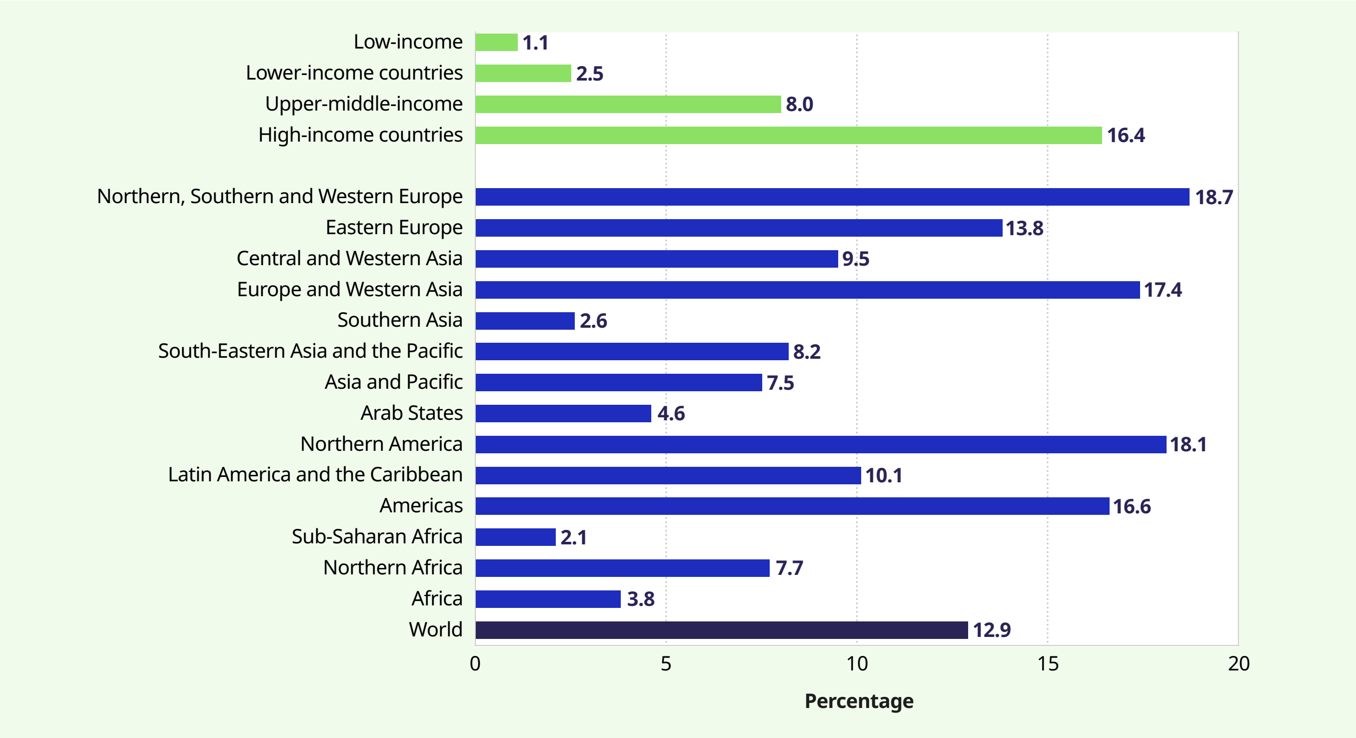
Region	Coverage rate (%)
Africa	3.8
Americas	16.6
Arab States	4.6
Asia and the Pacific	7.5
Europe and Cetral Asia	17.4
World	12.9

Note: Global and regional aggregates are weighted by GDP.

Sources: ILO, World Social Protection Database, based on SSI; International Monetary Fund (IMF);Economic Commission for Latin America and the Caribbean (ECLAC); national sources.

1 See ILO Social Protection Monitor, available at: https://www.social-protection.org/gimi/ShowWiki.action?id=3426.

▶ **Figure 2. Public social protection expenditure (excluding health), percentage of GDP, 2020 or latest available year, by region, subregion and income level**



Note: Global and regional aggregates are weighted by GDP.
Sources: ILO, World Social Protection Database, based on the SSI; WHO, IMF; national sources. Link: https://wspr.social-protection.org.

divergence of social protection spending between different regions, with proportions of GDP spending ranging from 17.4 per cent in Europe and Central Asia and 16.6 per cent in the Americas to 7.5 per cent in Asia and the Pacific, 4.6 per cent in the Arab States and 3.8 per cent in Africa (see figures 1 and 2).

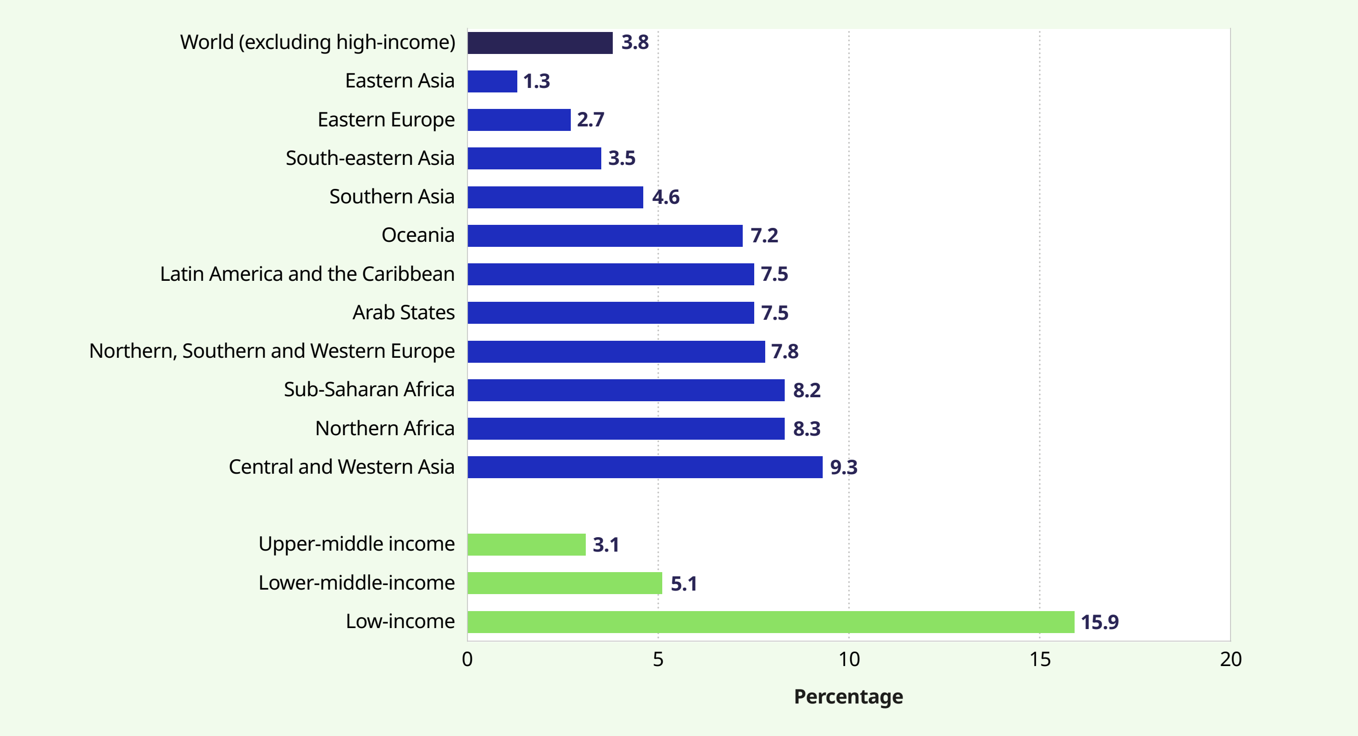
As shown in the figures above, current levels of expenditure on social protection will not be sufficient to close persistent coverage gaps. Also, mere stopgap measures will not be enough to protect people in the current crisis, to support recovery and to build resilient social protection systems for the future.

3. Social protection financing gap

The financing gap in social protection – that is, the additional spending required to close gaps in the coverage, comprehensiveness and adequacy of social protection to ensure at least minimum provision for all – has increased by approximately 30 per cent since the onset of the COVID-19 crisis, owing to the increased need for healthcare services, income security measures, and reductions in GDP caused by the crisis. To guarantee at least a basic level of social security through a nationally defined social protection floor, lower-middle income countries would need to invest an additional US$362.9 billion and upper-middle income countries a further US$750.8 billion per year, equivalent to 5.1 and 3.1 per cent of GDP respectively for the two groups, while low-income countries would need to invest an additional US$77.9 billion, equivalent to 15.9 per cent of their GDP (ILO 2021a; see figure 3).

With less than nine years to go to achieve the 2030 Agenda, it is imperative that countries find the fiscal space to develop and maintain comprehensive, adequate and sustainable social protection for all, otherwise SDG1 of ending poverty by 2030 will remain beyond reach.

▶ **Figure 3. Annual financing gap to be closed in order to achieve SDG targets 1.3 and 3.8, by region, subregion and income level, 2020 (percentage of GDP)**



Source: ILO, World Social Protection Database, based on the SSI; IMF; ECLAC; national sources; WHO.

4. How can fiscal space for social protection be created?

What does it mean?

Creating fiscal space for social protection financing means that a Member State will have to mobilize sufficient resources to fill existing financing gaps to progressively build and maintain social protection systems, which are comprehensive, sustainable and adequate, in line with ILO social security standards. While priority should be given to investments in nationally defined social protection floors in accordance with the Social Protection Floors Recommendation, 2012 (No. 202), Member States should work towards ensuring higher levels of protection in terms of range and levels of benefits, as set out in the Social Security (Minimum Standards) Convention, 1952 (No. 102), to as many people as possible.

How to do it?

There is no one-size-fits-all approach to extending fiscal space for social protection. ILO Recommendation No. 202 underscores the need for "using a variety of different methods to mobilize the necessary resources". Countries need to invest more and better in social protection, on the basis of principles of universality, adequacy, sustainability and solidarity. International experience shows that countries can draw on eight different strategies for creating fiscal space (Ortiz et al. 2019):

a) expanding social security coverage and contributory revenues

b) increasing tax revenues

c) eliminating illicit financial flows

d) improving efficiency and reallocating public expenditures from socially less desirable areas

e) tapping into fiscal and foreign exchange reserves

f) borrowing or restructuring debt

g) adopting a more accommodative macroeconomic framework

h) increasing aid and transfers

National social protection systems should be primarily financed from domestic resources, which need to be gradually increased in line with the economic and fiscal capacities of the country and based on national priorities. As filling existing financing and coverage gaps can be particularly difficult for some low-income countries with marked under-investment in social protection, Recommendation No. 202 establishes that members with insufficient economic and fiscal capacities to implement the guarantees may seek international cooperation and support that complement their own efforts. International cooperation and support in this regard could take the form of global and solidarity-based financing mechanisms such as the Global Accelerator for Jobs and Social Protection and a Global Fund for Social Protection, which could also channel official development assistance (ODA) (see further below).

Is it feasible even in low-income and lower-middle income countries?

Despite the stark divergence on social protection spending between different income groups and regions, and the related financing gaps, there are sizeable differences in social protection investment among countries at the same level of economic development (or countries with government budgets of similar size), indicating that there is some scope for policy choice regardless of the economic capacity of a country (Ortiz et al. 2019).

Fiscal space exists even in the poorest countries (ILO 2021a). Closing social protection financing gaps in sustainable and equitable ways requires, beside political will, a diversity of mechanisms based on national and international solidarity. Each country is unique, and not only the design and implementation of social protection systems, but also financing options, need to be carefully examined – including the potential risks and trade-offs associated with each opportunity – and decided upon in national social dialogue.

Several countries have already put in place innovative strategies to finance/adapt contributory and non-contributory schemes as a way to expand social protection to those who are *de iure* and/or *de facto* excluded from national social insurance schemes, which could serve as good practice examples for other countries, as described further below.

5. What is the ILO's strategy for financing social protection gaps?

The urgency to ensure adequate and sustainable financing as a precondition for building and maintaining universal, adequate, comprehensive, and sustainable social protection systems has been reaffirmed by the Resolution and conclusions concerning the second recurrent discussion on social protection adopted by the ILO tripartite constituents at the 109th International Labour Conference (ILC) in June 2021 (ILO 2021b).

In this regard, the Resolution and conclusions call upon Member States to **ensure adequate and sustainable financing through a combination of sources of financing (contributory and non-contributory)**, as well as the **effective allocation of resources**, as indispensable elements to ensure the creation of fiscal space for social protection (para 15(b)). It also encourages Member States to **secure and increase the fiscal space for social protection**, including by **broadening the tax base and building fair and progressive tax systems** together with a **sustainable macroeconomic framework, tackling tax evasion and the avoidance of social security contributions, reprioritizing and reallocating expenditure, eliminating corruption and illicit financial flows and duly collecting social security contributions** (para 15(g)). In addition, Member States should **promote full and productive employment** and **support the inclusion of under-represented or marginalized groups in the labour market**, to broaden the financing base for social protection (para 15(h)).

The Resolution and conclusions also commit the ILO to **provide technical support** and assist Member States' efforts to **close financing gaps** for social protection through domestic resources and development cooperation as well as to **explore options for mobilizing international financing** for social protection.

Complementary to the Resolution and conclusions, the Conference also adopted a **Global call to action for a human-centred recovery from the COVID-19 crisis** that is inclusive, sustainable and resilient, in which Member States reiterated their committment to achieving universal access to comprehensive, adequate and sustainable social protection in accordance with the 2019 ILO Centenary Declaration for the Future of Work.

6. Which are the international financing mechanisms and what are they meant for?

Mobilizing international financing can be done in different ways, including through **Official Development Assistance (ODA)**, which helps countries with limited domestic capacities in the setting-up and design of social protection systems, and/or through a possible new international financing mechanism, such as a **Global Social Protection Fund**, which may channel ODA to complement domestic resource mobilization to progressively achieve universal social protection starting with the establishment of social protection floors for all. The establishment of a Global Social Protection Fund is suggested by Olivier De Schutter, Special Rapporteur on extreme poverty and human rights, as a new international financing mechanism promoting a global vision of solidarity between the Global North and Global South (UN 2021a, De Schutter 2020), but also through South–South cooperation (Global Coalition for Social Protection Floors 2021). It gained momentum at the 2021 International Labour Conference when tripartite constituents mandated the ILO to initiate and engage in discussions on concrete proposals for a new international financing mechanism, such as a Global Social Protection Fund, which could complement and support domestic resource mobilization efforts in order to achieve universal social protection.

In addition to that, the UN Secretary-General recently launched the **Global Accelerator for Jobs and Social Protection**, which is an initiative with political, technical and financial dimensions. This initiative is led by the ILO and aims to create at least 400 million jobs, primarily in the green and care economies, and to extend social protection floors to those currently not covered by any social protection measure (about four billion men, women and children) by 2030, with a focus on low- to middle-income countries, small island developing States, and countries in fragile situations. Hereby, key to acceleration are greater policy coherence, enhanced multilateral collaboration, and a comprehensive financial architecture to support national strategies and multilateral cooperation based on domestic resources and international finances (UN 2021b). Such a Global Accelerator could help strengthen the political priority for Social Protection at global and national levels; increase the synergy between Social Protection, Employment and Fair Transition policies, promote the achievement of the goal of more employment, social protection coverage and sustainable development patterns; strengthen the organizational, managerial, fiscal capacities of countries to implement such policies; and increase international solidarity, etc. In light of that, there will be an important component on financing to address the severe underinvestment in social protection, which has been identified as one of the main causes of lack of coverage and adequacy (ILO 2021a).

Besides, the UN Secretary-General underlined the need to ensure that advanced economies re-channel **Special Drawing Rights (SDRs)**[2] "to support national recovery strategies in developing countries, including middle-income countries, by investing, among others, in economic sectors of strategic importance for a job-rich and inclusive, gender-responsive and green growth, and in universal social protection systems" (UN 2021b). In August 2021, the International Monetary Fund (IMF) approved a new SDRs allocation of US$650 billion, which is the largest in the history of the Fund, while working on ways to facilitate the on-lending or effective donation of such reserves by developed countries to developing countries (UN 2021b; Samans 2021). This option could contribute to counterbalance the unequal resource mobilization capacity between rich and poor countries by channelling SDRs to countries in need if combined with a structured donation mechanism (Samans 2021). In addition, the IMF is currently developing the RST (Resilience and Sustainability Trust) with the central objective to provide affordable long-term financing to support mainly developing countries as they tackle structural challenges (IMF 2022; IMF 2021b; IMF 2021c).

7. Which are the policy options to be implemented at national level to expand fiscal space? Successful examples from international experience

As already mentioned, ILO estimates demonstrate that creating fiscal space for financing social protection is feasible even in the poorest countries and governments have different financing options at hand (Durán-Valverde et al. 2020).

Each country is unique, and all options should be carefully examined – including the potential risks and trade-offs associated with each choice – and should be discussed and agreed upon in national social dialogue. Given the importance of public investments in human rights, jobs and social protection, it is imperative that governments explore all possible alternatives to expand fiscal space to promote national socio-economic development for achieving the SDGs.

International experience shows that countries can draw on eight main different strategies for creating fiscal space for social protection, as provided for in the next paragraphs based on different country examples (ILO 2021a; Ortiz et al 2019).

a. Expanding social insurance coverage and contributory revenues

Increasing coverage under national social insurance schemes and thereby raising contributions is a reliable way to finance social protection. Nonetheless, it needs to be mentioned that in the short-term a significant extension

2 The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. For more information see IMF 2021a.

of coverage to workers (including self-employed workers) can only be achieved with considerable level of transfers from the government budget to social insurance. However, the long run effect on government finances will be clearly positive and free up fiscal space for additional investment in other social protection schemes and programmes. In order to expand social insurance coverage and contributory revenues, countries need to increase the legal coverage of existing schemes, or create new schemes, for previously uncovered groups with contributory capacity such as workers in the informal economy (ILO 2021a). In addition, countries need to increase effective coverage, which can be done through administrative, financial or institutional measures, such as simplification and adaption of contribution collection, which caters to volatile earnings of workers in the informal economy, progressive social insurance contributions, or subsidies for contributions. This should go hand in hand with improved administrative efficiency and better compliance in terms of registering enterprises, declaring all workers and their actual earnings, and ensuring the payment of social security contributions (ILO 2021d).

The following countries provide examples of this strategy:

- **Uruguay's** monotax provides a remarkable example of the expansion of social security coverage and contributory revenues. Monotax is a simplified tax and contribution collection mechanism for small contributors in Uruguay. The microentrepreneurs who select this option, as well as their workers, are automatically entitled to the benefits of the contributory social security system (except for unemployment protection). Through the monotax mechanism, a single payment covering taxes and contributions is collected by the Uruguayan Social Security Institute (BPS), which transfers the tax payments to the fiscal authority and then uses the remaining share to finance social security benefits for affiliated members and their families. The monotax mechanism has proved an effective tool to extend social security coverage to self-employed workers, especially women, and to formalize micro- and small enterprises.
- **Argentina**, **Brazil**, **Ecuador** and **Tunisia** have developed similar mechanisms broadening both coverage and contribution base.

b. Increasing tax revenues

A large number of countries are increasing tax revenues for generating domestic resources for social investments. This can be done in different ways, including by expanding the tax base, altering different types of tax rates – for example of taxes on corporate profits, financial activities, property, import/exports and natural resources – or strengthening the efficiency of tax collection methods and overall compliance.

The following countries provide examples of this strategy:

- **Bolivia** is taxing hydrocarbons to finance "Renta Dignidad", a universal social pension for all older persons.
- **Mongolia** financed a universal child benefit from a tax on copper exports.
- **Botswana** and **Zambia** are taxing mineral extraction for social investments.
- **Ghana**, **Liberia** and **the Maldives** have introduced taxes on tourism to support social programmes.
- **Gabon** has used revenues from value-added tax on mobile communications to finance its universal healthcare system.
- **Algeria**, **Mauritius** and **Panama**, among others, have supplemented social security revenues with high taxes on tobacco.
- **Egypt** has introduced earmarked taxes to finance its universal healthcare system.

c. Eliminating illicit financial flows

Curtailing illicit financial flows (IFFs) could also free up additional resources for critical social investments in many developing countries. IFFs involve capital that is illegally earned, transferred or utilized and include, inter alia, traded goods that are mispriced to avoid higher tariffs, wealth funnelled to offshore accounts to evade income taxes, and unreported movements of cash. Almost US$1 trillion in IFFs are estimated to have moved out of developing countries in 2012, mostly through trade mispricing (Kar, Cartwright-Smith, and Hollingshead 2010). Overall, the average annual outflow of illicit capital is estimated to surpass 10 per cent of GDP in 30 developing countries, and more than 5 per cent of GDP in 61 developing countries (Ortiz, Cummins and Karunanethy 2017). There is a growing effort, particularly within the United Nations and other international agencies, to devote more attention to cracking down on money-laundering, bribery, tax evasion, trade mispricing and other financial crimes that are both illegal and deprive governments of revenues needed for social protection and achieving the SDGs.

- **A number of countries are** fighting the large illicit financial flows such by cracking down on tax evasion.
- For **Egypt**, the ILO estimates that combatting illicit financial outflows could on average generate an annual amount equivalent to 3 per cent of GDP; illicit financial outflows from the country in 2014 were estimated at between 1.9 and 4.7 per cent of GDP (Ortiz et al. 2019).

d. Re-allocating public expenditure and enhancing the quality of spending

This approach can be achieved by assessing ongoing budget allocations through public expenditure reviews, social budgeting and other types of budget analysis; replacing high-cost, low-impact investments with investments that result in more substantial socio-economic impacts, eliminating spending inefficiencies and tackling corruption. In addition, spending quality can be enhanced through improvements in the design and performance of social protection programmes.

The following countries provide examples for both strategies:

- **Costa Rica** and **Thailand** reallocated military expenditures for universal healthcare.
- **Egypt** created an Economic Justice Unit in the Ministry of Finance to review expenditure priorities.
- **Indonesia**, **Ghana** and **many other developing countries** have reduced or eliminated fuel subsidies and used the proceeds to extend social protection programmes.
- **Costa Rica** has also introduced a new healthcare model that strengthened preventive measures and health promotion, leading to substantial improvements in spending effectiveness in terms of health outcomes.

e. Using fiscal and central bank foreign exchange reserves

This option includes drawing down fiscal savings and other state revenues stored in special funds, such as sovereign wealth funds, and/or using excess foreign exchange reserves in the central bank for domestic and regional development (ILO 2020b). However, it must be noted that these reserves are constituted to help their respective countries cushion crises and/or defend the value of the currency. The size of these reserves may surpass what is needed according to objective criteria. Resources in excess could then be used to finance social protection.

The following countries provide examples of this strategy:

- **Chile** and **Bolivarian Republic of Venezuela**, among others, are tapping into fiscal reserves for social investments.
- **Colombia** launched the first Social Impact Bond in developing countries in 2017, an innovative PPP.
- **South Africa** issued municipal bonds to finance basic services and urban infrastructure to redress financing imbalances after the Apartheid regime.

f. Managing sovereign debt through borrowing and debt restructuring

This strategy involves an active exploration of domestic and foreign borrowing options at low cost, including concessional loans, following careful assessment of debt sustainability. In the context of the COVID-19 crisis, the most vulnerable countries could benefit from the Debt Service Suspension Initiative (DSSI), which was set up by the G20 in May 2020 and expired in December 2021. Between May 2020 and December 2021, this initiative suspended $12.9 billion in debt-service payments owed by participating countries to their creditors, to enable participating countries to concentrate their resources on fighting the pandemic and safeguarding the lives and livelihoods of millions of the most vulnerable people (WB 2022). In addition, low-cost international borrowing (e.g. from development banks) has been made by some countries and has been useful to build capacities and infrastructures, e.g. improving the management of social security schemes and saving money through strengthened efforts to combat evasion and fraud, strengthening the tax collection, improving the management of benefits, etc.

However, it should be noted that borrowing money to pay for benefits may not be always the most efficient solution as for some countries it may result in high level of indebtedness. Debt renegotiation can thus be an important source of fiscal space that promotes growth and social protection, especially in crisis and insolvency situations. The following countries provide examples of this strategy:

- More than 60 countries have successfully renegotiated debts, and more than 20 defaulted/repudiated debt, such as **Ecuador**, **Iceland** and **Iraq**, using savings from debt servicing for social protection programmes.

g. Adopting a more accommodative macroeconomic framework

The goals of macroeconomic policy are multiple, from supporting growth, price stabilization or inflation control, to smoothing economic cycles, reducing unemployment and poverty, and promoting equity (Ortiz et al. 2019). However, "the principles of macroeconomic stability have been interpreted narrowly to mean 'minimize fiscal deficits, minimize inflation', with the assumption that the more of these changes the better, at all times and in all places the expected growth benefits failed to materialize and worsened poverty" (Growth Commission 2005).

Since the early 1980s, the international financial institutions adopted an agenda for the stabilization, privatization and liberalization, which significantly reduced the policy and fiscal space for development. As a result, fiscal and monetary policies became pro-cyclical, and the reduction of fiscal space created pressure on the governments to cut social expenditures including social protection. Restoring the historical role of macroeconomic policies with a strong social protection system at their core requires revisiting reform paradigm that emphasize balancing fiscal budget, low inflation, deregulation, privatization and liberalization, promoting instead a more accommodative macroeconomic framework and fiscal space (Ortiz et al. 2019).

An accommodative macroeconomic policy framework creates an enabling environment for considering options such as using fiscal and monetary policies, higher level of public borrowing, and scaling-up of aid. Accommodating macroeconomic policies must ensure long-term sustainability by linking additional fiscal space to productive investment for developmental purposes. By contributing to inclusive growth directly and indirectly an expanded universal social protection system is unlikely to jeopardize long-term fiscal sustainability.

- **A significant number of developing countries** have been using such frameworks, along with deficit spending, during the COVID 19 crisis to respond to immediate needs and support socio-economic recovery in the medium and long-term (ILO 2020b).

h. Increasing aid and transfers

Expanding fiscal space by drawing on domestic sources is a fundamental element of strategies for creating comprehensive social protection systems. However, there are considerable gaps, especially in some developing countries, between domestically generated resources and the resources required for universal social protection systems. As already mentioned, ILO Recommendation No. 202, suggests that countries "… whose economic and fiscal capacities are insufficient to implement the guarantees may seek international cooperation and support that complement their own efforts" (para. 12).

The need for additional and more stable sources of financing for development has been further reinforced by the COVID-19 crisis. However, while donors have expedited ODA resource mobilisation for social protection during the pandemic by using their existing portfolios as a conduit, introducing new instruments or reallocating committed funds, many countries still fall short of their ODA minimum commitments established in the Addis Ababa Action Agenda due to the domestic challenges they are facing (ODI 2021). Nevertheless, countries that are members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) should live up to their 0.7 per cent ODA target, while ODA for social protection, which represented only 0.0047 per cent of the GNI of OECD/DAC countries in 2017, should be increased. In addition, while the social protection floors financing gap in 2019 was estimated at 1.6 per cent of GDP, the total ODA allocation to developing countries (included in the study) was 0.3 per cent of GDP in 2017. Therefore, the current level of ODA is insufficient to meet the financing needs identified based on pre-COVID-19 data (ILO 2020b).

At $2.4 billion in 2019, ODA funds for social protection are trivial in relation to the funding gap, estimated at $41.9 billion for low-income countries. Additional future financing for the social protection is thus crucial. The current COVID-19 pandemic may offer an opportunity for reviewing current financing approaches (ODI 2021).

That being said, several countries have received support from international partners to finance their social protection systems, such as (Ortiz et al. 2017):

- **Pakistan**, **Madagascar**, **Namibia**, **Tajikistan** and **Zimbabwe** received international support for financing their social protection systems.
- **Burkina Faso** counts on international cooperation for its national social protection floors strategy.
- A number of lower-income countries are receiving North–South and South–South transfers, such as **El Salvador** and **Guinea-Bissau**.

8. How can workers' organizations contribute to the creation of adequate fiscal space for social protection financing?

Workers' organizations must regard the COVID-19 crisis as a wake-up call for doing their utmost to ensure that the social protection achievements made during the crisis serve as a stepping-stone for a recovery with social protection for all. The clock is ticking for a new social contract.

In this sense, the Recurrent discussion on social protection at the 2021 International Labour Conference could not have been timelier. On that occasion, ILO constituents called upon Member States to commit with strong political will and tripartite social dialogue to progressively, and as soon as possible, build and maintain universal, adequate, comprehensive, and sustainable social protection systems. They also recognized the important role of social dialogue in shaping national social protection policies for an inclusive and human-centred COVID-19 recovery towards universal social protection, in line with the priorities set out in the ILO Centenary Declaration and the 2030 Agenda for Sustainable Development (SDGs 1.3, 3.8, 5.4, 8.5 and 10.4).[3]

Workers' organizations have a vital role to play in contributing to national debates on necessary and adequate resource mobilization for financing social protection and achieving the SDGs. This requires a high-level strategic vision, and the ability to generate consensus for the transformative changes necessary to "build forward better" with social protection for all.

In light of this, and bearing in mind the different social protection financing options presented above, workers' organizations' agenda for resilience and empowerment in the context of the COVID-19 crisis and recovery should aim at the following:

- Social protection policies must be based on **national social dialogue**. Social dialogue and consultations with social partners are particularly important for devising coordinated policy responses, including policy responses to the COVID-19 pandemic. Workers' organizations should therefore work towards the **creation of a political will among decision-makers**, as this represents a prerequisite to establishing an enabling environment for constructive social dialogue.
- Workers' organizations must play a key role in **strengthening social dialogue mechanisms and institutions**, to ensure that the necessary infrastructure is provided so that these mechanisms and institutions can operate better during periods of crisis and beyond.
- **Workers' organizations must increase their representative capacity** through the development and implementation of innovative strategies and services to attract, retain and represent all workers, regardless of their vulnerability in the labour market and their employment relationships, including informal economy workers.[4]
- **As the prolonged COVID-19 crisis continues, as countries emerge from it and as pressures increase to reduce spending and put in place austerity measures**, workers' representatives must be actively engaged and consulted to ensure that they can effectively shape any potential reform measures to safeguard social outcomes.
- **The capacity of workers' organizations must be strengthened**, to ensure that effective social dialogue can take place and contribute to building coordinated policy responses to address the current crisis and recovery. **Sound technical knowledge among workers' representatives** contributes also to the formulation of national social protection policies and legal frameworks and their implementation in line with ILO social security standards. Informed policy design improves implementation effectiveness and contributes to ownership of the measures adopted as well as trust amongst tripartite actors and workers in general.

3 SDG target 5.4 refers to the need to recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate; SDG target 8.5 sets the objective of achieving by 2030 full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value; and SDG target 10.4 stresses the need to adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.

4 Among the initiatives carried out by trade unions during the COVID-19 pandemic, which enabled them to reach out to workers who would normally be non-unionized, it is worth mentioning the case of Georgia, where the Georgian Trade Union Confederation (GTUC) has launched a nation-wide awareness campaign in support of 10,000 self-employed and informally employed market vendors, who are eligible for financial support as a compensation for the lockdown, aimed at expanding their services to hard-to-organize workers and recruiting new members.

- Workers' organizations must engage and actively **contribute to the Global Accelerator for Jobs and Social Protection and to the current debate on new international financing mechanisms**, such as a Global Social Protection Fund, giving voice to workers' needs and making sure that the commitments made at international level are **transformed into concrete policy and financial commitments at country level leading to tangible progress towards achieving the 2030 Agenda, based on strong social dialogue**. This includes actively participating in the coordination mechanisms among line ministries at the national level, alongside with employers' organizations and civil society. This also implies building and sharing concrete proposals for more and better investments to achieve universal social protection and advising on integrated policy approaches to overcome the crisis, accelerate recovery, tackle informality, and facilitate the green, care and digital transformations of the economy and society.
- Workers organizations should also ensure that these **additional investments are aligned with the principles of ILO social security standards**; that they are based on social dialogue, secured through national legal frameworks, non-discriminatory but aimed at universal social protection, designed and managed in an effective and transparent manner, and financially sustainable.
- Workers' organizations must play an important role in **promoting the ratification, implementation and monitoring of the Social Security (Minimum Standards) Convention, 1952 (No. 102)**, e.g. through initiating ratification campaigns, as well as the application of the Social Protection Floors Recommendation, 2012 (no. 202).
- Workers' organizations should also **use the ILO's assessment tool/matrix to raise awareness** on the main policy and implementation issues regarding their national social protection systems.
- Workers' organizations must play a key role in **disseminating information to workers and employers and raising their awareness about their social protection rights and obligations**.
- Workers' organizations must **support the social protection needs of vulnerable workers** and those workers who are not part of the formal economy.
- **Workers' representatives on tripartite boards of directors of social security institutions must fight for good governance of the social protection system**. Board members are "trustees" for social security schemes and have to exercise a reasonable standard of care on behalf of all the beneficiaries of that entity, including acting in accordance with the rules of the scheme, within the framework of the law, as well as acting prudently, conscientiously, and with good faith and in the best interests of the scheme's constituents, and striking a fair balance among the different categories. Representatives of workers' organizations would be expected to represent the interests of workers as a whole, not just those in his/her own federation. At the same time, a board member needs to be balanced and fair in his/her approach, because the member is on a board that is looking after the whole social security scheme, not just the part that most affects his or her organization (ILO 2010).
- Finally, workers' representatives must **engage with the UN processes on sustainable development**, which offer workers' organizations and other ILO constituents in general the space and impetus necessary to participate in democratic and transparent multilateral decision-making. They also offer them the opportunity to demand enhanced policy coherence, improved enforcement and better accountability. Workers' organizations can demonstrate the important role of social dialogue and social partnership for national development (ILO 2021d).

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