Measuring financing gaps in social protection for achieving SDG target 1.3: Global estimates and strategies for developing countries

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Foreword

Social security is a human right but it is not yet a reality. Only 45 per cent of the global population are effectively covered by at least one social protection benefit, while the remaining 55 per cent – as many as 4 billion people – are unprotected. This global estimate hides regional differences, with the highest coverage gaps in Asia and Africa.

Extending social protection coverage is a matter of urgency in order to eliminate poverty, reduce inequality, facilitate access to health care and education, promote gender equality and achieve decent work for all. That is why closing the social protection gap lies at the heart of the 2030 Agenda for Sustainable Development. In particular, target 1.3 of the Sustainable Development Goals (SDGs) urges countries to "[i]mplement nationally appropriate social protection systems and measures for all, including floors …".

SDG target 1.3 can be achieved by the establishment in all countries of social protection floors defined as a national set of basic social security guarantees. Social protection floors comprise access to essential health care and income security across the life cycle. Income security can be achieved by providing those who have been affected by a loss of income with child benefits and family allowances; maternity and unemployment benefits; sickness and disability benefits; and old-age pensions.

Today countries spend on average 11.1 per cent of their gross domestic product (GDP) on public social protection, although that global investment hides regional differences. Public social protection expenditure (excluding health protection) is estimated to be higher in Europe and Central Asia (16.5 per cent of GDP) than in Asia and the Pacific (7.4 per cent) or Africa (5.9 per cent). Closing the coverage gap will require additional investments in social protection, which can and should be achieved by increasing the "fiscal space" for social protection.

The International Labour Organization estimates that in low-income, lower middle-income and middle-income countries, a social protection floor package, excluding health, would cost 2.4 per cent of their GDP on average. However, some of those countries have already established some guarantees of a social protection floor. The present study aims to calculate what additional investment would be required to establish a social protection floor in all countries and reach SDG target 1.3 by 2030. It also measures incremental financing needs to illustrate how existing gaps can be closed progressively to achieve 100 per cent coverage by 2030. Finally, it analyses potential sources of financing to create the additional fiscal space needed.

The study is based on data obtained for 134 countries and territories around the world. However, it cannot replace the country-level costing and fiscal planning exercises that are urgently needed to meet the SDGs. National efforts should be led by governments through national social dialogues with workers and employers' organizations and with the participation of civil society, academia, relevant United Nations agencies, international financial institutions and other development partners.

It is our hope that this study will stimulate national and global action by all stakeholders to increase and sustain the necessary investments that are needed by 2030 if we wish to make the right to social security a reality for all.

Valérie Schmitt
Director ad interim
Social Protection Department
International Labour Office

"Everyone, as a member of society, has the right to social security …" *Universal Declaration of Human Rights*, Article 22.

"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". "Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection." *Universal Declaration of Human Rights*, Article 25.

Contents

Annexes

Figure list

Tables

List of abbreviations

ABND	assessment-based national dialogue
ADB	Asian Development Bank
ASPIRE	Atlas of Social Protection Indicators of Resilience and Equity
DAC	OECD Development Assistance Committee
ECLAC	UN Economic Commission for Latin America and the Caribbean
GDP	gross domestic product
GFS	IMF Government Finance Statistics
GNI	gross national income
IFIs	international financial institutions
ILO	International Labour Organization
IMF	International Monetary Fund
ISSA	International Social Security Association
LAC	Latin America and the Caribbean
LICs	low-income countries
LMICs	lower middle income countries
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
PPP	purchasing power parity
R&D	research and development
SDGs	Sustainable Development Goals
SDSN	Sustainable Development Solutions Network
SPF	social protection floor
SPF-I	One-UN Social Protection Floor Initiative
SSI	ILO Social Security Inquiry
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations International Children's Fund
VAT	value-added tax
WB	World Bank
WHO	World Health Organization

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Comments to this working paper are welcome, please send them to: socpro@ilo.org.

Executive summary

This paper provides regional and global estimates of the costs and financing gaps of target 1.3 of the Sustainable Development Goals (SDGs) relating to social protection and analyses a number of options for filling those financing gaps in the developing countries using domestic and external resources. The paper considers four policy areas (excluding health) of the social protection floor (SPF): children, maternity, disability and old age. It estimates the coverage gaps for each area; the cost of providing universal coverage; the total financing gap for achieving universal coverage in 2019; and the annual incremental financing needs to progressively achieve universal coverage between 2019 and 2030. In addition to measuring the cost and financing gap of a social protection floor (i.e. with respect to non-contributory social protection systems), the paper attempts to estimate the financing gap of contributory systems – and therefore the potential fiscal space that could be created assuming a potential increase in social security coverage or contribution rates or both. Finally, it provides a list of fiscal space options, paying particular attention to options for raising revenues using taxation and official development assistance (ODA).

The study draws on the latest data available from developing countries and territories, which are classified into three income groups using the World Bank's country classification by income group, as well as regional groups according to the International Labour Organization (ILO) regional classification.

Key results

1. **Coverage rates by country-income group.** Upper-middle-income countries show about 90 per cent coverage of older persons aged 65 or over, while in the other social protection areas, coverage is as low as 33.8 per cent for disability or as moderate as 53.6 per cent for maternity. Among lower-middle-income countries, the best-performing policy area is maternity, which covers one in every three mothers, while none of the other policy areas achieve 30 per cent coverage and disability benefits cover only 8.6 per cent of persons with severe disability conditions. Finally, low-income countries present very low coverage across the different social protection areas, with disability having the lowest coverage (1 per cent) among all regions and types of benefits. Only about 15 per cent of the elderly receive a pension in low-income countries.

2. **The cost of a social protection floor comprised of four benefit areas.** The total cost of the universal package is estimated at US$792.6 billion in 2019, of which US$754.9 billion represents the cost of providing the benefits and the remainder the administrative costs. In other words, this amount is the global cost of achieving the universal SPF package in 2019. The total cost, including the administrative cost, is estimated at 2.4 per cent of the gross domestic product (GDP) of the developing countries in the sample. By geographic regions, the cost of the top three regions – Latin America and the Caribbean, Eastern Asia and Eastern Europe – amounts to US$439.5 billion or 55.5 per cent of the total cost. One of every three dollars of the cost corresponds to Latin America and the Caribbean alone. By benefit areas, 54.5 per cent of the total cost derives from old-age benefits, followed by disability benefits at 19.1 per cent. Costs by country-income group range from US$31.1 billion for low-income countries to US$577.4 billion for upper-middle-income countries. In GDP terms, the cost is estimated at 6.4 per cent of GDP for low-income countries, 2.6 per cent for lower-middle-income countries and 2.3 per cent for upper-middle-income countries.

3. **The financing gap in providing universal coverage of the SPF in 2019.** The estimated financing gap in 2019 – the amount needed to achieve universal coverage of

the SPF in the current year – is US$527.1 billion or 1.6 per cent of the GDP of the developing countries considered in the study. About two thirds of the gap (US$364.8 billion) corresponds to the share of upper-middle-income countries and 5.6 per cent (US$26.8 billion) to the share of low-income countries. This is partly explained by the composition of the sample, in which low-income countries represent a smaller share of the total number of developing countries than the other country-income groups. Differences in the amounts of benefits in countries in different country-income groups are an additional explaining factor.

4. **The incremental financing needs for progressive universal coverage between 2019 and 2030.** If the universal coverage of the SPF is achieved progressively over the period 2019–2030, the annual incremental financing need is about US$246.5 billion (0.75 per cent of GDP) in 2019, after which the need will increase progressively to reach US$735.2 (1.24 per cent of GDP) by 2030. In relative terms, low-income countries require a greater proportion of their GDP as additional spending needs. For example, by 2030 the incremental financing need will reach 3.78 per cent of GDP in low-income countries, 1.34 per cent in lower-middle-income countries and 1.16 per cent in upper-middle-income countries.

5. **The social protection financing gap in contributory systems and potential fiscal space**. Globally, social security contributions could represent 6.3 per cent of the GDP of the developing countries if all countries that are currently below the expected average coverage/contribution trends were to raise their contributions to the expected level. The expected net increment in fiscal space creation through this channel would be a gain of 1.2 per cent of GDP.

6. **Assessing taxation and ODA options for closing the social protection financing gap.** The global tax burden in 2018 is estimated at 11.1 per cent of GDP. On average, the universal SPF financing gap in 2019 represents 13.5 per cent of the total tax collection – or 45.0, 16.3 and 13.0 per cent, respectively, for low-income, lower-middle-income and upper-middle-income countries. The SPF financing gap's very high share of current taxes in low-income countries (45.0 per cent) makes it very unlikely that it can be reduced by a significant proportion. In countries with limited capacity to generate domestic resources, external assistance will therefore be required. While the SPF financing gap in 2019 is estimated at 1.6 per cent of GDP, the total ODA allocation to developing countries (in the sample) was 0.3 per cent of GDP in 2017. Therefore, the current level of ODA is insufficient to meet the financing needs identified by the study.

Social dialogue is important to identify policy priorities and ensure the smooth implementation of any reforms in social protection. Experience has shown that policy decisions on social protection reforms usually have a long-lasting effect on the country's national budget, as well as on employers' and workers' contributions to the system. In many countries, therefore, governments do not take such decisions in isolation; rather, they seek support from the full range of political parties in order to ensure that decisions are politically sustainable and they hold social dialogue (consultations) with stakeholders, including employers' and workers' organizations, in order to ensure a better understanding and acceptance of their decisions.

In terms of meeting financing needs, the challenge is much higher for low-income countries, both in terms of the relative cost to them and their relative capacity. This situation must be considered as a critical factor in the formulation of a specific development assistance policy. Massive financial assistance for starting up and temporarily financing benefits could be a feasible option for addressing the SPF gap in low-income countries with limited domestic capacity.

JEL Classification: I3, H6, H53, H55.

Keywords: social protection, social security systems, social protection floors, child allowances, maternity benefits, disability benefits, social pensions, social security contributions, public expenditure, fiscal space, domestic resource mobilization, official development assistance (ODA), developing countries, Sustainable Development Goals (SDGs).

1. Introduction

In September 2015, leaders around the world adopted the 2030 Agenda for Sustainable Development, which promises that by 2030 the world will have made significant progress towards sustainable development and social, economic and environmental justice.

Social protection plays a central role in implementing the 2030 Agenda. Social protection contributes to ending poverty (SDG target 1.3); achieving healthy lives and well-being (SDG target 3.8); gender equality (SDG target 5.4); decent work and economic growth (SDG target 8.5); and reducing inequality (SDG target 10.4). Increased investments in social protection are necessary, as reflected in SDG target 1.a on resource mobilization and SDG indicator 1.a.2 on measuring public spending on social protection, health and education. In particular, SDG target 1.3 calls on countries to implement "nationally appropriate social protection systems and measures for all, including floors …". In other words, it calls on countries to achieve universal coverage and appropriate protection for all.

The ILO's two-dimensional strategy on the extension of social protection provides a practical pathway for countries to meet SDG target 1.3. According to the ILO's strategy, which was adopted by the International Labour Conference in 2011, countries should at the same time pursue a "horizontal" extension of social protection (ensuring that *all people* are covered with at least a basic level of social security defined as the social protection floor) and a "vertical" extension (ensuring that more and more people have access to *higher levels* of protection).

Social protection should be universal, comprehensive and adequate. The social protection floor is by nature universal, which means that all residents and all children should be able to exercise their rights to it. At the same time, the level of the floor cannot be minimalistic because, again under the ILO's two-dimensional strategy, it should "secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion". Levels of benefits should, therefore, be provided at a level that is deemed adequate to live a life in dignity. Finally, protection should be provided not only for specific categories of people or at certain points in life but across the life cycle, which refers to the comprehensiveness of social protection. According to the life-cycle approach reflected in ILO Social Protection Floors Recommendation, 2012 (No. 202), at least four guarantees should be included in all national social protection floors: access to essential health care, including maternity care; basic income security for children; basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and basic income security or pensions for older persons.

Today 55 per cent of the world's population still live without any social protection. This massive social protection gap is a real and daily threat to 4 billion people's lives and well-being. Only one in three children (35 per cent) benefit from child allowances that enable them to receive childcare, nutrition and education. Only 41 per cent of women with newborns receive maternity cash benefits that provide them with income security during the critical first few months of life of their children. Only one in five unemployed workers – or 22 per cent worldwide – receive unemployment benefits. Only 28 per cent of people with severe disabilities receive disability benefits. Older persons are perhaps the least disadvantaged of the four groups in terms of social protection, with 68 per cent of all persons above retirement age receiving a pension; however, the levels of their benefits are in many cases insufficient. In short, despite significant progress in the extension of social protection coverage, many people are left unprotected and therefore renewed efforts are needed to realize the human right to social protection and achieve the SDGs.

Universal social protection coverage is feasible in developing countries. At least 23 low- and middle-income countries have achieved universal social protection coverage for at least one social protection benefit (e.g. access to old-age pensions). However, in many cases such protection is not comprehensive and the levels of benefits are not adequate. The Global Partnership for Universal Social Protection (USP2030) was launched in New York during the seventy-first session of the United Nations General Assembly, on 21 September 2016, co-chaired by the ILO and the World Bank. It aims to stimulate all countries to make significant progress towards achieving SDG target 1.3 and to mobilize development aid around SDG target 1.3. Members of the USP2030 have agreed to promote five actions: protection throughout the life cycle; universal coverage; national ownership; sustainable and equitable financing; and participation and social dialogue. The United Nations, notably through the Social Protection Floor Initiative, is supporting the achievement of SDG target 1.3 through joint programming, technical assistance and resource mobilization. [1] Thirty-six United Nations country teams recently benefited from a US$ 72 million allocation from the Joint Fund for Agenda 2030 to support countries towards the achievement of the SDGs on social protection.

To close coverage gaps, countries need to assess and close financing gaps. Progressive realization of universal social protection by 2030 in the developing countries requires an understanding of (a) the current coverage gaps in the different areas of social protection, (b) the total costs and annual incremental financing needed to close those gaps and (c) the strategies required to find domestic and external resources to finance the additional spending needs. To identify the costs and financing requirements in different areas of the SDGs, a number of recent attempts have been taken, including within the United Nations system, such as the Sustainable Development Solutions Network (SDSN) costing and financing team headed by Professor Jeffrey Sachs and international financial institutions, including the International Monetary Fund (IMF). Previous ILO initiatives have also tried to shed light on the affordability of basic social protection in developing countries. Yet there is a lack of comprehensive analysis of the financing gap in social protection that pays attention to both its components – social security contributions and social assistance – and provides a quantitative assessment to show how the gap can be closed by the year 2030.

This paper fills the knowledge gap by (a) providing regional and global estimates of the costs and financing gaps of SDG target 1.3 and (b) analysing several options to fill the financing gaps using domestic and external resources. Using a data set of 134 developing countries, the paper focuses on four policy areas of social protection (excluding health): children, maternity, disability and old age. For each policy area, it estimates the coverage gaps, the cost of providing universal coverage and the total financing needs for achieving universal coverage (the SPF financing gap). Social protection can be provided through contributory and non-contributory (tax-financed) schemes. Therefore, in addition to considering measures for non-contributory schemes, the paper assesses the amount of additional resources that could be generated by extending social insurance. It also analyses the potential for creating fiscal space to achieve universal coverage by 2030 through other strategies, including by obtaining it from domestic and external resources.

The study is organized in eight chapters. Chapter 2 summarizes the findings of selected studies on measuring SDG financing needs. Chapter 3 explains the objectives and methodology of the paper and presents the sources of data. Chapter 4 describes the main trends in global and regional social protection coverage and patterns of social protection financing. Chapter 5 presents the analysis and results of the estimates of the costs and financing gaps of the four social protection areas considered in this study. Chapter 6 provides an assessment of the additional resources that could be generated from contributory systems

[1] See the UN Social Protection Floor Initiative (SPF-I) at https://www.social-protection.org/gimi/ShowProject.action?id=2767.

by extending social insurance. Chapter 7 discusses potential fiscal space options for closing the social protection financing gaps. Finally, Chapter 8 summarizes the key findings and provides conclusions and concrete actions to help determine a way forward.

2. Summary of the findings of selected studies on measuring SDG financing needs

There is no comprehensive study on assessing the financial gaps to achieve SDG target 1.3. Existing studies focus on measuring the cost of a set of social protection benefits without considering the financing gaps to achieve several (if not all) SDGs by 2030. This chapter presents findings on costing and financing needs from a list of selected studies [2] that take several SDGs, including social protection, into account.

According to a previous ILO study (Ortiz et al., 2017b), the average cost of a comparable social protection floor package in a sample of 101 developing countries is equivalent to 1.6 per cent of the GDP of those countries, over a range from 0.9 to 2.9 per cent of GDP depending on the region. The average cost of a comparable social protection floor package in a sample of 57 low-income and lower-middle-income countries is equivalent to 4.2 per cent of their GDP, over a range from 0.3 per cent in Mongolia to 9.8 per cent in Sierra Leone. That study provides the total cost of a social protection floor package but does not take into account current national expenditures on social protection floor. Therefore, it does not provide an estimate of the additional investment needed to achieve the social protection floor. However, many of those countries are not starting from scratch and have already established some social protection floor programmes. Therefore, the present study fills that knowledge gap by estimating the additional investment, beyond existing levels of spending, that will be necessary to establish a social protection floor in all countries and achieve SDG target 1.3 by 2030.

According to Schmidt-Traub (2015), it will cost $1.4 trillion a year to end extreme poverty for 700 million people and meet the other ambitious targets included in the 2030 Agenda. That study includes 27 low-income countries and 38 lower-middle-income countries according to World Bank country-income classifications and its results are based on the sectors of education, health, power, roads, water and sanitation, agriculture and food security, telecommunications and ecosystems. It underscores the need for additional investments in health, education, agriculture and food security, social protection systems, energy, infrastructure and ecosystem management, suggesting that an additional investment of US$ 1.4 trillion could be financed if governments set the right policy frameworks. The study also reiterates the importance of external support, stating that “achieving the SDGs in [low and lower-middle-income] countries will… require not only significant increases in domestic resource mobilisation… but also expanded international concessional and non-concessional public finance.” (Schmidt-Traub, 2015, p. 124). It does not, however, provide information on incremental investment needs in the area of social protection.

Manuel et al. (2018) take into account all three social sectors – health, education and social protection – and provide SDG spending estimates based on 145 countries, with an emphasis on 48 countries that the authors define as “under-resourced”. The annual financing gap – the financing needs minus half of the potential tax revenues – is about US$150 billion for those under-resourced countries. The authors assume that only 50 per cent of a country’s tax potential is available for the social sector because government revenues also need to finance a broader range of other investments, particularly in infrastructure. The study recommends that, in order to close the financing gap, governments increase taxation and allocate 50 per cent of public spending to human development. It also recommends that

[2] Therefore, it is not an exhaustive list of all costing studies to date.

donors fulfil their 0.7 per cent ODA/gross national income (GNI) commitment and allocate half their aid to the poorest countries, which could close the gap to meet SDG goal 1 and end extreme poverty by 2030.

A more recent IMF study (Gaspar et al., 2019) notes that for emerging market economies, the average additional annual spending required to reach key SDGs by 2030 is equivalent to 4 per cent of GDP, compared to 15 per cent of GDP for the average low-income developing country. The study draws on a sample of 155 countries, with an emphasis on low-income developing countries (49 countries) and emerging market economies (72 countries). It covers the sectors of education, health, power, roads, and water and sanitation, finding that the additional annual spending by low-income developing countries required for meaningful progress on the SDGs by 2030 in those areas is $528 billion (0.5 per cent of global GDP). However, the authors do not include social protection in their analysis. They recommend that building tax capacity should be the top priority since many developing countries still collect very little tax revenue; they suggest that increasing the tax-to-GDP ratio by 5 percentage points of GDP in the next decade would be an ambitious but reasonable target in many countries. However, that extra tax revenue could finance only one third of the required total additional needs of $528 billion, which would leave a gap equivalent to 0.3 per cent of global GDP. Therefore, the authors acknowledge that domestic resources are not enough to finance the additional SDG spending needs of low-income developing countries, noting that a concerted effort by all stakeholders, including the private sector, donors, philanthropists and international financial institutions, will be required to close the remaining gap.

A report by the United Nations Sustainable Development Solutions Network (SDSN, 2018) estimates that the required SDG budget outlay for low-income countries in the area of social protection is US$55 per capita or 5 per cent of GDP. A more recent SDSN study (SDSN, 2019) finds that the total costs for low-income developing countries of financing social protection would be US$93.4 billion and US$116.5 billion in 2019 and 2030, respectively, with an average for the period 2019–2030 of US$104.8 billion. In line with Ortiz et al. (2017b), the study considers four areas of social protection – child and orphan benefits, maternity, disability and pension. The total costs for low-income developing countries of financing all SDGs, excluding non-SDG public expenditure, would be US$753.2 billion and US$1,006.8 billion in 2019 and 2030, respectively. The sectors included in the study are health, education, infrastructure, biodiversity, agriculture, social protection, justice, humanitarian affairs and data management. Like the other studies, it concludes that increased domestic revenues will cover only part of the required SDG budget of lower-income developing countries and urges that donors meet the long-standing target of 0.7 per cent of GNI allocated to ODA in order to reduce the SDG financing gap.

In short, the comparison of the results of previous studies is complicated by differences in the samples of countries studied, sectoral coverage, definitions of spending, estimation methodologies and the periods for which results are reported. In addition, no study comprehensively measures the financing gaps and incremental needs that must be met in order to achieve universal social protection between 2019 and 2030. Finally, existing studies focus on non-contributory social protection systems only, while contributory systems are missing from their assessments. This study aims to fill those gaps.

3. Objectives and methodology

This chapter presents the main objectives of this study and the methodology applied to estimate the coverage gaps and global costs of a social protection floor consisting of a package of benefits representing SDG indicator 1.3.1; the total gap in financing the coverage of such a social protection floor; and the annual incremental financing needs that would be required to fill that gap over the period 2019–2030. The sources of data used in the estimates are also indicated in this chapter.

3.1. Objectives

The main objective of the study is to estimate the gaps in social protection coverage and financing for achieving SDG target 1.3 of the 2030 Agenda.

Specific objectives include:

1. To identify the coverage gaps in non-contributory systems (excluding health) for a selected number of social protection policy areas that provide income security benefits for children, maternity, disability and old age.

2. To measure the cost of providing a social protection floor comprised of the selected package of benefits mentioned above.

3. To assess the current allocation of funds to finance social protection programmes.

4. To measure the total global and regional costs of a selected social protection floor package and estimate the magnitude of the additional financing resources needed to close the social protection financing gaps by 2030.

5. To measure the financing gaps of contributory systems.

6. To analyse and discuss the potential fiscal space that could be created using domestic and external resources.

3.2. Methodology

Assessing the financing gap for achieving the social protection floor raises a number of conceptual, methodological and practical challenges.

A practical exercise like the one attempted in this study requires moving from a theoretical definition to an operational definition of what types of benefits should be included as a part of the social protection floor. In addition, the exercise implies decisions on the benefit levels of the different policy areas in order to make it possible to work with a base that is comparable across the countries and territories sampled. The third type of challenge relates to the availability of information on the coverage, financing and expenditures of social protection programmes. Despite significant progress in building national capacity to generate data on social protection, many countries lack the necessary data. Such a lack of data is particularly severe in less developed countries.

Given those circumstances, this estimation of the financing gap of a social protection floor comprises the following steps.

3.2.1. Methodological considerations

The methodological considerations require a number of assumptions and decisions to be made to overcome the challenges mentioned above.

A key initial decision involves defining the potential beneficiary population and specifying the type and size of benefits that would be granted to the different beneficiary groups. Another key issue to resolve is how to move from a conceptual definition to an operational definition that can be captured in a quantitative model, which is explained as follows.

1. Four categories of social protection benefits are selected for the social protection floor package: benefits for children, maternity and disability benefits and old-age benefits.

2. For children, the analysis considers children aged between 0 and 5 years. The maternity benefit is considered for women aged 15–49 with newborns and the number of beneficiaries is calculated based on the observed country-specific fertility rates. For disability benefits, the study only considers persons with a severe disability, on the assumption that participation in employment may be challenging and may require specific support such as transportation allowances; the size of the eligible population is obtained from country-specific disability estimates from the World Health Organization's Estimated Years Living with Disability database. For old age, the potential beneficiary population includes persons aged 65 years and over.

3. Benefit rates are defined as equivalent to national poverty lines or a proportion of them. For children, the benefit is defined as 25 per cent of the national poverty line – a lower percentage applied to children compared with adult household members in order to reflect differences in consumption levels (Ortiz et al., 2017b; OECD, 2011). For maternity, the cash benefit is set at 100 per cent of the national poverty line during four months around childbirth to protect the critical period when mothers and newborns are most vulnerable. For disability and old-age pensions, the amount of the benefit is 100 per cent of the national poverty line.

4. The estimations cover the period 2019–2030, on the assumption that, by 2030, the four policy areas included in this study will achieve universal coverage for the respective population groups.

5. Only developing countries and territories are included in the study. For the purpose of this study's analysis, countries are classified by geographic subregion and by country-income level. From a geographic point of view, each country was categorized using the ILO regional classification (see ILO, 2017); of the 12 regions defined, the study utilizes 11 regions since 1 of the regions (Northern America) only includes developed countries. From the point of view of income, each country or territory was classified under the country-income classification of the World Bank, which categorizes countries by gross national income (GNI) per capita as follows: low-income, US$1,025 or less; lower-middle-income, US$1,026–3,995; upper-middle-income, US$3,996–12,375; and high-income, US$12,375 or more.

3.2.2. Projections and estimations of parameters

For projecting costs and financing gaps, four variables are critical, as set out below.

First, coverage rates were assumed to be 100 per cent in 2030 for each country. Therefore, the path to universal coverage was assumed to be the difference between that eventual 100 per cent and the existing effective coverage rate, divided by 12 (the number of years between 2019 and 2030). The covered population for each year is the result of multiplying the coverage rate of each year by the potential population to be covered in the year.

The second variable of importance was the amount of the benefit, as proxied by adjusted national poverty lines. As noted above, poverty lines in United States dollars are assumed to maintain their real value during the period of analysis.

Third, to calculate the estimated cost in GDP real terms at the beginning of the projection period, the nominal GDP was projected by applying the average real GDP growth rate observed in the last 8–10 years, depending on country data availability. In some specific cases, that average rate was calculated taking into account the specific country's conditions observed in the past decade. For example, some countries have experienced long periods of negative rates punctuated by a few years of positive rates; in such cases, the average rate was calculated taking into account only the positive growth rates. The use of real rates instead of nominal rates follows the same principle of the poverty line by avoiding inflationary effects in the projections.

Fourth, for administrative costs, a rate of 5 per cent is applied to total spending on benefits for the four policy areas included in this study. That assumption is based on the experiences of a number of universal and targeted social protection programmes around the world. A previous ILO study assumed 3 per cent administrative costs for all universal benefits (for a detailed explanation, see Ortiz et al., 2017b, Annex I). This study assumes a slightly higher administrative cost of 5 per cent, given that non-contributory schemes usually entail high initial set-up costs and the need to procure assets to support delivery in developing countries. In addition, it is also assumed that in developing countries it takes time to gain from economies of scale and thereby reduce administrative costs.

3.2.3. Financing gaps estimates

Individual costs per benefit area are estimated using two indicators – the total monetary cost of the benefits package and the total cost as a percentage of GDP. The total cost is calculated by multiplying the desired benefit amount for the respective social protection guarantee by the potential covered population, according to the coverage rate of each year and country. The total cost of social protection benefits, for each region and income group, is calculated by adding up countries' costs for each of the four benefits. That procedure applies to both monetary estimates and estimates as a proportion of GDP.

3.2.4. Financing gap analysis

The assessment of the financing gap considers the difference between two components: (a) the *projected cost* of the four social protection benefits per region and country-income group, expressed in monetary and GDP terms in the relevant year; and (b) the *baseline expenditure* or the social assistance expenditure for each region or country-income group in 2018. It is assumed that, in the absence of universal coverage, the baseline will maintain its per capita value during the period of analysis. The financing gap consists, therefore, of the difference between the cost of the four social protection benefits considered in the estimations and the baseline spending on social assistance.

3.2.5. Fiscal space analysis

The last step takes the results of the previous stage and evaluates the possibilities for regions/country-income groups to finance the gap from different sources. Two alternative options are considered: taxation and ODA. The first option shows how domestic resources can be mobilized, which is a fundamental element of the strategy to create comprehensive and sustainable social protection systems, including social protection floors. The second option takes into account situations in which domestic capacity is insufficient and international aid is needed. The study also conducts a separate exercise on social security contributions, which assumes that countries with coverage rates and contribution rates below their expected average will experience an increase in coverage and contribution rates over the medium term until they reach the averages of countries with the same level of per capita income. However, decisions in that regard should be taken only after consultations have taken place between governments and social partners, given that a participatory approach is the most promising way to obtain necessary support in the implementation and roll-out of new policy measures that affect employers and workers to a signficant extent.

3.3. The model

The construction of the model for estimations is carried out in three stages. First, the *Cost of a Universal Social Protection Benefit* is calculated. This represents the optimal situation of universal coverage at the desired level of benefits. The *Financing Gap* is then calculated, defined as the difference between the total cost of a universal SPF benefit and the current total expenditure on social assistance. Finally, the *Incremental Financing Needs* are measured. This represents the amounts associated with progressively increasing coverage to meet the goals to be achieved between 2019 and 2030. The formulation is detailed below.

The ***Cost of a Universal Social Protection Benefit*** is: [3]

$$CUC_{i,j.t} = PCP_{i,j,t} * \overline{BA_{i,j,t}} + ADM_{i,j.t}$$

Where,

$CUC_{i,j.t}$ stands for the cost in monetary terms of the universal benefit

$PCP_{i,j,t}$ is the *Potential Covered Population* (100 per cent for universal coverage)

$\overline{BA_{i,j,t}}$ is the *desired average benefit amount*, and

$ADM_{i,j.t}$represents the *administrative costs* of running the programme.

The aggregated ***Financing Gap*** for the four social protection guarantees considered in this study corresponds to the difference between the spending needed to achieve universal coverage and the baseline level of social assistance expenditure in each period.

$$FG_{\,j,t} = \underbrace{\sum_{i} \mathrm{CUC}_{i,j,t}}_{Universal\ coverage} - \underbrace{CEXPsocial\ assistance_{j,t}}_{Baseline\ expenditure}$$

Where,

$CEXPsocial\ assistance_{j,t}$ is the baseline of expenditure on social assistance in the period t. The baseline is adjusted every year in relation to the average population growth rate ($\overline{pgr}$) of the period in order to keep constant its value in per capita terms:

$$CEXPsocial\ assistance_{j,t} = CEXPsocial\ assistance_{j,t_0} * \ (1 + \overline{pgr})^{t-t_0}$$

The ***Incremental Financing Needs*** of a social protection benefit or programme in order for it to move from its current level of coverage to that needed for achieving universal coverage in 2030 is calculated by subtracting the baseline expenditure from the projection of the *incremental expenditure* ($IE_{i,j,t}$) associated with the desired target coverage rate in each year. The *target coverage rate* is assumed to evolve linearly to reach 100 per cent by 2030.

$$IE_{i,j,t} = PCP_{i,j,t} * \ tcov_{i,j,t} * \ \overline{BA_{i,j,t}} + ADM_{i,j.t}$$

[3] For this methodological section, the sub-index *i* corresponds to the programme or social protection benefit, the sub-index *j* stands for geographical region and the sub-index *t* for time.

Where,

$IE_{i,j,t}$ is the *incremental expenditure* associated with the target coverage rate

$tcov_{i,j,t}$ is the *target coverage rate* every year.

To close the coverage gap so that the region achieves universal protection by 2030, the coverage rate would need to be annually adjusted by

$$\theta_{i,j} = \frac{100\% - cov_{i,j,t_a}}{(2030 - t_a)}$$

Where,

$\theta_{i,j}$ is the level of annual adjustment (in percentage points) of the coverage rate necessary to achieve universal coverage by 2030

t_a refers to the year for which latest data on effective coverage is available, which is considered as the start year for the projections for universal coverage

$\overline{BA_{i,j,t}}$ as mentioned above is the desired average benefit amount, which may also be understood as a desired level ($\overline{\beta_i}$) of *replacement rate* with respect to the national poverty line $PL_{j,t}$.

$$\overline{BA_{i,j,t}} = \overline{\beta}_i * PL_{j,t}$$

Therefore, the ***Incremental Financing Needs*** results from the following expression:

$$IFN_{j,t} = \underbrace{\sum_i IE_{i,j,t}}_{Coverage} - \underbrace{CEXPsocial\ assistance_{j,t}}_{Baseline\ expenditure}$$

3.4. Programme/benefit-specific considerations

Given the heterogeneity of the programmes involved in the exercise, it is important to adjust the equations mentioned above to generate social protection benefit-specific calculations. Such adjustments should include the specific beneficiary populations to be covered and the dynamics of the path to universal coverage (scenarios based on hypotheses of how to gradually close the coverage and financing gaps over time), depending on the starting point. For children, the benefit is a proportion of the poverty line; for maternity, the benefit is paid for a fraction of the year.

In the case of *protection for children*, the specific desired benefit level $\overline{\beta_i}$ is usually lower than 1 as it reflects age-adjusted needs that in many cases vary according to age group, such as lower calorie consumption needed for children aged 0-5.

For *maternity*, the specific desired benefit level $\overline{\beta_i}$ is usually lower than 1 because the benefit is paid for only a part of the year, that is to say, 14 weeks (3.5 months) in line with Article 4 of the Maternity Protection Convention, 2000 (No. 183).

3.5. Data and sources of information

The data on a set of variables have been collected to produce estimates using the model and perform additional calculations. The following list specifies the data collected:

- **National poverty line by country**. The data were obtained from the World Bank's World Development Indicators and national sources such as central banks and national institutes of statistics. Each of the lines was adjusted to 2019 terms using inflation rates from the year of the definition of the line and converted into United States dollars using the corresponding exchange rate. During the period of projection, poverty lines are assumed to maintain their values in real terms.

- **Coverage rates by country**. The source of these data is the ILO World Social Protection Database update as at September 2019 and comprises information on the proportion of the population groups that receive in-cash social protection benefits. For contributory systems, pension effective coverage rates as a proportion of the labour force were considered as a proxy of all social insurance programmes. The estimates for coverage rates are weighted by the number of people in the relevant population group.

- **Government expenditure by function and by expense category, as a percentage of GDP**. This information comes from the following sources: (a) the ILO Social Protection Database as at 2019; (b) the IMF Government Finance Statistics database; (c) the Asian Development Bank (ADB) (2019); (d) the Economic Commission for Latin America and the Caribbean (ECLAC) database on non-contributory social protection programmes; (e) the African Union and the United Nations Development Programme (UNDP)(2019); and World Bank´s Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) database. The latest available country information was utilized. Estimates for regional and income groups are weighted by nominal GDP.

- **Actual and projected population by country**. The source of this information is the United Nations *World Population Prospects 2019* and covers 2019–2030 by age group.

- **Gross domestic product in nominal terms, per capita, and in terms of purchasing power parity (PPP) in the last ten years**. Real GDP growth rates in the last ten years by country were used, based on the World Bank's World Development Indicators.

- **Inflation rates and official exchange rates**. This information was also obtained from the World Development Indicators of the World Bank.

For each analytical category, the latest available country information is utilized. For missing information or when the available data are obsolete, i.e., from well before 2018, data imputations are carried out based on regressions between the GDP per capita (PPP terms) and the variable of interest. The resulting equation is then applied to estimate missing data. Imputation analyses are conducted for coverage and spending variables at the country level. In some other cases, such as in social security contributions, special imputations are developed to calculate the expected coverage rate with social security (proxied by the contributory coverage of the labour force with pensions) and estimate the contributory rate based on national old-age dependency ratios.

Table 1 presents the variables for which data have been collected, including their sources.

Table 1. Required variables/data and sources of information

Information requirement	Source(s)	Website
Total population, structure and projections, including by age groups 0-5 and 65+	World Population Prospects, United Nations Population Division	https://population.un.org/wpp/
Poverty lines (national)	National statistical offices and central banks	-
Inflation rates, past 5 years	World Development Indicators, World Bank	https://databank.worldbank.org/data/source/world-development-indicators
GDP nominal and growth rates, past 10 years	World Development Indicators, World Bank	https://databank.worldbank.org/data/source/world-development-indicators
Poverty rates based on national poverty lines estimates	World Development Indicators, World Bank	https://databank.worldbank.org/data/source/world-development-indicators
Coverage rates, per benefit	World Social Protection Database, ILO	https://www.social-protection.org/gimi/gess/Wspr.action
Mothers with newborns	World Population Prospects, United Nations Population Division	https://population.un.org/wpp/Download/Standard/Population/
Disability rates	*World Report on Disability*, WHO	https://www.who.int/disabilities/world_report/2011/report.pdf?ua=1
Social protection expenditures, total and per benefit	World Social Protection Database, ILO	https://www.social-protection.org/gimi/gess/Wspr.action
	Government Finance Statistics, IMF	https://data.imf.org/?sk=3C005430-5FDC-4A07-9474-64D64F1FB3DC https://data.imf.org/?sk=5804C5E1-0502-4672-BDCD-671BCDC565A9
	The Social Protection Indicator for Asia: Assessing Progress, Asian Development Bank	https://www.adb.org/sites/default/files/publication/516586/spi-asia-2019.pdf
	Economic Commission for Latin America and the Caribbean	https://dds.cepal.org/bpsnc/ptc
	African Union and UNDP	https://reliefweb.int/sites/reliefweb.int/files/resources/The%20State%20of%20Social%20Assistance%20in%20Africa%20Report-compressed.pdf
	ASPIRE, World Bank	http://datatopics.worldbank.org/aspire/
Official development assistance (ODA)	OECD, International Development Statistics	https://data.oecd.org/oda/net-oda.htm

Note: Most of the data from different sources listed above are part of the ILO World Social Protection Database 2019.

4. Main trends in social protection coverage and spending

This chapter synthesizes the key trends and characteristics observed concerning social protection coverage and spending. The analysis focuses on the presentation of “baseline” data on existing coverage rates and levels of social protection spending for each of the four social protection benefit areas considered in the study, by geographic and country-income criteria.

4.1. Social protection coverage patterns

According to the latest available data and the projections carried out, the four benefits considered in the SPF package calculated in the exercise would have a coverage of 884.7

million [4] people in low- and middle-income countries in 2018. Significant coverage differences exist across the social protection benefits. The estimated average coverage rates show that about two out of every three older persons are covered by some type of pension benefit, although the rate is well below that average in low-income and lower-middle-income countries (see figure 1). By contrast, persons with severe disabilities have the lowest social protection coverage: only 18.5 per cent of persons with a severe disability receive a benefit in low- and middle-income countries (see table 2). Coverage rates for children and mothers are 29.7 and 34.8 per cent, respectively. In sum, old-age protection has the highest levels of coverage and disability protection the lowest.

Table 2. Potential population and estimated beneficiaries by type of benefit in low-and middle-income countries (latest available data)

Type of Benefit	Potential beneficiaries	Coverage rate, %
Old-age (65 years and+)	356,447,505	63.8
Maternity	57,145,249	34.8
Disability (severe)	225,025,467	18.5
Children (0-5 years of age)	246,090,316	29.7
Total	**884,708,537**	**32.0**

Source: ILO estimates based on World Social Protection Database 2019.

A number of facts emerge from cross-tabulating geographic areas by types of benefit. Table 3 is coloured using the stoplight approach: coverage rates between 0.0 and 33.3 per cent are marked in red, rates between 33.4 and 66.7 per cent in yellow and rates above 66.7 per cent in green. [5]

The colour red predominates in the overall map of social protection benefits. Of the 44 cells in table 3 (11 regions x 4 social protection benefit areas), 19 are red (< 33.3 per cent), while 18 are yellow (33.4–66.7 per cent) and only 7 are green (> 66.7 per cent), 4 of which refer to old-age benefits.

Disability predominates in terms of low coverage, with the rates of 9 regions coloured red for that benefit area. Maternity and children coverage rates are mainly coloured yellow, with most regions showing moderate coverage for those two benefit areas. Old-age coverage rates, as previously mentioned, are the highest, with the rates of 4 regions coloured green, 4 yellow and 4 red.

A horizontal analysis, by region, allows for segregating locations by coverage performance. The top group of high performers are Eastern Europe, Latin America and the Caribbean, and Central and Western Asia. Only one region, Eastern Europe, currently experiences high coverage rates in all four benefit areas, accounting for 4 of only 7 green coverage rates overall. Latin America and the Caribbean ranks second, with 1 rate coloured green and 3 yellow. Central and Western Asia ranks third, with 1 rate green, 2 yellow and 1 red.

[4] Individual beneficiaries for each policy area have been taken into account and some overlaps in the receipt of benefits from different programmes are possible.

[5] These results must be analysed while keeping in mind that, for some programmes and for regions, the sample of countries may be very small; see Annex 1 for more information.

The second group of moderate performers can be split into two subgroups. The upper-moderate performers are Northern Africa, Northern, Southern and Western Europe and South-Eastern Asia, all with 3 coverage rates coloured yellow and 1 red (0 green). The lower-moderate performers, the Arab States and Eastern Asia, have 2 coverage rates coloured yellow, although the latter has 1 rate coloured green (old age).

Finally, Southern Asia, Oceania and Sub-Saharan Africa comprise the group of low performers because their coverage rates are coloured red for all the benefit types except for 1 coloured yellow (maternity) in Southern Asia.

Table 3. Coverage rates by type of social protection benefit (low-and middle-income countries/territories only, in percentages)

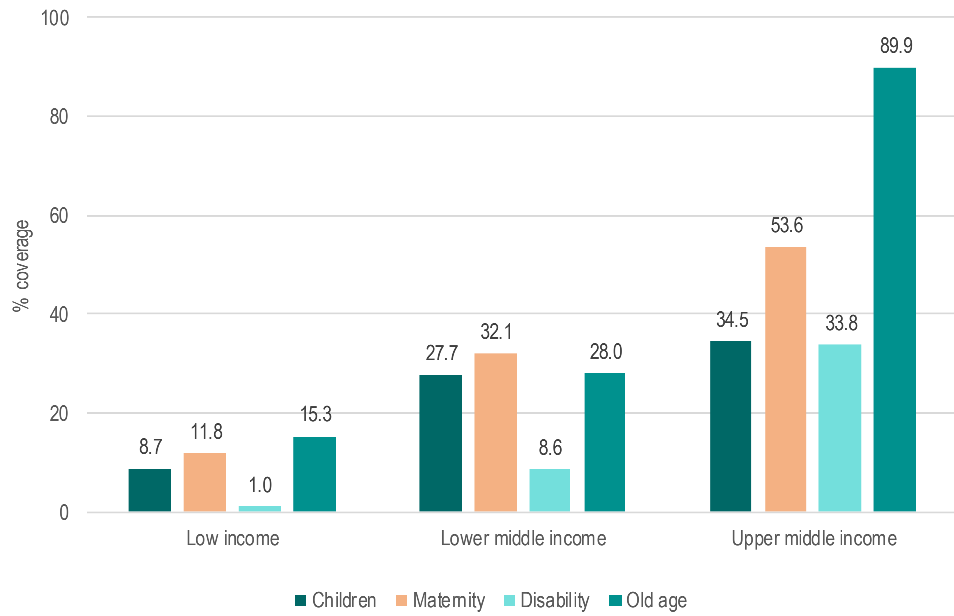
Region	Children	Maternity	Disability	Old-age
Arab States	36.9	39.7	9.6	32.7
Central and Western Asia	44.7	42.2	28.5	87.9
Eastern Asia	2.8	63.7	23.3	100.0
Eastern Europe	96.0	71.7	95.4	98.8
Latin America and the Caribbean	54.3	34.3	59.5	67.7
Northern Africa	37.8	56.2	8.3	40.5
Northern, Southern and Western Europe [6]	49.5	50.9	19.2	47.3
Oceania	18.4	22.1	4.6	5.1
South-Eastern Asia	33.0	35.6	14.4	34.5
Southern Asia	28.9	35.5	7.0	24.1
Sub-Saharan Africa	11.0	12.3	6.1	19.2
All low- and middle-income countries/territories	29.7	34.8	18.5	63.8

Source: ILO estimates based on World Social Protection Database 2019.

By country-income group, upper-middle-income countries show a quasi-universal coverage for persons aged 65 years and over (figure 1). However, that rate is influenced by the weight of China and in those countries, only one third of the children have access to child benefits (34.5 per cent) and half of the mothers enjoy maternity benefits (53.6 per cent). In lower-middle-income countries, coverage is much lower for pensions (28 per cent) and the best-performing benefit area (maternity) only covers one in every three mothers. Disability is the least developed benefit area, covering only 8.6 per cent of persons with severe disability conditions. Finally, low-income countries present very low coverage across the different social protection areas, with disability having the lowest coverage for all regions and types of benefits. Only about 15 per cent of the elderly receive a pension in low-income countries.

[6] Developing countries/territories in Northern, Southern and Western Europe refer to Albania, Bosnia and Herzegovina, Montenegro, Kosovo, North Macedonia and Serbia, all classified as upper middle-income countries/territories.

Figure 1. Coverage rates by social protection benefit area and country-income group (low-and middle-income countries)



Source: ILO estimates based on World Social Protection Database 2019.

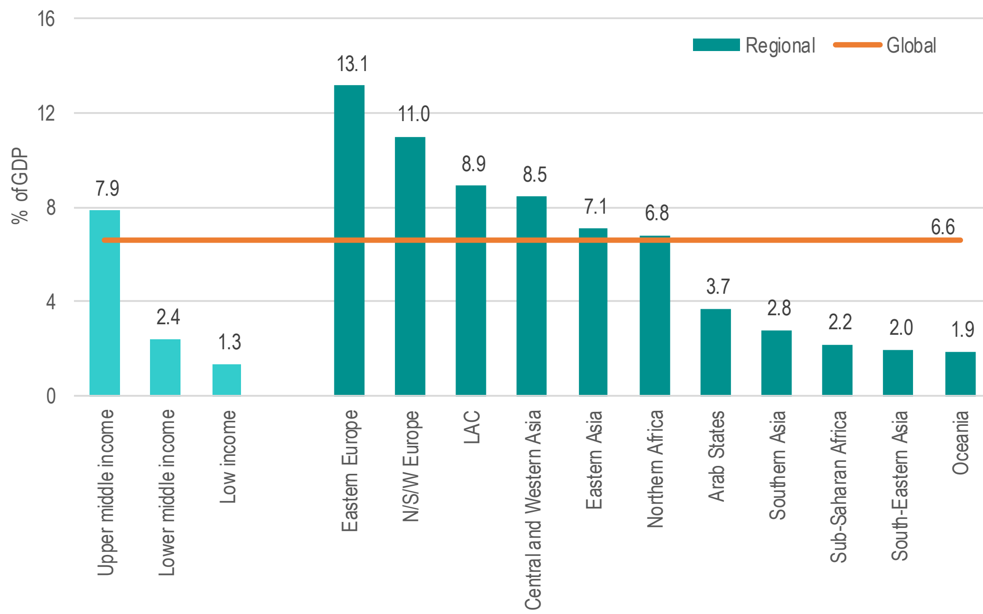
4.2. Trends in social protection expenditures

According to the latest available information, the estimated global expenditure on social protection benefits (excluding health) amounted to US$8,670.8 billion or 10.2 per cent of GDP (192 countries, including high-income countries). For developing countries only, the estimated expenditure was US$2,086.6 billion or 6.6 per cent of GDP (134 countries).

The share of social protection expenditure in developing countries differs considerably across regions. For example, while social protection represents 1.9 per cent of GDP in Oceania, in Eastern Europe and Northern, Southern and Western Europe it exceeds 11.0 per cent of GDP (figure 2).

Figure 2 allows three separate groups of regions to be identified according to their levels of investment in social protection. The first group comprises Oceania, South-Eastern Asia, Sub-Saharan Africa and Southern Asia, all with spending-to-GDP ratios below 3 per cent. The second group comprises the Arab States, Northern Africa, Latin America and the Caribbean, Central and Western Asia, Eastern Asia and the Arab States, with spending-to-GDP ratios between 3.7 and 8.9 per cent. The third group comprises Eastern Europe and Northern, Southern and Western Europe, with spending-to-GDP ratios of 11 per cent of GDP or above.

Figure 2. Total social protection expenditures as a share of GDP, by region (low- and middle-income countries)



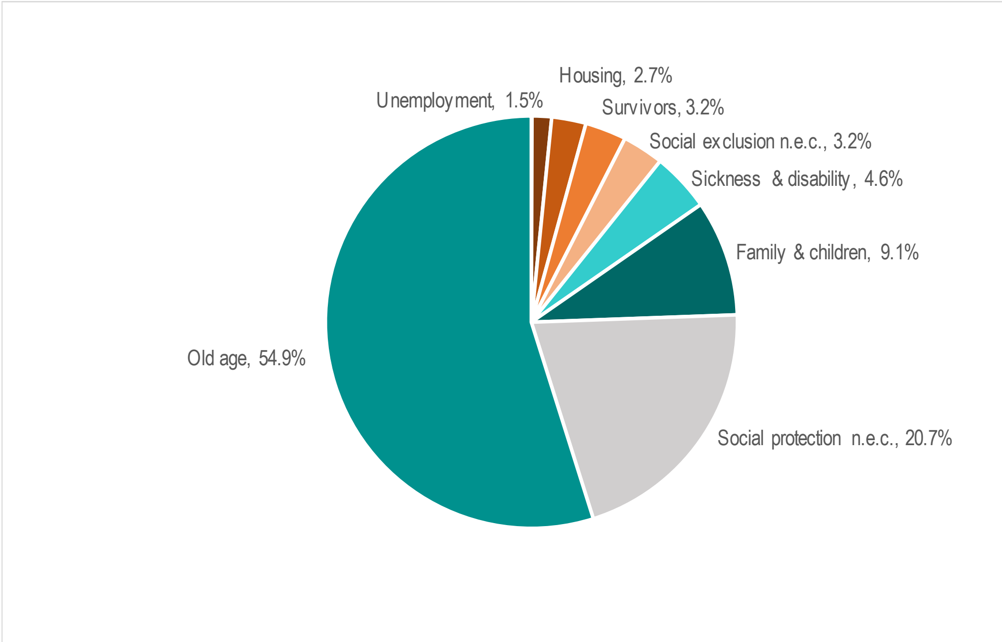
Source: ILO estimates based on World Social Protection Database 2019.

There is a close connection between GDP per capita and the level of social protection spending. Figure 2 shows that upper-middle-income countries allocate, on average, about 6 times more than low-income countries and 3.3 times more than lower-middle-income countries.

Information on the different components of social protection spending is available for a small selection of 38 developing countries that have full or partial data on how total social protection spending is disaggregated, which is summarized in figure 3. Old-age benefits account for 54.9 per cent of the total social protection expenditures of those countries, followed by social protection not elsewhere classified (n.e.c.) (20.7 per cent) and family and children (9.1 per cent). The four social protection policy areas included in this study represent 68.6 per cent of their total social protection spending. [7]

[7] It is important to highlight that some data categories cover a mix of more than one policy area; for example, disability is analysed in this document as a single policy area but the category of disability in figure 3 includes both disability and sickness.

Figure 3. Share of social protection spending by function, selected developing countries, in percentages



Source: ILO estimates based on World Social Protection Database 2019.

5. Cost analysis and financing gap estimates

This chapter presents the results of the costing exercise applied to global regions and country-income groups for the four benefits (children, maternity, disability and old age) comprising the social protection floor (excluding health) that are considered in this study. It is important to reiterate that all the estimates provided apply to developing countries.

The chapter consists of three sections, corresponding to the three stages of cost and financing analysis explained in the model for estimates provided in section 3.3. Section 5.1 presents the results of costing the package of four benefits under universal coverage in 2019. Section 5.2 presents the results of estimating the financing gaps of universal coverage by taking the cost of the four benefits obtained in section 5.1 and subtracting the baseline expenditure on social assistance. Section 5.3 presents the results of a simulation exercise that projects the annual incremental financing needs required between 2019 and 2030 in order to close the coverage gap progressively until universal coverage is reached in 2030.

5.1. Costing the package of four social protection benefits under universal coverage in 2019

The definitions of benefits and beneficiary groups are explained in section 3.2.1 on the methodological considerations. The child benefit is defined as the cash benefit granted to children aged between 0 and 5 years. In line with Ortiz et al. (2017b), the benefit is equivalent to 25 per cent of the national poverty line. The maternity benefit is defined as 100 per cent of the national poverty line, granted to all pregnant women in a determined year for four months. Its real value remains constant during the period 2019–2030. The disability benefit is also paid at 100 per cent of the full national poverty line, granted to persons with any severe disability. Finally, old-age pensions of 100 per cent of the poverty line are granted to older persons 65 years old or over.

Tables 4 and 5 and figure 4 summarize the findings of the cost estimations of a social protection floor comprised of a package of four benefits: children, maternity, disability and old-age protection. The estimates follow the methodology explained in detail in Chapter 3 and present the results both in monetary terms and as a percentage of GDP.

The total cost of the universal package is estimated at US$792.6 billion in 2019, of which US$754.9 billion represents the cost of providing the benefits and the balance corresponds to administrative costs. In other words, this is the global cost of achieving the universal SPF package in 2019. The cost of the top three regions (Latin America and the Caribbean, Eastern Asia and Eastern Europe) amounts to US$439.5 billion or 55.5 per cent of the total cost. One of every three dollars of the cost corresponds to Latin America and the Caribbean alone. Old-age benefits account for 54.5 per cent of the total cost, followed by disability benefits at 19.1 per cent.

Costs by income category range from US$31.1 billion for low-income countries to US$577.4 billion for upper-middle-income countries. As the income level rises, increases in the cost of old-age benefits are relatively larger compared to children, maternity and disability benefits. That trend is also reflected in the share of old-age benefits across income groups. For example, in low-income countries, benefits for children account for 37 per cent of total social protection costs while those for old age represent 24.8 per cent; in upper-middle-income countries, by contrast, benefits for children represent 14.3 per cent of costs while old-age benefits represent 59.6 per cent.

Table 4. Cost of a universal package of four social protection benefits in 2019 (low- and middle-income countries, in US$ billion)

	Children	Maternity	Disability	Old age	Administrative	Total
Subregional groups						
Arab States	3.8	0.9	3.2	4.6	0.6	13.3
Central and Western Asia	13.7	3.1	16.7	46.3	4.0	83.9
Eastern Asia	9.2	2.2	16.3	60.9	4.4	92.9
Eastern Europe	7.3	1.6	12.9	64.9	4.3	91.0
Latin America and the Caribbean	44.3	10.2	46.4	142.6	12.2	255.6
Northern Africa	7.5	1.8	6.7	12.1	1.4	29.5
Northern, Southern and Western Europe	0.5	0.1	1.1	5.4	0.4	7.4
Oceania	0.3	0.1	0.3	0.5	0.1	1.3
South-Eastern Asia	9.5	2.2	12.1	35.0	2.9	61.9
Southern Asia	19.1	4.5	20.1	42.0	4.3	90.0
Sub-Saharan Africa	23.5	6.0	15.7	17.6	3.1	66.0
Income groups						
Low-income countries	11.5	3.0	7.4	7.7	1.5	31.1
Lower-middle-income countries	44.2	10.7	40.9	79.6	8.7	184.1
Upper-middle-income countries	83.1	19.1	103.3	344.4	27.5	577.4
Total	**138.8**	**32.8**	**151.6**	**431.7**	**37.7**	**792.6**

Source: ILO estimates based on World Social Protection Database, including IMF Government Finance Statistics (GFS), World Development Indicators (WDIs), UNDP, ADB, ECLAC and several national sources of information on poverty lines.

The total cost, including the administrative cost, is estimated at 2.4 per cent of the GDP of the developing countries in the sample (table 5). The three highest percentages correspond to Northern, Southern and Western Europe (7.8 per cent of GDP), Central and Western Asia (7.0 per cent) and Latin America and the Caribbean (4.8 per cent). Eastern Asia ranks lowest, with a total cost equivalent to 0.6 per cent of GDP that is explained mainly by the presence of China in that region.

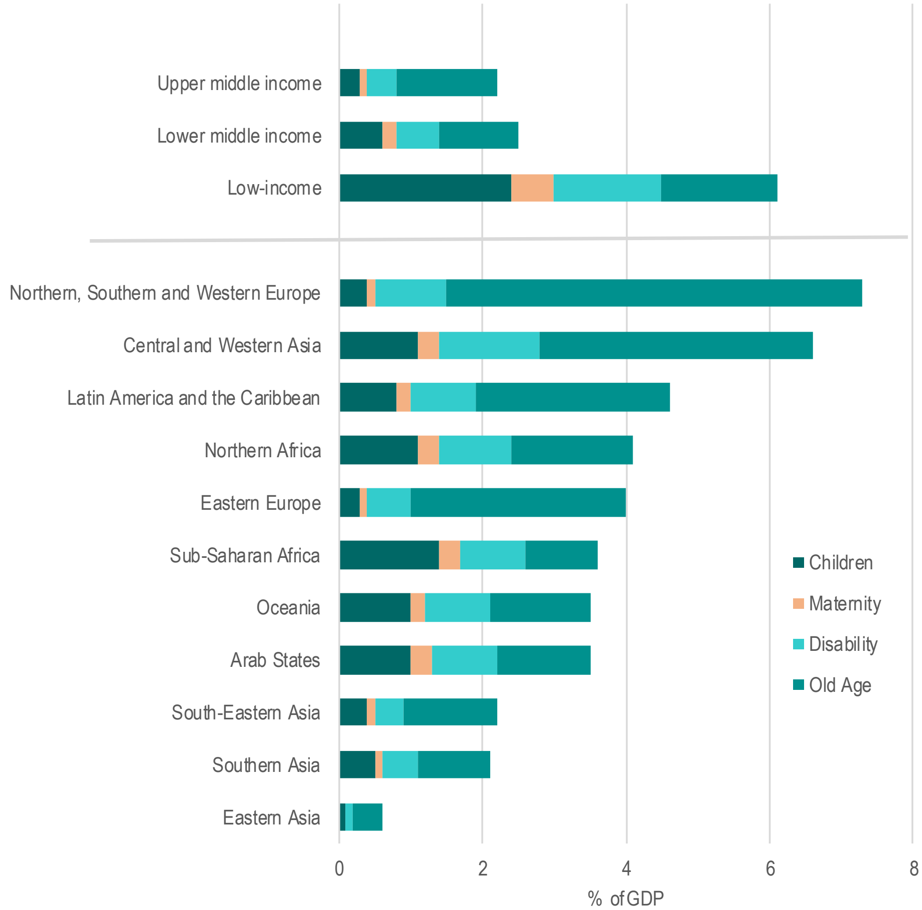
Table 5. Cost of a universal package of four social protection benefits in 2019, by region and country-income group (low-and middle-income countries, in percentage of GDP)

	Children	Maternity	Disability	Old Age	Administrative	Total
Subregional groups						
Arab States	1.0	0.3	0.9	1.3	0.2	3.6
Central and Western Asia	1.1	0.3	1.4	3.8	0.3	7.0
Eastern Asia	0.1	0.0	0.1	0.4	0.0	0.6
Eastern Europe	0.3	0.1	0.6	3.0	0.2	4.2
Latin America and the Caribbean	0.8	0.2	0.9	2.7	0.2	4.8
Northern Africa	1.1	0.3	1.0	1.7	0.2	4.2
Northern, Southern and Western Europe	0.4	0.1	1.0	5.8	0.4	7.8
Oceania	1.0	0.2	0.9	1.4	0.2	3.6
South-Eastern Asia	0.4	0.1	0.4	1.3	0.1	2.3
Southern Asia	0.5	0.1	0.5	1.0	0.1	2.2
Sub-Saharan Africa	1.4	0.3	0.9	1.0	0.2	3.9
Income groups						
Low-income countries	2.4	0.6	1.5	1.6	0.3	6.4
Lower-middle-income countries	0.6	0.2	0.6	1.1	0.1	2.6
Upper-middle-income countries	0.3	0.1	0.4	1.4	0.1	2.3
All low- and middle-income countries	**0.4**	**0.1**	**0.5**	**1.3**	**0.1**	**2.4**

Source: ILO estimates based on World Social Protection Database 2019, including IMF/GFS, WDIs, UNDP, ADB, ECLAC and several national sources of information on poverty lines.

Costs are estimated at 6.4 per cent of GDP in low-income countries, 2.6 per cent of GDP in lower-middle-income countries and 2.3 per cent in upper-middle-income countries. In terms of individual categories of social protection benefits (no administrative costs considered), benefits for children in low-income countries account for the highest share in GDP terms, at 2.4 per cent (figure 4).

Figure 4. Cost of a universal package of four social protection benefits in 2019, by country-income group (low- and middle-income countries, in percentage of GDP)



Source: ILO estimates based on World Social Protection Database 2019.

A comparison of the findings of cost estimates obtained by different studies would be interesting. According to the only recent study (SDSN, 2019) providing total cost estimates of social protection that include four benefit areas similar to this study, the costs in low-income developing countries in 2019 of benefits in the areas of children, maternity, disability and pensions are US$32.7 billion, US$9.4 billion, US$17.3 billion and US$34.1 billion, respectively (see SDSN, 2019, table 3). Those amounts are substantially higher than the amounts presented in table 4 of this study. The reason for the difference is that the previous study (SDSN, 2019) considers a different sample of low-income countries, which included all lower-income countries and a subset of lower-middle-income countries according to the World Bank country classification by income group.

5.2. Estimating the financing gaps for achieving universal coverage of social protection floors in 2019

This section presents a simulation exercise projecting the annual resources needed to close the financing gap in 2019. The aim is to indicate the level of global efforts required in order to achieve universal coverage in the year 2019. The financing gap is estimated as the difference between the total cost of achieving universal coverage in the social protection floor comprised of the four policy areas included in this study in 2019 and the estimated expenditure on social assistance in the baseline year of 2019.

Table 6 summarizes the estimated financing gap in billions of dollars and as a percentage of GDP for the developing countries and territories considered in the study. The gap is estimated at US$527.1 billion and 1.6 per cent of GDP. The financing gap is the difference between the estimated total cost of a universal package of four SPF benefits in 2019 (2.4 per cent of GDP; see table 5) and the estimated expenditure on social assistance in the same year (0.94 per cent of GDP; see Annex A.3).

The two largest shares of the SPF financing gap are estimated in Latin America and the Caribbean and Southern Asia, at about 35.9 per cent and 13.7 per cent, respectively. Two thirds of the gap (US$364.8 billion) corresponds to the share of upper-middle-income countries and 5.6 per cent to the share of low-income countries (US$26.8 billion). That difference is partly explained by the composition of the sample, in which low-income countries represent a smaller share of the total number of developing countries represented. [8] Differences in the amounts of benefits in different country-income groups are an additional explaining factor. [9] When the size of the financing gap is considered vis-à-vis the regional level of GDP, the highest ratios are found in Central and Western Asia (5.3 per cent), Northern, Southern and Western Europe (5.0 per cent) and low-income countries (5.6 per cent).

Table 6. Financing gap for achieving universal social protection coverage in 2019, in US$ billions and as a percentage of GDP (low-and middle-income countries only)

	Gap in billion US$	Gap as % of GDP in 2019
Subregional groups		
Arab States	10.4	2.8
Central and Western Asia	63.8	5.3
Eastern Asia	51.2	0.4
Eastern Europe	26.6	1.2
Latin America and the Caribbean	189.4	3.6
Northern Africa	22.3	3.2
Northern, Southern and Western Europe	4.6	5.0
Oceania	1.1	3.3
South-Eastern Asia	39.6	1.5
Southern Asia	72.1	1.7
Sub-Saharan Africa	45.9	2.7
Income groups		
Low-income countries	26.8	5.6
Lower-middle-income countries	135.5	1.9
Upper-middle-income countries	364.8	1.4
All low- and middle-income countries	**527.1**	**1.6**

Source: ILO estimates based on World Social Protection Database 2019.

[8] For example, the total population of the low-income countries and territories considered represents about 10 per cent of the total population of all the developing countries in the sample, compared with 48 per cent and 42 per cent, respectively, of the populations of lower-middle and upper-middle-income countries.

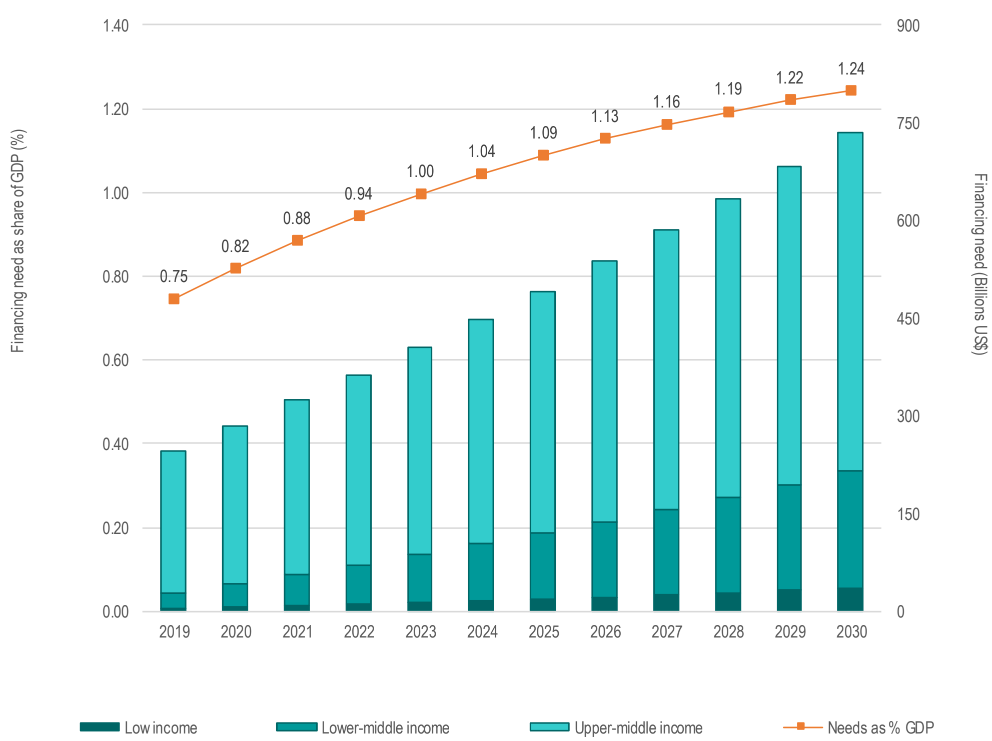
[9] Low-income countries tend to have national poverty lines with lower benefit amounts than those of higher-income countries.

5.3. Incremental financing needs under progressive universal coverage from 2019 to 2030

While the previous section shows the amount required to close the financing gap in order to achieve universal coverage of the SPF in 2019 – the SPF financing gap – this section illustrates how universal coverage can be achieved progressively over the period between 2019 and 2030 and the annual incremental financing needs of countries to achieve this. The coverage of the four social protection benefits are estimated to increase progressively from the levels observed in 2018 to reach 100 per cent in 2030, following a linear progression in the targeted coverage rate for each year.

To estimate the *incremental financing needs*, the analysis takes the total costs of the four types of benefits (plus the administrative costs) that result from assuming partial population coverage rates that progressively increase year by year until universal coverage is achieved in 2030. The baseline social assistance expenditure remains constant in its real per capita value during the projection period. The *incremental financing needs* is then the difference, either in monetary or in GDP terms, between the cost in the year under consideration and the baseline spending representing the current investment in social protection. The results are presented in figure 5 and table 7.

Figure 5. Incremental financing needs for progressively closing the social protection coverage gap, in US$ billions per year and as a percentage of GDP (low- and middle-income countries), 2019-2030



Source: ILO estimates based on World Social Protection Database 2019.

The global annual incremental financing need during the first year in 2019 is about US$246.5 billion, after which it increases progressively until in 2030 the additional financing need stands at US$735.2 billion. The incremental financing need in 2019 is 0.75 per cent of GDP of the developing countries and it subsequently rises year by year to reach 1.24 per cent of GDP in 2030. In relative terms, low-income countries will require a greater proportion of their GDP as additional spending needs. For example, in 2030 the incremental financing need in low-income countries is 3.78 per cent of GDP, while the need for lower-middle-income and upper-middle-income countries is 1.34 and 1.16 per cent of GDP, respectively (table 7).

Table 7. Annual incremental financing needs for progressive universal coverage, by income level, in US$ billions and percentage of GDP (low- and middle-income countries), 2019–2030

Income group	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Low-income countries												
Financing needs (billion US$)	3.5	5.8	8.2	10.7	13.3	16.1	18.9	21.9	25.0	28.3	31.6	35.1
Financing needs as % of GDP	0.73	1.14	1.52	1.88	2.20	2.50	2.77	3.02	3.24	3.44	3.62	3.78
Lower-middle-income countries												
Financing needs (billion US$)	24.9	36.3	48.2	60.6	73.5	87.0	101.0	115.7	131.0	146.8	163.1	180.0
Financing needs as % of GDP	0.35	0.48	0.61	0.72	0.82	0.92	1.01	1.09	1.16	1.23	1.29	1.34
Upper-middle-income countries												
Financing needs (billion US$)	218.2	242.5	267.4	292.4	317.8	344.1	371.4	399.5	428.4	458.2	488.7	520.2
Financing needs as % of GDP	0.86	0.91	0.95	0.99	1.02	1.05	1.08	1.10	1.12	1.14	1.15	1.16
Total low- and middle-income countries												
Financing needs (billion US$)	246.5	284.4	323.6	363.6	404.6	447.0	491.1	537.1	584.4	633.1	683.4	735.2
Financing needs as % of GDP	0.75	0.82	0.88	0.94	1.00	1.04	1.09	1.13	1.16	1.19	1.22	1.24

Source: ILO estimates based on World Social Protection Database 2019.

6. Assessing financing gaps in contributory systems

Social protection systems are typically financed through a combination of tax-financed non-contributory schemes and social insurance schemes that are usually funded by workers and employers. The two-dimensional strategy for comprehensive and adequate social protection systems embodied in ILO Recommendation No. 202 also calls for ILO members to consider implementing the most effective and efficient combination of both schemes (see paras 9(1) and 9(3)). The level of social protection, both in terms of coverage and benefits, is ultimately a decision to be taken at the national level, preferably after consultations with representatives of the persons concerned, i.e. particularly with the social partners (see ILO Recommendation No. 202, paras 8(d), 13(1), 19 and 20).

Coverage extension through social insurance systems is a desirable and necessary strategy to ensure that people can progressively achieve higher levels of protection by moving from the basic benefit levels offered by non-contributory systems to higher levels of benefits secured through social insurance schemes. Many countries have made significant progress in extending the coverage of contributory systems, as documented in several publications by the ILO (see for example, ILO, 2014, 2017, 2019; Ortiz et al., 2019a). However, more efforts are required to expand social insurance coverage.

Countries can increase social security contributions through two main avenues. On the one hand, this can be achieved by increasing the effective coverage of the labour force. This option applies to virtually all developing countries. On the other hand, a significant number of developing countries, particularly low-income countries with limited benefit packages, in which contribution rates are still relatively low and there is room to increase their fiscal space and financing social protection through this channel.

This chapter presents estimates of the capacity of contributory systems to reduce their financing gaps by increasing coverage to uncovered groups or increasing their contribution rates. Although the resources from social security contributions are not intended to finance social assistance, greater contributory coverage and contributions reduce the reliance on tax-financed schemes, thus creating fiscal space for greater population coverage and adequate benefits.

The estimation method presented in this chapter develops a scenario in which both the contribution rate and the coverage rate of the labour force with social insurance programmes are subject to policy changes. The method follows several steps. First, two scatter plots are constructed: (a) one showing the relationship between old-age dependency ratio and contribution rates and (b) one showing the association between GDP per capita (PPP terms) and coverage rates, which is proxied by the number of active contributors to a pension scheme. Next, a linear regression equation is generated in each case to obtain average estimates. For all countries below the regression line, the study considers a scenario that "adjusts" their contribution rate and coverage rate upwards to the average values estimated by the regression lines. The observed values of countries above the line remain the same. [10]

Social security contributions were estimated using the following equation:

$$SC_i = LF_i * CR_i * MW_i * CoT_i$$

Where the initials of the variables in the country *i* should be read in the following terms:

SC refers to social security contributions

LF is the labour force

CR is the coverage rate

MW is the mean annual wage

CoT is the contribution rate

If the estimation assumes that all countries below the coverage/contribution trends move up their rates to the "expected level", then globally speaking social security contributions may represent 6.3 per cent of the GDP of developing countries (table 8). The expected net increment in fiscal space creation through this alternative is a gain of 1.2 points of GDP. This appears to be an achievable goal in the next ten years, particularly in low-income countries, as shown by recent experiences documented by the ILO.

[10] An alternative scenario not applied here could be to explore increases in coverage for the full set of developing countries.

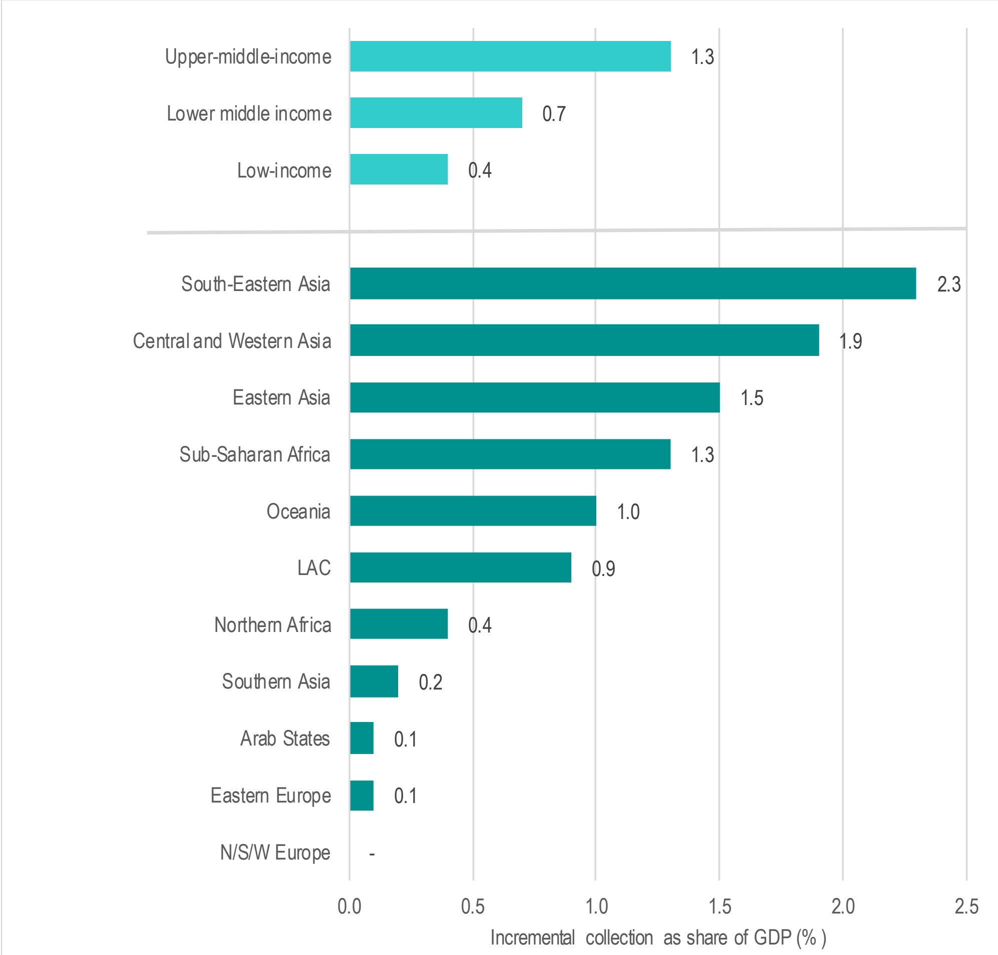
Table 8. Social security contributions as a percentage of GDP: estimated baseline and alternative scenario with adjusted coverage and contribution rates, by region (low-and middle-income countries)

	Baseline	Scenario with adjusted rates
Subregional groups		
Arab States	1.4	1.5
Central and Western Asia	4.4	6.3
Eastern Asia	6.5	8.0
Eastern Europe	8.5	8.6
Latin America and the Caribbean	4.6	5.5
Northern Africa	3.4	3.8
Northern, Southern and Western Europe	6.5	6.5
Oceania	4.2	5.2
South-Eastern Asia	1.2	3.5
Southern Asia	3.3	3.5
Sub-Saharan Africa	0.6	1.9
Income groups		
Low-income countries	0.4	0.8
Lower-middle-income countries	2.5	3.2
Upper-middle-income countries	5.8	7.1
All low- and middle-income countries	**5.1**	**6.3**

Source: ILO estimates based on World Social Protection Database 2019.

The former marginal or incremental revenue collection varies from +0.1 per cent of GDP in the Arab States and Eastern Europe to +2.3 per cent in South-Eastern Asia. Low-income countries could expand their social security contributions to 0.8 per cent of GDP, meaning that they would double their current level. A less conservative scenario of increased coverage would certainly yield considerably higher results in the potential for creating fiscal space through social security contributions in all regions.

Figure 6. Incremental collection of social security contributions as a percentage of GDP, by region (low-and middle-income countries)



Source: ILO estimates based on World Social Protection Database 2019.

7. Fiscal space options for closing the financing gaps

This chapter focuses on analysing potential sources of revenue to obtain the additional financing required to achieve universal social protection by 2030. First, the chapter presents some general considerations on existing sources of funding that may help to close the gaps. Next, the chapter explores two specific alternatives such as taxation and ODA. Regarding the creation of fiscal space through the extension of social insurance, the previous chapter provides inputs for a discussion of how this option could raise potential revenue. It may be recalled that the decisions in this respect taken at the national level should be prepared and developed in close collaboration with the most representative employers' and workers' organizations. Tripartite social dialogue should ideally address all different risks, as provided in ILO Social Security (Minimum Standards) Convention No. 102, and should allude to the possible options outlined below (see also Recommendation No. 202).

7.1. Fiscal space creation is feasible even in low-income countries

Concerning financing options, SDG target 1.A calls on countries to “[e]nsure significant mobilization of resources from a variety of sources, including through enhanced development cooperation, in order to provide adequate and predictable means for developing countries …” Indeed, there exist several approaches, even in poor countries, to create fiscal space for financing social protection. International experience shows that countries can draw on eight different strategies for creating fiscal space, which should be examined in the context of a national social dialogue, namely: (i) increasing tax revenues; (ii) expanding social security coverage and contributory revenues; (iii) eliminating illicit financial flows; (iv) reallocating public expenditures; (v) using fiscal and central bank foreign exchange reserves; (vi) managing debt: borrowing and restructuring existing debt; (vii) adopting a more accommodating macroeconomic framework; and (viii) increasing ODA aid and transfers (see ILO, 2017; Ortiz et al., 2019a).

Increasing tax revenues. This is a key channel for generating government revenue that is achieved by altering different types of tax rates – for example of taxes on corporate profits, financial activities, property, import/exports and natural resources – or by strengthening the efficiency of tax collection methods and overall compliance. Many countries are increasing taxes for social protection. For example, the Plurinational State of Bolivia, Mongolia and Zambia are financing universal pensions, child benefits and other schemes from mining and gas taxes; Ghana, Liberia and the Maldives have introduced taxes on tourism to support social programmes; Gabon has used revenues from value-added-tax on mobile communications to finance its universal health care system; Algeria, Mauritius and Panama, among others, have supplemented social security revenues with high taxes on tobacco; and Brazil has introduced a temporary tax on financial transactions to expand social protection coverage. Other countries have launched lotteries to supplement social security spending (e.g. China’s welfare lottery or Spain’s ONCE lottery for the social inclusion of the blind).

Expanding social security coverage and contributory revenues. Increasing coverage and thereby raising contributions is a reliable way to finance social protection, freeing fiscal space for other social expenditure. Social protection benefits linked to employment-based contributions also encourage the formalization of the informal economy: Uruguay’s monotax provides a remarkable example. Argentina, Brazil, Tunisia and many other countries have demonstrated the possibility of broadening both coverage and contributions.

Eliminating illicit financial flows. Estimated at more than ten times the size of all ODA received, a colossal amount of resources illegally escapes developing countries each year. There is a growing effort, particularly within the United Nations and other international agencies, to devote more considerable attention to cracking down on money-laundering, bribery, tax evasion, trade mispricing and other financial crimes that are both illegal and deprive governments of revenues needed for social protection and the SDGs.

Reallocating public expenditures. This orthodox approach includes assessing ongoing budget allocations through public expenditure reviews, social budgeting and other types of budget analysis; replacing high-cost, low-impact investments with investments that result in more substantial socioeconomic impacts; eliminating spending inefficiencies; and tackling corruption. For example, Costa Rica and Thailand have reallocated military expenditures to universal health, while Ghana, Indonesia and many other developing countries have reduced or eliminated fuel subsidies and used the proceeds to extend social protection programmes.

Using fiscal and central bank foreign exchange reserves. This option includes drawing down fiscal savings and other state revenues stored in special funds, such as sovereign wealth funds, and/or using excess foreign exchange reserves in the central bank for domestic and regional development. Chile, Norway and the Bolivarian Republic of Venezuela, among others, are tapping into fiscal reserves for social investments, while Norway’s Government Pension Fund Global is perhaps the best-known example of this option.

Managing debt: borrowing and restructuring existing debt. This strategy involves an active exploration of domestic and foreign borrowing options at low cost, including concessional, following careful assessment of debt sustainability. For example, in 2017, Colombia launched the first social impact bond in developing countries and South Africa issued municipal bonds to finance basic services and urban infrastructure. In recent years, more than 60 countries have successfully renegotiated debt and more than 20 (for example, Ecuador and Iceland) have defaulted on or repudiated public debt, directing debt-servicing savings to social protection.

Adopting a more accommodating macroeconomic framework. This entails permitting higher budget deficit paths and/or higher levels of inflation without jeopardizing macroeconomic stability. A significant number of developing countries used deficit spending and a more accommodating macroeconomic framework during the global recession to attend to pressing demands at a time of low growth and support socio-economic recovery.

Increasing aid and transfers. The extension of fiscal space by drawing on domestic sources is a fundamental element of strategies for creating comprehensive social protection systems. However, there are considerable gaps, especially in some developing countries, between domestically generated resources and the resources required for universal social protection systems. Fiscal deficits and the inadequacy of resources translate in many cases into gaps in coverage and loss of well-being. ILO Recommendation No. 202 accordingly suggests that countries “… whose economic and fiscal capacities are insufficient to implement the guarantees may seek international cooperation and support that complement their own efforts.” (para. 12). The Governments of countries such as Pakistan, Madagascar, Namibia, Tajikistan and Zimbabwe report that they have received support from international partners to finance their social protection systems. Moreover, the Government of Burkina Faso counts on international cooperation for its national social protection floors strategy, while the implementation of national plans in the Czech Republic has been based on resources from the state budget and the European Social Fund.

7.2. Assessing taxation and official development assistance for closing the financing gap

7.2.1. Taxation

Member States acknowledged in the Addis Ababa Action Agenda that additional domestic public resources are required in order to achieve the SDGs (UN, 2015). Taxation is usually considered the first source of additional financing to finance non-contributory programmes. Based on the information on tax revenues in the World Bank World Development Indicators, the global tax burden in 2018 is estimated at 11.1 per cent of GDP, ranging from 6.3 per cent in the Arab States to 18.8 per cent in Northern, Southern and Western Europe. Eastern and Southern Asia are the only two regions with tax burdens below the global rate.

In order to understand the magnitude of the gap in financing SDG target 1.3 in terms of overall tax collection, a costing exercise has calculated and analysed the corresponding indicator. On average, the 2019 SPF financing gap represents 13.5 per cent of the total tax revenue.

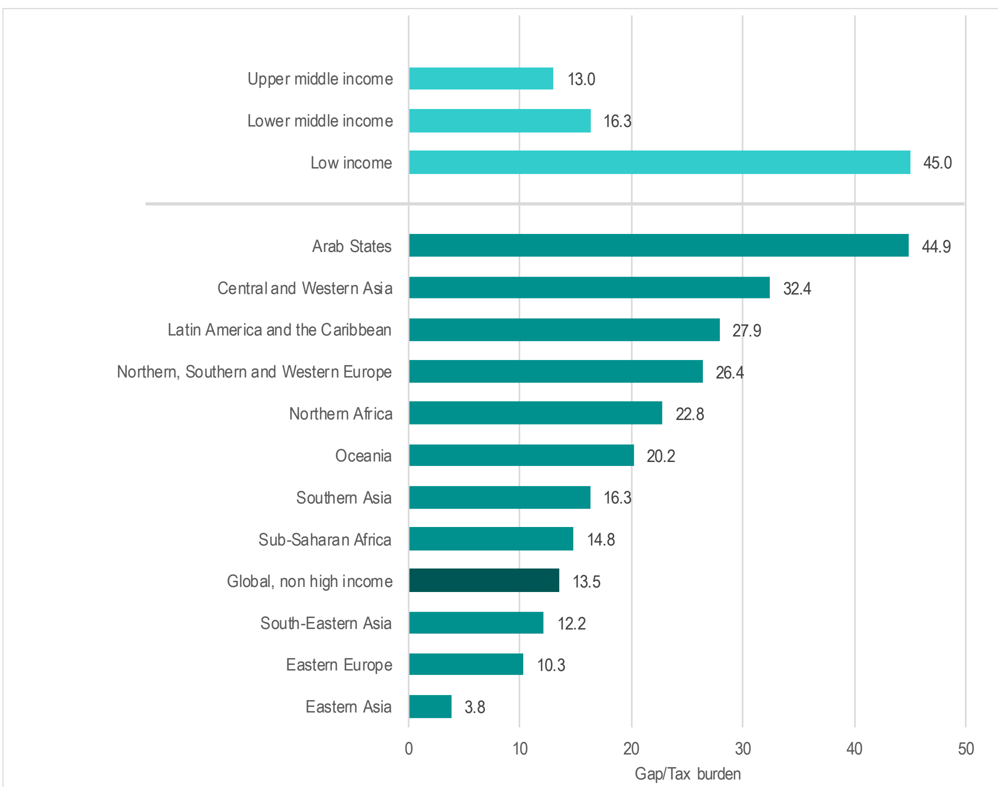
Figure 7 allows the identification of three categories of regions. The first category (Eastern Europe and Eastern Asia) refers to places where the financing gap represents less than 10.5 per cent of total revenues from taxes. These regions may explore the possibility of implementing reallocation strategies to reduce the financing gap, which would require strong political will to give social protection a positive emphasis in terms of public financing.

In the second category (Southern Asia, South-Eastern Asia, Oceania and Sub-Saharan Africa), the financing gap represents 10 to 20 per cent of the total revenues from taxes. Even if expenditure reallocation is an option, the level of effort to reduce the financing gap would require structural, long-term measures to generate more savings for allocation to social protection; however, such measures usually take a significant amount of time.

Finally, in the third category (Arab States, Northern Africa, Northern, Southern and Western Europe, Latin America and the Caribbean, and Central and Western Asia), the financing gap represents more than 20 per cent of total revenues from taxes. The reduction of such a large financing gap would require either the creation of new taxes or a search for alternative and innovative sources of funds.

In low-income-countries, the SPF financing gap is very high – at 45 per cent of current tax revenues. Therefore, reducing it in low-income-countries would require a significant reallocation of public resources to finance social protection at the expense of other social spending priorities.

Figure 7. Total social protection floor financing gap as a percentage of the tax burden in 2019, by region (low- and middle-income countries)



Source: ILO estimates based on World Social Protection Database 2019.

Even if regions are able to finance social protection floors in the short term by reallocating expenditure, in the medium and long terms their financing strategy should include structural changes and multiple sources in order to achieve the objective of a universal social protection floor. Possible options include increasing taxation and social security contributions, additional ODA for social protection and other alternatives such as increasing corporate taxes, taxing the digital economy and creating special taxes on financial transactions.

7.2.2. Role of official development assistance

As was done for taxation in section 7.2.1 above, a similar exercise was conducted for ODA. Based on analysis of information on ODA flows to developing countries in 2017, table 9 compares the SPF financing gap with ODA as a percentage of GDP. Overall, ODA does not seem to be a viable source if it remains at current levels: the estimated global gap in SPF financing is five times the level of ODA currently allocated to developing countries.

Of the 11 regions and 3 income groups considered in the exercise, only 3 categories (Arab States, Oceania and low-income countries) have an SPF financing gap that is smaller than their total ODA flows and even in those instances the gap already represents a significant share of existing ODA. The SPF financing gap is equivalent to between 65 and 85 per cent of the total ODA allocated by the Organisation for Economic Cooperation and Development (OECD) to developing countries. In Latin America and the Caribbean, the gap would represent 36 times existing ODA, while in upper-middle-income countries the multiplier would be 13.5.

Some specific regions may deserve attention. In sub-Saharan Africa, the SPF financing gap in 2019 is equivalent to the total ODA allocation to that region. In other words, to fill the gap in financing the social protection floor in that region with ODA flows only, total development assistance would have to be doubled. Table 9 gives ODA flows to Eastern Asia at 0 per cent of GDP owing to the significant influence of China in both size of GDP and ODA outflows. If China were removed from the calculation, the level of ODA flows would jump to 6.8 per cent of GDP and would thus greatly exceed the existing SPF financing gap.

Even if there is room for action in some regions, in general terms the use of ODA for social protection financing seems to be limited. For example, in order to fully close the SPF financing gap with ODA, overall assistance for development would have to double between 2019 and 2030 and in some cases such as Latin America and the Caribbean, regional ODA would have to be multiplied by 13. At the same time, to achieve the desired result, the estimated increment would have to be fully allocated to social protection, which seems unrealistic given the long list of other priority development areas. Moreover, the idea of reassigning existing ODA to social protection without altering the level that OECD Development Assistance Committee (DAC) countries allocate is a very complex one given the history of past and future commitments.

This situation becomes even more complex when analysis focuses on ODA for social protection rather than on total ODA allocated to all development areas. Between 2010 and 2015, the disbursed ODA to social protection under OECD/DAC CRS code 16010 [11] averaged US$2,346.7 million, while the committed level of social protection ODA totalized US$ 2,647.7 million. One of the critical characteristics of disbursed ODA flows is a highly unstable growth rate. Over the same period, social protection ODA grew at -1.0 per cent, so that in three of the five assessed years the rate was negative. The disbursed flows represented

[11] According to OECD/DAC, CRS code 16010 includes ODA for the following areas: social legislation and administration; institution capacity-building and advice; social security and other social schemes; special programmes for the elderly, orphans, the disabled and street children; social dimensions of structural adjustment; and unspecified social infrastructure and services, including consumer protection.

0.0037 per cent of GNI; since 2011, that contribution has never returned to its 2010 levels (Ortiz et al., 2017b). [12]

Table 9. Comparison of SPF financing gap in 2019 and ODA allocation in 2017, by region (low- and middle-income countries, in percentage of GDP)

	SPF financing gap in 2019	Total ODA allocations+
Subregional groups		
Arab States	2.8	3.3
Central and Western Asia	5.3	0.9
Eastern Asia	0.4	0.0
Eastern Europe	1.2	0.7
Latin America and the Caribbean	3.6	0.1
Northern Africa	3.2	0.6
Northern, Southern and Western Europe	5.0	3.0
Oceania	3.3	4.7
South-Eastern Asia	1.5	0.3
Southern Asia	1.7	0.3
Sub-Saharan Africa	2.7	2.6
Income groups		
Low-income countries	5.6	8.6
Lower-middle-income countries	1.9	0.6
Upper-middle-income countries	1.4	0.1
All low- and middle-income countries	1.6	0.3

Note: These ODA allocations comprise all categories of development assistance and not only social protection.
Source: ILO estimates based on World Social Protection Database 2019.

8. Main findings, conclusions and the way forward

Main figures and findings

According to ILO estimates, only 45 per cent of the world's population are covered by at least one social protection benefit. Given the specific situation of developing countries, the extent of the coverage gap is even more worrying: coverage in those countries barely reaches 30 per cent of children, 18 per cent of people with severe disabilities and 35 per cent of mothers with newborns.

This study shows that coverage gaps affect virtually all regions of the world and all developing countries, including upper-middle-income countries. As might be expected, the gaps in coverage – measured as the percentage of the population who are potential beneficiaries of social protection programmes – are significantly larger in low-income countries than in middle- or upper-middle-income countries. For example, in low-income countries only 8.5 per cent of children and 15.3 per cent of older persons are covered by

[12] For analytical purposes, calculations were done using disbursements, that is, what is was effectively invested in that year. The GNI utilized was the sum of all the ODA donors, including DAC and non-DAC countries, as reported by OECD.

social protection programmes, whereas in upper-middle-income countries 35 per cent of children and 90 per cent of older persons are covered. In terms of absolute population size, total coverage gaps are much more significant in middle- and upper-middle-income countries. More people are excluded from social protection in a few large middle- and upper-middle-income countries than are excluded in all low-income countries worldwide. This is a significant finding that should be taken into account when analysing the regional and income distribution of absolute gaps in social protection financing and considering strategies to fill the global gaps.

Concerning the cost of achieving universal coverage of a basic set of social protection floor benefits – covering children up to a limited age, women with newborn children, persons with severe disabilities and older persons – the findings of this study indicate a rather variable cost at the regional level and by country-income level. Globally, for developing countries, the total estimated cost is about 2.4 per cent of the GDP of the developing countries considered in the study, including administrative expenditures. However, that cost is considerably higher in low-income countries, estimated at 6.4 per cent of GDP. These findings are consistent with those of previous ILO studies.

The findings presented in this study show that closing the global SPF financing gap would require an additional US$527.1 billion per year or 1.6 per cent of the GDP of developing countries. This SPF financing gap varies across regions and country-income groups, ranging from 0.4 per cent of GDP in Eastern Asia to 5.3 per cent in Central and Western Asia, and from 1.4 per cent of GDP in upper-middle-income countries to 5.6 per cent in low-income countries. In monetary terms, however, the gap may be as low as US$1.1 billion per year in Oceania (due to the region’s low population) or as high as US$189.4 billion per year in Latin America and the Caribbean. The financing gap in low-income countries is estimated at US$26.8 billion per year.

In terms of the incremental financing needs to progressively achieve universal coverage by 2030, the required amount is about US$246.5 billion in 2019, equivalent to approximately 0.75 per cent of the GDP of the developing countries considered in the study. That required amount will rise gradually in subsequent years to reach US$735.2 billion in 2030, equivalent to 1.24 per cent of the GDP of those countries.

The study assesses the capacity of contributory systems to reduce their financing gap by increasing the coverage and contribution levels of existing contributory schemes. Assuming that all countries below the expected level of coverage and contribution rates move up to that level, this would generate additional social security contributions equivalent to 1.2 per cent of the GDP of developing countries. In particular, low-income countries would double their current social security contribution collection levels (from 0.4 to 0.8 per cent of GDP).

Given the goals of Agenda 2030 and the commitment to achieve the specific target of SDG 1.3, these findings call attention to the need for a global effort that involves most countries and does not focus exclusively on the poorest countries. However, strategies for achieving the goals of universal coverage of the social protection floor may vary according to the specific level of development of countries.

As documented in this study, the social protection financing gap represents on average about 13.5 per cent of the tax burden of developing countries. Many countries have the potential to fill their gaps from domestic sources and that should undoubtedly be a policy priority. For example, for upper-middle-income countries, the gap is equivalent to 13 per cent of the tax burden. Experience shows that policy decisions on social protection reforms usually have a long-lasting effect on the country’s national budget as well as on employers’ and workers’ contributions to the system. In many countries, therefore, governments do not take such decisions in isolation; rather, they seek support from the full range of stakeholders in order to ensure that decisions are politically sustainable and they hold social dialogue (consultations) with the most representative employers' and workers' organizations in order to ensure a better understanding and acceptance of their decisions. As workers and employers are the most directly affected by such decisions – in particular by the levels of contributions and benefits – the success rate will increase considerably if they understand the reasons for reforms and they can and should be involved in the smooth implementation of such reforms. Genuine social dialogue is therefore an absolute condition of reaching these policy priorities.

On the other hand, many countries are far from being in a position to fill social protection financing gaps based on their own efforts; for example, low-income countries would require an equivalent of 45 per cent of their current tax revenues to do so. Therefore, the challenge is much higher for low-income countries, both in terms of the relative cost and their relative capacity. That distinction must be considered as a critical factor in the formulation of a specific development assistance policy. Massive financial assistance for starting up and temporarily financing benefits could be a feasible option for addressing the SPF gap in low-income countries.

According to estimates calculated by this study, at least an annual investment of around US$ 27 billion, equivalent to 5.6 per cent of GDP of low-income countries, would be required to fill the social protection financing gaps in these countries. When that figure is considered as a percentage of the GNI of donor countries, the amount becomes negligible.

However, the current level of ODA for social protection is insufficient to meet the financing needs identified in this study. In terms of the Addis Ababa Action Agenda, many countries still fall short of their ODA commitments. Moreover, in terms of ODA for social protection as opposed to total ODA, the shortfall is much greater: the disbursed ODA for social protection represented 0.0037 per cent of the GNI of OECD/DAC countries in 2015.

Moving from general strategies to specific policies and actions

The possibilities for the development of a universal social protection system are closely linked to the strategy and level of countries' overall development. Social protection and social and economic development go hand in hand and support each other. The positive effects on development of investing in social protection are well documented and widely accepted. A new development model should place investment in social protection and social investment in general at the heart of development policies.

The development of both contributory and non-contributory social protection systems can have a significant effect in the short, medium and long terms. SPF development, for example, can lead to an immediate reduction of poverty by improving the opportunities for better employment of new generations entering the labour market and supporting a more productive business environment that leverages economic development. On the other hand, the extension of contributory systems linked to formalization policies can also have immediate effects on employment formalization and poverty reduction. In terms of action, both strategies must complement each other and both are indispensable.

Opportunities to extend fiscal space exist in virtually every country, as international experience shows. Countries and policymakers worldwide face the difficult task of thinking about and implementing innovative ways of creating fiscal space beyond traditional recipes to offset the growing economic inequality. This and other ILO and United Nations studies explore and discuss several strategies for creating fiscal space, including the actions proposed below.

Concrete actions for discussion at the level of national governments and with social partners

1. **Maximize the domestic fiscal space, including through taxes and social security contributions**. The link with tax, labour market, employment and enterprise formalization policies plays a critical role in this strategy.

2. **Strengthen ODA**. Developed countries should make an effort to comply with the minimum commitments established in the Addis Ababa Action Agenda, which are far from being met. Given the financing requirements for achieving the whole set of SDGs (several trillion US$), it is clear that current ODA levels have limited capacity to fill the gap. In the area of social protection, ODA should focus primarily on two objectives:

   - First, ODA should contribute to the development of national capacities to improve social protection systems, including the proper design, management and financial sustainability of those systems.

   - Second, ODA can play an important role in the implementation of nationally defined social protection floors in low-income countries that guarantee universal protection, including by financing social protection benefits where national resources are insufficient.

3. **Foster transitions from the informal to the formal economy**. These are critical for promoting coverage and financing based on taxes and social security contributions. Social security contributions must continue to play a fundamental role in financing social protection. Formalization, decent work and the extension of contributory coverage are indispensable policies and are directly linked to an integrated, fairer and more inclusive development model.

4. **Commit international financial institutions to play a bigger part in protecting social expenditure**. The IMF, in particular, could play a critical role. In that regard, it is crucial to refer to the IMF's recent commitments to developing a strategic framework that will provide broad guidance for future IMF engagement on social protection issues, including the use of social spending floors.

5. **Further develop a proposal to create a global financing mechanism to accelerate the extension of social protection, including the temporary financing of current expenditures on social protection benefits, prioritizing low-income countries**. This action could include the creation of a fund to temporarily and partially finance social protection benefits in low-income countries (through matching and other conditions), as well as to protect a selected number of countries against the shocks linked to climate change and crises in general. The estimates presented in this study provide a sound basis for initiating design discussions.

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Annexes

A.1. Number of low- and middle-income countries and territories included in estimation of current coverage rates

	Children	Maternity	Disability	Old age
Subregional groups				
Arab States	4	4	4	5
Central and Western Asia	10	10	10	11
Eastern Asia	2	3	2	2
Eastern Europe	6	6	6	6
Latin America and the Caribbean	24	23	23	24
Northern Africa	7	6	7	7
Northern, Southern and Western Europe	5	5	4	6
Oceania	11	8	8	11
South-Eastern Asia	9	9	9	9
Southern Asia	8	8	8	8
Sub-Saharan Africa	42	45	45	45
Country-income groups				
Low-income countries	28	28	28	29
Lower-middle-income countries	43	46	46	47
Upper-middle-income countries	57	53	52	58
Total	**128**	**127**	**126**	**134**

A.2. Population of projected beneficiaries for universal coverage scenario, by type of social protection benefit and region (low- and middle-income countries), 2019

Region	Children	Maternity	Severe disability	Old age
Arab States	14,079,500	2,596,648	2,756,096	3,157,992
Central and Western Asia	24,996,258	4,459,861	6,319,702	13,729,854
Eastern Asia	99,847,214	18,196,160	44,468,760	166,562,715
Eastern Europe	16,138,864	2,662,421	7,130,050	36,197,913
Latin America and the Caribbean	59,853,091	10,336,412	16,138,256	50,449,128
Northern Africa	35,796,803	5,985,114	7,893,010	14,149,030
Northern, Southern and Western Europe	991,596	177,612	572,470	2,728,201
Oceania	1,585,711	290,489	353,544	499,729
South-Eastern Asia	68,292,380	11,904,165	19,025,968	43,287,553
Southern Asia	206,473,211	36,743,479	54,417,325	114,100,991
Sub-Saharan Africa	194,975,210	37,667,303	31,644,517	32,521,424
Total	**723,029,838**	**131,019,664**	**190,719,698**	**477,384,530**

A.3. Current expenditure in social assistance as a percentage of GDP, by region (low- and middle-income countries), estimated as at 2018

Region	Percentage of GDP
Arab States	2.2
Central and Western Asia	1.6
Eastern Asia	0.4
Eastern Europe	3.2
Latin America and the Caribbean	1.2
Northern Africa	1.0
Northern, Southern and Western Europe	3.3
Oceania	1.5
South-Eastern Asia	0.9
Southern Asia	0.5
Sub-Saharan Africa	1.2
Total	**0.9**

A.4. Social protection expenditure as a percentage of GDP, by type of social protection benefit and region (low- and middle-income countries), estimated as at 2019

Region	Children	Maternity	Severe disability	Old-Age
Arab States	1.0	0.3	0.9	1.3
Central and Western Asia	1.1	0.3	1.4	3.8
Eastern Asia	0.1	0.0	0.1	0.4
Eastern Europe	0.3	0.1	0.6	3.0
Latin America and the Caribbean	0.8	0.2	0.9	2.7
Northern Africa	1.1	0.3	1.0	1.7
Northern, Southern and Western Europe	0.4	0.1	1.0	5.8
Oceania	1.0	0.2	0.9	1.4
South-Eastern Asia	0.4	0.1	0.4	1.3
Southern Asia	0.5	0.1	0.5	1.0
Sub-Saharan Africa	1.4	0.3	0.9	1.0
Total	**0.4**	**0.1**	**0.5**	**1.3**

A.5. Estimated incremental financing needs for social protection by region (low- and middle-income countries), US$ billions, 2019–2030

Region	2019	2020	2021	2022	2023	2024
Arab States	3.0	3.8	4.7	5.5	6.5	7.4
Central and Western Asia	45.8	49.1	52.5	56.0	59.6	63.2
Eastern Asia	31.3	35.7	39.9	43.7	47.4	51.3
Eastern Europe	25.3	26.9	28.7	30.4	32.0	33.4
Latin America and the Caribbean	103.1	115.4	128.0	141.0	154.5	168.5
Northern Africa	7.3	8.9	10.5	12.2	14.1	16.0
Northern, Southern and Western Europe	1.7	2.0	2.4	2.7	3.1	3.4
Oceania	0.2	0.3	0.4	0.5	0.6	0.7
South-Eastern Asia	11.8	15.3	19.0	22.9	27.0	31.2
Southern Asia	15.4	21.2	27.4	33.7	40.3	47.1
Sub-Saharan Africa	1.5	5.7	10.2	14.8	19.6	24.7
Total	**246.5**	**284.4**	**323.6**	**363.6**	**404.6**	**447.0**

Region	2025	2026	2027	2028	2029	2030
Arab States	8.4	9.5	10.6	11.7	13.0	14.2
Central and Western Asia	67.0	70.9	74.9	79.0	83.1	87.4
Eastern Asia	55.5	59.9	64.5	69.3	74.4	79.9
Eastern Europe	34.8	36.3	37.8	39.0	39.9	40.5
Latin America and the Caribbean	183.0	197.9	213.2	229.1	245.6	262.8
Northern Africa	17.9	20.0	22.1	24.3	26.6	29.0
Northern, Southern and Western Europe	3.8	4.1	4.5	4.9	5.2	5.6
Oceania	0.9	1.0	1.1	1.2	1.4	1.5
South-Eastern Asia	35.6	40.2	45.0	49.9	54.9	60.2
Southern Asia	54.3	61.7	69.5	77.5	85.8	94.3
Sub-Saharan Africa	29.9	35.5	41.2	47.2	53.4	59.9
Total	**491.1**	**537.1**	**584.4**	**633.1**	**683.4**	**735.2**

A.6. Estimated incremental financing needs for social protection by country-income group (low- and middle-income countries), US$ billions, 2019–2030

Country-income group	2019	2020	2021	2022	2023	2024
Low-income countries	3.4	5.7	8.1	10.6	13.2	16.0
Lower-middle-income countries	24.9	36.3	48.2	60.6	73.5	87.0
Upper-middle-income countries	218.2	242.5	267.4	292.4	317.8	344.1
Total	**246.5**	**284.4**	**323.6**	**363.6**	**404.6**	**447.0**

Country-income group	2025	2026	2027	2028	2029	2030
Low-income-countries	18.8	21.8	24.9	28.2	31.6	35.1
Lower-middle-income countries	101.0	115.7	131.0	146.8	163.1	180.0
Upper-middle-income countries	371.4	399.5	428.4	458.2	488.7	520.2
Total	**491.1**	**537.1**	**584.4**	**633.1**	**683.4**	**735.2**

A.7. Social insurance coverage rates as a percentage of the labour force, by region (low- and middle-income countries)

Region	Percentage of labour force
Arab States	28.4
Central and Western Asia	47.5
Eastern Asia	81.3
Eastern Europe	72.2
Latin America and the Caribbean	36.1
Northern Africa	35.0
Northern, Southern and Western Europe	52.2
Oceania	55.7
South-Eastern Asia	21.8
Southern Asia	21.1
Sub-Saharan Africa	10.6
Total	**28.9**

A.8. Classification of countries and territories by income group

Income group	Countries and territories
High-income	Andorra, Australia, Austria, Antigua and Barbuda, Aruba, Bahrain, Bahamas, Barbados, Belgium, Bermuda, British Virgin Islands, Brunei Darussalam, Canada, Cayman Islands, Channel Islands, Chile, Curaçao, Cyprus, Czech Republic, Denmark, Estonia, Faeroe Islands, Falkland Islands (Malvinas), Finland, France, French Guiana, French Polynesia, Germany, Gibraltar, Greece, Greenland, Guam, Guernsey, Hong Kong (China), Hungary, Iceland, Ireland, Isle of Man, Israel, Italy, Japan, Jersey, Korea (Republic of), Kuwait, Latvia, Liechtenstein, Lithuania, Luxembourg, Macau (China), Malta, Martinique, Monaco, Netherlands, Netherlands Antilles, New Caledonia, New Zealand, Niue, Norfolk Island, Northern Mariana Islands, Norway, Oman, Palau Islands, Poland, Portugal, Puerto Rico, Qatar, Réunion, Saint Kitts and Nevis, Saint Martin (French part), Saint Pierre and Miquelon, San Marino, Saudi Arabia, Seychelles, Singapore, Saint Maarten (Netherlands), Slovakia, Slovenia, Spain, Sweden, Switzerland, Taiwan (China), Trinidad and Tobago, Turks and Caicos Islands, United Arab Emirates, United Kingdom, United States, United States Virgin Islands. Uruguay, Wallis and Futuna Islands
Upper-middle-income	Albania, Algeria, Anguilla, American Samoa, Argentina, Azerbaijan, Belarus, Belize, Bosnia and Herzegovina, Brazil, Botswana, Bulgaria, China, Colombia, Cook Islands, Costa Rica, Croatia, Cuba, Dominica, Dominican Republic, Ecuador, Equatorial Guinea, Fiji, Gabon, Grenada, Guadeloupe, Guyana, Iran (Islamic Republic of), Iraq, Jamaica, Kazakhstan, Lebanon, Libya, North Macedonia, Malaysia, Maldives, Marshall Islands, Mauritius, Mexico, Montenegro, Montserrat, Namibia, Nauru, Panama, Paraguay, Peru, Romania, Russian Federation, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Serbia, South Africa, Suriname, Thailand, Tonga, Turkey, Turkmenistan, Tuvalu, Venezuela (Bolivarian Republic of)
Lower-middle-income	Armenia, Angola, Bangladesh, Bhutan, Bolivia (Plurinational State of), Cabo Verde, Cambodia, Cameroon; Congo, Côte d'Ivoire, Djibouti, Egypt, El Salvador, Micronesia (Federated States of), Georgia, Ghana, Guatemala, Honduras, India, Indonesia, Jordan, Kenya, Kiribati, Kosovo, Kyrgyzstan, Lao People's Democratic Republic, Lesotho, Mauritania, Mayotte, Moldova (Republic of), Mongolia, Morocco, Myanmar, Nicaragua, Nigeria, Occupied Palestinian Territory, Pakistan, Papua New Guinea, Philippines, Saint Helena, Sao Tome and Principe, Solomon Islands, Sri Lanka, Sudan, Eswatini, Syrian Arab Republic, Tajikistan, Timor-Leste, Tunisia, Ukraine, Uzbekistan, Vanuatu, Viet Nam, Western Sahara, Yemen, Zambia
Low-income	Afghanistan, Benin, ; Burkina Faso, Burundi, Central African Republic, Chad, Comoros, Congo (Democratic Republic of the), Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Korea (Democratic People's Republic of); Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, Senegal, Sierra Leone, Somalia, South Sudan, Tanzania (United Republic of), Togo, Uganda, Zimbabwe

A.9 Classification of countries and territories by regional grouping

Region	Subregion (broad)	Countries and territories
Africa	Northern Africa	Algeria, Egypt, Libya, Morocco, Sudan, Tunisia, Western Sahara
	Sub-Saharan Africa	Angola, Benin, Botswana, Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Congo, Congo (Democratic Republic of), Côte d'Ivoire, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mayotte, Mozambique, Namibia, Niger, Nigeria, Réunion, Rwanda, Saint Helena, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Eswatini, Tanzania (United Republic of), Togo, Uganda, Zambia, Zimbabwe
Americas	Latin America and the Caribbean	Anguilla, Antigua and Barbuda, Argentina, Aruba, Bahamas, Barbados, Belize, Bolivia (Plurinational State of), Brazil, British Virgin Islands, Cayman Islands, Chile, Colombia, Costa Rica, Cuba, Curaçao, Dominica, Dominican Republic, Ecuador, El Salvador, Falkland Islands (Malvinas), French Guiana, Grenada, Guadeloupe, Guatemala, Guyana, Haiti, Honduras, Jamaica, Martinique, Mexico, Montserrat, Netherlands Antilles, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Saint Kitts and Nevis, Saint Lucia, Saint Martin (French part), Saint Vincent and the Grenadines, Saint Maarten (Netherlands), Suriname, Trinidad and Tobago, Turks and Caicos Islands, United States Virgin Islands, Uruguay, Venezuela (Bolivarian Republic of)
	North America	Bermuda, Canada, Greenland, Saint Pierre and Miquelon, United States
Arab States	Arab States	Bahrain, Iraq, Jordan, Kuwait, Lebanon, Occupied Palestinian Territory, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates, Yemen
Asia and the Pacific	Eastern Asia	China, Hong Kong (China) Japan, Korea (Democratic People's Republic of), Korea (Republic of), Macau (China), Mongolia, Taiwan (China)
	South-Eastern Asia	Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, Viet Nam
	Southern Asia	Afghanistan, Bangladesh, Bhutan, India, Iran (Islamic Republic of), Maldives, Nepal, Pakistan, Sri Lanka
	Oceania	American Samoa, Australia, Cook Islands, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Micronesia (Federated States of), Nauru, New Caledonia, New Zealand, Niue, Norfolk Island, Northern Mariana Islands, Palau Islands, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu, Wallis and Futuna Islands
Europe and Central Asia	Northern, Southern and Western Europe	Albania, Andorra, Austria, Belgium, Bosnia and Herzegovina, Channel Islands, Croatia, Denmark, Estonia, Faeroe Islands, Finland, France, Germany, Gibraltar, Greece, Guernsey, Iceland, Ireland, Isle of Man, Italy, Jersey, Kosovo, Latvia, Liechtenstein, Lithuania, Luxembourg, North Macedonia, Malta, Monaco, Montenegro, Netherlands, Norway, Portugal, San Marino, Serbia, Slovenia, Spain, Sweden, Switzerland, United Kingdom
	Eastern Europe	Belarus, Bulgaria, Czech Republic, Hungary, Moldova (Republic of), Poland, Romania, Russian Federation, Slovakia, Ukraine
	Central and Western Asia	Armenia, Azerbaijan, Cyprus, Georgia, Israel, Kazakhstan, Kyrgyzstan, Tajikistan, Turkey, Turkmenistan, Uzbekistan