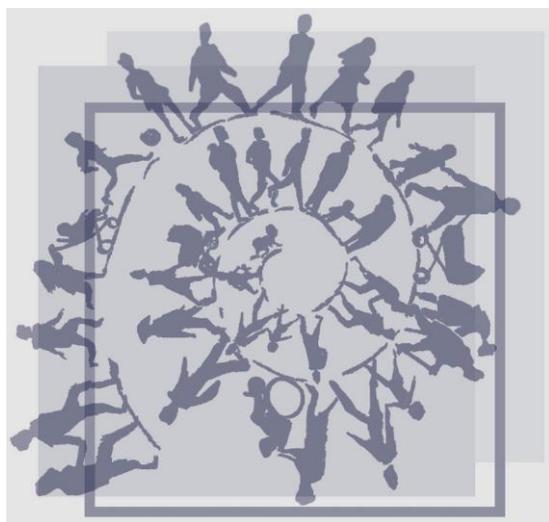




# ILO basic social protection costing models and policy implications



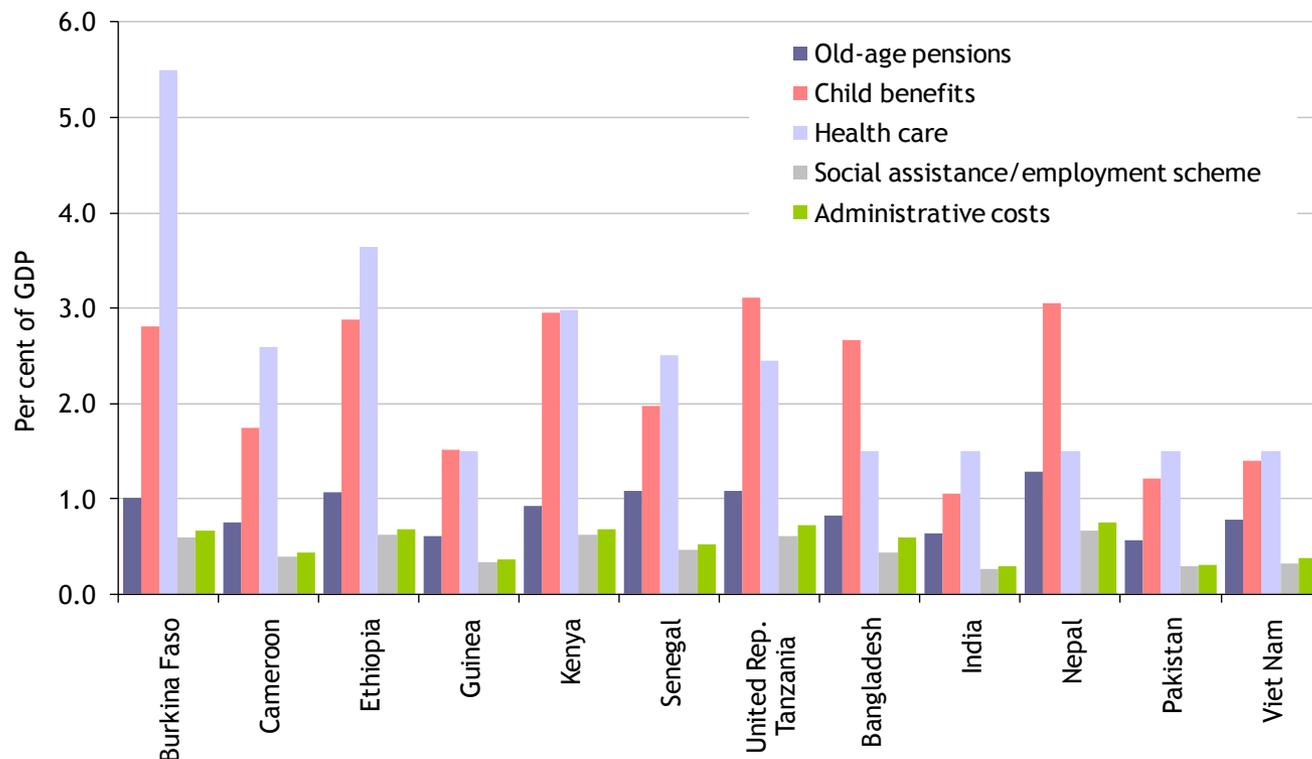
ODI International Conference on Financing Social Protection in LICs: Finding the Common Ground  
London, 26-27 May 2011

Christina Behrendt,  
ILO Social Security Department



# How it all began...

## Results of the first ILO costing model (2005-06)



### Assumptions:

**Old age pensions:** all men and women 65+, 30% of GDP per capita, max US\$1 PPP.

**Child benefits:** children 0-14, benefits for max. 2 children per mother, 15% of GDP per capita, max US\$0.5 PPP.

**Health care:** cost of 300 medical staff per 100,000 population plus overhead of 67% of wage cost.

**Social assistance/employment scheme:** 10% of population for 100 days of employment/year, 30% of GDP per capita, max US\$1 PPP.

**Administrative cost (cash benefits):** 15% of benefit expenditure.



# ILO modelling results and policy context: Some examples

## Modelling results and related publications

First results for 7 African and 5 Asian  
countries (ILO Discussion Papers, 2005/6)

Can low-income countries afford basic social  
protection? (ILO Policy Brief, 2008)

Building Decent Societies  
(P. Townsend (ed.), 2009)

Extending Social Security to All  
(ILO, 2010)

Social Security for Social Justice and a Fair  
Globalization (ILO, 2011)

## Advocacy and policy documents

Commission for  
Africa Report (2005)

Livingstone Call for Action  
(AU et al., 2006)

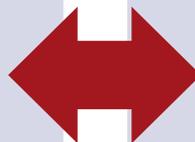
Promoting Pro-poor Growth  
(OECD DAC, 2006)

Social Policy Framework for Africa (2008)

Social Protection Floor  
(UN joint crisis response initiative, 2009)

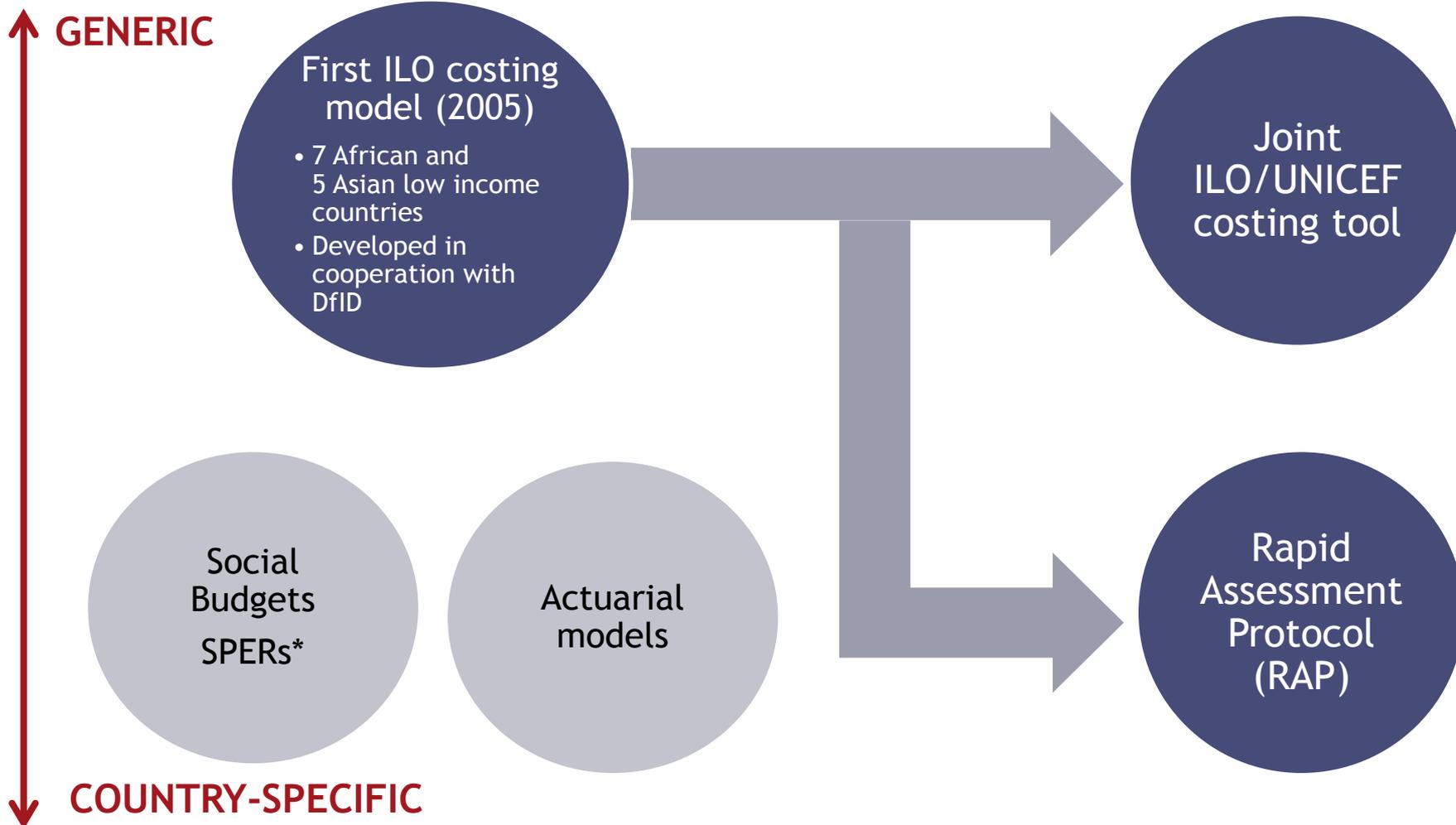
Global Jobs Pact (ILO and UN, 2009)

European Report on Development: Social  
protection for inclusive development (2010)





# The emergence and context of ILO basic social protection costing models



\* SPER = Social Protection Expenditure and Performance Review



# Social Protection Floor Quantitative Tools

## **COSTING TOOL**

1. Fixed and pre-defined format
2. Not time demanding
3. Features: pre-defined scenarios, types of benefits; pre-defined poverty impact module
4. No previous knowledge on Excel modelling, demographics, macroeconomics, government finances, benefit design or poverty impact is necessary .

## **RAPID ASSESSMENT PROTOCOL**

1. Flexible format
2. Time demanding
3. The construction of the model goes hand in hand with a dialogue process involving national authorities and other actors dealing with social protection
4. Previous knowledge on Excel modelling, demographics, macroeconomics, government finances, benefit design or poverty impact is required.



# SPF Quantitative Tools: Model uses and trade-offs

## COSTING TOOL

Quantitative technical background  
not absolutely necessary

Early stages,  
prior to detailed consultations

Useful for testing standard  
predefined benefit designs

Rapid results

WHO?

WHEN?

WHAT FOR?

RESULTS

## RAPID ASSESSMENT PROTOCOL

Quantitative technical background  
indispensable

Early and intermediate stages  
of the discussion

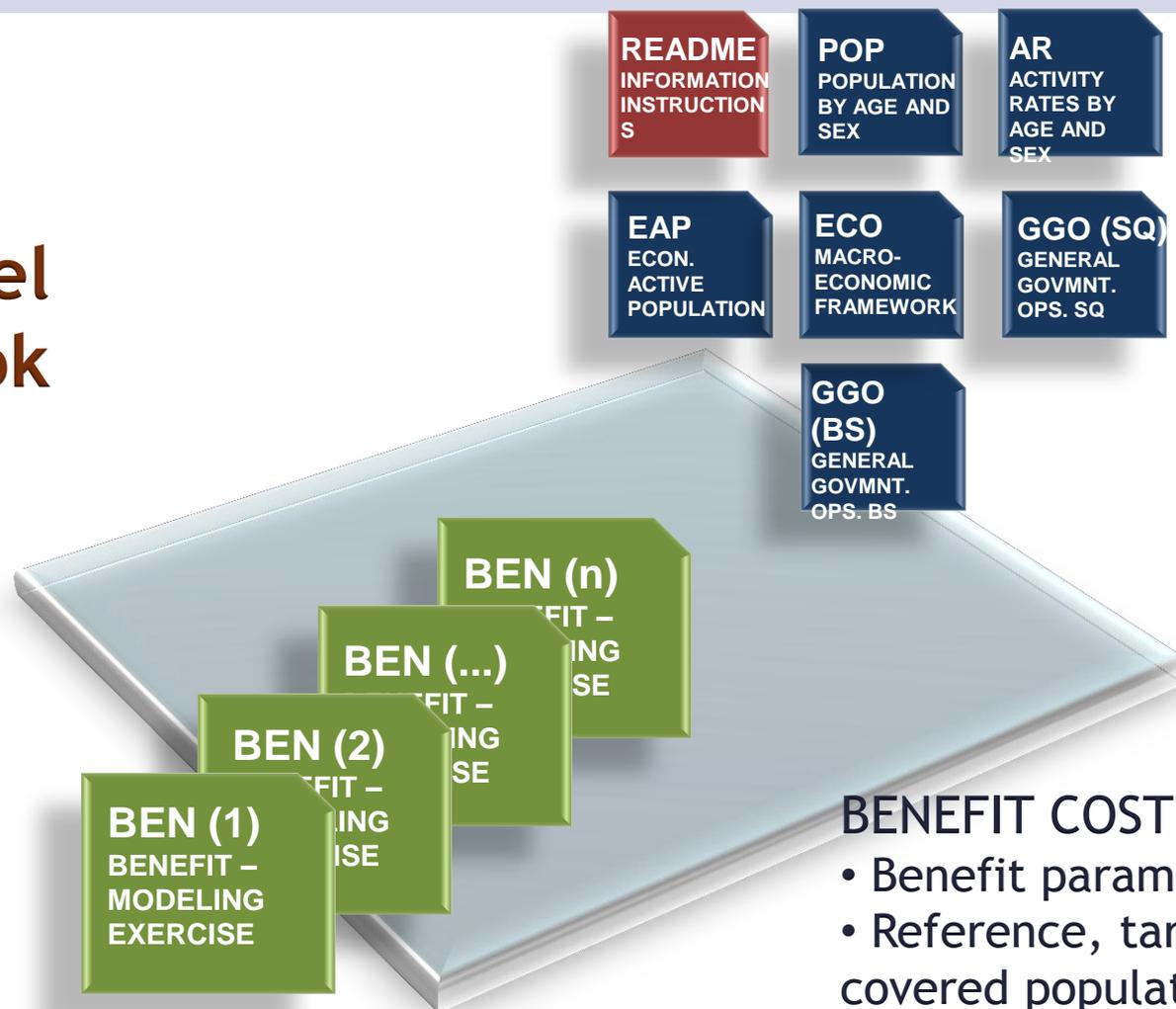
Useful for  
(a) testing different benefit designs  
(tailor made) and policy options in  
national dialogue process  
(b) Fiscal space analysis

More robust results



# Rapid Assessment Protocol

## One Excel Workbook

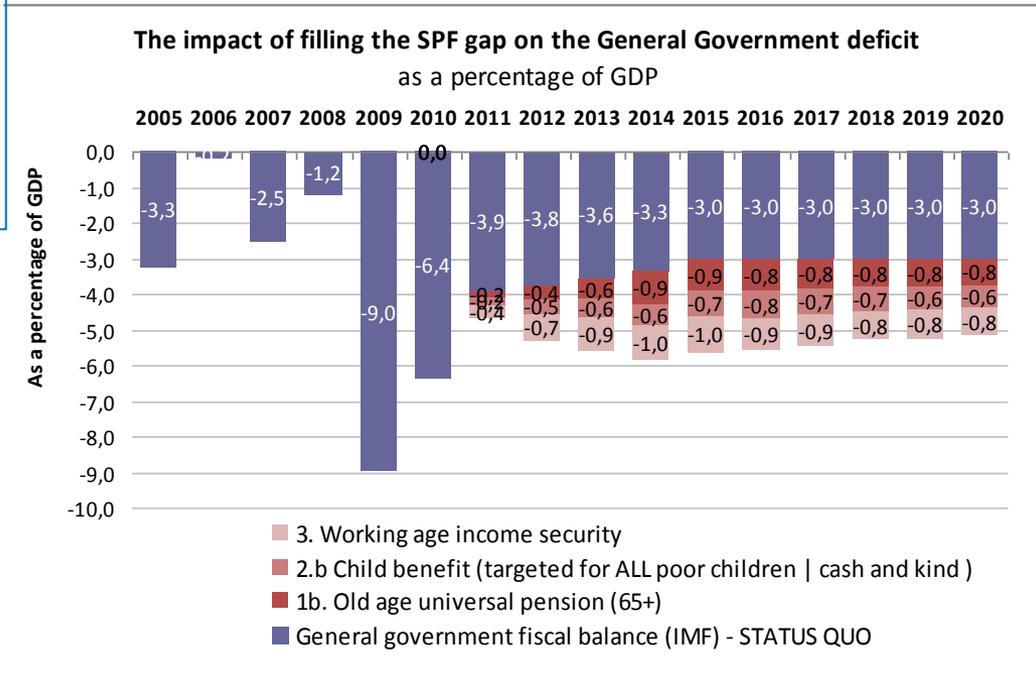
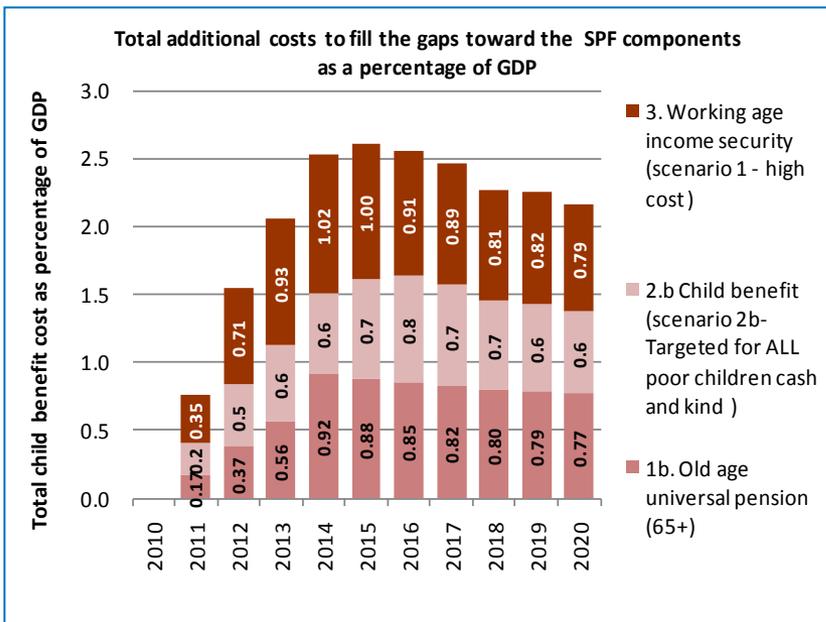


### BENEFIT COST ESTIMATES

- Benefit parameters
- Reference, target and covered population
- Total costs



# Example: Analysis of cost to close the SPF Gap in Viet Nam

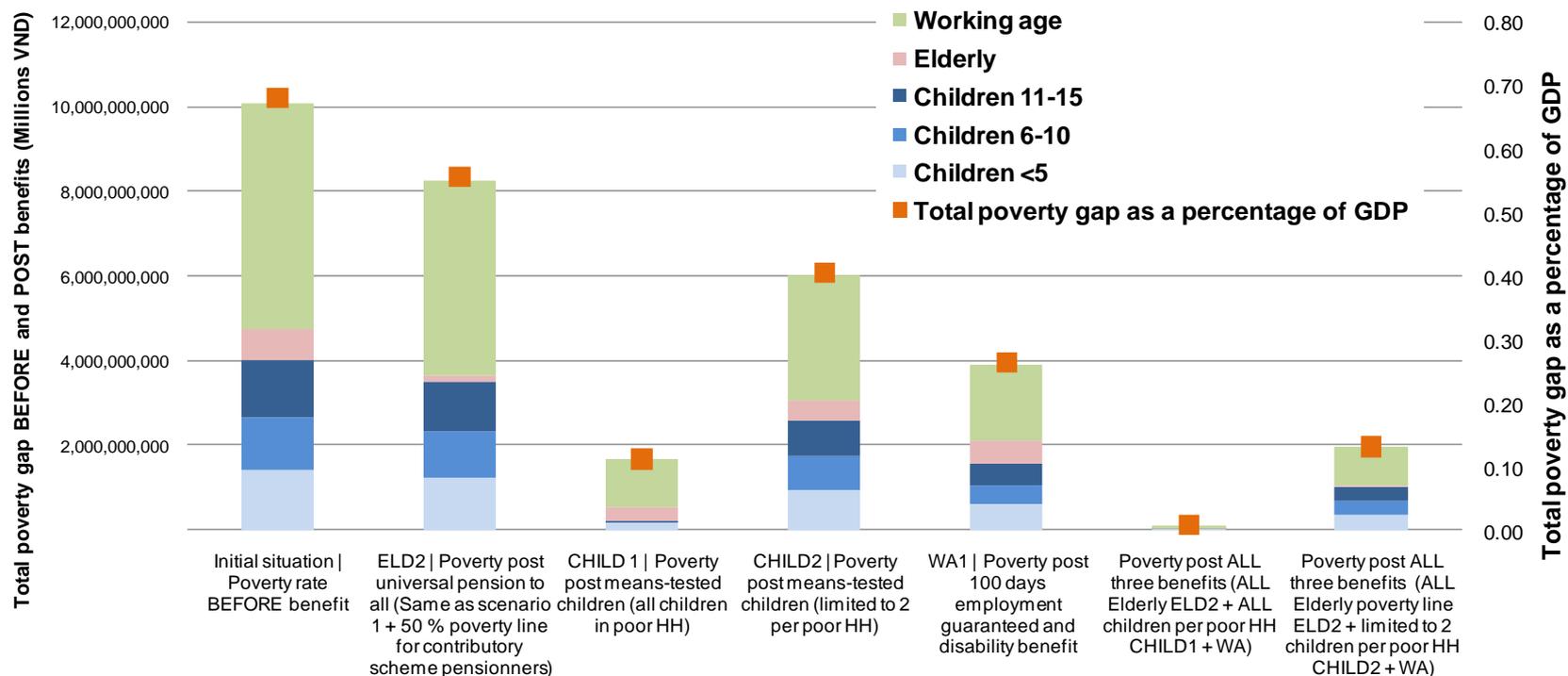


Source: Compatibility analysis of the national Social Protection Strategy and the UN Social Protection Floor Initiative: Costing and financial projections to implement social protection policies 2011-2020 (Draft), ILO, Geneva.



# Example: Assessing potential poverty impacts (poverty gap in % of GDP) in Viet Nam

**Total poverty gap (Millions VND) and composition**



Source: Compatibility analysis of the national Social Protection Strategy and the UN Social Protection Floor Initiative: Costing and financial projections to implement social protection policies 2011-2020 (Draft), ILO, Geneva.



# Where do we stand today?

## Ongoing Social Protection Floor costing assessments and national dialogue processes:

- Benin
- El Salvador
- Haiti
- Mozambique
- Nepal
- Togo
- Viet Nam

## Important features

- Nationally dialogue process ensuring national ownership
- Detailed and comprehensive assessment including existing schemes
- Priority-setting and sequencing for gradual implementation
- Strengthening national institutional capacities
- Fiscal space: detailed assessment of status quo and options for extension as necessary
- Collaboration with IMF, UNICEF and other partners



# Moving forward...

## Some policy implications and challenges

1. Financing of social security, particularly with respect to national Social Protection Floors
  - Identifying and extending fiscal space within current budgets (collaboration with IMF)
  - Challenge: Identifying possible options for more effective collection of taxes and other sources of revenue
2. Effective policy dialogues at national level
  - Identification of priority benefits, priority target groups and sequencing in gradual implementation processes
  - Dynamics of national policy dialogues
  - Including estimates on direct impact on poverty
3. Strengthening national institutional capacities
  - Starting from existing institutional frameworks where possible
  - Building up sustainable institutional capacities and ensuring their effectiveness
  - Importance of monitoring and policy planning



## Further references

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