CHALLANGES AND OPPORTUNITIES TO SECURE FISCAL SPACE FOR SOCIAL PROTECTION

Some technical and political insights

OBJECTIVE

- To present some reflections in relation to the technical and political dimensions of constructing fiscal space for social protection

KEY BACKGROUND

COVERAGE GAPS PER REGION: NEEDS ARE EVERYWHERE

Coverage rates by type of social protection benefit (low-and middle-income countries/territories only, in percentages)

Region	Children	Maternity	Disability	Old-age
Arab States	36.9	39.7	9.6	32.7
Central and Western Asia	44.7	42.2	28.5	87.9
Eastern Asia	2.8	63.7	23.3	100.0
Eastern Europe	96.0	71.7	95.4	98.8
Latin America and the Caribbean	54.3	34.3	59.5	67.7
Northern Africa	37.8	56.2	8.3	40.5
Northern, Southern and Western Europe [6]	49.5	50.9	19.2	47.3
Oceania	18.4	22.1	4.6	5.1
South-Eastern Asia	33.0	35.6	14.4	34.5
Southern Asia	28.9	35.5	7.0	24.1
Sub-Saharan Africa	11.0	12.3	6.1	19.2
All low- and middle-income countries/territories	29.7	34.8	18.5	63.8

Source: ILO estimates based on World Social Protection Database 2019.

Table 5. Cost of a universal package of four social protection benefits in 2019, by region and country-income group (low-and middle-income countries, in percentage of GDP)

	Children	Maternity	Disability	Old Age	Administrative	Total
Subregional groups						
Arab States	1.0	0.3	0.9	1.3	0.2	3.6
Central and Western Asia	1.1	0.3	1.4	3.8	0.3	7.0
Eastern Asia	0.1	0.0	0.1	0.4	0.0	0.6
Eastern Europe	0.3	0.1	0.6	3.0	0.2	4.2
Latin America and the Caribbean	0.8	0.2	0.9	2.7	0.2	4.8
Northern Africa	1.1	0.3	1.0	1.7	0.2	4.2
Northern, Southern and Western Europe	0.4	0.1	1.0	5.8	0.4	7.8
Oceania	1.0	0.2	0.9	1.4	0.2	3.6
South-Eastern Asia	0.4	0.1	0.4	1.3	0.1	2.3
Southern Asia	0.5	0.1	0.5	1.0	0.1	2.2
Sub-Saharan Africa	1.4	0.3	0.9	1.0	0.2	3.9

THE CONSTRUCTION OF FISCAL SPACE

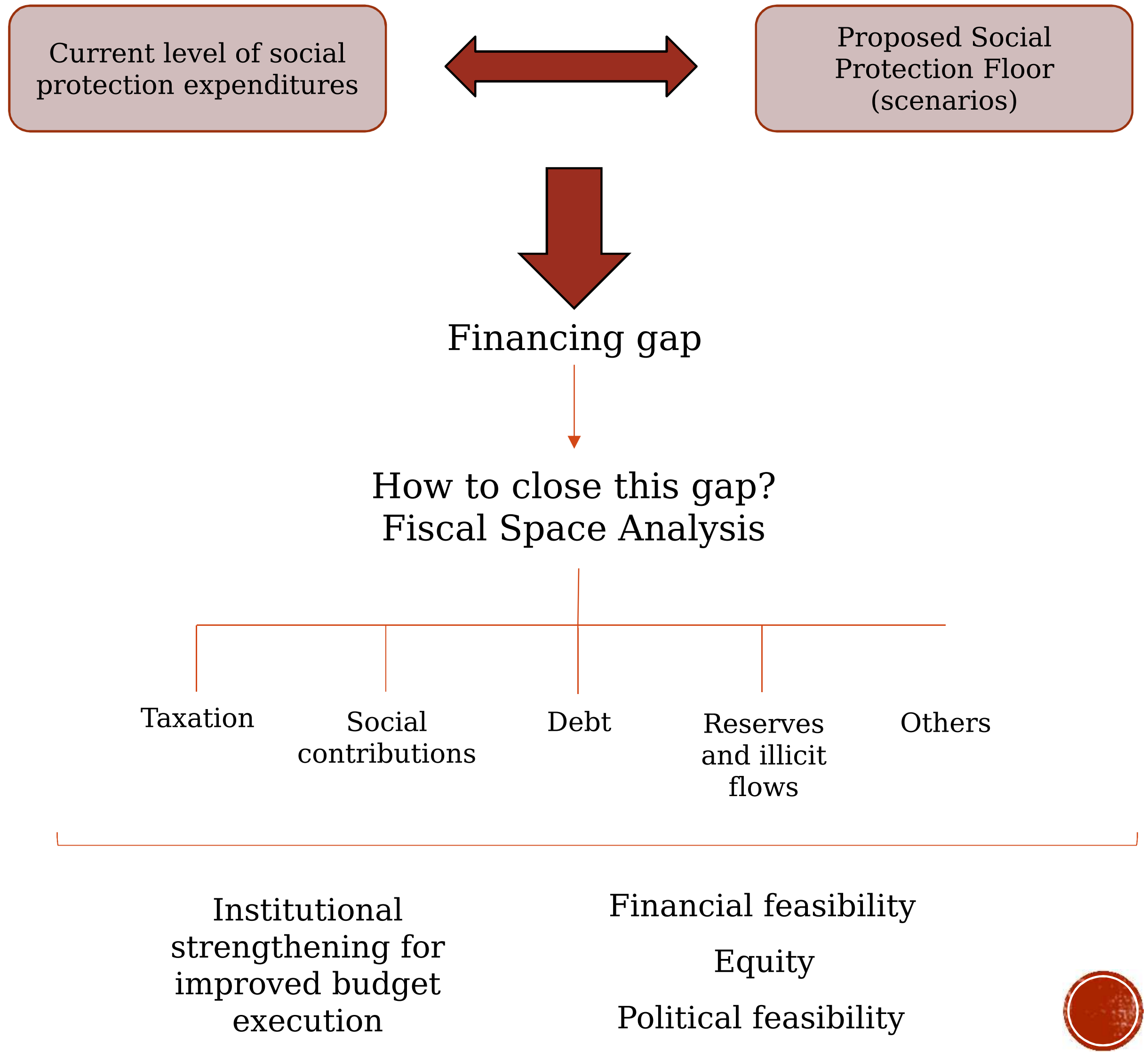
FISCAL SPACE FOR SOCIAL PROTECTION

- Key concept: fiscal space <u>for social protection</u>

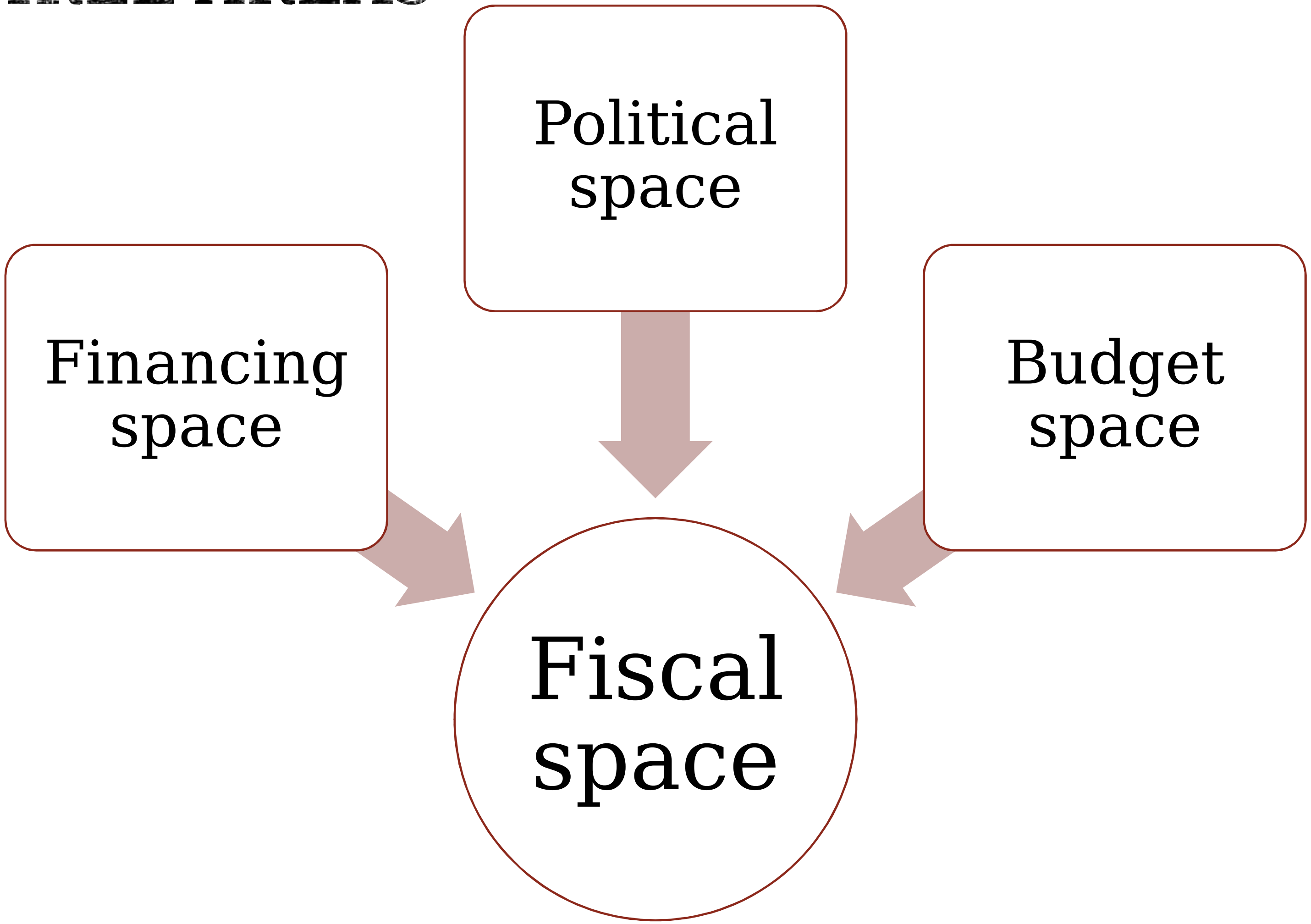
- This means:
  - Fiscal space: from static to dynamic concept
  - Earmark or not to earmark? Using the tag to protect your funds

- Fiscal space creation as a process, not an activity

FISCAL SPACE FOR SOCIAL PROTECTION: THE PROCESS



CREATING FISCAL SPACE = CREATING SPACES IN THREE AREAS



TIPS TO ENHANCE THE CHANCES OF SUCCESS

TIP 1: CREATE THE CASE AND THINK ABOUT THE MOMENTS

- Defend social protection:
  - Effects on growth
  - Effects on social development
  - Effects on cohesion and political stability

- Remind that many other sectors claim to be important and also demand their fiscal spaces (hence the importance of tip 2)

- The moment of the reforms: struggle

TIP 2: CREATE FISCAL SPACE, YES….BUT POLITICAL SPACE, TOO

- Convince taxpayers to support social protection
- Present clear, affordable plans to opposition
- Think about the argument: Why social protection and not other sectors?

TIP 3: FOUR BE´S TO CONSTRUCT FISCAL SPACE

- **Be logic**. Money comes when you are organized, not before

- **Be clear.** Goals and targets should be explicit and open to everybody

- **Be transparent** about money use and results

- **Be aggresive** so to get the most of what is technically and politically feasible; moments for building fiscal space are scarce

TIP 4: BALANCE THE RECIPE

- The fiscal space strategy should balance between:
  - Traditional sources like VAT and income tax
  - New sources of funding (fees on financial transactions)
  - Internal efficiency

- Be careful not opening many fronts at the same time

- Importance of balancing between new resources and enhanced efficiency: the political message

TIP 5: THINK IN TERMS OF THE FINANCING FUNCTION

- Building fiscal space should be envisioned as a process to collect money and then deliver relevant goods and services for

- What changes to the institutional capacity to budget, execute, monitor and evaluate?

- You are creating fiscal space only if you are able to adequately allocate/budget those funds in the long-run