

Financing social protection through the COVID-19 pandemic and beyond

Summary

This briefing note is produced for the G20 Development Working Group by the International Labour Organization (ILO), the Organisation for Economic Cooperation and Development (OECD), and the World Bank.¹ It demonstrates the key role that social protection has played in countries at all income levels in responding to the COVID-19 pandemic. Between March 2020 and May 2021, 222 countries and territories planned or implemented about 3 333 social protection measures to protect incomes, jobs and livelihoods across large portions of their population despite sharp declines in tax revenues and other sources of finance. In the majority of cases, these programmes were temporary. The crisis has weakened the public finances of most developing countries, with higher debt levels and uncertain prospects for tax revenues.

As of May 2021, the pandemic continues to claim lives across the world, especially in developing countries, as well as to inflict long-term damage to the labour market and worsen poverty and inequalities. With the environmental crisis also worsening, it is critical that investment in social protection does not fall back to pre-pandemic levels, when more than half the world's population lacked access to any social protection benefit. However, fulfilling the global community's commitments to extend social protection coverage, as set out in international social security standards and targets 1.3 on social protection and 3.8 on universal health coverage of the Sustainable Development Goals (SDGs), will require significant investment. Low-income countries would need to invest an additional 15.9% of their gross domestic product (GDP) to finance a social protection floor, and lower-middle-income countries 5.1% of their GDP. These figures represent a large proportion of their pre-pandemic revenue levels; in 2018, Africa's average tax-to-GDP ratio was 16.5%, for example.

Developing countries need to pursue a range of financing options to close this financing gap. However, they confront a number of structural challenges, including pervasive economic informality, tax evasion at a domestic level and, at the international level, illicit financial flows and profit shifting. Combined efforts at local, national and international level are thus required to close the social protection financing gap. These can be supported by Integrated National Financing Frameworks – a key modality for financing policy priorities, expanding fiscal space and coordinating different financing sources as part of a holistic strategy for financing development interventions, including social protection.

The COVID-19 pandemic has underlined the fundamental importance of social protection as a social, economic and political stabiliser. It has also provided important lessons and inspired valuable innovations for social protection planners, in terms not only of programme design but also delivery systems. As countries make plans to build forward better from the pandemic, they have an opportunity to develop social protection systems in tandem with economic policies to generate a robust, inclusive and sustainable economic recovery and to increase the resilience of individuals and societies to future shocks.

The G20 can help countries to realise these objectives by promoting social protection, supporting national capacities to increase domestic revenues, and advocating for additional international efforts and coordination to meet short- and longer-term financing gaps. The G20 played a critical role in the expansion of global social protection coverage following the Global Financial Crisis; it now has an opportunity to encourage another step change in the wake of the COVID-19 pandemic by ensuring that all countries can invest sufficiently to guarantee social protection floors for all by 2030.

1. Introduction: The social protection response to the COVID-19 pandemic

The COVID-19 pandemic is having catastrophic consequences on the health and livelihoods of billions of people around the world, especially in countries with substantial gaps in social protection coverage. It has caused poverty to rise and exacerbated inequalities that were already a source of growing discontent. The pandemic and the public policies required to prevent the spread of the virus, such as lockdowns, curfews and travel restrictions, have contributed to the largest global economic shock for a century, affecting advanced and developing countries alike. They have deprived hundreds of millions of people of the opportunity to earn a living: some 8.8% of global working hours were lost in 2020, equivalent to 255 million full-time jobs.² They have also created exceptional challenges for the delivery of social protection benefits.

In response to the crisis, countries around the world and at all income levels significantly expanded social protection provision. According to data collected by the World Bank and UNICEF³, a total of 222 countries or territories had planned or implemented 3 333 social protection measures to address the impact of COVID-19 by May 2021 (Figure 1). The type of intervention has varied between countries at different income levels and, in many cases, existing national programmes were adjusted or expanded. Nearly 90% of measures in low-income countries have been non-contributory, financed by the government or development partners, mostly in the form of social assistance; in high-income settings, this proportion is close to half. Social assistance has accounted for 65% of responses in Sub-Saharan Africa, 75% in South Asia and 63% in Latin America and the Caribbean.

Coverage of social assistance programmes has significantly increased during the pandemic. Over 1.3 billion people, or 17% of the global population, had received at least one COVID-related cash transfer by May 2021⁴. Although benefit levels increased during the pandemic (average benefit levels have been 92% above their pre-crisis level), these additional allowances were temporary (lasting four months on average), and less than 10% were extended beyond their initial period despite the protracted nature of the crisis.

In high-income countries, 26% of measures are connected to social insurance schemes, compared with just 9% in low-income countries. Social insurance responses have included unemployment benefits and job retention schemes⁵, sickness benefits⁶ and social health insurance. Existing social insurance programmes have been complemented by additional tax-financed measures in view of the scale of the crisis and to close protection gaps. Meanwhile, active labour market policies (such as wage subsidies to protect employment and training) have accounted for 29% of responses in high-income countries and 19% in low-income countries. Despite work-related restrictions, many countries adjusted their public employment programmes as part of their response, often with a specific focus on addressing public health needs created by the pandemic.⁷



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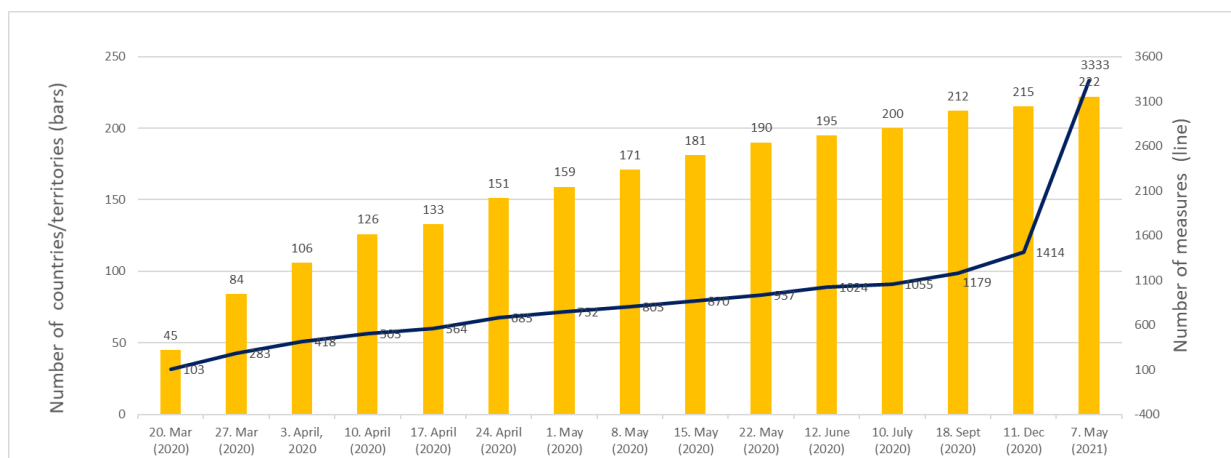


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Figure 1: Social protection measures in response to the COVID-19 pandemic: March 2020 - May 2021



Source: *Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures*

2. Social protection coverage and financing prior to the COVID-19 pandemic

The COVID-19 crisis has exposed the large gaps in coverage, comprehensiveness and adequacy of social protection that existed before the pandemic. Although many countries have made progress in extending social protection coverage and strengthening social protection systems since 2000, including the establishment of effective social protection floors, only 46.9% of the global population was effectively covered by at least one social protection benefit in 2018-20 (Sustainable Development Goal indicator 1.3.1). This left as many as 4.14 billion people unprotected, a coverage gap that limited governments' capacity to reduce poverty, inequality and vulnerability and to foster social inclusion.⁸

These global averages mask significant variations among regions, countries, as well as between different population groups in terms of age, gender, legal and labour market status. In terms of regional variations, Europe and Central Asia registered the highest effective coverage rates by at least one benefit (82.9%), followed by the Americas (65.6%). Meanwhile pronounced gaps existed in Asia and the Pacific (only 43.4% covered), the Arab States (40%) and Africa (16.7%).

Before the pandemic, challenges already existed in the range and scope of available benefits, the levels of cash benefits and the comprehensiveness and quality of health benefit packages. Only 30.6% of the global population was legally covered by comprehensive social security systems that include the full range of benefits, from child and family benefits to old-age pensions, with coverage of women lagging behind men's by 8 percentage points (34.3% and 26.5% respectively).

Benefit levels were often below minimum levels stipulated by international social security standards and too low to lift people out of poverty: in many countries, the level of non-contributory pensions represented less than 50% of the national poverty line, for example. Low levels of financing, high levels of labour market insecurity and informality and gender gaps in employment and wages were among the main factors behind low benefit levels.

These gaps in the coverage, comprehensiveness and adequacy of social protection systems are associated with significant underinvestment in social protection, particularly in Africa, Asia and the Arab States. Countries spend on average 12.9% of GDP on social protection (excluding health) but this

figure masks extensive variation. High-income countries spend on average 16.4% of GDP, twice as much as upper-middle-income countries (8%), six times more than lower-middle-income countries, and 15 times more than low-income countries (2.5% and 1.1% respectively).⁹

The COVID-19 pandemic affected many of the two billion workers in the informal economy, a large majority of whom work in the most adversely affected sectors and are typically neither affiliated to contributory schemes nor reached by narrowly targeted social assistance.¹⁰ Informal employment represents more than 60% of global employment: 90% of total employment in low-income countries and 67% in middle-income countries, compared to 18% in high-income countries.¹¹

Women, youth, persons with disabilities and migrants, many of whom are employed in the informal economy, have also suffered disproportionately from these socioeconomic impacts, exacerbating pre-existing vulnerabilities. However, the crisis also demonstrated that even those who had been doing relatively well are vulnerable in the absence of social protection.¹² The COVID-19 crisis has thus underscored the exigency of investing further in social protection systems, and in social protection floors in particular.

The ILO has assessed the financing gap for social protection, defined as the difference between the total cost of guaranteeing a social protection floor and current social assistance expenditure.¹³ Following the onset of the crisis, the financing gap in social protection expressed as a percentage of countries' GDP increased by approximately 30%.¹⁴ To guarantee at least a basic level of social security and access to health care for all through a nationally-defined social protection floor, low-income countries would need to invest an additional USD 77.9 billion per year, or 15.9% of their GDP. Lower- and upper-middle-income countries would need to invest an additional USD 362.9 billion and USD 750.8 billion respectively per year, equivalent to 5.1% and 3.1% of their respective GDP (Figure 2).



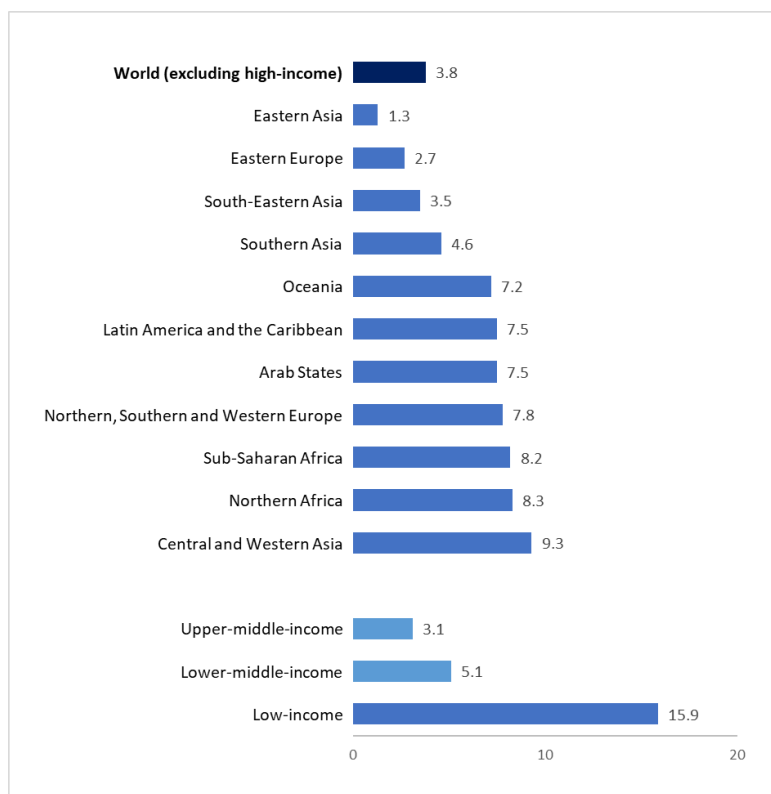
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Figure 2: Social protection floor financing gap by region (low- and middle-income countries), 2020

Percentage of GDP



Notes: The graph shows the financing gap for achieving a universal package comprising social protection benefits for children, maternity, disability and old-age, and access to essential health care in 2020 as a percentage of GDP.

Source: Financing gaps in social protection: Global estimates and strategies for developing countries in light of the COVID-19 crisis and beyond.

The COVID-19 crisis has exacerbated pre-existing challenges in achieving universal social protection. Changing work and employment relationships in combination with weakened labour market institutions have worsened inequality, heightened insecurity, and caused labour incomes to stagnate in many parts of the world. These challenges have been further compounded by institutional fragmentation and lack of coordination, limited fiscal space and lack of or impeded political will in a context of competing priorities, as well as megatrends such as demographic shifts, digital transformations and climate change.

High levels of informality and low social protection coverage hold back productive employment, decent work and socioeconomic development. However, many countries have extended social protection coverage to workers in the informal economy and facilitated the transition to the formal economy.¹⁵ Such transitions produce multiple dividends in terms of protecting individuals' incomes and health, enhancing productivity, and strengthening the financial and fiscal sustainability of social protection systems by extending both the contribution and the tax base.

The COVID-19 pandemic has also reaffirmed the important role of social protection for enabling workers and enterprises to navigate the changing world of work, including just transitions to greener economies. This requires adequate levels of social protection for workers in all types of employment,

building on broad risk-sharing and the portability and transferability of rights and entitlements.¹⁶ Adapted social insurance schemes that cover workers in all types of employment, including part-time, temporary and self-employment, thus reduce pressure on non-contributory social protection schemes and government budgets.

3. Financing social protection responses to COVID-19 in developing countries

The COVID-19 pandemic has exacerbated pre-existing financing gaps outlined in Section 2. Social protection expenditure increased at the same time as output, tax revenues and social security contributions contracted sharply. Some 18% of stimulus spending in response to COVID-19 was devoted to social protection.¹⁷ This made it necessary to shift fiscal resources from other areas of spending or to increase fiscal deficits and borrowing in order to extend social protection, at least temporarily, to those in need.

Why is this important?

Understanding how current COVID-19 responses have been financed, designed and implemented is important to the future of social protection in at least four ways. First, with no end in sight to the global pandemic, the financial sustainability of social protection responses is increasingly unclear in many countries. Second, the mechanisms by which social protection responses have been financed may have long-term implications for a country's public finances: where debt levels have risen sharply, there is a risk that social protection provision might be scaled back once the crisis has passed in the name of austerity, as happened in many places following the global financial crisis.

Third, understanding how emergency measures were financed and what was their outcome sheds light on both the adequacy and distributional impacts of the response (in terms of reducing or preventing poverty and inequality or improving access to healthcare, for example) and the advantages and drawbacks of one source of finance over another. It also underlines the importance of analysing both the financing strategies and social protection expenditure policies in tandem, and the advantages of policy makers collaborating in the design of both. Lastly, understanding the sources of financing during the initial response phase — and responses during future waves — can help optimise measures to strengthen the responsiveness and resilience of social protection systems and inform external support to strengthen domestic resource mobilisation.

As already indicated, most of the responses correspond to new or adjusted social protection benefits of a temporary nature to alleviate the effects of the crisis. In order to close gaps in social protection systems and increase resilience, programmes that worked well during the crisis and uphold internationally agreed social security principles noted below could become permanently integrated into countries' social protection systems. Such measures would increase resilience of individuals and societies and reduce the need to introduce emergency programmes during future crises.

What happened?

The scale-up of social protection in response to COVID-19 occurred in the context of a dramatic deterioration of public finances across the world. The pandemic resulted in major declines in fiscal revenues, especially during the first half of 2020. Revenues from taxes on goods and services, corporate income, and trade were deeply affected. For many developing countries, sharp falls in tourism and commodity prices exacerbated this trend, although there is now evidence of a rebound in the latter.

These declines were especially damaging for developing countries, which tend to have very low levels of tax revenues relative to advanced economies and which in most cases generate a large proportion of revenues from consumption taxes. Africa's average tax-to-GDP ratio was 16.5% in 2018 while that of Latin America and the Caribbean was 23.1%; the OECD average in the same year was 34.3%.¹⁸ Moreover, developed countries tend to have more diversified sources of tax revenues that have been better able to absorb COVID-19's impact on the economy.

Developing countries have also been affected by declines in remittances (estimated at 7% in 2020¹⁹) and foreign direct investment (down by an estimated 30% in 2020²⁰). Although official development assistance (ODA) increased in 2020,²¹ certain countries might have been affected adversely by shifts in spending.²² Capital flight, particularly at the start of the pandemic, further constrained developing countries' room for manoeuvre by making their external debt more costly to service. To ease this situation, the IMF assisted some 85 developing countries in 2020 with debt relief and emergency financing, while the G20 led the Debt Service Suspension Initiative (DSSI), which suspended service payments on official debt from 73 low- and lower middle-income countries.²³

The debt situation of many developing countries nevertheless remains extremely precarious and further international coordination and support is urgently needed. The total debt servicing of 73 DSSI eligible countries was about USD 374 billion, of which USD 257 billion was owed to private creditors, meaning that the participation of private creditors will be critical – an imperative reflected by the launch of the Common Framework for Debt Treatments beyond the DSSI by the G20 at the end of 2020.^{24,25,26}

Against this stark backdrop, how were countries able to finance such an extensive social protection response, which has dwarfed the response to the Global Financial Crisis of 2008/09? Details on the fiscal response are still emerging but information for 31 developing countries gathered by the World Bank, UNICEF and OECD²⁷ gives a sense of how this scale-up was achieved. The most prevalent domestic modality was restructuring or re-prioritising budget lines in 15 countries, while 14 countries incurred in domestic debt and deficit spending and seven tapped state reserves, contingent funds and fiscal savings. These strategies were not mutually exclusive: 48% of countries used a combination of sources. Overall, 32% of countries tapped domestic sources as the only source of financing and 19% relied on external resources only. Domestic financing was particularly challenging for low-income countries, which were consequently reliant on external support.

Countries at higher-income levels typically have greater access to capital markets, which allows them to implement larger social protection packages. For countries that were compelled to reprioritise their budgets, this was a zero-sum exercise that left other key areas of public policy vulnerable. Ukraine, for example, reduced subsidies, regional budgets and social services to finance its social protection response. Meanwhile, countries that drew down on their reserve funds, such as Peru and Uzbekistan, will become increasingly vulnerable if the crisis extends deep into 2021.

Overall, most countries did whatever they could, but some countries were able to do much more than others. In advanced economies, which accounted for the majority of the USD 14 trillion global response, IMF data shows that deficits increased on average from 3.3% of GDP in 2019 to 13.3% of GDP in 2020; the average fiscal deficit for low-income countries increased from 4.0% of GDP in 2019 to 5.7% in 2020 over the same period.²⁸ Meanwhile, debt in advanced economies increased from 104% of GDP to 123% between 2019 and 2020 while in low-income countries it rose from 43.3% to 48.5% of GDP over the same period. High-income countries were thus able to compensate for

labour income loss through their fiscal stimulus measures much more effectively than low-income countries.²⁹ Despite their lower debt levels, developing countries have been far more limited in their capacity to respond and are likely to find it far harder to service their additional debt than advanced economies.

Although there is little prospect of the pandemic abating in many developing countries – particularly in Latin America and some parts of Asia – expanding social protection measures to fully meet the present needs or even sustaining social protection measures at their current level throughout 2021 will be extremely challenging. International coordination on debt, as exemplified by the DSSI and the Common Framework for Debt Treatments beyond the DSSI, will be critical. As the IMF notes:³⁰ ‘In many emerging markets and especially in low-income developing countries – more than half of which are at a high risk of debt distress or in debt distress—financing constraints have been binding. Official support to alleviate such constraints has been overwhelmed by financing needs.’

Even where the pandemic is brought under control (an objective currently jeopardised by new variants and a tendency for countries to compete rather than cooperate over vaccines), its long-term consequences remain unclear. Although the scale-up of social protection in 2020 eased the crisis, it has by no means offset the damage done across many countries in terms of the increase in poverty, the loss of jobs or the rise in inequality. The IMF sums up the challenge facing developing countries:³¹ ‘Based on the projected fall in per capita incomes, 100–110 million people globally would be expected to enter extreme poverty, reversing the decades-long declining trend. Additional social assistance – supporting directly the poor and cushioning the recession – is expected to have a modest impact reflecting limited support and capacity constraints in some countries, containing the increase in poverty to 80 million to 90 million people.’

4. Social protection financing in developing countries: Towards universal social protection

The COVID-19 pandemic has underlined, once again, the fundamental importance of social protection as a social, economic and political stabiliser. Countries at all income levels have relied on social protection to save lives and safeguard employment and livelihoods: the more solid the social protection systems, the better able countries have been to address the health crisis, sustain economic activity and prevent people from falling into poverty. The scale of the social protection response and the innovations introduced during the crisis have demonstrated that social protection should provide a wide range of benefits against a diversity of risks. Most countries now understand which programmes work, how to distribute social protection benefits, and how to register workers, enterprises and households previously excluded from social protection systems.

Demand for social protection benefits might decline amongst certain parts of the population and evolve amongst others as countries recover. However, reverting to ‘business as usual’ – the low levels of coverage that prevailed across developing countries before the crisis – would make it extremely difficult for them to bring poverty and inequality down to pre-pandemic levels, let alone achieve the elimination of extreme poverty and reduce inequality as set out in the Sustainable Development Goals. It would also deprive countries of a key means of enhancing human capital, promoting social cohesion and building their resilience – the prerequisites of an inclusive and green recovery. The case for universal social protection is more compelling than ever before.

A critical question is how developing countries might integrate emergency responses into comprehensive and adaptive social protection systems that are fiscally and politically sustainable. This

challenge is made all the harder by the financing constraints countries face today. Efforts to do so should be based on the progressive realisation of rights and entitlements, a national consensus forged in social dialogue, the introduction of “adaptive” features that makes social protection scalable on a rapid and timely basis, and the application of other guiding principles that have been agreed upon at the international level.³²

Extending social protection to the informal economy

One of the foremost constraints to universal coverage of social protection in developing countries is the prevalence of informal economic activity, which poses three inter-related challenges to the expansion of social protection. First, the absence of a formal employment relationship, as well as often low and volatile levels of earnings, make it more difficult (but not impossible) to extend coverage of social insurance or other contributory arrangements to workers in informal employment.³³ Secondly, the vast majority of enterprises and workers in the informal economy do not pay taxes on their income, which deprives the government of an important source of revenue for financing non-contributory programmes and limits fiscal space available for social protection more broadly. Thirdly, workers and enterprises in the informal economy are usually not on tax and other registries and therefore cannot be reached automatically by emergency measures.

As part of the COVID-19 social protection response, there has been an unprecedented temporary expansion of coverage for informal workers to partially offset their loss of earnings or to ensure that they abide by lockdowns and confinements. More sustainable solutions to addressing the risk of unemployment for those workers may need to be developed in the future.

Low coverage of social insurance imposes vulnerabilities at a micro and macro level. Where workers are not covered by social insurance, they have to rely on tax-financed social assistance in the event of an income shock (which might or might not be available depending on the context). Where these shocks affect large numbers of people (as has occurred during the pandemic), such measures increase demand on public finances at a moment when they are under most pressure. On aggregate, this contributes to the tendency for fiscal policy in developing countries to be pro-cyclical, meaning that governments spend money during the good times and do not have enough to support them during the bad. It should also be noted, however, that many workers in informal employment are not ‘poor enough’ to be considered eligible for social assistance; this means they risk being excluded both from social insurance and social assistance.

Increasing social insurance compliance and adapting social insurance to workers in the informal economy are therefore key to increasing fiscal space for social protection and increasing the resilience of the social protection system as a whole, especially for those who may not be covered by national public employment schemes. Re-distribution of resources currently devoted to the financing of purely assistance-oriented activities towards activities which promote employment, especially vocational guidance, training and rehabilitation, offer the best protection against the adverse effects of involuntary unemployment. Involuntary unemployment nevertheless exists and it is as important to ensure that social security systems provide employment assistance and economic support to those who are involuntarily unemployed³⁴.

Developing countries have pioneered many adaptations to their contributory systems to reach workers and enterprises in the informal economy, acknowledging that these workers are a highly diverse group and as such require policies that respond to their specific situations and constraints.³⁵

For workers with low contributory capacity, for example, measures have included lower contribution rates including through subsidies to social contributions. Better information is an integral part of a systematic approach, and it is notable that some developing countries have included workers in informal employment in their registries, albeit only on a temporary basis.

Going forward, a systematic approach extending coverage to those in the informal economy should form part of a broader approach to strengthen social protection systems, to address diverse risks of the entire population across people's life cycle and to facilitate transitions from the informal to the formal economy. Social protection systems need to be integrated within broader national strategies for development, which foster synergies between social protection and active labour market policies and which align employment, environmental and social objectives. Furthermore, it is essential that national dialogues on social protection, including on national social protection policies and strategies, are reflected in countries' national development plans, integrated national financing frameworks and medium-term fiscal frameworks.

Financing strategies and frameworks

Significant gaps in social protection financing, which have been exacerbated by the pandemic, require countries to reinforce existing sources of financing and identify new and innovative sources. International experience shows that countries can draw on different strategies for creating fiscal space, including: increasing tax revenues (including on income and wealth); expanding social security coverage and contributory revenues; eliminating illicit financial flows; reallocating public expenditures and enhancing the quality of spending; using fiscal and central bank foreign exchange reserves; managing debt by borrowing and restructuring existing debt; adopting a more accommodating macroeconomic framework; and increasing ODA and transfers. There are also important on-going debates on innovative sources of financing, including taxes on international financial transactions and carbon emissions, as well as the possibility of a Global Fund for Universal Social Protection³⁶

While social protection financing should rely as far as possible on domestic sources of funding, many developing countries confront challenges related both to the level and the structure of domestic revenues. Taxes on goods and services, which can be regressive and exacerbate poverty, generate a higher proportion of revenues in developing countries than in OECD countries. Revenues from personal income tax and social security contributions, both of which reinforce the objectives of social protection, generate a much lower share of revenues in developing countries, yet there is significant potential in policies to enhance productivity, promote sustainable enterprises and broaden the tax base.³⁷ Many developing countries rely on taxes and royalties on non-renewable natural resources such as hydrocarbons and minerals but these revenues can be highly volatile.

External support can play a key role in helping countries to build robust and sustainable social protection systems, and is essential in the g7+ countries affected by conflict and fragility. Development partners can help get a pilot social protection programme off the ground. They can also play a critical role in providing the infrastructure and expertise for the development of a social protection system. International financial institutions, meanwhile, are increasingly working to ensure that social protection spending is prioritised or safeguarded when working with countries experiencing debt problems or other financial difficulties. International cooperation is also essential to reduce tax evasion and avoidance, such as the initiative to stop tax base erosion and profit shifting (BEPS): estimates suggest that BEPS practices cost countries USD 100-240 billion in lost revenue every year.³⁸

Moreover, there are some settings where external support is the only source of financing for social protection. This is particularly the case in fragile settings, where up to 80% of the world's poor population are expected to live by 2030.³⁹ Some 84% of the world's refugees and internally displaced people live in developing countries.⁴⁰ A key challenge for promoting – and financing – universal social protection globally is managing the nexus between humanitarian aid and social protection. International cooperation and solidarity in this area are vital.

Establishing a social protection system requires a nationally-owned financing strategy that reflects all sources of finance (both domestic and international) available, and takes into account their likely evolution in the future. Integrated National Financing Frameworks (INFFs) are emerging as a valuable model for financing strategies. While a country's sustainable development strategy lays out *what* needs to be financed, INFFs demonstrate *how* it will be financed and implemented.⁴¹ INFFs can facilitate external support for social protection during the recovery from COVID-19, in particular to low-income countries, providing a key reference point not only for donors but also for interactions with international creditors. INFFs are instrumental in aligning ODA with other sources of financing according to the specific country context to support country-owned financing strategies.⁴²

Minimising trade-offs on social protection standards

While financing is invariably an exercise in trade-offs (very difficult trade-offs in the case of developing countries), the same does not apply for the standards of social protection. Countries should not only invest more in social protection but also invest better by ensuring that the design, financing and implementation of their national social protection systems are aligned with international social security standards. As laid down by ILO Recommendation 202, the State has overall responsibility for its national social protection system, social dialogue is key to forging a national consensus on social protection spending and financing, social protection systems should rely on solidarity and non-discrimination, and progressively achieve universal and comprehensive coverage and adequate levels of benefits for all. Furthermore, social protection systems should be transparently managed and financially sustainable.

5. Strengthening delivery systems

The COVID-19 pandemic response has highlighted the critical importance of social protection delivery systems. Countries with well-developed delivery systems, including identification systems, social registries and digital payment infrastructure were able to scale up social assistance payments most quickly and efficiently. Coverage of pre-existing social registries is correlated with the expansion of cash transfers to additional beneficiaries. Based on a sample of 67 countries, those that completed the first payment by the end of June 2020 had coverage rates of 58% and 90% of bank accounts and identification, while those with delayed implementation averaged 34% and 58%, respectively.

Three innovations in delivery systems stand out: (i) significant coverage of unique individual identification, often biometrically based; (ii) systematic use of social registries and other data sources to assess and enrol beneficiaries; and (iii) leveraging existing digital payments infrastructure to ensure rapid and accurate transfers.⁴³ More generally, a strong legal framework and adequate administrative capacities (both human and financial resources) in public services, including civil registration and the protection of personal data and privacy, are critical for the capacity of countries to manage their social protection system (both contributory and non-contributory schemes and programmes).

Countries leveraged identification systems, social registry coverage and other data to reach a wider target population, in particular workers in the informal economy. Almost all countries that were able to fully implement a first wave of payments within a few months leveraged existing registries and identification systems with high or almost universal coverage. For example, Namibia completed payouts to almost the entire adult population within one month of announcing the programme. Many countries have made remarkable efforts to improve the identification of, and outreach to, the pandemic-affected population. This has frequently been achieved through a combination of leveraging social registries, launching new application processes (Brazil, Indonesia), and validating with other databases (e.g., Ecuador, Guatemala, Thailand, South Africa). In Turkey, where the social assistance information system used more than two dozen databases for targeting even before the pandemic, expanding benefits to 40% of the population was relatively straightforward.

Some countries combined more than one approach. Morocco reached 3 million workers in the informal economy by tapping into an existing health sector database. In parallel, a new platform was launched to enrol those who were not covered in any existing administrative databases. Brazil and Indonesia both expanded coverage to all households in their social registries and then added millions of beneficiaries using on-line applications. The resulting expanded databases will serve as an improved information base for subsequent payments and programme interventions.

To address gaps in social registries' coverage, several countries are exploring non-traditional approaches to beneficiary identification and registration. The introduction of non-traditional approaches and big data (e.g., machine learning, satellite images, mobile data) may help countries to reach populations in urban and rural areas where existing systems are limited, provided that these respect legislation and rights, including with respect to data protection and privacy⁴⁴.

Payment systems are also evolving via an array of payment service providers. These include banks (e.g., Brazil), mobile money operators, electronic money providers (e.g., Jordan), e-wallets (e.g., Namibia and Togo), financial inclusion agents (e.g., India), blended configurations (e.g., Colombia, Bangladesh), points of sale, and Unique-Code based payments in non-account schemes (e.g., Guatemala and Peru). In some cases, special accounts for cash payments are set up (e.g., Democratic Republic of Congo). Across those options, remote onboarding, simplified customer due diligence, increased transaction limits, and interoperability all enhanced the speed and inclusiveness of cash transfers payments. At the same time, it is essential to strengthen legal frameworks and compliance mechanisms to ensure that payment mechanisms respect human rights and international standards, and to ensure that non-digital delivery options are available so that persons with limited or no internet access and those with few digital skills are not excluded.

Delivery mechanisms are one element of the overall governance of a social protection system, which should aim at efficient and transparent management. While the use of technologies can help achieve efficiency gains, and facilitate the inclusion of previously excluded groups, other principles such as those of transparency and simplicity, and the constant requirement of non-discrimination and social inclusion, are equally important. Compliance with procedures (such as how to register, make contributions and claim benefits) and overall trust in the system are also at risk when beneficiaries cannot predict the amounts they will receive as in the case of old-age pension systems. In the worst case, this undermines public support for sustained or increased investments in social protection.

6. Conclusion

The COVID-19 pandemic has demonstrated the importance of social protection, with countries all over the world dramatically scaling up coverage and benefits. However, there is a significant risk that social protection coverage will revert to its pre-crisis levels even though the ongoing pandemic has worsened poverty and inequality and disrupted labour markets around the world, and despite the slow progress towards achieving SDG 1.3 even prior to the crisis. In the case of developing countries, where much less than half the population had access to any social protection before COVID-19, and where there is a large risk that many of the measures introduced will be removed or scaled back once public health restrictions are lifted, such an outcome would be disastrous. It would severely hamper their recovery and exacerbate the intense political and social tensions that were evident before the pandemic. It would also leave countries vulnerable to the worsening environmental crisis.

While the case for universal social protection is clear and a strong global commitment in the form of the Sustainable Development Goals exists, the global economic and financial context is not at all propitious. In many countries, the social protection financing gap was large even before the pandemic. Universal social protection is thus not something that developing countries can achieve overnight. Nor can they achieve it alone: a global effort is required to ensure low-income countries have access to the resources and expertise they need to build towards universal social protection in line with the commitments undertaken in the 2030 Agenda and internationally agreed social security standards. For this reason, it will be crucial to support the capacity of national administrations to make optimal use of additional resources for the expansion of social protection systems. Knowledge sharing and institutional capacity-building programmes could be developed with the participation of governments, organisations, development partners and specialised institutions such as the International Training Centre of the ILO in Turin and the World Bank's Social Protection and Jobs Core Knowledge Exchange.⁴⁵

This note has only sketched out the main issues around financing social protection, its critical role in responding to the pandemic, the importance of ensuring social protection is included in recovery plans, the progress made in improving delivery mechanisms and the options for financing universal social protection. Considerably more work needs to be done at both the international and country level to understand how this latter objective can be realised, and there is much to gain from countries sharing their successes and failures along the way.

The G20 DWG can play an important role in promoting social protection at a national level and in advocating for additional international efforts to meet short- and longer-term financing gaps. More specifically it could:

1. in collaboration with G20 Employment Working Group: support countries - through increased development cooperation and appropriate levels of ODA - in developing their national social protection systems;
2. in collaboration with G20 Finance Track, boost (at least on a temporary basis) domestic resource mobilization efforts through adapted and coordinated financial and technical assistance; and
3. in collaboration with G20 Finance Track, promote the creation of an enabling environment at the international level to ensure that more financial resources can be generated domestically for social protection.

The G20 was central to the expansion of global social protection coverage in the wake of the global financial crisis, paving the way for Recommendation No. 202 of the ILO and the establishment of the Social Protection Inter-Agency Cooperation Board in 2012 to promote coordination on social protection. It now has an opportunity to instigate another step change in global social protection in the wake of the COVID-19 pandemic.

¹ The note was prepared by the ILO's Social Protection Department under the supervision of its Director, Shahra Razavi, as well as the Development and Investment Branch of the Employment Policy Department; by Alexander Pick of the OECD Development Centre under the supervision of Deputy Director Federico Bonaglia; and by Ugo Gentilini of the World Bank under the supervision of Michal Rutkowski, Global Director, Social Protection and Jobs.

² https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_767028.pdf

³ <https://openknowledge.worldbank.org/handle/10986/33635>

⁴ Ibid

⁵ <https://www.social-protection.org/gimi/RessourcePDF.action?id=56834>

⁶ https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_744510.pdf

⁷ Comprehensive data on this is still being compiled. The World Bank inventory (<https://openknowledge.worldbank.org/handle/10986/33635>) includes 18 such cases, while an ongoing ILO inventory has identified 44 countries so far. However, where restrictions are lifted and interest in returning unemployed into the labour market grows, more such responses could be anticipated.

⁸ ILO World Social Protection Report 2020-22, under preparation.

⁹ ILO estimates.

¹⁰ ILO, [Extending Social Protection to Informal Workers in the COVID-19 Crisis: Country Responses and Policy Considerations](#) (2020); [Financing Gaps in Social Protection: Global Estimates and Strategies for Developing Countries in Light of COVID-19 and Beyond](#) (2020); [COVID-19 Crisis and the Informal Economy: Immediate Responses and Policy Challenges](#) (2020); [Social Protection Responses to the COVID-19 Pandemic in Developing Countries: Strengthening Resilience by Building Universal Social Protection](#) (2020).

¹¹ ILO, [Women and Men in the Informal Economy](#) (2018); [COVID-19 Crisis and the Informal Economy Immediate Responses and Policy Challenges](#) (2020).

¹² United Nations, [Looking Back to Look Ahead: A Rights-Based Approach to Social Protection in the Post-COVID-19 Economic Recovery](#), Report of the UN Special Rapporteur on Extreme Poverty and Human Rights (2020).

¹³ Durán Valverde, F. et al., [Measuring Financing Gaps in Social Protection for Achieving SDG Target 1.3: Global Estimates and Strategies for Developing Countries](#), ILO (2019).

¹⁴ ILO, [Financing Gaps in Social Protection: Global Estimates and Strategies for Developing Countries in Light of COVID-19 and Beyond](#) (2020); Durán Valverde, F. et al., [Financing Gaps in Social Protection: Global Estimates and Strategies for Developing Countries in Light of COVID-19 and Beyond](#), ILO Working Paper, 2020.

¹⁵ ILO, [Extending social security to workers in the informal economy: Lessons from international experience](#), 2021; ILO and FAO, [Extending social protection to rural populations: Perspectives for a common FAO and ILO approach](#), 2021; OECD and ILO, [Tackling vulnerability in the informal economy](#), 2019.

¹⁶ In the G20 context, these priorities have been reflected in the 'G20 Labour and Employment Ministers Ministerial Declaration' 2020 and the Leaders' Declaration adopted at the G20 Riyadh Summit. See also ILO and OECD (2020): [The Impact of the COVID-19 Pandemic on Jobs and Incomes in G20 Economies](#), and [Ensuring Better Social Protection for Self-Employed Workers](#).

¹⁷ <https://openknowledge.worldbank.org/handle/10986/33635>

¹⁸ <https://www.oecd.org/ctp/revenue-statistics-in-africa-2617653x.htm>

¹⁹ <https://www.worldbank.org/en/news/press-release/2020/10/29/covid-19-remittance-flows-to-shrink-14-by-2021>

²⁰ <https://oecdonthellevel.com/2020/09/24/fdi-during-the-pandemic-a-buffer-for-jobs/>

²¹ <https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/ODA-2020-detailed-summary.pdf>

²² https://read.oecd-ilibrary.org/development/development-co-operation-report-2020_416fd1fe-en#page5

²³ <https://www.imf.org/en/About/FAQ/imf-response-to-covid-19>

²⁴ <https://www.ineteconomics.org/research/research-papers/the-pandemic-and-the-economic-crisis-a-global-agenda-for-urgent-action>

²⁵ <https://www.oecd.org/coronavirus/policy-responses/a-debt-standstill-for-the-poorest-countries-how-much-is-at-stake-462eabd8/>

²⁶ <https://www.imf.org/en/About/FAQ/sovereign-debt>

²⁷ <http://documents1.worldbank.org/curated/en/737761605775837011/pdf/Where-is-the-Money-Coming-From-Ten-Stylized-Facts-on-Financing-Social-Protection-Responses-to-COVID-19.pdf>



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²⁸ <https://www.imf.org/en/Publications/FM/Issues/2021/01/20/fiscal-monitor-update-january-2021>

²⁹ [ILO Monitor: COVID-19 and the world of work \(6th edition\)](#) (2020).

³⁰ <https://www.imf.org/en/Publications/FM/Issues/2020/09/30/october-2020-fiscal-monitor>

³¹ Ibid

³² Of particular relevance are [ILO Social Protection Floors Recommendation, 2012 \(No.202\)](#) and [Social Security \(Minimum Standards\) Convention, 1952 \(No. 102\)](#).

³³ ILO, [Extending social security to self-employed workers: Lessons from international experience](#) (2021).

³⁴ ILO Convention 168 Employment Promotion and Protection against Unemployment Convention, 1988 (No168)

³⁵ ILO [Answering Key Questions around Informality in Micro and Small Enterprises during the COVID-19 Crisis](#) (2020); ILO [Extending Social Security Coverage to Workers in the Informal Economy: Lessons from International Experience](#) (2021).

³⁶ <http://www.socialprotectionfloorscoalition.org/2020/12/whats-next-for-social-protection-a-global-fund-for-social-protection>

³⁷ Gaarder, E. et al.: [Enterprise Formalization: Tailored registration, tax and social security requirements for MSEs](#), ILO (2021).

³⁸ <https://www.oecd.org/tax/beps/about/>

³⁹ https://www.oecd.org/dac/conflict-fragility-resilience/docs/OECD%20Highlights%20documents_web.pdf

⁴⁰ <http://ida.worldbank.org/theme/conflict-and-fragility>

⁴¹ <https://developmentfinance.un.org/2019-integrated-national-financing-frameworks-sustainable-development>

⁴² <http://www.oecd.org/dac/transition-finance-toolkit/>

⁴³ https://www.ilo.org/employment/areas/e-formality/WCMS_781500/lang--en/index.htm

⁴⁴ Examples include Nigeria, Togo, the Democratic Republic of the Congo, Cote D'Ivoire, Liberia, and Mozambique, which are combining machine learning with satellite imagery, cell phone records, census data and other technological solutions.

⁴⁵ ITCILO: <https://www.itcilo.org/about>.