EU, other donors urged to back social fund for poor nations

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While Europeans’ cradle-to-grave social benefits are increasingly facing the budget axe, the European Union and other big donors are being asked to help the 5.1 billion people worldwide who lack basic social safety nets.

Background

The International Labour Organization, based in Geneva, says that access to adequate social protection benefits and services remains a privilege, mostly in advanced countries.

Despite 12 years of efforts to combat poverty through the Millennium Development Goals, UN figures today show that about 5.1 billion people – or 75% the Earth’s population - are not covered by basic social insurance schemes and 1.4 billion people live in extreme poverty. Thirty-eight per cent of the global population, 2.6 billion people, do not have access to adequate sanitation and 884 million people lack access to adequate sources of drinking water. Chronic hunger affects more than 800 million people.

The European Union, collectively the world’s largest source of development aid, has vowed to revamp foreign aid to focus on the 880 million people in the 48 poorest nations, known as the least developed countries or LDCs, 33 of which are in Sub-Saharan Africa.

The EU’s proposal for a revamped foreign aid plan, the Agenda for Change, calls for European investment in social insurance for the world’s poorest nations. And the 184-member nations of the International Labour Organization (ILO), including the 27 EU states, in June adopted a resolution urging all countries to provide minimal social protections in the build-up to the UN Conference on Sustainable Development.

Since then, advocates for the poor have called for creation of a global fund to help the nearly 80% of the global population living without a safety net.

Olivier De Schutter, the UN special rapporteur for food rights who is a proponent of the donor-financed fund, said many poorer nations cannot afford unemployment, disability and healthcare insurance of basic food support.

“The governments of these countries do no dare to take the risk of establishing standing social protection schemes because they fear that it may not be fiscally sustainable for them to do so,” he said in an interview.
“So the global fund for social protection is a mechanism by which the international community would support these poor countries, the least developed countries, to allow them to move towards the establishment of social protection floors.”

**Tight budgets**

But officials concede that finding the money won’t be easy. The largest sources of development assistance, the EU, United States and Japan, are all under budgetary stress and poverty-fighting groups fear that foreign aid will be among the first casualties of long-term austerity measures.

“There are always difficult choices to be made,” said Krzysztof Hagemejer, policy development chief in the ILO’s social security department. “But social protection is part of the normal functioning of the state and its social and economic importance is more and more widely recognised, that every market economy should have institutions that should provide at least basic social protection systems.

“Donors have begun to recognise social protection is one of the important of things that should be done … as part of their development aid,” Hagemejer told EurActiv from ILO’s Geneva office, noting that the EU has recognised this in its Agenda for Change.

**Rescuing banks … and people**

De Schutter, a law professor in Belgium, and his colleague Magdalena Sepúlveda, a lawyer from Chile who serves as the UN special rapporteur for extreme poverty, have urged advanced countries to pay into the Global Fund for Social Protection that developing nations can tap to co-finance insurance schemes.

In mapping out their ideas this autumn, the two rights advocates said the need for social protections is amplified during a time of economic problems that has hurt the economies of the least-developed nations and taken a bite out of foreign aid.

“When the global financial crisis struck, governments stepped in to prop up banks that were deemed too important to fail,” they said in a joint statement in October. “The same logic must now be applied to basic social protection, which is too crucial to be denied.”

Some emerging economies, including Brazil and South Africa, have well-developed safety nets. And a recent ILO-World Bank report shows that 66 out of 77 countries studies expanded social protection systems such as unemployment, pensions and health care during the economically troubled years of 2008-2010.

‘Moral hazard’

The ILO estimates that safety nets could cost developing countries between 2.2% and 5.7% of their gross domestic product. The EU average is around 3%.

Under the ILO agreement, even in the poorest nations should bear responsibility to devote some of their spending to social security.

“There is a risk here of ‘moral hazard,’ some governments not be so willing to allocate domestic resources, having an escape to such a fund without doing what they should be doing,” ILO’s Hagemejer said. “This is difficult part of it.”
But he says governments taking a more serious attitude, capped by the decision of ILO members to support the gradual development of social security globally. “There are many things going on,” Hagemejer.

“When I was the first time in Tanzania, for example, in 2005, everyone was asking what is social protection ... we have this beautiful informal ways of providing social protection through communities and families. Now the discussion is completely different. There is agreement that in addition, there is a need for public social protections. So the landscape is changing.”

Positions

“Setting full employment and decent work as an explicit goal and target will focus the attention of policy makers and development practitioners on this critical need,” ILO Director-General Guy Ryder explained recently in calling for jobs and livelihoods to be at the heart of the development agenda after the target date for achieving the Millennium Development Goals passes in 2015. “But the most important thing is that it can help change the lives of billions of people for the better.”