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# Social Protection Floors in the Financing for Development Agenda


Barry Herman



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# Social Protection Floors in the Financing for Development Agenda

A paper requested for the
Inter-Agency Task Force on Financing for Development

Barry Herman[1]

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Offering an international platform to help nations seeking to strengthen their national floors of social protection is an important—indeed, mandated—area of work for the United Nations-led processes of Financing for Development (FfD). That is, the Third International Conference on Financing for Development, held in Addis Ababa in July 2015, adopted a "social compact" that included social protection as one of its integral parts (United Nations, 2015, para. 12). Social protection has such strong international policy salience owing to the high value that developing and developed countries put on inclusive development and social wellbeing, and to the ultimate dependence of social protection on the systemic issues whose discussion lays at the heart of FfD.

International consideration of domestic and international aspects of the financing of social protection floors is especially timely in 2017 in light of the General Assembly decision (United Nations, 2016a) to review implementation in the July High-Level Political Forum, inter alia, of the first sustainable development goal (SDG 1), "ending poverty in all its forms everywhere", one of whose targets is 1.3 on social protection.

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[1] Julian J Studley Graduate Program in International Affairs, The New School and Social Justice in Global Development (contact: herman@socdevjustice.org). I would like to thank Shari Spiegel of the FfD Office, Chris Lane and his colleagues at IMF, other IATF and Member State participants at a round table discussion of the paper topic at a retreat organized by the Friedrich Ebert Stiftung and the South Centre in January 2017, and Anis Chowdhury, Michael Cichon, Eva Hanfstaengl and John Langmore of the SocDevJustice Initiative on Financing Social Protection Floors for comments on earlier drafts of this paper. Views expressed are those of the author and not necessarily of any institutions with which he might have been associated.

With this in view, the FfD Office of the UN Department of Economic and Social Affairs and the Social Protection Department of the International Labour Organization (ILO) organized an expert group meeting of the Inter-Agency Task Force (IATF) on FfD on financing social protection floors on 30 November 2016 (UN/IATF, 2016).[2] This paper builds on that discussion and other work to elaborate a number of national and international policy options to facilitate provision of social protection floors that may warrant discussion at inter-agency and intergovernmental level.[3] The paper concludes with a set of questions that could guide such discussions.

**Why this, why now?**

Even when the support provided is minimal and even when the share of people covered is stringently limited and regardless whether explicitly recognized as such or not, almost every government in the world seeks to provide some level of social protection for its people (figure 1). Indeed, the concept of governments acting to provide a basic floor of social protection on which its beneficiaries can rely is hardly new and can be traced back to German policy innovations adopted in the 1880s. It subsequently spread in various forms to other European countries, Australia and New Zealand before the First World War, several countries in Latin America, Canada, Japan and elsewhere in the 1920s, and then to the United States in the midst of the Great Depression.[4]

It was included as a focus of international policy in the 1941 Atlantic Charter signed by Franklin Delano Roosevelt and Winston Churchill, the Heads of Government of the United States and the United Kingdom, where it was named "freedom from want" and "social security". These coupled goals were reaffirmed when the Atlantic Charter was subscribed to in the Declaration of the United Nations signed by the US, UK and 24 other countries in January 1942. Freedom from want was also an explicit objective of the initial drafts of plans for the Bretton Woods institutions (Helleiner, 2014).[5] Even if post-war

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[2] IATF was created in response to the Addis Ababa Action Agenda, the outcome document of the Addis conference. IATF is charged to monitor progress in implementing the Addis outcomes and the means of implementation of the subsequently adopted 2030 Agenda on Sustainable Development (United Nations, 2015, para 133).

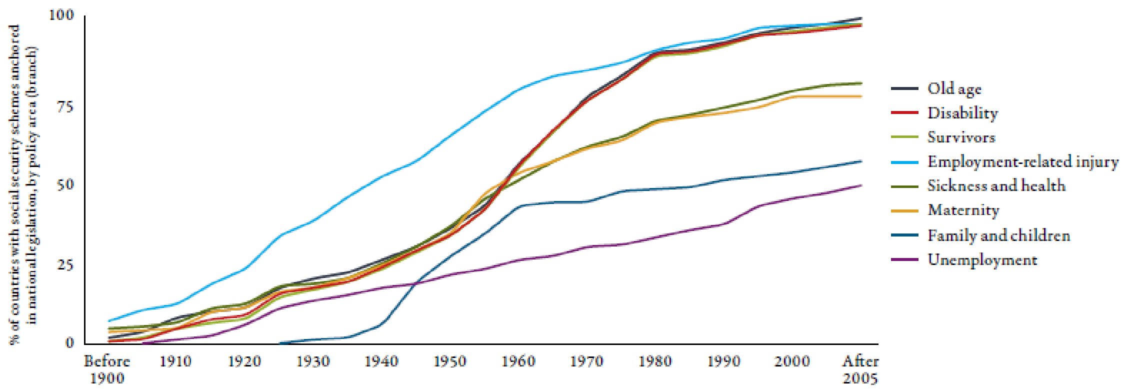
[3] As the expert group meeting was held under the Chatham House rule, this paper relies heavily—but not exclusively—on published work undertaken in member organizations of the IATF. It also draws on a paper prepared for that meeting by my colleague in SocDevJustice, Gemma Adaba (Adaba, 2016).

[4] For a comprehensive listing of the introduction dates of various social security programmes by countries (and in some cases states and provinces of those countries) up until 1935, see "Social Security Online History Pages" at https://www.ssa.gov/history/pre1935table2.html.

[5] The purposes of the International Monetary Fund as agreed at Bretton Woods were set out in Article I of its Articles of Agreement, including "To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy" (para. ii) and "To give confidence to members by making the Fund's resources temporarily available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity" (para. v). Article I of the original Articles of Agreement of the World Bank emphasized support for investment in productive activities, promotion of private foreign investment, balanced growth of trade and payments, "thereby assisting in raising productivity, the standard of living and conditions of labour", and arranging loans or

developments pushed social protection into the background of Bretton Woods policymaking for decades, concern to promote freedom from want and social security never disappeared from global thinking about economic and development policy and from the global goals enunciated by the world's governments, as at the United Nations.

Figure 1. Social protection programmes anchored in national legislation by area (branch), pre-1900 to post-2005




Sources: Based on SSA and ISSA, 2012; SSA and ISSA, 2013a; SSA and ISSA, 2013b; SSA and ISSA, 2014; ILO NATLEX database.
Link: http://www.social-protection.org/gimi/gess/RessourceDownload.action?ressource.ressourceId=36924

Source: ILO (2014), p. 4.

While structural changes in national social protection systems have reflected changes in national norms on social solidarity, the human rights obligation to social protection has remained constant.[6] In fact, in most countries, as national incomes have grown, ambitions also grew for raising the level of social protection above the floor and extending its coverage. Unfortunately, actual coverage of social protection systems remains far from universal. ILO estimates that only 27 per cent of the world population benefits from comprehensive social security coverage. The remaining 73 per cent receives only partial coverage or no coverage at all (ILO, 2014). On the other hand, the World Bank recently reported that "more than 23 low and middle-income countries have achieved universal or near-universal social protection schemes,[7] [while] over 100 others were scaling up social protection and fast-tracking expansion of benefits to new population groups" (World Bank, 2016). In other words, although income inequality has grown in most countries of the world in recent decades, a large number of governments have sought to ease the situation of the people at the bottom of the income distribution and increase their economic opportunities through enhanced social protection (e.g., on Asia and the Pacific, see UN/ESCAP. 2015).

In addition to the social values that underlie it, the social protection floor provides

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guarantees so as to prioritize "more useful and urgent projects" (United Nations, 1944).

[6] "Everyone, as a member of society, has the right to social security…" Universal Declaration of Human Rights (United Nations, 1948, Article 23, para. 1).

[7] "Universal" apparently means in this context that all people in a named category are eligible for protection, such as all elderly persons.

important economic benefits. First, it expands the nation's "production possibility frontier" as the social protection floor enlarges the stock of healthy, educated and productive citizens who might otherwise be excluded from the main economy (Mathers and Slater, 2014). Second, the social protection system serves a macroeconomic function as an "automatic stabilizer" that lessens the amplitude of economic cycles. As more working people turn to social protection benefits during periods of economic contraction, it prevents aggregate consumption falling as low as it would otherwise. Thus, both as social policy and as economic policy, a social protection floor is an attractive idea, although national policies and international macroeconomic advice do not always adequately take that into account (Ortiz et al., 2015a).

The ability of a country to afford its social protection floor depends first on its political decision to mobilize the resources required on an ongoing basis, but it also depends on its capacity to continue to mobilize those resources over time, which is a function of the buoyancy of its economy and on the ensuing growth of fiscal revenues. It thus depends, especially for developing countries, on being able to enjoy an enabling international economic environment. Ever since the 1980s campaigns of UNICEF for "adjustment with a human face" and the debt-relief campaigns of the global Jubilee coalition that led to the debt-reduction initiative for the heavily indebted poor countries, it has been clear that the efforts to eradicate poverty, especially in developing countries, could be undermined by adverse international economic developments and policies. This reality underlined the call since that time—indeed, since the earliest days of the UN—for greater coherence of domestic and international economic, financial and trade policies with the economic and social objectives of development.

Since adoption of the Monterrey Consensus in 2002 (United Nations, 2002), the appreciation of the need for effective coherence of domestic and international policy making for sustained and sustainable development has brought national representatives from development, foreign affairs, finance and trade ministries together with representatives of key international institutions, civil society and the private sector for dialogue at the UN on FfD. The Addis Ababa Action Agenda made explicit the social imperative of these discussions by committing to the "new social compact" by which governments would provide "fiscally sustainable and nationally appropriate social protection systems and measures for all, including floors, with a focus on those furthest below the poverty line and the vulnerable, persons with disabilities, indigenous persons, children, youth and older persons." In addition, Member States committed in Addis to "strong international support for these efforts" and exploration of "coherent funding modalities to mobilize additional resources, building on country-led experiences" (United Nations, 2015, para. 12). This paper thus seeks to highlight policy considerations that IATF may wish to bring to the attention of Member States in this regard.

**What is a social protection floor?**

In 2012, the 187 member countries of the ILO adopted recommendation 202 at its 101st General Conference. It specifies that social protection floors (SPFs) should entail nationally defined minimum levels of four essential social security guarantees:

(a) Access to essential health care, including maternity care, that meets the criteria of availability, accessibility, acceptability and quality;

(b) Basic income security for children, providing access to nutrition, education, care and any other necessary goods and services;

(c) Basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and

(d) Basic income security for older persons (ILO, 2012, para 5).

The ILO Conference recognized “the overall and primary responsibility of the State in giving effect to the recommendation” and stated 19 principles for the organization of national SPFs. Among them was that they should provide adequate and predictable benefits, which should be progressively realized on a universal, inclusive and non-discriminatory basis. The Conference further recognized that a diversity of delivery and financing mechanisms could be selected to implement the recommendation, based on solidarity in financing, while balancing the responsibilities and interests of those who benefit and finance the benefits, as well as overall financial, fiscal and economic sustainability, paying due regard to social justice and equity (ILO, 2012, para. 3).[8]

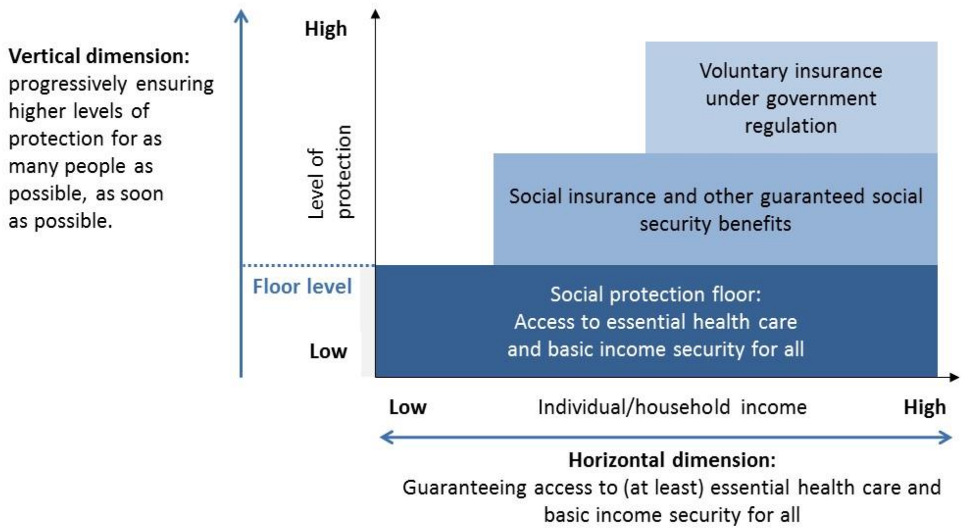
Social protection floors are meant to convey at least minimum benefits to all people at every stage in their life cycle (children, elderly, disabled, etc.) through whatever combination of nationally designed and selected programmes the government deems appropriate. Middle and upper-income people may participate in programmes that provide both the minimum and additional benefits, which could be financed by mandatory and voluntary contributions, or beneficiaries or their employers could pay insurance premiums. Programmes to cover lower-income people need to be tax-financed, although, the same benefit could also be offered to the whole population (e.g. a tax based universal cash transfer to every child). In other words, there are multiple ways that the SPF can be constituted. The one essential element is that all people are covered at least at the minimum level (see figure 2). In the context of the new social compact of the Addis Agenda and SDG 1 of the 2030 Agenda, the discussion in this paper focuses on improving the conditions of the poorest people, for whom non-contributory, tax-financed programmes are perforce an essential element of the social protection floor.

A key requirement of an SPF is that it be available when people need it, meaning that its tax-financed components should not be classified as discretionary government expenditure but as an entitlement that the government is obligated to provide at the promised level to all who require it. If people in an economic recession lose their jobs and health insurance and need to draw on unemployment insurance and the public health insurance system, they must be available for them. The metaphor is of a *floor*, something solid that all people can stand on and on which they can feel secure. But it is only a floor

[8] In fact, recommendation 202 builds on earlier ILO recommendations, in particular No. 67 of 1944, which followed up on the Atlantic Charter of 1941, as noted above, and recommended a set of guiding principles that began “1. Income security schemes should relieve want and prevent destitution by restoring, up to a reasonable level, income which is lost by reason of inability to work (including old age) or to obtain remunerative work or by reason of the death of a breadwinner…” (ILO, 1944).

and not a house with a roof, which is to say, it is a minimal set of social protections.

Figure 2. "Steps" in social protection




Source: As provided by ILO.

In addition, an SPF is not well described as being part of a public "safety net". The safety net metaphor suggests that it is only needed in emergencies or times of stress, implying that most people do not need publicly provided social protection in normal circumstances, that they or their families or private charity should be responsible to provide the floor. In this view, it is only at special times of economic recession or natural disaster that a publically provided safety net is socially required for the people at large. Moreover, the safety net metaphor directs our attention away from the people who have been living below it or outside its coverage, as among socially excluded groups. In contrast, the social protection floor should be available to all as a right, which the polity accepts as its responsibility to provide.[9]

The confounding of the terminology for social protection floors and social safety nets may be the result of how the floor concept came into general international parlance, which is also of relevance to FfD discussions of the topic. The floor concept had been discussed in various forms within ILO for almost a decade as a way to introduce basic elements of social security in lower income countries; however, it emerged into general international policy debates during the global economic and financial crisis through the UN's Chief Executives Board (CEB) for Coordination (Canonge, 2014). The CEB, chaired

[9] The term "safety net" is in practice used more generously than just to catch those falling into difficult circumstances. For example, the World Bank defines social safety nets as "non-contributory measures designed to provide regular and predictable support to poor and vulnerable people…." In practice, the Bank includes unconditional and universal social programmes in its analysis of "social safety nets" as well as conditional and targeted programmes (World Bank, 2015).

by the Secretary-General, brings together the heads of the UN specialized agencies, including the International Monetary Fund and the World Bank, related organizations, including the World Trade Organization, and the UN funds and programmes and is thus a potentially important source of coordination on policy action as well as joint policy advice to the world's governments.

In April 2009, as the world was struggling to respond to the worst financial crisis since the Great Depression, the CEB issued a communiqué that included 9 joint initiatives its members agreed to undertake to help countries and the international community to overcome the crisis. Number 6 was a "social protection floor" that would ensure "access to basic social services, shelter, and empowerment and protection of the poor and vulnerable" (UN/CEB, 2009). It made sense to think of this policy initiative announced in the depths of the global crisis as provision of a safety net, but in fact the proposal was to create something different, a permanent floor to be available in good times as well as bad ones.

Each of the CEB initiatives embodied a joint work programme that had been fleshed out within the CEB's High-Level Committee on Programmes, chaired at the time by Ambassador Juan Somavía, then the Director-General of ILO. As regards social protection floors per se, ILO and the World Health Organization agreed to lead a joint work programme of over 20 cooperating agencies, recognizing that the work that the agencies were giving themselves transcended each of their individual mandates (UN/CEB, 2009a). They also recognized that many countries had faced social protection challenges during the crisis for which they were not prepared. There was thus a need both for immediate support and longer term capacity building.

Many countries received timely assistance through various multilateral measures to help them respond to the crisis, at least at first. However, the lasting lesson was how important it was to prepare better for future crises and to offer support to those "left behind" for whatever reason, which entailed building or strengthening social protection floors. Indeed, the Group of 20 (G20) took up the cause of building SPFs in its 2010 summit meeting in adopting the Seoul Development Consensus for Shared Growth, which included a Multi-Year Action Plan on Development; in particular, Action 1 under the heading of Growth with Resilience was "Support developing countries to strengthen and enhance social protection programmes," the primary motivation being to help "vulnerable communities to deal with external shocks" (G20, 2010, p. 7). In this regard, the G20 appeared to focus on strengthening social safety nets. Subsequent consideration of the topic in the G20's Development Working Group, however, called on the G20 to support "the implementation or expansion of national social protection floors" (G20, 2011, para. 53), which is something more. By 2012, as noted above, ILO Member States and their business and labour partners negotiated an agreed meaning of social protection "floor", which is clearly more than a safety net.

Moreover, as ILO and the World Bank (2015) have been advocating, *universal* coverage of SPFs is warranted. A universal SPF prevents starvation and denies imminent death from lack of medical care. By promising minimum essential health services and income to all, it serves as a kind of insurance. Usually, the poorest people cannot afford to take risks, whether as farmers experimenting with new seeds or as small scale artisans or traders. Many people at the absolute bottom of the income ladder will not be able to tolerate the loss of income that is risked when trying something new. A universal SPF removes the threat of starvation and thus may encourage people to take moderate risks to improve their livelihood. This is only in part about taking entrepreneurial risks, but even more importantly refers to the willingness of a farmer to forgo a daughter's labour so she can go to school or allow a family to countenance pooling funds, reducing their own reserves, so a member can go to the city to look for a job and send money home. All these actions require some ability to accept risks of loss of income, which households that are less poor sustain in the normal course of events.

A social protection floor that serves this function cannot be adequately organized at the family or community level. It has to be provided by some entity that covers a large and diverse population in order to spread the risks effectively. It cannot be family or community-based because of what economists call "covariate risks": if your crop fails, there is a good chance that your neighbour's crop fails too, especially if he lives nearby. You need a bigger insurance pool than poor families can provide in order to put a solid *floor* under people's consumption. The obvious candidate to guarantee the floor is the government.

The remaining question, then, is how much of a social protection floor a country can afford. Experience tells us the answer depends in part on opportunities and challenges in government budgeting and the nature and extent of international support in good times and bad.

**What is financially entailed in a national commitment to a social protection floor?**

Commitment to funding an SPF directs attention first of all to the government's finances. Before entering into the financing discussion per se, let us clarify some terminology. Such discussions are sometimes couched in terms of increasing "fiscal space" to make room for the SPF. The phrase, however, has been used in different ways, sowing confusion.

In early post-war thinking about development, economists focused on the role of investment in development and the need especially for expanded public investment. That is, developing country governments were encouraged to collect adequate fiscal revenues so that after allowing for current expenditures, there would be sufficient "fiscal space" available to finance a significant public investment programme (Tanzi, 2014). On the other hand, should occasions warrant, outlays for investment could be temporarily postponed (as well as, unfortunately, expenditures for maintenance). In this sense, "fiscal space" implicitly referred to resources coming available for discretionary expenditure in a given year, with attention also paid to continuing consequences set in motion by the initial outlay, such as for maintenance. Today, some authors refer to drawing on abundant reserve levels or a one-off sovereign debt restructuring as ways to expand fiscal space for SPFs.

This does not seem a fruitful use of the term.[10]

A useful definition of fiscal space is "room in a government's budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position or the stability of the economy" (Heller, 2005). The implication for financing SPFs is that those resources must be available on a sustainable basis for as long as the "desired purpose" is included in the government's budget. In this regard, "fiscal space" highlights the ongoing financing challenge facing governments when they adopt or expand their social protection floors.

The central point is that the fiscal resources for SPFs need to be well planned, as they will be required year in and year out, some of which in largely foreseeable amounts, and others in increased amounts at unpredictable points in time that will have to be accommodated. In other words, fiscal planning for SPFs need to be part and parcel of medium and long-term fiscal strategies.

*Fiscal planning for SPFs*

Governments need to undertake fiscal planning exercises for each major category of their SPFs. To a reasonable degree, a country can foresee some of its SPF outlays on average over periods of years. For example, the cost of benefits promised to the elderly will be based on the promised benefit levels per person, the number of people expected to be alive in each year that reached the nationally determined age of eligibility—the retirement age of countries that have such a norm—and related matters. There will also be an interplay between the decision on the benefits to be provided through the SPF for older people and the revenues that the government seeks to collect by taxing its current working age population, with what degree of progressivity of the tax take, and so on (for a recent illustration, see Jarmuzek and Nakhle, 2016).

Well-designed and efficiently operated SPFs are as important politically as administratively. Not only does "spending well" provide warranted benefits at lower cost to taxpayers, but it also helps maintain public confidence in the effectiveness of the system. In particular, political support may wane if leakages of funds to corrupt officials or abuses of the SPF by intended—or unintended—beneficiaries are not contained.

As regards financing the SPFs, some countries earmark revenues from a particular source. The attraction is often political. For example, one argument that Brazil's government made in the 1990s when gaining Congressional approval of a tax on financial transactions was that the funds would be used for social protection, originally for public health and later for it famous *bolsa familia* programme. However, the tax had many enemies and was allowed to expire in 2007, leaving great concern at the time about the future of the SPF, as the comfort from its assured funding had disappeared (COHA, 2008).

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[10] The context in which authors propose such policy actions to boost fiscal revenue may well be to prevent curtailment of SPF outlays owing to economic adjustment (austerity) programmes (e.g., Ortiz et al., 2015). While the motivation for the policy proposal is laudable, the "fiscal space" terminology seems best avoided in such cases.

Another type of earmarked funding has been revenue from specific commodity exports. One political attraction of such a link is that during periods of commodity boom SPF services or cash transfers can be expanded without taxpayer pain. However, some countries have faced a problem with this practice as the promised benefits may become unaffordable during periods of commodity bust. Countries have thus learned that to base SPF benefits on such a source of finance requires building up a fiscal reserve from the revenues collected in "good times" to use during times of commodity bust, which in turn requires setting the level of SPF support so that the promised programme can be maintained over the full duration of the usual commodity cycle.[11]

Funds for SPFs can also be sourced through budget reallocations. For example, it has been found helpful in making the political case for discontinuing inefficient fossil-fuel subsidies to allocate some of the resulting budget savings to support increased cash transfers and other social programmes for the poor, as in Indonesia (Chelminski, 2016). This linkage is seen as just, since the poor would otherwise be unfairly burdened when the higher fuel prices work their way through the economy.[12]

In addition, a number of countries in Africa and Latin America that had been caught in a low-income/low-tax/low public service trap have been able to challenge the power of hosted multinational enterprises and other special interest groups and the affluent and raise their taxes by making the politically attractive promise to link the higher revenues they would collect to better funding for social protection (Mosley and Abdulai, 2016).

There are also linkages to SPFs that are important not for the funds raised but the policies advanced. An example is provided by certain countries in Latin America, which have sought to promote economic inclusion of low-income informal-sector workers into the formal economy by offering them SPF benefits if they register with the government and pay a small "single social tax" (Rossel and Filgueira, 2015, p. 199).

For countries seeking to fund SPFs from general tax revenues, the policy need may be stated simply: a broad tax base, with limited exemptions, as well as actions to strengthen tax and customs administration, can together generate stable and sustainable resources over the medium term for financing social protection floors. But whether a specific source of revenue or general tax revenues or a reallocation of funds from other expenditures are deemed to finance the SPF, it is best to think of the SPF and its financing needs as part and parcel of the annual political struggle over the budget as a whole. This warrants transparent and well-informed discussion among the relevant stakeholders, full vetting by the legislature and follow-up monitoring. Government budgeting, both the expenditure and revenue sides, is everywhere a matter of "bargaining and contestation" (UNRISD, 2016, p. 174).

It may well be, in particular, that advocates for SPFs will have to accede to arguments that "we cannot afford it" and accept smaller than needed social programmes,

[11] For the experience of Mongolia, see Ortiz et al. (2016, vol. 3, chap 14); see also below on the Chilean case.
[12] This coincides, moreover, with the commitment in the Addis Agenda (para. 31) and SDG target 12c.

e.g., cash transfers to the destitute and homeless urban elderly above a certain age as a subgroup of the desired target group of the elderly. But continued advocacy may expand the target group accepted by policymakers, as people see the benefits the served people receive from the programme, as the cost of operation becomes clearer, and as political momentum for support of the elderly poor grows, perhaps ultimately leading to a universal old-age pension.[13]

As may be imagined, the political contest over SPF policy design can involve very technical considerations, for which reason the international system has devised various aides and guides, in particular, the set of Inter-Agency Social Protection Assessments (ISPA).[14] The tools, which are in different stages of development, are meant to assist countries in making core diagnoses, assessing the social protection impact of public works programmes, identifying beneficiaries, as well as estimating the cost and assessing the impact of social protection floor programmes. In addition, United Nations organizations provide training materials and courses, such as the on-line course offered by the Food and Agricultural Organization of the United Nations (FAO) and the World Bank's core course offered in Washington, D.C.[15] ILO has complemented these efforts, as in its recently published three volumes of country examples of provision of universal benefits, innovations to extend coverage, and governance and financing, respectively (Ortiz et al., 2016).

In this context, ILO is guiding a process of national dialogues in Member States, involving governments, trade unions, employers and civil society organizations, with the aim of developing national consensus on priorities and strategies for building social protection systems and floors. As of April 2016, dialogues had been completed or were on-going in 18 countries, while they were being planned in another 11 countries.[16] As further follow up, the United Nations system prepared a detailed guide on how to organize stakeholder dialogues on SPFs, based on 14 joint UN assessment-based national dialogues in Africa, Asia and Latin America between 2011 and 2015 (ILO, 2016).[17] When successful, SPF policy making in the context of well-undertaken budgeting should leave taxpayers feeling that their taxes are appropriately used and that it is their social responsibility to contribute, knowing as well that it is a shared obligation without free riders and with abusers of the system effectively tracked and punished.

Further supporting such initiatives, the Addis Agenda on FfD has enumerated various options for sound tax and expenditure policies and Governments made various

[13] For a description of an experience of this sort in the Philippines, see the recorded presentation by Ms. Aura Sevilla during the 26 January 2017 webinar on "Constituency building and fiscal space for social protection--Navigating political space," available at http://socialprotection.org/discover/publications/webinar-presentation-constituency-building-and-fiscal-space-social-protection.

[14] See the materials on the ISPA web page at http://ispatools.org/.

[15] See, respectively, http://www.fao.org/elearning/#/elc/en/course/FSSN and https://www.worldbank.org/en/events/2017/03/06/social-protection-labor-and-jobs-core-courses-2017#2.

[16] Presentation by Isabel Ortiz, Director, Social Protection Department, ILO, at a side event held during the first Financing for Development Follow-up Forum, United Nations, New York, 19 April 2016.

[17] Civil society organizations and trade unions have also sought to prepare themselves to engage in such discussions (see Friedrich Ebert Stiftung, 2015).

commitments of international support to help developing countries to strengthen their fiscal situations, including with regard to improving the efficiency and effectiveness of national tax administrations, strengthening the progressiveness of national tax systems, increasing international cooperation on tax matters, curbing illicit financial outflows, curtailing corruption and speeding the recovery of stolen assets, among other issues.[18] There are also many innovative taxation ideas that can help governments boost their tax take and that some governments have introduced or are considering introducing, including financial transaction taxes and carbon taxes, although discussion of them is beyond the scope of the present paper.[19]

*Financing SPFs through volatile periods*

Sound fiscal policy should be measured not only against a criterion of long-run sustainability of public debt obligations, but also against the ability to call upon financial buffers against unplanned and temporary declines in economic activity. SPF outlays may become vulnerable to cutbacks during volatile times, as its beneficiaries are often less able to defend their interests in the political arena than other beneficiaries of public expenditure. It will thus help protect financing of SPFs if they are treated as entitlements, although legislatures can not only give but also take away that status absent political mobilization by the beneficiaries to protect it.

In other words, whether funded through general revenues or earmarked taxes, when periods of economic contraction ensue it can be expected that policymakers will be challenged to maintain their outlays for social protection floors, especially after the initial crisis period is passed and policymakers begin to think about recovery and especially if the government added to its sovereign debt burden during the depths of the crisis in order to stem the contraction of aggregate demand. Best for the SPF (and other essential expenditures) is that the government prepares what it will need to do ahead of time to be able to maintain its essential expenditures during times of difficulty.

Some countries—in particular, commodity exporting countries—have approached this problem by building up fiscal reserves during boom times with the intention to draw them down during times of economic bust.[20] Chile has been a leader in this, having adopted a rule by which it commits to balance its budget but allow a deficit to emerge whenever national output or the international prices of copper, a major export, fall below a specified trend and equivalently save a surplus during a boom.[21] Although the formal policy was introduced in 2000, Chile had created an account in the 1980s in which to

[18] Progress in regard to these and other matters is expected to be covered in the 2017 IATF report.

[19] Although often discussed as potential sources of revenue for international development cooperation, such taxes have been used—and could be further used—as sources of revenue in individual countries (United Nations, 2012, pp. 36-48).

[20] It goes without saying that the fiscal reserve needs to be appropriately invested so as to available for use when needed. As a budget reserve, it will need to be in liquid local currency assets or assets readily converted into local currency.

[21] The rule is actually somewhat more complicated, as the "structural" budget is targeted and an independent committee determines the country's position vis-à-vis the trend line for output and copper prices (Frankel, 2013). Not only has the policy worked in practice, it has also been shown to work in theory to improve national wellbeing (Engel et al, 2013).

accumulate such surpluses, its Copper Stabilization Fund, in order to smooth its fiscal take from copper exports.

Unfortunately, the International Monetary Fund (IMF) reports mixed results when resource-rich low and middle-income developing countries have sought to provide a fiscal buffer through a reserve fund and fiscal rules. In some cases, the governments breached their rules or enforced them weakly or abandoned them for other priorities (IMF, 2015, p. 8 and annex 1.2). Governments looking to emulate Chile’s experience should thus consider a variety of factors in the design of such a policy to ensure political commitment to its effectiveness. They are more likely to adapt rather than adopt Chile’s model in full. Indeed, Chile went beyond its own policy guidance with a greater countercyclical expenditure increase during the depths of the 2009 recession than otherwise indicated by the rule. Also, in its earlier incarnations the budget target had been set to a small surplus in order to pay down some of its sovereign debt. Lower-income countries with access to domestic private savings through local-currency bond issues or external loans and/or grant resources might well set the target to a modest fiscal deficit.

In a parallel way, governments or their central banks need to target how much foreign exchange inflows to remove from circulation and put into precautionary reserves. The only thing certain is that the standard rule of thumb to hold enough reserves to cover three months of imports is no longer an adequate guide. The appropriate target will depend on the volatility of the exchange rate, the degree to which the central bank manages the exchange rate, whether and what types of capital controls are maintained, the volatility of export earnings and import costs, the opportunity cost of holding reserves in major currencies that pay virtually zero return, and the availability and cost of foreign credit as an alternative to self-insurance through reserves. Foreign exchange reserves, like fiscal reserves, provide a service, but they have a cost and need to be managed.

**What is entailed in the international commitment to support SPFs?**

As may be seen, there is much that governments can do—and that they are doing—to assure financing for their national social protection floors in good times and bad. Nevertheless, there are opportunities to improve SPFs through peer learning and international cooperation. There are also times and circumstances when it will be difficult for countries to fully meet the demands on their SPFs, other entitlements and other obligations out of their own resources. The Addis Agenda contains an international commitment to “strong international support” to countries, including as regards their SPFs (United Nations, 2015, para. 12). What should that entail?

Three categories of international cooperation may be identified in this regard, which may be denoted capacity building in developing countries, financial support for countries in times of fiscal stress, and international financial innovation to lessen such stress in difficult times. Each in its way can support countries to extend and protect their social protection floors.

*Technical cooperation and capacity building*

As noted earlier, United Nations agencies have worked collaboratively to assist the relevant ministries of developing country governments that seek to devise or improve their social protection programmes, including child, maternity, elderly, unemployment and disability benefit programmes and further build their operational and management capacities. In part, this reflects action on the CEB commitments noted above. Indeed, Helen Clark, as head of the UN Development Group, a subsidiary body of the CEB that brings together the UN agencies working in developing countries, and Guy Ryder, Director-General of ILO, wrote a joint letter to the UN family of institutions on 2 March 2014 encouraging them to “maintain momentum” on social protection floors in various ways, including strengthening “One UN” national social protection floor teams, supporting national dialogues, assisting in preparation of national analyses, and so on. This spirit of UN system cooperation was later reflected as well in the broader Addis theme of cooperation for stronger capacity building, inter alia, in public finance and administration (United Nations, 2015, para. 115).

Other international organizations and bilateral donors have also increased their support for social protection floors. A noteworthy example is the European Union Social Protection Systems Programme (EU-SPS), which had been set up to support low and middle-income countries in building their social protection systems. The Programme, which will run from 2015 to 2018, is funded by the European Union, the Organization for Economic Cooperation and Development (OECD) and the Government of Finland. The initiative will focus on reforms to social protection in each of 10 selected countries in Africa and Asia. It will provide technical assessments, develop analytical tools and strengthen capacities of policymakers, implementation planners and service providers. The kick-off meeting for the project took place at OECD in Paris on 16 September 2015.[22]

Furthermore, the aforementioned G20 Development Working Group asked the ILO and the World Bank Group to organize a new donor coordination mechanism, the Social Protection Inter-Agency Cooperation Board (SPIAC-B). It brings together relevant global, regional and bilateral development institutions that work at the country level on social protection advocacy, financing and/or technical advice, and includes as observers major civil society organizations working in the field.[23] Among its activities, SPIAC-B has been overseeing development of the set of ISPA evaluation tools mentioned above.

The ILO and the World Bank Group launched a second joint initiative on 30 June 2015, just before the Addis FfD conference, when the heads of the two institutions, Guy Ryder and Jim Yong Kim, announced a programme to increase the number of countries adopting universal social protection systems (ILO and World Bank, 2015). This initiative combines applied field support on social protection systems with high-level advocacy, as reflected in the announcement by these two leaders of the new Global Partnership for Universal Social Protection during the UN General Assembly on 21 September 2016.[24]

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[22] The programme is described at http://www.oecd.org/dev/inclusivesocietiesanddevelopment/social-protection.htm.

[23] See its web page for an introduction to its work at http://www.ilo.org/newyork/issues-at-work/social-protection/social-protection-inter-agency-cooperation-board/lang--en/index.htm.

[24] The leaders were joined by representatives of the African Union, FAO, the European Commission,

In all, there has been considerable interest among a number of donor countries in supporting the efforts of developing countries to introduce or expand their systems of social protection. Bilateral support to low and middle-income countries is primarily funded through official development assistance (ODA). Programme loans extended by the World Bank and regional development banks are largely on ODA terms for low-income countries and more commercial terms for middle-income countries. Although the programmes of support of individual providers reflect their own programme and country assistance foci, there are various coordinating efforts, as we have seen, such as SPIAC-B. To further deepen cooperation among providers of assistance, it has been proposed that a portion of donor financing be pooled in a common trust fund. SPIAC-B has agreed as a "suggested action point" to "explore the possibility of establishing a multi-donor trust fund to support start-up funds to expand social protection systems", albeit also specifying that such a trust fund would not fund benefits per se (SPIAC-B, 2015). It does not appear that action has yet been taken on that initiative.

The above notwithstanding, measured against the potential improvement that social protection could make to global wellbeing, much more can be done. For example, additional donor governments and other official providers might offer to collaborate with developing country experts to share their experiences in building social protection floors in third countries. Indeed, there is a precedent in the ongoing joint work of ILO and the United Nations' Special Unit for South-South Cooperation in just this area.[25]

*Official flows of international financial support*

While countries generally expect to cover the costs of their SPFs out of their own fiscal resources, there are occasions when international assistance is warranted, which would, ipso facto, help assure uninterrupted funding of the SPF, as for other non-discretionary government expenditures. In a small number of cases, perhaps roughly a dozen, it has been estimated that the gap is so large between what the government would need to spend on social protection and what revenues an effectively reformed domestic tax system would provide that international financial transfers would be required on an ongoing basis (Bierbaum et al., 2016).[26]

While it is hard to find donor country support for ongoing international funding of social protection per se, donor countries have supported the more general concept of unrestricted ODA-financed budget support, conditional on there being sufficient mutual confidence in donor/recipient relations (Koberle et al., 2006). General or sector-specific budget support could thus in principle provide the resources or free up other domestic

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HelpAge, OECD, Save the Children, International Policy Centre for Inclusive Growth (a partnership with the United Nations Development Programme), and UNICEF, along with representatives of Belgian, Finnish, French and German technical cooperation programmes (World Bank, 2016a).

[25] In particular, the South-South Cooperation Initiative is bringing social protection experts from the South to assist Benin. Burkina Faso, Cambodia, Lao Peoples Democratic Republic and Togo (information at http://ssc.undp.org/content/ssc/un_entities_space/ILO/programmes.html). See also UNDP (2011).

[26] The call for international financial transfers to deliver social protection floors in the poorest countries of the world over the medium term was earlier made by the United Nations Special Rapporteurs on the Right to Food and on Extreme Poverty and Human Rights, Olivier de Schutter and Magdalena Sepúlveda (2012).

resources to financially support social protection, and SPFs in particular, for those countries that have extraordinary fiscal needs, owing, for example, to extreme poverty or the imperatives of post-conflict peace building. The challenge seems to lie in developing sufficient confidence in mutual accountability where it does not already exist. This is already a main focus of the international aid effectiveness agenda. The UN's Development Cooperation Forum could pioneer such discussions, focused on confidence-building ways to apply ODA to supplement domestic resources for SPFs.

This notwithstanding, most low and middle-income countries only need external financial support for their SPFs during temporary and relatively short periods. Although many countries might seek such external funding from financial markets, the markets are most accommodating when their funds are least needed. Official international financial support thus remains crucial for addressing temporary financing needs, especially for the lower income countries.

One category of need for special international assistance is in humanitarian emergencies, which is provided through voluntary donations by governments and charities, based on official and private assessments of need. The funds assist refugees, respond to the harm from earthquakes and help replace food lost due to drought, nurture civilians in conflict situations, and so on. Increasingly, donors are working with the governments of crisis countries to provide some of their support in the form of cash transfers. Indeed, the World Humanitarian Summit in 2016 "saw several concrete commitments for scaling up the use of cash transfers in conjunction with national social protection schemes" (United Nations, 2016).

While humanitarian and economic assistance have long been counted as separate categories of international cooperation, planning for the two concepts of international assistance share some characteristics. For example, policymakers increasingly appreciate that the decisions facing governments to financially prepare to address emergencies involve similar options to those facing policymaking on financing SPFs during times of economic crisis, namely deciding what combinations to employ of self-insurance through reserve funds, accessing international lines of official credit (as will be discussed below) or seeking ways to reallocate expenditures toward addressing the emergency (see section below on reducing debt servicing).[27]

The most broadly appreciated need for temporary international assistance is in times of economic distress. The International Monetary Fund is the mandated lead agency in this regard. Typically, IMF loans to governments are not earmarked for specific uses, although borrowing governments have to agree to sets of policy measures to obtain the loans ("conditionality").[28] A process of negotiation between the Fund and the borrowing

[27] For a proposed framework within which to make such a selection, see Clarke et al. (2016).
[28] While IMF began in 1995 to introduce measures to increase or protect social expenditures in its conditional programmes of support (Kentikelenis et al., 2016, figure 3), implementation has been disappointing; e.g., from 1995 to 2014 African countries implemented only half of the social spending floor conditions in the programmes for which implementation data are available (ibid., table 3). It would appear that from the perspective of the borrowing countries and the IMF, the consequences of not meeting these targets was less

government is thus required before any disbursement, making IMF funding the second line of response to a crisis after use of a country's own reserves. On the other hand, Fund programmes can be large. Even longer lead times are required for planning and negotiating the typical projects and programmes supported by the World Bank and other international development banks. This is not satisfactory when more quickly disbursed funds are needed, as to address economic or natural shocks.

Responding to this concern, in recent years the Fund has adopted a number of measures to disburse some of its funds more rapidly. In particular, IMF created two special loan "windows", the Rapid Credit Facility (RCF) for low-income countries and the Rapid Financing Instrument (RFI) for middle and upper-income countries, which, as their names imply, can distribute funds quickly to countries in need without formal adjustment programmes. RFI loans incur standard interest charges and should be repaid in 3.5 to 5 years. RCF loans incur no interest obligations and are to be repaid over 5.5 to 10 years. (IMF, 2016a).

It has also been argued that the multilateral development banks could play a larger role in countercyclical financing for developing countries, building on the sharp increase in such funding they provided in the wake of the 2008-9 global crisis, albeit recognizing that to do so requires a shift away from their main focus on long-run projects (Griffith-Jones, 2016, pp. 12-13). In fact, the World Bank has sought to prepare more systematically for assisting poor countries in future crises. That is, in 2011 it created two additional financing mechanisms for the low-income countries that are eligible to draw from its International Development Association (IDA). One is the Crisis Response Window, which provides low-interest loans or grants to supplement UN and other emergency assistance so as to maintain the pre-existing path of spending on education, health, the operation and maintenance of infrastructure, and to maintain or potentially increase spending on social protection. The other is the Immediate Response Mechanism, which allows countries to draw down undisbursed balances from ongoing investment projects as part of their responses to specified emergencies. Support under both mechanisms is viewed as complementing other efforts of the international community and is thus quite constrained in overall amount and in country eligibility (World Bank, 2016b).[29] More recently, the Bank has cooperated with the World Health Organization in creating a standing Pandemic Emergency Financing Facility using IDA resources and the proceeds of "catastrophe bonds" issued by the Bank for making resources available rapidly to fight a potential pandemic disease (World Bank, 2016).

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compelling than those on fiscal and monetary conditions, although the situation on meeting social conditions may have improved in more recent years. Moreover, IMF researchers find that expenditures on health and education in countries with Fund-supported adjustment programmes grew more rapidly than the average in 140 developing countries during 1985-2009, holding the effect of other determinants constant (Clements et al., 2013).

[29] The World Bank has also supported efforts to help countries prepare for emergency surges in needed financial resources, such as by helping countries launch "catastrophe bonds" in international financial markets, in which the investor foregoes the principal and unpaid interest in the event a named catastrophe occurs, freeing up funds for the crisis-hit country (the borrowing government pays a higher interest rate for inclusion of this option).

These facilities recognize the principle that counter-cyclical support should be delivered quickly and on appropriate terms. The amounts available, however, are quite limited. They do not have the ambition of the IMF's original Compensatory Financing Facility (Goreux, 1980) that fell out of favour in the 1980s,[30] nor of the disappointing STABEX system that the European Union devised to compensate the African, Caribbean and Pacific countries with which it was affiliated through the Lomé Conventions for fluctuations in earnings from exports of individual commodities (Collier et al., 1998). Those facilities aimed to substantially moderate the impact of trade price volatility, which were well-known sources of damage to economic and social conditions in developing countries.

In all, the principle seems well accepted that developing countries face an uncertain and volatile world and that the international community should help them respond to it. The assumption seems to remain, however, that if the needs are large, then conventional conditional loans are warranted rather than quick-disbursing semi-automatic funding based on evident need.[31]

*Financial innovation for better risk sharing*

A third option to lessening the risk to SPFs from international volatility is to better share the risk of financial distress with a country's creditors. Creditors share risk with their borrowers in a particular way: they are either fully paid or not paid at all in the event of default in a debt crisis, at least until the debt crisis is resolved in which case they may receive less than the full repayment. A loan instrument specifies the interest and principal repayment schedule that the borrower must meet and the creditor may take the borrower to court if the obligations are not met. It follows that in government budgeting, servicing sovereign debt is considered one of the highest priority uses of public revenues, not only because of the legal obligation but also to maintain access to further loans.

The one exception, which is not actually an exception because it is not a "loan", is Sharia-compliant *sukuk*.[32] It is an internationally increasingly available source of funds that

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[30] IMF typically sets borrowing limits in relation to a county's "quota" in the Fund, which is essentially the amount it contributes as per a formula for membership. One quarter is usually in foreign currency and is viewed as the member's asset, which it can draw at any time. Drawings above that are borrowings from the fund, with various ceilings. In particular, countries can borrow from the RFI up to 37.5 per cent of their IMF quota in a year and can accumulate borrowings from this facility of up to 75 per cent of quota. Borrowing limits for the RCF are 18.75 per cent of quota in one year, except for borrowing in response to predefined "shocks" when the annual limit is 37.5 per cent; the limit on accumulated RCF borrowings outstanding is also 75 per cent of quota (IMF, 2016a). In contrast, under the 1960s-1970s Compensatory Financing Facility, maximum drawings, which could be disbursed within weeks, were determined in terms of a formula that measured the shortfall in export earnings (or excess in grain import costs) up to 100 per cent of quota (Goreux, 1980).

[31] At the same time, IMF Executive Directors have requested IMF staff to advise eligible countries to draw from the quick-disbursing concessional windows up to their access limits as needed. Further review of the Fund's lending programmes is scheduled for 2018 (IMF, 2016c).

[32] Sukuk is a share in the ownership of real assets, even government-owned assets; sukuk do not pay interest, which is prohibited, but allow the investor to share in income resulting from the investment. It is a growing market for sovereigns as well as private "borrowers". For monitoring of current issues and related materials, see https://www.sukuk.com/.

many countries have begun to tap for investing in some types of public activities. *Sukuk* investors expect to be paid on a routine basis owing to the expectation of steady earnings from the provision of the supported public service, but there is no legal guarantee of payment of pre-set amounts. *Sukuk* thus embodies a different concept of risk sharing than a loan.

Many analysts have also asked whether some flexibility might be put into standard debt contracts to handle times of stress. Indeed, considerable financial and legal work has been done in recent years on designing sovereign bond contracts that would require creditors to share the risk of difficult times with their sovereign borrowers without going through a restructuring exercise. One approach, centred on the Bank of England and the Bank of Canada (Brooke et al., 2013), has been called "sovereign cocos", which would build on an instrument that is already an option that banks and corporate borrowers can offer their lenders, called a "contingent convertible" (coco). In those bonds some pre-specified event triggers the conversion of the bond into some form of equity security that has lower priority for repayment and no longer obligates the borrower to pay interest. As private investors cannot own governments, the "sovereign coco" would maintain a bond's structure but delay principal repayments according to a schedule stipulated in the contract. A quid pro quo in some presentations is that the country should also receive a loan from IMF, putting it under the usual IMF conditionality; in essence, this would "bail in" the creditors to support the official sector programme to address the country's economic crisis. A further option that has been proposed for low-income countries would cancel debt servicing rather than delay it when the contingent event has occurred (Panizza, 2015).

A related proposed innovation is a bond whose interest payment would be linked to the performance of the country's gross domestic product (GDP); e.g., the bond contract could specify that the borrower agrees to pay the lender an interest rate calculated as a fixed percentage of the value of the outstanding bond as adjusted by changes in the country's nominal GDP (Bank of England, 2016).[33] Until now, bond payments linked to GDP have only been issued as part of sovereign debt workouts, notably by Argentina, Greece and Ukraine, where they served as "sweeteners" to encourage bondholders to accept a workout agreement with a substantial "haircut" (loss on their principal) on the possibility to recoup some of their losses if the economy recovered strongly. In a similar way, interest payments were earlier linked to the price of a major export, usually oil, as in the debt restructurings of Mexico and Venezuela at the end of the 1980s.[34] No GDP-linked bonds that would symmetrically reduce as well as increase interest payments have been sold to financial investors under normal market conditions. However, financial market professionals have expressed interest in both sovereign cocos and GDP linked bonds. Further progress on this innovation only requires one country to experiment with these instruments as a "first mover" to test market interest in the innovation.

While these innovations would serve as a way to "bail in" private creditors during a

[33] Thus, the interest payment would fall if nominal GDP falls owing to a recession and/or deflation, and it would rise when nominal GDP rises as a result of economic growth and/or inflation.
[34] In both the GDP and oil price links, the sweetener was in the form of a separable security, a warrant, which the bondholder could sell and that traded on financial markets independently of the new bonds themselves.

sovereign's period of financial distress, the French aid agency, Agence Française de Développement, introduced a *prêt contracyclique* for its own loans extended to a number of African countries (Commonwealth Secretariat, 2016). The French loan takes the latter five years of its standard ten-year grace period and allows the borrower to use it at any time, including postponing its final maturity date by five years. This option, like the sovereign coco, is a contemporary form of the "bisque" clause that apparently originated in United States loans to the United Kingdom in 1946 that gave the UK options to postpone repayments under specified conditions (Cosío-Pascal, 2010). A bisque clause was included in Indonesia's 1960s debt restructuring and it has been proposed to make such a clause a standard part of restructurings of debt owed to sovereign creditors.

It may be noted, moreover, that special actions may be taken by public creditors during workouts from sovereign debt crises that are not usually acceptable to private creditors and that may open further possibilities for relieving debt servicing pressures in times of stress. That is, public creditors by their nature as governments or international institutions may accept to receive less than full repayment for policy reasons other than insolvency, the ineluctable reason that private creditors agree to accept less than full repayment of sovereign obligations. For example, the expressed motivation for the relief accorded to heavily indebted poor countries by IMF, the World Bank and certain regional development banks under the Multilateral Debt Relief Initiative of 2005 was to better enable the debtor countries to achieve the Millennium Development Goals and in particular to "fight poverty" (IMF, 2016). Other creditors were not expected to join the multilateral institutions in offering additional relief.

In addition, the Paris Club of major official government creditors has on occasion departed from its usual practice of expecting comparable treatment by private creditors when its member countries extend relief to countries in crisis. On various special occasions, the Paris Club has unilaterally offered to postpone debt repayments falling due from crisis-affected countries so as to free up national resources to fight their crises.[35] Finally, the IMF created a facility called the Catastrophe Containment and Relief Trust to unilaterally provide funds with which to pay interest and principle obligations falling due to IMF—or possibly cancel the debt outright—of poor countries experiencing natural or public health disasters (IMF, 2016a, pp. 55-57).[36]

In short, the principle that debts should be serviced "come hell or high water" seems to have been rejected with respect to a variety of creditor claims on sovereign countries, just as it has been rejected through bankruptcy legislation for household and corporate debt. Were the principle to become standard practice, it would surely reduce the number of instances in which countries slip into insolvency and need to engage in a socially disruptive debt workout. Nevertheless, centuries of experience tell us such crises would still occur. When they do occur, a mechanism is needed—one may say, is still

[35] Cases include a three-year deferral of payments falling due by Honduras and Nicaragua owing to hurricane damage in 1998 and a three-year deferral for Liberia in 2008 owing to the impact of its long-standing internal political conflict (for a full listing, see http://www.clubdeparis.org/en/communications/page/exceptional-treatments-in-case-of-crisis).

[36] Guinea, Haiti, Liberia and Sierra Leone have thus far drawn on this facility.

needed—to resolve the sovereign debt crisis in an effective, fair and timely manner. The international community has tried and failed to close this gap in the international financial architecture for over a century, beginning with the Second Hague Peace Conference in 1907 at which participating States at least agreed to settle sovereign debt disputes through arbitration instead of force, through the 1933 Pan American Conference in Montevideo, and the early planning for the Bretton Woods institutions (Helleiner, 2008). Neither these early efforts nor more recent ones have led to a consensus within the international community, although work continues in international forums on debt crisis resolution as well as prevention (United Nations, 2016b).

**Conclusion: suggestions for discussing the financing of SPFs**

The preceding exposition suggests at least to this author that it might be possible to identify a number of questions on financing social protection floors that could serve as foci for inter-agency and, indeed, intergovernmental discussion. The following might thus be proposed.

1. The spread of SPFs around the world is an encouraging development, especially in light of the SDG commitment to end poverty in all its forms everywhere. It may therefore be useful to seek to further build up that momentum. How might the United Nations Financing for Development Follow-up Forum encourage initiatives to this effect at national, regional and global level?

2. The 2030 Agenda and the Addis Agenda on Financing for Development embody a commitment to assist countries in developing their social protection systems, including floors. To this end, additional official development assistance earmarked for helping to build, operate and manage social protection floors is warranted. In addition, developing countries have much to gain from peer-to-peer learning. How might increases in these forms of cooperation be stimulated?

3. Governments are responsible for preparing for contingencies, but some contingencies are beyond the capacity of many countries to cover on their own. The international community regularly assists countries experiencing unusual fiscal stresses, providing loans on appropriate conditions and terms (including grants as warranted), depending on the severity of the situation. As the number of quick-disbursing—if small—facilities has grown in recent years, might an inventory of available facilities help determine if existing mechanisms of appropriate pre-arranged lines of credit and semi-automatic borrowing facilities need to be further expanded to meet the potential need on a timely basis?

4. In this spirit, a substantial portion of sovereign borrowing instruments might embody contingent repayment clauses to reduce fiscal pressure during difficult times (e.g., sovereign "cocos", GDP-linked bonds, "bisque" clauses in inter-official loans). Islamic finance (*sukuk*) may also contribute to more effective risk sharing in managing sovereign financial obligations. How might work on spreading or further developing these instruments be encouraged?

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