

# Financing Social Protection Now and in the Future

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# Overview: *Financing social protection*

- › *investments in social protection*

*South versus North*

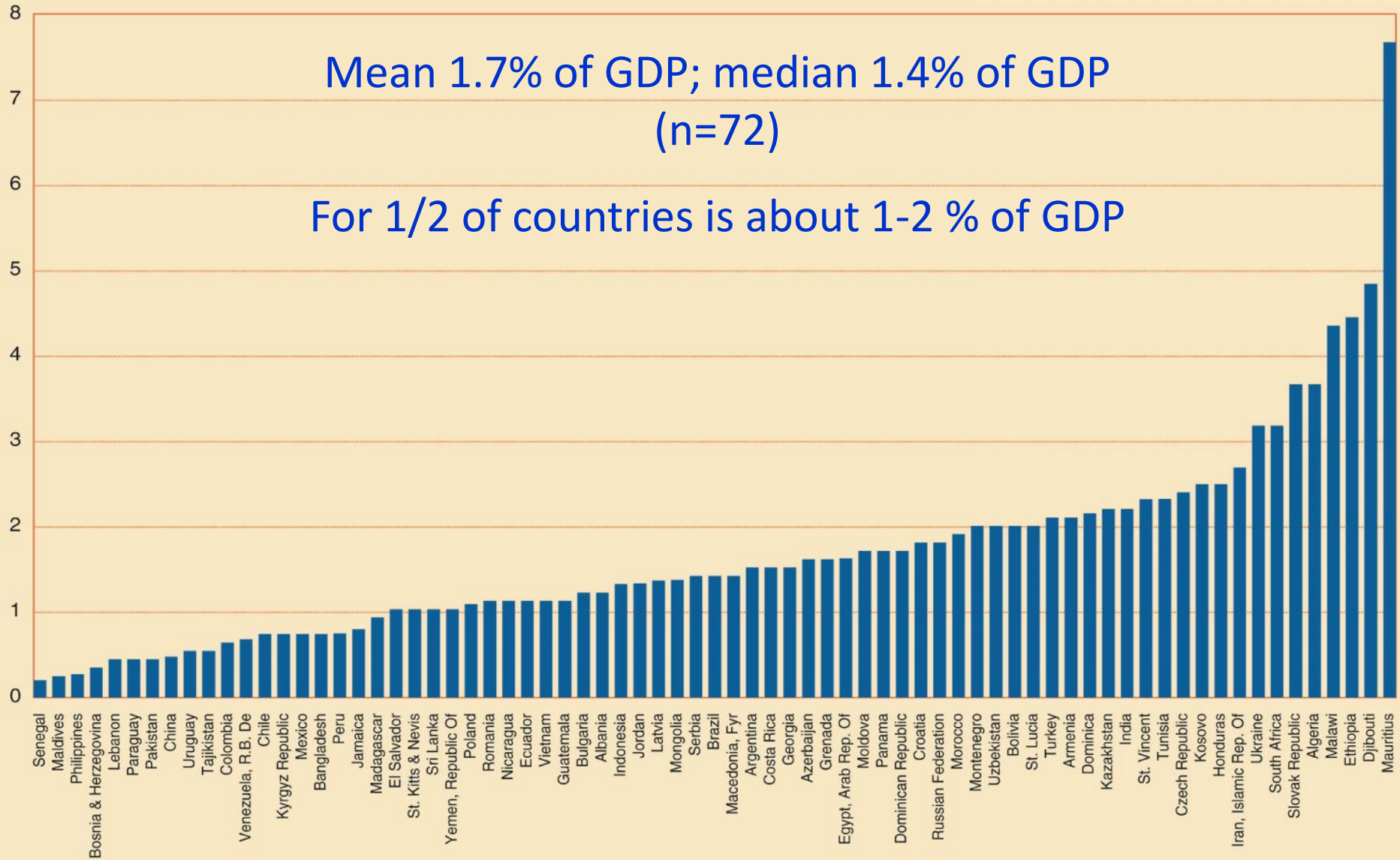
- › *Costing social protection*

- › *Paying for social protection*

- › *Expanding and sustaining the financing of social protection*

# Spending on social protection globally

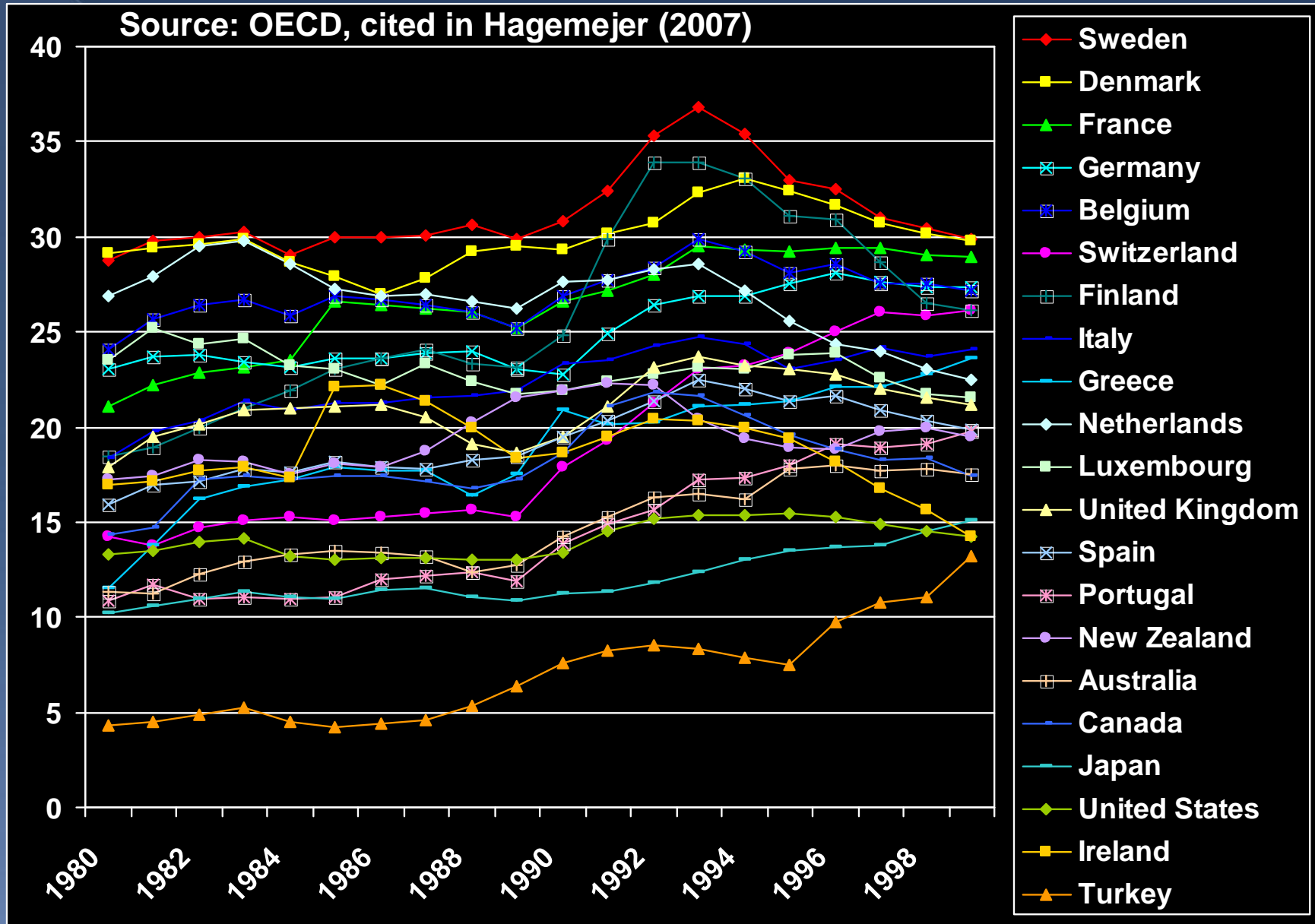
Percentage of GDP



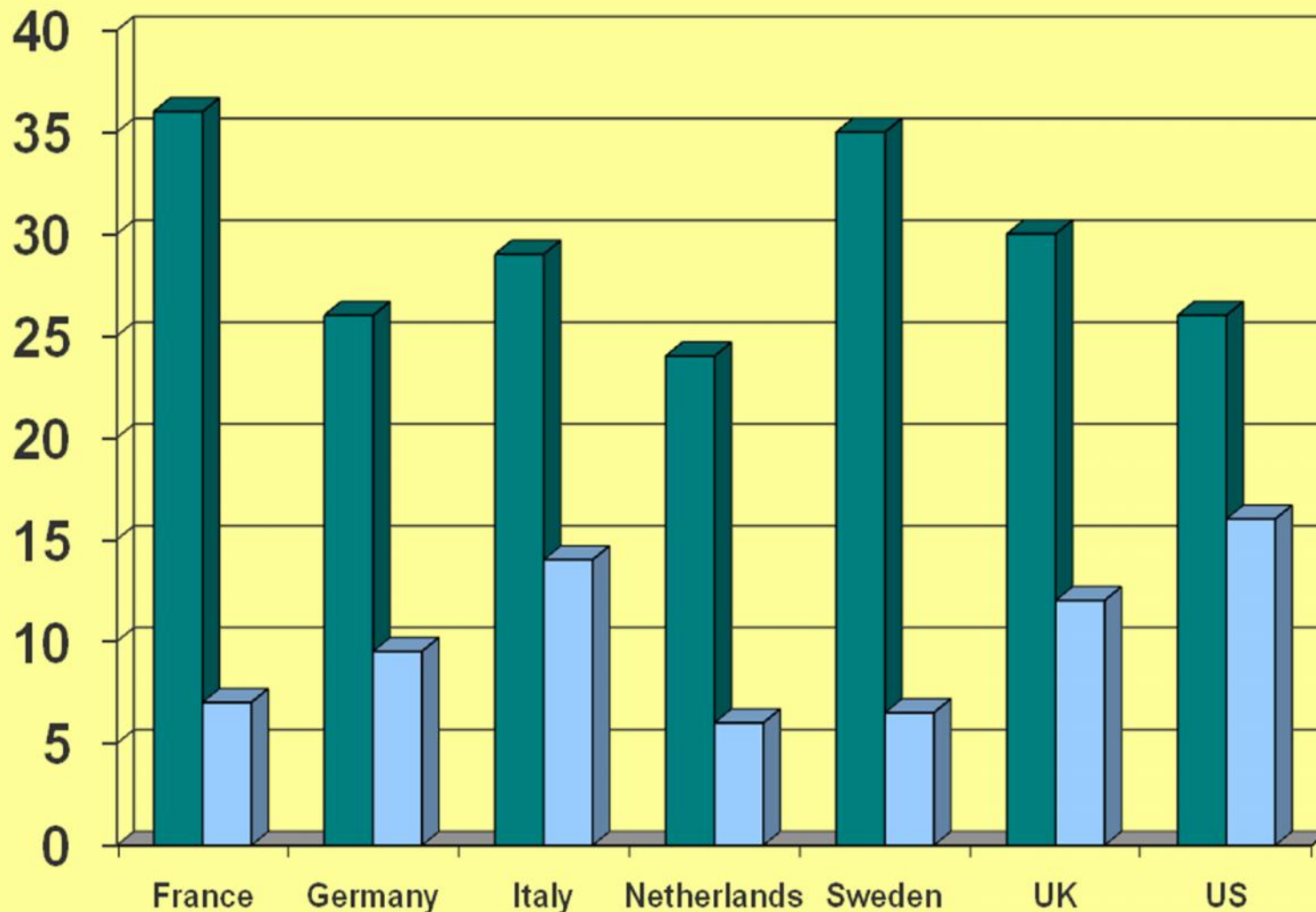
# OECD countries invest substantially in social protection

Social protection expenditure as % of GDP

Source: OECD, cited in Hagemeyer (2007)



# Social protection reduces poverty in high-income countries



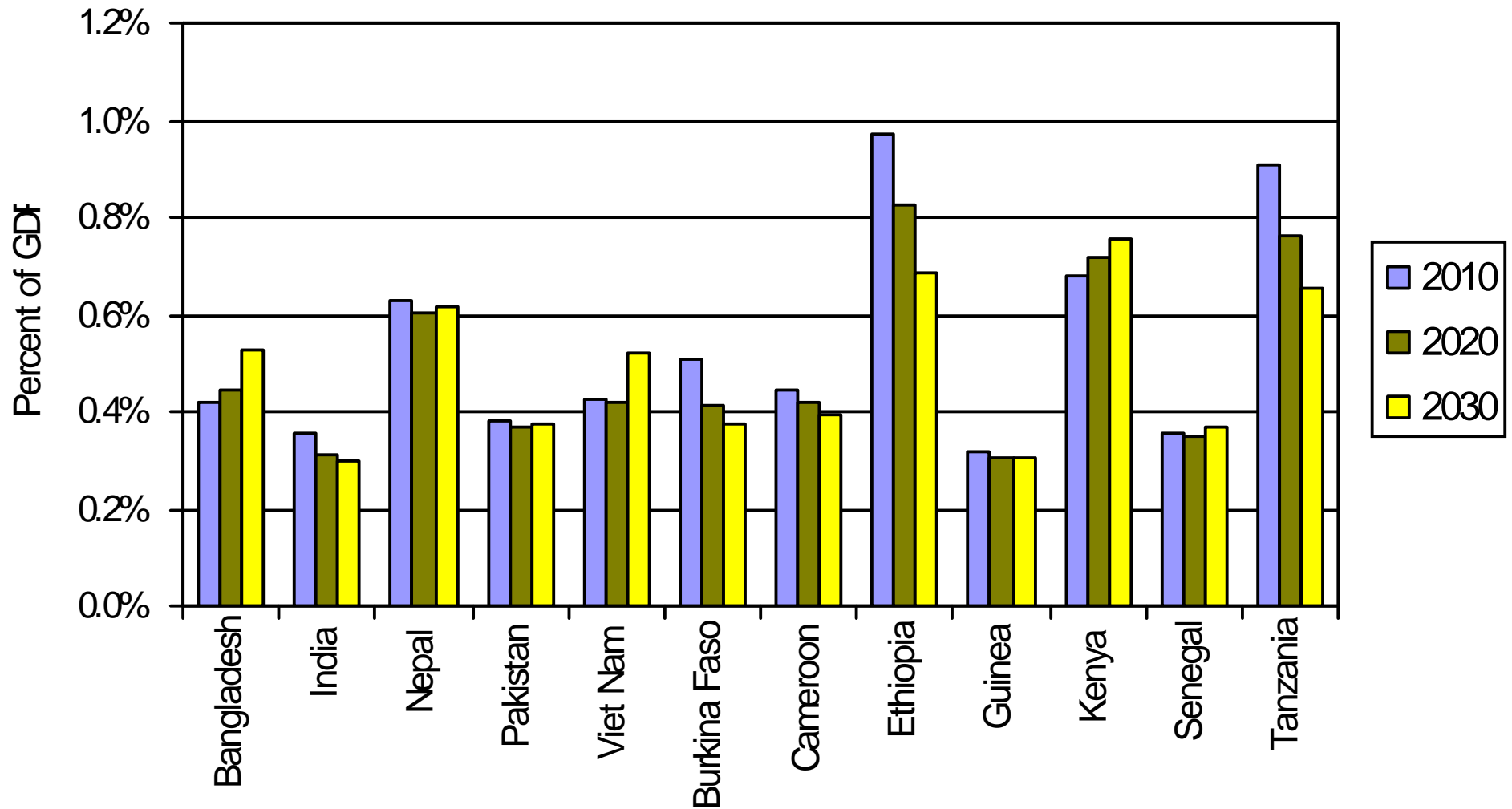
SOURCE: OECD AND ILO

■ Pre-tax/transfer

■ Post-tax/transfer



# Cost of universal old age and disability pensions

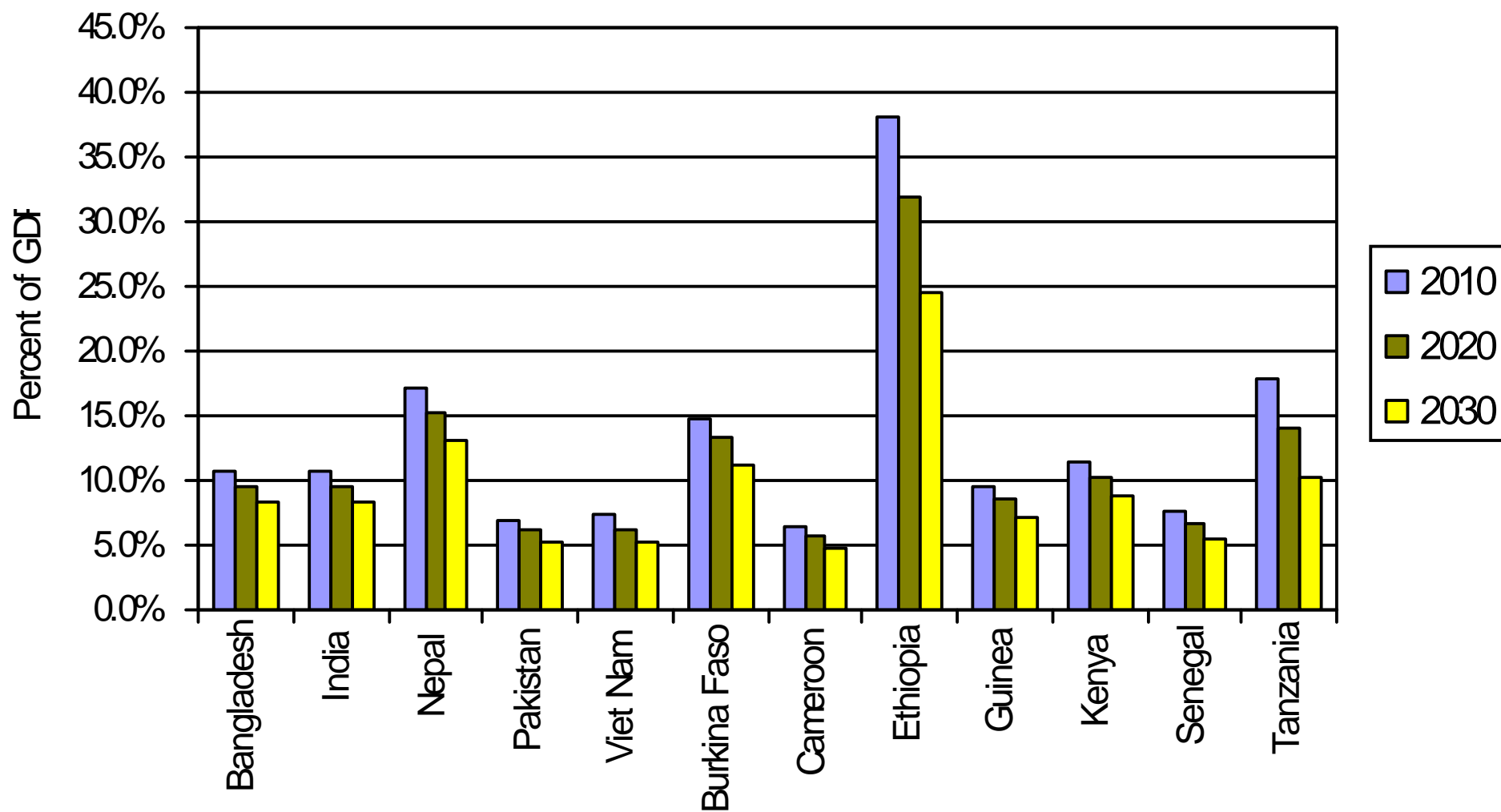


Asia

Africa

Source: ILO

# Cost of basic social protection package



Asia

Africa

Source: ILO

# Paying for social protection .....

◎ *“Don’t ask, don’t tell”*

*versus*

◎ *Financing strategies*

- *Re-allocation of existing resources*
- *Balance sheets (borrowing and asset sales)*
- *Tax revenue*
- *Development partners*
- *The role of “political will” and taxes*



# Development planning framework adopts a matrix of inputs (strategies) and outputs (objectives)

STRATEGIES (INPUTS)				Development Planning Matrix	OBJECTIVES (OUTPUTS)	
Social protection		Other sectors				
Cash Transfers	Health insurance	Education	Livelihoods			
				Poverty reduction	Social protection	
				Risk management		
				Literacy	Other sectors	
				Health		
				Productivity growth		
				Economic growth		

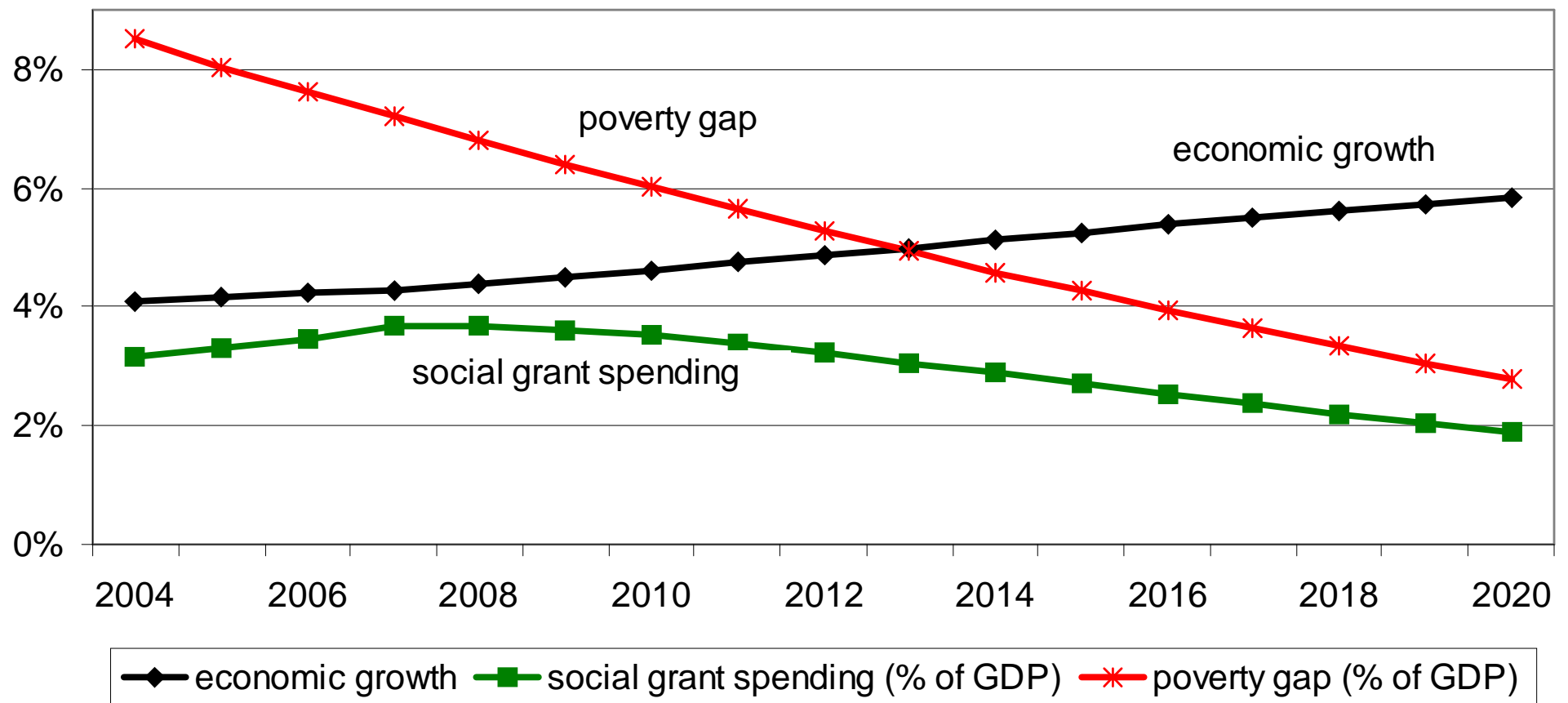
# Comprehensive and developmental approaches for HIV-sensitive social protection

Intra-sectoral linkages

Inter-sectoral linkages

STRATEGIES (INPUTS)				Development Planning Matrix	OBJECTIVES (OUTPUTS)	
Social protection		Other sectors				
Cash Transfers	Health insurance	Education	Livelihoods			
+1	+1	+1	+1	+2	Poverty reduction	Social protection
				+1	Risk management	
				+2	Literacy	Other sectors
				+4	Health	
				+2	Productivity growth	
				+3	Economic growth	

# Social protection interacts with **growth and poverty reduction** to reinforce affordability



SOURCE: EPRI MACRO-SIMULATION MODEL

## Key messages: *Financing social protection*

- › *Social protection financing should be analysed in investment terms*
- › *Social protection is affordable even in the lowest income countries—and the driver of affordability is political will*
- › *The core financing mechanism for social protection involves general tax revenue—although development partner support can be catalytic and some countries choose to borrow*
- › *A development planning framework enables the expansion and sustainability of social protection systems—by maximising pro-poor growth and inclusive development*