



# SDC & Social Protection Online Learning Series

# Module 10: Social Protection & Financing



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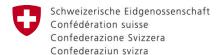


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### Shareweb



Social Protection > Social-Protection-Home

Home News LNOB Social Protection

### Social Protection



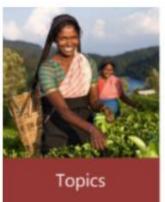


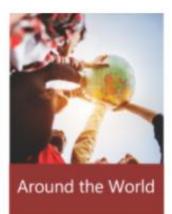


SDC Projects











### 1. Introduction

## **Structure Module 10:** Social Protection & Financing

STRUCTURE	TIME
1. Introduction	10 min
2. Technical Input Presentation	45 min
→ Q&A	10 min
Break	5 min
3. SDC Case Studies Albania, Northern Macedonia & Columbia	20 min
→ Q&A	15 min
4. Closing Words	10 min
5. Evaluation	5 min

### Summary Module 1 & 2: Social Protection & Instruments



SP may serve different purposes:
 Prevention, Protection, Promotion and Transformation (3 Ps & one T)

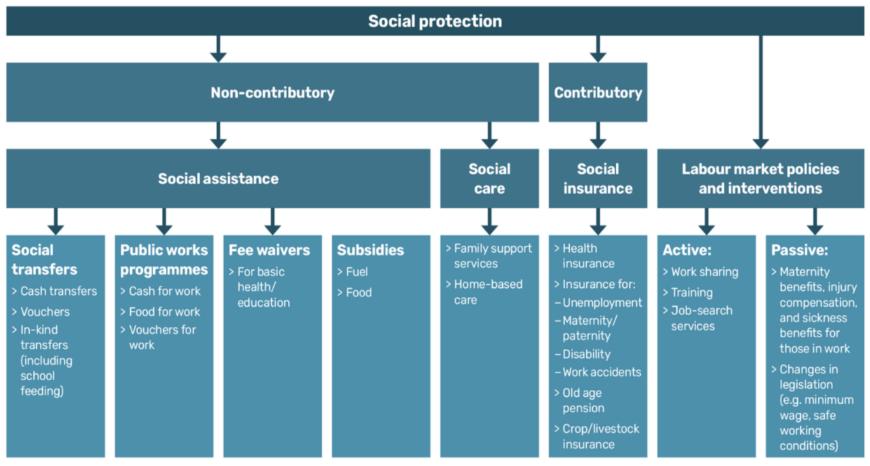


- SDC engagements cover:
  - 1. Social assistance
  - 2. Insurance
  - 3. Labour market policies &
  - 4. Systems strengthening
- SP fits well to SDCs core concepts
   (LNOB, social inclusion, decent work, gender equality)



- Different non-contributory & contributory SP instruments exist
  - Social assistance (cash transfers, in-kind transfers, public works)
  - Insurances (health, old-age, catastrophic risks/agriculture)
  - Labour market policies (skills training, employability, cash plus)
  - Social services (child protection, family counselling, old age care)
- There are many different socio-economic impacts & evidence exists, but the context always matters

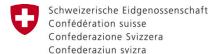
### **Social Protection Tool Box**



Source: <u>UKAID K4D Social Protection Topic Guide 2019</u>, adapted from <u>O'Brien et al</u>. (2018: 6).



# 2. Social Protection & Financing



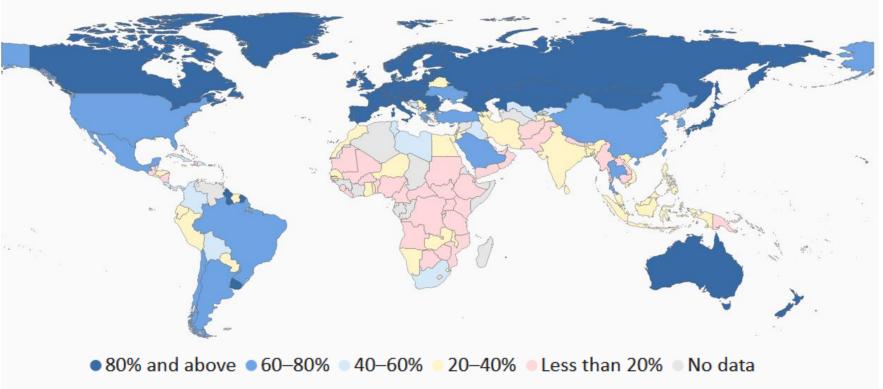
### 2.1 Defining the Context

### **Expand SP for All Is an SDG Mandate**

#### SDG 1 End poverty in all its forms

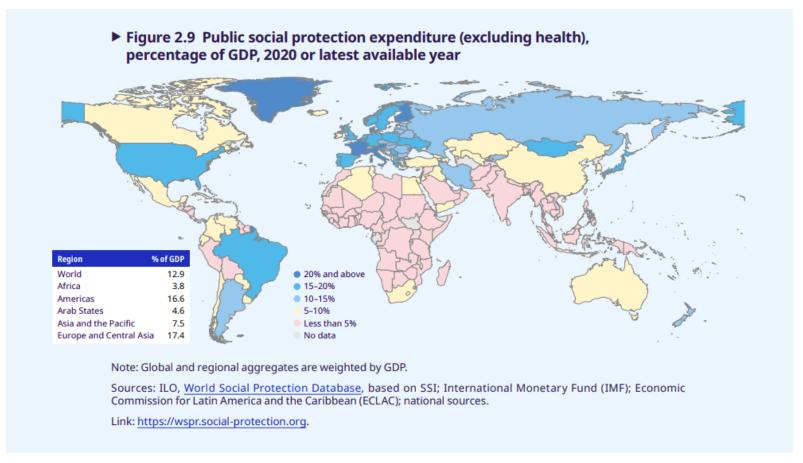
- 1.3 Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable

Indicator 1.3.1: Proportion of population covered by social protection floors / systems disaggregated by sex, and distinguishing children, the unemployed, old-age persons, persons with disabilities, pregnant women /new-borns, workinjury victims, the poor and the vulnerable



Source: ILO, 2022

### **Poor Countries Spend Less on SP**



- LIC spend less than high-income countries on SP
- But SP-spending does not always commensurate with GDP/capita (Singapore, South Korea, Timor Este, Nepal)
- Share of SP expenditure as a share of GDP has increased over the years

## How Big Is the Financing Gap & How Much Is Required to Fill it?

The financing gap in social protection urgently needs to be closed to ensure at least minimum provision for all – a social protection floor

The financing gap has increased by approximately

30%

since the onset of the COVID-19 crisis

Upper-middle-income countries require an additional

**US\$750.8** billion

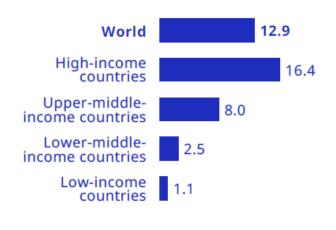
Lower-middle-income countries require an additional

us\$362.9 billion

Low-income countries require an additional

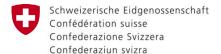
5.1% of GDP

US\$77.9 billion Public expenditure on social protection (excluding healthcare) as % of GDP



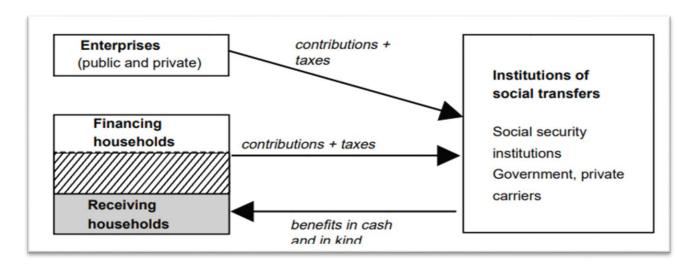
The persistence of protection gaps is associated with **significant** underinvestment in social protection

**ILO World Social Protection Database** 



# 2.2 Financing SP at National Level

### **SP Financial Architecture**









#### Social security contributions

- > Employers' contributions
- Contributions by protected persons (employees, self-employed, pensioners and others)
- General gov't financing (local, reg., central)
  - Earmarked taxes
  - General revenue (income tax, VAT, tax on luxury goods, property tax, etc.)
- Transfers from other schemes
- Other receipts
  - > Property income
  - Investments etc.

- Dev't Aid/ Donors
- Concessional loans & grants (IDA)





### Options for Increasing Fiscal Space for SP

- Expanding social security coverage & contributory revenues
- Increasing tax revenues
- Re-allocating public expenditures & ring-fencing
- Lobbying for aid & transfers



- Eliminating illicit financial flows
- Using fiscal & foreign exchange reserves
- Borrowing or restructuring existing debt &
- Adopting more accommodative macroeconomic framework

# Increase Fiscal Space through Contributory Schemes

#### **Extension of coverage**

Legal coverage: Establish a legal framework to expand coverage

**Effective coverage:** 

- Simple admin. procedures for worker & employers
- Awareness: Adequate info., improved awareness on rights & responsibilities
- Easy procedures for enrolment & payment of contribution:
  - centralization of contribution collection methods, digitalization of payments, etc.

#### **Increase of contribution rates**

- In many LICs contribution rates are too low
- Incremental increase that is adequate for a life in dignity
- Affordable for workers & employers
- Sustainable over time
- State has a key role in terms of affordability (subsidizing contributions or establish a minimum wage high enough to guarantee a min. contributory capacity).

# Extension of Coverage: How to Include the Informal Sector?

SIMPLES Brazil (simplified tax collection/payment system for small contributors)

- > simplification of registration, collection of contributions &
- > service provision through unification of several taxes &
- > contributions in a unique tax payment

Target: SMEs & workers

**Institutions**: Tax Authority & National Social Security Institute (INSS)

**Process:** Different contribution rates based on size

- 1) Micro company owners with one employee: fixed monthly fee
- 2) Micro companies (intermediate): progressive contribution %
- 3) Small companies (larger): highest contribution %

Contributions collected by central fiscal admin. → transfers SP shares to INSS

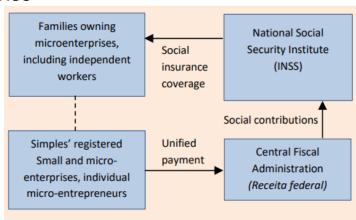
#### **Entitlements:**

- Lowest contribution entitled to:
  - > old age & disability pension, sickness, maternity & survivors benefit
- 2<sup>nd</sup> & 3<sup>rd</sup> level receive regular INSS benefits

#### Impact:

- Effective tool for formalization of SMEs
- Social security coverage ↑ to independent workers, esp. women
- Racial equalization
- Informality
- Very high take up rate between 2008 & 2016:
  - $\triangleright$  # of total registered firms from around 3 mio.  $\rightarrow$  12 million.
  - > 75% of all enterprises in Brazil & 39% of all enterprise-based jobs in Brazil





### **Extension of Contribution Rates**

#### Improving collection

- Specialized collection units for non-included groups
  - > e.g. migrants & self-employed (State Social Protection Fund Azerbaijan)
- Moving collection dates: Flexible payment arrangements for irregular income
- Strategic plan to improve quality of collection (Uganda)
- Simplify procedures: IT use, one-stop shops, unified payment, unique ID #
- Establish collection agents abroad: ↑ collections from oversea's workers (Philippines)

### Improving compliance

- Awareness campaigns for employers & for workers (Cameroon)
- Public shaming & blaming for those who do not pay (Ghana)
- Proof SP contribution certificate to renew business licenses (Jordan)
- Increase labour & social security inspection (China)
- Linking contributions to concrete results (benefits)

### **Increase Tax Revenues for Social Investments**

#### Two options

- a) Consumption tax (VAT) (generally regressive)
- b) Income, corporate profit, incl. taxes on financial sector, property & natural resource extraction (progressive)



- Corporate taxes, incl. financial sector taxes
- Property & inheritance taxes
- Taxing natural resource extraction
- Innovative taxes: sin taxes, airport/ hotel taxes, arms & carbon taxes
- Tariffs (imports/exports)
- Consumption & value added taxes (VAT) & tolls

#### **Evidence:**

- Tax expansion is possible: all dev'ing countries ↑ tax-GDP ratio substantially (since 1990s)
- Fragile countries make less progress
- Post-conflict countries above average



# Increase Corporate & Financial Transaction Taxes

#### **Financial Sector Taxes:**

- Brazil: bank debit tax charges on online bill payments & cash withdrawals (stopped in 2008)
- Turkey: taxes on all receipts of banks & insurance companies
- Many countries: Financial transaction tax on shares, bonds, foreign currency transactions, derivatives, bank debits, credits & other banking services

> e.g. Argentina, Egypt, Ethiopia, Gabon, India, Kenya, Nigeria, Pakistan, Thailand,

South Africa



### **Taxes on Natural Resources & SWFs**

### Natural resources & extractive industries 'rents' ring-fenced for social dev't:

- Bolivia: Renegotiation of contracts ↑ oil & gas income from USD 558 mio. (2004) to USD 1.53 billion (2006) invested in Renta Dignidad
- Peru: Expanded mining sector taxes for health & education investments
- Mongolia: copper export taxation to finance universal rights-based child benefit

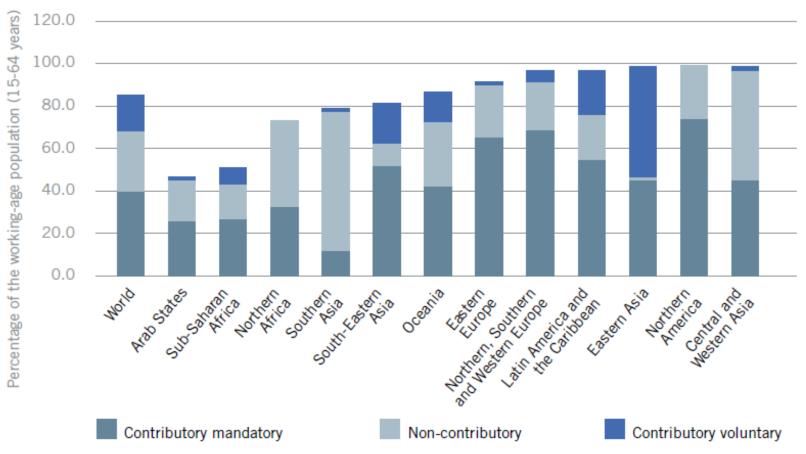
### Sovereign Wealth Funds (SWFs):

- State-owned investment funds
  - Balance of payments surpluses
  - Official foreign currency operations
  - Privatization proceeds
  - Fiscal surpluses
  - Natural resource rents/royalties
  - Many countries, like Congo, Senegal, Botswana, Angola, Nigeria



### Tax-based vs. Contributory-based Financing

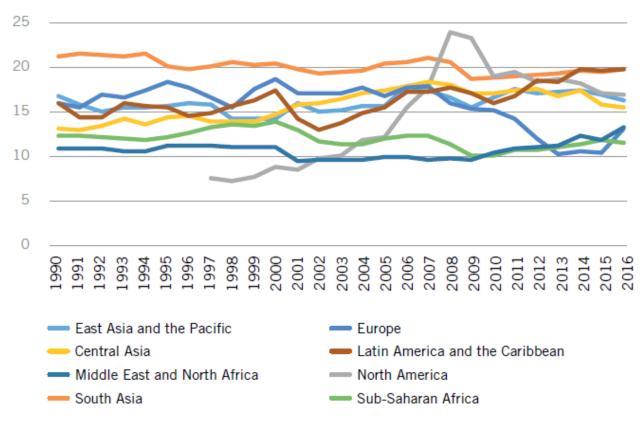
Figure 2.5 | Coverage of old age pensions by region and type of scheme, latest available year



Note: NSW Europe and LAC stand for Northern, Southern, and Western Europe and Latin America and the Caribbean, respectively. Source: ILO, 2017a.

### Low Tax Rate in LICs

Figure 2.8 | Average tax revenue in per cent of GDP; world regions, 1990-2016



#### Reasons:

- Informality of economy, tax evasion, tax competition,
- trade liberalization & aid

### Public Expenditure Re-prioritization & Improving Budget Outcomes

### **Objective of Public Expenditure Reviews:**

- Assess sustainability & affordability of public policies & programmes (Indonesia & Thailand)
- † Efficiencies of programmes & sector spending

#### **Improve Budget Outcomes:**

- Performance-based budgeting: linking budgeting to outcomes
- Social budgeting: improve management of SP public finances (social accounting system)
- Gender–budgeting: mainstreaming gender into budgetary processes

### Political Economy of Expenditure Re-prioritization

Crisis as reform accelerator (Thailand, Indonesia)

# **Key Issues of Collection, Management & Administration Capacities**

### Institutional capacity is key for ↑ fiscal space for SP

#### Institutional Environment/ Ecosystem:

- ID-numbers
- Capacity to collect taxes & social security contributions
- Institutional enforcement capacity to pay taxes

### **Management & Administration:**

- Administering & redistributing taxes
- Transparency & accountability (governance of tax-collecting agencies & institutions)
- Analysis & assessment capacity

### **Absorptive Capacity:**

- Capacity to invest money & prevent budget-under execution (investing in investing):
  - planning, designing & implementing programmes & services

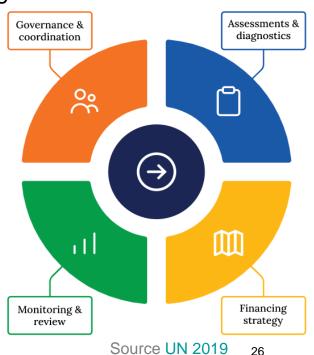
### Integrated Nat. Financing Frameworks (INFFs)

### Framework for Financing SDGs at country level:

- INFFs help identify & implement policies & reforms to increase & better align financing towards national SDGs
- INFFs consider all types of finance (public, private, domestic, internat.) & provide a framework for enhancing their coherence for sustainable dev't
- INFFs help formulate risk-informed financing strategies

### **INFFs** supports countries to:

- Mobilize additional financing
- Improve alignment of different financing types
- Enhance coherence
- Better articulate needs to internat. dev't community
- Better manage risk
- Streamline donor tools



# Tanzania: Comprehensive Council Social Welfare Operational Planning Guidelines

Annual guide to provide guidance in planning, budgeting & reporting of social welfare services at council level

- > to fill the gap in planning, budgeting & reporting for social welfare &
- harmonize & standardize them among LGAs



Harmonized, standardized social welfare planning & budgeting



Uniformity of social welfare interventions across the country



Assurance of timely, structured services for most vulnerable groups



Wider multi-sectorial view in dev'ing social welfare interventions



Improved & strengthened coordination of social welfare implementing partners



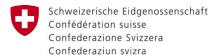
Disaggregation of social welfare needs, resources & services

### Financing SP in Fragile Country Contexts

More predictable funding for fragile contexts (own resources are very low)

- Multi-donor Trust Funds ↑ funding sources & render them more sustainable & predictable over time to reduce dependency on HA (South Sudan, Afghanistan)
- Joint Programming: unified, transparent & criteria-driven framework with nat. reach, long-term objectives
  - funded through trust fund window, a budget line item & through internat.
     &/or domestic revenue (Sri Lanka, Indonesia)
- Challenge: low gov't capacity, delivery through public sector (project preparation & implementation) or unsuitable political system
- Notion of co-production with local partners important to ↑ capacity over time





# 2.3 Financing SP at Global Level

### **Lobbying for Aid & Transfers**

- High donor funding for SP in some countries
- BUT not very stable financing source, which is needed to establish strong SP systems

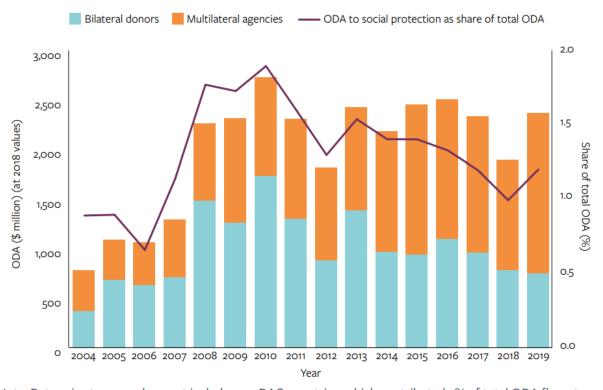
### Financing options at the global level:

- Renewed political & financial mobilization (0.7% ODA)
- Stronger coordination of programmes & sources of finance to invest more & better in SP (global & solidarity-based response)
- Managing debt through borrowing or restructuring debt
- International financing mechanism for SP



### The Global Level: ODA\* Spending on SP

Pre-COVID Spending on SP 2004 – 2019 with USAID\* (Disbursements DAC code 16010)



- Multilateral donors' share of aid ↑ from 1/3 to 2/3 of total by 2019
- Much higher multilateral share than in other sectors

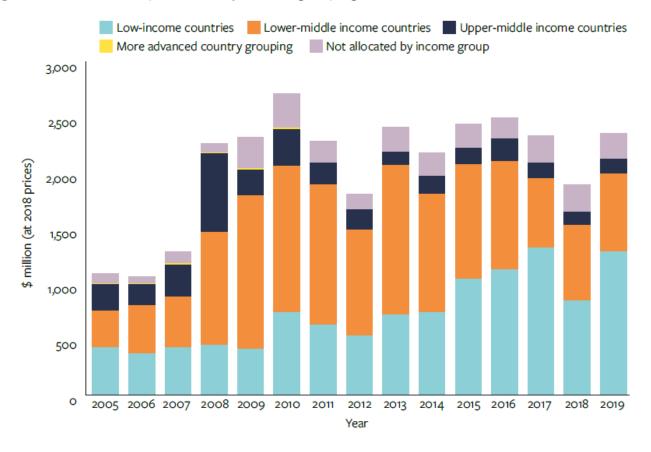
Note: Data prior to 2009 does not include non-DAC countries, which contributed 2% of total ODA flows to the sector in 2009.

<sup>\*</sup>bilateral, multilateral, IFIs

<sup>\*</sup>Iraq, Occupied Palestinian Territory, Afghanistan and Pakistan

### Who receives the Social Protection Aid Flows?

Figure 9 ODA to social protection by income grouping, 2005–2019

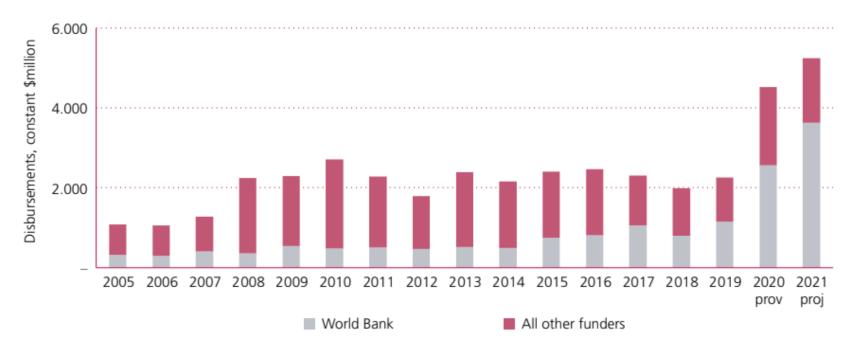


Note: This figure is indicative only, as income group classification totals are not consistent with total ODA flows to social protection.

Source: ODI 2021

### World Bank Tripled Aid on SP since COVID-19

Figure 4-4: Aid for social protection (16010)



- World Bank has increased share on SP spending from 16% in 2008 to 51% in 2019 (without bilateral funding of WB managed funds)
- Some donors also significantly reduced spending on SP (e.g. Japan or UK)
- ODA SP spending shift from LMICs & UMICs to LICs: 55% of aid flows (2017)

### Global Initiatives for Financing SP

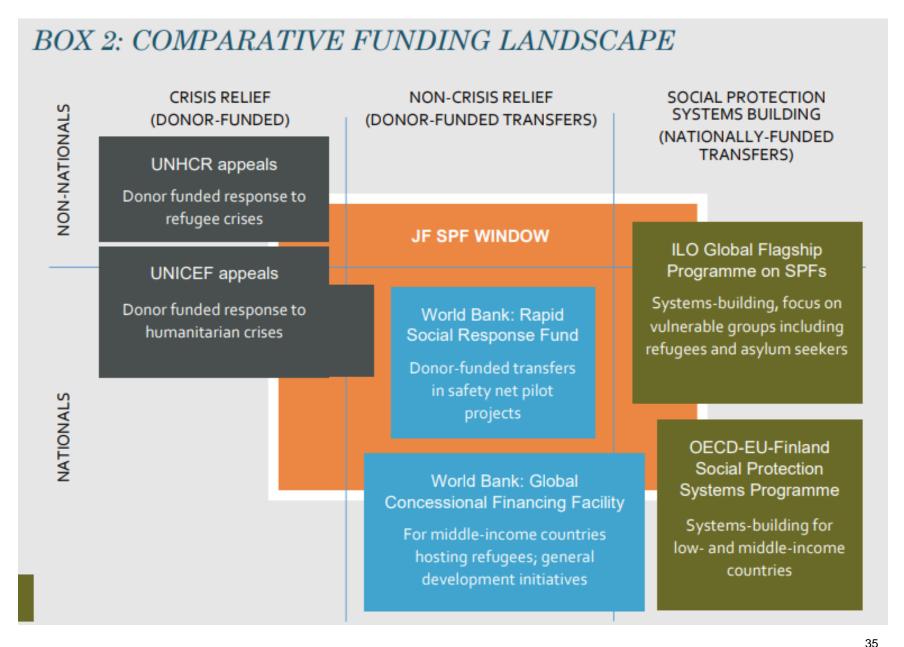
 One UN Joint Fund Window for SP (ILO, UNICEF, UNHCR & UNDP)

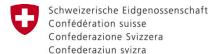


- Global Accelerator on Jobs & SP for Just Transitions
   (2021): Technical Support Facility of USD 600 mio. to support at least 30 countries to develop financing strategies for LICs
  - more political appeal than Global Fund for SP
- Global Fund for SP: Proposal with an ↑ momentum after the crisis to ensure better financial coordination, complement & support domestic resource mobilization efforts (not yet realized)
- Improving Synergies Between SP & Public Finance
   Management: Thematic Flagship Programme of EU,
   ILO, UNICEF & the Global Coalition for SP Floors
   (18 countries involved)









### 2.4 Conclusions

### **Concluding Remarks**

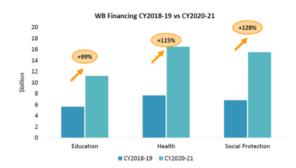
- Many different options need to be taken into consideration
- Depend on country context
- Mix to avoid overreliance on single funding mechanisms
- Incremental goal is ↑ domestic funding
- Funding mechanisms is closely related to political economy
- † Funding mechanisms need sound institut. & legal framework.
- TA is needed to ↑ capacity to collect, manage, administer, plan & budget for more SP



# Q&A Thank you! 응 (F) 🕲

### Social Protection at the World Bank

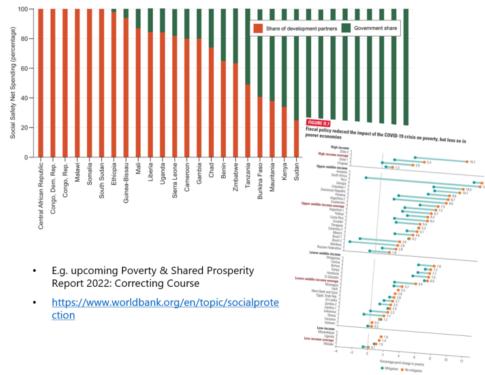
### **Financing & Operations**



- IDA20: To ensure inclusive and effective response against shocks and crises, especially among the poorest and most vulnerable, support at least 20 IDA countries' resilience by building adaptive social protection systems, including the use of digital technologies.
- Domestic financing: DRM and subsidy reforms



### **Knowledge & Analytics**



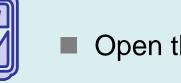
### 5 min Break



Get some water/coffee?



Stretch?



Open the window?



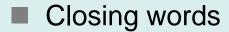
Afterwards, we will continue with:

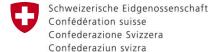


SDC Case Studies



Q&A (Discussion)







# 3. Swiss Examples from Albania, Northern Macedonia & Colombia

# Catalysing Municipal SP in Albania

- State budget resources to SP are low
- SP spending more than doubled between 2005-2016
- Stable at 9.5% of Albania's GDP (EU average: 27% in 2021)
- Social cash transfers constituted 95% of SP sector's overall budget in 2021
- Local gov't is responsible for social service delivery to address difficulties of municipalities in funding social services



### Catalysing Municipal SP in Albania

- Joint UN Programme (ILO, UNICEF & UN WOMEN)
- Review of the SP system in Albania with a view to identifying gaps in coverage & financing, analyzing the fiscal space for building a comprehensive SP system

### Main results aim at improving:

- Lack of well-defined strategies as to which social services should be provided at the municipal level
- Poor allocation of resources for SP



### Low Transfer Levels to Municipalities

#### ► Table 6. Structure of government transfers to municipalities, 2016 and 2019

Type of transfer	2016	2019
Unconditional transfer	72.7%	63.6%
Dorms for Preuniversity education	1.6%	2.1%
Preschool education	12.6%	20.4%
Preuniversity education	1.1%	1.9%
Protection from fire	2.0%	4.7%
Social Protection	0.2%	0.4%
Forest Administration	0.3%	1.3%
Roads	1.6%	2.1%
Irrigation and Drainage	7.8%	3.5%
Total	100.0%	100.0%

Source: Ministry of Finance and Economy, Government of Albania.

- Although SP doubled its share 2016-2019,
- Only 6 out of 61 municipalities received transfers for those purposes
- 2.6% of total funds in receiving municipalities

# Social Fund in Albania for Funding Social Services at Local Level



Adults with disabilities

The elderly

Children with disabilities

# Social Fund in Albania for Social Services at Local Level

#### 27 services in 26 municipalities 5,839 beneficiaries

Mobile Community Services

1 service for groups in need Beneficiaries

5 services for persons with disabilities

Beneficiaries

1 service in-home assistance for the elderly

Multifunctional **Emergency** Services

Women, Girls, Children

### 13 specialized services at regional level 4,905 Beneficiaries

In-home Assistance Services for The Elderly

Beneficiaries

Multidisciplinary Service for The Elderly

3 shelters for Victims of Violence and Trafficking

4 care centres for Persons with Disabilities

2 National **Counselling Lines** 

LGBTI+ centre

Support service for persons with disabilities (Assistive devices)

### Partnership with OJFs

Multifunctional Community Centres

3 services for family and children In need empowerment

**Beneficiaries** 

1 service for persons with disabilities aged 21+

Beneficiaries

2 day care centres for children 5 day care centre with disabilities

Beneficiaries

for the elderly

Beneficiaries

3 services for groups in need

Beneficiaries

## Social Fund Achievements & Challenges

### **Achievements:**

- During 2.5 years of implementation of Social Fund,
   40 new services have been established in 32 municipalities
- ≈ USD 0.7 Mio have been invested
- ≈ 10.744 persons have benefited from services
- Involving 287 practitioners

### **Challenges:**

- Funding
- Urban-rural bias
- Local capacities to provide social care services (professionalization of social workers)
- Out-sourcing & procurement issues



# Promoting Gender-Responsive Policies & Budgets in Northern Macedonia

### **Programme Aim:**

- Improve women's lives & support the inclusion of most vulnerable groups through systematic integration of gender perspectives at all stages of national & local policy-making & budgeting processes
- Enhancing gov't's public finance management & its strategic planning processes to respond to the different needs of women & men
- Civil society organisations & women are actively supported to participate in planning & decision-making mechanisms

#### **Beneficiaries:**

Women & men working in public administration or elected officials

### **Activities:**

 Capacity building of public administration & civil society organisations across sector ministries at local level, incl. social affairs (expert & mentoring support on gender analyses of local policies & budgets)

# **Promoting Gender-Responsive Policies & Budgets in Northern Macedonia**

#### **Outcomes:**

- 19 out of 21 municipalities allocated finances to implement measures for gender equality & mainstreamed gender within their programmes
- 8 LSGUs in Skopje secured funds for establishing 2 counselling centres for survivors of domestic violence
- New local strategies for gender equality were dev'ed in 5 municipalities
- Changed a gender-discriminating criterion within rural dev't programme (2018–2021): 100 rural women with agricultural businesses could benefit

from unconditional grant support

# Workforce Dev't Social Impact Bond (SIB) - EMPLEANDO FUTURO in Colombia

### PPP: Dep. of Social Prosperity, Private Partners, SECO & IDB

- SIBs = debt-based, public-private-partnership (PPP)
  investors put funds into a program & get paid when results are achieved
  within pre-determined period of time
- Objective: improve urban employment through skills training & labour services for job placement & retention of 500 poor unemployed persons (18-40) in Bogotá, Cali, & Pereira for min. 3 months
- Investors: Colombian foundations one foundation as an intermediary (contract managers with several service providers)
- Repayments to investors upon project success: return for investors was 8.2% before inflation; bonus payment of 10% of the outcome funding commitment contingent upon job retention after 6 months (for employers & service providers)
- Outcome payers: SECO & IDB (outcome fund size: USD 765,000)

Source: University of Oxford 2022

# **SIB Impacts**

- Beneficiaries: Initial target 514 individuals, but due to positive outcomes increased to 766 individuals
- 1,855 received labour intermediation
- 899 (46% of the total) were placed in a formal job (117% of 766 expected outcomes beneficiaries)
- Of the people who got a job, 677 managed to retain their job for at least 3 months (79% of employed beneficiaries & 88% of 766 beneficiary outcome payment limit)
- 309 people who got a job retained their job for 6 months or more (34% of employees)

# Q&A Thank you! 응 (E) 🕲



# 4. Closing Words

# **Conclusion / Main Take Away Messages**



- There are many different ways of how fiscal space for SP can be expanded in dev'ing countries
- Capacity to implement such measures & political buy-in play a key role for improvements
- SDC is already engaged in measures that support the expansion of fiscal space for SP, in particular with regards to local budgeting for social services & capacity dev't



- There is much space for improvement by taking a specific SP focus in existing schemes,
  - e.g. gender budgeting & dev'ing new approaches based on innovative experiences from other countries & dev't partners
- Certain SDC themes, such as governance, economic dev't & health, have a stronger affinity to work on SP financing than others



- SDC should explore its role in contributing to the political dialogue of financing SP at global, regional & (also at) national level (e.g. SPIAC-B, USP-2030)
- A stronger dialogue with SECO could cover the complementary of SDC and SECO SP measures to increase fiscal space at national level

4. Closing Words

# **Reflection Questions & Food for Thought**



- How is SP funded in your particular country context? How could fiscal space for SP be expanded in a particular dev'ing country?
- What are challenges for financing SP in your particular country context? How could these challenges be overcome?
- What are specific entry points for SDC in SP financing & respective capacity dev't?
- Where could SDC engage in political dialogue at the national, regional or global level?
- Where are potential synergies between SDC & SECO?



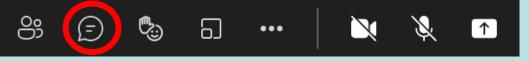
- If you have any further questions or need for clarification, please feel free to contact us:
  - > Barbara Rohregger: <a href="mailto:b.rohregger@socialprotection.at">b.rohregger@socialprotection.at</a>
  - Franziska Holzäpfel: <a href="mailto:franziska.holzaepfel@gopa.de">franziska.holzaepfel@gopa.de</a>

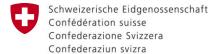
4. Closing Words 55



# 5. Evaluation

- Please find the link for a 2 min evaluation in the chat
- Thank you for your participation!

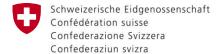






Congratulations!!!

Pou have successfully completed the SAC & Social Protection Learning Series





### **SDC & Social Protection Working Aid**



A working aid of the SDC & Social Protection Online Learning Series will be presented in Dec 2022

### **Overview Training Series**

MODULE TYPE	CONTENT	DATE
Basic Module 1:	What is Social Protection in the SDC?	23.06.2021
Basic Module 2:	Overview of Social Protection Instruments & Impacts	18.08.2021
Technical Module 3:	Agriculture, Food Security & Social Protection	22.09.2021
Technical Module 4:	SP in the Context of Education, Employment, Private Sector Development & Financial Inclusion	17.11.2021
Technical Module 5:	Health & Social Protection	26.01.2022
Technical Module 6:	Triple Nexus & Shock-Responsive SP	23.03.2022
Technical Module 7:	Governance / Systems Strengthening & SP	18.05.2022
Technical Module 8:	Gender & Social Protection	22.06.2022
Technical Module 9:	Social Protection Indicators to LNOB	24.08.2022
Technical Module 10:	Financing Social Protection	28.09.2022

