

Key questions and types of input sought

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**?

Overall, **we welcome the initiative to draw more international attention to Social Protection and assign political priority towards an efficient and well-coordinated approach of establishing social protection systems in LDCs/LICs**. However, it needs to be clearly worked out how a GFSP will **complement the existing initiatives** (USP 2030 and SPIAC-B) and **through which mechanism it would generate more impact**. As the concept of the GFSPA is still very vague, it is difficult to discuss concrete areas of value added – **it will depend a lot on the design**.

- (a) Whereas **we see the added value of an improved coordination of efforts both at multilateral /inter-agency level**, the **implementation needs to happen on a national level** with the local government in the drivers seat. The design of Social Protection Systems is country-specific and highly political. As the experience from developed countries show, complex systems like social protection or health systems often evolve through incremental change over decades. While events like COVID-19 can certainly speed up the process, governments still need time for public dialogue for systems to truly be the expression of a social contract between a government and its citizens. If this is not the case, the system will not be sustainable. Here we see the limits of a Global Fund as financing mechanism.
- (b) If the GFSPA would act as umbrella entity to **coordinate and provide technical expertise on system-building**, this **might also be an added value**, if it proves more efficient in a comparative analysis. We are not sure if it would strengthen the ability for LICs to mobilize domestic resources. International pressure could provide an incentive for governments. However, **expenditure pressure from other sectors (education, energy, transport, etc.) will remain strong and as relevant as expenditure for SP – in the end, it is a balancing act**.
- (c) More awareness and knowledge about the importance of Social Protection for sustainable and peaceful development **might create more willingness to pay** for it to some degree. However, it **should be avoided that the GFSP competes for funding with existing initiatives**, if it is not clear that the implementation would be more efficient through GFSP. Because the overall development aid-budget will likely remain stable or might decrease due to COVID-19 domestic costs, this would mean the GFSP could be competing for funds with already existing initiatives and could cause them to be discontinued. The result would then not be more funding for SP, but the same level of funding just through a different channel.
- (d) We see potential value added **in providing risk-insurance for LICs** through this initiative. **This option should be further developed together with the private risk-insurance industry**.

*Overall, we welcome the initiative and underline the conclusions from the High-level Expert Meeting that **one should first clearly establish the added value of any new initiative on the basis of a***

*detailed comparative analysis. The GFSPA should play a coordinating role, facilitating policy coherence and financial synergies at both national and international levels through a **clear roadmap**.*

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

We see no value added in the creation of a new Global Funding Platform which collects and redistributes financial contributions which would otherwise be channeled through bilateral cooperation. The value added of a Global Initiative primarily lies in (a) coordinating international efforts, (b) generating more attention for SP and (c) sharing experiences among partner countries and donors. Furthermore, we see untapped potential in a risk-insurance mechanism (objective (d)).

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"?)

First, a comparative analysis will show whether and where a specific GFSP-Design Proposal has comparative advantages in relation to existing initiatives. Then a suitable system for coordination can be developed.

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](#))?

Again, a comparative analysis will show whether and where a certain GFSP-Design Proposal has comparative advantages in relation to other existing multilateral funds or cooperation mechanisms like Policy-based Financing (budget-financing of a reform agenda by multiple donors). On this basis a clear-cut division of responsibility and coordinating measures can be developed.

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?

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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?

The issue of tax evasion cannot be solved by one sector initiative. There are other initiatives already in place (e.g. Addis Tax Initiative) – we do not see how a GFSP would have a comparative advantage to change international tax law and improve enforcement.

Also, if tax evasion and tax avoidance would be curbed, it is not evident that the benefits would go towards SP-Systems. The competition for budget funds between the household sectors is and will remain very high. SP is not the only sector with eligible financing needs (education, health, energy, water,...).

4. Provision of financial support

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

International **awareness raising on the importance and efficiency of SP** for sustainable and peaceful development and resilient societies **could help to increase flow of funds**. Still many misconceptions about Social Protection Programs exist with political leaders globally. A certain kind of **peer pressure could also boost financial flows**.

One **central problem** is that most low-income countries **do not have the systems to absorb increased levels of financial support**. Therefore, **system building needs to be a priority**, to allow for increased funding.

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?

As with all other development aid, this should **depend on the financial capacity of the country**. Many countries are able and willing to take a loan in order to build-up their systems and this would also be a proof of ownership. Economically SP often shows a positive return, but financially it stresses the budget, so debt sustainability must always be assured.

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

In general, it should be clear that the recipient government needs to show ownership in contributing to the effort, and citizens must be aware, that it is a national effort, which must (in the long run) be completely financed by domestic resources. Therefore an increasing share of domestic finance is required to prepare the exit from donor finance.

We usually make the existence of a sector policy strategy as well as an agreed household budget for the sector a precondition for financial support in relation to systems building.

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

1. Social Protection Strategy
2. Agreed Sector Budget (by law)
3. Strong Public Financial Management System

These three preconditions should be met to assure the ownership and commitment of the country and the efficiency of the use of funds.

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

The three aforementioned conditions should serve the purpose of assuring national ownership and a path towards sustainable financing.

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 could be an additional source of financing See answer on Question 3.2.

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?

Yes. Developing innovative (digital) models for the **inclusion of the informal economy into social security schemes** is important. Social insurance schemes linked exclusively to formal employment do not work in highly informal economies.

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 sector is very important in providing social protection to all**. Therefore, the private insurance sector should be included in general, not only in a possible reinsurance branch.

8. Governance

8.1. What governance structure should the GFSP have?

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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?

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

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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?

The approach should be participatory. All stakeholders should be consulted regularly. Especially recipient countries should be able to voice their needs and concerns.

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?

SPIAC-B might be a good forum to discuss and decide who should be tasked with the mandate.