Operationalizing the New Social Contract at the Country Level: Sharing Experiences of Leveraging UN Standards for Transformative Economic Change

WORKSHOP - DAY 2 - 6 MAY 2021

SUMMARY OF THE DAY

**SESSION 3**

*Scaling up social spending for a new social contract*

Increasing investment in health, social protection and other public services, including by leveraging SDG commitments and ESCR obligations and labour standards and tools such as human rights and gender budgeting

**Key questions addressed:**

1. What are the fundamental building blocks of a strong social contract based in relation to universal public services and a more equitable allocation of resources to Leave No One Behind?

2. How can UN agencies contribute to the imperative of increasing social spending in a context of chronic underinvestment in social services?

3. What are the challenges and opportunities for the UN in playing a stronger role on inequalities and macroeconomic policy?

"The COVID-19 pandemic is having profound effects on government budgets and fiscal conditions, and many countries have increased social spending to respond to the crisis. But fiscal stimulus has not always responded to inequalities – including gender inequalities - and budget cuts are now looming. Challenges and trade-offs between different policies are becoming sharper, adding to underlying problems of chronic underinvestment. The UN can better leverage UN human rights standards and the multiple tools and methodologies we have developed to support governments in defining meaningful minimum core obligations to protect critical public spending. This may require reprioritizing existing spending and reallocating to critical social programmes, understanding this not as a cost but as an investment in the future."

- *Moderator of the session, Joanne Bosworth, Chief, Public Finance and Local Governance, Social Policy Section, UNICEF*
UN Women has found that women’s participation in the labour force across the Arab region was the lowest in the world prior to COVID-19, stagnant at around 20%. The crisis has cost the region working-hours equivalent to 17 million jobs. It continues to threaten greater job losses among women and further exclusion from social protection. Women in the region were spending 4.7 times more time on unpaid care work before COVID-19 and studies in some countries are showing a sharp rise during the COVID-19 crisis. However, the COVID-19 Global Gender Response Tracker jointly published by UNDP and the UN Women has recorded 317 COVID-19 policy response measures adopted by 20 countries in the Arab States region, of which less than one third (108) are gender responsive. Further, a regional assessment of the macroeconomic response to Covid-19 in the Arab States finds that less than 6% of COVID-19 response spending in the Arab region is gender sensitive. The presentation gave a snapshot of the COVID-19 government response in the Arab States region, with focus on public spending on employment and economic activity, social protection and social infrastructure policies and their estimated impact on women’s economic empowerment. It highlighted a number of key tools and resources developed by UN Women and other UN agencies in support to national institutions to implement some of the key recommendations of the macroeconomic assessment report.

Country Example:

**Mongolia, RCO**

Mongolia inherited a relatively large social security system from the socialist government, and social protection coverage is near universal, although the adequacy of benefits is a concern. During the COVID-19 pandemic, the government substantially topped-up the social welfare benefits. Increased budget expenditures coupled with declined revenues from export of minerals, resulted in significant budget deficit. The RCO economist noted that there is a solid evidence that social protection measures prevented poverty from increasing, but the key challenge is the limited fiscal space to continue these support policies. At the same time, rapid withdrawal might create significant difficulties for households. The UN is identifying policy options for fiscal adjustments for advice to the government on how to avoid cuts in social protection spending, as well as opportunities for ensuring adequate basic income for the most vulnerable groups.

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**Arab States, UN Women**

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Country Example:

**Cameroon, OHCHR**

OHCHR has been working in Cameroon to develop and deploy a qualitative methodology in South West and East Regions to support the State in determining ‘minimum essential levels’ of the Right to maternal Health. This also explores how the State can mobilise the ‘maximum of available resources’ to finance these obligations, including generating more resources from the extractive industries. This worked is based on the international standards set by the UN Committee on Economic, Social and Cultural Rights (CESCR) which has affirmed that States parties have a minimum core obligation (MCO) to ensure the satisfaction, at the very least, of minimum essential levels of each of the rights. The MCO is seen as an immediate starting point to which the State party should comply and on which it should progressively realize, utilizing the maximum of available resources, economic, social and cultural rights (ESCR). The study is identifying, through evidence-based analysis, the specific content of MCO and the financial resources necessary to fulfil the essential levels of each Right can assist governments at the local and national levels as well as the international financial institutions, UNCTs, donors and civil society organizations to ensure that all are able to benefit from accessible, affordable and quality social services, such as health care.
Questions Discussed in Session 3

1. adjusting the existing social security architecture;
2. test integrated responses from social protection systems and employment services responding to the needs of people living in poverty, at risk of poverty and working poor;
3. address the situation of workers informal sector;
4. assess the design, coverage and adequacy with social assistance programmes; and to
5. identify financing sources for social protection.

The presentation provided examples of new approaches to redesign elements of social protection recently initiated by governments in collaboration with UN Agencies and possible financing sources. It also emphasized how international social security standards offer comprehensive framework for joint UN actions on the country and sub-regional level.

Country Example:

East and Central Europe and Central Asia, ILO

Countries in Eastern Europe and Central Asia have more developed social protection systems compared with other regions. However, the logic, scope and design of the systems vary greatly through the region. According to the ILO Monitor, the loss of working hours in Europe and Central Asia in 2020 due to the impact of COVID was estimated 9.2 percent (equivalent to 30 million full-time workers) significantly more than the world average estimated at 8.8 percent. The impact was particularly high in Central and Western Asia (12 % of working hours loss; and 16.3% income lost). In almost all countries in the region, social protection policies constituted one of the crucial part of the response to worker’s loss of income; support the enterprises to preserve jobs, extend social health protection and extend coverage with social assistance to the most disadvantaged. The crisis prompted the need to consider:

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Thanks for your presentation just the ask on how many UN actors in the region has followed Mongolia and SP with interest: universal social protection is the best way of reaching the poorest and the most vulnerable. While it will benefit also more affluent groups, it is not for the same reasons as inclusion (and exclusion errors) that you find in the poverty targeted programmes in the region. It is also the best way of reaching those who are just above the poverty line as poverty is not always static especially in a COVID context. Universality also plays an important role in strengthening the social contract.

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Generating resources and expanding fiscal space:

Domestic resource generation, including progressive taxation, engaging with the IFIs on fiscal space, addressing debt distress, considering different phases of recovery in different regions – containment, stabilization, recovery.

Key questions addressed:

What is the UN doing in practice to support domestic resource mobilisation for financing development for SDGs/minimum core obligations of ESC rights?

The UN SG just called for governments to consider a wealth tax on those who have profited during the pandemic to reduce extreme inequalities – is this or other forms of progressive taxation feasible in the countries where we are working?

What are our experiences of UN-IFI collaboration and expanding fiscal space and what can the UN do in the context of austerity measures?

UN ECLAC advises governments on fiscal policy, with a progressive focus. It is feasible in LAC. Some countries (e.g. Argentina) already have it; in others (e.g. Chile) it is under discussion.

Whereas in Belarus a wealth tax is not deemed to achieve much results like in other advanced industrialized countries, there is a need to promote a broader reliance on progressive taxation over consumption.

A wealth tax is an important step. However, it can have divergent impacts on some Small island States (with high debt levels and lost of tourism revenue, plus high risk of climate crisis). It should also be accompanied with a global effort to address IFF tax havens in the North.

Financial tax likely not feasible here given difficulties in collecting existing taxes and high levels of tax evasion and avoidance (estimated at approx. 7% of GDP here).

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In Belarus, four agencies (UNDP, UNICEF, UNFPA and UN Women) are working on promoting results-based budgeting with the goal to promote efficiencies in public spending ad tag expenditures that are SDG oriented.

In Belarus, there is broad dialogue with IFIs especially the World Bank, that has been undertaking projects both on public finance reform and the social protection system (e.g. with the goal to increase unemployment benefits).

There is a disconnect between the progressive messaging of the new IMF leadership and IMF teams on the ground.
UN Women, as a partner in the 2020-2022 UN Joint Programme “Universal adaptive social protection in the Eastern Caribbean”, is addressing structural barriers to economic and climatic shocks from a gender perspective, implemented at a national level in Barbados and St. Lucia; with a regional component that will provide technical support and assistance to Member States of the Organisation of Eastern Caribbean States (OECS).

Within the Joint Programme, UN Women is working to reduce unpaid care work which is disproportionately shouldered by women and has magnified as a result of the impact of the COVID-19 pandemic, and further widened existing inequalities. When care tasks and undertaken within the labour market, the work is usually characterized by low pay and poor labour conditions. Unequal distribution of responsibility for unpaid and underpaid care work has a negative effect on other aspects of life: taking on a large number of non-remunerated tasks means that women have less time and fewer opportunities to get involved in other activities. It also undermines their bargaining power in the household. UN Women is guided by the “5 R” strategy to Recognise, Reduce, Redistribute, Represent and Reward unpaid carework and careworkers.

The national study in Barbados is working to document and analyse budgetary allocations and expenditures on public day care services; assess the capacity of public day care centres to meet current and future demand; assess the accessibility, affordability and quality of public childcare services; simulate the macroeconomic impact of public investment in universal childcare, specifically, the direct and indirect effects on job creation, incomes and the fiscal account; discuss possible implications of public investment in universal childcare for poverty and gender equality; and finally, to provide recommendations to boost public investment for the achievement of universal access to day care services without draining public resources.

Country Example:

Jordan, RCO

Jordan initiated IMF-supported economic program in December 2019, revised as of end of March 2020 to cover potential risks and negative effects of C-19 on Jordanian economy. The revised program has provided some flexibility on public expenditure, particularly on unemployment schemes and social protection spending. On the public revenue side, the focus was on closing tax loopholes, preventing tax evasions and broadening tax base. However, these issues are mostly linked to the structural challenges in the economy and cannot be addressed in a short period of time. In 2020, domestic revenues have decreased by 10.4%, whereas tax revenues have increased by 5.9%, largely as a result of an increase on taxes on goods and services. As a result, indirect taxes share in domestic revenues has jumped from 51.4% in 2019 to 61.1% in 2020. These figures signal that even though at the aggregate level, the macro performance seems quite good in 2020, a picture that disaggregates public revenues shows how the distribution of taxes are detrimentally affecting poor people and increasing inequality. In other words, current structure of tax system is unbalanced, unfair, non-inclusive and unsustainable. At this point, the UN Jordan has started to work on public finance to emphasize the importance of vulnerable groups by putting the LNOB analysis at the center of its analysis. This will be used as a strategic intervention point to initiate policy dialogue with the Government of Jordan and in engagement with the IMF.

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Barbados, UN Women

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This presentation focused on the strategy adopted by Egypt RCO in strengthening the UN-IFI collaborations, touching on some of the tangible outcomes of collaboration observed from these initiatives. It focused on how this approach, through an incremental approach, can help in aligning IFIs work to UN's core focus areas.

A useful strategy identified is to develop a UN common position in the country to expand and ring-fence social spending in the context of IFI emergency and long-term financing and advise against social cuts and austerity which are on the horizon while advocating to place human rights impacts at the centre of debt management and restructuring processes. OHCHR has also followed this approach in Lebanon supporting the development of a UNCT Position Paper to the IMF in Lebanon through a human rights lens. Key recommendations in the UNCT Position Paper, which will inform the IMF technical discussions with the Government, focus on the importance of a human rights-based approach to economic reforms; compliance with the obligation and principle of non-retrogression of ESCRs in the context of austerity measures, rising food inflation and the risk on right to food; the need for progressive taxation.

IFI financing flows are massive and structurally important for Ukraine's development, but more IFI attention is needed towards the longer-term and cross-sectoral sustainability focus of the Agenda 2030 as the foundation of the pursued macro-economic stability. UN expertise on vulnerability, human rights, SDGs should support and inform IFI strategies and programmes. To promote this, the UN in Ukraine has developed an IFI policy discussion paper and is currently engaging in dialogues with IFI and Development partners to mainstream SDGs along with minimum core obligations of economic, social and cultural rights to inform the design of IFI programmes, advocating for “macro-criticality” of the SDG and human rights framework and against excessive austerity. A key lesson learned from this experience is the value and effectiveness of providing UN integrated policy advice to Member States on building transformative economies and sustainable and resilient societies that are anchored in the respect for all human rights.

The development mission of the UN on human rights, gender equality, reducing inequalities, and sustainable development more broadly, is (and has always been) ‘macro-critical’ (ie it has the potential to affect domestic or external macroeconomic stability. It is therefore essential to build long-term relationships and dialogues with governments and development partners, including the IFIs, with the UN bringing an analysis that goes beyond the aggregate macro picture to highlight how the underlying disaggregated, distributional impacts do matter.”

- Moderator of Session 4, Paul Ladd, Director UNRISD
Questions Discussed in Session 4

Session 4 - Generating resources and expanding fiscal space

Does Jordan have an aging demographic structure?

[Image 19x235 to 612x831]

As the paper was very much IMF-focused, we used the IMF definition which is “a structural issue has been deemed macro-critical if it affects, or has the potential to affect, domestic (e.g., growth and inflation) or external stability.”

From UNRISD, on a new Eco-Social Contract, a policy brief
https://www.undocs.org/EOSC?

It would also be interesting to hear more open governments and IFIs are to discussions on more progressive taxation?

I guess it remains an open question how can the IMF in spite of change in language continue advocating for approaches and policies openly going against the obligations assumed under ratified international conventions (in this case ILO social security conventions) unless we agree that these are MICO critical...

This is the document referred to:

Speaking of LNOB: how to begin to include measures to counter climate change, avoiding that this comes to the detriment of social equity measure?

As highlighted in the budget chart there was a large allocation to “other”, is there any information on what that includes and/or is there space to reprioritize that?

Yes, they are focusing on leaving no one behind and safety nets, but the other side of their advice is related to taxation and reduction of cost of labour which influences social insurance contributions

On the IMF, a comments highlighted during the coffee break questions touched on what seems like a disconnect between the progressive messaging of the new IMF leadership and IMF teams on the ground. Any views on that?

There is an interesting report on IFIs and gender

A critical aspect of this discussion is the meaning of the concept of fiscal space. For the IFIs, fiscal space is determined by the country’s current fiscal position, in particular by the size of the deficit and fiscal deficit. Other UN agencies have advanced an alternative definition, in which fiscal space can be created by countries through active exploration of opportunities to increase financing, with long-term determinants and objectives, beyond the present macroeconomic position. For this reason, the IFIs are more focused on efficiency and rationalization of spending, rather than revenue enhancement. Fortunately, we see some recent progress in this area, for example by proposing a tax on the super-rich (currently under discussion in China).

We are looking forward to seeing you on Day 3 of the Workshop!

Please CLICK HERE to join the meeting.

Contact Marcella Favretto for more information and access the programme on the dedicated webpage.