# Financing Policy Brief Series – Recommendations for FfD4

Scaling Up the Global Accelerator

on Jobs and Social Protection for Just Transitions

## Key messages

* Financing and policy gaps, exacerbated by multiple crises, are increasing poverty and inequality while high debt and limited fiscal space constrain countries’ ability to respond effectively. Nearly half the world's population lacks any form of social protection, and the global economy faces a significant shortage of decent jobs, particularly in transition sectors with high growth potential such as the green, digital, and care economies.
* Highlight the urgency and benefits of Member States adopting a three-pronged approach of multilateral cooperation, integrated employment and social protection policies, and increased and coordinated investments in decent jobs and social protection. This will enhance national and international commitments and facilitate revenue mobilization for more investments in social protection and jobs for just transitions. This feeds into a virtuous cycle of development, enhancing aggregate demand and productivity, which in turn spurs inclusive growth and expands fiscal space for further investments.
* The Global Accelerator on Jobs and Social Protection for Just Transitions (GA) is a critical initiative for reducing systemic financing gaps for social protection and decent jobs while mitigating detrimental impacts of ongoing crises and structural shifts. The GA has gained significant momentum and is being implemented through a joint process of governments, social partners, UN agencies, International Financial Institutions (IFIs), and other key stakeholders building a tailor-made approach adapted to each country’s specific context, including those in fragile and post-conflict settings.

## Problem statement

**Intensifying socio-economic vulnerabilities and significant financing needs**

Financing and policy gaps, exacerbated by the COVID-19 pandemic, climate crisis, and geopolitical conflicts, have magnified the socio-economic vulnerabilities of millions of people, leading to job losses, reduced incomes, and a lack of social protection for billions. 47.6 per cent of the global population, about 3.8 billion people, are currently without any social protection.[[1]](#footnote-2) Evidence shows that higher expenditure on social protection is associated with lower income inequality and poverty.[[2]](#footnote-3) However, to ensure at least a social protection floor, low- and middle-income countries require an additional annual investment of US$ 1.4 trillion or 3.3 per cent of the aggregate GDP (2024) of these countries.[[3]](#footnote-4) The global economy also faces a shortfall in decent jobs, particularly in sectors with high growth potential such as the green, digital, and care economies. Low-income and lower-middle-income countries face a US$982 billion fiscal stimulus gap for economic and labour market recovery.[[4]](#footnote-5) This gap hinders their ability to create the currently 400 million jobs needed globally, leaving millions unemployed or in precarious, informal employment without adequate protections.

**Limited fiscal space constrains crisis response and recovery**

A financing divide[[5]](#footnote-6) is sharply curtailing the ability of many developing countries to respond to shocks and invest in recovery. Low-income and lower-middle-income countries, already facing chronic financial stress, struggle to mobilize the resources needed for recovery and long-term development. Many developing countries are trapped in a vicious cycle of high debt and limited fiscal space. For instance, debt service obligations of developing countries are projected to reach a record high in 2024, exceeding US$400 billion, diverting resources from social spending and investment in job creation.[[6]](#footnote-7) Low-income countries dedicate an average of 14 per cent of their domestic revenue to interest payments, compared to only around 3.5 per cent in developed countries.[[7]](#footnote-8)

**Increasing social investments with economic outcomes and economic investments with social dividend**

Developing countries are not investing enough in their social protection systems and employment policies and programmes, which limits their ability to cope with the climate emergency and other much needed transitions. However, there is today ample evidence that such investments generate strong economic and fiscal returns. A dollar invested in social protection leads to an increase in GDP of between 2 and 5 dollars in two and a half years. [[8]](#footnote-9) When combined with tax incentives, access to vocational training and support for business start-ups, social protection and employment policies contribute to the formalization of jobs and businesses, and thus create social categories capable of contributing through their work, and their taxes, to the country's economic and social development. The Monotributo system, developed in countries such as Uruguay, Brazil and Argentina, is a way of including informal economy entrepreneurs in the contributory tax and social security system. When it comes to international private investments, many developing countries have put in place investment strategies and policies to increase the quantity and quality of jobs created locally. However, due to few linkages with domestic enterprises and lack of coordination capacity, the sustainable development contribution of these investments is often limited. The national and local employment and training service ecosystems are therefore an important factor in determining the job outcomes of investment projects.

## Policy solutions

A virtuous dynamic of higher GDP per capita, full and productive employment and universal social protection should be promoted, inclusive of transition constraints and opportunities. Employment policies have an important role in maximizing formal and productive employment, a generator of sustainable financing in the long run with the positive impact of formal job creation on consumption and domestic budget revenue through taxation. Social protection plays a critical role as automatic aggregate demand stabilizer, reducing poverty and “impossible choices”, supporting productivity increases and formalization, achieving also other outcomes (nutrition, education, health) and contributing to structural transformations. Higher net wages and other earnings from work translate into higher social security contributions, and vice versa higher income security supports a more productive workforce and sustainable enterprises. Social protection through its redistributive role further reduces vulnerabilities, horizontal and vertical inequalities, social exclusion, and poverty.

To convince UN member States to invest more in social protection and decent jobs, in 2021 the UN Secretary-General launched the Global Accelerator on Jobs and Social Protection for Just Transitions. This multi-stakeholder initiative aims to tackle the ongoing structural policy and financing deficiencies and support the necessary inclusive structural transformations required to accelerate decent job creation, universal social protection and achieve just transitions. The Global Accelerator is based on three pillars to promote integrated policymaking, financing strategies, and international cooperation.

The financing pillar focuses on four main areas:

* **Take action on public spending on social protection & jobs.** A first aspect is obviously how much a country directly spends on social protection and employment, including with ODA support: countries need to be able to track these expenditures and benchmarking with other international practices and standards is useful to inform policy (public expenditure). This dimension also covers actions related to improving public finance management and smarter government spending.
* **Take action on public revenues for social protection & jobs**. The second dimension is the flip side of spending, public revenues**.** The broader taxation and fiscal policy issues are covered below under the macroeconomic dimension, but a more focused look at revenues includes work on promoting more efficient tax collection, harnessing ODA in the social protection and employment domains, as well as the extension of non-contributory social security and formalization, that expand the tax base and contribute to the wider government revenues for stronger social protection and employment systems.
* **Promote investments with a social impact.** The third dimension is financial: how credit and investment - public and private, domestic and international, contribute to employment and social protection. The question is broad and complex. To provide actionable policy recommendations, two key elements can be focused on: domestic preferential finance and foreign direct and portfolio investments.
* **The fourth dimension is macroeconomic:** fiscal space and broader financing are a product of *macroeconomic policy choices* and of how these can impact the economic and social trajectory of a country. Evidence-based policy dialogue is needed for macro policy and socioeconomic policies *to* *converge* towards inclusive, job-rich growth. Macroeconomic models on the other hand allow to focus on potential public investment projects or fiscal measures and estimate their total economy *economic and social returns* (fiscal space and macro).

## Specific recommendations for FfD4

The outcome document of FFD4 should contain:

* A commitment from Member States to further develop their national social protection systems and employment policies and programs, and to promote integrated national policies and financing strategies for jobs and social protection. This aims to overcome policy silos and fragmented approaches by addressing deficiencies in both policy and financing, fostering coordinated efforts to tackle intensifying socio-economic vulnerabilities and the large financing gap, and ensuring social protection and jobs for just transitions.
* The recognition of the benefits of adopting a three-pronged approach of multilateral cooperation, integrated employment and social protection policies, and increased and coordinated investments in decent jobs and social protection, which feed into a virtuous cycle of development, enhancing aggregate demand and productivity, which in turn spur inclusive growth and expand fiscal space for further investments, enabling countries to improve effective crisis response and recovery.
* The FFD4 should acknowledge the GA as a key mechanism to reduce systemic financing gaps for social protection and decent jobs while mitigating detrimental impacts of ongoing crises like armed conflicts, climate change, and structural shifts. The GA has gained significant momentum and is being implemented through a joint process of governments, social partners, UN agencies, IFIs, and other key stakeholders building a tailor-made approach adapted to each country’s specific context, including those in fragile and post-conflict settings.
* The outcome document should stress the importance of multilateral cooperation and solidarity to boost social protection and employment. Improving dialogue and coherence among national policymakers, ODA partners, UN agencies, IFIs, social partners, civil society and academia, will boost national and international commitments, and mobilize financial support for more investments in social protection and jobs for just transitions.
1. ILO. 2024. World Social Protection Report 2022–24: Universal social protection for climate action and a just transition. Geneva: ILO, 2024. [↑](#footnote-ref-2)
2. Razavi S., Cattaneo U., Schwarzer H. and Visentin A., 2024 forthcoming. “Combatting Inequalities: What Role for Universal Social Protection?” [↑](#footnote-ref-3)
3. Cattaneo, U., Schwarzer, H., Razavi, S., Visentin, A. 2024. Financing gap for universal social protection: Global, regional and national estimates and strategies for creating fiscal space, ILO Working Paper 113 (Geneva, ILO). [↑](#footnote-ref-4)
4. Global Accelerator on Jobs and Social Protection for Just Transitions (2022). Financing Frameworks. [↑](#footnote-ref-5)
5. United Nations, Inter-agency Task Force on Financing for Development, Financing for Sustainable Development Report 2022. New York: United Nations, 2022. [↑](#footnote-ref-6)
6. Zucker-Marques, M., Gallagher, K., and Volz, U. (2024). Defaulting on Development and Climate: Debt Sustainability and the Race for the 2030 Agenda and Paris Agreement. Boston, London, Berlin: Boston University Global Development Policy Center; Centre for Sustainable Finance, SOAS, University of London; Heinrich Böll Foundation. [↑](#footnote-ref-7)
7. Spiegel, S., & Schwank, O. (2022, June 8). Bridging the Great Finance Divide in Developing Countries. Brookings Institution. Retrieved from <https://www.brookings.edu/articles/bridging-the-great-finance-divide-in-developing-countries/> [↑](#footnote-ref-8)
8. <https://socialprotection-pfm.org/wp-content/uploads/2023/11/wp18_multiplier-multi-country.pdf> [↑](#footnote-ref-9)