

## *ITUC Discussion Brief*

### *Expanding social protection and closing financing gaps: a selection of country case studies*

The world of today faces severe social and economic challenges which are further exacerbated by the pandemic and expected to be even more so due to climate change. Currently, over 53% - or more than 4 billion - of the global population live in social insecurity and in constant exposure to poverty and vulnerability<sup>1</sup>. Poverty and inequality have risen so sharply that the progress of the past decades has completely evaporated. 88 to 115 million people were estimated to have fallen into extreme poverty during 2020 as a direct result of the pandemic<sup>2</sup>, the impacts of which are likely to continue. Despite the arising importance of universal coverage of social protection in addressing poverty and supporting social and economic development, the international community has insofar failed to live up to its commitments<sup>3</sup>, and the right to social security is not a reality to most of the world's population.

This report contributes to the ongoing debates on the establishment of universal social protection through an analysis of eight specific country cases where trade unions are actively campaigning for extending social protection as part of national development strategies. The countries concerned are Bangladesh, Gabon, Honduras, Mongolia, Senegal and Somalia. Following a brief overview of the global context for extending social protection, this report showcases the national social protection needs of these countries, existing social protection coverage and financing gaps, as well as the existing contribution of official development assistance (ODA) towards social protection in the different countries concerned. Despite the fact that the extension of social protection is a major part of the national development strategies of the different countries under review, there are very often major financing gaps for extending social protection. The country cases also reveal that international financial support provided to these countries is often allocated towards temporary, targeted and/or fragmented cash transfer and social programmes, rather than fostering the extension of statutory, rights-based social protection systems in line with international labour standards. Overall, the cases showcase the potential for mobilising greater domestic resources for social protection as well as the importance of greater international financial support towards social protection, including strengthening the share of development assistance towards social protection to at least 7% of existing ODA allocations in the short term, as well as the potential for a Global

#### *What is social protection?*

*Social protection is defined as the set of policies and programs designed to reduce and prevent poverty and vulnerability throughout the life cycle – consisting of benefits for children and families, unemployment, employment injury, sickness, old age, disability and survivors as well as health protection (International Labor Organization (ILO))*

Social protection is an internationally-recognised human right embedded in international human rights frameworks. A number of international labour standards set out minimum standards and principles for the design of social protection systems, most notably ILO Convention 102 on Social Security and ILO Recommendation 202 on Social Protection Floors. These two instruments are considered key references for the establishment of rights-based social protection systems.

<sup>1</sup> ILO (2021) World Social Protection Report 2020-2022

<sup>2</sup> WB (2020) Poverty and Shared Prosperity Report 2020

<sup>3</sup> Bierbaum and Schmidt (2022) Investing more in universal social protection

Social Protection Fund in mobilizing and coordinating international financing to make social protection a reality for all.

### *I. The global context: commitments to extend social protection*

**Social protection is an internationally recognised human right and there have been numerous commitments from the international community to extend social protection and provide international-level support to financing efforts.** Article 22 of the Universal Declaration of Human Rights notably sets out that, ‘*Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.*’ International Labour Standards set out guiding frameworks for the provision of social protection, with ILO Convention 102 sets out minimum standards for the design of social security systems and ILO Recommendation 202 sets out a framework for rights-based social security guarantees for children, the working-age population and the elderly. The Addis Ababa Action Agenda of the Third International Conference on Financing for Development (2015) outlines the ambition for delivering social protection and public services for all as part of development strategies and contained the commitment for strong international support for these efforts, as well as the exploration of coherent funding modalities to mobilise additional resources. The UN Agenda 2030 agenda reaffirms States’ commitments to extending social protection as part of sustainable development strategies, setting out target 1.3 for implementing “nationally appropriate social protection systems and measure for all, including floors, and by 2030 achieve substantial coverage of the poor and vulnerable”. Most recently, in 2021, the International Labour Conference adopted tripartite conclusions reaffirming the importance of international level support for social protection and called on the ILO to “initiate and engage in discussions for concrete proposals for a new international financing mechanisms such as a global social protection fund which could complement and support domestic resource mobilization efforts in order to achieve universal social protection”<sup>4</sup>.

**Despite these commitments, coverage for social protection remains relatively low worldwide.** Nearly two-thirds of the world’s population (69.4%) are either partially covered by social protection or lack any protection at all<sup>5</sup>. Major financing gaps exist, in particular for developing countries. The estimated financing gap for establishing a universal social protection floor for low and middle income countries amounts to 1.2 trillion USD - or 3.8% of their GDP on average<sup>6</sup>.

**International financial support for social protection is also extremely limited;** on average globally, only 1.2% of existing ODA goes towards social protection<sup>7</sup>. Development assistance in the area of social protection is largely uncoordinated and technical and financial support provided by international institutions have sometimes contributed to fragmented and targeted social programmes rather than comprehensive social protection systems in line with international labour standards that provide for universal coverage.

### *II. Overview of country-case findings*

#### *II.a Social protection systems remain underdeveloped, leading to high levels of poverty and vulnerability*

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<sup>4</sup> ILO (2021) Record of proceedings

<sup>5</sup> ILO 2021) World Social Protection Report 2020-2022

<sup>6</sup> Duran-Valverde et al (2020) Financing gaps in social protection

<sup>7</sup> Marcus Manuel (2022) Assessment of potential increase in domestic and external financing for social protection in low-income countries (forthcoming)

**While all of the countries under review of this study identify social protection as an important factor for social and economic development, their social protection systems remain relatively underdeveloped.** Less than one fifth of the population are covered by the existing social protection system in Senegal and less than one third are covered in Honduras and Bangladesh. Somalia does not yet have any national social protection system in place, though it does have a national strategy in place aiming to establish a comprehensive social protection system by 2030. Mongolia, on the other hand, has managed to achieve nearly universal coverage of social protection, based on assessment based national dialogue. That being said, the levels of benefits remain extremely low to prevent against poverty and coverage for some benefits, such as child benefits, have declined in recent years following pressure from international financial institutions to target eligibility criteria. Gabon has managed to achieve universal health care for its population, but apart from health, coverage for other forms of social protection remain very limited and mainly to workers in the formal economy who have made contributions into the system.

**Coverage gaps for social protection are particularly acute for workers in the informal economy, who comprise a large share of these countries' workforces and who are most often excluded from the existing schemes.** In Senegal, for instance, informal workers lack the possibility to take part in the national social security system, yet they comprise over 90% of the workforce. Likewise, in Gabon, the social protection system mainly consists of contributory benefits to the formal sector, despite the fact that informal workers who comprise around 50% of the workforce. The exception is for Mongolia, however, who despite having a large informal workforce managed to incorporate informal workers into the social security system through subsidizing social insurance contributions for informal workers as well as putting in place universal benefits, such as the universal basic pension, available to all workers irrespective of their employment type.

**Coverage gaps are also greatest in countries with fragmented social programmes,** such as Somalia and Bangladesh, who lack a single unified national system. In Bangladesh, for instance, social protection is provided through 114 disparate social protection schemes, including cash transfers and food support schemes; the lack of a consistent national system leads to only one quarter of the national population eligible for any kind of social protection benefit.

**Large coverage gaps in social protection are directly linked to high levels of poverty and economic vulnerability.** Around one third of the population live below the national poverty line in Senegal, Gabon and Bangladesh. This figure increases to nearly 50% in Honduras and nearly 70% in Somalia. While Mongolia's more developed social protection system has led to somewhat lower levels of poverty (at around 28% of the population), poverty and economic vulnerability remain challenges because of low levels of many social protection benefits.

### *II.b High domestic financing gaps for social protection and significant opportunities to increase fiscal space at the domestic level*

**Low coverage levels for social protection are closely linked to low levels of financing.** Senegal and Honduras spend less than 5% of their GDP on social protection (excluding health) and Bangladesh spends less than 1% of its GDP. Somalia and Gabon have no reported expenditure on social protection. Mongolia, the only country under review that has managed to achieve universal social protection coverage, has attributed a significantly larger share of its GDP towards social protection, spending on average 18% of its GDP.

**The country cases reveal the potential for states to mobilise greater domestic resources towards social protection.** Possible avenues for creating additional fiscal space at the domestic level include increasing tax revenues, expanding social security coverage and contributory revenues, reallocating public expenditures, eliminating illicit financial flows, making use of fiscal

and central bank exchange reserves<sup>8</sup>. Tax revenue, in particular, is relatively low in many countries, highlight the potential for increased tax collection in order to help finance increases to social protection. Tax revenue as a percentage of GDP is less than 20% in Senegal, Gabon, Honduras and Mongolia, and 10% in Bangladesh. In addition, formalising the informal economy, as well as allowing informal workers to make contributions into social security schemes, could help reinforce the financing base for social protection in these countries by broadening the pool of people contributing into the social security system.

**Some states have made use of innovative mechanisms to finance social protection systems in recent years.** Mongolia has made use of revenues from natural extractive resources to create sovereign wealth funds that have been used to finance social protection. Gabon has managed to make use of a special telecommunications levy in order to finance its health system; that being said, as one of the largest oil producers in Africa, it has not made use of national resources to help fill financing gaps for other areas of social protection.

**Overall, for most of the countries, the estimated financing gaps for social protection are sizeable.** All of the countries under review, with the exception of Mongolia, would need to considerably increase fiscal space for social protection in order to provide a basic social floor of protection for everyone. The ILO's Social Protection Cost Calculator has estimated that the additional costs needed to finance universal social protection in Senegal would amount to 27% of the country's GDP. In Honduras, the financing gap is estimated at 31% of GDP, and in Bangladesh it is estimated at 18.5%. The financing gap for Gabon is considerably less, estimated to be around 5% of GDP. Such estimates make it clear that for the vast majority of countries, the financing challenge might be too large for the countries to address entirely on their own, raising considerations around the role of international financial assistance to complement national domestic financing efforts.

**That being said, filling the financing gaps for social protection can be seen as a social and economic investment.** Estimates for Bangladesh show, for instance, that increasing social spending by 1% of GDP alone would lead to a 13% reduction in poverty, a 1.9% increase in tax revenue, and a 1.5% increase in GDP – thereby fully offsetting the increased costs.

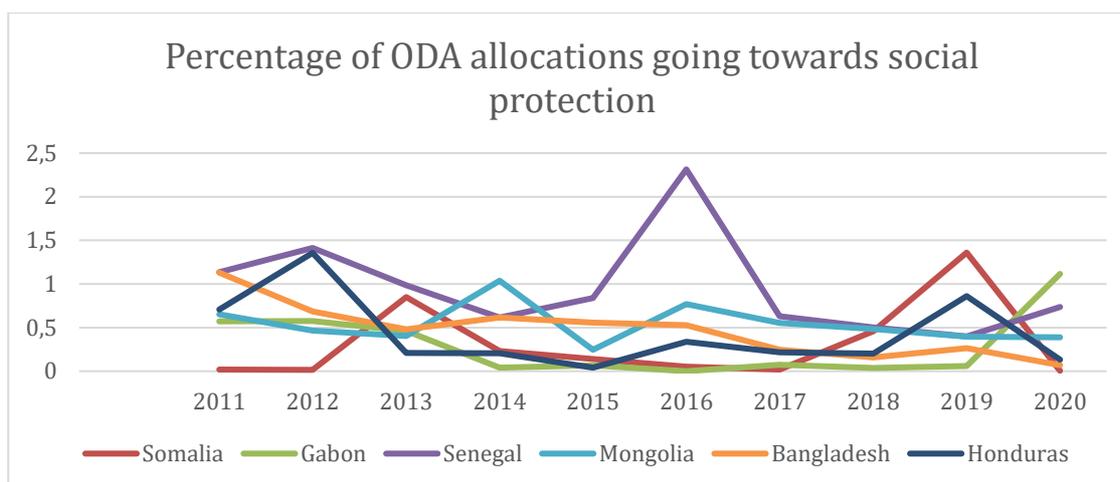
### *II.c Low levels of international support for social protection extensions*

**Many of the countries under review have benefitted from some form of international support – technical or financial – to extend social protection.** That being said, financing allocations are overall very low, representing less than 1% of the total ODA received in nearly all countries under assessment<sup>9</sup>. For 2019, the average of all analyzed countries amounted to 0.4%.<sup>10</sup> Bangladesh is one of the world's largest receivers of ODA, yet only 0.11% of total ODA was allocated to social protection in 2020. See Figure 1 for a visual representation of the trends in the last decade.

<sup>8</sup> Ortiz et al (2017) Universal social protection floors: costing estimates and affordability in 57 lower income countries

<sup>9</sup> Preliminary Figures for 2020 based on OECD DAC CRS

<sup>10</sup> Based on OECD DAC CRS



Source: Calculations based on OECD DAC CRS

**In some countries, technical support has been provided to assist countries extend social protection in line with international labour standards.** The extension of social protection is one of the priorities of the ILO Decent Work Country Programme in Senegal, for instance. In Mongolia, the development of the national social protection system was developed with technical support of the ILO coupled with financial support of the Asia Development Bank. The ILO's Decent Work Country Programme for Bangladesh has also supported the Bangladesh in developing plans to set up employment injury insurance; unemployment insurance; wage subsidies and job search assistance for persons with disabilities, though such reforms have yet to be realised.

**That being said, in some cases, international organisations have not been supportive of the objectives of universal social protection for the countries under review.** In Mongolia, for instance, the international monetary fund put forward strong lending conditionalities, requiring the country to restrict the eligibility for its universal child benefits scheme. The fund required them to considerably reduced beneficiaries to the poorest households, based on a proxy means test methodology, leading to high levels of exclusion of poor households because of flaws in the means testing methodology and implementation errors<sup>11</sup>. Honduras relies heavily on official assistance, yet support from international financial institutions towards social protection is limited and the programmes supported are highly targeted and conditional.

### ***II.e Trade union priorities for extending social protection***

**In all of the countries under evaluation, trade unions have been actively involved in national debates for social protection extensions.** The development of Mongolia's national social protection was broadly developed following an Assessment Based National Dialogue for Social Protection, facilitated by the ILO, which closely involved social partners in the reform process. In Senegal, social partners have been involved in discussions around extending social protection and participated in a third National Social Conference on Social Protection held in November 2021, with the aiming of speeding up the process of adopting the single social security code. Within Senegal, Trade Unions have been calling for the introduction of contribution mechanisms for self employed and rural populations as well as setting up an autonomous universal social protection fund. Somali trade unions are advocating for the strengthening of social protection in the country and called on the government to identify and mobilise potential domestic resources which are sustainable and based on the principles of solidarity.

<sup>11</sup> ILO (2021) World social protection report 2020-2022; Kidd, S; 2017; The political economy of targeting social security schemes

**Many trade unions have been calling for aligning national social protection systems with international social security standards.** Unions from Bangladesh, Gabon and Somalia have called on their government for the immediate ratification of Convention 102 and implementation of Recommendation 202 on Social Protection Floors.

### *III. Moving forward: strengthening domestic and international financing to support social protection extensions*

The countries under analysis have showcased how a lack of fiscal space, low national resource mobilization, as well as inadequate attributions of official development assistance are key factors hampering development of social protection.

**It is nevertheless clear that many governments have numerous means at their disposal to raise domestic resources for social protection.** Such options include the reallocation of public expenditures in order to prioritise delivering on the right to social protection. Leveraging progressive forms of taxation – such as corporate taxes, wealth taxes, and financial transaction taxes – can also help ensure that those who can afford to pay more should pay more. Levying taxes on natural resources can also help to advance global climate commitments whilst ensuring that a country's wealth is equitably shared amongst the population, as demonstrated in the case of Mongolia. Tackling tax evasion and addressing illicit financial flows moreover have significant potential to raise resources for social protection. In the case of Honduras and Senegal, for example, the estimated tax losses due to tax evasion represent around 8% of total tax revenue. And in the case of Africa, more generally, an estimated 88.6 billion USD leaves the continent annually as illicit capital flight, according to UNCTAD, which represents more than the total financing gap for social protection for the world's lowest income countries<sup>12</sup>.

**Supporting the formalization of the informal economy and allowing informal workers to make contributions into the system can increase the coverage and sustainability of social protection.** The informal economy represents around 60% of the world's workforce globally<sup>13</sup>, and over 90% in some of the countries under analysis, such as Senegal. Formalising the informal economy and allowing them to take part in social protection can considerably reduce their economic vulnerability, whilst also bolstering the financing base for social protection by raising taxes and social security contributions.

**However while many countries have the means to create fiscal space, it is also clear that major financing constraints exist for many of the world's poor countries, making it difficult to invest in social protection in the short-term.** The cost of developing social protection floors in the world's poorest countries is estimated to represent around 78 billion USD – while this represents only 0.25% of global GDP, this represents 15% of the collective GDP of low-income countries and 45% of their collective tax revenue<sup>14</sup> – an unsurmountable burden for them to finance without international-level support.

**The international community has an important role to play in supporting the extension of social protection systems by increasing their current ODA commitments.** At the global level, only around 1% of ODA currently goes towards social protection, despite the substantial contribution that social protection plays in supporting social and economic development<sup>15</sup>. Trade

<sup>12</sup> UNCTAD (2020) [Tackling Illicit Financial Flows for Sustainable Development in Africa](#)

<sup>13</sup> ILO (2018) [Women and Men in the Informal Economy, A Statistical Picture](#)

<sup>14</sup> ILO (2020) [Financing Gaps in Social Protection](#)

<sup>15</sup> ODI (2021) Official development assistance financing for social protection

unions have advocated for increasing the share of social protection within Official Development Assistance allocations to at least 7% by 2030<sup>16</sup>. Such an increase would allow developing countries to at least realise the objective of universal social protection for children 0-3 years of age. In the longer term, this allocation could be increased to 14% of existing ODA, which would mirror the commitments developing countries could make in increasing financing for social protection to at least 14% of GNI<sup>17</sup>.

**The establishment of a Global Social Protection Fund moreover has great potential for closing financing gaps for social protection, as well as mobilizing the additional ODA that is needed for social protection.** This proposal, which has been put forward by Olivier de Schutter, UN Special Rapporteur for Extreme Poverty and Human Rights, would serve to mobilise and coordinate resources at the international level to support countries that do not have sufficient fiscal space to set up social protection systems by themselves in the short term. Trade unions at both the global and national levels have been greatly supportive of this proposal, in addition to a broad number of civil society organisations and governments.

**In addition to strengthened international financial support, it is important to ensure that the policy advice and conditionalities of international organisations are supportive of the objectives of universal social protection and coherent with international labour standards.** It is clear from some of the examples shown in these case studies that international support has sometimes focussed on narrowly targeted social protection schemes, such as conditional cash transfers in Honduras or tightly means-tested child benefits in Mongolia. In the case of Mongolia in particular, international support led to reduced social protection coverage, rather than expanded social protection access. With the international community having recognised social protection as a human right, and made commitments towards extending social protection as part of international labour standards and the UN Sustainable Development Goals, it is crucial that the international community now support extensions to social protection in line with these commitments.

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<sup>16</sup> Marcus Manuel (2022) Assessment of potential increase in domestic and external financing for social protection in low-income countries (forthcoming)

<sup>17</sup> Ibid

## Country profiles for social protection coverage and financing gaps:

### Bangladesh

#### *Bangladesh in a snapshot: key facts and figures:*

- 28.4% of the population live in poverty and 43% of the population are considered poor or vulnerable.
- Only 28% of the population is covered by any kind of social protection benefit.
- Current social protection expenditure stands at only 0.7% of GDP; the ILO has estimated that the cost of ensuring a universal social protection floor in Bangladesh would amount to around 18% of GDP.
- Increasing social spending by 1% of GDP alone would lead to a 13% reduction in poverty, a 1.9% increase in tax revenue, and a 1.5% increase in GDP.
- Bangladesh is the world's 3<sup>rd</sup> largest receiver of ODA, however only 0.11% of ODA goes towards social protection.

**Despite some improvements over recent years, a large proportion of Bangladesh's population (24.3%) live in poverty and almost 70 million people (about 43% of the population) are considered poor and vulnerable.**<sup>18</sup> Employment rates in Bangladesh are relatively low and major gender gaps exist; in 2019, 61.1% of working-age population were part of the labour force; women's labour market participation rate stood at only 38.3%.<sup>19</sup> Economic vulnerabilities are exacerbated by the fact that the vast majority of the population (87%) work in informal economy, with limited rights and protections<sup>20</sup>. Additional vulnerabilities of the population relate to the relatively low levels of economic diversification in the country, with the garment sector representing around 40% of all industrial employment<sup>21</sup>, as well as the threat that climate change poses to Bangladeshi workers' incomes and livelihoods<sup>22</sup>.

**The social protection system in Bangladesh is fragmented and underdeveloped, with only 28.4% of the population having access to any form of social protection benefit, and no workers are covered by any form of unemployment protection.**<sup>23</sup> Social protection in Bangladesh consists of 114 disparate programmes including cash transfers and food distribution. Many of these programmes were launched under the context of humanitarian assistance at a time when the war-torn and disaster-stricken country was facing food shortages and high levels of poverty; they have since evolved and expanded over the following decades to include various safety nets, micro credit and income generating activities, along with pension schemes and disaster risk management programmes. The high amount of disparate social protection schemes raises challenges on the management and coherence of the system as a whole. In 2015, Bangladesh introduced the National Social Security Strategy (NSSS), a first attempt in integrating the fragmented schemes into a national policy<sup>24</sup>. *The NSSS broadened the scope of 'social security' from the narrow concept of safety nets to include employment policies and social insurance*<sup>25</sup>. It aims at delivering an over-the-

<sup>18</sup>Bangladesh Planning Commission (2020) A Compendium of Social Protection Researches

<sup>19</sup>IMF (2020) Bangladesh Economic and Financial Indicators

<sup>20</sup>See ILO, Informal economy In Bangladesh

<sup>21</sup>WB (2019) The Effects of International Scrutiny on Manufacturing Workers – Evidence from the Rana Plaza Collapse in Bangladesh

<sup>22</sup>Chowdhury et al (2021) Climate Change Adaptation in Bangladesh: Current Practices, Challenges and Way Forward

<sup>23</sup> ILO (2021) World Social Protection Report 2020-2022

<sup>24</sup>Government of the People's Republic of Bangladesh; General Economic Division (2015) National Social Security Strategy (NSSS) of Bangladesh

<sup>25</sup> General Economic Division (2020) Scope of Gender-responsive Adaptive Social Protection in Bangladesh

life-cycle coverage and in addition to cover covariate risks mainly related to the country's high exposure to natural disasters.

**While the development of such a strategy was a first step forward, trade unions nevertheless have considerable demands for further improvement of the social protection system in Bangladesh.** They call on the government to immediately review the existing strategy and action plan and formulate a specific national social security law in Bangladesh that would guarantee universal coverage, as well as an employment injury insurance scheme for all workers. Such reforms must be coherent with international labour standards, and they call on the government to immediately ratify ILO Convention 102 on Social Security and ILO Convention 121 on Employment Injury Benefits. Social security reforms must be transparent and inclusive of the demands of social partners; they moreover call for an autonomous national body or competent authority to govern, manage and deliver due social security related services, as well as the establishment of a national social security council with due representation of trade unions in order to ensure that workers' concerns are appropriately reflected. Finally, given the specific economic and social vulnerabilities that the population of Bangladesh faces in relation to climate change, they call on the government to introduce a special social security scheme for climate vulnerable people in Bangladesh.

**Achieving these ambitions would require closing a considerable financing gap for social protection in Bangladesh.** Together with an increase of ODA targeted at social protection, an increase of domestic resource mobilization would be complementary to the ultimate goal of reaching a universal social protection so utterly important in a country with persistent poverty levels and extreme exposure to climate hazards. In 2019, Bangladesh is the world's 3<sup>rd</sup> largest receiver of Official Development Aid<sup>26</sup>, with total commitments from the Organization for Economic Cooperation and Development's Development Assistance Committee to Bangladesh amounting to 3.7 billion USD in commitments in 2019<sup>27</sup>. Yet the share of ODA allocations to social protection are considerably low. Based on figures from the Creditor Reporting System of the OECD DAC, commitments to social protection out of the total development aid stood at only 0.3% for 2019.<sup>28</sup> What's more loans are prevalent in the sector's programmes increase the risk of indebtedness. On the other hand, domestic social spending remains extremely low, with social protection expenditure standing at 0.7%.<sup>29</sup>

**Although not sufficient in covering the persistent gaps, over the years the international community has provided some technical and financial support to extend social protection.** Several labour market policies and social protection interventions have been pursued through ILO's Decent Work Country Program, which has supported the government in developing plans to set up employment injury insurance; unemployment insurance; wage subsidies and job search assistance for persons with disabilities. A UN SDG Joint Program has also been developed on expanding social protection and services to tea garden workers.<sup>30</sup> The Call to Action in the Global Garment Industry<sup>31</sup> launched as a Covid response aiming at facilitating easier access to credit and financial support to workers and employers of the most vulnerable countries gave Bangladesh a job retention programme at a cost of 3.3M USD with the purpose of assisting in job retention by giving subsidies to employers with the commitment to retaining workers for at least a month after receipt. In 2020,

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<sup>26</sup>See OECD – DAC Aid at a glance charts

<sup>27</sup> See OECD DAC CRS database

<sup>28</sup> OECD DAC CRS

<sup>29</sup> ILO (2021) World Social Protection Report 2020-2022

<sup>30</sup> See UN SDG Joint Programme (2020) Enhancing social protection for female tea garden workers and their families in Sylhet Division, Bangladesh

<sup>31</sup> ILO (2020) Covid-19: Action in the global garment industry

The EU and Germany committed to giving 113 million euros to NSSS reforms in Bangladesh, through providing a safety net to workers in the garment and leather industries<sup>32</sup>.

**According to the ILO Social Protection Floor cost calculator the estimated cost for developing a social protection floor in Bangladesh would amount to 18.46% of its GDP – child benefits alone compose 12.90% of the total costs.** Bangladesh's tax to GDP ratio is moreover among the lowest in the world, standing at 9.3%<sup>33</sup> of GDP for 2020 – raising considerations on the possibilities of better financing for social protection through improving tax collection and broadening the tax base.<sup>34</sup> In the same year, 2020, 3.5%<sup>35</sup> of GDP was lost due to tax abuse, an amount considerably higher than the total social protection expenditure. Together with an increase of ODA targeted at social protection, an increase of domestic resource mobilization would be complementary in reaching a universal social protection so utterly important in a country with persistent poverty levels and extreme exposure to climate hazards. Extending social protection spending should not be seen only as a cost to public finances, but an investment that would have broad social and economic benefits. Simulations conducted by Development Pathways for the ITUC estimated that increasing social spending by 1% of GDP alone would lead to a 13% reduction in poverty, a 1.9% increase in tax revenue, and a 1.5% increase in GDP – meaning that the economic benefits would offset the costs and generate positive growth effects<sup>36</sup>.

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<sup>32</sup> EU (2020) Covid-19 – supporting social protection to help the most vulnerable in Bangladesh

<sup>33</sup> World Bank Data

<sup>34</sup> WB (2021) Bangladesh Systemic Country Diagnostic 2021 Update

<sup>35</sup> International Financial Flows Vulnerability tracker

<sup>36</sup> ITUC (2021) Investments in social protection and their impacts on economic growth

## Gabon

### ***Gabon in a snapshot: key facts and figures***

- Gabon is among the wealthiest countries in Sub-Saharan Africa, but around 33% of the population lives in poverty
- Gabon has a universal health care system but beyond health, coverage of social protection in Gabon is far more limited
- One out of five people in Gabon is unemployed, and unemployment benefits remain non-existent
- Around 50% of the labour force works in the informal economy
- In 2019, 0.1% of ODA went towards social protection in Gabon<sup>37</sup>

**Gabon has experienced substantial growth over last decades due to the abundance of natural resources in the country.** It is the fifth largest oil producer in Africa – with the oil sector responsible for 80% of exports, 45% of GDP and 60% of fiscal revenues.<sup>38</sup> That being said, the country’s wealth has not been enjoyed by the vast majority of the country’s people. Around 33% of the population lives under the national poverty line. Gabon also faces high levels of income inequality, with its Gini index standing at 38.<sup>39</sup> The unemployment rate is among the highest in sub-Saharan Africa at around 20%, and the unemployment rate for young people under 25 years of age stands at 33%, though unemployment benefits remain inexistent.<sup>40</sup>

**Gabon has a universal health care system that was rolled in 2008, originally aiming at covering the poor but has since been expanded to all public and private sector workers.** The health care system has been largely financed through a 10% levy on telecommunications systems<sup>41</sup>. However, beyond healthcare, the coverage of the social protection system in Gabon is far more limited. Gabon’s social protection system consists mainly of contributory social security benefits including old age, disability, survivors, sickness, maternity and family benefits. Coverage of contributory benefits is fairly low, largely in part to high levels of informal employment in the country, which have been estimated to constitute around 50% of the labour force<sup>42</sup>. Non-contributory family allowances also exist. The 2017 Social Protection Code aims at complementing the system with an unemployment benefit, an unemployment savings account and a solidarity fund.<sup>43</sup> In addition, it will integrate the self-employed into the existing system. However, its implementation is yet to be delivered.

**Social protection is a part of Gabon’s national development plans.** The Strategic Plan for Emerging Gabon sets the following guiding principles in regard to social protection: employment promotion, creation and facilitation of social entrepreneurships, reinforcement of the social dialogue, extension and reinforcement of social protection coverage and reformation of the national social security fund<sup>44</sup>. In respect to the social protection pillar of the national development plans the United Nations office in Gabon expanded its efforts in supporting the government and civil society.<sup>45</sup> This resulted in a wide range of programs. For instance, UNDP in partnership with

<sup>37</sup> OECD DAC Creditor Reporting System for FY 2019

<sup>38</sup> World Bank Gabon Overview: Development news, research, data

<sup>39</sup> ILO Social Protection Dashboard

<sup>40</sup> World Bank (2020) Gabon Systemic Country Diagnostic

<sup>41</sup> See World Health Organization Africa The road to universal health coverage: a case study on Gabon

<sup>42</sup> WB(2020) Gabon Systemic Country Diagnostic

<sup>43</sup> Republique Gabonaise (2017) Code de Protection Sociale

<sup>44</sup> Republique Gabonaise (2012) Plan Strategique Gabon Emergent

<sup>45</sup> Nations Unies au Gabon (2020) Report Annuel 2020

UNICEF and UNAIDS covered 1600 vulnerable people coping with aids and worked on capacity building of the local rural communities through enforcing the provincial community leaders. The joint programs of WB, UNFPA and UNICEF enabled the National Agency for Statistics to report on the impacts of Covid-19 on living conditions of households together with data on gender based violence. However, most of the data was limited to the capital, Libreville, which has the highest population density and it remained hard to collect the same data on rural areas.<sup>46</sup>

**The Government of Gabon enacted the Law no. 28/2016 in 2017, aiming at the consolidation of all initiatives active in the field of social protection and the integration of them into a single Code.**<sup>47</sup> Article 5 of the Decree states that ‘the purpose of the social protection system is to cover the population and provide protection against social and economic risks determined by public authorities in accordance with international standards.’<sup>48</sup> However, they still lack of recognition international labour standards into the national strategy for social protection, especially the ratification of Convention 102 on Social Security. Ratifying the convention has for many years been a key demand of Gabonese unions, together with the expansion of social protection for coverage migrant and non-migrant workers in the informal economy. Finally, Unions have called for further fundings in campaigning for promoting the Social Protection Code as well as for the development of national action plans on its expansion into the informal sector.

**Extending social protection to ensure universal coverage is economically affordable for Gabon.** The cost for extending social protection to ensure universal coverage is estimated to cost around 4.9% of the country’s GDP<sup>49</sup>. This is doable provided that Gabon would step up their efforts in resource mobilization to enlarge the fiscal space of social protection. There are clear unexploited opportunities for domestic resource mobilization. The tax-to-GDP ratio in Gabon stood at only 11.48%<sup>50</sup>. In addition the country has been estimated to lose 225 million USD in taxes due to illicit financial flows in 2021<sup>51</sup>. There is also potential for higher commitments to social protection from official development assistance, as currently only 0.1% of ODA in Gabon is allocated towards social protection, despite the fact that it features prominently in the country’s development strategies. Financing social protection for all in Gabon could be a reality through strengthening domestic resources towards social protection as well as increasing international support.

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<sup>46</sup>Nations Unies au Gabon (2020) Report Annuel 2020

<sup>47</sup>République Gabonaise (2017) Code de Protection Sociale 2017

<sup>48</sup> République Gabonaise (2017) Code de Protection Sociale 2017

<sup>49</sup> ILO Social Protection Floors Cost Calculator

<sup>50</sup> World Bank Data (2019)

<sup>51</sup> Estimates from the [Tax Justice Network](#) (2021)

## Honduras

### *Honduras in a snapshot: key facts and figures*

- Honduras experiences high levels of poverty, with 48% of Honduras living below the poverty line
- High unemployment, persistent poverty and inequality are pushing Hondurans to migration as the only alternative for a better life.
- Social protection systems are underdeveloped; only 27% of the population is covered by any kind of benefit, and social spending is very low, at 0.4% of GDP
- The costs for ensuring a universal social protection floor in Honduras would amount to 31.25% of GDP
- International support for extending social protection is limited; only 0.9% of all ODA goes to social protection in Honduras<sup>52</sup>

**Honduras is in an aggravated state of social and economic crisis. Multidimensional distress resulting from high inequality, poverty and violence are further worsened by the pandemic as well as the two hurricanes that the country went through in 2020.** Although Honduras' economy has been growing through the past years, mainly led by agriculture and natural resources, its growth has not been fairly distributed throughout its population – resulting in low living standards and high levels of poverty. According to the World Bank, 48% of Hondurans were living below the poverty line with over 60% in rural areas and, a third of its inhabitants live at risk of falling into poverty<sup>53</sup>. The country ranks as one of the most unequal of the world, and the second most unequal in Latin America, with a GINI index standing at 50.50 for 2017.<sup>54</sup> Unemployment and underemployment are two other major issues for the population of Honduras: the unemployment rate doubled from 5.70 in 2019 to 10.91 in 2020.<sup>55</sup> The highest concentration of underemployment is in the young population, by age range it is from 15 to 19 at 29.5%, 17.3% for 25 to 29 and 11.1% for 30 to 34.<sup>56</sup> As a result, large proportions of the population seek migration as the only option available to improve their livelihoods. In 2020 alone, nearly one million Hondurans left the country in search of a better life<sup>57</sup>. Corruption, violence, lack of employment opportunities and extremely high inequalities have left no other options for its population.

**Honduras has a social protection system that is highly fragmented and with a low adequacy.** Honduras has ratified ILO Convention 102 on social security in 2012, however in reality coverage remains very low, with 26.6% of the population having access to any kind of benefit. The 2015 Law on Social Protection System Framework (Ley Marco del Sistema de Protección Social) refers specifically to universal social protection floors.<sup>58</sup> Article 5 of the law constitutes a multi-pillar model to be created on social protection floor; contributory pension scheme; health insurance; employment injury benefits and unemployment insurance, whereas Article 7 defines the social protection floor as a non-contributory pillar which would ensure accessibility on crucial services and social transfers, emphasizing the universality approach yet prioritizing on the poorest as most vulnerable.<sup>59</sup> The Honduran system of social protection consists of old age disability and survivors benefit, sickness and maternity, work injury, unemployment benefits and family allowances. The

<sup>52</sup> OECD DAC Creditor Reporting System for FY 2019

<sup>53</sup> WB Honduras country profile

<sup>54</sup> GINI index Country Ranking, index mundi based on World Bank estimates

<sup>55</sup> World Bank Data

<sup>56</sup> World Bank Data

<sup>57</sup> ILO (2021) Employment and migration Honduras 2021

<sup>58</sup> Republica de Honduras (2015) Ley Marco del Sistema de Protección Social Para Una Vida Mejor

<sup>59</sup> Republica de Honduras (2015) Poder Legislativo; [ILO Together to change millions of lives in Honduras](#)

latter has established itself as the main social assistance program of the country, known as Bono Vida Mejor. It includes cash transfers for families in urban and rural areas, a child cash transfer and as well as disability cash transfers – all of which are means tested. The stated purpose of Bono Vida Mejor is ‘to contribute to breaking inter-generational cycle of poverty through creation of opportunities, development of skills and competencies in education, health and nutrition of families in extreme poverty.’<sup>60</sup>

**Despite the fact that Honduras’s legal framework provides for comprehensive social protection, low levels of spending have complicated implementation, and have inhibited the enjoyment of universal social protection.** Social spending in 2020 stood at only 0.4% of GDP.<sup>61</sup> The estimated cost for extending social protection to Honduras to achieve universal social protection, according to the ILO, would amount to 31.25% of GDP – highlighting the need for strengthened domestic and international financing. The Tax-to-GDP Ratio in Honduras stood at 21.9% for 2021<sup>62</sup>, highlighting the potential for increased tax collection. Moreover 8% of total tax revenues were lost in 2021 due to illicit financial flows.<sup>63</sup>

**Honduras has been provided with some technical and financial support for its social protection system, namely its social assistance programme.** The World Bank through the International Development Association issued credit to Honduras amounting to 72 million USD, as well as technical assistance for the development of its social assistance programme and for developing a social registry. In 2019, IDA financed the unification of rural and urban components of the cash transfer program aiming at a national standardization. However despite this support, the cash transfer programmes have been unable to ensure a fair distribution of wealth in the country and thus improve livelihoods to raise the Honduran population out of poverty. Moreover, despite this support, overall levels of official development assistance to Honduras are extremely low. In 2019, ODA stood at 149 million USD, and only 0.9% went towards social protection.<sup>64</sup>

**Unions in Honduras have been actively campaigning for improving coverage of social protection.** They recognise that the recently adopted Social Protection law has not led to the increased coverage for workers in reality. They are moreover calling on the government to fully implement Convention 102. While the framework law on social security aspired to comprehensive reforms on social protection, its achievements so far have not lived up to the expectations upon governments efforts, and strengthened domestic spending is needed to allow for its implementation, and greater support from the international community towards social protection could help make social protection a reality.<sup>65</sup>

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<sup>60</sup> Economic Commission for Latin America and the Caribbean

<sup>61</sup> ILO (2021) World Social Protection report 2020-2022

<sup>62</sup> OECD (2021) Revenue statistics in Latin America and the Caribbean 2021

<sup>63</sup> Tax Justice Network (2021) Illicit Financial Flows Vulnerability tracker

<sup>64</sup> OECD DAC CRS data on FY 2019

<sup>65</sup> Solidar (2021) Economic and Social Rights Report - Honduras

## Mongolia

### ***Mongolia in a snapshot: key facts and figures***

- Mongolia has a comprehensive social protection system, enjoying universal coverage for most benefits. Poverty and vulnerability nevertheless remain a challenge, largely due to low levels of benefits.
- Development assistance and international technical support has been provided to support Mongolia's develop its social protection system, however lending conditionalities from the IMF led to Mongolia to cut back the coverage of its child benefit scheme.
- Mongolia has increased fiscal space for social protection through leveraging revenue from natural resources.

**Poverty and vulnerability remain a challenge in Mongolia, with around a quarter (28%) of the population living below the national poverty line<sup>66</sup>.** An additional 15% of the population standing right above of the poverty line, facing high vulnerability to shocks.<sup>67</sup> Poverty is most prevalent among young children, with two in five poor people in Mongolia are children under the age of 15.<sup>68</sup> Considerable internal migration due to rapid urbanization and growing environmental stress have exacerbated poverty and inequalities in Mongolia, as well as a lack of economic diversification and high dependence on the exploitation of natural resources, which have led Mongolia to acute economic volatility due to commodity prices' fluctuations.<sup>69</sup> In addition, more than half (53%) of the labour force are working in the informal economy<sup>70</sup> and more than 25% of the labour force are working in non-standard forms of employment<sup>71</sup> leading to further economic vulnerability for these workers.

**Mongolia has a comprehensive social protection system in place, however low levels of benefits and low coverage for informal and non-standard workers such as herders remain major challenges.** Mongolia's social protection system is rooted in a universal approach in line with the ILO social protection floor concept, with an estimated 100% of the population covered by at least one benefit. An assessment based national dialogue took place between 2013-2015 with the support of the ILO, which identified extension priorities for social protection in Mongolia, which led the country to develop a universal social protection scheme consisting of universal health coverage; universal education and child benefits; universal social insurance coverage for sickness, maternity, work injury; a universal basic pension and a mandatory social insurance pension providing higher levels of coverage.<sup>72</sup> In addition, herders, the self-employed and informal economy workers received subsidised contributions (at 50%) to incentivise them to take part in the social security scheme; however in practice very few of them take part because contributions are voluntary, leading to issues of both coverage and financial sustainability of the social insurance system<sup>73</sup>.

**The extension of social protection in Mongolia has been largely financed through innovative measures to mobilise domestic resources.** A large share of social protection financing has come

<sup>66</sup> World Bank (2020) Mongolia Poverty Update 2020

<sup>67</sup> *ibid*

<sup>68</sup> *ibid*

<sup>69</sup> World Bank (2021) Mongolia country partnership framework

<sup>70</sup> ILO (2018) Women and Men in the Informal Economy: A statistical picture

<sup>71</sup> ILO Mongolia Decent Work Country Programme 2017-2021

<sup>72</sup> United Nations, Government of Mongolia (2015) Social protection assessment based national dialogue: Definition and cost of a social protection floor for Mongolia

<sup>73</sup> Mongolia Decent Work Country Programme 2017-2021

from natural resources, with several initiatives being launched throughout the years to improve the wealth redistribution accumulated through extractive industries to the whole of its population. The country has developed several wealth funds, including the Mongolian Development Fund, Human Development Fund, and Future Heritage Fund. However the high price volatility linked to the oil prices has caused problems in the management of these sovereign wealth fund. In recent years, the government has proposed additional measures to increase financing for social protection system. The government had proposed an increased in workers' social insurance premiums from 24 to 26%, however this led to widespread protests from unions as this would reduce the take home pay of workers, many of whom already live at or below the poverty line, and this proposal was ultimately retracted<sup>74</sup>.

**Mongolia has also benefitted from some technical and financial assistance from the international community in the area of social protection.** The Asia Development Bank has provided an estimated \$449 million USD over the years towards supporting extensions to social protection in the country<sup>75</sup>. The ILO convened an assessment-based national dialogue on social protection (as indicated above), and more recently has worked together with the Confederation of Mongolian Trade Unions to promote greater effective social protection coverage of herders<sup>76</sup>. However in terms of overall international financial assistance to Mongolia, less than 1% (0.4%) of ODA is attributed to social protection in 2019<sup>77</sup>.

**The policy advice and lending conditionalities of international financial institutions have, moreover, led to cutbacks in social protection coverage in Mongolia in recent years.** Most notably, in 2017, the IMF and its partners - the ADB, World Bank and government of Japan - put in place a conditionality in the disbursement of its loan to Mongolia, requiring the country to target its universal child benefit in order to receive financial support. This condition was initially refused by Mongolia's government, as they considered universality a fundamental pillar in maintaining and improving social development and cohesion, however the IMF and its partners went as far as withdrawing the commitments until the country gave up. As a result, benefits were reduced to only 60% of the poorest households in the country.<sup>78</sup> This condition was highly criticised by researchers and civil society groups, given that flaws in targeting often lead many children from poor households to be left out. Development Pathways has estimated that as a result of this change, around 400,000 children are being denied income support<sup>79</sup>.

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<sup>74</sup> See Industrial (2021) [Mongolian unions stop social insurance premium hike](#)

<sup>75</sup> ADB (2021) [Mongolia: Social Protection Sector Fact Sheet](#)

<sup>76</sup> ILO (2022) [Trade Union Delegates Prepared as Advocates for Social Protection](#)

<sup>77</sup> OECD DAC CRS data on FY 2019

<sup>78</sup> United Nations (2021) Mongolia's Child Money Programme

<sup>79</sup> Development Pathways (2018) [Mongolia and Kyrgyzstan lose out in their struggle with the IMF over the targeting of child benefits](#)

## Senegal

### *Senegal in a snapshot: key facts and figures*

- 37% of the population live under the national poverty line
- Only 20% of the population are covered by social protection
- 92% of the population work in the informal economy
- The cost of extending social protection floors to everyone would be 27% of GDP
- In 2019, 0.4% of all ODA went to social protection in Senegal<sup>80</sup>

**Senegal is a lower middle country with over one third (37%) of the population living under the national poverty line in 2019<sup>81</sup>, although considerable progress has been made in reducing poverty over last decades<sup>82</sup>.** Senegal has a very young population, with children representing 48% of the population, and child poverty is a particular challenge<sup>83</sup>. The economic desperation of children has been reported as a particular contributor to the problem of child labour in the country.

**Senegal has a social protection system in place, though coverage remains extremely low, with only 20% of the population having access to any kind of support.<sup>84</sup>** The current system consists of three pillars: a contributory, a non-contributory and a mixed program. It consists of social security scheme for civil servants or private sector workers, voluntary private insurances, community-based health mutuals and limited social assistance programs targeting the poorest and most vulnerable. The contributory system nevertheless tends to leave out large parts of the population, including the self-employed, rural workers, and those working in the informal economy or in precarious forms of work. The ILO estimates that in 2018, 91.2% of workers were in the informal economy, and 58% of the workforce remained in precarious labour.<sup>85</sup> Very low levels of benefits remain an additional challenge in ensuring that the social protection system fulfils its function in ensuring adequate standards of living and preventing against poverty. Formalization of the informal economy would allow for a major increase in tax revenues and social contributions payments by workers and employers as outlined on international labour standards.

**The government's focus on extending coverage of social protection system is central to its development plan (Emerging Senegal Plan).** It is moreover reiterated in the country's national strategy for social protection (Strategie Nationale de Protection Sociale 2015-2035) - whose long term goal is "to build a social protection system accessible to all Senegalese, providing everyone not only with a guaranteed minimum income and health coverage, but also with a global safety net that ensures resilience to the poor and vulnerable.<sup>86</sup> Additionally, Senegal has ratified Convention 102 on Minimum Standards of Social Security.

**Despite the fact that social protection features prominently in the country's national development strategy, only around 0.4% of all ODA went to social protection in Senegal in 2019.**

**That being said, Senegal has received technical and financial assistance from the international community to extend social protection.** The main priorities of the ILO Decent Work Country Programme for Senegal reached through tri-partite negotiations prioritizes the promotion of decent

<sup>80</sup> OECD DAC Creditor Reporting System – Preliminary figures for 2020

<sup>81</sup> Agence Nationale de la Statistique Rapport des Enquêtes de Suivi de la Pauvreté

<sup>82</sup> République du Sénégal (2014) Plan Senegal Emergent

<sup>83</sup> UNICEF Children in Senegal

<sup>84</sup> ILO (2021) World Social Protection Report 2020-2022

<sup>85</sup> ILO (2018) Woman and men in the informal economy: a statistical picture (third edition)

<sup>86</sup> République de Sénégal (2016) Stratégie National de Protection Sociale SNPS 2015-2035

job creation and strengthening the extension of social protection.<sup>87</sup> Practices of social protection extension through formalization drawn by the ILO highlight the monotax mechanisms and sector-based mutual funds as nationally prominent means of extension.<sup>88</sup>

**The extension of social protection coverage into the informal economy is also facilitated through several ongoing international projects in Senegal.** An ILO-Belgium programme is supporting ongoing efforts for health insurance for informal workers, with special emphasis on developing information management systems and targeted awareness campaigns.<sup>89</sup>

**The World Bank has provided support for the Social Safety Net Project for Senegal.**<sup>90</sup> The National Unique Registry, used for identification of the poorest households and targeting mechanisms, is a product achieved through this project. Although limited in its scope, the project has made progress in integrating the existing programs. Furthermore, Senegal is one of the countries where the Adaptive Social Protection is piloted. Adaptive social protection systems aiming at providing further resilience against climate change impacts for the poor and vulnerable households are set in place through the Sahel Adaptive Social Protection Program<sup>91</sup>.

**Despite these efforts, major financing gaps for social protection continue to exist, which impede the country's ability to extend social protection.** According to the ILO social protection floor calculator, Senegal needs a total GDP cost of 27.47% - with child benefits amounting to 21.67% due to a very young Senegalese population - in order to finance universal social protection floors.<sup>92</sup> High levels of tax evasion, as well as persistently high levels of informality, raise significant challenges in terms of the ability to reach sufficient revenue for social protection. Measures are needed to strengthen the mobilization of domestic resources for social protection, but further support of the international community is of absolute necessity due to the extraordinarily high financing gaps.

**The ILO conducted a strategic review of the national social protection system of Senegal and stressed that the following measures could be taken at both domestic and international level to support the extension of social protection in Senegal:**<sup>93</sup>

- Reallocation of public spending
- Tax revenue increase
- Extension of social security coverage and increase in revenue from contribution
- Lobbying for increased aid and additional transfers
- Elimination of illicit financial flows
- The use of fiscal and foreign exchange reserves
- Reduction of public debt
- Adoption of a more flexible macroeconomic framework

**The 3rd National Social Conference on Social Protection held on November 25 and 26, 2021 in Diarnadio, Senegal, with support of the ILO, brought together government representatives, trade unions and other major stakeholders to define a consensual roadmap**

<sup>87</sup> ILO (2018) The ILO in Senegal. Senegal and decent work

<sup>88</sup> ILO (2021) Extending social security to workers in the informal economy. Lessons from international experience

<sup>89</sup> ILO (2020) Supporting Burkina Faso and Senegal to promote social protection

<sup>90</sup> The World Bank Senegal Safety Net Project

<sup>91</sup> See World Bank's [Sahel Adaptive Social Protection Program](#)

<sup>92</sup> ILO Social Protection Floors cost calculator

<sup>93</sup> ILO (2021) Revue globale et analyse du système national de protection sociale de Sénégal

**for a national program of reforms of the social protection system in order to guarantee a sustainable and more inclusive coverage of the population.** Some of the key recommendations of the Conference were to speed up the process of adopting the single social security code; introduce contribution mechanisms for the self-employed and rural population; set up an autonomous universal social protection fund (CAPSU); remove the ceiling for amounts subject to contributions in social protection institutions; and ensure the viability of investments of social welfare institutions.

**In the meeting unions raised their concerns on the persistent deficits of social protection, particularly linked to the lack of coverage for the workers in informal economy, self-employed and rural workers, insufficient financing of social protection together with low benefit levels as well as the high rates of social evasion.** Tax evasion together with low taxations are serious issues in Senegal, hampering the realization of universal social protection as outlined in their national plan. In 2019, Tax-to-GDP ratio of Senegal stood at 16.6%.<sup>94</sup> The state of tax justice in Senegal lost an estimated 8.3% of tax revenue due to global tax abuse – the social impact of the tax loss is severe: this amount would have been enough to vaccinate 100.38% of the Senegalese population against Covid-19.<sup>95</sup>

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<sup>94</sup> OECD (2021) Revenue Statistics in Africa 2021 - Senegal

<sup>95</sup> Illicit Financial Flows Vulnerability Tracker

## Somalia

### *Somalia in a snapshot: key facts and figures*

- Around 70% of the population lives in poverty
- Nine out of ten Somali households are deprived on income, electricity, education water and/or sanitation
- The government's National Social Protection Strategy aims to establish a social protection system in Somalia by 2030;
- Around 1.6 billion USD would be needed to extend social protection to the country's poor
- 1.4% of ODA currently goes towards social protection in Somalia<sup>96</sup>
- Somalia capability of self-financing its social sector stands at only 8% of its costs.<sup>97</sup>

**Somalia has seen long periods of social, political and environmental distress throughout the last decades leaving the vast majority of the population significantly vulnerable, with around 70% of the population living in poverty.**<sup>98</sup> Low levels of literacy and educational attainment, very low formal labour market participation, and lack of access to quality housing, water and sanitation further exacerbate vulnerability and deprivation. An estimated nine out of ten Somali households are deprived of income, electricity, education, water and/or sanitation. Access to basic services is particularly limited for the rural population, internally displaced persons and nomads. The High Frequency Survey of 2016 stipulates that 52% of Somalis were living below the extreme poverty line, figures are likely to be underestimates as the survey lacked data gathering on nomadic groups and secluded areas,

**The Federal Government of Somalia has prioritized social protection as a key objective of its National Development Plan 2017-2019.**<sup>99</sup> The National Social Protection Strategy developed in 2019 with the vision of establishing a comprehensive social protection system by 2030 to 'address predictable needs throughout the life cycle in order to protect all groups, and particularly the poor and vulnerable, against shocks, help them to manage risks, and provide them with opportunities to overcome poverty, vulnerability and exclusion.'<sup>100</sup> The strategy aims at mitigating vulnerability, better aligning humanitarian and development objectives and reducing reliance on short-term humanitarian aid to address population needs in the long-term.

**Cash transfers together with in-kind transfers and civil servant pensions are the main component of the existing national system.** The Baxnaano program is considered as the main building block for a national social protection system, starting from a social safety net, and is the largest scale program to provide cash transfers to targeted poor and vulnerable households. By January 2021, it had managed to deliver the transfers to 73,478 households - with a final goal of 200,000, or 1.3 million people.<sup>101</sup> Prior to the current development of social protection in Somalia, social support was delivered through NGOs and international donors, largely in the context of humanitarian aid. Baxnaano project can be seen as the first attempt into consolidating national social protection system and transforming it from short term humanitarian assistance into a national strategic policy for a consistent social protection.

<sup>96</sup> OECD DAC CRS data for FY 2019

<sup>97</sup> ODI (2020) Financing the reduction of extreme poverty post-Covid-19

<sup>98</sup> From data to development: Poverty and policy in Somalia

<sup>99</sup> The Federal Government of Somalia (2016) National Development Plan

<sup>100</sup> The Federal Government of Somalia (2019) Somalia Social Protection Policy

<sup>101</sup> Gentilini et al (2021) Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures

**International aid plays a fundamental role in the development of a national social protection system in Somalia.** The country received over 2 billion USD in humanitarian and development aid annually in 2017 and 2018 and have the largest share of financial flows as % of GDP, followed by remittances; the European Union, the United Kingdom and Germany were the largest providers of development aid in 2018.<sup>102</sup> International donors should however focus more on supporting the development of a national social protection system which FGS sees as a resilient and sustainable mean of offering universal and lifelong protection for its citizens. Based on OECD data, 1.4% of total ODA commitments was attributed to Social Protection in 2019.<sup>103</sup>

**Due to its low capabilities of self-financing social sectors, Somalia would greatly benefit from a redirection of development and humanitarian into funding a national approach to social protection.** The persistent conflicts have hampered growth and productivity as well tax collection abilities – the tax-to-GDP ratio of Somalia constantly stands at 0%.<sup>104</sup> National spending on social protection currently accounts for an average of around 1% of GDP<sup>105</sup>. The estimated cost of lifting all Somalis people out of poverty has been conservatively estimated at 1.6 billion USD annually.<sup>106</sup>

**Somali trade unions have been active in advocating to strengthened social protection in Somalia, and have called on the government to identify and mobilise domestic resources, which are both sustainable and based on solidarity, to ensure a basic set of social rights, services and facilities that every person in Somalia should enjoy.** These basic rights should be granted through a combination of measures, namely:

- cash transfers such as a minimum guaranteed old age pension for people aged 65 and above who are currently not benefiting from any social security schemes;
- social assistance in the form of cash transfers to the needy;
- universal access to health care services;
- vocational and related training programs for the unemployed and underemployed;
- subsidies for food, electricity, housing, or other basic amenities.

**Unions have moreover have called on the Somali government to ratify and effectively implement ILO standards,** including the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) and implement the ILO Social Protection Floors Recommendation, 2012 (NO. 202) and the Recommendation concerning the Transition from the Informal to the Formal Economy, 2015 (No. 204). They emphasize that the expansion of social protection in Somalia must be based on national social dialogue with the effective participation of social partners and other relevant stakeholders.

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<sup>102</sup> Federal Government of Somalia (2019) Aid flows in Somalia

<sup>103</sup> OECD DAC Creditor Reporting System – Preliminary figures for 2020

<sup>104</sup> World Bank Data

<sup>105</sup> Ibid

<sup>106</sup> WB (2019) Somali Poverty and Vulnerability Assessment