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Social Protection Training for Lao PDR

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TRAINING ROADMAP

Module 1

1. Risks and Coping Mechanisms in the Community
2. Basic Concepts and Background of Social Protection
3. Social Protection System in Lao PDR
4. The Role of Social Protection
5. Understanding the complexity of targeting
6. Conditional or Unconditional Cash Transfer
7. Consolidating understanding of social protection

Module 2

1. The National Social Protection Strategy
2. Financing Social Protection
3. Moving forward for NSPS

Recap

End

Social Protection Training for Lao PDR

Module 2

National Social Protection Strategy

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Activity 13: Triple “A”: Expanding the fiscal envelope

	Procedure:	1. Invite participants to study the slide with the three interlocking circles of Acceptance, Authority, and Ability. 2. Explain each term using the questions within the boxes on the slide and the following guiding questions: **AUTHORITY** • Does the existing law allow you to do it? • Are the mandates and responsibilities of government institutions aligned with it? • Will the private sector support it? • Will village and community authorities support it?

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Activity 13: Triple "A": Expanding the fiscal envelope

	Procedure:	**ACCEPTANCE** • Is there acceptance of the idea? • Is there acceptance of its costs? • Can dialogue with employer and worker organizations and CSOs help? • Can you improve the level of acceptance by communicating the idea well? **ABILITY** • Are there enough staff to plan and implement reform? • Do the staff have the skills to plan and implement reform? • Is training of staff required? • Are implementers and people well informed? • Is the tax system efficient?

Activity 13: Triple "A": Expanding the fiscal envelope

	Procedure:	3. Divide the participants into 4 groups and distribute one card from Handout 5 (containing one potential financing solution) to each group.: • Raising funds through external aid (grants) • Taxing revenues in the mining sector • Simplifying the mechanisms for paying tax and social security contributions • Enforcing compliance of large companies and SMEs with social security contribution payments (through inspection mechanisms and punitive measures) 4. Based on their understanding of the session on Financing Social Protection, ask them to discuss within their group where within the three circles the solution on the card could fall, given the Lao context.

Activity 13: Triple "A": Expanding the fiscal envelope

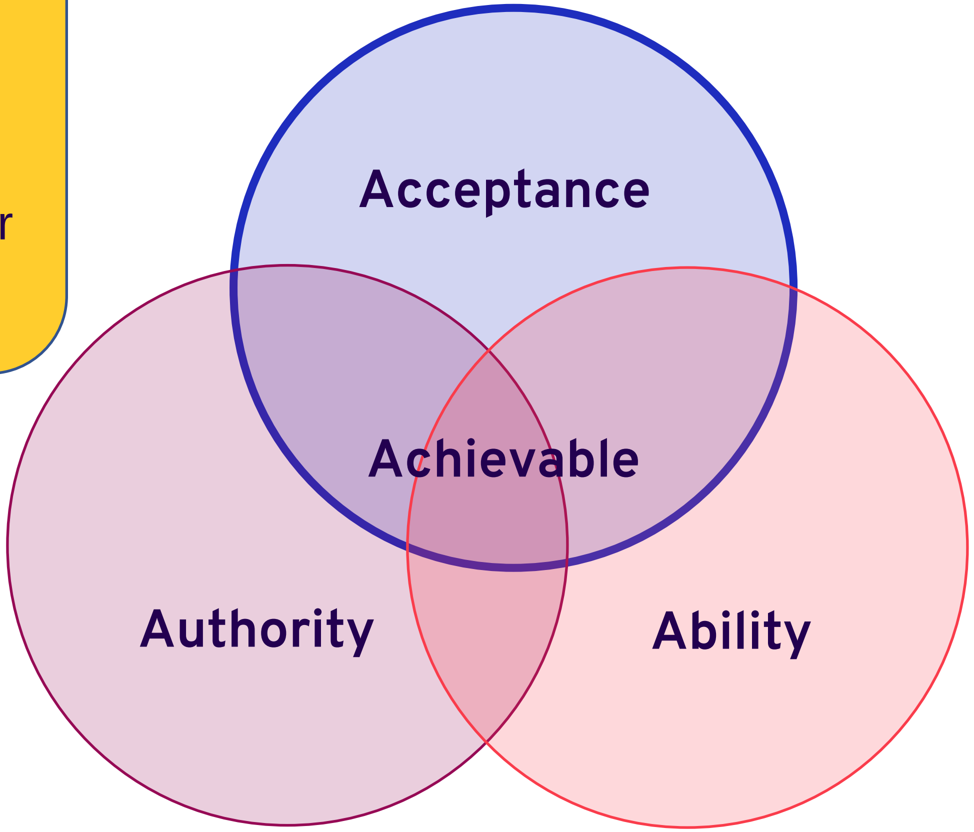
	Procedure:	5. Invite each group to stand up and present their "answer" to the plenary, sticking their card on the spot they have chosen within the circles. 6. Ask whether others in the room agree or disagree… get a debate going! 7. Once all options have been assessed, see whether there are any in the central "sweet spot" (marked as "Achievable" in the slide) and ask whether these appear to be truly feasible… and whether they should therefore be prioritized?
	Facilitator's note	Ask participants to share their views as to how they could go about actioning the prioritized solutions in their social protection system. What are the first steps they can undertake that are within their own realm of control. If some options are outside the "sweet spot", working on/improving the points in the guiding questions can help to move the options into the sweet spot.

Session 2

Financing social protection

Explore options for financing social protection in other countries, with examples

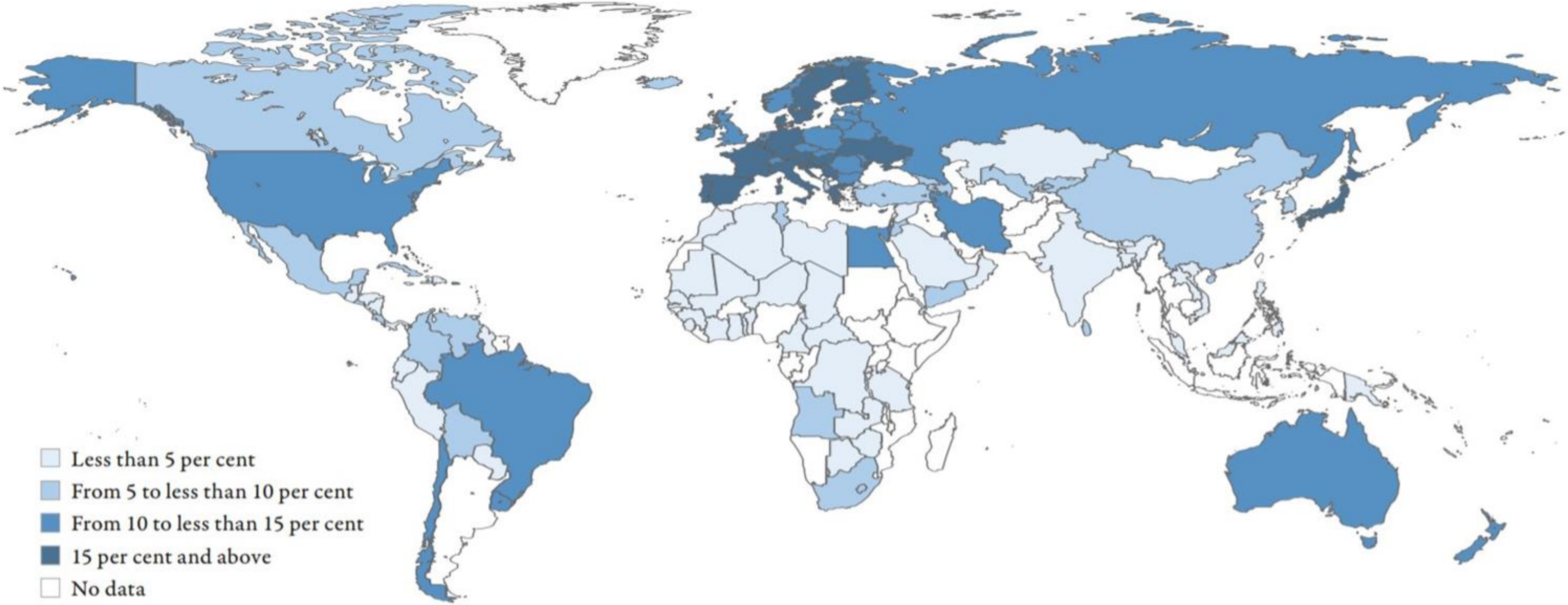
Do you have the **AUTHORITY** to make this change or will you need further authorization from other institutions?



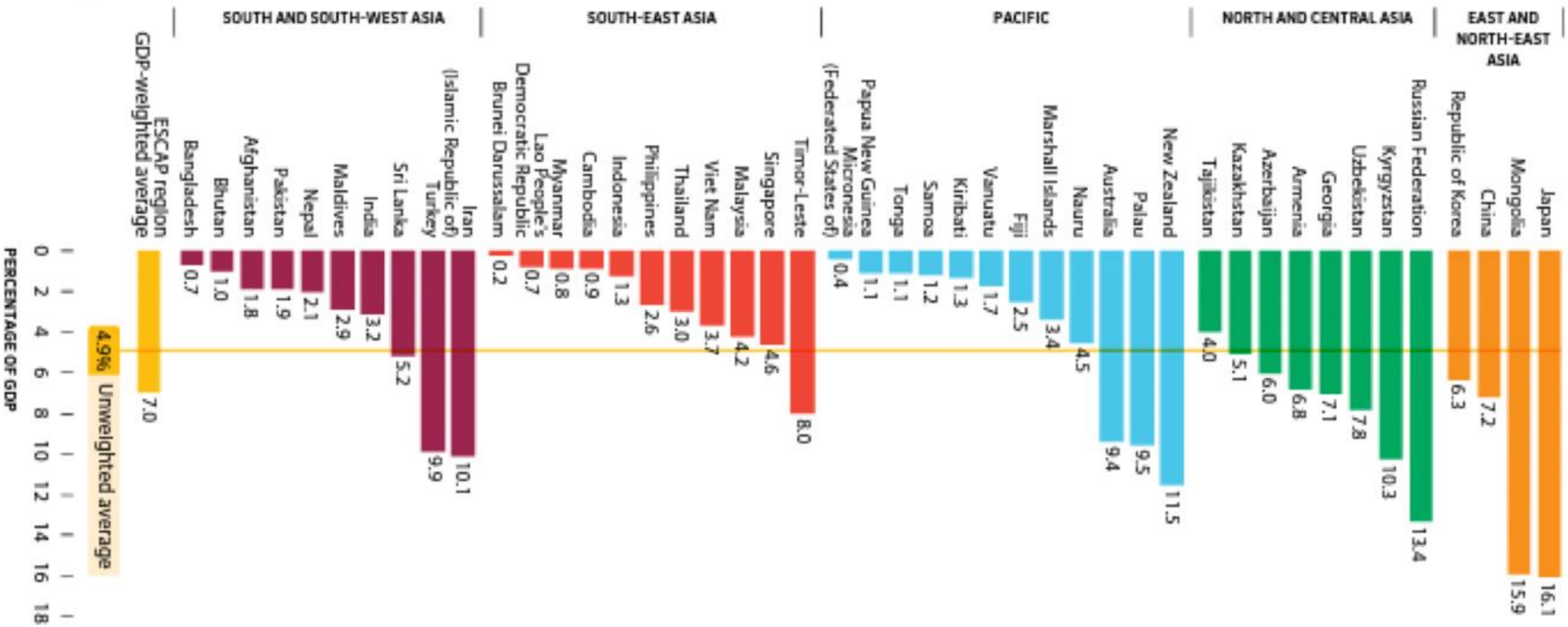
Will this change be **ACCEPTABLE** to the public and other institutions?

Do you have the resources / capability to en**ABLE** you to make this change?

How much do countries spend on social protection?



Social protection in Asia and the Pacific



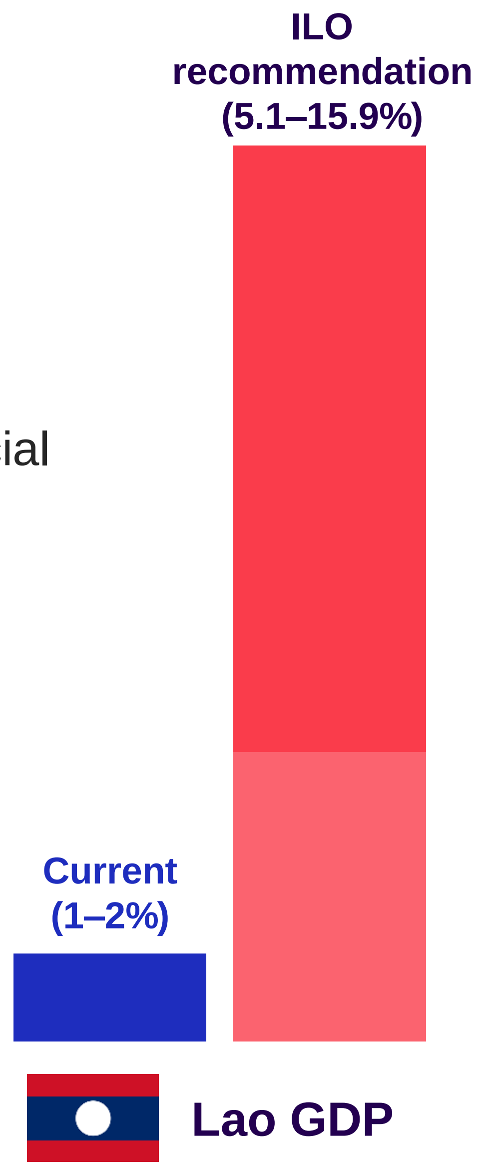
- Developing countries in Asia and the Pacific spend around **3.7% of their GDP** on social protection – **one-third of the global average** and generally considered an **underinvestment**.

- **This underinvestment is why 60% of the region's population has no protection** if they become sick, develop a disability, or become unemployed, pregnant or old.

  - **Only 21 out of 49 countries** provide social protection for children and families.
  - **Only one out of five unemployed** receive unemployment benefits.
  - **Fewer than 4 out of 10 people** have access to affordable health care.
  - **Just over half of all older persons** receive an old-age pension.

- The Lao Government spends on average **1–2% of gross domestic product (GDP) on social protection**

- Low and lower middle income countries will **need to raise** spending on social protection to **between 5.1% and 15.9% of GDP** to provide a basic level of protection to all.



Guiding principles for financing social protection

Progressive realization

- Acknowledges that the full enjoyment of human rights will not come in a day, but demands that it comes a little closer every day.
- Recognizes that the resources at the disposition of a government are limited.
- Nevertheless, governments must take specific steps to ensure that people's enjoyment of economic and social rights improves over time.

Maximum available resources

- Governments cannot shrug off human rights obligations on the grounds of lack of resources.
- Governments must show that they are making the maximum use of available resources toward realizing human rights.

Non-retrogression

- Once a particular level of enjoyment of rights has been realized, it should be maintained. It should not move backwards.

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The State’s responsibility for financing social protection

- Collecting social insurance contributions
- Collecting taxes
- Setting tax rates
- Hosting tripartite negotiations with employers and workers to set social insurance contribution rates
- Imposing sanctions in cases of non-payment of social insurance contributions and taxes
- Co-contributing to social insurance schemes
- Budgeting and paying for cash and food transfers

Eight resource mobilization options

- Re-allocating public expenditures
- Increasing tax revenue
- Expanding social security coverage and contributory revenues
- Lobbying for aid and transfers
- Eliminating illicit financial flows
- Using fiscal and central bank foreign exchange reserves
- Borrowing or restructuring existing debt
- Adopting a more accommodating macroeconomic framework

Resource mobilization to create fiscal space for social protection

Financing options	Description	Example/s
Re-allocating public expenditures	This is the most orthodox option, which includes assessing on-going budget allocations through Public Expenditure Reviews (PERs) and other types of thematic budget analyses, replacing high-cost, low-impact investments with those with larger socio-economic impacts, eliminating spending inefficiencies and/or tackling corruption.	**Egypt** created an Economic Justice Unit in the Ministry of Finance to review expenditure priorities, and **Costa Rica** and **Thailand** shifted military spending to finance universal health services **Philippines:** The group Social Watch Philippines-Alternative Budget Initiative "conducts research and lobby efforts in coming out with annual budget analysis, campaigning against lump sum funds, and engaging the national government and the legislature in the budget process" to fund the social protection programmes, among others. For example, the budget for Social Pension for Indigent Senior Citizens gradually increased from 871 million pesos in 2011 to 23 billion pesos in 2021.

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Resource mobilization to create fiscal space for social protection

Financing options	Description	Example/s
Increasing tax revenue	This is a main channel achieved by altering different types of tax rates – such as, on consumption, corporate profits, financial activities, personal income, property, imports or exports, natural resource extraction, and so on – or by strengthening the efficiency of tax collection methods and overall compliance.	**Bolivia** (South America), **Botswana** (Africa) and **Zambia** (Africa) are all developing countries that have used their natural resources to generate income – through taxes and other measures – to finance social protection and to reduce poverty and inequality. The **Indonesian Government** gradually withdrew expensive and unsustainable fuel subsidies, while introducing cash transfers, to offset the adverse impact on the poor. It also gradually extended health care to the entire population, creating a universal health care system. **Iran** also did a fuel subsidy reform, and provided a universal cash transfer and social health protection, which increased social acceptance of the subsidy reform among the population.

Resource mobilization to create fiscal space for social protection

a	Description	Example/s
Expanding social security coverage and contributory revenues	In existing social security systems, increasing coverage – and therefore the collection of contributions (including through simplifying registration and payment procedures and making digital options available) – is a reliable way to finance social protection, freeing fiscal space for other social expenditures. Social protection benefits linked to employment-based contributions also encourage formalization of the informal economy.	In **Brazil,** the Government: 1. reduced the cost of formalization and provided incentives to companies and people to formalize; 2. made the contributions lower for MSMEs than in formal sector; and 3. implemented a “monotax” called “Simples”, which allows MSMEs and self-employed workers to make a single and easy payment for taxes and social security contributions. This resulted in 23 million additional workers paying social security contributions, and thus, fiscal space increased. **Argentina, Uruguay,** and **Ecuador** have also successfully implemented similar mechanisms.

Resource mobilization to create fiscal space for social protection

Financing options	Description	Example/s
Lobbying for aid and transfers	This requires either engaging with different donor governments or international organizations in order to ramp up North–South or South–South transfers.	The Global Coalition for Social Protection Floors (2020), which comprises more than 200 civil society organisations, has been calling for a Global Fund for Social Protection for the neediest countries, to be financed by the Global North. A global social protection fund to kickstart national systems of social protection is affordable with the financing coming from a range of sources, including: • official development assistance (ODA), by increasing ODA commitments towards building social protection systems; • increased international cooperation on taxation; and • international financial institutions. (ITUC 2021).

Resource mobilization to create fiscal space for social protection

Financing options	Description	Example/s
Eliminating illicit financial flows	Given the vast amount of resources that illegally escape developing countries each year – estimated at ten times total aid received – policymakers should crack 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 and economic development.	
Using fiscal and central bank foreign exchange reserves	This 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.	**Chile, Norway,** and **Venezuela**, among others, are tapping into fiscal reserves for social investments.

Resource mobilization to create fiscal space for social protection

Financing options	Description	Example/s
Borrowing or restructuring existing debt	This involves active exploration of domestic and foreign borrowing options at low cost, including concessional loans, following a careful assessment of debt sustainability. For countries under high debt distress, restructuring existing debt may be possible and justifiable if the legitimacy of the debt is questionable and/or the opportunity cost in terms of worsening deprivations of vulnerable groups is high.	**South Africa** issued municipal bonds to finance basic services and urban infrastructure. In recent years, more than 60 countries have successfully renegotiated debts, and more than 20 have defaulted/repudiated public debt, such as Ecuador, Iceland and Iraq, directing debt servicing savings to social programmes.
Adopting a more accommodating macroeconomic framework	This entails allowing for higher budget deficit paths and higher levels of inflation without jeopardizing macroeconomic stability	A significant number of developing countries have used deficit spending and more accommodative macroeconomic frameworks during the global recession to attend to pressing demands at a time of low growth and to support socio-economic recovery.

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Eight resource mobilization options

Re-allocating public expenditures

- The most orthodox option
- Assessing on-going budget allocations through public expenditure reviews (PERs) and other types of thematic budget analyses
- Replacing high-cost, low-impact investments with those with larger socio-economic impacts
- Eliminating spending inefficiencies and/or tackling corruption

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Increasing tax revenue

- Main channel achieved by altering different types of tax rates on:
  - consumption
  - corporate profits
  - financial activities
  - personal income
  - property
  - imports or exports
  - natural resource extraction

- Also achieved by strengthening the efficiency of tax collection methods and overall compliance.

Expanding social security coverage and contributory revenues

- Increasing coverage
- Collection of contributions is a reliable way to finance social protection
- Freeing fiscal space for other social expenditures
- Social protection benefits linked to employment-based contributions encourage formalization of the informal economy

Lobbying for aid and transfers

- Requires either engaging with different donor governments or international organizations to ramp up transfers

Eliminating illicit financial flows

- Vast amounts of resources illegally escape developing countries each year
- Crack down on money laundering, bribery, tax evasion, trade mispricing and other financial crimes
- These illicit flows deprive governments of revenues needed for social and economic development

Using fiscal and central bank foreign exchange reserves

- Drawing down fiscal savings and other state revenues stored in special funds, such as:
    - sovereign wealth funds

- Using excess foreign exchange reserves in the central bank for domestic and regional development

Borrowing or restructuring existing debt

- Active exploration of domestic and foreign borrowing options at low cost
- Restructuring existing debt may be possible and justifiable (for countries under high debt distress)

Adopting a more accommodating macroeconomic framework

- Allowing for higher budget deficit paths
- Higher levels of inflation without jeopardizing macroeconomic stability

Case study: “Building Forward Better: Investing in Africa's Workers”

This video was produced by International Trade Union Confederation (ITUC)-Africa and Women in Informal Employment: Globalizing and Organizing (WIEGO) on the financing of social protection in Africa.

This case **shows how tax justice makes economic sense, while balancing budgets on the backs of the poor** does not (e.g., indirect taxes such as value added tax, or VAT). It also proposed financing social protection by pushing for genuine payment of 0.7% of the GDP of OECD States as well as creation of a Global Social Protection Fund.


WIEGO
Women in Informal Employment: Globalizing and Organizing
BUILDING FORWARD BETTER:
INVESTING IN AFRICA'S WORKERS
ITUC - AFRICA • CSI - AFRIQUE
0:53 / 5:02

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Problem #1

In Country D, government **revenue is low because there is a low rate of tax collection**. This means that the Government does not have enough funds to invest in extending social assistance programmes to include more informal workers.

How could the Government increase tax revenue to increase the funds they have for social assistance programmes?

Problem #2

In all countries, women and young people tend to earn less and have more irregular income than other workers in the informal economy.

- makes it more difficult for them to contribute to social insurance schemes.
- contribute less due to breaks from work during their lives due to childbirth and caring for household members.
- young women during their reproductive years are more likely to live in poverty because of their child care responsibilities and lower earnings.
- particularly difficult for this group of workers to contribute to social insurance schemes, even though they need maternal and child health care and income support. It will also likely mean their benefit levels will be lower than other workers with higher earnings who have contributed more to the social insurance scheme.

How could the social protection schemes be structured so that the particular circumstances of women and young workers are taken into account?

Problem 1: Solutions

- Improving administrative systems by making it easier for people and companies to pay taxes and by identifying and criminalizing those big businesses and large taxpayers who are not paying all their taxes.

- Increasing corporate taxes on big businesses and mining companies, and raising income, property and inheritance taxes on wealthy individuals. This will tax the richest people in a country more than the poorest. At the same time, the government can reduce VAT rates to support small business owners and workers by reducing the price of goods and services they rely on every day.

- Removing tax breaks for mining companies and Special Economic Zones (SEZs) as a way to increase tax revenue from large corporations. These additional funds can help to finance social protection programmes and public services.

Problem 2: Solutions

- Introduce a **"solidarity" component that is non-contributory** – the State exempts some informal workers from paying contributions, while still allowing them to be eligible for benefits.
- **Matching co-contributions** that are paid by the State.
- **Informal workers pay a significantly reduced contribution** as compared to formal workers.
- **Contribution schedules are made more flexible** so that workers only pay when they are able.
- **Care credits may be available to subsidize the contributions of women workers** when they take time off from work to care for children.

For young women who are among the most vulnerable, the most effective and equitable strategy may be to extend social assistance in the form of cash or food transfers, rather than trying to extend social insurance.

Activity 14: Implementing the NSPS at the provincial level

	Procedure:	1. Each group has to nominate one person to facilitate/lead the discussion and a second person to note down the points on flipchart paper and present in plenary later. 2. Identify the existing social protection programmes in your province. 3. Discuss with the group the following questions: **a.** What are the obstacles and challenges in implementing these social protection programmes in your province? **b.** What are possible solutions to these challenges? **c.** What specific areas in social protection you would like to prioritize? **d.** What type of support will you need from the national government in implementing this? 4. Each group present their results to the plenary. 5. Group members add more information if anything was missed.

Session 3

Moving forward with the NSPS

Group work

- What are the **obstacles and challenges** in implementing these social protection programmes in your province?
- What are **possible solutions** to these challenges?
- What **specific areas in social protection would** you like to prioritize?
- What **type of support** will the provincial government need from the national government to implement this?

-End-