*GSP Forum*

Global Social Policy
1–5

DOI: 10.1177/14680181241290162
journals.sagepub.com/home/gsp
Sage

# Thinking afresh: Closing the global funding gap to realise universal social protection

**Nabila Idris**
BRAC Institute of Governance and Development, Bangladesh; The Open University, UK

**Roosa Lambin**
The Open University, UK; University of Oxford

**Nicola Yeates**
The Open University, UK

## Focusing on finance

In a world replete with such enormous wealth, it remains a shocking fact that over half the world's population still has no access to social protection, and that many who do have access enjoy only partial and/or temporary forms of social protection (International Labour Organization [ILO], 2021). Most of this excluded population live in poor countries in Asia and the Pacific, the Middle-East Arab states and Africa, and disproportionately comprise women (ILO, 2021). Extending social protection to everyone, everywhere has long been seen as a challenge of provision, where the focus is on designing an entire system, plugging gaps in it, and delivering benefits and services more efficiently, effectively and fairly. Who pays for social protection and how is a 'classic' public administration and social policy issue all too often approached through the lens of domestic governance and financing structures. This edition of GSP Forum looks at this old challenge from a new perspective: through the lens of finance. We argue that it is a major *global* social policy challenge where the key question is how to close the yawning funding gap that is perpetuating the cruelty of poverty and stalling progressive development generally and the realisation of universal social protection for everyone, everywhere specifically.

**Corresponding author:**
Roosa Lambin, Social Policy and Criminology, The Open University , Walton Hall, Milton Keynes MK7 6AA, UK.
Emails: roosa.lambin@open.ac.uk; nicola.yeates@open.ac.uk

## Elements of the responses

Any attempts to close the financing gap must recognise the differential resources and capacities of countries to respond to the challenge. For 'developed' countries, where there is near-universal coverage of social protection across the lifecycle and risk type, the debate largely centres on domestic resource mobilisation strategies. For low-income 'developing' countries, however, the situation is fundamentally different. There, as ILO and other research clearly shows, using domestic resources alone to close the financing gap to realise universal social protection floors is unfeasible (see Razavi, this edition; also Cattaneo et al., 2024). Social protection in all countries, but especially low-income ones, faces stiff competition for public investment from other social (and economic) sectors. Developing countries, in particular, lack fiscal space, are highly-indebted and have economic structures that do not readily lend themselves to traditional ways of levying finance for social protection (see Razavi and Cetrangolo, this edition). Sovereign debt distress, for instance, significantly reduces available resources for social spending; many countries spend more on interest payments on past loans than on social protection and/or cognate public services. In addition, the usual sources of external funding for richer countries are made available to poorer ones only at a prohibitive cost.

At a time when official development assistance (ODA) is stagnating or even declining, there is, paradoxically, greater competition for ODA funding; the demand for ODA is rising, not reducing. The elevated demand on ODA results from many factors, not least the effects of ever-widening development gaps, diverse socio-demographic trends and growing security needs. The naïve predictions of enthusiastic hyper-globalists – that the benefits of greater international competition and partial de-regulation would trickle down to poorer countries, organically delivering prime benefits for all – have become tangled in the knots of their own contradictions. In fact, hyper-globalised development has increased, not reduced, the demand for well-funded public benefits and services. The rise in social and political conflicts that critics of hyper-globalisation long predicted, and which is now transpiring, mean that a greater share of national budgets is being routed to military spending at the very time when socio-economic inequality within and between countries is wider than ever. It is also clear that we live in a world beset by global permacrises and severe 'turbulence' across health, climate and the economy. Experts have long argued that social protection investments are not a drain on spending. Instead, they are eminently sensible ones highly capable of underpinning and supporting effective and adaptive societal responses to such myriad global challenges.

## Aims of this Forum

It is an increasingly 'busy' space wherein the global politics of social protection is unfolding apace. This is why we have convened this GSP Forum to present a range of views from diverse experts-stakeholders on how to close the global financing gap in countries where social protection floors are unaffordable.

The debates we want to highlight start from the observation that the international financial and development architectures have failed to sufficiently support the construction of universal social protection systems and floors. The fragmentation of existing financing sources and long-term under-investment in social protection have predictably resulted in fragmented social protection systems. In this mishmash, donor-driven cash transfer programmes barely target the very poorest, while domestic social insurance schemes exclude many, and multi-partner and often donor-funded ‘vertical’ interventions across health, education and employment sectors co-exist in markedly different degrees of (mis)alignment.

A range of potential solutions to remedy the financing problem has been developed and considered over the years, albeit with little actual implementation. The proposal to establish a dedicated funding mechanism for social protection (a Global Fund for Social Protection (GFSP)) (Sepúlveda and De Schutter, 2012; Yeates et al., 2023) has long been on ‘the table’ and has stayed there. On the eve of the G20 meeting hosted by the Brazilian government and looking ahead to the Fourth Financing for Development Conference and the World Social Summit in 2025, now is the time to bring these debates to a wide readership. Over the coming months, new agreements on official development assistance (ODA) and how ODA is allocated to different uses are likely to be made. Also on the agenda are the lending policies of the international development finance institutions, as well as cooperation on tax policy, anti-corruption and other issues. All of these will bear on social protection, directly or indirectly. The articles are designed to generate wider awareness of the range of potential solutions ‘on the table’, deepen understanding of the issues at stake, and encourage further robust analysis of the options’ feasibility.

## Overview of the articles

All contributors address the central challenge posed by Shahra Razavi, whose article opens the Forum: what are the possible solutions that close the financing gap in social protection while avoiding further fragmentation and competition for shrinking ODA resources, and minimising coordination and transaction costs at multiple levels, including for the countries that are most in need of support? Each article tackles this question, albeit in markedly different ways, illustrating the complexity of the issues and the range of solutions proposed.

Anousheh Karvar of the French government recounts the recent history of the passage of the Global Fund for Social Protection (GFSP) proposal in international debate. While emphasising the need to increase developing countries’ domestic capacity, she also spotlights multilateral coordination via establishing country collaboration platforms as well as technical assistance from specialised global bodies. She proposes novel options to close the financing gap, including several covered elsewhere in this collection, such as reallocating IMF’s Special Drawing Rights for social protection, global tax reform, and debt relief for poorer countries.

The question of increasing domestic capacity is of particular relevance to middle-income countries which have a greater scope of domestic mobilisation than low-income countries. Oscar Cetrangolo takes a middle-income countries perspective to discuss the challenge faced by economies with high levels of informality that make contributory social security schemes difficult to implement. He also reports on potential financing innovations at the national level with a special call to avoid regressive measures that hit the poorest hardest.

Adopting a wider lens, Gabriele Köhler provides a gamut of options to close the finance gap, including widely supported ones, such as abolishing regressive/fuel subsidies, to less popular options like domestic tax reform. At the international level, she considers ringfencing some official development assistance (ODA) for social protection, introducing new vertical fund/s, and pushing ahead with debt-related measures, including rescheduling, swapping, or cancelling debt for countries facing debt distress.

In contrast, Iffath Sharif of the World Bank zeroes in on increasing efficiency gains through adopting new digital technology, for instance, and prioritising 'high return' social protection investments that most effectively reduce poverty, encouraging progressive spending while abolishing regressive ones, and increasing the domestic tax base. Moving beyond traditional public financing models, she proposes the private and financial sectors as potential new entries to the social protection system via impact bonds, sovereign wealth funds, and debt swaps. Her article and the article by Sophie Mackinder, Carolyn Snell, and Chris Holden draw a close link between social protection and climate finance. The latter authors, however, warn that despite the obvious benefits of using global climate funds to offer climate-responsive social protection, such attempts run the risk of 'recycling' old development funds in the new vernacular of climate funds, without there being any real increase in funds available to the disadvantaged.

Reform of international financial institutions is a recurrent theme in our contributors' proposals. As evinced in her article's title, Jayati Ghosh argues that 'Financing Social Protection Requires Changing the Global Financial Architecture'. She details the severe limitations of relying on private finance to fund social protection as well as of a new vertical global (social protection) fund in a context of severe debt distress. Instead, echoing most other authors in this Forum, she proposes three specific options to expand the fiscal space for universal social protection: 'a new approach to sovereign debt resolution; a more ambitious and effective utilisation of the creation of international liquidity in the form of the IMF's Special Drawing Rights; and a reform of the global taxation system'. In the vein of fundamental institutional reform, Jonathan Glennie & Patricia Alemañy propose a set of egalitarian governance principles that should underpin a Global Public Investment approach to finance, which can draw on concessional international public financing to achieve universal social protection. Barry Herman specifically proposes an international tax on crypto trading to help social protection respond to national emergencies. If global crypto trading were taxed at the same rate as the EU almost adopted for a financial transaction tax, it would have raised the equivalent of the amount spent each year on official humanitarian aid.

The current age of multitudinous global economic, climate and political crises necessitates innovative thinking and leadership to realise universal social protection for everyone, everywhere. By bringing together, for the first time, diverse voices from within (global) social policy shine a spotlight on current proposals to close the global financing gap in social protection, this Forum's contributions take us one practical step closer to realising that goal.

## Acknowledgements

The editors of this Forum wish to acknowledge the financial contributions of the ILO's Social Protection department (Switzerland), the Deutsche Gesellschaft für Internationale Zusammenarbeit

(GIZ, Germany), the University of York and the Open University in the UK that have made this Open Access publication possible. In addition, we thank Sage publications for their financial support for this Open Access Forum. Finally, we thank the ILO's Social Protection department for their collegial exchange of ideas and facilitating the inclusion of a wide range of actors in it.

## Funding

The author(s) received no financial support for the research, authorship and/or publication of this article.

## References

Cattaneo U, Schwarzer H, Razavi S, et al. (2024) *Financing gap for universal social protection: Global, regional and national estimates and strategies for creating fiscal space*. ILO Working Paper no. 113, 13 April. Geneva: International Labour Office.

International Labour Organization (ILO) (2021) *World Social Protection Report 2020–22: Social Protection at the Crossroads–in Pursuit of a Better Future*. Geneva: International Labour Office.

Sepúlveda M and De Schutter O (2012) Underwriting the poor: A global fund for social protection (OHCHR Briefing Note no. *7)*. Available at: https://socialprotection-humanrights.org/resource/underwriting-the-poor-a-global-fund-for-social-protection-briefing-note-7/.

Yeates N, Holden C, Lambin R, et al. (2023) *A global fund for social protection: Lessons from the diverse experiences of global health, agriculture and climate funds*. ILO Working Paper no. 97, 6 October. Geneva: International Labour Office.

## Author biographies

Nabila Idris is a Research Fellow at BRAC Institute of Governance and Development, Bangladesh, and a Visiting Fellow in Social Policy at The Open University, UK.

Roosa Lambin is a Visiting Fellow in Social Policy at The Open University and a Research Associate at the Environmental Change Institute, University of Oxford.

Nicola Yeates is Professor of Social Policy at The Open University, UK.