

# Introduction

At present, 80 per cent of the global population does not enjoy a set of social guarantees that enable them to live a life in dignity and deal with life's risks. Ensuring basic social protection for these people, many of whom are struggling just to survive, is a necessity. The United Nations Social Protection Floor Initiative promotes universal access to essential social transfers and services.

Since the onset of the global financial and economic crisis, people around the world have faced lower incomes and fewer employment and livelihood opportunities as well as reduced access to social services, benefits, remittances and credit. While some voices already declare the end of the crisis, experts agree that we are now only starting to feel its social consequences.

The Secretary-General of the United Nations requested that urgent attention be given to the social impacts of the current global financial and economic crisis. On 5 April 2009, the High Level Committee on Programmes of the United Nations Chief Executives Board on Coordination committed to decisive and urgent multilateral action to address the global crisis through the deployment of all United Nations resources and its capacity to respond rapidly and effectively. An inter-agency agreement was reached on nine joint initiatives, among them the Social Protection Floor Initiative. This Initiative considers the provision of essential services and transfers for all individuals in need of protection in an effort to prevent them from falling into abject poverty or to assist them out of poverty.

The agreed objective of the Social Protection Floor Initiative is to support policies and activities that extend countries' social protection systems and basic social services in line with the needs of their population, especially poor and vulnerable groups, through an integrated approach that responds to the current crisis contexts as well as to countries' longer-term development needs

and perspectives. The related working definition of the social protection floor was agreed as guarantees that secure the availability and provision of and effective access to an essential level of quality social protection goods and services to all. On the supply side, this includes availability of quality health services, education services, water, sanitation, housing, food, and life- and asset-saving information. On the demand side, people are empowered to access these services through rights-based entitlements of in-kind or cash transfers. A key aspect of the social protection floor (SPF) concept is the holistic approach of looking simultaneously at supply- and demand-side factors for a range of social protection goods and services across the life cycle and for all population groups. This does not mean that countries should immediately start to establish schemes for all target groups and elements of the floor. Rather, a careful analysis of capacities, needs and existing schemes already in place will enable a rationalization of the policy-making process for a gradual building up of the social protection floor. The holistic approach is intended to facilitate the prioritization and sequencing of the different elements of the floor.

Every country in the world will already have some elements of the social protection floor in place and provide certain levels of benefits for (parts of) the population, sometimes through contributory schemes, sometimes also non-contributory schemes. Additionally, there are traditional and informal social protection elements that need support to be sustained. Also, many countries are currently being supported by different United Nations agencies to improve the delivery of social transfers and services as defined in the social protection floor framework. The Social Protection Floor Initiative builds on and does not crowd out these efforts that countries and United Nations agencies are undertaking, providing a holistic framework for the improved coordination and impact.

The social protection floor is emphasizing the importance for people of standing on a solid floor of living a life with dignity and investing in their skills and development to climb up to higher levels of well-being. The social protection floor is not a ceiling of benefits or an alternative to statutory social security schemes that are based on contributions and provide higher benefit levels. Rather, statutory social security schemes and social protection floor benefits are mutually reinforcing and depend on one another: without a basic level of investment in health, education, nutrition, etc., workers will not reach the skill level required to be employed in the formal economy. If, however, a social protection floor guarantees that everyone in a society will enjoy this basic level of social services and transfers, more people will be able to enter the formal economy and statutory social security schemes, which is important for their sustainability since risks will be pooled over a larger population. On the other hand, budgets for social protection floor benefits are politically easier to defend and financially easier to sustain, the larger the population that moves into formal employment.

The social protection floor is on the global development agenda. For example, Economic and Social Council Resolution 2010/12 adopted by the Commission for Social Development in February 2010 "urges Governments, with the cooperation of relevant entities, to develop systems of social protection and to extend or broaden, as appropriate, their effectiveness and

coverage, including for workers in the informal economy, recognizing the need for social protection systems". The September 2010 MDG Summit outcome document, Keeping the promise, states that "promoting universal access to social services and providing social protection floors can make an important contribution to consolidating and achieving further development gains" (para. 51).<sup>1</sup>

Many developing countries have already successfully taken measures to introduce elements of national social protection floors. A key strength of the social protection floor approach is that it does not start from scratch but with a careful analysis and stock-taking of existing structures and strengths and weaknesses of schemes and programmes in place. Building on the national social protection system by improving coordination of different activities, exploring synergies and increasing efficiency will free resources for extending social protection to those currently not covered.

## Impact of Social Protection Floor Programmes

A number of programmes have demonstrated that the impact of the social protection floor on poverty can be dramatic. Among the programmes that have been evaluated and analysed in detail are the Universal Child Allowance in Argentina, Renta Dignidad in Bolivia, Bolsa Família and the Rural Social Insurance Programme in Brazil, the General System of Social Security in Health in Colombia, the Mahatma Gandhi National Rural Employment Guarantee Scheme in India, programmes of the Ministry of Social Development (SEDESOL) in Mexico, the Vision 2020 *Umurenge* Programme in Rwanda, the Child Support Grant in South Africa and the Universal Coverage Scheme in Thailand.

Social protection programmes in the global South: Examples of assessed impact.

Country	Programme	Type	Coverage	Impact
Argentina	Asignación Universal por Hijo (AUH)	Universal child allowance	85% of Argentine children	85% of Argentine children <ul style="list-style-type: none"> <li>• Reduced poverty (-22%) and extreme poverty (-42%);</li> <li>• Positive impact on household income (for poorest households income almost doubled, for poor households income increased by 30%);</li> <li>• Reduction in income distribution gap.</li> </ul>
Bolivia (Pluri-national State of)	Renta Dignidad	Universal old-age pension (non-contributory)	800,000 beneficiaries (97% of total eligible beneficiaries)	<ul style="list-style-type: none"> <li>• 5.8% reduction in extreme poverty between 2007 and 2009 (especially in rural areas).</li> </ul>

<sup>1</sup> United Nations General Assembly, Draft resolution referred to the High-Level Plenary Meeting of the General Assembly by the General Assembly at its sixty-fourth session (document A/65/L.1, 17 September 2010).

## Social protection programmes in the global South: Examples of assessed impact (cont'd.).

Country	Programme	Type	Coverage	Impact
Brazil	Bolsa Família	Conditional cash transfer	26% of the population	<ul style="list-style-type: none"> <li>Reduced the poverty gap by 12% between 2001 and 2005;</li> <li>Contributed one third to the decline in income inequality over the last decade.</li> </ul>
Brazil	Rural Social Insurance Programme	Non-contributory pension and disability programme for the rural poor	80% of agricultural workers - 66% of rural population	<ul style="list-style-type: none"> <li>Reduction of 4 million poor people (53.5% of the rural population was still poor but this figure would have jumped to 68.1%);</li> <li>Reduction of 4.1 million indigent people (26.1% of the rural population was indigent in 2008, but without social transfers it would have been 41.3%).</li> </ul>
Colombia	The General System of Social Security in Health	Universal health coverage	90% of the population	<ul style="list-style-type: none"> <li>Facilitated the use of health services, especially among the poorest population and the rural population;</li> <li>Reduced poverty by more than 2% and inequality by more than 3%.</li> </ul>
India	Mahatma Gandhi National Rural Employment Guarantee Scheme	Wage employment programme	52.5 million households	<ul style="list-style-type: none"> <li>Increase in minimum wages for agricultural labourers;</li> <li>Decreased out-migration from villages;</li> <li>Women's empowerment;</li> <li>Positive impact on the geographical-ecological environment.</li> </ul>
Mexico	Oportunidades (Human Development Programme)	Conditional cash transfer	25% of the population	<p>Positive effects on:</p> <ul style="list-style-type: none"> <li>Education in rural areas: including increase in attainment;</li> <li>Health: including increased preventive medical check-ups, 11% reduction in maternal mortality and 2% reduction in infant mortality;</li> <li>Nutrition: including increase in the absolute height of children and families' increased total consumption.</li> </ul>
Rwanda	Vision 2020 Umurenge Programme	Public works, direct support and financial services	9,692 households benefited from direct support transfers – 78,004 benefited from public works	<p>Ongoing evaluations:</p> <ul style="list-style-type: none"> <li>Reduced poverty;</li> <li>Contributed to improvements in human poverty dimensions (such as education, health, food security and nutrition), community asset development, the environment and social participation.</li> </ul>
South Africa	Child Support Grant	Means-tested non-contributory cash transfer	10 million children - take-up rate ranges between 78% and 80% of the children who are eligible	<ul style="list-style-type: none"> <li>Reduced the poverty gap by 28.3%;</li> <li>Reduction of income inequality (all three social grants – old-age pension, disability grants, child support grant – lower the Gini coefficient by 3%).</li> </ul>
Thailand	Universal Coverage Scheme	Universal health care	80% of the population	<ul style="list-style-type: none"> <li>88,000 households in 2008 were prevented from falling below the poverty line;</li> <li>Increased access to care;</li> <li>Increased quality of care.</li> </ul>

## **Social Protection Is a Human Right**

Social protection has its roots in international instruments. For instance, Article 25 of the Universal Declaration of Human Rights states that “Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control”. It is also stipulated in article 22 of the Declaration that everyone has rights to social security and social protection.

## **Social Protection Is a Social Necessity**

A minimum of income security and access to services is the material basis for the functioning of families and households, which in turn provides the basis for social cohesion that is pivotal for the peaceful functioning of societies and States. There is ample evidence from European countries but also from developing countries with elements of the social protection floor in place such as Brazil, Mexico or South Africa that national social protection systems are effectively reducing poverty and inequality. In Mexico, the poverty gap was reduced by 30 per cent and the headcount poverty rate by 17 per cent by the Oportunidades programme between 1997 and 1999. In Brazil, the Bolsa Família programme accounted for 16 per cent of the recent drop in extreme poverty. Evidence from studies on the impact of basic social transfers in 30 developing countries has indicated not only substantial effects on poverty reduction and inequality but also on the improvement of social development indicators such as school enrolment and health and nutritional status. In some countries, cash transfers have also helped to reduce child labour, provide access to labour markets, improve social status and promote gender equality by strengthening the social status of women in households and communities.

## **Social Protection Is an Economic Investment**

Without investment in a basic social protection floor, countries will not be able to develop the full productive potential of their population. People who are vulnerable due to poverty, ill health, lack of education, social exclusion, etc. struggle to make investments in their future or their children’s future and are at a constant risk of being affected by the next shock.

Evidence from developing countries demonstrates that social protection empowers people to invest in productive activities and engage more in the labour market, stimulates local economies (including important counter-cyclical effects such as stabilizing aggregate demand in times of crisis) and has a positive impact on human capital with long-term productivity gains. For example, through social transfers, health insurance and family support policies, social protection has been shown to encourage labour-market participation in low- and middle-income countries by guaranteeing public works

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opportunities, covering the costs of job-seeking and supporting family childcare responsibilities – with strong effects for women in particular. Public works programmes can also build relevant public goods and infrastructure in local communities, contributing to growth (see, for example, the Indian case study, “The Mahatma Gandhi National Rural Employment Guarantee Act”). Social insurance can overcome market failures, contributing to efficiency by enabling households to use their resources more effectively, and encouraging the risk-taking and innovation essential for growth.<sup>2</sup>

Only if people can move out of low-productivity and subsistence-level activities can an economy grow. Higher incomes can also help to generate tax revenues for the financing of a social protection system, permitting the necessary infrastructure and services to be further enhanced – creating a virtuous cycle that can help to achieve higher levels of welfare and growth. A social protection floor is thus a necessary condition for a successful fight against persistent levels of low productivity and informality. Lessons learned from previous crises (such as the Asian crisis of the 1990s) and the current financial and economic crisis have shown that only if systemic, longer-term social protection measures are in place is it possible to effectively cushion the impacts of economic downturns. Social protection is thus a mechanism for making growth pro-poor and inclusive.

### **Affordability and Sustainability**

Social protection programmes, properly designed and delivered, can be affordable in a range of social, demographic, and economic conditions. The case studies that follow present country-level evidence from the developing world that some components of the social protection floor are already being implemented and are proving to be affordable in countries at different levels of income and development. The Bolsa Família programme in Brazil is the biggest social transfer scheme in the world, presently covering 50 million people at a cost of about 0.4 per cent of gross domestic product (GDP). South Africa has also extended the coverage of its child grant system substantially, reaching 10 million poor children in 2010 at a cost of 3.4 per cent of GDP, demonstrating the high political priority and government commitment to social protection. In India, the 100-day National Rural Employment Guarantee Scheme has been rolled out nationwide, and a new act mandates the extension of basic social security coverage to about 52.5 million households not covered previously. Social protection programmes have also been successful in sub-Saharan Africa, whether in middle-income stable countries or in low-income post-conflict fragile countries, such as Rwanda.

Currently countries at the same level of national income per capita spend very different shares of their resources on social protection. The difference in social spend-

<sup>2</sup>Ravallion, M. (2006), “Transfers and Safety Nets in Poor Countries: Revisiting the Trade-offs and Policy Options”. In *Understanding Poverty*, A. Banerjee, R. Benabou and D. Mookerjee, eds. New York: Oxford University Press.

ing between countries at the same level of economic development amounts to up to 15 per cent of their national incomes. Thus fiscal space can be created for social protection, even at low levels of GDP, assuming that there is the political will to do it. The measures needed to increase fiscal space are different for each country, ranging from increasing the effectiveness of a country's tax and contribution collection mechanism to broadening the tax base or modifying taxation design.

Countries can grow with equity, i.e., providing some form of social protection from the early stages of their economic development. There is evidence that economic growth that does not include a concept for equity and equality is not sustainable in the long term. In countries that have experienced high growth rates over the past several years, for example China, the social protection floor is crucial for securing and distributing the growth benefits and social progress that have been acquired and for preventing any future shock from pushing the economy backwards. Emerging economies such as China are already facing enormous demographic and social challenges that can be addressed only through an extension and a better coordination of social protection policies. For example, massive internal migration accentuates the effects of a rapidly ageing population on the dependency ratios in certain provinces, which raises the issue of coping with old-age dependency in a country that has no universal old-age minimum revenue or pension system. Unless a minimum level of social protection is provided to all, the increasing inequalities that have been associated with high growth rates in emerging economies over the past several decades will threaten economic and social stability. In this light, the Chinese Rural New Cooperative Medical Scheme targeted to rural residents, which is explained in this volume, is a major step towards more balanced and sustainable economic development.

It is vital not to forget that affordability is a function of a society's willingness to finance social transfers through taxes and contributions. Therefore, no analysis can be separated from the adequacy (in terms of impacts) and the viability of the programme. Affordability relates to fiscal space and international aid, but also to political choices. The political commitment and incentives for leaders have been the key to almost all successful social protection schemes.

At the same time, the resources committed need to be used effectively. A generous budget allocation for social protection financing is not going to produce the desired results without putting in place a sound implementation structure at all levels and for all areas: processes for the information and education of rights and obligations under a certain scheme, the membership registration and management, the service delivery, the monitoring and evaluation, the financial management and other matters need to be carefully designed and staff need to be trained to carry out these tasks. The institutional and administrative capacity must thus be adequate. Social protection programmes further

require interministerial and inter-sectoral capacity-building and teamwork since they tend to function better when in synergy with other social and economic policies.

## **Innovative Experiences in the South**

There is no best solution or “one-size-fits-all” formula. Each country has different needs, development objectives and the fiscal capacity to achieve them and will choose a different set of policies. A country will have to establish minimum performance standards of national social protection policies by seeking to ascertain that all people have a right to social transfers that guarantee effective access to a minimum set of goods and services and hence allow a life in dignity for all. By presenting a comprehensive and integrated approach that exploits the complementarities of policies addressing different but related areas, the social protection floor goes beyond a list of development objectives to be achieved. It provides a framework for exploring synergies across sectors and setting priorities, thus avoiding a compartmentalized view of how to achieve progress without taking the holistic picture into account.

Some of the schemes described in the case studies contained in this volume are already being shared. For example the Oportunidades programme in Mexico, Bolsa Família in Brazil and the Mahatma Gandhi National Rural Employment Guarantee Act in India have contributed to exchanges of information with countries in different regions of the world.

Some countries are going through the first stages of developing a social protection floor. Burkina Faso is reforming its social protection mechanisms to implement universal health coverage following in the successful footsteps of Ghana and Rwanda. Other countries have already gone further in developing social protection schemes. For example, Bolivia in 2008 created a universal non-contributory pension for all people 60 years of age and over, financed by a share of the special hydrocarbon tax and dividends from capitalized public enterprises.

Finally, other countries have been able to capitalize on their own experience with social protection in order to improve their social protection systems following the logic of the social protection floor concept. The case of Chile shows how a country constantly adjusts its social protection system in light of different social, economic, political, demographic and intellectual developments. Indeed, the logic of combating widespread poverty through emergency policies targeting the most vulnerable is being progressively replaced in Chile by a logic oriented towards guaranteeing and extending rights to the entire population and institutionalizing essential social protection policies.

Building a social protection floor is an incremental process; access to essential health services is generally a top priority at the starting point. Burkina Faso and Rwanda, for example, have begun to develop a pluralistic approach, based on the synergy between



traditional mechanisms of social security, micro-insurance and social transfers. The mechanisms of social insurance, micro-insurance and free care often already exist in a fragmented and sometimes competing fashion and cannot individually solve the challenge of extending social protection. It is thus indispensable to coordinate these elements to ensure efficient coordination and complementarity – instead of wasteful fragmentation and competition.

The principles of universality, progressiveness and pluralism underpin the overall construction of the social protection floor. They also rely on the two dimensions of the social protection floor: vertically, they generate investment in human capital that will enable people to move out of a vicious poverty cycle and low-productivity activities into formal employment and self-financing, contributory, higher-level social security benefits, and horizontally, they promote the right of everyone to a minimum level of social protection.

Innovative financing mechanisms could also play an important role in the future. Some countries do not have the resources necessary to build a social protection floor in the short term. These countries will need to call for external solidarity in order to take the first steps towards this goal.

The concept of the social protection floor is rights-based but it leaves a maximum of flexibility for national adaptation with respect to how and through which entitlements transfers in cash and in kind are organized. What is important is that everyone who is in need of protection can access essential goods and social services and essential social transfers. The concept thus sets minimum standards with respect to the access, scope and level of social protection provided by national social protection systems rather than prescribing their specific architecture.

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