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Key facts about social protection and the GFSP:

- 75-80% of the world's poor do not have comprehensive social protection.
- Globally, the total costs of introducing social protection would amount to 2-6% of global GDP, or $1.26 trillion -$3.79 trillion (based on 2010 global GDP).
- To set up and fund the proposed GFSP for Least Developed Countries (LDCs), only a small fraction of this sum would be required: the GDP of LDCs represents less than 2 per cent of total GDP, and it would be expected that LDCs cover most of the cost of social protection of their populations.
- In low-income countries, the costs of providing universal basic old-age and disability pensions, basic child benefits, universal access to essential health care and social assistance/100 day guaranteed employment schemes ranges from 4% of GDP (India) to 10% of GDP (Burkina Faso), according to ILO estimations.
- Calls to achieve a 'social protection floor' in all countries – whereby at least minimum levels of income security and access to health care are provided to all – were supported by an overwhelming majority of delegates from the ILO's 185 member States in June 2012.
- The World Bank lent $11.5 billion between 2000-2010 to support social protection in 83 countries.

What are the key benefits of the GFSP?

- PssistancekansGFSP (In low-income count2010ing)Tj0.143

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Why is the GFSP needed?

Health care, unemployment insurance, food aid, disability benefits: all of these services aim to ensure the right to an adequate standard of living for everyone, often referred to as the social safety net. Social protection is a key tool to combat poverty and hunger, providing critical protection against economic and social risks, such as illness, accident, loss of income, parenthood, old age and other circumstances which may deprive persons of their capacity to realize human rights.

But poorer States often have not adopted social protection schemes because a) the development models supported by major international institutions have pushed States to lower government spending and reduce the size of the State; b) where poverty and need is widespread, infrastructure limited and the ability of local populations to pay into the system weak, meeting the basic costs of social protection systems today is a major challenge; and c) in many developing countries (particularly small ones), a large portion of the population is susceptible to the same risks of unpredicted covariant shocks, e.g. natural disasters, epidemic diseases or extreme food price increases, leading to simultaneous surges in demand for social protection and decreases in State export and taxation revenues.

What would the GFSP offer?

The GFSP would have **two key functions**: a) its **FACILITY** branch would **close the funding shortfall** for putting in place a social protection floor in LDCs; b) its **REINSURANCE** branch would **help underwrite these schemes** against the risks of excess demand triggered by major shocks.

The model of cooperation proposed here could be implemented also, or during a first phase, between a small group of rich countries and a small group of low-income countries; or it could form a template for a new form of South-South cooperation.

How would the Facility branch function?

Countries would be asked to adopt social protection systems, or reform existing ones, to ensure that everyone, including those in the informal economy, has access to social protection. To access GFSP support, these schemes would need to be designed and operated in line with the right to social protection as an internationally recognized human right, requiring compliance with the principles of participation and non-discrimination, and allowing intended beneficiaries who are denied entitlements access to claims mechanisms.

The GFSP would rely on poorer States to devote their maximum available resources to these social protection schemes. In support of these efforts, the shortfall between this amount and what is needed to fund these systems would be made up by the GFSP, via donations from richer countries.

This support could be: a) provided by the GFSP acting as a formal fund through which richer countries allocate donations which are then redistributed to poor countries; b) distributed through the GFSP as a new independent body; c) distributed through the GFSP housed in an existing international institution; or d) earmarked within existing development aid (under GFSP supervision).

How would the Reinsurance branch function?

'Reinsurance' involves insuring the insurer by taking over a portion of their risk for a reinsurance premium. This allows insured schemes to protect themselves against insolvency, to lower their need for contingency reserves, and thus to enhance their discretionary budget.

The GFSP Reinsurance branch would facilitate reinsurance coverage for social protection schemes in countries where existing shock-related risks (and the fear of excess demand for support) currently make it difficult for States to obtain affordable and extensive reinsurance. In this way, if a particular shock occurred in the future, such as a drought or food price spike affecting the balance of payments of food-deficit countries, and a State was unable to fulfil its social protection commitments due to added demand or decreased state revenue, the GFSP Reinsurance branch could step in to provide temporary support.

The GFSP could: subsidize reinsurance coverage by private reinsurers and act as a broker as well as pay the premiums if necessary; act as the sole reinsurer; or operate in a 'hybrid' model where the GFSP would reinsure certain risks itself and pass on others to the private reinsurance markets, while subsidizing the premium.

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In addition, the GFSP would play an important role as knowledge-provider and risk management adviser by: offering technical support to local and national authorities in order to build risk monitoring mechanisms; assisting capacity building in civil society for monitoring social protection systems and holding Governments accountable; and advising on the implementation of effective taxation systems.

Countries benefitting from GFSP Reinsurance services would: potentially pay a premium in exchange for reinsurance cover; ensure that social protection systems are able to quickly respond to crises; and would be encouraged to adopt policies that reduce the risk of future shocks.

Figure 1. The two branches of the GFSP: Facility and Reinsurance