

## Reaction from the BRAC Ultra-Poor Graduation Initiative

The key questions to which we are hoping to have your reactions are the following:

### **1. Added value of the Global Fund for Social Protection (GFSP)**

The GFSP is intended to contribute to four objectives:

- (a) Improving the coordination of efforts towards the establishment of social protection floors worldwide, both at multilateral / inter-agency level and at country level;
- (b) Capacity-building and improving international cooperation in order to strengthen the ability for LICs to mobilize domestic resources;
- (c) Increasing levels of financial support to low-income countries; and
- (d) Providing risk insurance for LICs with poorly diversified economies and those that are particularly vulnerable to shocks.

#### **1.1. Taking into account these objectives, what do you see as the added value of the GFSP?**

The GFSP can help drive collective action around the need to bring the poorest and most marginalized people into government social protection systems and help them move sustainably out of poverty. Current mainstream approaches lack a strong focus on the needs of people living in extreme poverty, in part because governments often do not have the right tools and resources to reach them with multidimensional support. Approaches are also not designed to support workers in largely informal economies who need urgent access to social protection outside of contributory schemes. The GFSP can support governments, particularly LICs, with the technical capacity and financial resources to effectively design and implement social protection programs that center the needs of extreme poor people and others excluded from existing systems. It can convene national civil society organizations and NGOs with government partners to integrate local design and knowledge into identifying appropriate country floors, thereby capacitating these actors to support expanded social protection coverage after the funding period. The GFSP can further ensure sustainable resources for expanded social protection coverage at a global level, while simultaneously helping LICs increase domestic resource mobilization for long term ownership.

#### **1.2. Do you see one or more of these objectives as a priority?**

Objective (a) and (b) are priorities. Recognizing the lack of effective global coordination around provision of social protection for people in extreme poverty, the Fund can help to drive Objective (a) by i) promoting design and uptake of more social protection programs that address the acute, multidimensional vulnerabilities faced by those in extreme poverty, and ii) ensuring additional mechanisms are put in place to ensure people in extreme poverty can access these programs and are included in universal social protection coverage. A global resource for establishing universal social protection must intentionally center the need to reach and build the resilience of those in extreme poverty through strengthened and expanded government systems.

While it is positive that the proportion of Official Development Assistance (ODA) for Africa and LICs rose in the past two years, the overall stagnation and decline of ODA over the last decade indicates that ODA alone will likely not supply the required funding to achieve the SDGs, including Target 1.3. With the redirection of resources towards public health responses to COVID-19, this has become even more unlikely. It is therefore critical to break any overreliance on ODA and move LICs on a path towards more sustainable domestic resource mobilization to fund expanded social protection systems. This can be done through the financial and technical support arm of the GFSP under Objective (b) to help countries build stronger tax bases and better utilize tools like Integrated National Financing Frameworks (INFFs).

### **2. Synergies with existing initiatives**

#### **2.1. How to ensure that the initiative for a Global Fund for Social Protection builds on, and ensures appropriate synergies with, existing initiatives in this area, in particular the coordination achieved through**

## **SPIAC-B (Social Protection Inter-Agency Cooperation Board), USP2030 (Universal Social Protection 2030 Partnership), and the ILO Flagship Programme on “Building Social Protection for All”)?**

All partners need clarity on the individual mission, contribution, and accountabilities of each initiative to the GFSP’s objectives, including its focal points within SPIAC-B, USP 2030, and the ILO Flagship Programme. Each initiative should incorporate a series of indicators that outline successful coordination between itself and other entities into their individual metrics for success.

### **2.2. How to ensure that the GFSP complements, and does not compete with, other existing multilateral funds, in particular the funds placed under the Multi-Partner Trust Fund Office ([MPTF Office](#))?**

To ensure complementarity and results alignment, the GFSP can coordinate with the MPTF Office to leverage funds placed under it that are mobilizing resources for initiatives related to expanded or strengthened social systems. Through this coordination, the GFSP can benefit from exposure to fund contributors across the United Nations system, as well as potentially engage in joint funding rounds with topically relevant funds including those with an extreme poverty or marginalized group lens. Where funds under the MPTF Office do not have a sufficient focus on ensuring resources meet the needs of the extreme poor, the GFSP can share methodologies and indicators to encourage broader uptake of an extreme poor lens and build in mutual accountability to the extreme poor across the United Nations system.

## **3. Strengthening international coordination**

### **3.1. How can objective (b) (capacity-building and improved international cooperation in order to strengthen the ability for LICs to mobilize domestic resources) be most effectively achieved?**

The GFSP should bring in civil society partners around the call for governments to prioritize social protection floors in order to build sustained demand around mobilization of domestic resources, generate necessary political will, and support where capacity is limited. The initiative should develop a strong learning agenda bringing together multilateral and government actors with country-level NGOs and academic institutions to bolster its technical support capacity and elevate best practices around designing and implementing floors to governments. This includes ensuring technical expertise that can be tapped to speak to different aspects of domestic resource mobilization for social protection, to include generating revenue through just and equitable taxation and to encourage political will for social protection particularly in the post-COVID environment.

The initiative should also take a balanced view of formalization, recognizing that many LICs will take decades potentially to bring lower income and middle class workers into the formal economy. Informality and self-employment is particularly prevalent among extreme poor workers in LICs, thus in order to reach and include them in expanded systems, a flexible approach to formalization is needed.

### **3.2. Could the GFSP lead to improved international coordination against tax evasion and tax avoidance, including base erosion and profit shifting by transnational corporations, and, if so, how?**

Yes, and this should be a central priority under Objective (b). By designing GFSP funds to be disbursed in part based on adopting international commitments to fair taxation, this can generate mass solidarity among LICs who might otherwise struggle to enforce tax policy for transnational corporations and others, thereby mobilizing significant domestic resources to fund sustainable floors. Transnational corporations can help to champion this if they are educated about their interest and role in expanded social protection systems that build resilience and even productive capacity, such as economic inclusion approaches such as Graduation. However, prioritization of this sub-track should be dependent on the level of funding, resources, and political will the Fund is able to attract in order to ensure central objectives are achieved.

## **4. Provision of financial support**

#### **4.1. How can objective (c) (increased levels of financial support to low-income countries) be most effectively achieved?**

The initiative should strengthen rather than undermine existing mechanisms for coordinating international funding. It can promote the need for better leveraging of IDA for social protection, including i) advocating for increased IDA to go towards social protection, and ii) advocate for funding to go towards building local capacity to deliver quality comprehensive social protection that includes people in extreme poverty. The initiative can furthermore focus on defending existing ODA funds and increasing the proportion of ODA committed by OECD countries for social protection in LICs and African nations through the post-pandemic economic period.

#### **4.2. If the GFSP provides financial support for the establishment of social protection floors, should this be in the form of grants or in the form of loans?**

Financial support should come in the form of grants, and these should be contingent on governments reporting on clear metrics and targeting related to outcomes for the extreme poor. LICs are struggling significantly under both COVID and pre-COVID loan repayment systems, which previously diverted funds from critical health infrastructure and left people in extreme poverty more exposed and vulnerable to shocks.

#### **4.3. Should financial support be made conditional upon recipient countries increasing their own budgetary efforts towards social protection (e.g. through matching funds)?**

The GFSP must at all costs avoid establishing another global system imposing stringent conditions on LICs, and should instead strive to support recipient countries in a gradual transition to local ownership through clear commitments and financing frameworks. Agreement on reasonable conditions should be context specific and developed as part of a collaborative effort, not a mandate on LICs. The GFSP must provide strong incentives for countries to maintain and continue strengthening universal social protection systems, potentially through loan renegotiation and other mechanisms.

The GFSP can develop a Readiness funding program for countries with nascent or fragile social protection infrastructure, without conditionality. Through this, countries will receive support to build institutional capacities, governance mechanisms, and planning and programming frameworks that ensure existing social protection systems are capable of reaching their most poor vulnerable people. They can also receive preparatory support to apply for the GFSP's primary funding program and progressively expand existing systems into universal floors. The Readiness program can allocate 50% of funding for LICs, as the Green Climate Fund's program does, to ensure capacity is built in the most vulnerable contexts.

#### **4.4. Should other conditions be imposed on recipient countries and, if so, which ones and why?**

N/A

#### **4.5. How could the imposition of conditions be reconciled with the principle of national ownership?**

National ownership in itself can be made a long term condition for financial support, with the onus for facilitating this process placed on the Fund. There should be clear indicators developed to measure the actual degree of national ownership over the funding period for countries with relatively more social protection infrastructure in place, and the degree of preparedness for national ownership for countries that have little to none in place. The technical assistance provided by the GFSP to governments under Objective (b) should be mandated to capacitate local partners where possible to become accredited entities under the Fund, with ability to support governments in designing and implementing floors. This can help avoid excessive continued ownership of these processes by UN agencies or other multilateral actors.

### **5. Innovative sources of financing**

**5.1. Should the GFSP develop into a forum for the discussion of innovative sources of financing, such as a worldwide tax on digital companies (the "GAFAM"), a carbon tax on air or maritime transport, a tax on financial transactions, or other?**

This may cause the GFSP to drift from its original stated objectives, and would introduce other interests since revenue from these taxes would likely need to be spent across multiple sectors beyond social protection. It is important for the GFSP to focus on capacitating governments to increase and strengthen their commitments to social protection.

## **6. The informal economy**

**6.1. Should the GFSP play a role in encouraging the extension of social protection to workers in the informal economy, in line with [ILO Recommendation No. 204 on the Transition from the Informal to the Formal Economy \(2015\)](#), and, if so, how would it do so?**

In the pandemic context, our existing goal to achieve universal floors by 2030 under SDG Target 1.3.1 has moved further out of reach. Informal workers, including many of the working extreme poor, are being disproportionately and urgently impacted by government social distancing measures and a lack of universal social protection coverage. Expanding universal floors to include workers in their current level of informality, as outlined under the recommendations of the Global Commission for the Future of Work, can reach uncovered workers more immediately and pave a long term path towards greater formalization by bringing them into social systems. Prioritizing transition from the informal to the formal economy as a means of expanding social protection through contributory schemes could take far longer and would likely not have the effect of assisting the most vulnerable and marginalized groups in the near term.

## **7. Role of the private sector**

**7.1. Should the private insurance sector play a role in the organisation of the reinsurance branch of the GFSP and, if so, how do you envision such a role?**

The private insurance sector should play a role given their vested interest in strengthened and expanded social protection systems that can mitigate the long term cost of recovery from crises in LICs. The GFSP can tap expertise to help governments plan for future risks including disasters and pandemics that will threaten existing service delivery mechanisms and markedly increase social protection needs within a concentrated period. The experience of COVID-19 has revealed that despite unprecedented losses, the sector remains strong and well-capitalized with an important role to play in governments' recovery. Sector representation in the GFSP must include private insurance companies from LICs, many of whom have expertise developing context-specific innovations that should be elevated and shared at the global level.

## **8. Governance**

**8.1. What governance structure should the GFSP have?**

The governance of the GFSP should include governments, multilaterals, NGOs and civil society actors that are representative of a range of different systems, including countries where social protection systems are more advanced and those where systems are more nascent. The Board of the GFSP should include representatives for both developed and developing country parties, potentially at a regional level (ie. Representative for Developing Country parties from the Asia-Pacific States). Its Secretariat should house a range of technical expertise including in designing and implementing social protection systems to be inclusive of marginalized and vulnerable groups.

**8.2. What roles do you envision for governments, for international agencies (such as, in particular, the ILO, the World Bank, or the UNDP), or for social partners?**

Governments, particularly those from LICs, should oversee the governance of the Fund as detailed above. The role of international agencies can be to drive learning and elevate evidence around universal social protection best practices, including by convening local partners with governments to encourage local learning and innovation. International agencies can also support governments in developing the right policies to enable and fund universal social protection floors and increase domestic resource mobilization. Social partners should be invited to serve on committees, panels, and working groups of the Board to provide technical expertise to discrete operations, including program design and implementation, capacity-building to governments for national ownership, and citizen engagement.

### **8.3. What lessons can be drawn, in particular, from the [Global Fund](#) on AIDS, tuberculosis and malaria?**

The Global Fund can be a model for successful investment in country-led solutions, however the degree to which it has successfully strengthened country systems remains unclear. Its advocacy voice can be constrained by the need to leverage funders with competing priorities, including foundations and corporations. Successful social protection also requires deep consideration of cultural differences to directly inform program implementation and design in order to meet multidimensional needs of the most vulnerable groups. Social protection solutions tend to require a more holistic and locally-led design than health programs such as vaccine development and distribution for example which can benefit from using similar models and solutions across context. Even among supporters of universal social protection, there are real ideological differences that require input and discussion among local actors in each context to determine appropriate measures. The GFSP should develop metrics to understand not only how it is increasing global social protection coverage, but whether it is strengthening the legal parameters around social protection and building civil society engagement in countries to ensure sustainability of floors.

## **9. Next steps**

### **9.1. If a mandate were to be given to certain organisations to develop operational proposals for the establishment of the GFSP, what approach would you recommend?**

There should be involvement from institutions that are currently providing the most funding for social protection to LICs, notably the World Bank, as well as the Asian Development Bank, and African Development Bank and EU. While the ILO and OECD should have involvement, the ILO does not have experience managing funds and the OECD does not sufficiently represent the countries that would use this Fund. The approach the World Bank takes to design social protection floors around the needs of people in extreme poverty, as well as ensure their access to quality social protection as a means of progressively expanding coverage, is the correct one to guide the philosophy and operations of this Fund.

### **9.2. Should SPIAC-B be tasked with this mandate? Or USP2030? Or should another approach be followed, for instance requesting that the OECD and the ILO develop operational proposals for the GFSP?**

In theory the mandate should lie with SPIAC-B. The GFSP would become the main financing and capacity-building arm of SPIAC-B, and could be jointly managed there by multilaterals with the greatest funding towards social protection and the greatest representation of LICs, while drawing in the right technical expertise from a rotating observing membership of NGOs, private companies, academic institutions, and others as needed.