



## MINISTRY OF LABOUR AND SOCIAL PROTECTION

### STATE DEPARTMENT OF SOCIAL PROTECTION

#### VIEWS ON THE PROPOSED GLOBAL FUND FOR SOCIAL PROTECTION (GFSP)

##### 1.0 ADDED VALUE OF THE GLOBAL FUND FOR SOCIAL PROTECTION (GFSP)

Objectives of the GFSP:

- a) To improve coordination of efforts towards the establishment of Social Protection Floors Worldwide, both at multilateral/inter-agency and at country level;
- b) To support capacity building and improvement of international cooperation in order to strengthen the ability of Low Income Countries (LICs) to mobilize domestic resources;
- c) To facilitate increasing of levels of financial support to Low Income Countries;
- d) To support the provision of risk insurance to 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 establishment and operationalization of the GFSP, based on these strategic objectives, would help move the social protection agenda upward and forward both at country level and on the global scale and elevate the role of social protection in promoting sustainable development and inclusive growth. Since social protection forms very key components of the Sustainable Development Goals (SDGs), the Fund will be very instrumental in assisting in the financing of the key strategies laid down, especially by the financially constrained LICs, for the achievement of the defined development goals at the respective country levels and aggregately at the global level.

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

Even though all these objectives would almost score the same in the priority scale, we would tend to prioritize objective (b) on capacity development and improvement of international cooperation for better domestic resource mobilization. This is critical because it would help in two dimensions: i) it would help develop/strengthen internal capacities to be able to effectively and efficiently manage social protection systems and; ii) it would also help in addressing long-term perspectives and sustainability in terms of the country



being able to finance its own social protection systems. Since social protection is not yet a very old concept in the country, there are still apparent capacity gaps, especially at the devolved levels and the private sector. This particular objective would stand at the pole position in being able to operationalize even the provisions of the other intended objectives.

## **2.0 SYNERGIES WITH EXISTING INITIATIVES**

*2.1 How to ensure that the initiative for Global Fund for Social Protection builds on, and ensure appropriate synergies with existing initiative in this area, in particular the coordination achieved through SPIAC-B (Social Protection Inter-Agency Cooperation Board, USP 2030 (Universal Social Protection 2030 Partnership), and the ILO Flagship Programme on “Building Social Protection for All”)?*

To ensure synergy and avoid unnecessary duplication of efforts and interventions, it is important to focus on the gaps by these existent bodies and see into how the Fund could complement and advance further, where these other agencies may have been limited. This can be achieved by clearly defining the role of the Fund and also ensuring an inclusive process in its establishment and operationalization, especially by consulting with these aforementioned bodies and more critically, at this formative stage.

*2.2 How to ensure that the GFSP, complement and does not compete with other existing multilateral funds, particularly funds placed under the Multi-Partner Trust Fund Office (MPTFO)?*

As already mentioned above, the gap which the Fund is seeking to address should be very clear, paying particular attention to the existing funds and bodies with similar intentions or ambition. The inclusive dialogue indicated above and the rationale for the fund should be a very honest, clear and evidence-based. This should be backed up by clear purpose, function and focus. It should be possible to see at a snapshot how GFSP builds or juxtaposes on the existing establishments without creating any shade or shadow.

## **3.0 STRENGTHENING INTERNATIONAL COORDINATION**

*3.1 How can objective (b) (capacity building and improvement of international cooperation in order to strengthen the ability of Low Income Countries (LICs) s to mobilize domestic resources) be most effectively achieved?*

This can be achieved by having and implementing a universally agreed upon training curriculum for Social protection, with very clear outputs and outcomes, tailored to fit country contexts. This should be complemented by a clear Monitoring, Evaluation and



Reporting (ME&R) framework which will assist in tracking changes on the intended objectives. This can be cascaded to various levels at the country level and to various actors in the social protection space in the country, to ensure that we build the necessary pool of social protection experts in diverse fields (and particularly in social protection financing) for increased policy influence and social protection uptake.

*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?*

Although it might be difficult in the immediate term to see the direct relation of this fact, we believe that by ensuring more inclusive schemes through the establishment of a proper SPF, where all categories of the society benefit, especially the middle class and the informal economy workers, who are also the greatest contributors to the national economy, then we would see the social contract strengthened and more people will see the value of paying their taxes. It would be possible to see a more direct benefit of taxation once these minimum social security guarantees/benefits are fully implemented and have taken off and therefore we believe that, together with other interventions, this fund would help reduce on tax avoidance and profit shifting.

This would be more realizable under objective (b) as the country strengthens its domestic resource mobilization strategies and the imperative need to the prudent use of these resources. These strategies will equally call for international cooperation to help curb illicit financial flows and malpractices and assist in reducing international assistance and enhance domestic reserves.

#### **4.0 PROVISION OF FINANCIAL SUPPORT**

*4.1 How can objective (c) (increased levels of financial support to Low Income Countries) be most effectively achieved?*

This can be done through direct financing but more focused on systems establishment and strengthening and accompanied or preceded by efficient capacity development strategy.

*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 form of loans?*

This should preferably be a well-designed grant with robust grant guidelines so that we do not again expose the LICs to further financial constraints as they struggle to pay the loans and the interests. The only issue to address here is the design of the grant disbursements and utilization.



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

Though this would seem the most appropriate arrangement and a preferred option that is appropriate for elevating government ownership. We would propose a graduated and a phased approach to this proposal since in some cases, it would take some initial unconditional initiatives to develop the necessary political will to allow for the matching of benefits from the fund.

The point here is that we could begin with unconditional interventions (especially in those LICs that are at very rudimentary states of establishing their social protection systems) to form the necessary evidence for policy influence before going for the matched funding, otherwise for the more stable LICs with more established systems, matching of funding would suffice since it would promote national commitment and sustainability.

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

We propose that no further stringent conditions be attached to the Fund because it may also work perversely on the intended purpose or the target nations to the extent that it may hinder access or perpetuate further inequality. We must try and ensure that we create as much level ground as possible amongst these LICs and that the Fund does not solve one problem by creating another.

The only other soft conditionality we would propose is perhaps with regards to efficient monitoring, reporting and financial propriety. Proper accountability mechanisms should be in place to ensure prudent use of resources with very clear retributive mechanisms even at the fund level.

*4.5 How can the imposition of conditions be reconciled with the principle of national ownership?*

The conditionalities must be cognizant of the country context and level of development. These should be developed in consultation with the country(ies) and should be alive to domestic (financing) realities and the existent political economy. There should not be blanket and top-down application and imposition of the conditions on the countries. If possible, the Ministries of finance, and for Kenya, the National Treasury, should be consulted. It would also profit to have a sample representation from some of the LICs just to see into what would averagely fit. Only under these circumstances would it then be possible, at the country level, to own up and positively identify with these conditions and



therefore have them work for the advancement of social protection and more so with respect to increasing fiscal space.

## **5.0 INNOVATIVE SOURCES OF FINANCING**

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

We believe it should, since the issue of effective and sustainable social protection financing is a critical matter which will continue to attract new ideas and approaches hence the need for constant adoptions and adaptations at both global and at country levels. Allowing it to serve as a forum would also facilitate exchange of innovative ideas and best practices on social protection financing and allow for information flow amongst the member countries for positive transformation.

## **6.0 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 the ILO Recommendation No. 204 on the Transition from the Informal to the Formal Economy (2015), and if so, how would it do so?*

Absolutely yes, since this is the sector that enjoys the lowest level of social protection coverage in most of the LICs, yet it is the sector that makes the greatest contribution to the national economy and if the growing trends of informality goes on unaddressed in these countries, then it will not only be difficult to ensure comprehensive social protection coverage but also affect the level of domestic resources that can be mobilized through taxation which is the primary source of social protection financing.

The Fund could be used to support innovative approaches and strategies for extending social protection to the informal and rural economy. One such aspect would be to support the incentivization of the informal towards formalization and perhaps supporting the government in introducing affordable, attractive and flexible benefits/schemes.

The Fund could also support well targeted sensitization and capacity building strategies for this sector in order to raise the level of awareness, which would then facilitate uptake of social security benefits for the workers and employers in this sector.



## **7.0 ROLE OF THE PRIVATE SECTOR**

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

By virtue of the fact the most of the mandatory contributory national schemes do not offer comprehensive cover for the workers, for example the National Health Insurance schemes, and therefore most of the workers often go for more comprehensive covers in the private schemes. It is important that private insurances are also involved in the discourse of shaping best and affordable flexible schemes that could complement the national schemes.

Again it is important that private insurance agencies are incorporated especially in the new dimensions of shock-responsive social protection so that the fund could be used to support, under a well-constructed arrangement, those insurance firms that are able to cover for example the small-holder poor and vulnerable farmers and the pastoralists, just to ensure that these categories of people are cushioned from the various risks and shocks.

## **8.0 GOVERNANCE**

*8.1 What governance structure should the GFSP have?*

The governance structure should be an inclusive, lean and efficient management team that should also have representation from the LICs at the highest apex, but could have regional offices as per the spatial dispersion of the LICs.

*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?*

By virtue of their long experience in managing Funds of this nature at the global level and the critical knowledge they hold in social protection, right from design to implementation and monitoring, they would be valuable source of information in guiding the design and operationalization of the Fund.

It is also important to take note of the fact that most of these organizations and institutions would also provide the necessary financial support to the Fund. We want to believe that they would be one of the key sources of financing for the Fund.

Governments are the key stakeholders in this whole arena since it is the constitutional responsibility of governments to provide social protection to its citizens. Again in one way or the other, governments will be required to either support in direct financing or indirectly by ensuring the relevant systems and strategies are in place, and provide the requisite conducive environment for implementation of some of the proposals. Actually they are



the ones required to establish the SPFs based on the adoption of the relevant ILO Recommendations.

The various agencies and institutions mentioned above would also be critical in supporting the development of relevant legislative provisions that would go into managing or operationalizing the Fund, both at the global and at the country levels. Governments would be the lead agencies in the domestication of such legislations while the Civil Society Organizations in their oversight and accountability monitoring role would be instrumental in keeping implementers on track.

### *8.3 What lessons can be drawn, in particular, from the Global Fund on AIDs, Tuberculosis and Malaria?*

We want to believe the Fund will never need to re-invent the wheel since these other existent funds are laden with important knowledge in all dimensions of the Fund establishment and operationalization. A reflection on the general management and administration of these other global funds will provide very useful knowledge on the appropriate and effective mechanisms for designing and implementing the GFSP.

The evidence base from the general impacts of the funds together with the documented challenges over time and the redress mechanisms can inform the overall direction of the GFSP on its many dimensions and said objectives. Better policy decisions and direction can be achieved for the GFSP by tapping into the experiences and lessons from the existent funds mentioned above which could shorten the success curve for the Fund and for the achievement of the intended objective.

## **9.0 NEXT STEPS**

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

It would be important for that agency to adopt a broad-base and inclusive consultative process with a clear and robust engagement plan. Undertake a well-designed stakeholder engagement, beginning with the existing global funds, the leading agencies in the social protection space, analysis of varied LICs contexts, develop various scenarios and generally undertake deep 'analytical research' on this area.



*9.2 Should the SPIAC-B be tasked with the mandate? Or USP 2030? Or should another approach be followed, for instance requesting the OECD and the ILO develop operational proposals for the GFSP?*

Once there is a general agreement on the nobility and the necessity of this initiative by the various agencies, institutions and governments, the preferred option would be to have a multi-agency team, bringing together all these institutions and agencies, and consolidating the rich knowledge and experiences into a well thought out, coherent and objective operational proposal for the Fund.