International Labour Organization

USP2030 UNIVERSAL SOCIAL PROTECTION

4th International Conference on Financing for Development

A global call to action to accelerate the achievement of universal social protection (SDG target 1.3) to reduce poverty and inequality

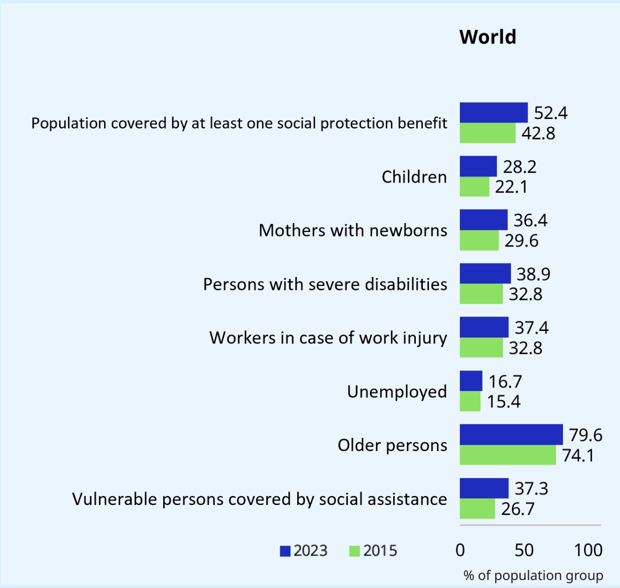
Target: Prioritize investments to extend social protection coverage by at least 2-percentage-points per year [1]

A minimum increase in social protection coverage of 2-percentage-points per annum is both necessary and feasible

As of 2023, 52.4 per cent of the world's population is effectively covered by at least one social protection benefit, up from 42.8 per cent in 2015 (see figure 1). If progress were to continue at this rate, it would take another 49 years for everyone to be covered by at least one social protection benefit. However, to progressively mobilize the necessary resources to close the coverage gap, countries need to set realistic short-term targets that will get us there. The target that the ILO and the USP2030 Global Partnership propose is to prioritize public investments to extend social protection coverage by at least two percentage points per year.

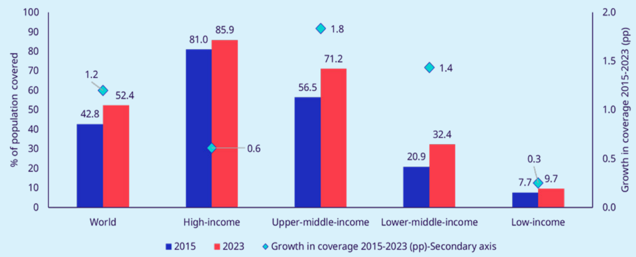
Countries can reach the two percentage points per annum target by expanding coverage in one or more of the benefit areas and aim for higher targets based on national circumstances. The ILO World Social Protection Database shows that a minimum 2-percentage-point annual increase for SDG Indicator 1.3.1 is realistic based on current growth rates in social protection coverage among the strong performers (see figure 2). In 2024, complying with this target in LMICs would require an investment of US$17.4 billion or **0.04 per cent of their GDP**. Low-income countries would need only US$2.5 billion or 0.4 per cent of GDP, while lower-middle-income and upper-middle-income countries would need US$6.4 and 8.5 billion respectively, equivalent to 0.07 per cent and 0.03 per cent of their respective GDP.[2] Evidence also suggests that it is both possible and necessary to expand coverage in all contexts, including in fragile and conflict-affected contexts. Under the Global Alliance Against Hunger and Poverty several low-income and lower-middle-income countries, together with multilateral development banks and UN agencies, have already announced expanded efforts and increased cooperation with a view to reaching 500 million people with cash transfers and social protection systems programmes by 2030, while aiming to increase their quality and effectiveness.[3]

Figure 1. SDG indicator 1.3.1 on effective social protection coverage by population group, 2015 and 2023



Source: ILO, 2024. World Social Protection Report 2024–26.

Figure 2. SDG indicator 1.3.1 on effective social protection coverage by at least one cash benefit, 2015 and 2023



Note: pp=percentage points
Source: Calculations based on ILO, 2024. World Social Protection Report 2024–26.

[1] For example, a country with 50% social protection coverage this year should aim to reach 52% next year.

[2] This is the required investment to increase social protection coverage in 2024 by 2 percentage points for each of the following groups: children, persons with disabilities, mothers of newborns, old-age persons and the unemployed. Source: Calculations based on Cattaneo, U., Schwarzer, H., Razavi, S., Visentin, A. 2024. Financing gap for universal social protection: Global, regional, and national estimates and strategies for creating fiscal space, ILO Working Paper 113 (Geneva, ILO).

[3] https://globalallianceagainsthungerandpoverty.org/new/2030-cash-transfers-sprint-press-release/

The FfD4 outcome document should emphasize the importance of countries prioritizing spending to expand coverage for populations currently lacking social protection, aiming for a minimum annual increase of 2 percentage points.

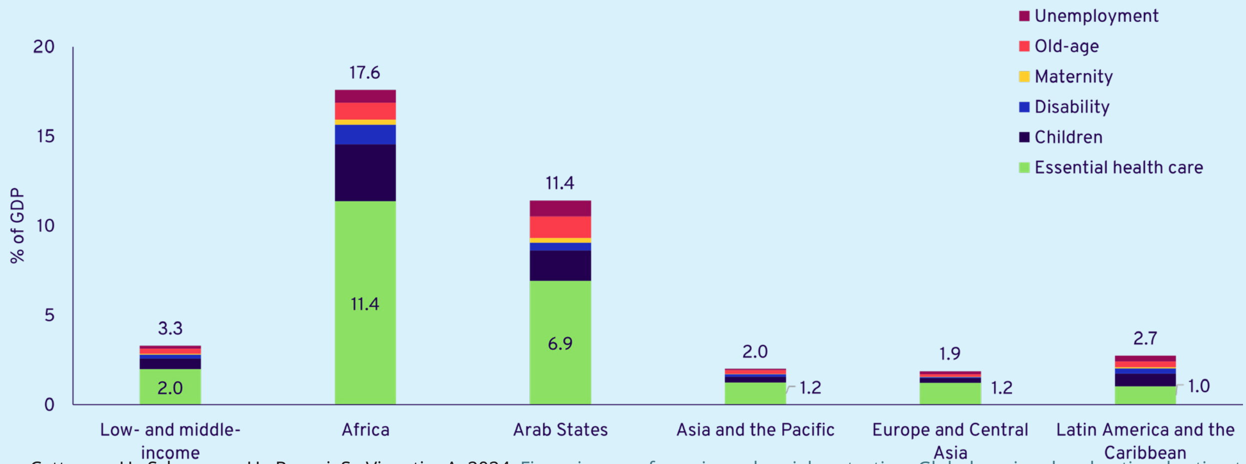
The FfD4 outcome document should set a specific 2-percentage-point annual increase in effective coverage, building on the Addis Ababa Action Agenda (point I.12). Reference to social protection financing should go beyond the preambular paragraphs and be part of the action areas, as in the 2024 UNDESA Financing for Sustainable Development Report.[4] Countries would be well-advised to focus their investments in areas where coverage is low, such as for children, persons with disabilities and workers in informal employment, and exceed the minimum target of 2-percentage-point increase per annum when feasible. In line with a rights-based approach to social protection, ensuring the adequacy of social protection benefits is paramount, while being key to effectively prevent and reduce poverty, address inequalities and enable a dignified life.

To enable low-income and middle-income countries to secure the additional 1.3 per cent of GDP needed to close the social protection coverage gap (Figure 3), the FfD4 outcome document should also emphasize how the international financial architecture can support these efforts through mechanisms such as debt relief, sustainable finance solutions and increased international cooperation.

This 1.3 per cent, or US$552 billion, should be complemented with investment in social sectors such as health to reduce inequalities and enhance sustainability. Member States should prioritize social protection within their budgets and enhance domestic financing through progressive taxation on income and property, as well as social security contributions while addressing tax evasion. In countries undergoing fiscal consolidation, it is critical to protect, and indeed expand, social protection expenditure to prevent and reduce poverty and inequalities, as well as to increase resilience in the face of climate crises and enhance social peace. Coordinated international financial support, including accelerated debt relief and restructuring, is also essential to close social protection financing gaps. These and other forms of Official Development Assistance (ODA) are necessary, especially in the case of low-income countries. In 2022, the amount of ODA allocated to social protection was US$4.6 billion, which is just 1.7 per cent of total ODA from all official donors.

Integrated medium-term financing strategies, such as those being promoted under the Global Accelerator on Jobs and Social Protection for Just Transitions, can help close financing gaps and strengthen integrated policies. Additionally, implementing sustainable finance solutions in fragile and humanitarian settings, including flexible, agile and diversified finance arrangements is crucial to deliver social protection responses. These measures should promote harmonization of donor support, ensure multi-year predictable arrangements, while bolstering government capacity for resilient public finance and directing international climate finance towards social protection. The recently released FfD4 elements paper underscores the need for innovative financing solutions and reforms to address emerging challenges. For the FfD4 outcome document, it is essential to include concrete commitments to enhance social protection financing, leveraging both domestic and international resources, and aligning them with the Sustainable Development Goals.

Figure 3. Financing gap for achieving universal social protection coverage per year, as a percentage of GDP, by social protection benefit, by national income group, and by region, 2024



Source: Cattaneo, U., Schwarzer, H., Razavi, S., Visentin, A. 2024. Financing gap for universal social protection: Global, regional and national estimates and strategies for creating fiscal space, ILO Working Paper 113 (Geneva, ILO).

[4] https://desapublications.un.org/publications/financing-sustainable-development-report-2024