



Global Coalition for **SOCIAL PROTECTION FLOORS**

Panel "*Financing Universal Social Protection in Developing Countries*" A Session at the Civil Society Forum at the Annual Meetings of IMF and World Bank. October 11, 2017

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The Global Coalition for Social Protection Floors is a network of almost 100 NGOs and trade unions, representing millions of people around the world. The coalition engages with the ILO, the UN Social Protection Inter-Agency Cooperation Board (SPIAC-B) and other relevant organizations as well as supporting national and regional initiatives to promote SPFs.

- Universal, rights-based social protection is the most sustainable and effective approach for poverty reduction and reducing inequality.
- It covers both people who may be outside of the labour market such as children, people living with disability and the elderly, while also recognising that the working poor – including women - also need social protection through health care coverage, maternity benefits and pensions.
- It is a prerequisite for economic growth and stability, since only people who are well nourished, well-educated and healthy can be productive members of the national workforce.
- SPF can help to alleviate the responsibility for care provision that women disproportionately shoulder.
- The World Bank president stated at the Global Partnership for universal SP that "Social protection is a means to reduce poverty, achieve greater gender equity, reduce economic inequalities, and promote good jobs."¹
- IMF research by Berg and Ostry (2011) cites how social assistance can reduce inequalities and make countries more resilient to financial crises.²

¹ <http://www.worldbank.org/en/news/press-release/2016/09/21/world-bank-ilo-announce-new-push-for-universal-social-protection> - 21 September 2016

- The right to SP and the concept of universal social protection has the largest international support (ILO R.202, R.204, SDGs, Addis Ababa Action Agenda, UN Initiative on USP), it is concerning that the recent IEO report suggests the IMF is not seeking to respect these agreements.
- In Mongolia, the IMF program included conditionality to shift from universal to targeted child grant. In Mauritius, the IMF continues to push the government to target the existing universal old age pension despite its popularity.
- The GCSPF does not endorse loan conditionalities, and it is telling that of the 57 arrangements approved in LICs programs between 2010-2015 only 19% contained indicative targets defined to focus primarily and specifically on social protection. The IEO report adds that, *"where staff did manage to carve out fiscal space for social protection, the amounts were typically modest – well under 1 per cent of GDP, for example."*
- SPFs for all are financially and fiscally possible in most countries. The forthcoming update of the Global Social Protection Floor Index³ (developed by members of the Global Coalition) assesses the financing gap in 129 countries.⁴ The Index measures the amount of resources a country would have to allocate to social transfers and health services in order to achieve the minimum level of income security and health security that is demanded under the ILO Recommendation 202 on national social protection floors. The results show that:

For most countries a national SPF that guarantees that all residents and children can take part in society and have access to essential health care **is within short-term reach:**

- 32 countries would require no more than 1 percent of Gross Domestic Product (GDP) – mainly in Latin America and Eastern Europe;
- 39 countries would require between 1 and 2 percent of GDP.

² Berg, Andrew G. and Jonathan D. Ostry, 2011, "Inequality and Unsustainable Growth: Two Sides of the Same Coin?" Staff Discussion Note No. 11/08 (Washington: International Monetary Fund).

³ The Index measures the amount of resources that a country would have to allocate to social transfers and health services in order to achieve the minimum level of income security and health security that is demanded by the Recommendation R. 202 on national social protection floors.

⁴ The SPF Index can be calculated for 129 countries when \$1.9 and \$3.1 a day in 2011 PPP are used as minimum income criteria

In the medium term

- 45 countries with SPF gaps of between 2 and 4 percent of GDP and
- 9 further countries with gaps of between 4 and 6 percent GDP should be able to close most of their SP gaps.

In the longer term

- 12 further countries might be able to close most of their gaps between 6 and 10 percent of GDP.

For 13 countries, a SPF does not seem achievable with domestic resources alone, as more than 10 percent of GDP would be required – most of these are low income countries in sub-Saharan Africa. Here international support will play a critical role.

The Global Coalition for Social Protection Floors is:

1. Calling out the contradictions between the stated commitments made by international financial institutions towards the SDGs, and their technical advice to national governments. The policies promoted by the IMF and the World Bank are working against efforts to build universal social protection floors.
 - a. The IMF and the World Bank officially support the SDGs, but continue to promote a social safety net approach that runs counter to SDGs targets on social protection floors.⁵
 - b. On domestic revenue mobilisation, both IMF and World Bank policy advice has promoted declining corporate tax rates, and the World Bank has encouraged the use of tax incentives to attract FDI. IMF data shows a declining trend in statutory corporate tax rates in emerging and low-income countries since the mid-1990s to 2007, from about 31 percent to 26 percent. In Africa, the Fund suggests that there has been a narrowing of the tax base – due to harmful tax exemptions – rather than broadening the tax base.⁶
 - c. The ILO review of IMF country reports for the 2016-2020 period show that 68 countries in the global South will be revising and scaling down spending on safety nets and welfare benefits (Ortiz et al. 2015). Yet, raising resources through social security

⁵ In target 1.3, the SDGs require to “implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.”

⁶ <http://www.ipsnews.net/2017/04/world-bank-must-stop-encouraging-harmful-tax-competition/>

contributions can help to finance social protection floors and is redistributive.

2. The coalition also strongly opposes the proxy-means-tested approaches in social protection not least because rights to social protection should not be discriminatory, but because proxy-means-tested approaches are inherently unfit for purpose, however well intentioned. Cutting corners cuts out millions of those in need.⁷

The IEO report warns that the World Bank approach to social protection may be evolving due to their support to the ILO Social Protection Floors and that this may “complicate” the strong collaboration we see today between the IMF and the Bank in promoting social safety nets. As per the recommendations in the IEO report, we encourage the IMF to rethink their approach to social protection and consult with ILO, WHO, UNICEF, UNDP and civil society when it comes to the formulation of a new Social Protection Strategy.

Collaboration with CSOs must become a more open, deliberative, and conclusive process to not only inform financing strategies at the national and international level, but also to work with CSOs to promote awareness of technical processes which affect the lives of those the IMF and World Bank are ultimately meant to help. There is a need to **demonstrate how consultative processes⁸ have informed financing policy** to ensure that CSOs and the interests they protect are taken seriously. More concrete actions are needed to ensure that civil society is able to be effectively integrated at the level of other stakeholders.

The Global Coalition for Social Protection Floors is ready to discuss and contribute to the development of a new IMF strategy for Social Protection that will support the attainment of the Sustainable Development Goals.

Rachel Moussie (WIEGO) participated on behalf of the GCSPF in the panel “Financing Universal Social Protection in Developing Countries” A Session at the Civil Society Forum at the Annual Meetings of IMF and World Bank. The session was held on October 11, 2017.

⁷ Exclusion by design: An assessment of the effectiveness of the proxy means test poverty targeting mechanism / Kidd, Stephen; Gelders, Bjorn; Bailey-Athias, Diloá; International Labour Office, Social Protection Department (SOCPRO). -Geneva: ILO, 2017

⁸ Such as Assessment Based National Dialogue’s (ABNDs) and Development Finance Assessments (DFAs).