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Side event on Achieving Universal Social Protection: actionable recommendations for FfD4

3rd December 2024

1.15 - 2.30 pm Duration 1 h 15 min

New York (UNHQ)

The International Labour Organization (ILO) and the USP2030 Financing Working Group are pleased to convene a side-event offering actionable recommendations for FfD4 on how to close social protection financing gaps. The side event will highlight the social protection financing gap and discuss how proposed solutions to address this gap can be incorporated into the outcome document of FfD4. Excellencies and invited experts will share insights on why FfD4 presents a unique opportunity to boost the political will to invest in universal social protection (USP) and to close the financing gap. In doing so, the panellists will examine what could work in terms of global, regional and national commitments on financing social protection. They will also share with participants national practices and collaborative approaches on how to create fiscal space for realization of the SDGs, especially SDGs 1. The session will foster dialogue among UN Member States, national policymakers, multilateral and bilateral agencies, social partners and other key stakeholders highlighting the pivotal role of social protection as a cornerstone of equitable and sustainable development.

Background

How much do we need to invest to make universal social protection a reality for everyone?

Member States have agreed to the goal on universal social protection (USP-SDG target 1.3) in line with human rights instruments and international labour standards. Social protection is a human right, and it is defined as the set of policies and programmes designed to reduce and prevent poverty, vulnerability and social exclusion throughout the life cycle. Estimates show that only 52.4 per cent of the global population have access to at least one social protection benefit (effective coverage), leaving 3.8 billion people uncovered. Under-investment in social protection continues to be one of the main reasons for the low coverage rates. Public expenditure on social protection (excluding healthcare) was, on average, 12.9 per cent of GDP worldwide (in 2023).[1]

To ensure at least a social protection floor, low- and middle-income countries require an additional US$ 552 billion or 1.3 per cent of the aggregate GDP (2024) of these countries per annum, composed by 2.0 per cent of GDP .[2] . The aim of this initiative is to support Member States, through the FfD4 process, in identifying

[1] ILO 2024, 'World Social Protection Report 2024-26: Universal Social Protection for Climate Action and a Just Transition', 2024.

[2] Such investment would ensure universal coverage of basic benefits to all children, mothers of newborns, persons with severe disabilities, the unemployed, and older persons, as well as universal essential health care. Cattaneo, U., Schwarzer, H., Razavi, S., Visentin, A. 2024. Financing gap for universal social protection: Global, regional and national estimates and strategies for creating fiscal space, ILO Working Paper 113 (Geneva, ILO).

actionable strategies for the financing of universal social protection and adopting them in the FfD4 outcome document.

What concrete policy solutions do countries have to expand the fiscal space for social protection?

Increase domestic resource mobilization

To deliver on the agreed goals of universal social protection (USP) under SDG target 1.3, Member States must protect and prioritize social protection spending within government budgets and increase regular domestic financing for the necessary long term commitments. Priority should be given to building social protection floors that can guarantee at least a basic level of protection and spending to expand coverage for populations currently lacking social protection.

At the national level, this involves ensuring a broad tax base with progressive taxation and social security contribution levels from employers and workers, which in turn also supports the formalization of enterprises and employment. In most countries, social security contributions are proportional to earnings and, thus, provide the necessary income-smoothing mechanisms. However, certain workers do not have sufficient contributory capacity and therefore need to rely on non-contributory (usually tax-financed) social protection benefits and/or contribution subsidies. For this reason, it is of paramount importance to complement social security contributions with progressive taxation, including progressive taxes on income and profits, as well as wealth taxes, rather than over-reliance on largely regressive consumption taxes, and to fight tax evasion. It is crucial in this process to facilitate engagement between ministries of finance with ministries in charge of contributory and non-contributory social protection , as well as with representative organizations of workers and employers, and other relevant and representative organizations of persons concerned, in order to enhance policy coherence in the formulation of medium-term financing strategies for social protection.

In the context of the climate crisis, reallocating some public expenditures, such as fossil fuel subsidies, is of utmost importance to both mitigate a warming planet and expand domestic financing of social protection.[3] Such reforms can support increasing expenditure for non-contributory social protection benefits, or subsidizing the extension of social insurance coverage for those with low contributory capacity, thereby facilitating transitions of enterprises and workers from the informal to the formal economy. Furthermore, at the domestic level, eliminating illicit financial flows, including money laundering, tax evasion, trade mispricing, and other financial crimes, is essential to generate additional fiscal space for social protection and health systems.

Coordinated international financial support, debt relief and restructuring, tax reform to increase revenues and coordinated international policy advice.for social protection in countries where the financing gap is significant

Fair and effective fiscal contracts at the national level require strong action and coordination beyond nation-states. At the global level, there is a need to level the playing field in terms of corporate taxation by bringing an end to the race to the bottom of tax concessions to corporations, which have only resulted in lower tax proceedings.[4] Furthermore, governments lose a large amount of tax revenue due to tax evasion and tax avoidance, such as through the practice of shifting firms' profits to low-tax jurisdictions or tax havens, as well as trade mispricing. In many developing countries, the lost tax revenue from such practices is more than enough to close the social protection financing gap.[5] Therefore, it is imperative to scale-up efforts to measure and combat illicit financial flows.

Although government borrowing is not a sustainable solution for closing the financing gap, the effective management of sovereign debt can unlock additional resources to allocate to social protection spending. In

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[3] ILO, 'World Social Protection Report 2024-26: Universal Social Protection for Climate Action and a Just Transition' , 2024.

[4] ILO, ISSA, OECD 2023. Sustainable financing of social protection. Technical paper prepared for the 1st meeting of the G20 Employment Working Group under the Indian presidency; ILO. 2019. Fiscal space for social protection. A handbook for assessing financing options.

[5] ILO, 2019. Fiscal Space for Social Protection. A Handbook for Assessing Financing Options.

2023, Global public debt reached unprecedented levels at US$97 trillion. Contrast between spending on debt service and on social protection is significant. There is an urgent need to reform debt restructuring mechanisms, as the current frameworks for debt treatments have tended to be slow and insufficient, and lacked transparency, especially when dealing with both external and domestic debts. Finally, access to international emergency financing is equally critical for countries facing macroeconomic shocks and other crises, be they epidemics or climate-related disasters. This includes directing international climate finance towards social protection, recognizing its contribution to climate change adaptation, mitigation and loss and damage. This will enable regular investment in USP in a climate-volatile world, rather than having to succumb to repeated rounds of austerity which erode the reach and adequacy of social protection and public services to the detriment of people and the planet.

For African countries, international solidarity is crucial to support their efforts, given their significant financing gap 17.6.[6] In many of these countries, Official Development Assistance (ODA) should kick-start and support efforts to strengthen the delivery of social protection and healthcare benefits, which in turn contributes to enhanced productivity and inclusive growth, thereby broadening the tax base and expanding government revenues.

Participants

Ms. Mia Seppo, Assistant Director-General for Jobs and Social Protection, ILO [Opening remarks & moderation]

- **Ms. Shahra Razavi**, Director of the Universal Social Protection Department, ILO (3 minutes)
- **Prof. Jose Antonio Ocampo,** Professor of Professional Practice in International and Public Affairs at Columbia University and former Minister of Finance of Colombia (6 minutes)
- **H.E. Ms. Mathu Joyini,** Ambassador and Permanent Representative of South Africa to the United Nations
- **Ms. Débora Freire Cardoso**, Undersecretary on Fiscal Policy of the Brazilian Ministry of Finance (6 minutes)
- **Ms. Shea Gopaul,** IOE Permanent Representative to the UN (6 minutes)
- **Mr. Mahongora Kavihuha,** General Secretary of the Trade Union Congress of Namibia (TUCNA) (6 minutes)
- **Mr. Robert Powell,** IMF Special Representative to the UN (6 minutes)
- **Ms. Natalia Winder-Rossi,** Financing Working Group, USP2030 (6 minutes)

[6] Cattaneo, U., Schwarzer, H., Razavi, S., Visentin, A. 2024. Financing gap for universal social protection: Global, regional and national estimates and strategies for creating fiscal space, ILO Working Paper 113 (Geneva, ILO).