

Minutes

Opening session– M. Rutkowski (WB) and Shahra Razavi (ILO)

Sandor Sipos (WB)

- Welcome to all the SPIAC-B members + logistics of the virtual meeting

Michal Rutkowski (WB)

- We are in a particular point of history due to COVID-19. COVID-19 has highlighted the value of having strong SP systems in place to deliver support to the poor and vulnerable individuals and households during and after crises.
- The pandemic-related crisis has highlighted 2 main challenges for SP:
 - *Coverage gap*: many people remain outside the reach of SP systems (especially the urban informal sector).
 - Even where systems exist, *they often lack the flexibility to reach* those affected in a timely, effective and coordinated manner. The adaptability of SP systems for the future remains a big challenge for us. It is at the centre of the strategy of “building back better.”
- The new, timely, [WB book on adaptive SP](#) (ASP) outlines how to build systems that can expand and roll quickly as needs come in, for variety of shocks (beyond climate change).
- The focus on ASP has been very important during COVID-19, particularly in collaboration with humanitarian agencies and in bridging the divide.
- Making SP adaptive involves several tasks and challenges, including:
 - the institutionalisation of crisis contingency plans,
 - the expansion of social registries,
 - developing post-shock needs assessment tools,
 - linkages to early warning systems,
 - the establishment of risk-financing mechanisms; and,
 - partnerships with humanitarian actors.
- ASP engagements have focused on natural disasters. We have examples of excellent progress (e.g. Kenya, Ethiopia, the Philippines etc).
- However, we need to continue to develop ASP for the coming challenge of climate change. COVID-19 crises is motivating us further to make SP systems as adaptive and as universal as possible.

Shahra Razavi (ILO)

- COVID has been a ‘great revealer,’ laying bare pre-existing inequalities across the world and the huge gaps in SP.
- SP has been the first line of defence against the negative impact of the crisis on people’s health, livelihoods, jobs and income
- We have several good SP policy trackers (IMF, WB, ILO). They show that many governments have facilitated access to health care while also supporting access to income security. However:
 - Most measures are temporary and grossly insufficient.
 - Only 18% of these measures can be considered gender-sensitive (UNDP-UN Women).
 - 196 countries have introduced expansionary fiscal measures, equating to US\$10.6 trillion (Sept 2020).

- However, most fiscal responses are concentrated in HICs. This creates a worrying 'stimulus gap'. Anything less than an expenditure of 2% of GDP should be judged as inadequate (Ravallion). Very few MICs and LICs have achieved an adequate level.
- The UNSG warned that the world is at a breaking point. It needs a new social contract for a new social era.
- Generating trust between the state and citizens/residents should be the goal of any government wishing to build a peaceful and prosperous society. Lifecycle USP can start the process of building trust: it acts in a counter-cyclical way, stimulating spending which pulls the economy out of recession.
- USP also creates a virtuous circle by delivering greater government revenue as people are more willing to pay taxes when they see they benefit from USP and services.
- Kick-starting this circle in developing countries requires:
 - securing concessional international financial assistance through debt relief,
 - concessional loans on the one-time distribution of reserves
 - this will help them phase in SP systems that can rely on a combination of taxes and contributions.
 - This enables them to become self-financing over time.
- We stand at a *crossroads*: we can emerge from the crisis by building robust USP systems that forges a social contract that avoids social tensions and fragility or we can stumble zombie-like through this crisis and leave ourselves unprepared for future shocks, especially climatic shocks.

Lessons from COVID19 A – Extending coverage: eligibility/targeting and how to reach the missing middle (Chair: S. Razavi/ILO)

Shahra Razavi (ILO)

- The crisis has painfully exposed the significant gaps in the SP system, especially for 1.6 billion informal workers.
- They are part of the 'missing middle' of SP systems. They cannot count on social insurance systems, nor do they qualify for narrowly targeted poverty cash transfers.
- They represent a diverse group (i.e. wage workers in agriculture or domestic work etc).
- COVID shows the urgency of extending coverage to these uncovered workers.
- Countries have used different measures to extend support, through pre-existing structures such as through social assistance or social insurance or introducing new cash transfers.
- A participatory approach is important. Giving voice to these informal workers and their representative organisations allows them to tailor measures to their circumstances.
- However, benefit levels have been low and temporary.
- Countries need to support those in the missing middle, and transition from emergency measures to more sustainable systematic provision and achieve USP and support formalisation.

Comments /questions :

- *Michiel Van der Auwera (ADB)*

- WB talks about adaptive SP and ILO USP. What are the differences between the two or are you talking about different issues? (no response was given).

- *Monika Queisser (OECD)*

- In the OECD, the COVID crisis has catapulted into policymakers' minds that there are huge holes even in many OECD countries' SP systems. This was not previously considered an issue/problem.
- Whose responsibility is it to provide SP? Public or private entities? Reliance on private provision has affected small businesses and the self-employed. People who have suddenly lost income and have private SP cannot afford to pay the premiums - the crisis shows a fragility that was not on the minds of policymakers.

- The crisis has also revealed fiscal federalism issues too. Should governments change fiscal responsibility for financing SP expenditure?
 - The crisis demonstrated that SP problems are not just in developing countries but richer countries too.
- *Natalia Winder Rossi (UNICEF)*
 - The 'missing middle' is a heterogeneous group, consisting of different sectors and different needs.
 - We need to consider the crisis around care and ensure appropriate care and family-friendly policies. These must be reflected in SP systems too.
 - Informal workers also need other components of the system such as the care system, maternity leave, childcare etc.
 - It is not just about cash transfers. It is about other parts of the system and the care economy and the impact on women and disproportionate access to USP and care.
- *Shahra Razavi (ILO)*
 - Indeed, is not all about cash but care too. And the gender and care responsiveness has been quite weak.
- *Ulrika Lang (SIDA)*
 - We have prioritised reaching those furthest behind first, and prioritised national ownership and government priorities. This means starting with support to SP programmes that have some targeted elements; not because that is the best way to build but it is way to start building a system.
 - COVID shows the need to expand and build other parts of the system to ensure we have lifecycle USP.
 - Reaching the missing middle requires different types and sizes of measures depending on context, and it can be important to look at experiences from resilience support (i.e. micro-insurance for weather or climate-related risks) for informal workers.
 - Accountability is also important in the choices we do make as we go forward.
- *Matteo Caravani (WFP)*
 - What about semi-formal or informal SP system in response to COVID? What has been their role of these informal systems in LICs and what is our role in supporting these systems?
 - In some countries, the informal system may play a quicker more effective role, as opposed to a more formal system. For example, the Zakat systems in the Middle East.
 - Obviously, there is a debate about what constitutes a formal/semi-formal system.
- *Katja Hujo (UNRISD)*
 - Important to link employment, SP and finance issues into our strategy to really prepare SP systems for the future and to build back better.
 - The crisis will create bankruptcies, and reduce employment, weaken smallholders and self-employed etc.
 - Informality will only increase, and we will have a severe financial consequence. We will need to think about how we fund the crisis response equitably and future efforts for coverage extension.
 - The crisis reinforces a need for an integrated approach to employment, SP and the macroeconomic policies/ fiscal/ financial approach underpinning it.
- *Evelyn Astor (ITUC)*
 - Important to look at the intersection between the employment relationship and SP to address major coverage gaps.

- Low paid and informal workers were most and disproportionately affected by crisis yet least able to access the support needed.
 - Some countries have recognised this and extended sickness benefits and income support for the self-employed and small business owners.
 - Now is a good time to extend these stopgap measures and make SP more inclusive and to formalise the informal economy as a two-pronged approach.
- *Mamadou Bobo Diallo (UN Women)*
- Fiscal responses are mainly provided by rich countries as they have a fiscal surplus, accumulated in their good years, or they can borrow owing to good credit ratings.
 - LICs don't have this opportunity. If they were already in debt distress and ask for IMF help, their credit rating is downgraded. This is a lose-lose situation with long-term negative impacts.

Lessons from COVID-19 B - How to make social protection systems robust and adaptive: The humanitarian-SP nexus (Chair: M. Rutkowski/WB)

- *Michal Rutkowski (WB)*
- The comments made throughout the first session point to the fact that it is very important to focus on the hard-hit informal sector and how to make sure that the sector becomes both more productive and more protected by social assistance, safety nets and social insurance systems.
 - This poses enormous challenges: social insurance mechanisms as developed for the formal sector may not be appropriate for the informal sector.
 - It is important to go beyond the formal/informal dichotomy, particularly now during the pandemic. Focus should be on how to make informal more and more productive and protected.
 - There is a dire need to ensure everyone that needs SP gets it and to ensure that SP can expand and shrink as and when needed. USP means everyone who needs SP gets it.
 - To frame our discussion, our colleague from WB, Christian Bodewig, will give a brief framework of ASP.
- *Christian Bodewig (WB) presentation on WB book on [Adaptive Social Protection](#):*
- We are learning from COVID-19 crises, both in terms of coverage and the ability of SP systems to respond to shocks. The crisis highlights the importance of SP systems being able to respond quickly to shocks and expand quickly to those in need. A lot has to do with the availability of social registries and their ability to identify HHs that need support quickly.
SP systems need to become more adaptive. It can be framed around preparedness, coping and adaptation overall, and this includes the institutionalisation of contingency plans, expansion of social registries (especially in high-risk areas), needs assessment tools, early warning systems, interaction with cash transfers, the establishment of risk financing to have financing available when it's needed to respond quickly, and very importantly, increased partnership with humanitarian actors.
 - The ASP book has four building blocks: ASP programs, the data and information needed to manage these programmes, the institutional arrangements for shock-responsive systems, and financing.
 - We are exploring this framework in the Sahel.
 - Widespread understanding on the importance of ASP: we now need to take more concrete actions in key elements of systems to strengthen the adaptiveness.
- *Valérie Schmitt (ILO)*
- How does this approach relate to national SP systems?

- *Christian Bodewig (WB)*
 - ASP systems are anchored in the national SP system.
 - The ASP system in the Sahel evolved from building SSNs for the extreme poor in rural areas, establishing social registries and payment mechanisms and disbursing CT programmes focused on economic inclusion.
 - We then leverage these CTs to make them more adaptive and resilient to shocks (i.e. livelihoods diversification).
 - ASP also draws on national social registries and CTs to scale up quickly (e.g. Senegal).
- *Aileen O'Donovan (Irish Aid)*
 - Are there any examples of how to support the coordination and consultations among different actors in the process of rapid ASP so that the interest of those we are trying to respond to are part and parcel of that rapid scale-up of ASP
- *Simone Cecchini (ECLAC)*
 - In Latin America countries had to cover a part of the population that was left out.
 - Important to have social registries as a backbone of SP systems and ensure they are as broad and universal as possible. We cannot have registries too targeted or relying on a complex identification process.
 - In Latin America countries relaxed the way people got into registries and got their benefits.
 - Let's keep SP sustained by very broad registries.
- *Disa Sjoblom (Save the Children)*
 - It is important to have a social registry, but poverty is dynamic and if you do not have a universal registry how do you ensure you reach the most in need?
- *Olivier De Schutter (UN Special Rapporteur on extreme poverty and human rights).*
 - The introductory presentation focused on ASP, and how people who are victims of certain shocks can be supported during a crisis. But what can countries do when shocks affect a large part of the domestic economy, and when resources are missing, and this tests the financing capacity of the SP currently in place?
 - How can countries withstand a shock when a large part of the country is facing a crisis and therefore the available money to support a population is insufficient?
- *Michal Rutkowski (WB)*
 - WB is extremely engaged in building and strengthening social registries and working on foundations of SP systems. We are supporting countries to expand and build registries which can expand and shrink to cover everyone. These should be universal.
 - We invite the SPIAC-B community to read the WB's new book on the [Foundations of Social Protection Delivery Systems](#)
 - Innovation is needed where there are no social registries (i.e. using mobile money databases). This is far from ideal, but we must go for the best that exists even if flawed.
 - There is too much reliance on donor financing on SP. We need to improve the financing of national SP systems.
 - During an aggregate shock there is a limited fiscal envelope. How, and to what extent, do we prioritise what is spent and reach the most vulnerable first?
- *Christian Bodewig (WB) closing comments*
 - How do we build a coordination mechanism that is geared towards strengthening systems? In Ethiopia, humanitarian and government actors are using the same systems for coordination.
 - Financing is about managing risks: We need to identify which shocks are high frequency but low impact, for these countries should normally be able to set resources aside and finance from domestic sources. For shocks which are low frequency but have high impact (i.e. pandemic) external support may be necessary.

- We need to think about the different instruments and support countries develop their risk profile and plan the financing around this.
- Social registries exist in many countries. But they need to be more dynamic, agile, easier to update and expand quickly, and involve humanitarian actors.

Lessons from COVID19 C - How to ensure adequate and sustainable financing for universal social protection (Chair: S. Razavi/ILO)

Presentation by David Coady (IMF)

- Social protection is at the centre of IMF discussions at country level
- Focus at the IMF during the COVID-19 crisis was the support to countries with the main message to increase spending on health and social protection
- IMF has issued a note on How to operationalize IMF engagement on social spending during and in the aftermath of the COVID 19 crisis
- Moving out of the crisis, IMF Country Teams will focus on:
 - Monitoring of social protection expenditure levels and their composition
 - Re-allocation of funds within social protection and health
 - Re-allocation of funds across sectors (e.g. education)
- COVID-19 has reinforced the importance of strong SP systems
- IMF has also worked on strengthening staff capacity on broader issues, such as public finance management, fiscal policy
- Prior to the crisis, engagements were taking place between IMF, ILO and UNICEF at the country level to collaborate in the area of PFM. Moving forward, further informed dialogue is needed.
- IMF is also in discussion with all departments at the WB
- IMF colleagues at country level are strongly encouraged to engage on these issues and to collaborate with development partners

Presentation by Olivier de Schutter, UN Special Rapporteur on extreme poverty and human rights

- COVID-19 has shown that many countries were ill-equipped to deal with the crisis
 - Many responses were short-term and did not meet people's needs
 - Huge gaps in legal and effective social protection coverage
- More efforts towards USP are needed, many of the pledges made in 2011 to step up international financing have not been fulfilled.
 - Strong international support is needed to support countries to put social protection at the forefront of their national policies, for instance in the form of a Global Fund for Social Protection
 - This proposal has received strong support from the French government.
 - The proposal has 3 key components:
 - 1) Provision of financing facility
 - 2) Support countries in building rights-based social protection systems
 - 3) Building capacity
 - Create a credible medium-term fiscal framework is key to attract external financing

Discussion and Q&A

Shahra Razavi (ILO)

- What is the link between debt restructuring and fiscal space for social protection?

Olivier de Schutter

- o Debt restructuring and debt relief may be options to increase fiscal space, but many countries may avoid these measures due to the repercussions on their reputation on international markets
- o Efforts to eliminate illicit financial flows must be increased: An international body or platform at the global level would be needed to discuss how developing countries can benefit from greater international cooperation in the area of eliminating illicit financial flows. The proposed Global fund could be a platform to discuss such issues.
- o Efforts are also needed to step up international cooperation to fight tax evasion. Profit shifting etc. Regulatory competition needs to be curtailed.
- o With respect to the IMF intervention, *Olivier de Schutter* also underlined that there is no competition between social protection and other sectors, such as health and education, but they should be complementary.

Shahra Razavi (ILO)

- How can countries mobilize more domestic resource in the context of shrinking tax revenues?

David Coady (IMF)

- o In the short term, it will be difficult to increase revenues
- o In the medium term, fiscal frameworks are important and social protection should be part of these fiscal frameworks
- o Integration at the country level across sectors is important
- o IMF has produced a [series of notes](#) on this issue

Anousheh Karvar

- o The government of France has been very active in advocating for a Global Fund for SP. Currently, their efforts are focussing on dialogues within G7, G20.
- o Need for a joint roadmap of international organizations on USP – how to enhance coordination at country level?

Evelyn Astor (ITUC):

- o Welcomes the idea of a Global Fund for Social Protection
- o The COVID-19 crisis has revealed the gaps between low-income and high-income countries and there is a clear need for international solidarity, the promise to spend 0.7% of GDP on Overseas Development Assistance has been broken for long and has become more urgent now.
- o How does the IMF see the role of social spending floors in promoting universal social protection in line with international labour standards?

Valérie Schmitt (ILO)

- o We all agree that we need to invest more in social protection; but it is equally important to invest better by involving for instance social partners to build a national consensus on policy and financing options, by increasing the dialogue and coordination between ministries of Labour, Health and Finance, and by promoting financing options that contribute not only to risk pooling but also income and wealth redistribution across society.

Last minute remarks

David Coady

- The IMF will carefully analyse, how funds were allocated or shifted and what worked so that spending floors are kept based on what has worked.
- Domestic resource mobilization is key for all programmes. For this, it is important to improve fairness in the tax system (see [IMF fiscal monitor](#))
- For the coordination at country level, IMF is referring to the SDG monitoring and coordination bodies that now exist in all countries. This avoids creating new structures.

Olivier de Schutter

- A rights-based approach to social protection is important to ensure predictable benefits, which in turn will foster public trust in the system
- Many countries do not dare to implement a rights-based approach because they are uncertain, they can provide benefits in times of crises
- A Global Fund could help countries to manage uncertainties and volatility in their public revenues
- Important to recognize that social protection is not the end of an inclusive growth process, but it is a key ingredient for inclusive development
- Need to link this to the debate on targeted vs universal approaches: targeted approaches suffer from inclusion and exclusion errors, while universal approaches are more inclusive and enjoy higher acceptance, also among the middle class

Towards a Joint SPIAC-B Statement on lessons so far for social protection COVID-19: Setting up the process (Chair: Sandor Sipos)

- Do we need a new SPIAC-B Statement on lessons so far for social protection COVID-19 and if so, when?
- The discussion will be postponed to a later stage.

Closing (Chair: Sandor Sipos)

S. Razavi, Director Social Protection, ILO

- There was strong recognition across all agencies on the need for strong social protection systems, despite nuanced differences in their approaches
- Despite higher political consensus on the important role of social protection and the political will to expand social protection, more domestic and global solidarity is needed to make sure to invest better and invest more
- Importance of accountability mechanisms, such as meaningful participation of workers' and employers' organizations, in the development and implementation of policy responses
- Importance to ensure financially sustainable social protection systems

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