

## ITUC Contribution to the [call for reactions](#) on the forthcoming UNHCR report on a global fund for social protection

### Key messages

The International Trade Union Confederation (ITUC), representing 200 million workers across 163 countries, welcomes the development of the report by the UN Special Rapporteur on Extreme Poverty and Human Rights on a global fund for social protection.

Extending social protection is a key priority of the international labour movement, who recognise that social protection is a fundamental human right, enshrined in numerous international instruments and international labour standards. It is moreover an essential component of decent work and a key factor for inclusive economic growth. In the context of the COVID-19 crisis, the need for extending social protection has become more evident than ever, not only to provide workers with a cushion of security in the wake of the devastating social and economic effects of this crisis, but also in order to allow countries to recover and build resilience for future crises.

While increased international commitments to extend social protection have been made over recent years, including the adoption of the UN Sustainable Development Goals (SDGs)<sup>1</sup> and the development of the Global Partnership for Universal Social Protection (USP 2030), social protection coverage remains unacceptably low. Less than half of the world's population have access to any form of social protection, and less than one third of the world's people benefit from comprehensive systems in line with international labour standards. Major financing gaps exist, especially the world's poorest countries, inhibiting the extension of social protection systems. The International Labour Organisation (ILO) has estimated that the amount needed to finance social protection floors in the world's lowest income countries would amount to around 78 billion USD<sup>2</sup>. This amount represents around 16% of the collective GDP of the world's lowest income countries, yet at the global level this amount represents less than 0.25% of the world's GDP.

While more efforts need to be made to mobilise domestic resources to close this financing gap, including through more progressive taxation and through addressing tax evasion and illicit financial flows, greater international solidarity is also needed. The ITUC supports the idea of a global fund for social protection, which could help to bridge financing gaps for social protection for those states lacking sufficient fiscal space to build up social protection floors in the short-term.

Over the years, the ITUC has engaged with its affiliates in discussions around the proposal for a Global Fund for Social Protection, most notably through the [2018 Global Conference on Financing Social Protection](#). On the basis of these discussions, the ITUC sees a number of important principles that should guide the establishment of such a fund:

- ✓ A Global Fund should provide financial support to **those countries that do not have the fiscal space** to set up adequate social protection systems by themselves, but it should also **encourage domestic resource mobilisation to help countries build up their capacity to finance social protection over the medium-long term**. Recipient

<sup>1</sup> SDG goal 1 to end poverty and goal 8 to extend decent work, along with target 1.3 to extend social protection coverage, are particularly relevant global commitments that require implementation

<sup>2</sup> ILO (2020) [Financing gaps in social protection](#)

countries might also be expected to make a contribution to national social protection systems, according to their capabilities.

- ✓ In order to support the right to social protection, a Global Fund should help to **catalyse the setup and expansion of social protection systems that are established in law and are in line with international labour standards**, rather than support small-scale or time-bound social programmes or projects. Any technical advice that would accompany the fund should be in line with ILO Recommendation 202 on Social Protection Floors and Convention 102 on Social Security.
- ✓ **The ILO should be the key UN body involved in providing technical advice to recipient countries to support the development of their social protection systems**, given their role in monitoring and supporting the implementation of these standards—while other UN organisations and international financial institutions also have a role to play.
- ✓ **There is a need for involvement of social partners and civil society** – both at the international level in determining the orientation of the fund, as well as in country-level decisions to extend social protection. Where needed, the fund should also stimulate **capacity building for social partners and civil society to be involved in the planning and implementation of social protection at country-level**.
- ✓ **National governments and international institutions should naturally be the main sources of financing for the global fund**. The role of the private sector should be principally in the supporting the collection of taxes and social security contributions at national level, in order to support domestic resource mobilisation to create national fiscal space for sustainable social protection systems.

In addition to the points outlined above, this contribution seeks to provide the views of trade unions on some of the specific questions set out in the call to reactions.

## **Responses to specific questions set out in the Call for Reactions**

### **I. Added value of the Global Fund for Social Protection (GFSP)**

There are numerous benefits to the development of a Global Fund for social protection. It would, in the first instance, represent an effort of international solidarity to provide financial support to states with limited fiscal space to catalyse social protection financing. In doing so, it would help to deliver upon global commitments to extend the right to social protection - as enshrined in numerous international human rights instruments and outlined in the UN Sustainable Development Goals.

A global fund would moreover allow for greater coordination on international development cooperation in the area of social protection as well as greater global coherence in the technical support provided to states to build up or extend social protection. Such coordination would help to better ensure that financing supports the achievement of international commitments including international labour standards. The fund could effectively build on existing coordination mechanisms and institutions at the national and global levels, including the UN Social Protection Inter-Agency Cooperation Board (SPIAC-B).

While providing financial support, the Fund could also support country ownership in the development of nationally defined social protection floors. Social partners, along with civil society organisations, should meaningfully participate in the planning of reforms and in all decision-making procedures. The ILO Global Flagship Programme on Social Protection Floors, which

organises assessment-based national dialogues to support the setup and expansion of social protection systems, could be considered a useful framework for the development of technical advice that is inclusive of the views of social partners and civil society organisations.

## **II. Synergies with existing initiatives**

A Global Fund for social protection would be an opportunity to build on existing efforts at international level for policy coordination on social protection, especially the SPIAC-B, along with existing technical support already provided to countries in the setup and expansion of social protection programmes, especially the ILO Global Flagship Programme on Social Protection Floors. It would also build on existing bilateral and multilateral development funding that supports social protection, including the UN joint SDG fund.

## **III. Strengthening international coordination**

The fund could serve to better coordinate existing official development assistance (ODA) and funding commitments from international financing institutions (IFIs) towards social protection. Donors and IFIs would also be expected to step up existing commitments in order to bridge the social protection funding gap.

Financial support coupled with technical advice on how to mobilise domestic resources would allow for catalysing financing for countries with limited fiscal space in order to extend social protection in the short term – thus supporting the achievement of SDG goal 1.3 and SDG 8 by 2030 – while helping countries to build up the capacity to mobilise their own resources in the medium term.

Requesting that countries make a contribution on the basis of their capabilities – which could expand over time as more revenues are able to be raised – might also facilitate a transition from donor financing to domestic financing.

Improved international coordination around tax evasion and tax avoidance would also be greatly helpful in terms of strengthening national financing bases for social protection. As previously mentioned, only 0.25% of the world's GDP would be needed to close financing gaps for social protection for the world's poorest countries. As a point of comparison, around 10% of the world's GDP is lost in tax havens<sup>3</sup>. UN UNCTAD has moreover estimated that around 88.6 billion USD are lost in Africa alone every year to illicit capital flight – which is equivalent to over twice the amount of development assistance injected annually into the continent. Greater global coordination on tax issues is needed in order to address tax evasion, and to ensure that social protection systems are financed in a fair and sustainable way.

## **IV. Provision of financial support**

The primary aim of the Global Fund should be to help catalyse financing for those countries that do not have the fiscal space to set up adequate social protection systems by themselves. In order to make the social protection reforms sustainable, this financial support should be accompanied by technical support to implement social protection measures and to encourage domestic resource mobilisation to help countries build up their capacity to finance social protection over the medium-long term. Recipient countries should also be expected to make a contribution to national social protection systems, depending on their capabilities, even though the amount might be modest. Leveraging progressive forms of taxation, tackling illicit financial flows and tax evasion

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<sup>3</sup> IMF (2019) [Tackling tax havens](#)

might be some ways in which low-income countries might be able to generate revenues to support the payment of social protection.

## **V. Additional sources of financing**

In principle, the ITUC would be supportive of innovative sources of financing, coordinated at the international level, that would be progressive in nature and/or serve carbon reduction ambitions. By coordinating on tax policy, there is great potential for the global community to significantly raise revenue in an equitable way. Around 44 billion USD are currently being collected in carbon-related revenues globally<sup>4</sup> – by scaling up such measures and extending the collection of carbon taxes across other countries, even greater revenues can be raised and emission reductions could be encouraged, thereby supporting the achievement of the Paris Climate Agreement. That being said, the collection of carbon taxes must be done in a progressive way that targets those with the greatest capacity to pay, and that mitigates the impact on low income households' budgets.

Increased international cooperation on new, progressive forms of taxation could also be considered. Estimates have shown, for instance, that a broad-based, low rate (0.01% - 0.05%) tax on financial transactions (FTT) could potentially generate up to 480 billion euros globally<sup>5</sup>. Currency transaction taxes could moreover potentially raise around US\$33 billion per year<sup>6</sup>. Finally, a minimum corporate tax threshold coordinated at the international level, could also be considered, with the aim of raising revenues while simultaneously tackling tax avoidance, tax competition and social dumping.

In addition to such new forms of financing, commitments from international financial institutions and governments to provide debt relief is greatly needed. Debt burdens in many low-income countries are significantly hampering their fiscal space<sup>7</sup>, and thereby constrain their abilities to increase social spending to extend social protection. No country should have to choose between servicing sovereign debt repayments or extending the right to social protection to their citizens.

## **VI. Informal economy**

The ITUC fully supports the extension of social protection to workers in the informal economy, in line with Recommendation 202 - which calls for ensuring basic social security guarantees - as well as Recommendation 204 on Formalising the Informal Economy – which calls for extending social security coverage to informal workers.

Empirical examples of extending social protection to informal workers – such as in Uruguay, the Dominican Republic and Nepal - show that such extensions can play a positive role in encouraging these workers to formalise, and it can help to strengthen the overall financing base for social protection<sup>8</sup>.

## **VII. Role of the private sector**

The ITUC would not be supportive of a proposal for private sector reinsurance mechanism.

Social protection is a right and not an economic commodity, and the financing of social protection

<sup>4</sup> World Bank (2019) [Using Carbon Revenues](#)

<sup>5</sup> ITUC (2012) [Financial transaction tax made simple](#)

<sup>6</sup> North South Institute (2007) [The Currency Transaction Tax: Rate and review estimates](#)

<sup>7</sup> IMF (2020) Fiscal Policy for an Unprecedented Crisis: <https://blogs.imf.org/2020/10/14/fiscal-policy-for-an-unprecedented-crisis/>

<sup>8</sup> See for example, conclusions of ITUC, FES and WSM (2018) [Global Conference on Financing Social Protection](#) ; ILO (2018) [Monotax: Promoting Formalization and Protection of Informal Workers](#)

is primarily the responsibility of states, with national governments and the international organisations playing a solidarity role where fiscal space is not available or where external shocks are felt.

A wide body of evidence exists showing how private sector provision of social protection is not efficient in delivering social protection in an equitable fashion and that serious market failures exist<sup>9</sup>. The role of the private sector should be to strengthen the domestic financing base for social protection through paying taxes and employer social security contributions.

## **VIII. Governance**

There is a need for social partners and civil society to be involved at the international-level in the governance of the fund, as well as in country-level decisions to extend social protection. Where needed, the fund should also stimulate capacity building for social partners and civil society to be involved in the planning and implementation of social protection at country-level. Workers' representatives need to be meaningfully involved at all stages of the decision-making process, to ensure that social protection reforms actually meet the needs of the workers who would benefit from them. Moreover, the involvement of social partners and civil society can help to ensure broad collective buy-in of the reforms, helping to make the reforms accepted by the population and durable over time. In this regard, the Global fund for Aids, Tuberculosis and Malaria is one example of a global fund where international actors, civil society organisations and experts had oversight at the global levels, and where local experts and civil society organisations were closely involved in the implementation measures at national level. Moreover, the secretariat of the fund was small, allowing the vast majority of the Fund's money to go directly to country-level efforts. The governance setup of this fund might provide some valuable lessons in the setup for a Global Fund for Social Protection. The ILO Global Flagship Programme for Social Protection, which supports assessment-based national dialogues in the set-up and expansion of social protection systems, could moreover provide a useful framework for social partner involvement. Finally, accountability will be essential for the fund's success, and can help to be ensured through effective participation of social partners and civil society organisations, monitoring and transparent reporting, evaluation measures, and effective grievance mechanisms.

## **IX. Next steps**

The ITUC believes that the ILO should be the main UN body involved in operational proposals for the development of the Global Fund, given that it is responsible for overseeing the implementation of international labour standards on social protection. Given that international financial institutions, regional development banks, and other UN agencies, the European Union and the OECD also all support the financing of social protection and/or overseeing development finance, they should naturally also have a role to play.

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<sup>9</sup> See for instance Pierre Pestieau and Mathieu Lefebvre (2018) *The Welfare State in Europe*; Ortiz et al (2018) *Reversing Pension Privatizations. Rebuilding public pension systems in Eastern Europe and Latin America*