Universal Social Protection Floors: Costing Estimates and Affordability in 57 Lower Income Countries

Isabel Ortiz

Fabio Durán-Valverde

Karuna Pal

Christina Behrendt

Andrés Acuña-Ulate

Social Protection Department

INTERNATIONAL LABOUR OFFICE, GENEVA

We are determined to strengthen the social dimension of globalization. We firmly believe that employment and social inclusion must be at the heart of our actions and policies to restore growth…We recognize the importance of social protection floors in each of our countries, adapted to national situations. G20 Leaders Declaration, 3-4 November 2011.

Adding to ILO social security standards, governments, workers and employers from 185 countries adopted the Social Protection Floors Recommendation, 2012 (No. 202) at the 101st Session of the International Labour Conference in Geneva (Switzerland) in 2012.

SDG 1.3 commits all countries to "implement nationally appropriate social protection systems and measures for all, including floors" as part of Goal 1: End Poverty in All its Forms Everywhere, United Nations, 2015. SDG 10.4 commits all countries to "adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality" as part of Goal 10: Reduce Inequality Within and Among Countries (United Nations, 2015).

Universal coverage and access to social protection are central to ending poverty and boosting shared prosperity… Many countries have embarked in expanding social protection coverage… It is time for universal social protection. The Global Partnership for Universal Social Protection, led by the ILO and the World Bank Group, with other major development partners, launched at the 71st session of the UN General Assembly in 2016.

Contents

Boxes

Acknowledgements

Executive summary

This paper presents the results of costing universal social protection floors in 34 lower middle-income, and 23 low-income countries, consisting of: (i) allowances for all children and all orphans; (ii) maternity benefits for all women with newborns; (iii) benefits for all persons with severe disabilities, and (iv) universal old-age pensions. The levels of this comparable set of benefits are based on nationally-defined poverty lines, and .presented as a percentage of GDP. The paper additionally reviews potential areas of fiscal space for the necessary extension of social protection systems, and concludes that universal social protection floors are feasible in the majority of developing countries.

Key results

1. **All developing countries:** A sample of 101 developing countries shows that universal social protection floors are generally affordable. When upper middle-income countries are included, the average costs vary regionally from 0.9 per cent of GDP in Eastern Asia and the Pacific, to over 2 per cent of GDP in the Middle East and Northern Africa, Eastern Europe and Central Asia, Latin America and the Caribbean, and Southern Asia; upto 2.9 per cent of GDP in Sub-Saharan Africa. It can be concluded that universal social protection floors are generally affordable given that costs stand at an average of 1.6 per cent of GDP for the sample of developing countries. This is due to the high GDP level of high middle-income countries.

2. **Lower income countries:** However, are universal social protection floors affordable in low-income and lower middle-income countries, where GDP is lower and poverty levels are higher? The results for 57 lower income countries are presented below:

   2.a. **Universal cash transfers for children** 0─5 years of age cost on average 1.4 per cent of GDP, with the benefit for each child set at 25 per cent of the poverty line. A universal benefit for all orphans 0─15 years, estimated at 100 per cent of the national poverty line, would add only 0.04 percentage points of GDP to the cost;

   2.b. **Universal maternity benefit** for all women with newborns costs on average 0.4 per cent of GDP, with a cash benefit equivalent to 100 per cent of the national poverty line for a duration of 4 months;

   2.c. **A universal benefit for persons with severe disabilities** costs on average 0.8 per cent of GDP with a benefit level of 100 per cent of the national poverty line;

   2.d. **Universal pensions for older persons** over 65 years of age, set at a level of 100 per cent of the national poverty line, would require on average 1.6 per cent of GDP for the 57 lower income countries in the sample.

The cost of the full set of benefits for the 57 low-income and lower middle-income countries ranges from 0.3 per cent of GDP for Mongolia to 9.8 per cent of GDP for Sierra Leone – with an average cost of 4.2 per cent of GDP. The full implementation of the 227 benefit programmes described would cover a total of 702 million direct beneficiaries.

While some countries have the fiscal space to develop social protection floors, others will have to gradually extend coverage and benefits according to national fiscal capacity, in combination with contributory social insurance schemes. The fiscal space analysis presented in this paper uses information from 57 countries and examines the following financing options: tax, official development assistance, expenditure reallocation, debt management

and illicit financial flows. National social dialogue is fundamental to generate political will to explore all possible fiscal space options in a country, and adopt the optimal policy mix.

The time is ripe. Today, Botswana, Indonesia and Peru are richer than the United Kingdom in 1911 or Australia in 1908, when these countries set-up their social security systems, including social assistance. India, Philippines, Morocco, Jamaica and Sudan, are wealthier than Denmark in 1892 when it established universal social protection. It is the right time to implement nationally appropriate social protection systems and measures for all, including floors, as agreed in SDG 1.3 of the 2030 Agenda for Sustainable Development.

JEL Classification: I3, H6, H53, H55.

Keywords: social protection, social security systems, social protection floors, child allowances, orphan benefits, maternity benefits, disability benefits, social pensions, public expenditures, developing countries, universal policies, SDGs.

1. Universal social protection floors to achieve the SDGs

The strong positive impacts of social protection have brought social protection to the forefront of the development agenda. Social protection is a key element of national development strategies to reduce poverty and inequality, promote human capital, political stability, and inclusive growth.

The Social Protection Floors Recommendation (No. 202), adopted in 2012, reflects a global consensus on the extension of social security reached among governments, employers', and workers' organizations from 185 countries at all levels of development (ILO, 2012 and ILO, 2017b). In adopting Recommendation No. 202, countries committed to build nationally-defined social protection floors as the fundamental element of their social protection systems, aiming at universal protection, for all.

SDG Target 1.3 and Indicator 1.3.1

Target 1.3: Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable

Indicator 1.3.1: Proportion of population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, newborns, work-injury victims and the poor and the vulnerable

Furthermore, the roll-out of social protection floors has been endorsed by the G20, and is part of the United Nations Sustainable Development Goals (SDGs), adopted by all countries in 2015, committing states to expand social protection systems and measures for all, including floors, by 2030 (SDG target 1.3). [1]

More than thirty developing countries have taken-up the commitment and have already made the vision of a world with universal social protection schemes a reality, such as Argentina, the Plurinational State of Bolivia, Botswana, Brazil, Cabo Verde, Chile, China, Kazakhstan, Kiribati, Kosovo, Kyrgyzstan, Lesotho, Maldives, Mauritius, Mongolia, Namibia, Seychelles, South Africa, Swaziland, Thailand, Timor-Leste, Trinidad and Tobago, Uruguay, Uzbekistan, and Zanzibar (United Republic of Tanzania). Some of them have achieved universality through a mix of contributory social insurance and non-contributory benefits, and others have achieved universality by universal transfers, such as the Plurinational State of Bolivia, Botswana, Lesotho, Mongolia, Namibia, Swaziland or Zanzibar (United Republic of Tanzania), showing that there are several ways to achieve universality (Global Partnership for Universal Social Protection, 2016a–i; ILO 2017a).

The world is united in the advancement of universal social protection. Strengthening social protection systems, including floors, is supported through the joint efforts of the United Nations agencies at different levels, and through concerted joint efforts with relevant international, regional, subregional and national institutions and social partners, including the Global Partnership for Universal Social Protection.

While the need for social protection is widely recognized, the human right to social security remains unfulfilled for the large majority of the world's population. Only 29 per cent of the global population enjoy access to comprehensive social protection systems, meaning that they have access to all areas of social protection, from child benefits to old-age pensions,

---

[1] Social protection also contributes to attaining several other goals, including the goals on health (particularly target 3.8), gender equality (particularly target 5.4), decent work and economic growth (particularly target 8.5) and equality (particularly target 10.4).

whereas 71 per cent are covered partially or not at all (ILO, 2017a). Most of the population adequately covered by comprehensive social protection systems live in high-income countries.

In 2015, the percentage of the global population effectively covered by at least one social protection benefit (or SDG Indicator 1.3.1.) stands at only 45 per cent, which means that more than half of the global population are not effectively protected in any area of social protection. Social protection coverage for children is still insufficient: only one in three children (35 per cent) are covered, pointing to significant underinvestment in children and families, mostly in developing countries. Only 41 per cent of women with newborns receive maternity cash benefits that provide them with income security during the critical period. Large coverage gaps exist also for persons with severe disabilities: worldwide, only 28 per cent receive disability benefits. Effective pension coverage for older persons stands at 68 per cent of all persons above retirement age worldwide (ILO, 2017a). Despite significant progress in the extension of social protection coverage, many are left unprotected; thus renewed efforts are needed to realize the human right to social security and achieve the SDGs.

This paper explores the costs and affordability of non-contributory social protection floors in developing countries, showing that it is feasible even for countries with large vulnerable populations.

The lack of access to social protection constitutes a major obstacle to economic and social development. Inadequate or absent social protection coverage is associated with high and persistent levels of poverty and economic insecurity, growing levels of inequality, insufficient investments in human capital and human capabilities, and weak aggregate demand in a time of recession and slow growth. Further, lack of social protection is associated with political instability, higher crime rates and terrorism (ILO, 2014a).

Objective and scope of this paper

This paper aims to contribute to the extension of social protection floors by exploring their cost and affordability in developing countries. The paper has a companion online ILO Social Protection Floors Calculator to facilitate national dialogue on different social protection options; this and other tools can be found at http://www.social-protection.org/gimi/gess/ShowWiki.action?id=7

Social protection floors consist of at least effective access to essential health care and basic income security throughout the life cycle. For the purpose of this paper, we have considered the income security dimension, based on a comparable set of cash transfers, comprising of:

(i)   allowances for all children and orphans;

(ii)   maternity benefits for all women with newborns;

(iii)   benefits for all persons with severe disabilities, and

(iv)   universal old-age pensions.

Cost estimates of each benefit are provided for 34 lower middle-income (LMICs) and 23 low-income countries (LICs). The cost of these benefits for each country is based on the national poverty line. The estimates include 3 per cent administrative costs for all universal benefits; this assumption is based on experience from a number of universal and targeted social protection programmes around the world; more details on the methodology can be found in Annex I and Annex II .

It must be noted that countries often provide higher benefit levels to have larger impacts on reducing poverty and inequality. Recommendation No. 202 along with other international labour standards recommend that, in addition to providing a basic level of social security in the form of a social protection floor, countries should progressively ensure higher levels of social protection, with a view to achieving comprehensive and adequate social security systems.

The calculations rely on a database of key demographic, poverty, employment and other national statistics for the latest available year, 2015 for the majority of countries. The details for each benefit category are explained in each chapter in this paper. While the database contains data for 101 countries, the core of this paper is limited to 57 countries. The selection is based on the focus on LIC and LMIC and data constraints and availability.

In Chapter 1, we present the big picture, a rapid analysis of the costs of universal social protection floors in all 101 developing countries for which data is available, including high middle-income countries, as well as a historical comparison of the development of social protection systems, including floors.

However, the paper focusses on investigating if universal social protection floors are affordable in 57 lower middle-income and low-income countries. These countries have lower GDP, significantly larger numbers of poor population, and often underdeveloped social protection systems.

Chapter 2 explores the cost of universal benefits for children and orphans, Chapter 3 maternity benefits for all women with newborns, followed by Chapter 4 universal pensions for persons with severe disabilities and Chapter 5 universal old-age pensions. These different schemes are then combined in Chapter 6, to understand the full cost of universal social protection floors. The paper concludes by reviewing, in Chapter 7, the different options to expand fiscal space to make universal social protection floors a reality in all lower middle- and low-income countries.

The big picture: Universal social protection floors in 101 middle- and low-income developing countries

The first question considered in this paper is whether universal social protection floors are affordable in developing countries in all regions of the world, at all income levels. The following costs were estimated by applying the ILO Social Protection Floors Calculator [2] (SPF Calculator) to 36 upper middle-income, 34 lower middle-income, and 31 low-income countries:

(i)   a universal cash transfer for all children within a five year age bracket at 25 per cent of the national poverty line;

(ii)   allowances for all orphans at 100 per cent of the national poverty line;

(iii)   four months of a universal maternity benefit for all women with newborns, at the national poverty line;

(iv)   a universal benefit for all persons with severe disabilities at 100 per cent of the national poverty line, and

---

[2] The ILO Social Protection Floor Calculator is available at:
http://www.social-protection.org/gimi/gess/SPFCalculReport.action

(v)   a universal pension to older persons aged 65 and above at 100 per cent of the national poverty line.

The average proportion of GDP needed to implement this set of life changing social protection benefits is shown in Table 1.1.

Table 1.1.   **Cost of the set of Universal Social Protection Floors cash benefits by world region/sub-region for 101 developing countries, in percentage of GDP**

Region/sub-region	Cost of Social Protection Floors cash transfers in per cent of GDP
Eastern Asia and the Pacific	0.9
Eastern Europe and Central Asia	2.7
Latin America and the Caribbean	2.4
Middle East and Northern Africa	2.1
Southern Asia	1.7
Sub-Saharan Africa	2.9
All developing countries (in the sample)	**1.6**

Source: Authors' calculations using the ILO's Social Protection Floors Calculator and based on the ILO's World Social Protection Database, 2017.

The cost of the set of social protection floors cash benefits varies from 0.9 per cent of GDP in Eastern Asia and the Pacific, to between 1.7 and 2.4 per cent of GDP in the Middle East and Northern Africa, Latin America and the Caribbean, and Southern Asia. The costs are 2.7 and 2.9 per cent of GDP respectively for Eastern Europe and Central Asia and Sub-Saharan Africa. At an average of 1.6 of GDP for the sample of 101 developing countries, it may be concluded that universal social protection floors are generally affordable in developing countries.

This can be explained by the high levels of GDP of upper middle-income countries. Many upper middle-income countries have successfully established universal social protection schemes, providing evidence to the rest of the world that expanding coverage to all is not only necessary but also feasible. However, would it be feasible if we focus on lower income countries?

The time is ripe: A historical comparison of the development of universal social protection systems, including floors

A historical comparison shows that today's developing countries have a similar level of GDP per capita to high-income countries when they established their social security systems. Using Maddison's historical GDP data (Bolt and van Zanden, 2014), figure 1.1 presents the GDP per capita of developing countries in 2010 (in blue), compared to the GDP per capita of higher income countries when they established their social security systems (in black).

Results show that the time is ripe. Botswana and Indonesia have a comparable GDP per capital to the United Kingdom in 1911, when the government enacted laws and established social insurance and social assistance programmes for old-age, disability and survivors' pensions, sickness and maternity, work injury and unemployment.

Figure 1.1.   Comparison of GDP per capita in developing countries circa 2010 (blue bars) and GDP per capita in developed countries at the time when their main social security systems were established (black bars) (in 1990 US dollars)
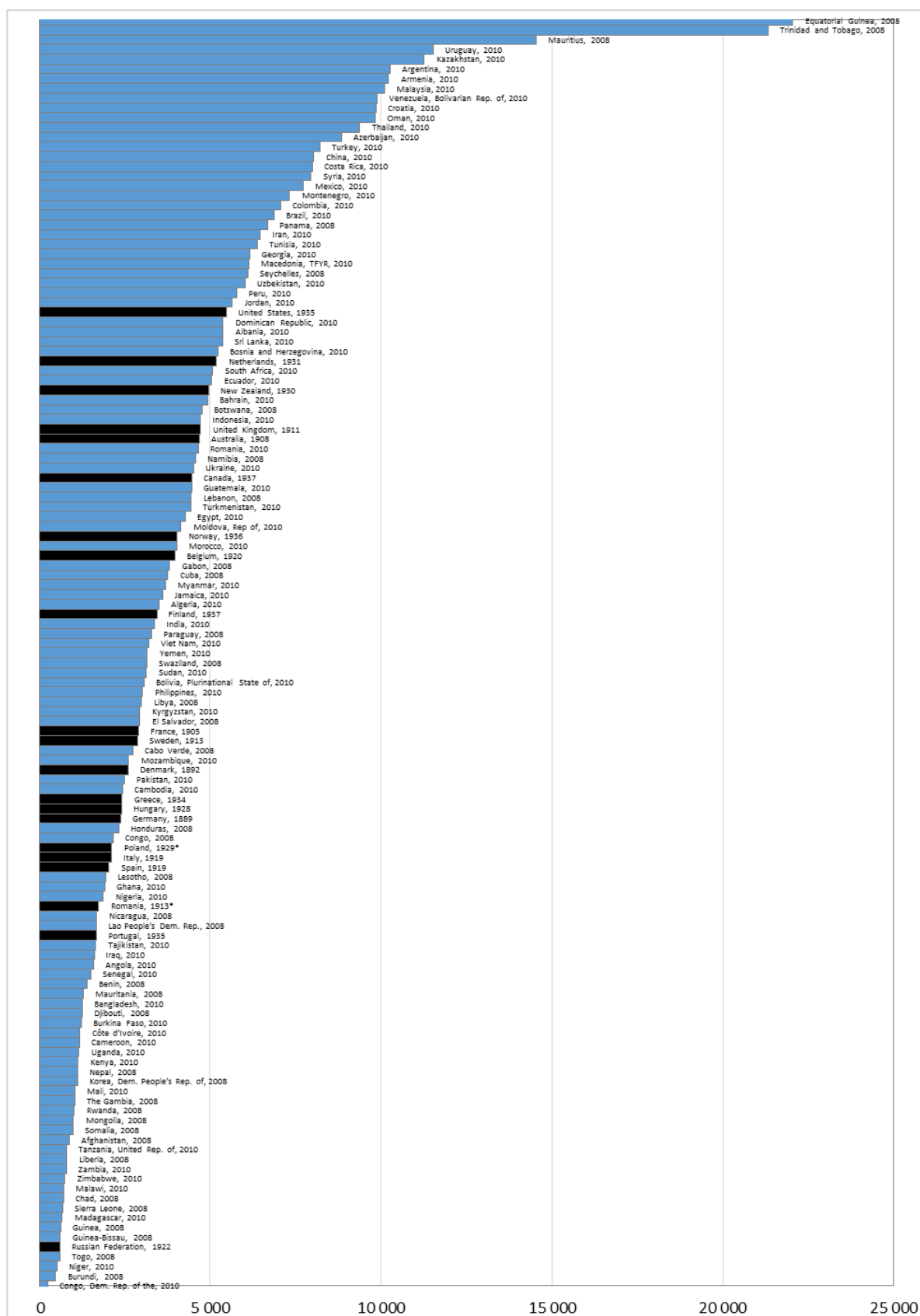
Sources: Maddison historical GDP data (Bolt and van Zanden, 2014) and ISSA and SSA (various dates).*GDP not available for the actual year in which the laws establishing the schemes were enacted (Romania 1912, Poland 1927).

Today, India, Jamaica, Morocco, the Philippines and Sudan, are richer in terms of GDP per capita than France in 1905, when the government established old-age and disability pensions, sickness benefits, child support and unemployment benefits; and also wealthier than Denmark in 1892 when it established universal old-age and disability pensions, work injury, sickness and maternity benefits.

Cambodia, Congo, Honduras and Mozambique are richer in terms of GDP per capita than Italy in 1919 when it extended social protection through old-age, disability and survivors' pensions, maternity benefits, unemployment insurance, and family/child grants. Similarly, Benin, Cameroon, Liberia and Sierra Leone have higher GDP per capita levels than the Russian Federation in 1922, when it created its social security system with universal old-age, survivors' and disability pensions, work injury benefits, sickness benefits and maternity benefits, as well as unemployment support.

Also Ghana, Honduras, the Lao People's Democratic Republic, Nigeria and Pakistan are wealthier in terms of per capita GDP than Portugal in 1935, when it established old-age and survivors' pensions, work injury benefits, sickness benefits and maternity benefits. Similarly, Egypt, Guatemala and Lebanon have higher GDP per capita levels than Norway in 1936, when it established universal old-age, disability and survivors' pensions, work injury benefits, sickness benefits and maternity benefits, and unemployment support. Peru, Iran and Jordan have higher GDP per capita levels than the United States in 1935, when it enacted its Social Security Act.

This historical comparison shows that it seems to be the right moment now to extend social protection systems, including floors, as agreed in the SDGs. Historically, countries in the late 19th century and early 20th century established social security systems with a mix of contributory social insurance and non-contributory social assistance. This is the most common way to achieve universal coverage. While some developing countries have the fiscal space today to develop universal social protection floors, others will have to gradually extend coverage and benefits according to national fiscal capacity, combining non-contributory benefits with contributory social insurance.

2. Universal child and orphan benefits

Rationale

This chapter starts exploring whether universal social protection floors are affordable in 57 lower middle-income and low-income countries. These countries have lower a level of GDP, a significantly larger poor population as well as a larger number of children, and often have underdeveloped social protection systems. Specifically, the chapter examines the cost of non-contributory child and orphan benefits in lower income countries, considering that these benefits should be an essential element of national social protection systems, including floors contributing to the achievement of SDG 1.3.

Child poverty, in its multiple facets, is one of the key challenges that needs to be addressed in order to create equitable societies and promote sustainable development. Child-centred commitments are reflected in various goals and targets in the 2030 Sustainable Development Agenda, particularly with respect to ending poverty (SDG 1), improving nutrition and ending hunger (SDG 2), improving health and well-being (SDG 3), ensuring access to education (SDG 4) and reducing inequalities (SDG 10).

UNICEF (2016) estimates that, unless the multiple inequities that negatively affect the life of children are eliminated, poverty will continue to affect 167 million children who will still live in extreme poverty in 2030 despite overall progress in reducing poverty; 69 million children under the age of 5 years will have died between 2016 and 2030; and 60 million children of primary school age will still be out of school by 2030. Recent research has shown that deprivations suffered in the first 1,000 days of children's lives (including during pregnancy), particularly with regard to nutrition, have a strong and often irreversible effect on children's later lives (UNICEF, 2013). Children in poor households experience higher mortality rates, more frequent health-related problems and higher illiteracy rates trapping them in the vicious cycle of poverty. Economic vulnerability of these poor households leads to children being required to bring in an income for the survival of the household and thus puts these children at the risk of being forced into the worst forms of child labour (ILO, 2013). Child-sensitive social protection measures are considered as a crucial policy strategy to address this challenge (UNICEF et al., 2009; Attanasio et al., 2005; Baird et al. 2013, ILO 2014a). Child and family benefits, in cash and in kind, play a particularly important role in realizing children's rights and addressing their needs.

Effective coverage figures for SDG indicator 1.3.1 show that 35 per cent of children globally receive social protection benefits, with significant regional disparities: while 87 per cent of children in Europe and Central Asia and 66 per cent in the Americas receive benefits, this is the case for only 28 per cent of children in Asia and 16 per cent in Africa. A positive trend is the expansion of cash transfers for children (ILO, 2017a). Specific child and family benefit programmes rooted in legislation exist in 117 countries. [3]

Countries which have made great strides towards universal social protection coverage include Argentina, Brazil, Chile and Mongolia – the latter a lower middle-income country. Important programmes include the Child Money Programme in Mongolia (see box 2.1), the Bolsa Familia programme in Brazil and the Oportunidades/Prospera programme in Mexico, the Asignación Universal por Hijo (AUH) programme in Argentina (see box 2.2) and the child support grant in South Africa. The Oportunidades/Prospera programme has improved primary and secondary school enrolment rates for children and the nutritional

---

[3] For details on the types of child benefit schemes that exist around the world refer to the ILO's flagship *World Social Protection Report* (ILO, 2014a and 2017a).

status of 70 per cent of households as well as improved the health status of children under 5 years of age (Barrientos and Holmes, 2006). A recent study (Kidd, 2012) concludes that in OECD countries, those that have had the greatest success in reducing child poverty are the ones which are committed to providing child benefits on a universal basis (categorical targeting).

Box 2.1. Mongolia: Universal Child Money Programme

In 2005, the government introduced the Child Money Programme (CMP) with the aim of alleviating poverty in the wake of the economic and social transition. This programme was initially implemented as a conditional cash transfer targeting the poor. The conditions included social and health behaviour as well as schooling requirements (ie. children had to be living with their parents, be up-to-date on mandatory vaccinations, be enrolled in school or non-formal education if above the age of 8, and not be engaged in harmful forms of child labour). Implementation of the targeted benefit encountered problems of leakage to the non-poor and exclusion of the poor in targeting (Hodges et al., 2007). A little over a year into the programme, in July 2006 the government converted the programme into a universal scheme providing a benefit to all children under the age of 18 and at the same time introduced a new benefit for newborn children and increased the amount of the benefit. The programme maintained two conditionalities for receipt of benefits, namely the child had to be living with his or her family and a school-age child had to be attending school or non-formal education. A study by Hodges et al. (2007) found that the initial targeted CMP reduced the child poverty headcount by almost 4 percentage points (from 42.2 per cent to 38.5 per cent) and lowered the child poverty gap by about 2 percentage points, assuming that the child benefits received had raised actual household expenditure by an equivalent amount. The introduction of the universal child benefit and especially the increased amount of the benefit introduced in 2006, reduced the poverty headcount by 10 percentage points (to 27.4 per cent) and cut the poverty gap by 5.5 percentage points (to 7.1 per cent).

However in 2010 following a reform of the social welfare system the CMP was discontinued. In October 2012, the country's new parliament reintroduced the CMP following the adoption of the Government Action Plan (2012-2016) which highlighted the government's social welfare commitments. The benefit was universal and provided for all children until the age of 18. The amount of the benefit since October 2012 was set at 20,000 MNT (approximately US$ 12) per month. This universal child benefit was financed from a tax on mineral resource.

The 2014 Household Socio-Economic Survey found that the CMP contributed to a reduction of the poverty incidence by 12 per cent and the poverty gap by 21 per cent. It thus significantly reduced monetary poverty and even more so if only children were considered (ILO, 2016c).

In August 2016, the newly elected Government announced the reintroduction of targeting with respect to the CMP. As a consequence, only 60 per cent of children received the CMP in November 2016. The subsequently approved IMF three-year loan arrangement under the Extended Fund Facility imposes conditions with regard to fiscal consolidation which include "steps to strengthen and better target the social safety net" (IMF, 2017). However, in July 2017, witnessing an improvement in the fiscal indicators, the Government re-established the universality feature of the CMP and integrated the programme in the Law on Social Welfare. In such a volatile context, the ratification of the Social Security (Minimum Standards) Convention, 1952 (No. 102) would provide the safeguard for sustaining Mongolia's social protection system, including the universal Child Money Programme.

Source: Global Partnership for Universal Social Protection, 2016b; ILO, 2016c; ILO, 2017a.

> **Box 2.2. Argentina: Reaching universal coverage through a combination of schemes**
>
> The Argentinian social security system provides a set of family allowances, benefits for children and young people through social insurance (contributory), social assistance (non contributory) and fiscal deduction programmes. Children below the age of 15 years represent a quarter of the total population of the country. In 2009, as a response to the global economic and financial crisis and to consolidate the existing programmes, the government launched the semi-conditional Universal Child Allowance (AUH) as a long-term social policy measure designed to close the gaps in the system, in order to cover those not covered by the social insurance system, including informal and domestic workers with income below the legal monthly minimum wage; unemployed persons without coverage; seasonal workers; and certain categories of self-employed workers. The main aim is to ensure that benefits are paid for each child younger than age 18 (no limit if disabled), up to five children provided that beneficiaries fulfil certain health (such as vaccination for children under the age of 5 years, etc.) and educational (school attendance) requirements (ISSA and SSA, 2014).
>
> The three components of the family benefit programme reached 84.6 per cent of the children and adolescents under the age of 18 in Argentina in 2014. The contributory programme as well as the fiscal deduction scheme benefited 53.3 per cent of the population of children and adolescents under the age of 18 and the Universal Child Allowance scheme provided benefits to 46.8 per cent of that same population. Allocation for children and adolescent benefits in 2014 (contributory and non-contributory components) was 1.04 per cent of GDP approximately of which the allocation to the non-contributory component was 0.50 percentage points, the contributory component was 0.46 percentage points and to family allowances for people receiving an old-age pension was 0.08 percentage points (Global Partnership for Universal Social Protection, 2016c).
>
> An assessment of the impact on indigence and poverty of the family transfers for children by Bertranou and Maurizio (2012b) concluded that indigence would be reduced by approximately 65 per cent and overall poverty by 18 per cent. They estimated that the AUH covers 70 per cent of the children and adolescents who are poor and that with the contributory and the non-contributory benefits approximately 80 per cent of children are pulled out of poverty.
>
> Within this family allowance scheme, two non-contributory social assistance components provide benefits that cover pregnant women and young infants: a universal pregnancy allowance for social protection and the mothers' pension. These two programmes ensure that the coverage of the family allowance scheme reaches the most vulnerable. Since 2011, the universal pregnancy allowance aims at reducing maternal and infant mortality and is paid for each pregnancy to informal and domestic workers with income below the legal monthly minimum wage; unemployed persons; and certain categories of self-employed workers. Enrolment in the prenatal and early childhood health program Plan NACER and meeting the programme's medical requirements is a condition to receive the benefit. The mothers' pension is paid to mothers of seven or more children (natural or adopted) with income and assets below the subsistence level, who do not receive any social security benefits or support from family members (ISSA and SSA, 2014).
>
> Government expenditure on child benefits in 2013 (contributory and non-contributory; excluding expenditure on family benefits by provincial governments and the fiscal deduction) was approximately 0.99 per cent of GDP (Bertranou et al., 2015). With this coordinated set of family and child benefits, Argentina pursues social and economic outcomes by providing for universal coverage as part of its nationally-defined social protection floors.
>
> Sources: Bertranou and Maurizio, 2012a and 2012b; Bertranou et al. 2015; Global Partnership for Universal Social Protection, 2016c; Global Partnership for Universal Social Protection, 2016d; ILO 2017a; ISSA and SSA, 2014.

The ILO's Social Protection Floors Recommendation, 2012 (No. 202) explicitly recognizes income security for children as one of the basic social security guarantees constituting a national social protection floor, based on an integrated approach that addresses the multiple dimensions of child well-being. This guarantee includes access to nutrition, education, care and other necessary goods and services encompassing the broad range of resources that is necessary to secure a decent standard of living and life in dignity for all children (ILO, 2014a). In this way, child and family benefits as part of the social protection floors guarantees for children contribute to the 2030 Agenda, in particular to reducing child poverty, reducing hunger and improving nutrition, and ensuring access to health care and education.

Assumptions

The modelled child benefit covers all children 0─14 years of age, and classifies them into 3 age brackets of five years each. The level of the child benefit is fixed at 25 per cent of the national poverty line, which in LICs and LMICs is usually calculated on a per capita basis, without consideration of economies of scale for larger households. [4] This is a modest level, yet it is important to take into account that such child benefits may be combined with other benefits. In the special case of double orphans (of both parents with probability based on parental life expectancy), a higher level of benefits at 100 per cent of the national poverty line is assumed to meet the needs of this particularly vulnerable group. The results presented below show the costs for each specific five year age bracket and for all orphans.

In order to ascertain the level of a child benefit in a specific country context, further assessments would be necessary, possibly in the context of technical advice by the ILO, considering in particular whether children enjoy universal access to at least essential health care and access to education, as well as the poverty reduction impact of existing child benefit schemes and other relevant programmes. Benefit levels may need to be adjusted in order to have significant impacts on child poverty. [5]

Results in low-income and lower middle-income countries

The estimation of the cost of transfers for all children, particularly orphans, at the estimated level of benefits, is available for 57 low- and lower middle-income countries. The cost estimates and the proportion of the population aged 0─14 are divided into three available groups: under 5, 5─9 and 10─14 years old.

The projected costs for a basic universal child benefit for the age group 0─4 varies significantly between countries ranging from 0.1 per cent of GDP for Mongolia to 4.1 per cent of GDP for Niger (figure 2.1) with an average for all the 57 countries analysed of 1.4 per cent of GDP. The benefit costs less than 1.0 per cent of GDP for a total of 18 countries of which ten show a cost below 0.5 per cent of GDP.

The projected costs for a basic universal child benefit for the age groups 5─9 and 10─14 range from less than 0.1 per cent of GDP for Mongolia to 3.5 and 3.0 per cent of GDP respectively for Sierra Leone (figure 2.1) with an average for all the 57 countries analysed of respectively 1.3 and 1.2 per cent of GDP.

The proportion of children in the total population varies from 17.3 per cent in Georgia to 50.5 per cent in Niger (secondary axis on left-hand side in figure 2.1) with an average of 36.6 per cent for the sample.

---

[4] Other countries use equivalence scales which attach a lower weight to children as compared to adult household members, in order to reflect differences in consumption levels (e.g. OECD, 2011).

[5] To calculate a different set of benefits or different coverage, see the ILO Social Protection Floors Calculator, available at: http://www.social-protection.org/gimi/gess/SPFCalculReport.action.

Figure 2.1.   Cost of universal child benefits and orphan benefits, as a percentage of GDP, and children (as a proportion of the population), 2015
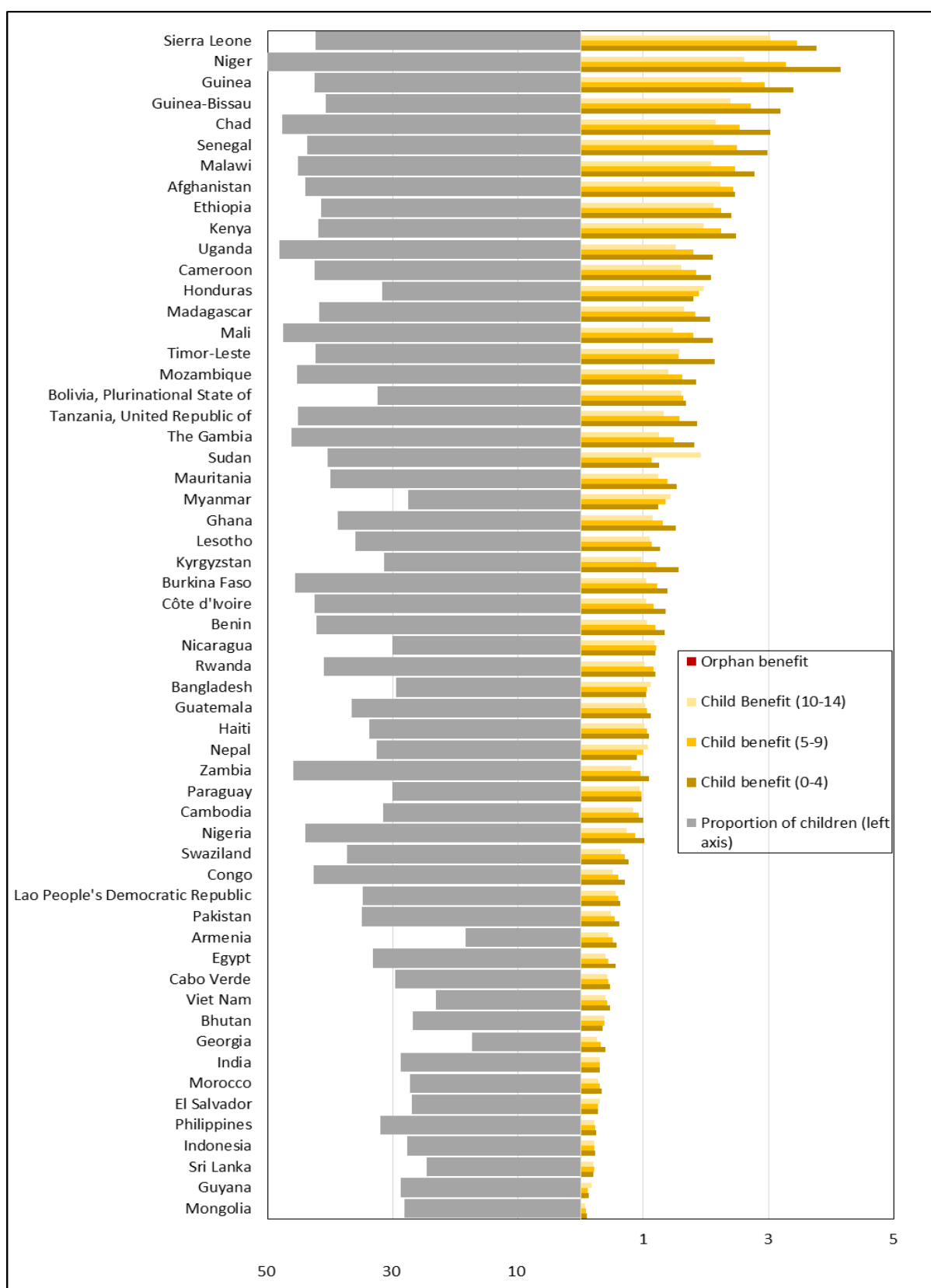
Note: For children, the benefit was set at 25 per cent of the national poverty line, except for orphans, for orphans the benefit is at 100 per cent of the national poverty line.

Source: Authors' calculations using the ILO's Social Protection Floors Calculator and based on the ILO's World Social Protection Database, 2017.

The cost of the benefits depends on the proportion of children in the population, the level of the poverty line (which is the basis for setting the benefit level) and GDP. While the proportion of children in the population explains a good share of the higher costs for some countries (for the 11 countries with the highest costs the proportion of children represents at least 40 per cent the population, while for the 15 countries with the lowest cost this proportion is less than 35 per cent). However, the relative value of the poverty line is the main explanation for the higher costs for the sample. The correlation between costs and the relative value of the poverty line is 95.7 per cent whereas the correlation between costs and the proportion of children is just 70.5 per cent.

Current public social protection expenditure for children

The comparison of the above cost estimates and the past expenditure, [6] highlights that not all the above estimated costs are additional costs. Thus, the resource gap to implement the benefit, at least for a group of countries, may be less than what has been calculated above. Some countries in the sample are spending currently more than the level of expenditure required for a benefit as described in this paper. This is a promising signal that in some cases the allocation of required resources is possible.

Of the 57 countries, 19 do not have information on children and family benefit expenditure or reported expenditure of 0.00 per cent of GDP. For the 38 countries for which information on children and family benefit expenditure was available, four countries have current expenditure levels that exceed the cost estimations (see figure 2.2). This may be due to the fact that for the past reported expenditure level the child population group is larger (i.e. benefits are provided to children also between ages of 5 to 18) and/or the benefit level is higher than the one used for the calculation of the set of comparable social protection floors cash benefits.

Figure 2.2. Cost of a universal child (0—4) benefit and orphan benefit and past expenditure on social protection for children and families, 2015 (as a percentage of GDP)
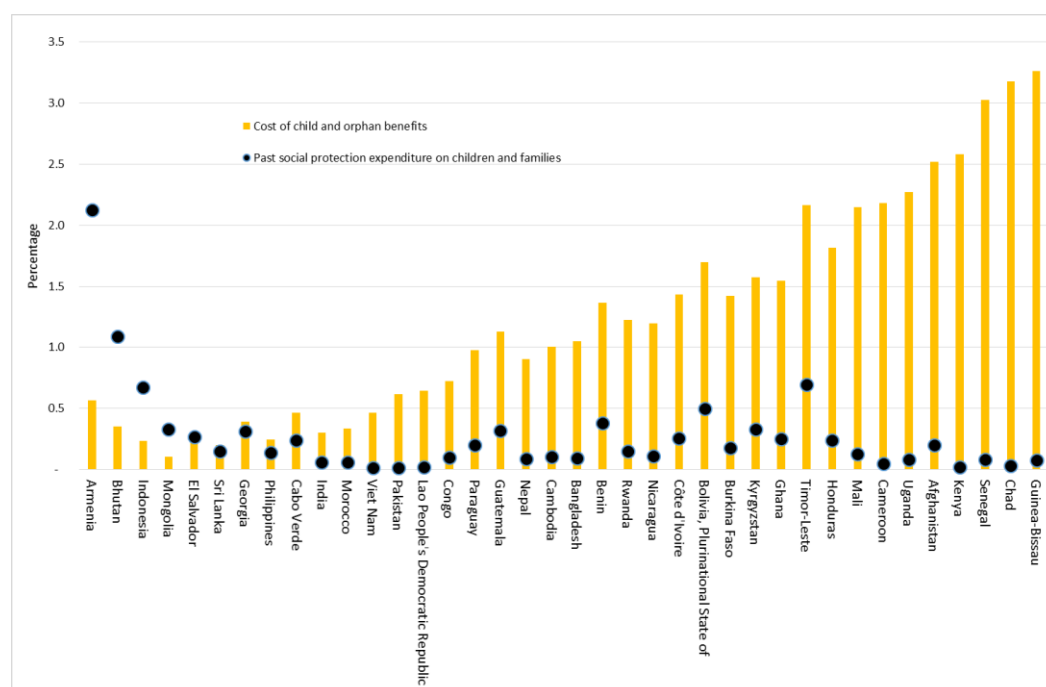
Note: Both series of costs include administrative expenditure.

Source: Authors' calculations using ILO's Social Protection Floors Calculator and based on the ILO's World Social Protection Database.

[6] The present report uses information on expenditure levels regarding public social protection expenditure for children presented in the ILO's *World Social Protection Report* (ILO, 2014a).

For the remaining 34 countries, the current expenditure levels are below the estimated costs for the set of comparable social protection floors cash benefits. The average difference is 1.6 percentage points of GDP. For ten countries this difference amounts to 1 percentage point or less and for seven countries it is less than 0.5 percentage points.

3. Universal maternity benefits

Rationale

Maternity protection is a key component of the transformative policies called for in the 2030 Agenda and is essential to the achievement of multiple Sustainable Development Goals, particularly with respect to ending poverty (Goal 1), improving nutrition and ending hunger (Goal 2), reducing maternal and infant mortality (Goal 3), ensuring access to education (Goal 4), achieving gender equality and empowering women (Goal 5), promoting inclusive growth and decent work (Goal 8) and reducing inequalities (Goal 10).

In 2014, about 800 women died every day from preventable causes related to pregnancy and childbirth and 99 per cent of all maternal deaths occurred in developing countries. The World Health Report (WHO, 2005, p. 81) highlighted that "…three quarters of all neonatal deaths could be prevented if women were adequately nourished and received appropriate care during pregnancy, childbirth and the postnatal period…". Most of these deaths, as well as infant deaths, could be avoided with adequate social protection and health care. Even in developed countries there is evidence to show the strong positive effect of paid maternity leave. According to Human Rights Watch (2011, p. 37) a study of 18 OECD countries covering more than three decades found that extending the number of weeks of job-protected *paid* leave was associated with a significant decrease in infant mortality, but *unpaid* leave was not.

Maternity protection ensures income security for pregnant women and mothers with newborns. Worldwide, effective social protection coverage estimates for SDG indicator 1.3.1 show that only 41.1 per cent of women with newborns receive a maternity benefit, and only 15.8 per cent of childbearing women in Africa (ILO, 2017a). Such lack of income security during the final stages of pregnancy and after childbirth forces many women, especially those in the informal economy, to keep working into the very late stages of pregnancy and/or to return to work prematurely, thereby exposing themselves and their children to significant health risks (ILO, 2016a; ILO 2017a).

Universal effective maternity coverage has been achieved in Ukraine and Uruguay, and other developing countries such as Argentina, Colombia, Mongolia and South Africa have made significant progress. However, significant coverage and adequacy gaps remain in other parts of the world. An increasing number of countries are using non-contributory maternity cash benefits as a means to improve income security, nutrition and access to maternal and child health care for pregnant women and new mothers, particularly for women living in poverty and those in the informal economy [7] (ILO, 2016a; see box 3.1).

[7] For details on the types of maternity schemes that exist around the world refer to the ILO's flagship publication *World Social Protection Report* (ILO, 2014a and 2017a).

> **Box 3.1. Argentina, India and Bangladesh:**
> **Non-contributory maternity benefit schemes**
>
> While in the majority of countries maternity benefits are provided through schemes that are linked to employment, a number of countries have introduced non-contributory benefits for women not covered by any scheme. Most of the non-contributory programmes introduced link benefits to the fulfilment of certain conditions related to health visits or information sessions regarding maternal health or infant health and nutrition.
>
> In *Argentina,* **the universal Family Allowance scheme (see box 2.2 above),** provides non-contributory maternity benefits. The universal pregnancy allowance is paid for each pregnancy to informal and domestic workers with income below the legal monthly minimum wage; unemployed persons; and certain categories of self-employed workers. It covers women from the 12th week of pregnancy to the birth or end of pregnancy through a monthly cash transfer of Argentinian pesos 966 (approximately US$ 65). The universal pregnancy allowance programme covered 22 per cent of births in 2011, on average more than 66,000 women per month between May 2011 and June 2012 (ILO, 2014a). Between June 2014 and June 2016 on average more than 78,200 women received a benefit (ANSES, 2016). A non-contributory pension is also provided to mothers with seven or more children (natural or adopted) with income and assets below the subsistence level, who do not receive any social security benefits or support from family members ISSA and SSA, 2014).
>
> In *India,* **the Indira Gandhi Matritva Sahyog Yojana (IGMSY) programme,** introduced in 2010, provides cash benefits for pregnant women and lactating mothers in 53 pilot districts, covering approximately 19.9 million women and supporting the financial inclusion of approximately 600,000 women annually (Government of India, 2016). A daily benefit for all women aged 19 and over (limited to first two pregnancies; and excluding those who are covered through benefits provided to public sector employees) for approximately 40 days aims at providing partial compensation for wage loss to encourage women to take adequate rest before and after childbirth. In addition, all eligible women receive a cash incentive through a conditional cash transfer in two instalments (a total of Rupees 6,000 approximately US$ 91.50* as of 2013) during pregnancy and the period of lactation, conditional upon compliance with various conditions pertaining to registration, medical check-ups, vaccinations and breastfeeding practice. With the aim of making the programme universal, the Government of India announced in December 2016 the extension of the conditional cash transfer Maternity Benefit Programme to cover all of the country. The programme will provide Rs. 6,000, in three instalments, for pre and post-delivery care to pregnant and lactating women. The Government of India has estimated that for the period 2017 till 2019-20, approximately 5.17 million beneficiaries will be covered annually by the programme at an estimated total cost of 12,700 crore Rs. (i.e. 1.9 billion US$) (Chakrabarti et al. 2017).
>
> In *Bangladesh,* **the Maternity Allowance Programme for Poor Lactating Mothers** (MAP) was introduced in 2008. It targets women in rural areas aged 20 and over, living on a monthly income of less than 1,500 taka (approximately US$ 19); it also covers mothers with a disability and women who are the breadwinners of poor families. If eligible, they receive one-time support during either the first or second pregnancy to the amount of 350 taka per month (approximately US$ 4.5) for a period of two years. (ILO, 2014a) The MAP programme covered 116,000 women in 2013-14 at a cost of 0.0041 per cent of GDP and was estimated to cover 220,000 women in 2014-15 at a cost of 0.01 per cent of GDP. Furthermore, the allowances for urban low-income lactating mothers covered 86,000 women in 2013-14 and was estimated to cover 100,000 women in 2014-15 respectively at a cost of 0.0035 and 0.0045 per cent of GDP (Ministry of Finance Bangladesh, 2014).
>
> Note: * At exchange rate of 1 US$ = 65.57 Rupees.
> Sources: ANSES, 2016; Chakrabarti et al. 2017; Government of India, 2016; ILO, 2014a, 2016a; Ministry of Finance Bangladesh, 2014.

According to the Social Protection Floors Recommendation, 2012 (No. 202), para. 5(c), countries should consider, as part of their nationally defined social protection floors, "basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income… in particular in cases of … maternity", as well as access to universal health care including maternal care. Non-contributory maternity benefits can play an essential role in improving income security, as well as nutrition and health outcomes, for women and their children, during this critical phase of their lives. While some countries have already make efforts to extend maternity benefit coverage, more efforts are necessary for universal protection. Such investments will contribute tremendously to enhancing maternal and child health, ensuring adequate nutrition, eliminating poverty, as

well as achieving gender equality and decent work, and achieving the respective SDGs (ILO, 2016a).

Assumptions

For the cost estimate of a maternity benefit, the number of beneficiaries was calculated based on the observed country-specific fertility rates. It is assumed that a maternity cash benefit of 100 per cent of the national poverty line would be provided to all mothers during four months around childbirth, in order to cover as a matter of priority the period when mothers and newborns are most vulnerable. Such cash benefits should help to reduce financial pressures on mothers, encourage them to take adequate rest after childbirth, and facilitate access to health care services, including with regard to out-of-pocket costs and transport costs. [8]

Results in low-income and lower middle-income countries

Cost estimates for a maternity cash benefit, are available for 57 low- and lower middle-income countries. The cost estimates and the proportion of expected beneficiaries (corresponding to the number of mothers with newborns) are provided in figure 3.1.

For the year 2015, the average cost for providing maternity cash benefits is 0.43 per cent of GDP. For 53 of the 57 countries the cost estimate is at or below 1 per cent of GDP. It is less than 0.5 per cent of GDP for 29 countries and with a level of 0.1 per cent of GDP for eight countries.

The proportion of beneficiaries (mothers with newborns) in the population ranges from between 1.5 per cent in Georgia and Armenia to 5 per cent in Niger with an average across the countries of 3 per cent of the population. The proportion of newborn children (see figure 3.1) is also directly related to the fertility rates.

The cost of the benefit depends on the proportion of newborn children in the population, the level of the poverty line (which is the basis for setting the benefit level) and GDP. However, the relative value of the poverty line to GDP per capita is the main explanation for the estimated cost levels. The correlation between costs and the relative value of the poverty line is 92.3 per cent whereas the correlation between costs and the proportion of newborns is just 74 per cent.

---

[8] To calculate a different set of benefits or different coverage, see the ILO Social Protection Floors Calculator, available at: http://www.social-protection.org/gimi/gess/SPFCalculReport.action.

Figure 3.1.   Cost of universal maternity cash benefits during 4 months at 100 per cent of the poverty line (as a percentage of GDP), and beneficiaries (as proportion of population) 2015
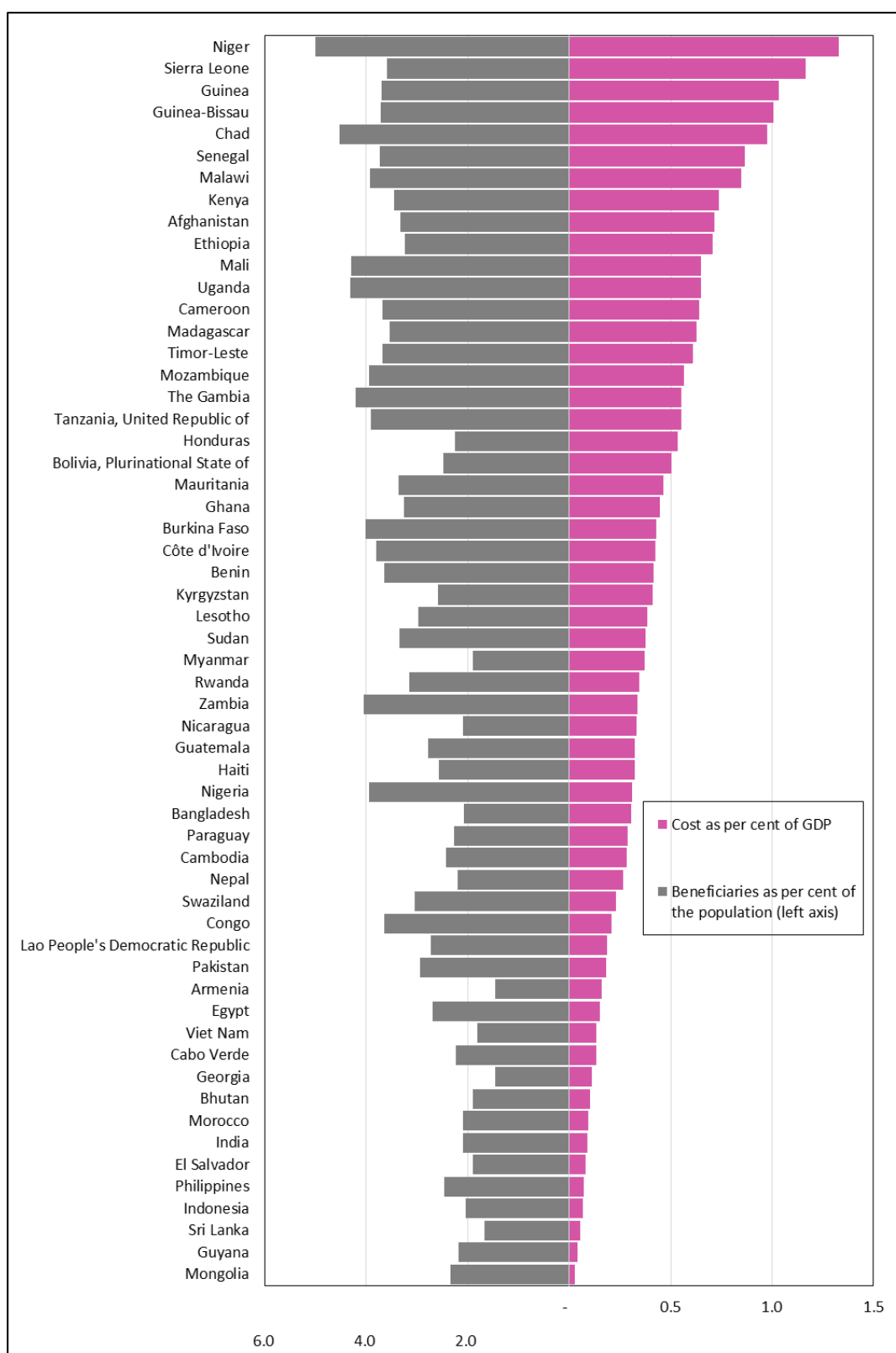
Source: Authors' calculations using the ILO's Social Protection Floors Calculator and based on the ILO's World Social Protection Database, 2017.

4. Universal disability benefits

Rationale

According to global estimates, persons with disabilities constitute approximately 15 per cent of the world's population many of them live in developing countries. Approximately 785 million persons with disabilities are of working age, 15 years or over (ILO, 2014a). Effective social protection measures to protect persons with disabilities and promote independent living and access to decent work are a precondition for achieving the SDGs and human rights.

New ILO effective coverage estimates for SDG 1.3.1 show that 27.8 per cent of persons with severe disabilities worldwide receive a disability benefit, with large regional variation: while coverage in Eastern Europe appears to be almost universal, regional estimates for Asia and the Pacific show an effective coverage rate of only 9.4 per cent (ILO, 2017a). The large majority of countries offer some form of social protection for persons with disabilities. In the majority of countries it is provided through social insurance schemes which cover mainly workers in the formal economy and provide earnings-related benefits. Unless these are complemented by non-contributory schemes, they do not provide universal coverage (ILO, 2014a). [9]

Universal social protection for persons with disabilities has been achieved in Brazil, Chile, Mongolia and Uruguay; other developing countries have nearly-achieved universality, such as Kyrgyzstan, Nepal and South Africa (box. 4.1); many other countries are extending social protection to persons with disabilities (box 4.2).

Box 4.1. The right to a disability grant in South Africa

Anchored in the Constitution of the Republic of South Africa, article 27(1)(c), is the right to social security including through social assistance for those who are unable to support themselves and their dependents. The Social Assistance Act No. 13 of 2004, lays down the obligation of the government to provide a set of targeted social assistance benefits to the elderly, children and the disabled and the Social Assistance Regulations of 2008 set out the qualifying conditions for a benefit. For the disabled between 18 and 59 years of age unable to provide maintenance for themselves a disability grant is provided. The disability grant is provided on a means-tested basis and depending on the outcome of the medical review it is either granted as a temporary or a permanent grant. Furthermore, if the disabled person needs constant care by others then a constant-attendance allowance is also paid. For children under the age of 18, Care Dependency Grants are awarded to their care-givers. The disability benefit is up to 1,430 Rand (approximately US$ 114.70) per month and the constant-attendance allowance 330 Rand (approximately US$ 26.50) per month. The South African Social Security Agency (SASSA) which is responsible for the provision of social assistance benefits and services to South Africans paid out 1,085,514 disability grants in the financial year 2015/16 and expenditure was 19,165 million Rand (SASSA, 2016) representing approximately 0.44 per cent of GDP in 2016.

Studies show that the South African social grants have had a positive effect on poverty reduction and inequality. Samson et al. (2004) showed that a full take-up of the disability grant would reduce the poverty gap by 5.1 per cent. Similarly, receipt of a Disability Grant was associated with greater share of household spending on food and led to lower prevalence rates of hunger compared to households with comparable income levels. The study also showed positive effects of the grants on labour force participation and employment with higher employment rates in households receiving the disability grant than in households not receiving the grant.

Sources: SASSA, 2016; Global Partnership for Universal Social Protection 2016e; ILO 2017a.

---

[9] For details on the types of disability benefit schemes that exist around the world refer to the ILO's flagship publication *World Social Protection Report* (ILO, 2014a and 2017a).

Recommendation No. 202 in para. 5(c), sets out that nationally defined social protection floors should guarantee at least basic income security to persons with disabilities as well as access to health care for all, taking into account their specific needs.

Assumptions

For the costing of the disability benefits, the number of beneficiaries is based on country-specific disability estimates from the World Health Organization's Estimated Years Living with Disability database. The estimations are only for cases of severe disabilities, for which it is assumed that participation in employment may be challenging and may require additional support. The benefit level is set at 100 per cent of the national poverty line. [10]

Results in low-income and lower middle-income countries

Cost estimates for disability benefits, is available for 56 low- and lower middle-income countries. The cost estimates and the proportion of expected beneficiaries are provided in figure 4.1.

---

[10] To calculate a different set of benefits or different coverage, see the ILO Social Protection Floors Calculator, available at: http://www.social-protection.org/gimi/gess/SPFCalculReport.action.

Figure 4.1.   Cost of universal disability cash benefits for persons with severe disabilities at 100 per cent of the national poverty line (as a percentage of GDP) and beneficiaries (as proportion of the population), 2015
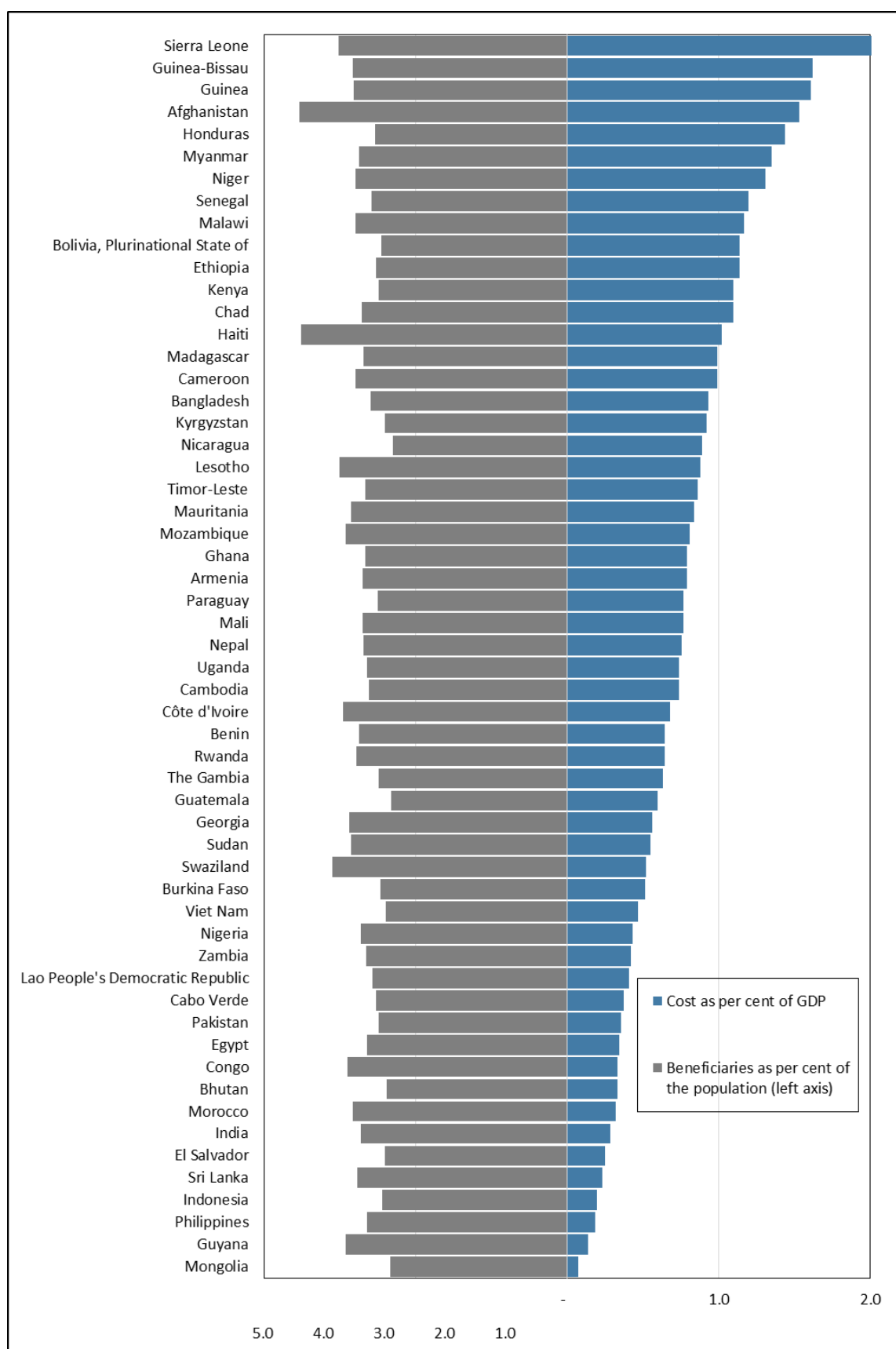
Source: Authors' calculations using the ILO's Social Protection Floors Calculator and based on ILO's World Social Protection Database, 2017.

The left axis shows the estimated proportion of persons with severe disabilities which on average represents 3.4 per cent of the population. The three countries of the sample that show the lowest incidence of disability with 2.9 per cent are Guatemala, Nicaragua and Mongolia while Afghanistan and Haiti show the highest incidence with 4.4 per cent.

The right axis shows the costs of disability benefits. The average cost is 0.8 per cent of GDP, while the range varies from 0.1 per cent for Mongolia to 2.0 per cent for Sierra Leone.

The incidence of disability is very weakly correlated to the poverty line (18.3 per cent) and to the cost of the benefit in the country (30.7 per cent), however there is a strong correlation between the poverty line and the cost of the benefit (96.9 per cent).

5.   Universal old-age pensions

Rationale

Pensions for old persons are the most widespread form of social protection in the world, and a key element in SDG 1.3. At a global level, 68 per cent of people above retirement age receive a pension, either contributory or non-contributory (ILO, 2017a). However, the right to social protection of older persons is not yet a reality for many. In most low-income countries, less than 20 per cent of older persons over statutory retirement age receive a pension. In many developing countries, an important proportion of older persons still depend heavily on family support arrangements.

Social protection plays a particularly important role in realizing the human right to social security for older persons, in ensuring income security and access to essential services including health and care in a way that promotes their rights and dignity. Reliable sources of income security play a particularly important role for older persons (ILO, 2014a). Universal basic pensions have a strong impact on improving the livelihoods of older persons and could alleviate at least the most severe forms of poverty (UNFPA and HelpAge International, 2012; HelpAge International, 2014; Hagemejer, 2009). Social pensions, not only provide older persons with a much needed regular income, but they also provide crucial financial support to other household members, particularly children. Pension recipients redistribute cash income in households, finance school fees for children and other household expenditures (HelpAge International, 2014). In Brazil and South Africa, pension recipients reduced the probability of households living in poverty (Barrientos, 2003). In South Africa, the Older Person's Grant is one of the most important tools for poverty reduction in the country; this is evidenced by the reduction in poverty incidence among older persons from 55.6 per cent in 2006 to 36.2 per cent in 2011, and demonstrated positive impacts on health and nutrition of children (Global Partnership for Universal Social Protection, 2016f). The strong impacts of universal old-age pension coverage on the prevention of poverty highlight their relevance for the achievement of the SDGs, particularly target 1.3 (box 5.1 and box 5.2).

Box 5.1. Universal pension schemes in developing countries

Today, nearly 30 developing countries have achieved or nearly achieved universal pension coverage, including Argentina, the Plurinational State of Bolivia, Botswana, Brazil, Cabo Verde, Chile, China, Kazakhstan, Kiribati, Kosovo, Kyrgyzstan, Lesotho, Maldives, Mauritius, Mongolia, Namibia, Seychelles, South Africa, Swaziland, Thailand, Timor-Leste, Trinidad and Tobago, Uruguay, Uzbekistan, and Zanzibar (United Republic of Tanzania).

There are many paths towards universal pension coverage. Most developing countries combine contributory schemes with non-contributory social pensions to older persons. Other countries provide a universal social pension to all (e.g. Botswana, Timor-Leste). Some countries choose gradual and progressive realization (e.g. Brazil, South Africa) and others opt for fast-tracking immediate universal coverage (e.g. the Plurinational State of Bolivia, China, Kiribati). Countries choose different ways of designing and implementing universal pension schemes; hence governments have a wide set of options to achieve universal social protection coverage.

Source: ILO, 2014a and 2017a; Global Partnership for Universal Social Protection 2016a.

<div style="border:1px solid">

Box 5.2. Namibia: The universal Basic Social Grant for all older persons

The right of all Namibian citizens to a regular and adequate old-age pension to ensure a decent standard of living is anchored in the 1990 Constitution of the Republic of Namibia (article 95f). Namibia is giving effect to this through the delivery of pension benefits through non-contributory and contributory schemes.

The universal pension scheme established by the National Pensions Act (1992) provides an old-age monthly allowance of NAD 1,100 (approximately US$78) to all Namibian citizens and permanent residents over the age of 60. The Basic Social Grant is non-contributory and financed by general revenue from the national treasury and managed by the Ministry of Labour and Social welfare. Pension benefits are paid through bank transfer, at a post office or institution (e.g. old-age home) or at one of the mobile units which travels within the country. While there are some problems in reaching people in remote areas, the total coverage is estimated to be over 90 per cent. According to a study by Levine et al. (2011) the old-age pension lowers the probability that the recipient lives in a poor household and it reduces the severity and the depth of poverty at the two poverty lines of severe poverty and overall poverty. It was also noted that the transfers have the greatest positive effect on the poorest.

More specific schemes provide pension benefits to veteran citizens of Namibia through a non-contributory scheme. The old-age pensions environment is further completed by social insurance schemes, private occupational schemes and voluntary schemes set-up by employers for their employees or by registered trade unions for their members, for example, the Namibia Agricultural Retirement Fund (NARF) and the Government Institutions Pension Fund (GIPF) covering civil servants.

Namibia with public expenditure level at 3.2 per cent of GDP was providing an old-age pension benefit to 98.4 per cent of older women and men above statutory pensionable age in 2011 (ILO, 2014a).

Source: ILO, 2014a and 2017a; ILO, 2014b; Global Partnership for Universal Social Protection, 2016g; Levine et al. (2011).

</div>

While ageing of the population is not yet at the levels of many of the high-income countries, the share of older persons in the total population is going to increase rapidly in most developing countries. In view of this, developing countries should consider ways of extending universal coverage to all older persons, providing adequate benefits, and ensuring that social protection systems are both equitable and sustainable. Some countries opt for a mix of contributory and non-contributory old-age pensions; others have implemented universal non-contributory pensions; others provide social pensions only to those who do not receive another pension, or whose income or assets are below a defined level. [11] Means-testing may seem an effective way to target the benefit to the most needy and limit spending; however, existing evidence from many countries has shown benefit targeting is costly and often does not produce the desired results (e.g. Kidd et al., 2017; Ravallion et al., 2016). The World Bank (1997, p. 1) noted that "screening out the poorest through targeting is a bigger problem than including the non-poor; the poorest may actually lose from too much fine-tuning in targeting". Furthermore, the implementation of targeted programmes requires institutional capacities with allocation of additional resources, for setting-up the administration, to updating the tools for identification of the poor and fraud control, which increase the final costs of such programmes (Dutrey, 2007). A World Bank study (Dethier et al., 2010) evaluated the impact of non-means-tested old-age pensions and means-tested old-age pensions in 18 Latin American countries and concluded that the impact on poverty is higher when there is no means test.

---

[11] For details on the types of pension schemes that exist around the world refer to the ILO's flagship *World Social Protection Report* (ILO, 2014a and 2017a).

Recommendation No. 202 identifies in paras.(5a and 5d), among the four basic guarantees of nationally-defined social protection floors, access to essential health care and basic income security, both of which are key to ensure a dignified and secure life for older women and men.

Assumptions

In line with the principle of universality, the costing is based on the assumption that old-age pension benefits are provided to all persons aged 65 and older. The level of the benefit is fixed at 100 per cent of the national poverty line. [12]

Results in low-income and lower middle-income countries

Cost estimates for basic universal old-age pensions, are available for 57 low- and lower middle-income countries. The cost estimates and the proportion of expected beneficiaries are provided in figure 5.1.

The cost of the benefits depends on the proportion of older persons in the population and the level of the national poverty line (which determines the level of the benefit). The costs of providing a universal non-contributory pension to all persons aged 65 and over are shown on the right axis of the figure. The average cost is 1.6 per cent of GDP, varying in range from 0.1 per cent for Mongolia to 3.9 per cent for the Plurinational State of Bolivia. For 19 countries the cost of the benefit is less than 1 per cent of GDP, of which for three countries the cost is less than 0.5 per cent of GDP.

The left axis of the figure shows the proportion of the population aged 65 and over. The proportion varies from 2.3 per cent in the Gambia to 14 per cent in Georgia, with an average of 4.4 per cent for the sample of countries reflected in figure 5.1.

The correlation between the cost and the demographic ratio [13] is low (33.1 per cent). The same holds true for the correlation between the demographic ratio and the poverty line (-8.2 per cent). However, the correlation between the costs and the poverty line is 68.1 per cent.

---

[12] To calculate a different set of benefits or different coverage, see the ILO Social Protection Floors Calculator, available at: http://www.social-protection.org/gimi/gess/SPFCalculReport.action.

[13] The demographic ratio is the proportion of older persons (65 years of age and over) in the population.

Figure 5.1. Cost of universal old-age pension benefits at 100 per cent of the poverty line (as a percentage of GDP) and beneficiaries (as proportion of the population), 2015
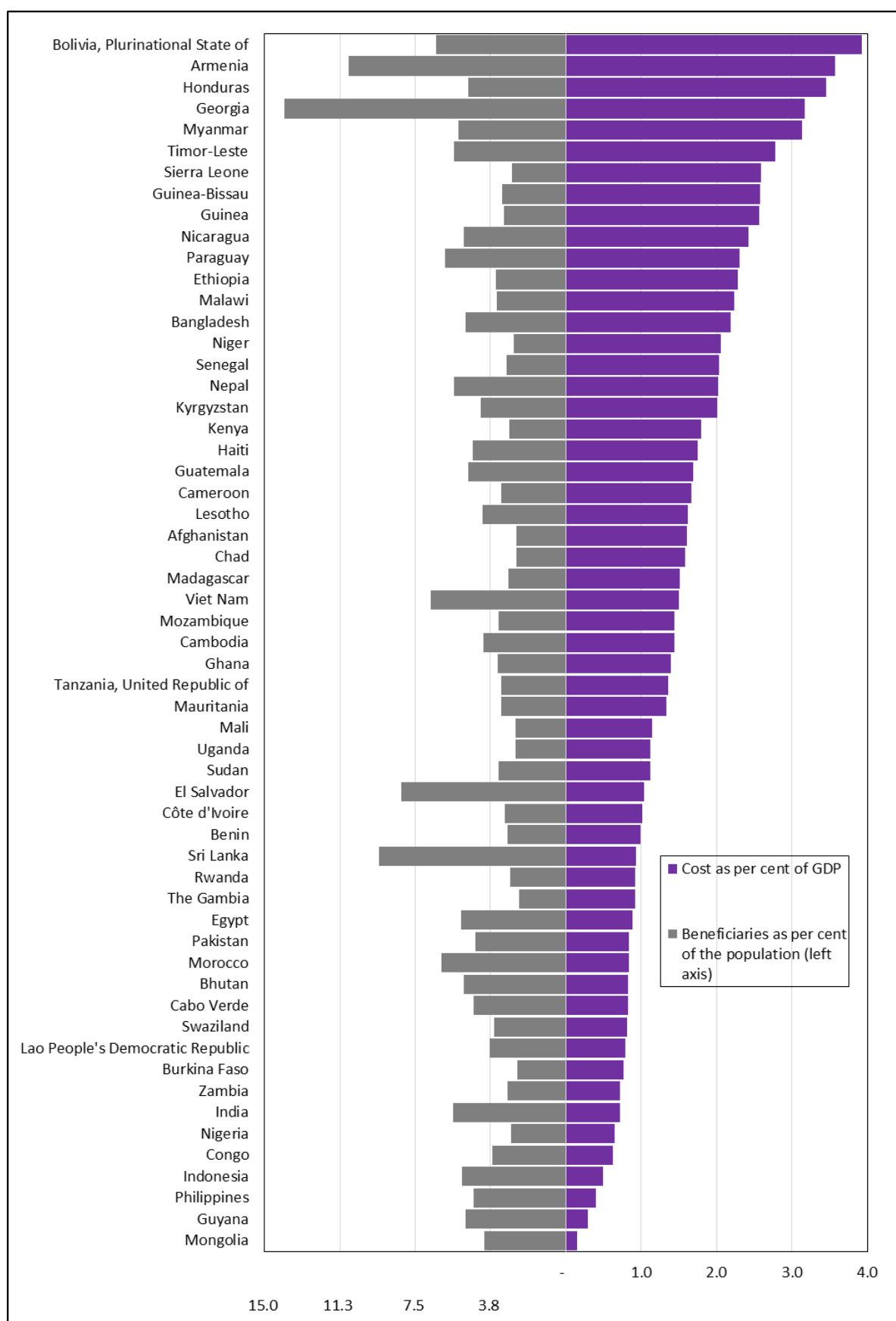
Source: Authors' calculations using the ILO's Social Protection Floors Calculator and based on the ILO's World Social Protection Database, 2017.

Current public social protection expenditure for older persons

The comparison of the above cost estimates and past expenditure, [14] highlights again that not all the above estimated costs are additional costs. Given that almost all countries have pension provisions through contributory social security schemes for at least some categories of workers, the additional expenditure of introducing universal old-age pensions may be lower than the costs calculated in this study for at least some of the countries. This would require to ascertain the adequacy of benefits delivered through contributory and non-contributory mechanisms, and to coordinate benefit delivery from contributory and non-contributory programmes. Furthermore, the costs of universal old-age pensions may partly be offset by lower social assistance expenditure on older persons. Within the context of technical cooperation advice delivered by the ILO, a more detailed analysis of each specific national situation would be undertaken to consider these issues. Some countries in the sample are currently spending more than the level of expenditure required for a benefit as described in this paper. This is a promising signal that in some cases the allocation of required resources may be possible.

Of the 57 countries, for 6 there is no available information on social protection expenditure for older persons. For the 51 countries for which information on benefit expenditure for older persons was available, 21 countries have current expenditure levels that exceed the cost estimations (see figure 5.2). The fact that the past expenditure includes contributory benefits which could be well above the level of the benefit simulated does not automatically imply that coverage in those countries is universal. However, it could be foreseen that the fiscal efforts needed to achieve universal pension coverage for those countries could be lower than for the group of countries that currently spend less than the costs estimated in this paper.

Figure 5.2. **Cost of universal non-contributory old-age pension benefits as percentage of GDP for 2015, and reported public social protection expenditure for older persons** (latest available year)

Note: Both series of costs include administrative expenditure.
Source: Authors' calculations using ILO's Social Protection Floors Calculator and based on the ILO's World Social Protection Database, 2017) for reported public social protection expenditure for older persons.

[14] The present report uses information on expenditure levels regarding public social protection expenditure for older persons presented in the ILO's *World Social Protection Report* (ILO, 2014a).

For about 30 countries, the current expenditure levels are below the estimated costs of the set of comparable social protection floors cash benefits. For those countries, the average difference is 0.9 percentage points of GDP. For 18 countries this difference amounts to 1 percentage point or less and for 11 countries it is less than 0.5 percentage points.

Honduras with the third highest estimated costs among the sample countries, shows the biggest gap between estimated needs and reported expenditure. The simulation reveals that the estimated cost for the benefits are highest for the Plurinational State of Bolivia due to the high level of the poverty line with respect to per capita GDP and the relatively high demographic ratio. However, as the country has made efforts to universalize old-age protection, the gap between reported expenditure and estimated costs is lower than for 9 other countries of the sample.

6.   Social protection floors: Aggregate results for 57 lower income countries

Taking into account the various individual components of national social protection floors that have been estimated and analysed in the previous chapters, it is interesting to look at the total expenditure for a package of these benefits. The present paper provides results for 227 programmes from 57 countries. A more detailed analysis of the feasibility of implementing these will be assessed in the following chapter.

A few salient points highlighting the results from the 57 countries are:

–   the set of comparable social protection floors cash benefits is a step towards making the human right to social security a reality for all and closing the gaps of coverage that exist presently;

–   the implementation by countries, even gradually, will contribute to the achievement of the Sustainable Development Goals, especially SDG 1 and its related indicator 1.3.1 on social protection systems, including floors;

–   the full implementation of the 227 benefit programmes as described would cover a total of 702 million direct beneficiaries in the 57 countries; this represents 22 per cent [15] of the total population of these 57 countries (9.5 per cent of the population of the world); [16]

–   the beneficiaries consist of 364 million children[17] (445 million if we consider the unborn whose mothers are receiving benefits during pregnancy), 103 million persons with severe disabilities and 153 million older persons (see figure 6.1) – 9.5 per cent of the world's population;

–   a full implementation of all benefits of the set of comparable social protection floors cash benefits would require 2.1 per cent of the combined GDP of the 57 countries; [18]

–   a full implementation of all the comparable set of social protection floors cash benefits would require 0.23 per cent of global GDP [19] (figure 6.2) from a global perspective; these life changing benefits for nearly 10 per cent of the world's population represent only 1.1 per cent of what G20 countries spent to bail out the financial sector in 2009 [20]

---

[15] The country with the lowest proportion of direct beneficiaries is Bhutan with 18.5 per cent and the highest is Niger with 31.9 per cent.

[16] As the benefits are directed to all children, disabled, pregnant women and older persons, practically, all households in those countries would receive benefits. The only exception would be non-poor households whose members are all healthy adults and wherein no female is pregnant.

[17] This corresponds to 20 per cent of the global population younger than 15 years of age.

[18] This does not take into account current social protection expenditure by countries. So the level of 2.1 per cent of GDP could be considered as the maximum that would be required.

[19] This does not take into account current social protection expenditure by countries. So the level of 0.23 per cent of global GDP could be considered as the maximum that would be required.

[20] According to the IMF (Claessens et al., 2010, p. 31), the amount announced by G20 governments to rescue the financial sector in 2009 totals US$ 9.6 trillion; enough to pay for the whole set of benefits in the 57 countries more than 86 times over.

or almost 7 per cent of annual global military expenditures. [21] <mark>These numbers reflect priorities.</mark>

Figure 6.1. **Direct beneficiaries of universal social protection floors cash benefits in 57 countries (number of persons), 2015**
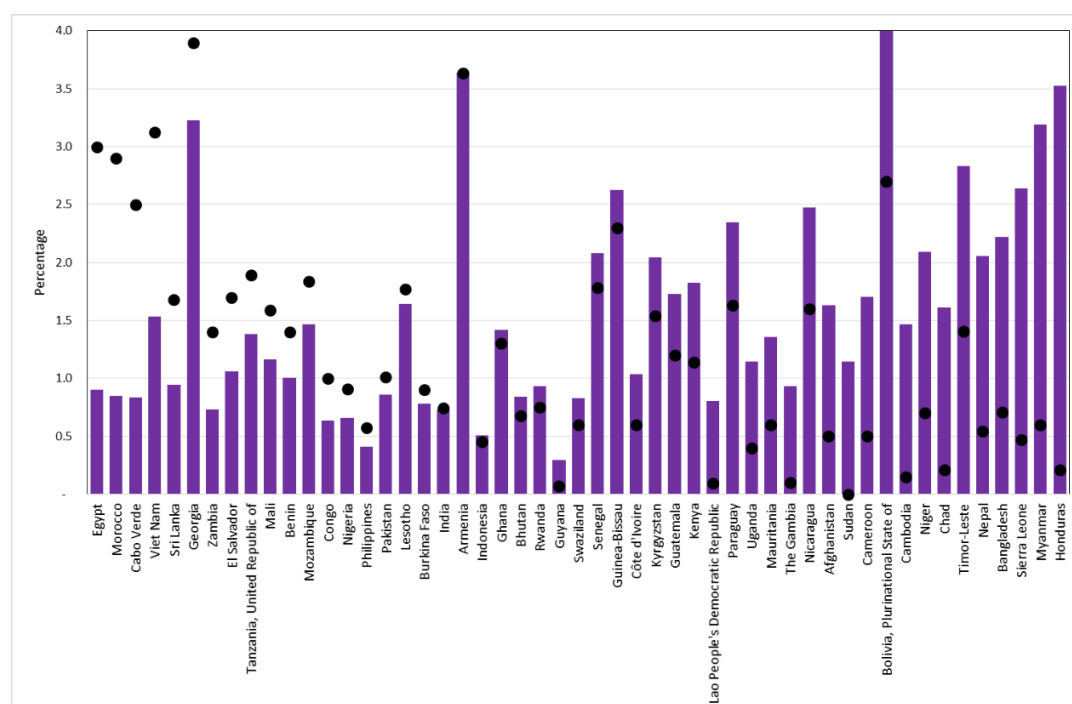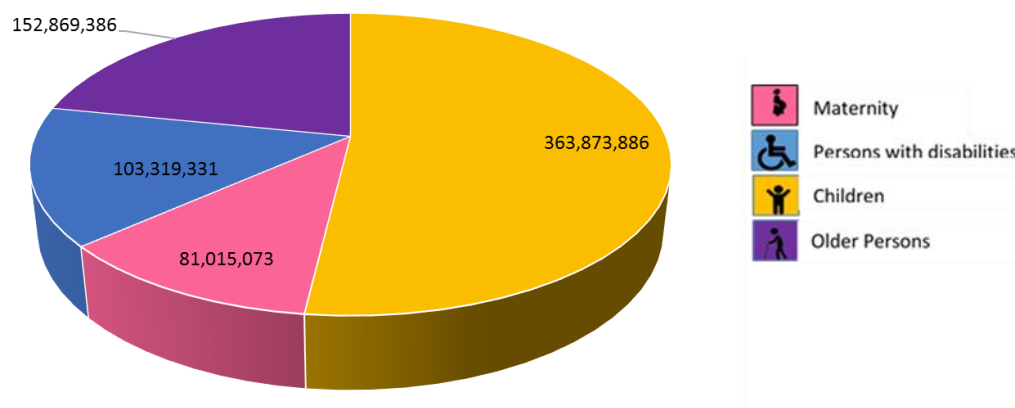

Source: Authors' calculations using the ILO's Social Protection Floors Calculator and based on the ILO's World Social Protection Database, 2017.

Figure 6.2. **Global GDP required to finance the set of comparable social protection floors cash benefits for 57 countries, 2015**
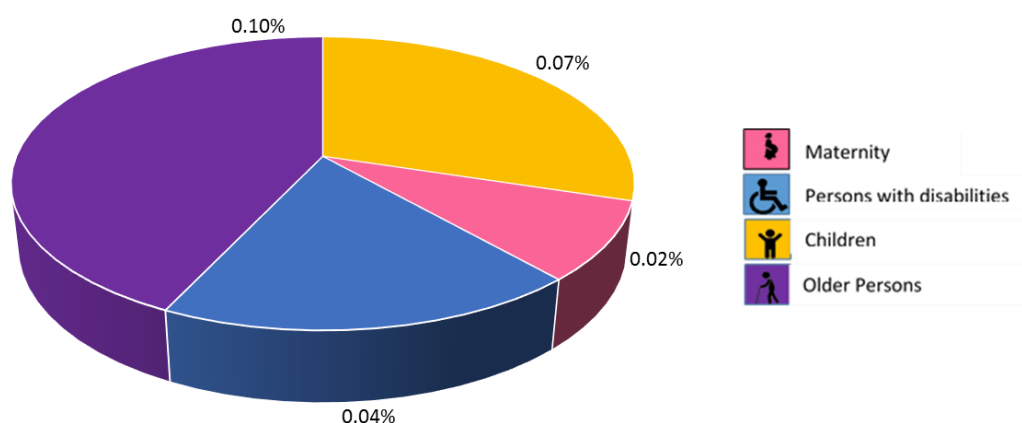
Source: Authors' calculations using ILO's Social Protection Floors Calculator and based on the ILO's World Social Protection Database, 2017.

Figure 6.3 shows the projected costs for the comparable set of social protection floors cash benefits. These costs range from 0.3 per cent of GDP for Mongolia to 9.8 per cent of GDP for Sierra Leone. It should be borne in mind that the majority of the 57 countries already have existing social protection programmes that contribute towards the implementation of components of the comparable set of social protection floors cash benefits.

[21] According to the Stockholm International Peace Research Institute (2017), military expenditure by governments around the world was US$1.686 trillion in 2015.

The average cost of the full set of benefits is 4.2 per cent of GDP for the 57 countries. Among the schemes, universal allowances for all orphans, maternity benefits and pensions to all persons with severe disabilities, generally require the lowest resource allocations.

–   Universal cash benefits for children 0 to 4 years of age cost on average 1.4 per cent of GDP, with the benefit for each child set at 25 per cent of the national poverty line. A universal benefit for all orphans 0 to 14 years of age, estimated at 100 per cent of the national poverty line, will add only 0.04 percentage points of GDP to the cost;

–   Universal maternity benefits for all women with newborns cost on average 0.4 per cent of GDP, with a benefit equivalent to 100 per cent of the national poverty line for a duration of 4 months;

–   Universal benefits for persons with severe disabilities cost on average 0.8 per cent of GDP with the benefit level of 100 per cent of the national poverty line;

–   Universal pensions for older persons 65 years and over, set at a level of 100 per cent of the national poverty line, would require on average 1.6 per cent of GDP for the 57 lower income countries in the sample.

Detailed country costing are presented in Annex III. Due to country specificities, the cost of a comparable set of basic social protection floors cash benefits varies quite substantially and the relative weight of each component of the social protection floors varies significantly. For countries in some regions, like the Americas and the Caribbean, the estimated cost is modest; for other countries, especially in sub-Saharan Africa, it is much higher. Countries need to identify through national consultation essential coverage gaps and national priorities to tailor-make benefit packages and progressively introduce these as resources become available. The *World Social Protection Reports* (ILO, 2014a and 2017a) show that the majority of countries in the world do provide some social protection. However, the scope, extent and level of coverage vary immensely. An effective national social protection strategy, as set out in Recommendation No.202, needs to identify the gaps in coverage, identify the priorities, assess in a holistic way the existing social protection programmes, specify the financial requirements and resources, reallocate existing resources as required, and set out a time frame for the implementation of the package of benefits. Bierbaum et al. (2016) through the development of a Social Protection Floor Index (SPFI) demonstrated that most countries could close social protection gaps to comply with the requirements of Recommendation No. 202. In this respect, an in-depth country by country analysis would be necessary to assist countries to ascertain the extent of additional fiscal space that would be required.

Figure 6.3. **Costs of the comparable set of social protection floors cash benefits for 57 countries, in per cent GDP, 2015**
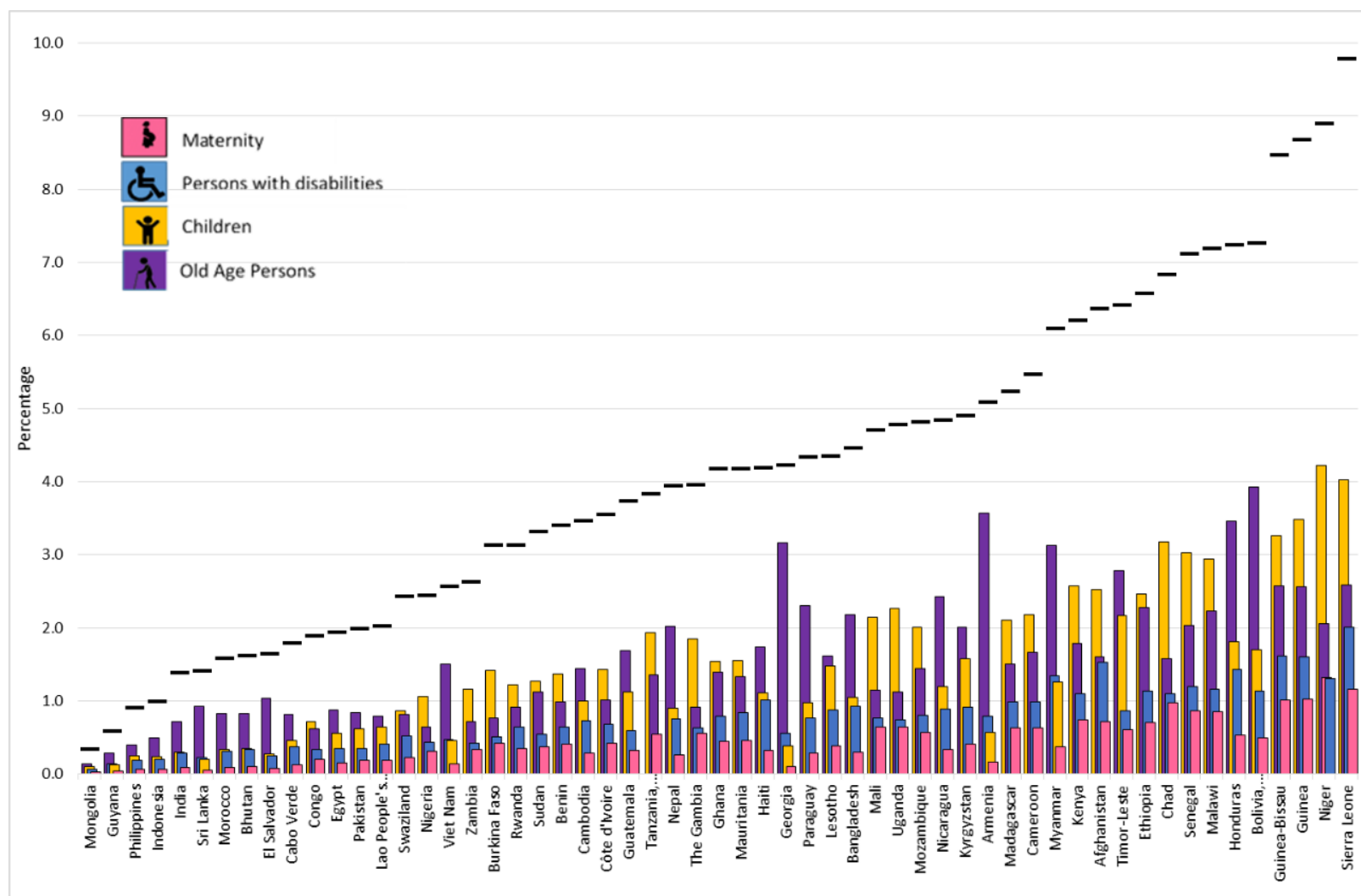
Note: The black line above each country estimate represents the total cost of all the elements of the comparable set of social protection floors cash benefits.

Source: Authors' calculations using the ILO's Social Protection Floors Calculator and based on the ILO's World Social Protection Database, 2017.

7. Fiscal space analysis: Fiscal space for social protection floors exists even in the poorest countries

It is often argued that social protection is not affordable; however, there are options, even in the poorest countries. Generally there are eight alternatives that should be explored to expand fiscal space and generate resources to extend social protection floors, supported by policy statements of the United Nations and international financial institutions, and publications of the ILO, UNICEF and UNWOMEN. [22] These include: (i) re-allocating public expenditures; (ii) increasing tax revenues; (iii) expanding social security coverage and contributory revenues; (iv) official development assistance; (v) eliminating illicit financial flows; (vi) using fiscal and foreign exchange reserves; (vii) managing debt: borrowing or restructuring existing debt, and (viii) adopting a more accommodative macroeconomic framework.

The fiscal space analysis presented in this chapter uses information from 57 countries classified into low social protection floors cost and upper social protection floors cost groups. The cost of the comparable set of social protection floor benefits ranges between 0.3 per cent of GDP for Mongolia and 9.8 per cent of GDP for Sierra Leone. For the fiscal space options, after considering data availability and relevance, five variables were considered: taxation, official development assistance (ODA), reallocating expenditures, debt service and illicit financial flows.

Tax and ODA

The Tax and ODA Resources Availability (TORA) indicator is a proxy variable for the size of the immediately available financing. It should not be interpreted as the level of funds that are available exclusively for social protection. The TORA is the result of adding up the tax revenue and the share of ODA (both expressed as percentages of GDP). For the group of countries considered in the analysis, the simple average of the TORA indicator was estimated at 21.1 per cent of GDP, with Sudan (6.8 per cent) and Myanmar (8.1 per cent) located at the bottom of the list while Mozambique (36.2 per cent) and Lesotho (56.3 per cent) at the top of it. These gross numbers, however, hide many insights and relationships that may be useful for fiscal space assessment.

Table 7.1 presents the relationship between TORA and for the comparable set of SPF cash benefits. Countries in a relatively good position should have low costs with high TORA. One way to assess fiscal space using both indicators is by estimating the ratio of TORA to SPF costs in order to illustrate how many times the current level of fiscal resources would "cover" the financing requirements for the comparable set of SPF benefits, a type of SPF affordability ratio.

Countries with the most critical conditions have an average SPF affordability ratio of 2.8 with specific cases like Myanmar and Timor-Leste with very challenging scenarios in terms of fiscal space. On the other hand Senegal and Nicaragua approach a SPF affordability ratio of 4. In total, 11 of the 19 countries with low SPF affordability ratios also have low TORA coefficients, an indication that the main problem is their capacity to generate funds more than the cost of the comparable set of SPF cash benefits. This is especially clear for Bangladesh, Guatemala, Nigeria, Paraguay and Sudan, which have estimated costs for the SPF benefits below 5 per cent of GDP.

[22] Ortiz, et al., 2017; see also Durán-Valverde and Pacheco, 2012.

Countries considered in an intermediate situation averaged a 5.5 SPF affordability ratio, ranging from Uganda (3.8) to The Gambia (7.3). Only two cases, Egypt and Pakistan, reveal challenges with resource generation. Four countries (Afghanistan, Armenia, the Plurinational State of Bolivia and Malawi) are considered in the intermediate category despite their high TORA coefficients because the costs for their comparable set of SPF cash benefits exceed 5 per cent of GDP.

Finally, countries within the sample with an advantageous situation reveal an average SPF affordability ratio of 15.8, mainly skewed by two outliers (Guyana and Mongolia). The estimated costs for the comparable SPF cash benefits for all the countries in this group are lower compared to the other countries. However, for Congo, El Salvador, India, Indonesia, Philippines and Sri Lanka the higher affordability is due to the low cost of the estimated benefits rather than a high TORA coefficient.

Table 7.1.   Resource availability (tax and ODA) and Social Protection Floors costs, ratio, by country

Lower affordability				*Higher affordability*	
Country	**TORA/SPF**	**Country**	**TORA/SPF**	**Country**	**TORA/SPF**
Myanmar	1.3	Uganda	3.8	Mozambique	7.4
Timor-Leste	1.6	Bolivia, Plurinational State of	4.3	Zambia	7.6
Guinea-Bissau	2.0	Afghanistan	4.4	Viet Nam	7.7
Sudan	2.1	Tanzania, United Republic of	4.5	Congo	7.7
Bangladesh	2.2	Armenia	4.7	Burkina Faso	8.0
Chad	2.5	Malawi	4.7	Sri Lanka	8.0
Ethiopia	2.7	Ghana	5.0	Rwanda	9.5
Guinea	2.9	Cote d´Ivoire	5.1	Lao People's Democratic Republic	9.7
Cameroon	3.0	Mali	5.2	El Salvador	10.0
Guatemala	3.1	Nepal	5.4	Indonesia	12.0
Honduras	3.1	Cambodia	5.5	India	12.0
Niger	3.2	Mauritania	5.7	Bhutan	12.2
Sierra Leone	3.2	Haiti	5.9	Lesotho	12.8
Madagascar	3.3	Pakistan	5.9	Swaziland	12.8
Paraguay	3.4	Benin	6.5	Cabo Verde	15.4
Kenya	3.4	Georgia	6.6	Morocco	15.6
Nigeria	3.6	Kyrgyzstan	6.7	Philippines	16.6
Senegal	3.6	Egypt	6.9	Guyana	44.3
Nicaragua	3.8	The Gambia	7.3	Mongolia	70.3
Average (Lower affordability)	**2.8**	**Average (Medium affordability)**	**5.5**	**Average (Higher affordability)**	**15.8**

Source: Authors' estimations using the ILO's Social Protection Floors Calculator, IMF's World Revenue Longitudinal Database (WoRLD) and the WB's World Development Indicators Databank (Oct. 2016).

One potential element of concern is the fact that the TORA is an indicator that combines two metrics of very different nature. Initially, one may consider taxation as the main source of

long-term financing, while ODA should play a temporary role in specific areas (infrastructure, equipment, etc.). Countries with a high participation of ODA can be regarded as in a more vulnerable fiscal situation compared to those where taxes are the main source of financing for SPFs. For the group of countries considered, the average share of taxes in the TORA was estimated at 76.1 per cent, moving from 100 per cent for Indonesia to 23.4 per cent for Afghanistan. Indeed, besides Afghanistan, three other countries (Guinea-Bissau, Sierra Leone and Timor-Leste) have tax shares in TORA below 50 per cent. On the hand, in 16 countries taxation accounts for more than 90 per cent of the TORA.

The analysis presented above is static, reflecting the current status. However, for many developing countries, increasing tax revenues is a principal channel for generating future resources for financing their social protection floors. The most common taxes include: consumption or sales taxes (e.g. on goods and services or on any operation that creates value; typically applied to everybody), corporate taxes (applied to companies, including in the financial sector), income taxes (e.g. on persons, corporations or other legal entities), inheritance taxes (applied on bequest), property taxes (e.g. applied to private property and wealth), tariffs (e.g. taxes levied on imports or exports) and tolls (e.g. fees charged to persons traveling on roads, bridges, etc.). Many countries are increasing taxes for development, not only on consumption (e.g. VAT), which is generally regressive and counter to social progress, but also on other areas, such as taxes on exports and income derived from economic activities. For example, the Plurinational State of Bolivia, Mongolia and Zambia are financing universal pensions, child benefits and other schemes from mining and gas tax revenues; Liberia and the Maldives have introduced taxes on tourism to support social programmes; Ghana uses taxes on alcohol, tobacco and luxury goods to finance the national health insurance scheme; Algeria, Mauritius, Panama among others have complemented social security revenues with high taxes on tobacco; and Brazil introduced a tax on financial transactions to expand social protection coverage. Some countries have also committed national lotteries to fundraise for social protection, such as the China Welfare lottery and Spain's ONCE (National Organization of the Blind). Additionally, improving tax compliance and/or raising tax rates increases tax revenues (Durán-Valverde and Pacheco, 2012; te Velde, 2013; WHO, 2014; Ortiz et al., 2017).

Debt

Of the many options to expand fiscal space, managing debt involves the active exploration of domestic and foreign borrowing options at low cost, if possible concessional loans, following a careful assessment of debt sustainability. For countries under high debt distress, restructuring existing debt may be possible and justifiable if the legitimacy of the debt is questionable and/or the opportunity cost in terms of worsening deprivations of vulnerable groups is high.

The majority of lower income countries are not in a position to borrow; on the contrary, debt levels and debt service tend to be significant. Debt service is a factor that may affect the sustainability of the country's fiscal space. There are at least two ways to orient this assessment. The first perspective approaches debt service as a threat to the macroeconomic sustainability of the nation if it exceeds certain limits and it is very difficult for the government to deal with the financial obligations. The second one is to conceive debt service as an opportunity cost. In this regards, resources that should be allocated to SPF components are being assigned to interest payments to creditors. Debt management strategies are an option to reduce the burden and free resources for development purposes.

In total, 56 countries had information about debt service; Timor-Leste was missing. The average debt service coefficient was estimated at 1.6 per cent of GDP, from 0.06 per cent of GDP in Nigeria to 6.2 per cent in Bhutan. In 36 countries of the sample, debt service represents less than 1.5 per cent of GDP and in 11 countries it exceeds 2.5 per cent.

Table 7.2 shows the calculation of the debt service to SPF cost ratio. Countries with a higher debt service to SPF cost ratio show higher potential fiscal space increments. Countries where debt service would not represent a significant source of fiscal space are those ones with ratios below 20 per cent. These figures can be as low as Afghanistan and Myanmar (less than 2 per cent of the cost for the comparable social protection floors cash benefits). On the other hand, where debt services could be a significantly high source of funding it exceeds 53 per cent. In eleven countries the debt burden is higher than the cost of the SPF package (i.e. the result of the indicator exceeds 100 per cent). Although the results may illustrate potential options, freeing resources from debt obligations requires the implementation of strategies to reduce the fiscal deficit and to restructure the portfolio of investments, which is a long-term strategy rather than an immediate option.

Table 7.2.   Debt service spending to Social Protection Floors costs (percentage), by country

Lower affordability				*Higher potential affordability*	
Low debt/SPF cost		**Medium debt/SPF cost**		**High debt/SPF cost**	
Myanmar	1.5	Nicaragua	21.7	Zambia	53.6
Afghanistan	1.8	Cambodia	22.1	Ghana	60.2
Guinea-Bissau	2.4	Honduras	22.6	Armenia	65.7
Nigeria	2.4	Nepal	23.3	Egypt	74.0
Chad	4.9	Ethiopia	24.2	Timor-Leste	75.8
Sierra Leone	5.2	Benin	24.4	Georgia	82.9
Uganda	6.7	Senegal	24.5	Mauritania	97.5
Tanzania, United Republic of	8.6	Paraguay	25.7	Lao People's Democratic Republic	99.3
Malawi	9.1	Guatemala	27.0	The Gambia	133.7
Haiti	9.5	Burkina Faso	27.7	Congo	139.9
Guinea	11.7	Swaziland	27.8	Cabo Verde	145.3
Niger	12.4	Cote d´Ivoire	35.8	Indonesia	165.8
Madagascar	13.2	Kyrgyzstan	36.0	Morocco	167.7
Bangladesh	14.0	Rwanda	43.1	El Salvador	195.5
Kenya	15.8	India	46.8	Sri Lanka	205.2
Sudan	16.0	Lesotho	50.1	Philippines	219.0
Mali	16.3	Mozambique	50.3	Mongolia	224.8
Bolivia, Plurinational State of	16.7	Pakistan	51.8	Guyana	289.6
Cameroon	19.1	Viet Nam	53.6	Bhutan	412.7

Source: Authors' estimations using the ILO's Social Protection Floors Calculator and the World Bank's World Development Indicators.

Debt restructuring has become an increasingly common strategy to alleviate fiscal pressures, especially in countries suffering from exorbitant sovereign debt levels. When sovereign debt payments crowd out essential social expenditures, there is a strong case for countries to explore restructuring options with their creditors. As former President Julius Nyerere of the United Republic of Tanzania demanded publicly during the 1980s debt crisis, *Must we starve our children to pay our debts?* public debt has been reviewed in many countries. The United

Nations opened up the debate on the issue of creditor co-responsibility for what is termed "illegitimate debt", as well as the need to find fair and durable solutions to debt crises. [23]

In practice, there are five main options available to governments to restructure sovereign debt, which include: (i) re-negotiating debt; (ii) achieving debt relief/forgiveness; (iii) debt swaps/conversions; (iv) repudiating debt, and (v) default. These are described in UN publications, such as the ILO-UNICEF-UNWOMEN *Fiscal Space for Social Protection and the SDGs: Options to Expand Social Investments in 187 Countries* (Ortiz et al. 2017). In countries with high debt distress, it is important to assess the impact that debt servicing has on the financing of social protection, and that these five options are considered to reduce debt service and allow the creation of more fiscal space for social protection floors.

Reallocating expenditures

This is the most orthodox option to expand fiscal space, which includes assessing on-going budget allocations through public expenditure reviews and other types of budget analyses, replacing high-cost, low-impact investments with those with larger socio-economic impacts, eliminating spending inefficiencies and/or tackling corruption. New public investments can be re-examined; for example, the social impacts of many large infrastructure projects, energy subsidies or rescue of banking systems tend to be limited however they require large amounts of public resources. Budget items with large recurrent costs but small social impacts should also be re-considered, for example, Costa Rica and Thailand reduced military spending to finance needed social investments. Currently, many countries are phasing-out energy subsidies, such as in Ghana and Indonesia, a great opportunity to develop social protection systems. Eliminating corruption in administration expenditures can also be a significant source of fiscal space for social protection, estimated at more than 5 per cent of global GDP (US$2.6 trillion) (Ortiz et al., 2017). Social dialogue that includes relevant stakeholders and public debates is one strategic tool to replace high-cost, low-impact interventions, and it can help to minimize the possible influence of powerful lobbying groups on public policy-making.

As an example, this section reviews military spending as a potential source of funding by reallocation. This item averaged 1.8 per cent of GDP [24], representing roughly 40 per cent the mean cost of the SPF package. For countries with lower SPF costs, the average military spending accounts for 54.3 per cent of the cost of the SPF while among higher SPF cost countries, the equivalent figure is 25 per cent.

A better way to approach the opportunity cost that military spending represents for SPF fiscal space is to contrast its current level of expenditures against the estimated costs of the comparable set of social protection floors cash benefits. The median value for the full sample shows that military spending accounts for 38.7 per cent of the SPF cost (table 7.3). In Haiti, Malawi and Sierra Leone, military spending represents less than 10 per cent of the SPF; in Congo, Guyana, India, Mongolia, Morocco, Pakistan, the Philippines and Sri Lanka, military spending ranges between 1.45 and 3 times the cost of the comparable set of social protection

---

[23] The concept of illegitimate debt refers to a variety of debts that may be questioned, including: debt incurred by authoritarian regimes; debt that cannot be serviced without threatening the realization or non-regression of basic human rights; debt incurred under predatory repayment terms, including usurious interest rates; debt converted from private (commercial) to public debt under pressure to bail out creditors; loans used for morally reprehensible purposes, such as the financing of a suppressive regime; and debt resulting from irresponsible projects that failed to serve development objectives or caused harm to the people or the environment (United Nations, 2009).

[24] Weighted average. Based on data from the Databank of the World Bank.

floors cash benefits. In countries with intermediate levels, military allocations represent between 25 per cent and 55 per cent the cost of the SPF.

Table 7.3.   Military spending as a share of Social Protection Floors costs, by country

Lower affordability				*Higher potential affordability*	
Country	**Percentage**	**Country**	**Percentage**	**Country**	**Percentage**
Haiti	2.2	Bangladesh	25.0	Myanmar	58.4
Sierra Leone	8.3	Uganda	25.5	Mauritania	65.1
Malawi	9.1	Tanzania, United Republic of	28.1	Bhutan	66.7
Lao People's Democratic Republic	10.1	Chad	29.8	Zambia	67.4
Ethiopia	10.7	Cabo Verde	30.9	Kyrgyzstan	73.1
Guatemala	11.6	Benin	33.2	Swaziland	74.4
Nicaragua	11.8	Nepal	37.7	Armenia	81.7
Ghana	12.0	The Gambia	38.0	Egypt	86.7
Madagascar	12.1	Rwanda	38.5	Indonesia	88.6
Niger	14.6	Paraguay	38.8	Viet Nam	90.8
Afghanistan	15.8	Timor-Leste	40.0	Sudan	90.9
Nigeria	18.2	Cote d´Ivoire	40.7	Philippines	147.0
Mozambique	20.3	Lesotho	43.0	Sri Lanka	157.8
Guinea-Bissau	20.7	Guinea	44.2	India	171.7
Honduras	21.5	Cambodia	48.8	Pakistan	177.7
Senegal	22.2	Mali	51.6	Morocco	216.6
Bolivia, Plurinational State of	22.5	Burkina Faso	53.7	Congo	276.2
Cameroon	22.6	El Salvador	54.0	Guyana	285.2
Kenya	24.3	Georgia	54.4	Mongolia	290.3

Source: Authors' estimations using the ILO's Social Protection Floors Calculator and the World Bank's World Development Indicators.

Therefore, it is possible to conclude that in most of countries, fiscal space can be created to finance SPF by reducing military spending.

Another possible channel is reallocating fuel subsidies. Fuel subsides can be large in magnitude, and reallocating those resources could be an option for expanding fiscal space for social protection (box 7.1).

**Box 7.1. Lessons on using energy subsidies for social protection floors:
Angola, Ghana and Indonesia**

Since 2010, reducing energy subsidies has been a common policy considered by governments in 132 countries. The reduction of fuel subsidies is often accompanied by the development of a basic safety net as a way of compensating the poor, such as in Angola, Ghana and Indonesia. But these safety nets are insufficient because when fuel subsidies are withdrawn, food and transport prices increase and can become unaffordable for many households; higher energy prices also tend to slow down economic activity and thus generate unemployment. The sudden removal of energy subsidies and consequent increases in prices have sparked protests and violent riots in many countries, such as Cameroon, Chile, India, Indonesia, Kyrgyzstan, Mexico, Mozambique, Nicaragua, Niger, Nigeria, Peru, Sudan and Uganda. There are several important policy implications that must be taken into account:

- *Timing.* While subsidies can be removed overnight, developing social protection programmes takes a long time, particularly in countries where institutional capacity is limited. Thus there is a high risk that subsidies will be withdrawn and populations will be left unprotected, making food, energy and transport costs unaffordable for many households.

- *Targeting the poor excludes other vulnerable households.* In most developing countries, the "middle classes" have low incomes and are vulnerable to price increases, meaning that a policy to remove subsidies allowing only targeted safety nets for the poor may punish the middle classes and low-income groups.

- *Allocation of cost savings.* The large cost savings resulting from reductions in energy subsidies should allow countries to develop comprehensive social protection systems: fuel subsidies are large, but compensatory safety nets tend to be small in scope and cost. For example, in Ghana the eliminated fuel subsidy would have cost over US$1 billion in 2013, whereas the targeted social protection LEAP programme costs only about US$20 million per year (where did the rest of savings go?). Policy discussions contained in IMF (2014) country report on Angola focus on reducing fuel subsidies that benefit all Angolans and replacing them with "a well-targeted conditional cash transfer scheme to protect the less fortunate with a subsidy amount of 50 per cent of the poverty line [that] would cost on an annual basis around ½ per cent of GDP, one eighth of the current level of spending on fuel subsidies"(IMF, 2014, p. 10) – a lost opportunity to build a much needed social protection system for all in Angola.

Subsidy reforms are complex and their social impacts need to be properly assessed and discussed within the framework of national dialogue, so that the net welfare effects are understood and reforms are agreed to before subsidies are scaled back or removed.

The reduction of energy subsidies is a good opportunity to develop social protection floors for all. Fuel subsidies are generally large and should allow governments to develop comprehensive universal social protection systems for all citizens, not just the poor.

Source: ILO, 2016b; IMF, 2014; Ortiz et al., 2015.

Curtailing illicit financial flows

In addition, curtailing Illicit Financial Flows (IFFs) could also free up additional resources for social protection in many developing countries. IFFs involve capital that is illegally earned, transferred or utilized and include, inter alia, traded goods that are mispriced to avoid higher tariffs, wealth funneled to offshore accounts to evade income taxes and unreported movements of cash. Almost US$1 trillion in IFFs are estimated to have moved out of developing countries in 2012, mostly through trade mispricing. Nearly two-thirds end up in developed countries (Kar and Spanjers, 2014). Overall, the average annual outflow of illicit capital is estimated to surpass 10 per cent of GDP in 30 developing countries – a truly staggering amount, especially when compared to the cost of social protection floors. IFFs amounted to almost ten times the total aid received by developing countries in 2012. To put this in perspective, the net effect would be that for every one dollar that developing countries receive in ODA, they are giving back about seven dollars to wealthy countries via illicit outflows.

Based on information estimated by the *Illicit Financial Flows to and from Developing Countries: 2005-2014*[25] (Global Financial Integrity, 2017), the situation of 48 countries with available data part of the sample utilized here[26] were analysed. The evidence shows that the overall cost of the SPF package (3.9 per cent of GDP for this group of countries) is well below the estimated illicit inflows and outflows. On average, illicit outflows represent 11.3 per cent of GDP (ranging from less than 1 per cent of GDP in Cabo Verde, Cameroon and Ghana to more than 30 per cent of GDP in Honduras and Lao People's Democratic Republic) while illicit inflows (21.2 per cent of GDP) are much more volatile with a minimum of 1.4 per cent of GDP in Sierra Leone and a maximum of 121.4 per cent of GDP in Benin (figure 7.1). In other words, the cost of the SPF package represents, for these 48 countries, 34.4 per cent of the estimated outflows and 18.4 per cent of the estimated inflows.

Figure 7.1.   Illicit inflows and outflows in comparison to average Social Protection Floors cost (per cent of GDP)
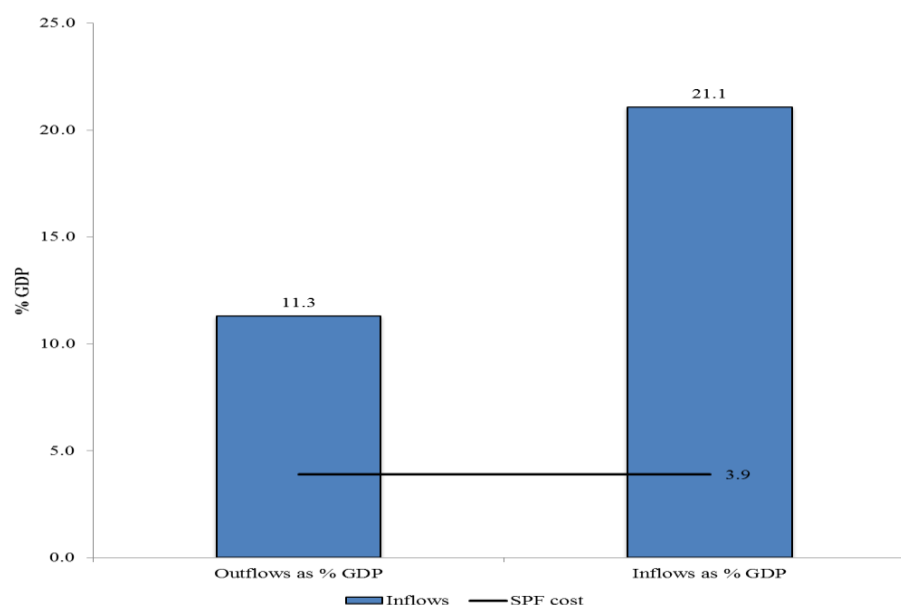
Source: Authors' estimations using the ILO's Social Protection Floors Calculator and data from Global Financial Integrity (2017).

Given the vast amount of resources that illegally escape developing countries each year, policymakers should crack down on IFFs. Tax evasion, money laundering, bribery, trade mispricing and other financial crimes are illegal and deprive governments of revenues needed for social and economic development. To limit IFFs, there are several broad areas that policymakers can focus on, which include curtailing trade mispricing, reducing bribery in public contracts, restraining money laundering and reducing tax evasion.

[25] The report estimated illicit flows from 3 sources: financial flows, trade mis-invoicing and balance of payments leakages. Each source is divided between inflows and outflows with low and high scenarios for the first two. For the simulation, the midpoints of each group were added and one percentage for outflows and one for inflows was estimated. The original data, initially presented "as a percentage of country total trade", were transformed into GDP terms.

[26] The following countries had no data available to proceed with the analysis: Bhutan, Chad, the Gambia, Guinea, Guinea-Bissau, Mauritania, Niger, Swaziland and Timor-Leste.

Political priority to extend social protection floors

This chapter has demonstrated that there is national capacity to finance social protection even in the poorest countries. There are eight options out of which five were presented in the earlier sections: (i) tax revenues; (ii) ODA; (iii) debt; (iv) re-allocating public expenditures, and (v) eliminating illicit financing flows. There are more options that should also be studied, such as (vi) using fiscal and foreign exchange reserves; (vii) adopting a more accommodating macroeconomic framework; and, for contributory social insurance schemes, (viii) expanding the contributory base.

Generating enough resources is a just a first step towards adequate financing of social protection floors. A second critical milestone refers to the distribution of available resources among demanding sectors. This second part of the analysis evaluates potential fiscal space from the point of view of resource allocation, proxied as the share of total government spending that goes to public health and public education. This indicator reflects the country´s willingness to support social investment. [27]

On average, the "willingness to support social investment" indicator averaged 38 per cent of total public spending. Countries like Ethiopia, Nicaragua and Swaziland present coefficients above 60 per cent while other countries like Afghanistan, Georgia and Timor-Leste do not even reach 15 per cent.

For the purpose of this analysis, countries are classified into three groups (table 7.4), according to the proxy indicator of willingness to support social investment. There is positive correlation between the willingness indicator and the cost of the SPF so, the lower the willingness coefficient, the lower is the cost of the package. Countries in the percentile group 1 present an average willingness indicator of 23 per cent and the simple average cost of the SPF package for this group was estimated at 2.9 per cent of GDP. The corresponding figures for the other groups were 38.5 per cent and 4.4 per cent and 52.2 per cent and 4.3 per cent for percentile groups 2 and 3, respectively.

Several messages arise from the previous numbers. Firstly, the low proportion of investments on health and education may indicate the existence of financial or political difficulties to expand social investments and/or to establish it as a priority in the national development agenda. Consequently, the implementation or expansion of social protection floors in percentile group 1 countries may require intensive political negotiations for its consolidation. The modest cost of the package of social protection floors benefits, however, may provide an opportunity for the country to implement the SPF in a context where there may be enough room for expanding social investment.

In countries belonging to percentile groups 2 and 3, the challenge lies in the necessity to evaluate the real fiscal space available for expanding the SPF package, especially in countries showing a higher willingness indicator. Although higher percentages suggest countries where social investments are priority, it is also clear that the possibility of expanding them are limited by fiscal considerations, including decisions regarding resource allocation, in particular in the context of the need to finance other sectors where infrastructure is a classic competitor.

---

[27] Ten countries were not considered due to insufficient data: Cameroon, Chad, Guinea, Guinea-Bissau, Guyana, Haiti, Mauritania, Myanmar, Niger and Sudan.

Table 7.4.   Willingness to support social investments indicator: share of spending in public health and public education, as a percentage of total government spending

Lower Willingness to Social Investments		Medium Willingness to Social Investments		Higher Willingness to Social Investments	
Country	Per cent	Country	Per cent	Country	Per cent
Timor-Leste	13.3	Bangladesh	31.6	Kyrgyzstan	43.7
Georgia	13.8	Madagascar	33.2	Viet Nam	43.9
Afghanistan	14.9	Tanzania, United Republic of	34.5	Burkina Faso	44.5
Nigeria	18.3	Philippines	37.4	Kenya	45.3
Armenia	19.7	Cabo Verde	37.8	The Gambia	45.6
Pakistan	19.9	El Salvador	38.6	Rwanda	47.0
Egypt	21.4	Sierra Leone	38.7	Cote d´Ivoire	48.6
Morocco	21.6	Ghana	39.2	Paraguay	49.4
Cambodia	25.4	Mali	39.2	Benin	51.0
Lao People's Democratic Republic	25.6	Nepal	39.4	Bolivia, Plurinational State of	54.3
Indonesia	27.4	Senegal	41.0	Bhutan	55.1
Sri Lanka	28.3	Guatemala	41.2	Lesotho	56.3
Uganda	28.8	Congo	41.2	Malawi	56.7
Zambia	28.9	Honduras	41.9	Nicaragua	61.7
Mongolia	31.1	Mozambique	42.8	Swaziland	63.0
India	31.6			Ethiopia	69.6

Source: Authors' estimations using the ILO's Social Protection Floors Calculator and based on the ILO's World Social Protection database.

Political will to invest in social protection can also be created. National social dialogue is essential to articulate optimal solutions for macroeconomic and fiscal policies, and social protection strategies. [28] National social dialogue, with government, employers' and workers' organizations as well as civil society, academics, UN agencies and others, is fundamental to generate political will to exploit all possible fiscal space options in a country, and adopt the optimal mix of public policies for inclusive development with social protection.

Countries engage in national dialogue to agree national priorities, identify programmes to close social protection gaps, set adequate level of benefits to be provided by potential programmes, specify financial requirements to achieve the objectives; examine potential fiscal space available and discuss options in a public national debate; as well as to prioritize the implementation of the different programmes (timeframe and sequencing). These require that in-depth analysis be undertaken to estimate the potential cost of benefits of the

---

[28] In this context, it is advisable that the analysis of the investment of the available fiscal space take into consideration medium- and long-term horizons to evaluate the impacts of the alternative use of fiscal resources; in general, a bias towards short-term measures has traditionally prevailed. In the context of social dialogue exercises, it is critical to take into consideration that the greatest impacts linked to the investments on development are difficult to observe and measure in the short-term.

programmes identified during national consultations, the fiscal space availability and potential sources of financing for the benefits.

While some countries have the fiscal space to develop social protection floors, others will have to gradually extend coverage and benefits according to national fiscal capacity, in combination with contributory social insurance. It is therefore imperative that governments explore all possible alternatives to expand fiscal space to promote social protection floors and the SDGs and to leave no one behind.

Bibliography

ANSES (Administración nacional de la seguridad social). 2016. *Informe de la seguridad social – primer semestre 2016*. Available at: http://www.anses.gob.ar/seccion/informacion-de-gestion-210 [27 Mar. 2017].

Attanasio, O.; Battistin, E.; Fitzsimons, E.; Mesnard, A.; Vera-Hernández, M. 2005. *How effective are conditional cash transfers? Evidence from Colombia*. Briefing Note No. 54 (London, Institute for Fiscal Studies). Available at: http://www.ifs.org.uk/bns/bn54.pdf [19 Nov. 2015].

Baird, S.; Ferreira, F.H.G.; Özler, B.; Woolcock, M. 2013. *Relative effectiveness of conditional and unconditional cash transfers for schooling outcomes in developing countries: A systematic review* (Oslo, The Campbell Collaboration). Available at: http://www.campbellcollaboration.org/lib/download/2954/ [16 Apr. 2014].

Barrientos, A. 2003. *What is the impact of non-contributory pensions on poverty? Estimates from Brazil and South Africa*. CPRC Working Paper No 33 (Manchester, Chronic Poverty Research Centre).

—; and Holmes, R., 2006: *Social Assistance in Developing countries, Database. Version 2.0* (Sussex, Institute of Development Studies).

Bertranou, F.; Cetrángolo, O.; Casanova, L.; Beccaria, A; Folgar, J. 2015. *Desempeño y financiamiento de la protección social en Argentina* (Buenos Aires, ILO Country Office for Argentina).

—; Maurizio, R. 2012a. *Monetary Transfers for Children and Adolescents in Argentina: Characteristics and Coverage of a 'System' with Three Components*. International Policy Centre for Inclusive Growth. Research brief August/2012 no. 30 (Brasilia, International Policy Centre for Inclusive Growth).

—. Maurizio, R. 2012b. "Semi-conditional cash transfers in the form of family allowances for children and adolescents in the informal economy in Argentina", in *International Social Security Review*, Vol. 65, No. 1, pp. 53–72. DOI: 10.1111/j.1468-246X.2011.01419.x.

Bierbaum, M.; Oppel, A.; Tromp, S.; Cichon, M. 2016. *A Social Protection Floor Index : Monitoring national social protection policy implementation.* Discussion Paper (Berlin, Friedrich-Ebert-Stiftung).

Bolt, J. and J. L. van Zanden. 2014. "The Maddison Project: collaborative research on historical national accounts", in *The Economic History Review*, 67 (3): 627–651. DOI: 10.1111/1468-0289.12032.

Chakrabarti, S.; Kapur, A.; Vaid, A.; Menon, P. 2017. *Achieving the 2025 World Health Assembly targets for nutrition in India: What will it cost?* POSHAN Policy Note. 2 (New Delhi, India: International Food Policy Research Institute).

Claessens, S.; Keen, M.; Pazarbasioglu, C. 2010. *Financial Sector Taxation. The IMF's Report to the G20* and background material (Washington, DC, IMF).

Dethier, J-J.; Pestieau, P.; Ali, R. 2010. *Universal Minimum Old Age Pensions: Impact on Poverty and Fiscal Cost in 18 Latin American Countries*. Policy Research Working Paper 5292 (Washington, DC, World Bank). Available at: http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-5292 [5 Feb. 2015].

Duran-Valverde Fabio. 2002. *Anti-Poverty Programmes in Costa-Rica: The non-contributory pension scheme*. Extension of Social Security ESS Paper No. 8. (Geneva, ILO).

—; Borges, J. 2015. *Universal pensions for older persons, Cabo Verde*. Social Protection in Action: Building Social Protection Floors (Geneva, ILO). Available at: http://www.social-protection.org/gimi/gess/RessourcePDF.action?ressource.ressourceId=50638 [Nov. 2017].

—; Pacheco, J.F. 2012. *Fiscal space and the extension of social protection: Lessons learnt from developing countries*. Extension of Social Security ESS Paper No. 33 (Geneva, ILO). Available at: http://www.ilo.org/gimi/gess/RessFileDownload.do?ressourceId=34168 [16 Apr. 2014].

Dutrey, A.P. 2007. *Successful Targeting? Reporting Efficiency and Costs in Targeted Poverty Alleviation Programmes*. Social Policy and Development Programme Paper No. 35 (Geneva, UN Research Institute for Social Development-UNRISD).

G20 Leaders Declaration. 2011. *Cannes Summit Final Declaration: Building Our Common Future: Renewed Collective Action for the Benefit of All* (Cannes).

Garcia, M.; Moore, C.M.T. 2012. *The Cash Dividend. The Rise of Cash Transfer Programs in Sub-Saharan Africa.* Directions in development: Human development (Washington, DC, WB).

Gassmann, F., Behrendt, C. 2006. *Cash benefits in low-income countries: Simulating the effects on poverty reduction for Senegal and Tanzania*, Issues in Social Protection Discussion Paper 15 (Geneva, ILO). Available at: http://www.socialsecurityextension.org/gimi/gess/RessourceDownload.action?ressource.ressourceId=6813 [Nov. 2017].

Global Financial Integrity. 2017. *Illicit Financial Flows to and from Developing Countries: 2005-2014* (Washington, DC, Global Financial Integrity).

Global Partnership for Universal Social Protection. 2016a. Available at: http://www.social-protection.org/gimi/gess/NewYork.action?id=34 [Oct. 2017].

—. 2016b. *The Universal Child Money Programme in Mongolia*, Universal Social Protection Series (Washington, DC, World Bank; Geneva, ILO).

—. 2016c. *Universal social protection for children and adolescents in Argentina*, Universal Social Protection Series (Washington, DC, World Bank; Geneva, ILO).

—. 2016d. *Universal maternity protection in Argentina,* Universal Social Protection Series (Washington, DC, World Bank; Geneva, ILO).

—. 2016e. *Universal disability grants in South Africa*, Universal Social Protection Series (Washington, DC, World Bank; Geneva, ILO).

—. 2016f. *Universal pensions in South Africa*, Universal Social Protection Series (Washington, DC, World Bank; Geneva, ILO).

—. 2016g. *The Basic Social Grant for all older persons in Namibia,* Universal Social Protection Series (Washington, DC, World Bank; Geneva, ILO).

—. 2016h. *Universal pensions in Cabo Verde*, Universal Social Protection Series (Washington, DC, World Bank; Geneva, ILO).

—. 2016i. *Universal old-age and disability pensions in Timor-Leste*, Universal Social Protection Series (Washington, DC, World Bank; Geneva, ILO).

Government of India, Ministry of Women and Child Development. 2016. *Annual report 2014-15*. Available at: http://wcd.nic.in/sites/default/files/AR2014-15.pdf [Nov. 2017].

Grosh, M. E. 1994. *Administering targeted social protection schemes in Latin America. From platitudes to practice* (Washington, DC, World Bank). https://doi.org/10.1596/0-8213-2620-1 [Oct. 2017].

—; Ninno, C., Tesliuc, E., Ouerghi, A. 2008. *For protection and promotion: The design and implementation of effective safety ne*ts (Washington, DC., World Bank).

Hagemejer, K. 2009. "Rights-based approach to social security coverage expansion", in: R. Holzmann, D.A. Robalino and N. Takayama, N. (eds.): *Closing the coverage gap: The role of social pensions and other retirement income transfers* (Washington, DC, World Bank), pp. 57-72.

HelpAge International. 2014. *Global AgeWatch Index 2014: Insight report* (London).

Hodges. A.; Dashdorj, K.; Jong, K.Y.; Dufay, A-C.; Budragchaa, U.; Mungun, T. 2007. *Child benefits and poverty reduction: Evidence from Mongolia's Child Money Programme*. Working Paper. Division of Policy and Planning (New York, UNICEF). Available at: http://www.unicef.org/socialpolicy/files/Child_Benefits_and_Poverty_Reduction_Evidence_from_Mongolia.pdf [18 Jan. 2014].

Holzmann, R.; Robalino, D.A.; Takayama, N. (eds.). 2008. *Closing the Coverage Gap. The role of social pensions and other retirement income transfers* (Washington, DC, World Bank).

Human Rights Watch. 2011. *Failing its Families: Lack of Paid Leave and Work-Family Supports in the US* (New York, NY). Available at: http://www.hrw.org/sites/default/files/reports/us0211webwcover.pdf [5 Jan. 2014].

IMF. 2014. *Angola, IMF Country Report No. 14/274* (Washington, DC).

—. 2017. "IMF Executive Board Approves Financial Arrangements for Mongolia". Press Release No. 17/193. Available at: http://www.imf.org/en/News/Articles/2017/05/24/17193-imf-executive-board-approves-financial-arrangement-for-mongolia [26 May 2017].

ILO (International Labour Office). 2008. *Can Low-income Countries Afford Basic Social Security?* Social Security Policy Briefings: Paper 3 (Geneva) Available at: http://www.ilo.org/public/english/protection/secsoc/downloads/policy/policy3e.pdf [May 2017].

—. 2012. *The strategy of the International Labour Organization. Social security for all: building social protection floors and comprehensive social security systems* (Geneva).

—. 2013. *World report on child labour: Economic vulnerability, social protection and the fight against child labour* (Geneva).

—. 2014a. *World Social Protection Report 2014/15: Building economic recovery, inclusive development and social justice* (Geneva). Available at: http://www.social-protection.org/gimi/gess/ShowTheme.action?th.themeId=3985 [26 May 2017].

—. 2014b. *Namibia social protection floor assessment report*. Report to the Government (Geneva, Pretoria; Oxford Policy Management, Pretoria). Available at: http://www.socialprotectionfloor.org/gimi/gess/RessourcePDF.action?ressource.ressourceId=47837 [26 May 2017].

—. 2016a. *Maternity cash benefits for workers in the informal economy*. Social Protection for All Issue Brief (Geneva). Available at:

http://www.social-protection.org/gimi/gess/RessourcePDF.action?resource.ressourceId=54094 [26 May 2017].

—. 2016b. *Financing social protection through contributions and the removal of fuel subsidy: Indonesia*. Social Protection in Action: Building social protection floors (Geneva).

—. 2016c. *Mongolia: Child Money Programme*. Social Protection in Action Country Brief (Geneva).

—. 2017a. *World Social Protection Report 2017–19: Universal Social Protection to Achieve the SDGs* (Geneva).

—. 2017b. *Building social protection systems: International standards and human rights instruments* (Geneva).

International Social Security Association (ISSA); US Social Security Administration (SSA). Various dates. *Social security programs throughout the world* (Geneva and Washington DC).

—. 2014. *Social Security Programs Throughout the World: The Americas*, 2013 (Washington DC). Available at: https://www.ssa.gov/policy/docs/progdesc/ssptw/2012-2013/americas/argentina.pdf [22 Dec. 2014].

Kar, D.; Spanjers, J. 2014. *Illicit financial flows from developing countries: 2003-2012* (Washington, D.C., Global Financial Integrity).

Kidd, S., 2012. *Child Poverty in OECD Countries: Lessons for Developing Countries.* Pathways' Perspectives on social policy in international development, Issue No. 2 (London, Development Pathways). Available at: http://www.developmentpathways.co.uk/resources/wp-content/uploads/2014/06/2-PathwaysPerspectives-Child_Poverty-Kidd.pdf [19 Dec. 2014].

—; Gelders, B.; Bailey-Athias, D. 2017. *Exclusion by design: An assessment of the effectiveness of the proxy means test poverty targeting mechanism*. Extension of Social Security ESS Paper No. 56 (Geneva, ILO and Development Pathways). Available at: http://www.social-protection.org/gimi/gess/RessourcePDF.action?ressource.ressourceId=54248 [Oct. 2017].

Levine, S.; van der Berg, S.; Yu, D. 2011. "The impact of cash transfers on household welfare in Namibia", in *Development Southern Africa* Vol. 28, No. 1, March 2011, pp. 39-59.

Ministry of Finance (Bangladesh). 2014. *Social Safety Net Programmes. Budget 2013-14, 2013-14 (Revised) & Budget 2014-15*. Available at: http://mof.gov.bd/en/budget/14_15/safety_net/safety_net_en.pdf [7 Jan. 2014].

Mizunoya, S., Behrendt, C., Pal, K., Léger, F. 2006. *Can Low Income Countries Afford Basic Social Protection? First Results of a Modelling Exercise for Five Asian Countries.* Issues in Social Protection Discussion Paper 17 (Geneva, ILO). Available at: http://www.social-protection.org/gimi/gess/RessFileDownload.do?ressourceId=810 [May 2017].

OECD. 2011. *What are equivalence scales? OECD Project on Income Distribution and Poverty*. Available at: http://www.oecd.org/eco/growth/OECD-Note-EquivalenceScales.pdf [May 2017].

Ortiz,I.; Cummins, M.; Capaldo, J.; Karunanethy, K. 2015. *The decade of adjustment: A review of austerity trends 2010–2020 in 187 countries*. Extension of Social Security ESS Paper Series No. 53 (Geneva, ILO; New York, South Centre, Initiative for Policy Dialogue).

Ortiz, I. Cummins, M.; Karunanethy, K. 2017. *Fiscal space for social protection: Options to expand social investments in 187 countries* (Geneva, ILO; New York, UNICEF and UNWOMEN).

Pal, K., Behrendt, C., Léger, F., Cichon, M., Hagemejer, K. 2005. *Can Low Income Countries Afford Basic Social Protection? First Results of a Modelling Exercise.* Issues in Social Protection Discussion Paper 13 (Geneva, ILO). Available at: http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---secsoc/documents/publication/wcms_207725.pdf [Oct. 2017].

Ravallion, M., Van De Walle, D., Brown, C.S., 2016. *A poor means test ? Econometric targeting in Africa.* Policy Research Working Paper No. 7915 (Washington, DC, World Bank).

Samson, M.; Lee, U.; Ndlebe, A.; Mac Quene, K.; van Niekerk, I.; Gandhi, V.; Harigaya, T.; Abrahams, C. 2004. *The Social and Economic Impact of South Africa's Social Security System.* Summary Report. Commissioned by the Directorate: Finance and Economics (Pretoria, Economic Policy Research Institute). Available at: http://www.sarpn.org/documents/d0001041/P1154-sampsondsd_Sept2004.pdf [4 Feb. 2015].

SASSA (South African Social Security Agency). 2016. *Annual Report 2015/16* (Pretoria).

Stockholm International Peace Research Institute (SIPRI). 2017. *SIPRI Yearbook 2017.* (Stockholm, Oxford University Press).

UN (United Nations). 2009. *Effects of foreign debt and other related international financial obligations of states on the full enjoyment of all human rights, particularly economic, social and cultural Rights.* Note by the United Nations Secretary-General A/64/289 (New York).

—. 2015. *Transforming our world: the 2030 Agenda for Sustainable Development. Resolution adopted by the General Assembly on 25 September 2015*: A/RES/70/1. Seventieth session of the General Assembly (New York).

UNFPA (United Nations Population Fund); HelpAge International. 2012. *Ageing in the Twenty-First Century: A celebration and a challenge*. (New York and London).

UNICEF. 2013. *Improving child nutrition: The achievable imperative for global progress*, (New York).

—. 2016. The State of the World's Children 2016: A fair chance for every child (New York). Available at: https://www.unicef.org/publications/files/UNICEF_SOWC_2016.pdf [27 Apr. 2017].

—. Department for International Development UK (DfID); HelpAge International; Hope & Homes for Children; Institute of Development Studies; International Labour Organization; Overseas Development Institute; Save the Children UK; United Nations Development Programme (UNDP) and the World Bank. 2009. *Advancing Child-Sensitive Social Protection.* Available at: https://www.unicef.org/aids/files/CSSP_joint_statement_10.16.09.pdf [28 May 2017].

te Velde, Dirk Willem. 2013. "Taxation and extractive industries", in EPS-PEAKS *Taxation and Developing Countries:* training notes. Available at: https://www.odi.org/sites/odi.org.uk/files/odi-assets/events-documents/5045.pdf [Nov. 2017].

WHO (World Health Organization). 2005. *World Health Report 2005: Make every mother and child count* (Geneva).

—. 2014. "Raising Tax on Tobacco: What you need to know" http://apps.who.int/iris/bitstream/ 10665/112841/1/WHO_NMH_PND_14.2_eng.pdf [Oct. 2017].

World Bank. 1997. "Designing effective safety net programs", in *Poverty Lines* (7), pp. 1-2.

Annex I. A global review of administration costs

Administration costs represent an integral part of the gross expense for the provision of any social protection benefit, contributory or non-contributory. While general administrative cost estimates cannot be as precise as those informed by a technical study, they have to be precise enough to guide the selection of viable social protection programmes for implementation. Unreasonably high estimates of administration costs can deter the attractiveness of a much needed social protection intervention in a country. Unreasonably low estimates of administration costs can yield gross expenditure levels which are not borne out in practice, resulting in an unsustainable social protection (SP) system.

The ILO and World Bank (Grosh et al., 2008) use a similar definition of the 'administration costs' for social protection schemes. They are broadly defined as expenses related to the running of a social protection scheme, including eligibility determination (including targeting or screening processes, if any), beneficiary registration, contribution collection (with respect to social insurance schemes only), benefit / claims processing, dealing with appeals, governance and financial controls, as well as the ongoing monitoring and evaluation of the various scheme outcomes.

The gross expenditure of a social protection scheme comprises of administration costs and the benefits disbursed. The administration costs of a specific scheme are usually reported either as percentage of the gross expenditure, or on a per capita basis (i.e. the administration cost divided by the number of beneficiaries). This report tabulates administrative costs utilizing the former (percentage-based) approach.

From the research undertaken, it is evident that there are limited global studies on the administration costs of social protection schemes, especially of non-contributory schemes. This lack of data is also due to the fact that finance and accounting systems of non-contributory social protection schemes are not always designed to track the administration costs. Where such capacity exists, it may apply to only some of the administrative cost components, while omitting others.

Further, the social protection scheme administrator may manage multiple schemes or undertake other peripheral activities, while the accounting systems are only able to tabulate gross administration expenses. This therefore limits the ability to clearly attribute unique costs to a specific social protection programme. This challenge is compounded where the scheme administrator is a State entity. The costs related to the State's human resources, office leasing, IT equipment, vehicles and other peripheral administration related inputs to deliver social assistance goods and services, are often accounted for using different national accounts budget codes. As a consequence they are not directly attributable to the unique social protection scheme to which they are deployed. It is worth highlighting that many of the administration cost data quoted herein were taken from literature that is not explicit on source data or how the calculations were done.

As in every project, non-contributory schemes are expected to have high initial administration installation costs, and the procurement of assets to support its delivery. As the programme becomes more established, these administration costs are expected to stabilize at an operative norm. By way of example, in the first seven years of the implementation of Mexico's PROGRESA programme, its administrative costs fell from 51 per cent of the programme's total budget to 6 per cent. This was the result of the large up-front expenditures for the procurement of administrative systems (Grosh et al. 2008). In most of the literature reviewed, there is little reference to the stage of development of the programme when reporting administration costs. This report attempts to overcome this hurdle by utilizing multiple sources to complete the profile of the reviewed schemes, with special emphasis on the scheme's establishment date as well as the year in which the administration cost were recorded. Care must be taken when considering the correlation between the scheme inception date and the administration cost report date. Some schemes

while reported as 'new,' benefit from the administrative architecture of pre-existing schemes and therefore experience reduced administrative installation costs.

Another important consideration for mapping administration costs is the size of the scheme (i.e. number of beneficiaries and quantum of benefits). Administration costs for the most part accrue in absolute terms. They can therefore benefit from efficiencies of scale as the scheme grows in size. A sufficiently large scheme will therefore typically exhibit relatively lower administration cost percentage as compared to a smaller scheme. This is despite the fact that the larger scheme may have a higher monetary administration cost per capita. For the purpose of this review, scheme size was not mapped.

Another important consideration for administrative costing is the design of the non-contributory social protection schemes namely universal or targeted. Universal social assistance programs deliver benefits to all persons within a prescribed sub-set. Alternatively, targeted social assistance schemes apply various screening mechanisms to identify qualifying beneficiaries. There are three broad targeting mechanisms, namely 'individual assessment mechanism', 'group (or geographic) targeting mechanism' and the 'self-targeting mechanism'. The screening mechanisms, while expected to reduce access by non-qualifying beneficiaries, can be overly complex and thus increase administration costs significantly and negate the overall efficiency of the scheme. While studies have attempted to map and evaluate which targeting mechanism generates the least administrative costs, the initially cited difficulties of accurately tabulating the comprehensive administration costs of social assistance clouds this comparison. The review therefore draws comparison from universal versus targeted schemes, without taking into account the type of targeting mechanism applied.

Tables A.I.1 and A.I.2 below summarize respectively the administration cost experience of various universal (cash or near cash) social assistance programmes and targeted social assistance schemes, the year in which the administration costs were recorded and where available the scheme inception year.

Table A.I.1. Comparative analysis of the administration costs of universal near cash social assistance schemes

Country/ territory	Scheme type	Programme name	Administration costs (percentage of total benefits)	Inception year	Data year
Botswana	Social Pension	Old-Age Pension	4.5[1]	1996	1999
Cabo Verde	Social Pension	National Centre of Social Pensions (CNPS)	1.4[2]	2006[3]	n/a
Kosovo	Social Pension	Old-Age "Basic Pension"	1.5[1]	2002	2006
Mauritius	Social Pension	Basic Retirement Pension	2.5[1]	1976	1999
Namibia	Social Pension	Old-Age Pension	4.4[1]	1949[4]	1999
New Zealand	Social Pension	Old-Age Pension (Superannuation)	0.5[1]	1898	2005/6
		Average	**2.5**		

Sources: [1] Holzmann et al. (ed.), (2008); [2] Duran-Valverde, Borges (2015).

Notes: [3] Created by the merger of previously existing schemes; [4] Scheme previously for whites only. Transitioned to universal cover in 1992.

Table A.I.2. **Comparative analysis of the administration costs of targeted near cash social assistance schemes**

Country	Scheme type	Programme name	Administration costs (percentage of total expenditure)	Inception year	Data year
Albania	Cash Transfer - Welfare	Ndhime Ekonomika	7.2 [2]	1993	2004
Argentina	Public Works	Jefes de Hogar	1.6 [2]	2002	2004
Armenia	Cash Transfer - Subsidies - Welfare	Family Poverty Benefits Program	2.2 [2]	1993	2006
Bangladesh	Conditional Cash Transfer	Primary Education Stipend Program	4.0 [2]	2002	2002
Bangladesh	Public Works	Rural Maintenance Program	24.0 [2]	1982	2001
Bolivia, Plurinational State of	Public Works	Emergency Social Fund	3.5 [3]		1992
Brazil	Conditional Cash Transfer	Bolsa Familia	12.3 [2]	2003	2003
Bulgaria	Cash Transfer	Guaranteed Minimum Income Program	9.9 [2]	1992	2004
Bulgaria	Cash Transfer	Child Allowances	5.6 [2]	2002	
Colombia	Conditional Cash Transfer	Familias en Accion	10.5 [2]	2001	2000/ 2004
Colombia	Fee Waivers	Student Loans	21.0 [3]		1992
Costa Rica	Fee Waivers	University Tuition Waivers	16.0 [3]		1992
Costa Rica	Social Pension	Programa Regimen No Contributivo	2.5 [4]	1974	2000
Dominican Republic	Conditional Cash Transfer	Solidaridad	5.9 [2]	2004	2006
Dominican Republic	Fee Waivers	Hospital Fee Waivers	3.6 [3]		1992
Ecuador	Conditional Cash Transfer	Bono de Desarrollo Humano	4.1 [2]		2005
Ethiopia	Cash Transfer - Food	Productivity Safety Net Program	16.0 [3]	2005	2006
Ghana	Cash Transfer	Livelihood Empowerment Against Poverty	30.0 [1]	2008	
Honduras	Cash Transfer - Food	Food Stamps for Female-led Households	12.0 [3]	1990	1992
Honduras	Cash Transfer - Food	Bono Materno Infantil	6.0 [3]		1992
Jamaica	Cash Transfer - Food	Food Stamps Program	10.0 [3]	1984	1992
Jamaica	Conditional Cash Transfer	Program of Advancement through Health & Education (PATH)	13.0 [2]	2001	2004/5
Jamaica	Fee Waivers	Student Loans	30.0 [3]		1992
Kenya	Cash Transfer	Cash Transfer for OVC	25.0 [1]	2004	
Kyrgyzstan	Cash Transfer	Unified Monthly Benefit Program	9.3 [2]	1995	2005
Lithuania	Cash Transfer	Social Benefit Program (Cash)	6.5 [2]		2004

Country	Scheme type	Programme name	Administration costs (percentage of total expenditure)	Inception year	Data year
Malawi	Cash Transfer	Social Cash Transfer	15.0 [1]	2006	
Mexico	Cash Transfer	Tortivales	12.0 [3]	1990	1992
Mexico	Conditional Cash Transfer	PROGRESA / Oportunidades	6.0 [2]	1997	2003
Morocco	Public Works	Promotione Nationale	6.0 [2]		1990
Pakistan	Conditional Cash Transfer	Pakistan Child Support Program	8.0 [1]	2006	
Peru	Public Works	A Trabajar Urbano	23.0 [2]	2002-2003	2003
Peru	Conditional Cash Transfer	Juntos	12.0 [1]	2005	
Romania	Cash Transfer	Guaranteed Minimum Income Program	9.8 [2]	2002	2003
Rwanda	Public Works - Cash Transfer - Access to Finance	Vision 2020 Umurenge Program	8.0 [1]	2008	2010
South Africa	Social Pension	Older Persons Grant	5.2 [5]	1997	2014
Yemen	Cash Transfer	Social Welfare Fund	8.5 [2]		2001
Yemen	Public Works	Second Public Works Programs	3.7 [2]		2003
Zambia	Cash Transfer	Kazungula SCT (Rural)	20.0 [1]	2003	2008
Zambia	Cash Transfer	Chipata SCT (Urban)	10.0 [1]	2003	2006
		Average	**11.0**		

Sources: [1] Garcia, Moore (2012); [2] Grosh et al. (2008), pp. 411-413; [3] Grosh (1994); [4] Duran-Valverde (2002); [5] SASSA Annual Report 2015.

Conclusion

From the results of this data review, and reference to other peer studies, one can observe a variance in the trend of costs between universal and targeted (cash or near cash) schemes. Universal (cash or near cash) schemes reviewed exhibited the lowest average administration cost at 2.5 per cent. The highest administration cost from this data set was 4.5 per cent in respect of Botswana's Old-Age Pension, while the lowest cost was with respect to New Zealand's Old-Age (Superannuation) Scheme at 0.5 per cent.

The targeted (cash or near cash) schemes had an average administration cost of 11.0 per cent. The highest administration cost was the Jamaica Fee Waiver Student Loans program and Ghana's cash transfer Livelihoods Empowerment Against Poverty both at 30 per cent. The lowest costs were with respect to Armenia's Family Poverty Benefits Program and Costa Rica's Social pensions Programme at 2.2 and 2.5 per cent respectively. Given the multitude of ways in which peer studies present their findings, a direct comparison of administration costs for universal versus targeted schemes is not possible. A peer report however estimated the average administration costs of targeted cash or near cash schemes in the range of 8-12 per cent (Grosh, 1994).

No distinct regional administration cost trends were observed from this exercise.

Against these observed trends, the SPF calculator takes into account the following administration costs assumptions:

1. *Universal* **near cash / cash benefits**, the proposed assumption is 3 per cent.

2. *Targeted* **near cash / cash benefits**, the proposed assumption is 11 per cent.

The justification for this assumptions is premised on the research, and takes into account a marginal prudence component to factor in the expected 'higher' initial installation costs at scheme commencement. In conclusion, it is clear that there exists a research gap for a global and systematic mapping of the administration costs of social protection schemes.

Annex II. Scope and definition of the comparable set of benefits

Social protection benefits

The paper provides costing estimates for the following cash benefits:

(1) Allowances for all children;

(2) Allowances for all orphans;

(3) Maternity cash benefits for all women with newborns;

(4) Disability benefits for all persons with severe disabilities, and

(5) Universal old-age basic pensions.

The cost estimates are provided for 57 developing countries, including 34 lower middle-income (LMICs) and 23 low-income countries (LICs). The costing of this comparable set of benefits is determined in relation to national poverty lines.

While the focus of the paper is on a basic package of benefits for these countries, it should be noted that in many upper middle-income countries (UMICs) and high-income countries (HICs), governments often offer broader categories of benefits and significantly higher levels of benefits. Recommendation No. 202 along with other international labour standards recommends higher levels of social protection but sets a minimum level at the nationally defined social protection floors.

The database of the Social Protection Floors Calculator

The calculations rely on a database of key demographic, poverty, employment and other national statistics for the latest available year, 2015 for the majority of countries. The details for each benefit category are explained in each chapter of this paper. While the database contains data for 114 countries, this paper is limited to 57 countries. The selection is based on the focus on LIC and LMIC and data constraints and availability. [29]

Calculation method and role of national poverty lines

The annual cost for a given benefit category is generally the product of the estimated beneficiary population and the unit cost of the benefit.

The beneficiary population is determined by the eligibility criteria. Eligibility is decided categorically – that is, by belonging to a certain group, e.g. an orphan – and not determined by a means-test. The unit benefit level is set at the national poverty line, or a percentage of it. Higher benefit levels are encouraged for more adequate income security.

One of the main concerns stemming from the costing results is the fact that countries with similar demographic structure and similar level of development show very different costs for the comparable set of benefits. This can be traced back to the use of the poverty line as the basis for the calculation of the benefit level.

---

[29] A crucial data requirement for the costing of social protection floors cash benefits is the availability of data on national poverty lines and minimum wages.

As poverty lines are calculated nationally – hence subject to the discretion of the authorities of each country – we observe important discrepancies across the sample countries. Figure A.II.1 compares national poverty lines with the World Bank's international poverty lines, in relation to GDP per capita. LMIC's poverty lines as a share of GDP per capita tend to be lower than those of LIC, which also explains the lower cost estimates of the comparable package of social protection floors guarantees.

Figure A.II.1. National poverty lines compared to the World Bank international poverty threshold, in relation to GDP per capita (various years)
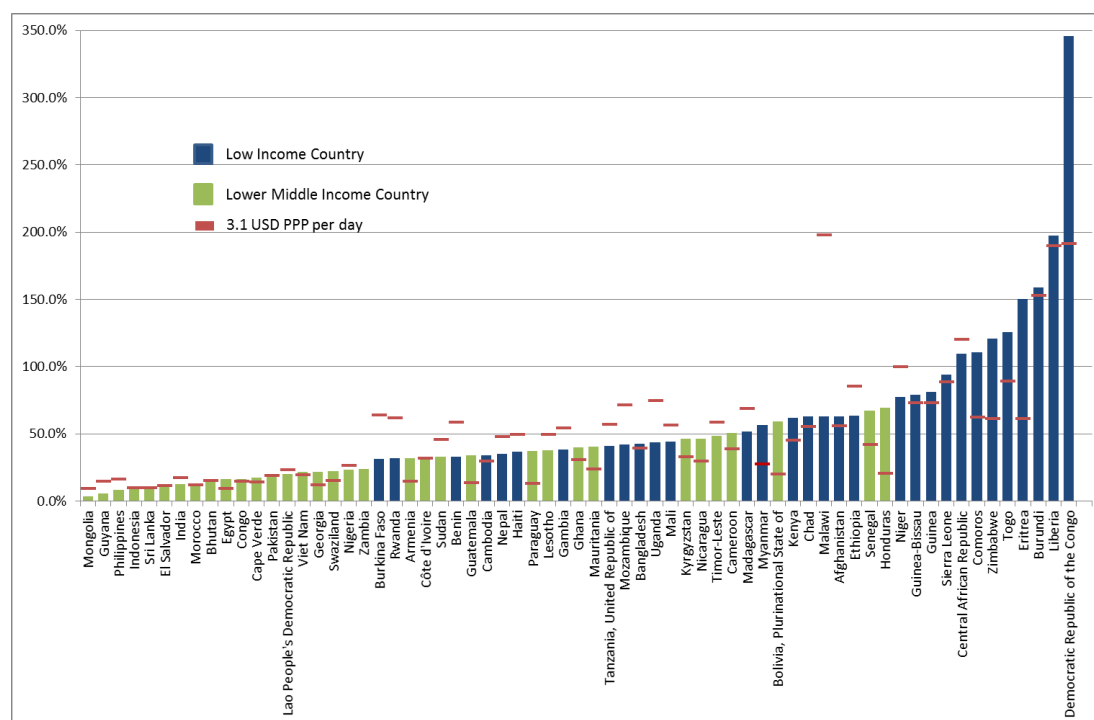
Note: The national poverty lines are adjusted for inflation and currency fluctuations.

Source: National statistics; World Bank.

Poverty lines usually represent the cost of a basket of goods and services that are considered the minimum fundamental for the consumption of households. The cost of these consumption baskets varies for different reasons. One determining factor is the share of local production as compared to the share of imported goods of the items in the consumption basket. Local policies might also play a role in the determination of the price of certain goods as some governments could opt for subsidizing basic goods and services – or to tax them as any other good in the economy. Additionally, there is no standardized methodology applied in all countries for the estimation of a minimum food basket plus essential services nor for the calculation of the aggregate national poverty headcounts. This paper does not assess the adequacy of the different national poverty lines – it accepts that they are nationally-determined.

Administrative costs

The cost estimates include administration costs equivalent to 3 per cent of the direct benefit expenditure for all universal benefits simulated in this paper. This assumption for

administrative expenditure is based on observed experiences for a number of universal and targeted programmes. [30]

The results are given as cost estimates expressed as a percentage of GDP. Average expenditure estimates are provided for the different components of the comparable social protection floors guarantees. They are calculated as simple arithmetic averages among the countries presented – no weighting by population or otherwise.

The interpretation of results into realistic implementation plans depends on the identification of financing from domestic resources and where required international support, namely to set-up and boost the institutional and administrative capacities at the national level.

Inherent limitations

In order to facilitate international comparison, this paper provides broad initial cost estimates of a comparable set of benefits that is aimed at fulfilling some of the social protection floors guarantees, except health - the present report does not include healthcare. In addition, the cost estimates produced and compiled in this study use a simplified rapid assessment tool, the ILO Social Protection Floors calculator, [31] which cannot fully take into account national circumstances and priorities. The objective of this tool is to provide a first cost estimation. More in-depth studies and consultations are necessary at the national level to arrive at a more detailed cost estimate tailored to national circumstances and priorities in line with Recommendation No. 202 based on national consultations through effective social dialogue and participation of key stakeholders. It is therefore recommended that in building and extending national social protection floors, a more in-depth analysis of country-specific gaps, objectives, priorities and fiscal possibilities through a sound participative Assessment Based National Dialogue (ABND) be undertaken.

The comparable set of benefits proposed in this paper should be understood as a minimum scenario – the provision of higher levels of social protection is key to achieve sustainable and more redistributive income security. Recommendation No. 202 in para. 3(g), calls on the "progressive realization" by member States of basic social protection floors. Thus, this report focuses on the costing of cash transfers related to income security for the most vulnerable groups, children, pregnant women, the elderly and the disabled. This does not preclude governments from putting in place other schemes and programmes.

The cost estimates presented do not take into account the expenditure on existing social protection benefits of a similar or relatively comparable nature.

The results of the cost estimates do not reflect the investments required to kick-start new programmes of social protection nor investments required to scale up existing programmes in order to achieve universal social protection. Significant investments in institutions and administrations are normally to be expected, which often represent some of the most significant challenges to achieve universal social protection.

---

[30] Details on the assumption basis for administration costs can be found in the Annex I.

[31] The ILO Social Protection Floors Calculator is available at:
http://www.social-protection.org/gimi/gess/SPFCalculReport.action.

Annex III.   Country results

Table A.III.1. Total cost of universal social protection floors cash benefits by region (percentage of GDP)

	Cost of a child benefit of 25% of the poverty line to all children (less than 5 years old)	Cost of a benefit of 100% of the poverty line to all orphans	Cost of a benefit of 100% of the poverty line over 4 months to all mothers with newborns	Cost of a benefit of 100% of the poverty line to all persons with severe disabilities	Cost of a benefit of 100% of the poverty line to all persons aged 65 and more
East Asia and Pacific					
Cambodia	1.0%	0.0%	0.3%	0.7%	1.4%
Indonesia	0.2%	0.0%	0.1%	0.2%	0.5%
Lao People's Democratic Republic	0.6%	0.0%	0.2%	0.4%	0.8%
Mongolia	0.1%	0.0%	0.0%	0.1%	0.1%
Myanmar	1.2%	0.0%	0.4%	1.3%	3.1%
Philippines	0.2%	0.0%	0.1%	0.2%	0.4%
Timor-Leste	2.1%	0.0%	0.6%	0.9%	2.8%
Viet Nam	0.5%	0.0%	0.1%	0.5%	1.5%
Europe and Central Asia					
Armenia	0.6%	0.0%	0.2%	0.8%	3.6%
Georgia	0.4%	0.0%	0.1%	0.6%	3.2%
Kyrgyzstan	1.6%	0.0%	0.4%	0.9%	2.0%
Latin America and the Caribbean					
Bolivia, Plurinational State of	1.7%	0.0%	0.5%	1.1%	3.9%
El Salvador	0.3%	0.0%	0.1%	0.2%	1.0%
Guatemala	1.1%	0.0%	0.3%	0.6%	1.7%
Guyana	0.1%	0.0%	0.0%	0.1%	0.3%
Haiti	1.1%	0.0%	0.3%	1.0%	1.7%
Honduras	1.8%	0.0%	0.5%	1.4%	3.5%
Nicaragua	1.2%	0.0%	0.3%	0.9%	2.4%
Paraguay	1.0%	0.0%	0.3%	0.8%	2.3%
Middle East and North Africa					
Egypt	0.6%	0.0%	0.2%	0.3%	0.9%
Morocco	0.3%	0.0%	0.1%	0.3%	0.8%
South Asia					
Afghanistan	2.5%	0.1%	0.7%	1.5%	1.6%
Bangladesh	1.0%	0.0%	0.3%	0.9%	2.2%
Bhutan	0.3%	0.0%	0.1%	0.3%	0.8%
India	0.3%	0.0%	0.1%	0.3%	0.7%
Nepal	0.9%	0.0%	0.3%	0.8%	2.0%
Pakistan	0.6%	0.0%	0.2%	0.4%	0.8%
Sri Lanka	0.2%	0.0%	0.1%	0.2%	0.9%

	Cost of a child benefit of 25% of the poverty line to all children (less than 5 years old)	Cost of a benefit of 100% of the poverty line to all orphans	Cost of a benefit of 100% of the poverty line over 4 months to all mothers with newborns	Cost of a benefit of 100% of the poverty line to all persons with severe disabilities	Cost of a benefit of 100% of the poverty line to all persons aged 65 and more
Sub Saharan Africa					
Benin	1.3%	0.0%	0.4%	0.6%	1.0%
Burkina Faso	1.4%	0.0%	0.4%	0.5%	0.8%
Cameroon	2.1%	0.1%	0.6%	1.0%	1.7%
Cape Verde	0.5%	0.0%	0.1%	0.4%	0.8%
Chad	3.0%	0.1%	1.0%	1.1%	1.6%
Congo	0.7%	0.0%	0.2%	0.3%	0.6%
Côte d'Ivoire	1.4%	0.1%	0.4%	0.7%	1.0%
Ethiopia	2.4%	0.1%	0.7%	1.1%	2.3%
Gambia	1.8%	0.0%	0.6%	0.6%	0.9%
Ghana	1.5%	0.0%	0.4%	0.8%	1.4%
Guinea	3.4%	0.1%	1.0%	1.6%	2.6%
Guinea-Bissau	3.2%	0.1%	1.0%	1.6%	2.6%
Kenya	2.5%	0.1%	0.7%	1.1%	1.8%
Lesotho	1.3%	0.2%	0.4%	0.9%	1.6%
Madagascar	2.1%	0.0%	0.6%	1.0%	1.5%
Malawi	2.8%	0.2%	0.8%	1.2%	2.2%
Mali	2.1%	0.0%	0.7%	0.8%	1.1%
Mauritania	1.5%	0.0%	0.5%	0.8%	1.3%
Mozambique	1.9%	0.2%	0.6%	0.8%	1.4%
Niger	4.1%	0.1%	1.3%	1.3%	2.1%
Nigeria	1.0%	0.0%	0.3%	0.4%	0.6%
Rwanda	1.2%	0.0%	0.3%	0.6%	0.9%
Senegal	3.0%	0.0%	0.9%	1.2%	2.0%
Sierra Leone	3.8%	0.3%	1.2%	2.0%	2.6%
Sudan	1.2%	0.0%	0.4%	0.6%	1.1%
Swaziland	0.8%	0.1%	0.2%	0.5%	0.8%
Tanzania, United Republic of	1.9%	0.1%	0.6%	n.a.	1.4%
Uganda	2.1%	0.2%	0.6%	0.7%	1.1%
Zambia	1.1%	0.1%	0.3%	0.4%	0.7%

Source: Authors' calculations using ILO's Social Protection Floors Calculator and based on the ILO's World Social Protection Database, 2017.

Universal social protection floors: Costing estimates and affordability in 57 lower income countries

Annex IV. Methodology

The desired result is the proportion of the costs as percentage of GDP, in other terms:

$$ben = \frac{BEN}{GDP}$$

While *ben* stands for the relative value of the benefits (in this case as a percentage of GDP), *BEN* represents the total amount of the benefits.

$$BEN = pop \cdot \overline{ben}$$

Here, $\overline{ben}$ stands for the average benefit per recipient, and *pop* the recipient population.

Additionally:

$$GDP = gdp \cdot POP$$

The lowercase *gdp* means GDP per capita and *POP* the countries' population.

Using this:

$$ben = \frac{pop \cdot \overline{ben}}{gdp \cdot POP} = \frac{\overline{ben}}{gdp} \cdot \frac{pop}{POP}$$

The last equation means that the proportion of the benefit to GDP is equal to the product of the following two ratios:

■ the ratio of the average benefit and per capita GDP, and

■ the ratio of the recipient population and the whole population of the country.

The calculation of the first ratio, the economic ratio, is straightforward: The level of the potential benefit divided by per capita GDP (both have to be in the same currency unit).

The second, the demographic ratio, corresponds to the proportion of the potential target population.

Calculating the demographic ratios:

The denominator in all of the calculations corresponds to the total population of the country, as provided by the United Nations World Population Prospects (UNWPP). [32]

The numerator represents the target beneficiary population for the different benefits.

In the case of the **(i) child benefit,** it corresponds to the total amount of children in a country.

The definition of children used for the calculation is persons under age 15 and the proportion of children in the population is taken from the UNWPP.

---

[32] Accessible at: http://esa.un.org/wpp/sources/country.aspx.

For the **(ii) orphan benefit**, the probability of both parents dying before the child turns 15 needs to be estimated.

- For this, the life expectancy at the beginning of the reproductive life (e_{15}) and 15 years after the reproductive life is finished (e_{65}) is considered, estimating the constant q (death) probabilities: [33]

Equation 1

$$e_{15} = {}_{50}e_{15} + (1 - q)^{50}e_{65}$$

$$e_{15} = \frac{1 - q - (1 - q)^{51}}{q} + (1 - q)^{50}e_{65}$$

- Once q is identified, the probability of losing both parents before age n is:

$$q^{n^2}$$

- As the child population is defined as those aged 0—14, the middle point in the range is used to estimate the approximate probability of being an orphan, hence n=7.

- Consequently, the expected proportion of orphans among the population is $q^{7^2} \cdot child$

Where *child* is the proportion of children in the whole population taken from UNWPP.

Concerning the **(iii) old-age benefit**, see table A.IV.1 for the demographic ratio.

For the **universal pension**, the numerator is equal to the total number of persons above age 65 as provided by the UNWPP.

$$dr = oldage = \frac{Pop_{65+}}{POP}$$

Regarding the **(iv) maternity benefit**, the numerator is based on the following parameters:

The cfr corresponds to the crude fertility rate from the UN World Population Prospects and it is the proportion of newborns over the population for the next year, it is already a demographic ratio

$$dr = cfr$$

The **(v) disability benefit** targets all dependent people in a country, excluding those who are already covered by child or old-age benefits. Hence, the dr is determined by the following formula:

$$dr = (1 - child - oldage) \cdot disrate$$

---

[33] The life expectancies were taken from the Life expectancy at exact age, e(x), for both sexes combined, by major area, region and country, 1950-2100 table from the UN World Population Prospects.

where *disrate* stands for the total number of dependent people over the whole population. [34]

Calculating the economic ratios:

Like for the demographic ratio, the denominator for the economic ratio is the same for all benefits. It corresponds to the GDP per capita of the countries, as estimated by the IMF World Economic Outlook. [35]

The nominators represent the benefit levels.

For the **(i) child benefit**, the **(ii) orphan benefit**, the **(iii) old-age benefit** and the **(v) disability benefit**, the level of the benefit is simply determined by:

■ the (indicated share of) the poverty line (*pl*),

$$er = \frac{rr \cdot pl}{gdp}$$

Where *rr* is the ratio determined by the user, e.g. 12% or 100%.

In the case of the **(iv) maternity benefit**, it is multiplied by $\frac{4}{12}$ instead, as it is granted for four months per pregnancy.

The tables A.IV.1 and A.IV.2 provide an abstract of the demographic and economic ratios used for this paper.

Table A.IV.1. Determination of demographic ratios

Benefit	Demographic ratio
Children	$dr = child = \dfrac{Pop_{0-14}}{POP}$
Orphans	$dr = child \cdot orphan *$
Old-age	$dr = oldage = \dfrac{Pop_{65+}}{POP}$
Maternity	$dr = cfr$
Disabiilty	$dr = (1 - child - oldage) \cdot disrate$

* Detailed explanation for the estimation of the proportion of orphans is found in *Equation 1*.

[34] The calculation of the disability rates are based on figures provided by the WHO. In 2004, the WHO published the Simplified Disability-Adjusted Life Years (DALYs) as part of the methods to assess the global burden of disease estimates (available at: http://www.who.int/healthinfo/global_burden_disease/GBD_report_2004update_full.pdf?ua=1).
The estimation is composed of the number of years lost due to disability, the Years of Life Lost due to premature mortality (YLL) and the Years Lost due to Disability (YLD). The YLD was then used for the working-age groups (15-29, 30-59, 60-69) as it is available for all countries. In addition, the following life table provided by the WHO was used for the calculation of the disability rates: http://www.who.int/healthinfo/statistics/GlobalDALYmethods_2000_2011.pdf?ua=1, p. 58. In that table, life expectancy at 22 is 70.07, at 45 is 47.27 and at 65 is 27.86 years. The average factor used matches the 3.5 per cent disability rate for Togo.

[35] Accessible at : http://www.imf.org/external/pubs/ft/weo/2011/01/weodata/download.aspx.

Table A.IV. 2. Determination of economic ratios

Benefit	Economic ratio
Children	
Orphans	$er = \dfrac{rr \cdot pl}{gdp}$
Old-age	
Disability	
Maternity	$er = \dfrac{rr \cdot pl}{gdp} \cdot \dfrac{4}{12}$