

Financing social protection



Fiscal space exists even in the poorest countries

It is often argued that social protection is not affordable or that government expenditure cuts are inevitable during adjustment periods. In reality, there are alternatives, even in the poorest countries.

In fact, there is a wide variety of options to expand fiscal space and generate resources for social investments. The eight financing options listed in this poster are supported by policy statements of the United Nations and international financial institutions.

Many governments around the world have been applying them for decades, showing a wide variety of revenue choices as well as creativity to address vital social investment gaps.

National social dialogue on fiscal space options

Public policy decisions are often made behind closed doors as technocratic solutions with limited or no consultation. The results include reduced social investments, lack of public ownership, adverse socio-economic impacts and, frequently, civil unrest.

National tripartite dialogue, with government, employers, workers, civil society, academics, United Nations agencies and others, is fundamental to generate political will to exploit all possible fiscal space options in a country and adopt the optimal mix of public policies for inclusive growth and social justice.

Some of the key questions to identify fiscal space options through national social dialogue

Re-allocating public expenditures: *Can government expenditures be re-allocated to support social investments that empower vulnerable households?*

Increasing tax revenues: *Have all taxes and possible modifications been considered and evaluated to maximize public revenue without jeopardizing private investment?*

Expanding social security coverage and contributory revenues: *What is the percentage of workers contributing to social security?*

Lobbying for increased aid and transfers: *Has the government delivered a convincing case to OECD countries for increased aid, including budget support, to support the scaling up of social investments?*

Eliminating illicit financial flows: *Is there a policy designed to capture and re-channel illicit financial flows for productive uses?*

Using fiscal and central bank foreign exchange reserves: *Are there fiscal reserves, for example, sitting in sovereign wealth funds that could be invested in poor households today?*

Borrowing or restructuring existing debt: *Have all debt options, including debt restructuring, been thoroughly examined to ramp up social investments?*

Adopting a more accommodative macroeconomic framework: *Is the macroeconomic framework too constrictive for national development?*

Lastly, *have all options been carefully examined and discussed in an open national social dialogue?*

Examples of fiscal space strategies in select countries

	Bolivia	Botswana	Brazil	Costa Rica	Lesotho	Iceland	Namibia	South Africa	Thailand
Re-allocating public expenditures				✓	✓	✓		✓	✓
Increasing tax revenues	✓	✓	✓		✓	✓	✓		✓
Expanding social security coverage and contributory revenues			✓	✓	✓		✓	✓	✓
Borrowing or restructuring debt	✓	✓	✓	✓	✓	✓		✓	✓
Eliminating illicit financial flows						✓			
Lobbying for increased aid and transfers							✓		
Using fiscal and central bank foreign exchange reserves	✓	✓	✓						
More accommodative macro framework	✓		✓						✓

Eight financing options

1. Re-allocating public expenditures
2. Increasing tax revenues
3. Expanding social security coverage and contributory revenues
4. Lobbying for increased aid and transfers
5. Eliminating illicit financial flows
6. Using fiscal and central bank foreign exchange reserves
7. Borrowing or restructuring existing debt
8. Adopting a more accommodative macroeconomic framework

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