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# Social protection: A global imperative

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'The G-20 made a commitment to fund social protection as part of their global recovery plan. The challenge is to ensure that this results in tangible benefits for the poor'

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The G-20 made an explicit commitment to fund social protection for the poorest countries as part of their global plan for recovery. The goal is to lay the foundation for a fair and sustainable world economy. This commitment represents a welcome step forward in terms of getting social protection on the international agenda, and it is now time to translate the words into action. This Opinion sets out the agenda for that action, outlining what needs to be done by developing country governments and international donors.

Without urgent measures to extend social protection measures for the most vulnerable, the contagion effects of the international financial crisis could reverse decades of progress in developing countries. This could become a global development disaster, with hundreds of millions of people experiencing worsening impoverishment and destitution.

Progress towards the Millennium Development Goals (MDGs) may well be eroded. As poverty rises, so will malnutrition, ill health and mortality. Rates of school participation are already starting to fall in many developing countries, leading to irreversible human capital losses among the poor, as government expenditure on basic services is threatened, and fewer resources are available to developing countries. The shrinkage in government revenue stems from falls in commodity prices, investment flows and in the real value of Official Development Assistance (ODA).

In previous crises, failure to protect the poorest has had a significant and sustained negative impact on poverty and inequality, as well as on economic growth. But there is now a brief opportunity to support developing country governments to put the necessary programmes in place before it is too late, building on the commitments made at the G-20 in London. This also represents an opportunity to set up systems and ways of working that can provide ongoing social protection on a scaled-down basis once the worst effects of the crisis are over.

The current crisis confronts developing country governments with a paradox: government revenues are shrinking, but there is a desperate need not only to protect health and education expenditure, but also to invest in increased social protection provision for the poorest. Policies focusing on macro-economic stabilisation or growth alone will not address the current crisis of global impoverishment, or the immediate problems faced by the poorest as a result of the financial collapse.

## Stabilisation vs. social protection

The international donor community and developing country governments must now work to protect the development achievements of recent decades in such areas as health and education, and prioritise the immediate needs of the poor in their response, alongside initiatives to promote macro-economic stabilisation and stimulate growth. While many developing countries already have some form of social protection provision in place, the immediate response of many governments has been to restrict expenditure in the face of falling revenues and prioritise stabilisation, rather than extending expenditure directed towards the poor. However, experience from previous crises highlights the importance of addressing, explicitly, the immediate needs of the poor, while promoting interventions to protect growth in the form of economic stimulus packages. Without this twin-track strategy, addressing both stabilisation and social protection provision, there is a risk that today's poor will pay the price for tomorrow's economic recovery.

Many international funding agencies are calling on developing country governments to make significant increases in the provision of social protection, including support for basic services, cash transfers, pensions and other social safety nets. However, despite donor enthusiasm in recent years, and current demands to extend provision, many countries have remained reluctant to adopt comprehensive programmes, even during periods of relatively rapid growth. This reticence is, partly, a consequence of concerns about the fiscal implications and forward liabilities associated with implementing such large-scale programmes. These concerns are particularly acute, given the volatility of commodity prices, and fluctuations and uncertainties associated with donor aid flows, given the limited donor resources available to support these programmes on a large scale and sustained basis.

## What should be done?

**Increase funding flows on a medium-term basis.** Donors and developing country governments must find ways to address the medium- to long-term recurrent costs of large-scale programmes. In the current climate, the predictability of official development assistance (ODA) flows becomes all the more critical if governments are to respond to calls to develop, and take ownership of, major expansions in social protection provision. A commitment to increased financial support for affected governments must be central to the international development response, and should include multi-year ODA packages to safeguard the provision of basic health and education services, and the extension of social protection for the growing numbers of poor. Such a response is critical to support governments in safeguarding the interests of the vulnerable in the current crisis.

**Recognise institutional constraints.** The scarcity of the managerial and technical skills required to develop, manage and implement social protection programmes in many developing countries is exacerbated by the lack of institutions with the capacity or mandate to implement such programmes. This is a significant factor, limiting the development of programmes at national level. It undermines prospects for the absorption of significant additional funding flows and the development of expanded social protection provision that will enjoy significant national ownership. As such, the international community needs to invest in capacity and institution building. This would promote the sustainability of donor-supported interventions, national ownership and the potential to maintain, in the medium- to long-term, instruments developed in response to the crisis. It could address the problems that have characterised many interventions that have been funded internationally in recent years, such as parallel implementation structures.

**Rationalise existing social protection expenditure.** The current crisis offers an opportunity for national governments to rationalise current programming and expenditure, improving targeting to the poor, and focusing on more equitable social protection coverage, and for donors to harmonise their own activities at country level, rather than continuing to promote multiple small-scale or pilot initiatives with patchy and inequitable coverage. This could result in increased and more equitable coverage, and the simplification of activity in a sector that is characterised by fragmentation and inefficiencies that exacerbate institutional and ownership problems.

**Protect social sector expenditure.** There is a simultaneous imperative to protect expenditure in the health and education sectors, particularly at primary level. These sectors are often subject to cuts during periods of budgetary contraction, in the face of competing demands for resources from sectors with more influential champions. It is critical that expenditure in these sectors be protected to ensure continued access by the poor.

**Governments of developing countries should**:

- Protect existing budgetary allocations to health, education and social protection provision;
- Extend social protection coverage to include the growing number of people in poverty;
- Rationalise social sector spending to address priority needs within the existing resource envelope, on the basis of national social protection strategies;
- (Where countries cannot finance social protection provision from their own resources), work with the donor community to establish modalities for financing the recurrent costs and forward liabilities implied by the adoption of a sustained and extended social protection programme;
- Ensure that crisis response policies reflect the immediate needs of those in poverty, as well as protecting macro-economic stability and growth.

**The international community should:**

- Ensure that commitments to social protection in the G-20 communiqué are respected, and that an appropriate share of the immediate $50 billion package supports sustainable and coordinated social protection provision;
- Maintain the real value of overall international aid allocations and continue to work towards the G-8 Gleneagles commitments;
- Safeguard existing ODA allocations to the health, education and social protection sectors;
- Prioritise increased allocations for social protection provision;
- Work with developing country governments to develop national social protection strategies with extended coverage, rather than continuing to promote multiple small-scale or pilot initiatives with patchy and inequitable coverage;
- Promote coordination and rationalisation of donor social protection programming to increase efficiency and maximise the impact of expenditure;
- Provide technical assistance to develop appropriate policies to extend coverage;
- Commit to medium- to long-term social protection funding at national level (five to 10 years), to facilitate developing country government planning and budgeting processes, and ownership of social protection initiatives.

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