**Reaction to forthcoming OHCHR report on Global Fund for Social Protection – personal contribution by Marcus Manuel**

*Disclaimer – While this note draws in part on Overseas Development Institute (ODI) published research that I have contributed to, the views in this note are my own. This note does not necessarily reflect the views of other colleagues at ODI or ODI as an institute or the funders of the ODI research*. *As my research focuses on financial issues I have just commented on those questions in my contribution.* *All references are included at the end*

**I Added value of the Global Fund for Social Protection (GFSP)**

I think are in general eight interlinked potential lessons from a global fund approach, drawing on the experience of funds to date, in particular the Global Fund (for health)[[1]](#endnote-1). I think many of these lessons also apply to the proposed GFSP.

1. Strengthened international political commitment
2. Management of donor risk
3. Stronger focus on data, results, learning and innovation
4. More effective collective donor effort
5. Stimulation of national strategies for scaling up service delivery
6. Stronger engagement with national budgets to ensure affordable sustainable solutions
7. Crowding in new funding sources
8. Creation of new partnerships between national governments, civil society, the private sector and academia.

As regards the particular case for the GFSP I think

* ODI’s flagship report[[2]](#endnote-2) in 2015 set out a strong case for a new global social protection facility. One of the key arguments was the need for a new financial architecture to mediate between donors operating on short term budgetary horizons and governments making long term social protection comments. The absence of a long-term multilateral structure in the past has made LIC governments reluctant to embark on major nationwide programme.
* A new international mechanism would make clear that social protection is not just about reducing inequality within countries but is also about reducing inequality between countries. In my view one reason that social protection has been low on the priority list for LIC governments (and donors operating in LICs) is the recognition that there is limited capacity to redistribute income if most people are living in extreme poverty. But such circumstances are well suited to donors that want to address global extreme poverty. Where there are many people in poverty there is no need to target and donor investment in universal benefits can be a very efficient form of support.
* A new financial mechanism would also change the political economy around social protection. It is much easier for a government to accept external finance that is seen as being politically neutral and is part of global effort to address global inequality. It is also easier to agree financial management provisions and audit processes. This echoes the experience of debt relief which had a different domestic political profile than normal development assistance.
* The existing international financial architecture was not designed to provide global funding for social protection. One reason that the Global Fund (for health) was created was that the WHO had not been created to be a major international funding mechanism. The ILO is in a similar position. The World Bank was created to enable countries to borrow, yet many countries are reluctant to borrow externally for social protection programmes. Other key possible agencies are constrained by their mandates. The World Food Programme mandate is on humanitarian contexts and short-term funding cycles. UNICEF’s mandate is to focus mainly on children.

**IV Provision of financial support**

In my view the key arguments for increasing external finance for social protection include

1. Numerous reports - including now four by ODI[[3]](#endnote-3) – have shown that most LICs cannot afford to invest in social protection even at the level needed just to address extreme poverty. This is the case even if they maximise the amount of taxation they raise to the level that the IMF and World Bank think is feasible and increase their share of sending on social protection in line with international targets. ODI latest estimates of financing gap in LICs, after both these steps have been taken, is circa $50 billion a year[[4]](#endnote-4). Further detail on the assumptions behind these costings is set out in Annex A.
2. The most recent of these ODI reports. published in November[[5]](#endnote-5), identified social protection as being by far the least well-funded sector in LICs.
3. Social protection is a key element of “building back better” after this pandemic. First social protection is critical for building the resilience of the poorest to future pandemics. This crisis has prompted greater use of the existing patchwork of schemes run by governments, humanitarian donors and NGOs. At the same time the crisis has revealed how thinly these are spread in the poorest countries and how inefficient it is to have multiple uncoordinated independent schemes. Second social protection is a key element for addressing the two great long-term global crises – inequality and climate change.

**V Additional sources of financing**

Climate finance could be a major source of financing for a global social protection fund. Social protection is becoming increasingly appreciated as an effective adaption measure in poorer countries. [[6]](#endnote-6) As donor climate finance investment in Ethiopian’s large-scale social protection programmes testifies, such mechanisms help poor subsistence farmers adapt to climate change, by both building their resilience to extreme weather events and by supporting their development of off farm income sources.

Climate finance would be particularly appropriate if the global fund prioritises the needs of the poorest countries. It is increasingly recognised that climate finance is inequitably allocated in favour of richer countries and is imbalanced in favour of mitigation rather than adaptation. A global social protection fund would help re-balance funding towards the poorer countries and adaptation support.

A more radical area that might be worth exploring is additional earmarked voluntary funding from schools, businesses and cities. Funding amount would be linked to number of children/people in the funding institution and associated with same number of children/people in a specific school or city receiving additional social protection benefits.

**Annex A Details of latest social protection costing estimates (prepared by Martin Evans, Senior Research Fellow ODI)**

The precise design of social protection programmes to address poverty varies across countries depending on their context and history. Our estimate does not attempt to consider which precise design would be most appropriate at the national level. Our outline proposal is to ensure countries have the funding they need to provide a basic set of social protection transfers and services that can lift the poor population towards or over the international extreme poverty line of $1.90. Many countries may choose to spend more than this minimum and provide more than a floor e.g. through contributory benefits and pension schemes, although those programmes tend to be less progressive. Some countries may also want to make payments conditional e.g. on children attending school or receiving vaccination.

Our stylised costings are based on the

1. size of the aggregate extreme poverty gap in each country: i.e. the shortfall in consumption or income level relative to the extreme poverty line.
2. projected levels of poverty so programmes are only scaled to be provided for people who are not expected to be lifted out of poverty by broader economic growth.
3. need to provide for different forms of transfers and services to consider the demographic and the economic drivers of improved livelihoods of poor people
4. recognition that long-term sustainability and domestic political acceptability considerations imply that the choice of the precise form of demographic cash transfers (e.g. to children and elderly people) needs to balance poverty reducing and universal coverage aims.
5. recognition that people with disabilities and those who are chronically ill would need additional support from cash and services.

The costings therefore cover three distinct types of transfers

1. *Age-specific transfers*: Children are over-represented among the extreme poor. The World Bank estimated that 19.5% of children under 18 years live in $1.90 extreme poverty compared to 9.2% for adults. Poverty is particularly high for children aged 0-9 and declines in older groups of children. So transfers that reflect the presence and/or the number of children can be a characteristic of an efficient poverty reducing transfer. Very high percentages of extremely poor households contain children in many countries. Most countries also recognise the need to provide support for elderly populations, even though they are less associated with poverty in poorer countries. The poorest countries have high fertility, and a large proportion of households contain children, while other richer countries differ. How far transfers to children (and the elderly) should be universal or not is thus a question of coverage and efficiency as well as a normative policy question, and best determined at national level to reflect political and economic constraints. To ensure countries can afford to choose, the costings here assume a universal approach, which is the more costly option. The difference between the universal and targeted approaches is not that large in high poverty countries, as targeted programmes would need to reach most of the population anyway and have much higher leakage rates and administration costs.
2. *Transfers* to *people living with disabilities*

People with disabilities face constraints on their ability to earn and have higher living costs for both their care and for essential goods. Transfers to individuals identified as having a qualifying level of disability can be an efficient response to support individuals with low incomes and compensate for the opportunity costs of carers. They also can counter prejudice and discrimination. We assume a universal approach to costing based on estimates of prevalence of disability in the working age population.

1. *Productive safety net/livelihood enhancing programmes:* These programmes should assist in smoothing underlying risks from uncertain income generation and encourage increasing productivity. Given that the child transfer allocation would provide an income and consumption smoothing for the large majority of economically active adults in the poorest countries, our stylised example provides for a ‘productive safety net’ type transfer based on public works employment for the adult population combined with ‘livelihood improvement services’ that will help improve productivity and promote business, based on the Ethiopian Productive Safety Net Programme.

**References**

1. #  Manuel, M. and Manuel, C. (2018) *Achieving equal access to justice for all by 2030: lessons from global funds* London: Overseas Development Institute <https://www.odi.org/publications/11161-achieving-equal-access-justice-all-2030-lessons-global-funds>

 [↑](#endnote-ref-1)
2. Greenhill, R., Carter, P., Hoy, C. and Manuel, M.(2015) *Financing the future – how international public finance should fund a global social compact to eradicate poverty* London: Overseas Development Institute <http://www.odi.org/publications/9462-financing-future-international-public-finance-should-fund-global-social-compact-eradicate-poverty> [↑](#endnote-ref-2)
3. Greenhill et al (2015)

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4. Manuel et al (2020) [↑](#endnote-ref-4)
5. Manuel et al (2020) [↑](#endnote-ref-5)
6. Bird, N., Manuel, M and Nakhooda, S. (2015) *Scaling up international support for adaptation: productive safety nets and reimbursable debt service*

<http://www.odi.org/publications/10080-scaling-up-international-support-adaptation-productive-safety-nets-reimbursable-debt-service> [↑](#endnote-ref-6)