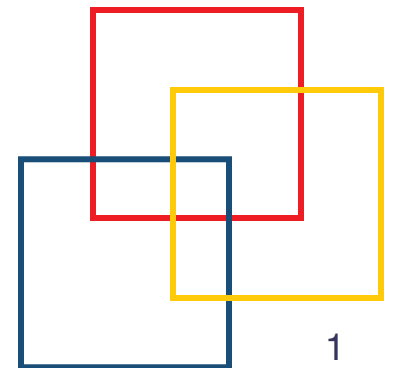




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# Can developing countries afford basic social security?

Social Security Department  
International Labour Office

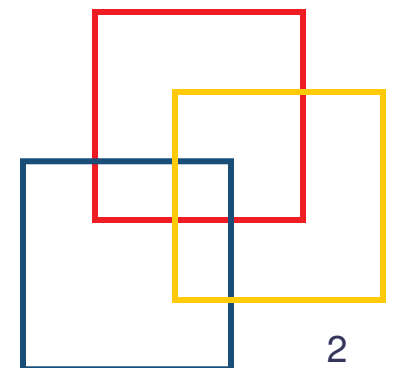




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# Can developing countries afford basic social security?

- The right question is the reversed one:  
Can developing countries afford **not to have** basic social security?
  - The answer is: **no, they have to build basic social security** as social security is a human right and economic and political necessity
- Further questions to be asked and answered:
- How much it costs?
  - How to find money?

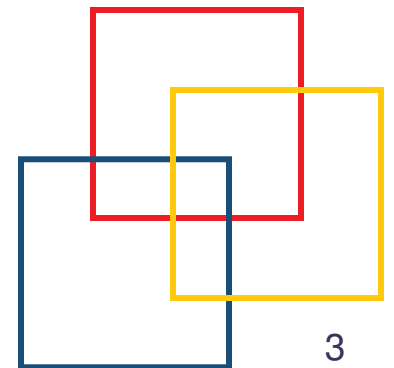




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We know that:  
Everybody has a right to social security

- Human right (articles 22 and 25 Universal Declaration)
- Labour standards - Convention no 102 (Minimum Standards) and other ILO conventions
- SADC Social Security Code

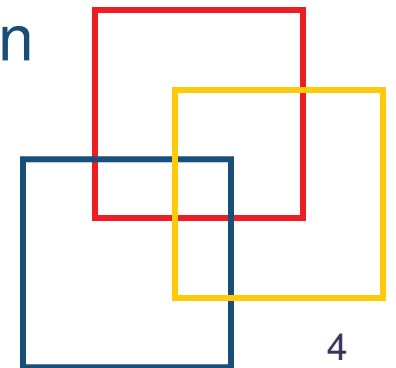




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## We also know that: Social security is an economic necessity

- It reduces poverty and income inequality and it is proved that inequality is economically inefficient
- It generates growth as:
  - Raising the incomes of the poor increases domestic demand and, in turn, encourages growth by expanding domestic markets
  - It enhances human capital and productive employment thanks to a better educated, healthy and well nourished workforce
- Is indispensable part of institutional tissue of an efficient market economy
- Without social security poverty reduction and development are not possible

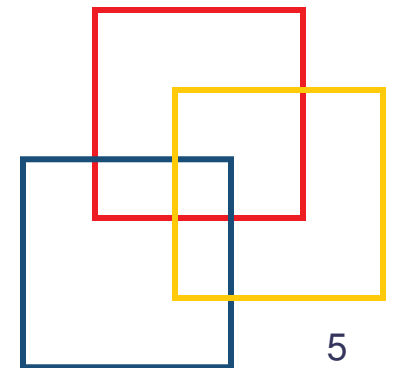




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## We also know that: Social security is a political necessity

- Promotes peace, stability and social cohesion through social justice
- Helps to prevent conflict and create politically stable societies
- Well designed and governed social security ensure the political/electoral support of citizens

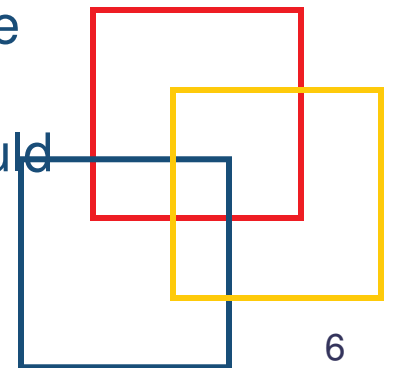




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## We also know that: Even basic social security package would bring a change

- There is ample evidence that investments in health care, education and properly designed cash transfers have positive economic and social effects in countries at any stage of development
- There is also already plenty of evidence which social groups are vulnerable and what their needs and priorities are
- The choice of policy instruments to meet these needs and priorities is also well known (various cash transfers as well as mechanism assuring affordable access to health care and education)
- Various simulations show impact these instruments would have on reducing poverty and vulnerability

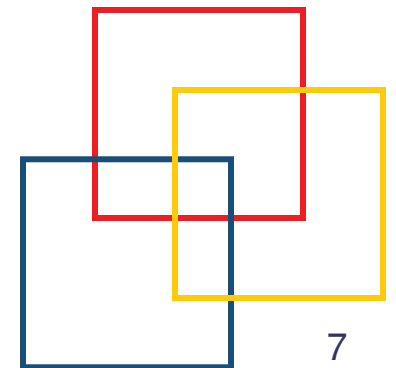




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We also know that:  
There is already a growing political  
commitment in Africa to develop basic social  
security

- To all the national and international commitments referred during this conference one can add:
- Resolution of 11th International Labour Organisation African Regional Meeting (Addis Ababa, 24-27 April 2007)
  - Where tripartite African ILO members committed themselves to develop national action plans to build basic social security to all

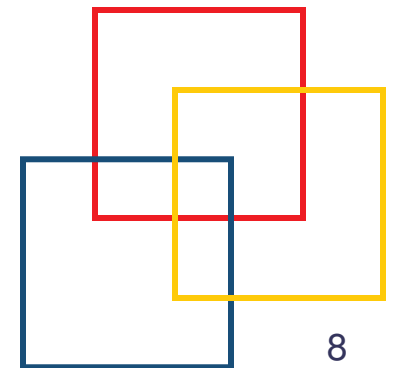




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# What is basic social security?

- Universal affordable access to basic health benefits:
  - provided through a public health service funded by taxes, social and private insurance and micro-insurance systems linked together into one system.
- Income security for all children:
  - provided through family/child benefits aimed to facilitate access to basic social services: education, health, housing.
- Income security for older persons, persons with disabilities and those who lost the main breadwinner in a family:
  - provided through basic universal non-contributory pensions.
- Social security to working poor and unemployed in active age groups
  - provided through social assistance and employment guarantees

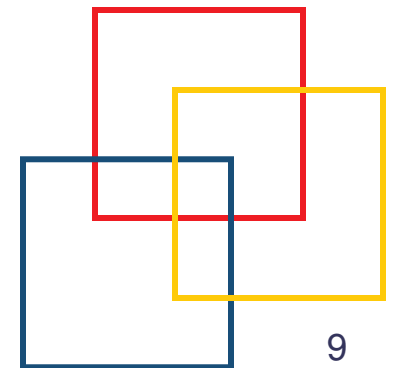




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# A new developmental policy paradigm for social security for all

After gradually building basic social security system, countries should - as they develop economically - build progressively higher levels of protection.

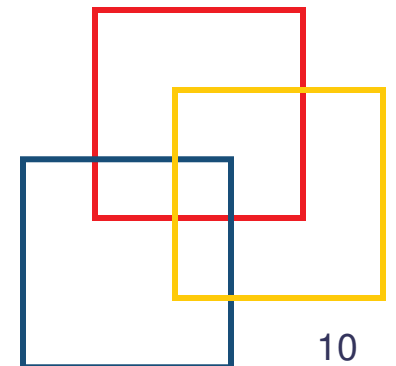




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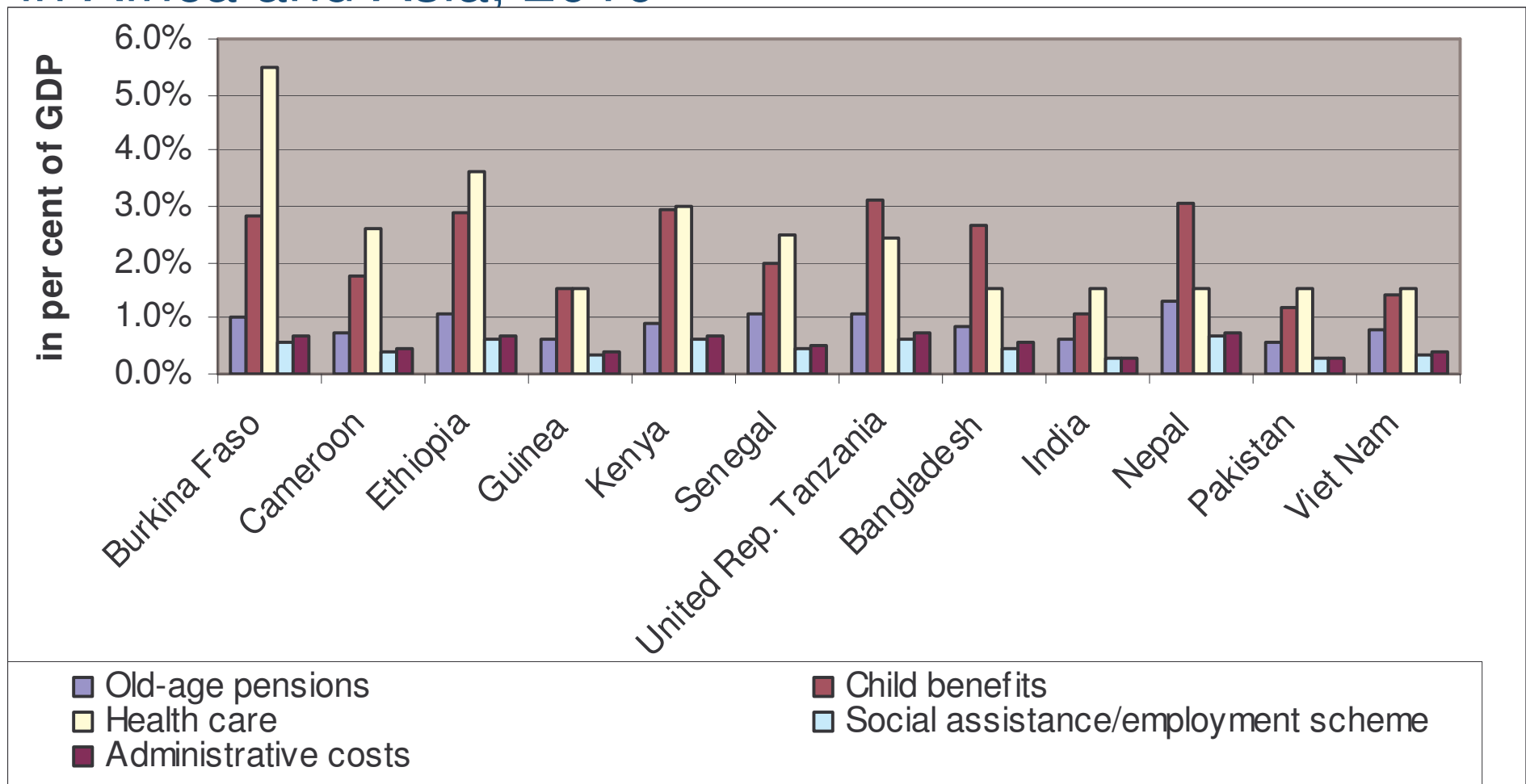
# How much basic does basic social security cost?

- ILO Social Security Department: Can low-income countries afford basic social security?, Geneva 208



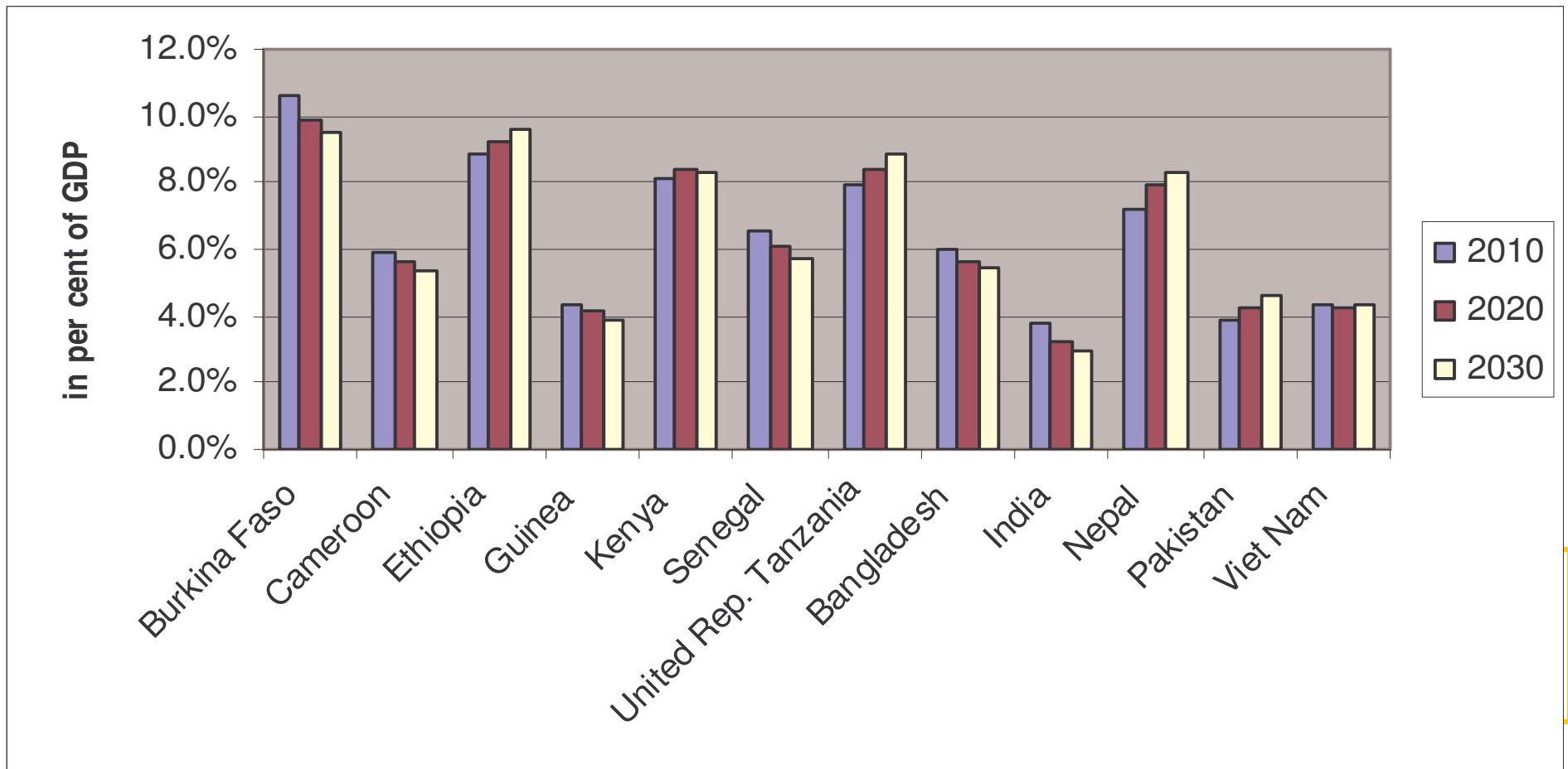


## Costs for components of a basic social protection package as a percentage of GDP for selected countries in Africa and Asia, 2010





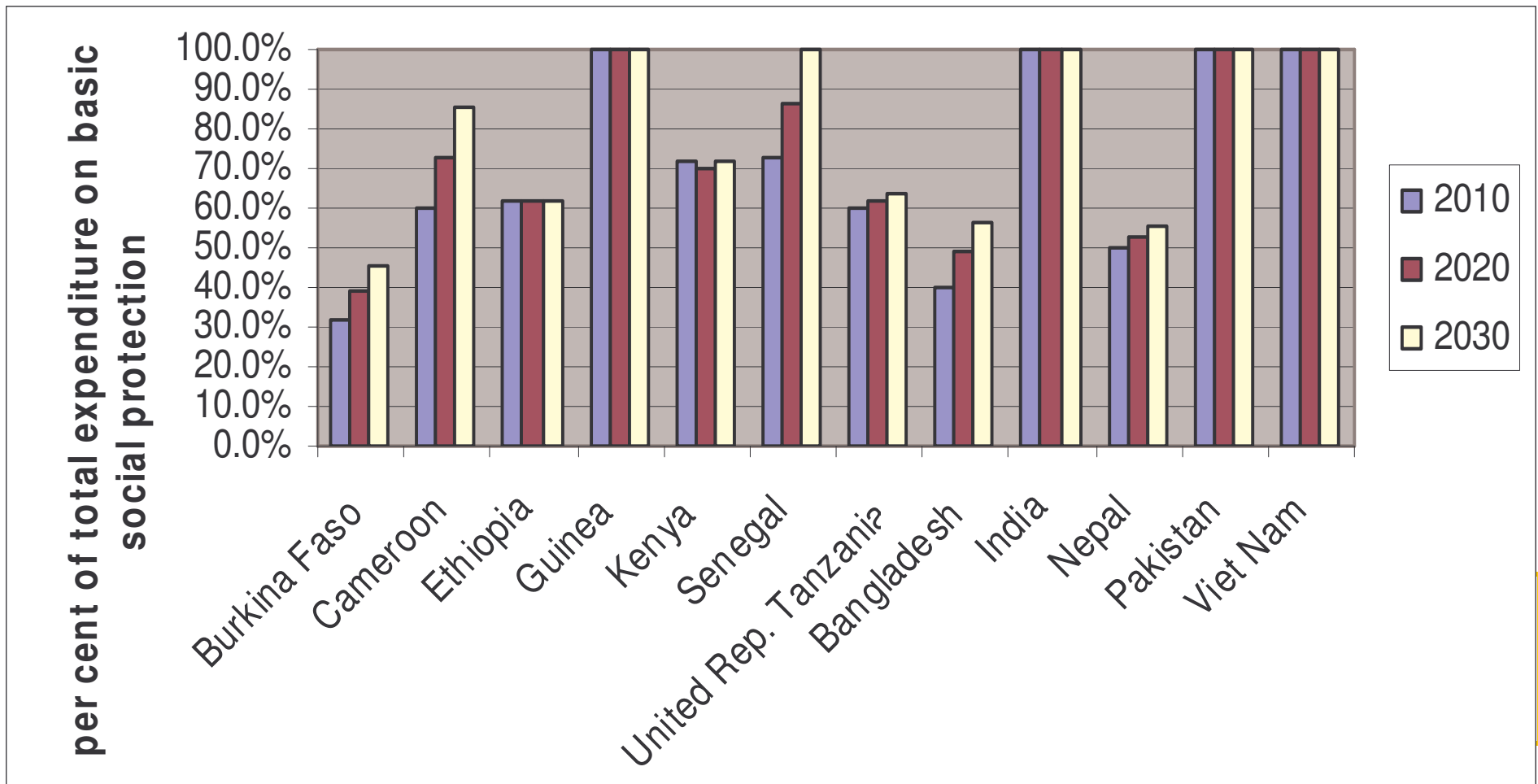
# Costs for basic social protection package as a percentage of GDP for selected countries in Africa and Asia (selected years)





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## Share of total costs possible to be covered by domestic financing (share of budgets allocated to basic social protection increases to 20%)

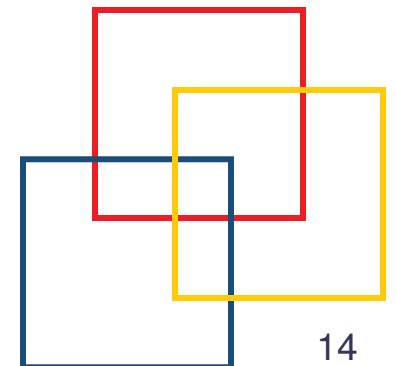




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## How to find money? (1) – Creating political will

- Affordability ultimately means willingness of the society to pay taxes and contributions to finance certain programmes
- This willingness has to be translated into “political will” to reallocate available and create new domestic and donor funded resources to finance social expenditure programmes
- Society willingness to finance specific programmes depends on how they are designed and how they deliver
  - Universal programmes can sometimes attract more support than narrowly targeted ones
  - If the existing public programmes are badly designed, badly managed and do not deliver according to expectations, there will be no support for the new similar programmes



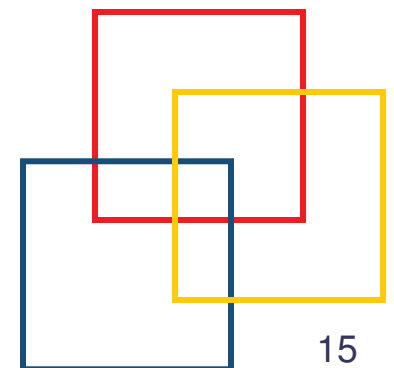


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## How to find money?

### (2) Creating new fiscal space – within existing resource envelope

- Revising current expenditure programmes to release fiscal space or use it in accordance with social security policy objectives
  - Rationalization: making expenditure more effective (like: decreasing administration costs in existing pension programmes)
  - Re-assessment: are the existing spending meeting our policy objectives (like: is there sufficient economic justification to existing fuel (or similar) subsidies – “cash” transfers to the richer part of the society?)
  - Integration, coordination, redesign of existing programmes:
    - There is plenty of small, under funded, uncoordinated poverty alleviation programmes – government or donor funded. Integration or coordination can increase effectiveness of existing expenditure
    - Redesign of existing social insurance programmes to make them meeting priorities and expectations of different categories of potential contributors may not only rationalize use of existing resources but open space for new revenue from new contributors

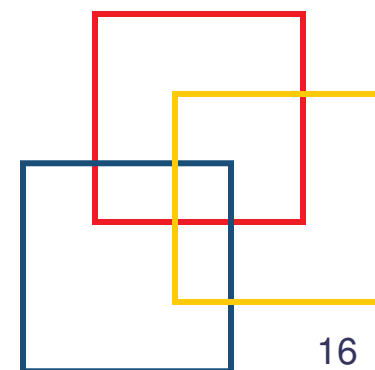




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## How to find money? (3) Creating new fiscal space – within existing resource envelope

- The above review has to be done as a first step as:
  - There will be no political support for new spending programmes if the existing ones are not meeting expectations
  - And thus:
  - Mobilizing new domestic or foreign resources will be difficult without making current spending programmes right
- Such a review should be done along a similar social impact analysis of taxation



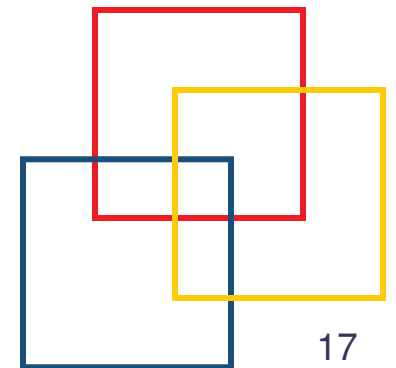


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## How to find money?

### (4) Creating new fiscal space – extending fiscal envelope

- Sources:
  - Mobilizing domestic revenue:
    - Improving effectiveness in tax collection
    - Broadening tax base
    - Increased or new taxation
  - Securing increased grants from donors
  - Borrowing from domestic and foreign sources (concessional versus non-concessional)
- Past experience
  - Sub-Saharan African countries increased on average domestic revenue from 15% to 19% of GDP between 1997 and 2006
  - Revenue is generally lower in lower-income countries (average below 17% in 2006) but can be 22% in Ghana or 14% like in Tanzania
  - Grants in lower-income countries are on average 4-5% of GDP (3% in Ghana and 6% in Tanzania) but not increasing since 2003.





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## How to find money? (5) Creating new fiscal space

- Coordinated forward looking national social security action plans should sequence development of different elements of the basic social security package, reforming and reorganizing at the same time existing programmes (including converting non-social transfers (like fuel subsidies) into more social ones
- Such plans should be costed within the medium term expenditure framework
- Resources have to be secured:
  - through rationalization of current expenditure
  - through medium term strategy to increase domestic revenue
  - through securing sufficient and sustainable levels of grants to fill the transitory financing gap

