FINANCING FOR DEVELOPMENT IN THE ERA OF COVID-19 AND BEYOND

Report of the Inter-agency Working Group on Cluster 2

Socioeconomic response: Social Protection, Gender, Children, Youth, Health, Education and Human Rights

2022

United Nations

CONTENT

I.Introduction

Early in the COVID-19 pandemic, the Secretary-General of the United Nations and the Prime Ministers of Canada and Jamaica initiated a deep reflection at the United Nations on policies to address the global public health, social, economic and financial crisis that was unfolding, to help facilitate an inclusive recovery from it, and to prepare for a sustainable and more resilient future that would put countries on track to realize the Sustainable Development Goals (SDGs). Responding to the call of over 50 Heads of State and Government at a virtual UN meeting on 28 May 2020, the Secretary-General brought together representatives of Member States, regional organizations, international financial institutions, think tanks, academic institutions, civil society organizations and UN entities. Together, they produced a rich menu of policy options that was reviewed by a meeting of finance ministers, refined, and then presented to a second meeting of Heads of State and Government on 29 September 2020.[1]

The menu reflected a wide array of perspectives and priorities and thus its elements warranted further technical and policy analysis to prepare them for consideration by policymakers at the national level and in intergovernmental institutions and forums. To facilitate that analysis, the Secretary-General grouped the policy options into six clusters, one of which, "cluster 2", is denoted socio-economic response. The cluster calls for action to support jobs, social protection, gender equality, children and youth, health, education and lifelong learning, each in a human rights context. The Deputy Secretary-General asked the International Labour Organization (ILO) to collaborate with relevant UN entities that wished to work on the more detailed design and financing of cluster 2 policies (see box).[2]

Contributing partners to cluster 2 work plan

UN Department of Economic and Social Affairs (DESA), Economic Commission for Latin America and the Caribbean (ECLAC), Economic and Social Commission for Western Asia (ESCWA), International Labour Organization (ILO), International Organization for Migration (IOM), United Nations Conference on Trade and Development (UNCTAD), United Nations Capital Development Fund (UNCDF), United Nations Development Programme (UNDP), The United Nations Educational, Scientific and Cultural Organization (UNESCO), United Nations Population Fund (UNFPA), United Nations Children's Fund (UNICEF), United Nations Industrial Development Organization (UNIDO), Office of the United Nations High Commissioner for Human Rights (OHCHR), United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), Economic and Social Commission for Western Asia (ESCWA), World Health Organization (WHO), Office of the Secretary-General's Envoy on Youth, and the Office of the Special Representative of the Secretary-General on Violence Against Children

To deepen the analysis that is presented in this report, the ILO organized a series of consultations to seek the views and proposals of various non-governmental stakeholders, including civil society organizations, youth, trade unions, business and employer organizations.[3] The consultations sought to bring together concerns about the challenges in mobilizing financial resources for cluster 2 policies and the global standards underpinning such policies. The UN entities engaged in the cluster appreciated the discussions as an important input to the report.

1 United Nations, Financing for Development in the Era of COVID-19 and Beyond: Menu of Options for the Consideration of Heads of State and Government, Parts I and II, 2020, (https://www.un.org/en/coronavirus/financing-development).

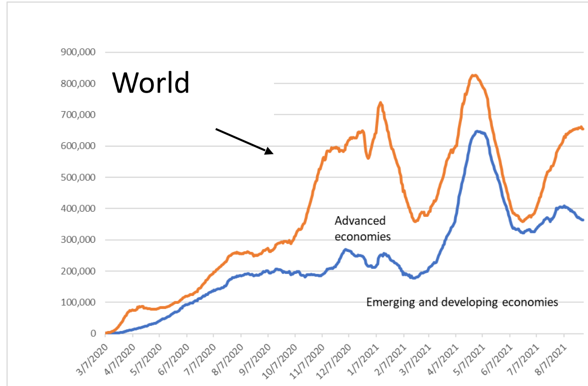
2 The other clusters (and their lead agencies) are sustainability and climate action (UNDP); finance and technology (UNCTAD); liquidity and debt vulnerability (DESA); illicit financial flows (UN Regional Economic Commissions); and addressing special country needs (DESA).

3. ILO, "Financing a socio-economic recovery," 2020 (https://www.ilo.org/global/about-the-ilo/how-the-ilo-works/financing-for-decent-work/WCMS_803916/lang--en/index.htm).

II. The continuing social and economic emergency

As of 30 August 2021, at least 226 million people around the world have been infected with COVID-19 and almost 4.6 million have died.[4] The socio-economic consequences have been and continue to be unprecedented in modern times, especially in the developing countries where the disease still ran rampant in mid-to-late 2021. The number of new COVID-19 cases in the so-called "advanced" economies rose sharply in January 2021 and fell to roughly pre-surge levels by mid-year. In contrast, the grouping of emerging market and developing economies (EMDEs) recorded an extraordinary surge in reported cases in April and May 2021. Although reported cases in these countries declined substantially thereafter, the number of reported cases was still inordinately high, accounting for about three quarters of all the new cases reported as of mid-July (figure 1).[5] Moreover, there are considerable reasons to believe the number of new cases, especially in the EMDEs, is underreported.[6] Thus, while the July and August jump in cases reported in the advanced economies is troubling, probably reflecting the spread of the delta variant among unvaccinated people in those countries, it can be said with confidence that the crisis remains highly worrisome in the EMDEs. This seems mainly to reflect the difference in the availability of vaccine doses, a difference that will not disappear in the short term.

Figure 1. New coronavirus cases, March 2020-August 2021



Source: Based on Our World in Data, based in turn on Johns Hopkins University database (accessed 30 August 2021).
Note: Figure shows seven-day moving average of confirmed daily new COVID-19 cases.

As of October 2021, around 58 per cent of the population of advanced economies were fully vaccinated, yet approximately 36 per cent of the population of EMDEs were fully vaccinated, and low-income countries less than 5 per cent of their populations were fully vaccinated.[7] Similarly, in September 2021, the disparity between EMDEs and advanced economies in COVID-19 deaths persisted; emerging economies, excluding Asia, had a seven-day moving average of 6,000 new deaths a day, whereas advanced economies did not exceed a seven-day moving average of 3,000 new deaths during the same time.[8]

The pandemic has had a devastating impact on people's wellbeing. The World Bank estimated that the crisis increased the global number of extremely poor people in 2020 for the first time after 21 years of steady decline. An estimated 97 million more people were expected to be living on less than the benchmark of US$1.90 a day at the

[4] "WHO Coronavirus (COVID-19) Dashboard," WHO, 2020, (https://covid19.who.int/).

[5] In this report, the term "advanced economy" is used interchangeably with "high-income economy" and EMDEs is used interchangeably with "developing economies." Country groupings are those of the data providers.

[6] Data shown are for confirmed cases, based on recorded results of testing.

[7] IMF, "World Economic Outlook: Recovery During a Pandemic," (2021): p. 1, (https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021).

[8] IMF, "World Economic Outlook: Recovery during a Pandemic Health Concerns, Supply Disruptions, and Price Pressures," (2021): p. 20, (https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021).

end of 2021 compared to the number of people who would have been poor had there not been a pandemic. Gender gaps in extreme poverty, already biased against women before the pandemic, are expected to widen[9]; in addition, the Bank expects 164 million more people to be classified as poor under its multidimensional poverty indicator.[10] Furthermore, the ILO estimated that the past five years of progress towards the eradication of "working poverty" (employed but earning less than the World Bank extreme poverty benchmark) were undone in 2020, as working poverty rates reverted to those of 2015.[11]

Noting that children suffer poverty differently and more deeply than adults, UNICEF has estimated that the number of children living under a multidimensional measure of poverty soared to approximately 1.2 billion in 2020 as a result of COVID-19. This was a 15 per cent increase in the number of children living in deprivation in low and middle-income countries, or an additional 150 million children since the pandemic hit.[12] Children are twice as likely to live in poverty as adults[13] and are particularly vulnerable, with long term implications for societies as a whole; yet only 1 in 4 children globally is covered by social protection.[14] Despite the launch of the International Year for the Elimination of Child Labour in January 2021, it appears that the pandemic may reverse a decade of decline in child labour.[15]

Moreover, 142 million people were projected to be experiencing food crises in 40 countries in 2021.[16] This would be less than the 155 million people in the same category in 55 countries in 2020, but still well above the number in 2019 of 135 million people in food crises.[17] While some of these appalling hunger statistics are the result of protracted conflict on the one hand and long-run environmental degradation on the other, the pandemic and its economic fallout have also contributed. In part, this was due to the negative impact on food purchases resulting from unemployment and income loss from the economic contraction triggered by COVID-19. But it also reflected disruptions in the agri-food supply chains in many parts of the world, including in farming, food trading and retailing.[18] Not only are people with less income thus eating less, but they are also consum-

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[9] UN Women, "From insights to action: gender equality in the wake of COVID-19," (2020), (https://www.unwomen.org/en/digital-library/publications/2020/09/gender-equality-in-the-wake-of-covid-19)

[10] World Bank, "Global Economic Prospects*,"* (2021): p. 27, (https://openknowledge.worldbank.org/bitstream/handle/10986/35647/9781464816659.pdf).

[11] ILO, "World Employment and Social Outlook: Trends 2021," (2021), (https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_795453.pdf).

[12] UNICEF, "Press Release: 150 million additional children plunged into poverty due to COVID-19, UNICEF, Save the Children say," UNICEF, 17 Sept 2020, (https://www.unicef.org/press-releases/150-million-additional-children-plunged-poverty-due-covid-19-unicef-save-children).

[13] World Bank Group, "Discussion Paper: Poverty & Equity*,*" (2020), (https://openknowledge.worldbank.org/bitstream/handle/10986/34704/Global-Estimate-of-Children-in-Monetary-Poverty-An-Update.pdf?sequence=1&isAllowed=y)

[14] ILO, "World Social Protection Report 2020-22: Social protection at the crossroads – in pursuit of a better future," (2021), (https://www.ilo.org/global/publications/books/WCMS_817572/lang--en/index.htm).

[15] ILO, "2021: International Year for the Elimination of Child Labour," Jan 2021, https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_766351/lang--en/index.htm).

[16] Food Security Information Network, "Global Report on Food Crises: Joint Analysis for Better Decisions," 2021, (https://docs.wfp.org/api/documents/WFP-0000127343/download/?_ga=2.146941943.1583553147.1620579525-1191027784.1620579525).

[17] Food Security Information Network, "Global Report on Food Crises: Joint Analysis for Better Decisions," 2020, (https://docs.wfp.org/api/documents/WFP-0000114546/download/?_ga=2.117741898.237817585.1632509387-433499290.1632509387)

[18] Johan Swinnen and Rob Vos, "COVID-19 impacts on global food systems and household welfare: Key insights from the Special Issue," *Agricultural Economics* (2021), (https://doi.org/10.1111/agec.12623).

ing less healthy diets.[19]

The disruption caused by the COVID-19 pandemic has also interrupted other aspects of health and wellbeing. A WHO "pulse" survey showed that about 90 per cent of countries were still reporting one or more disruptions to essential health services in 2021, particularly the delivery of essential sexual and reproductive health services.[20] UNFPA estimated the pandemic disrupted contraceptive use for about 12 million women with a consequence of nearly 1.4 million unintended pregnancies during 2020 across 115 low and middle-income countries. The loss of access to contraceptives and family planning services and supply chain disruptions are ongoing in 2021. The global pandemic thus continues to interfere with the delivery of essential services including for sexual and reproductive health, addressing gender-based violence, mental health and psychosocial needs, further exacerbating inequalities in the health sector and beyond.[21]

Owing to the pandemic, school doors closed on about 1.5 billion students worldwide as of 30 March 2020 (83 per cent of enrolees in 167 countries). By the end of July 2021, nearly 15 million students still faced some disruption to their education.[22] UNESCO's 2021 estimates for 180 countries indicate that 17 million children are at risk of dropping out or not enrolling in education institutions.[23] UNESCO feared that some 9 million primary and secondary students would not return to school, mainly in South and West Asia and sub-Saharan Africa. School closures have a gendered dimension. Adolescent girls are more at risk than are boys of not returning to school in low and lower-middle-income countries, whereas boys are more likely to be out of school in upper-middle and high-income countries.[24] While many children in developing, as well as developed countries, shifted at least partially to distance learning, the UNESCO Institute for Statistics estimated that 100 million additional children would fall below minimum proficiency in reading owing to the pandemic.[25] The pandemic is thus a major setback to an already unacceptable pre-pandemic situation, in which, for example, 53 per cent of children were not able to understand a text by age ten.[26]

COVID-19 has also made access to clean water and sanitation more difficult in rural and urban areas of many developing countries, where many people had already lacked access before the pandemic. Water suppliers and waste treatment

[19] Ibid.

[20] WHO, "Second round of the national pulse survey on continuity of essential health services during the COVID-19 pandemic," (2021), (https://www.who.int/publications/i/item/WHO-2019-nCoV-EHS-continuity-survey-2021.1).

[21] UNFPA, "Impact of COVID-19 on Family Planning: What we know one year into the pandemic," (2021), (https://www.unfpa.org/resources/impact-covid-19-family-planning-what-we-know-one-year-pandemic).

[22] UNESCO-UIS, "Global Monitoring of School Closures Caused by the COVID-19 Pandemic," 2021, (http://covid19.uis.unesco.org/data/)

[23] UNESCO, "UNESCO warns 117 million students around the world are still out of school," UNESCO, 16 Sept 2021, (https://en.unesco.org/news/unesco-warns-117-million-students-around-world-are-still-out-school).

[24] Azevedo, J. P., Hasan, A. Goldemberg, D., Iqbal, S. A. & Geven, K., *Simulating the Potential Impacts of COVID-19 School Closures on Schooling and Learning Outcomes: A Set of Global Estimates.* (Washington, DC: World Bank, Education Global Practice: 2020)

[25] Gustafsson, M., *Pandemic-Related Disruptions to Schooling and Impacts on Learning Proficiency Indicators: A Focus on the Early Grades,* (Montreal, Qué.: UNESCO Institute for Statistics, Technical Cooperation Group: 2021), (http://uis.unesco.org/sites/default/files/documents/covid-19_interruptions_to_learning_-_final2.pdf)

[26] Data of UNESCO and statements at UNESCO high-level ministerial online meeting, "One year into COVID: Prioritizing education recovery to avoid a generational catastrophe," 29 March 2021, (https://unesdoc.unesco.org/ark:/48223/pf0000376984/PDF/376984eng.pdf.multi).

plants faced financial and operational challenges owing to supply chain disruptions, increased prices for chemicals and hardware, and government-mandated suspensions of tariff collection. As a result, there was evidence of shifts away from piped and bottled water to surface water.[27] A further factor contributing to the health emergency is that more than one billion people continue to be crowded into slums, to which may be added the 25 million refugees residing in temporary shelter, unavoidably heightening their risk of contracting COVID-19.[28]

A major cause of the extensive and deep social distress noted here has been the sharp increase in unemployment due to the pandemic. ILO estimated that the equivalent of 255 million full time jobs disappeared globally in 2020 compared to pre-pandemic expectations for the year, about half of which were the result of employment loss and the other half from reduced hours of work or furlough.[29] Job losses in 2021 remained significant, as the ILO estimated global working hours to continue to remain below 2019 hours, with the equivalent of 137 million full-time jobs lost in the third quarter of 2021.[30] Young people and women were disproportionately affected. In 2020, women experienced a 5 percent decrease in employment whereas men's employment declined by 3.9 percent. Joint research by ILO and UN Women shows that working mothers have been squeezed out of the labour force as a result of the rising need to provide unpaid care in the face of school and day care closures. [31]

Unemployment hit the lower middle-income countries the hardest in 2020, losing over 11 per cent of working hours, compared to about 7 per cent in low-income and upper middle-income countries and about 8 per cent in high-income countries. Moreover, civil society interlocutors feared that the impact on informal economy workers was perforce under-reported, specifically, regarding migrant workers, especially the undocumented, as well as workers in marginalized communities, including indigenous groups, and among informal workers in the care economy.

Although global economic growth began to recover in 2021, it was expected that only a portion of the reduced work hours would return in the year. More precisely, ILO estimated that by the second quarter of 2021 the shortfall in working hours had fallen to about 4.5 per cent in lower-middle-income countries, about 4 per cent in low-income and upper-middle-income countries and 5 per cent in high-income countries.[32] However, the world of work continues to face high levels of uncertainty, especially in the developing countries, a number of which suffered from the unconstrained spread of the virus in the first half of 2021 and very low rates of vaccination, as noted earlier. Households in developing countries thus continue to struggle to meet essential needs. Meanwhile, their governments have been challenged by limited fiscal space in which to respond and relatively inadequate systems of social protection or none at all through which to channel counter-cyclical responses.

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[27] United States Agency for International Development, "Assessing the effects of covid-19 on access to water, sanitation, and hygiene in USAID high priority and strategy-aligned countries: Synthesis Report," (2020), (https://www.globalwaters.org/sites/default/files/covid_wash_trends_final_report_jan2021_1.22.21.pdf).

[28] World Bank, "COVID-19 Turns Spotlight on Slums," 10 June 2020, (https://www.worldbank.org/en/news/feature/2020/06/10/covid-19-turns-spotlight-on-slums); United Nations High Commissioner for Refugees, "Space, shelter and scarce resources - coping with COVID-19," 2020, (https://storymaps.arcgis.com/stories/e1da7d80fbcf4ce8a3a954910c1e7f37).

[29] ILO, "World Employment and Social Outlook," (2020): p. 21, (https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_795453.pdf).

[30] ILO, "World Employment and Social Outlook," (2021): p. 1, (https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_824092.pdf).

[31] Ginette Azcona et al., "Fallout of COVID-19: Working moms are being squeezed out of the labour force," UN Women, 25 Nov 2020, (https://data.unwomen.org/features/fallout-covid-19-working-moms-are-being-squeezed-out-labour-force).

[32] ILO (2021), op cit.

III. Public finance for fighting the pandemic and for socio-economic recovery

A major constraint in addressing the current emergency and arranging an effective recovery has been financial. According to civil society participants from a number of developing countries who participated in the ILO consultations that were undertaken for this report, national systems that provide social services and transfers were bound to be challenged by the pandemic, in part owing to the previous decade of austerity policies that left public health, education and lifelong learning and social protection systems in a weak state. Indeed, the ILO has estimated that as many as four billion people were not covered by any social protection services when the pandemic crisis began.[33] Whether depleted under earlier austerity or not previously built up, developing countries are challenged to strengthen their social infrastructure while the pandemic still rages.

Social protection was not a high priority in many countries prior to and during the onset of the pandemic. Civil society representatives noted that the ministry of finance often prioritized maintaining the country's international bond rating over addressing pressing social needs. Many developing countries thus entered the crisis with limited policy space by which governments could address the pandemic and its immediate social consequences.

Nevertheless, developing country governments responded to the crisis. They shifted fiscal resources to social spending categories and borrowed heavily from domestic and international creditors to pay for increased public health spending, education and lifelong learning[34] and economic support of crisis-affected populations, in most cases excluding non-nationals and most definitely undocumented migrants.[35]

Globally, the COVID-19 crisis resulted in an unprecedented increase in social spending from governments, with many countries increasing benefits or protections with over 1,600 new social protections announced globally[36]. As of March 2021, over 196 countries had domestic fiscal measures of about US$17.1 trillion, though most of it was concentrated in the high-income countries.[37] Even so, these social protection measures, due to their ad hoc, short-term nature, leave many unprotected, including workers in the informal economy, migrants, and indigenous people.[38] Many non-nationals are effectively undocumented and reliant therefore on humanitarian aid, informal economic activity (despite lockdowns and movement restrictions), and informal forms of social protection to generate income and for economic survival. Unfortunately, this response was therefore limited and insufficient, and there is widespread fear that the pandemic will rage for another year in those countries, especially given the limited access to vaccines in many of them resulting in an economic recovery that is delayed and possibly short lived.

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33 ILO, "Financing gaps in social protection: Global estimates and strategies for developing countries in light of the COVID-19 crisis and beyond," Social Protection Spotlight, 17 September 2020, (https://www.social-protection.org/gimi/RessourcePDF.action?id=56836).

34 UNESCO estimates that only 2% of COVID-19 stimulus package funding worldwide went to education. See UNESCO, *Education and training: Not yet prioritized in national fiscal responses,* (2021), (https://unesdoc.unesco.org/ark:/48223/pf0000376916)

35 Mohamed Almenfi et al., "Where is the money coming from? Ten stylized facts on financing social protection responses to COVID-19," *World Bank Social Protection and Jobs Policy Technical,* Note No. 23 (2020), (https://documents1.worldbank.org/curated/en/737761605775837011/pdf/Where-is-the-Money-Coming-From-Ten-Stylized-Facts-on-Financing-Social-Protection-Responses-to-COVID-19.pdf).

36 ILO, *World Social Protection Report 2020-22,* (2021): p. 68, (https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_817572.pdf

37 ILO, *World Social Protection Report 2020-22,* (2021): p. 70, (https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_817572.pdf

38 ILO, *World Social Protection Report*, (2021): p. 73.

The UNSG policy brief on people on the move illustrates how migrants in irregular situations, migrant workers with precarious livelihoods, or working in the informal economy, victims of trafficking in persons as well as people fleeing their homes because of persecution, war, violence, human rights violations or disaster, whether within their own countries — internally displaced persons (IDPs) — or across international borders — refugees and asylum-seekers, have been impacted by COVID-19 not only as a health crisis, but also as a socioeconomic and a protection crisis.[39] The situation has been uniquely difficult for migrants in irregular situations, migrant workers with precarious livelihoods, or who work in the informal economy, victims of trafficking in persons as well as people fleeing their homes because of persecution, war, violence, human rights violations or disaster.[40]

Most of the people pushed back into extreme poverty by the crisis will perforce remain extremely poor for years to come. And while the international community has boosted assistance to developing countries, as will be noted below, there was widespread concern that those efforts would not meet either the public health or the socio-economic need. Instead, civil society, labour and business organizations have called for a new "social contract" to change this scenario. The Secretary-General has joined this call, but it seems that the response to the call has been slow and partial.[41]

Emergency pandemic cooperation, 2020-2021

The first year of the pandemic saw a surge in international financial and technical cooperation that only began to meet the immediate need to confront the pandemic in the developing countries. While prospects for international cooperation improved as of mid-2021, it remained unclear if the new commitments would cover the evident needs in the pandemic's second year.

For example, as of 6 July 2021, the World Health Organization reported it had received slightly more than one quarter of the almost US$2 billion it required to support countries to suppress transmission, reduce exposure, counter misinformation and disinformation, protect the vulnerable, reduce mortality and morbidity rates and increase equitable access of vaccines. Even if all outstanding pledges at the time were fully realized, it would still lack 54 per cent of the amount targeted.[42] A financially larger, multi-agency initiative, the "Access to COVID-19 Tools" (ACT) Accelerator, was also underfunded. The ACT Accelerator undertook to scale up vaccine delivery, bolster research and development, stimulate rapid uptake and a robust pipeline of COVID-19 tests, treatments and personal protective equipment (PPE).[43] As of 29 October 2021, commitments of US$18.8 billion were made to the ACT Accelerator with US$ 15.9 billion in funding still needed.[44]

Reacting to this situation, the leaders of the International Monetary Fund (IMF), the World Bank, the World Health Organization (WHO) and the World Trade Organization (WTO) challenged the international community - and in the first instance the Group of 7 (G7) major industrialized countries - to mobilize an additional US$50 billion to fight the pandemic, of which at least US$35 billion should

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[39] United Nations, "Policy brief: COVID-19 and people on the move," June 2020, (https://reliefweb.int/report/world/policy-brief-covid-19-and-people-move-june-2020)

[40] Ibid.

[41] Amy Lieberman, "Calls for a 'new social contract' continue. But what does that mean?" DEVEX, 18 January 2021, (https://www.devex.com/news/calls-for-a-new-social-contract-continue-but-what-does-that-mean-98929).

[42] WHO, *Contributions to WHO for COVID-19 appeal*, 6 July 2021, (https://www.who.int/emergencies/diseases/novel-coronavirus-2019/donors-and-partners/funding).

[43] WHO, *Access to COVID-19 tools funding commitment tracker*, 9 July 2021, (https://www.who.int/publications/m/item/access-to-covid-19-tools-tracker).

[44] WHO, *Access to COVID-19 tools funding commitment tracker*, 29 October 2021, (https://www.who.int/publications/m/item/access-to-covid-19-tools-tracker).

take the form of grants. The proposal prioritized speed and coordination: "It called for *upfront* financing, *upfront* vaccine donations, and *upfront* precautionary investments and planning – rather than commitments that may be slow to materialize." It called as well for quick removal of all blockages to expanded vaccine supply, including removing barriers to international trade and agreement on a pragmatic solution to the sharing of intellectual property.[45] The agencies, funds, programmes and offices preparing this report endorse that call.

The leaders of the G7 addressed some of those proposals at their summit meeting of 11-13 June 2021. The leaders pledged to directly share an additional 870 million vaccine doses over the next year, delivering at least half of them by the end of 2021. Coupled with financial commitments to purchase additional vaccine doses, the G7 will be providing an additional one billion doses over the commitments that the G7 countries had made as of February 2021. However, far more doses and associated vaccine delivery and health system spending are needed to finally conquer COVID-19 globally.

To this end, the G7 leaders committed to "boost [the] supply of COVID-19 tools, including vaccines, raw materials, tests, therapeutics and PPE, through more production in more places… based on the principles of open trade and transparency." This should include "terminating unnecessary trade restrictive measures" and "breaking down bottlenecks that are holding back the efficient use of current production capacity."[46] The G7 – indeed, the international community writ large, as in the 2021 World Health Assembly – has recognized that the pandemic highlighted weaknesses in the global health and health security system and that much more international cooperation is required.[47] Nevertheless, policy matters related to intellectual property remain contentious.

In addition to global shortcomings in the health sector, the crisis has highlighted the inadequate provision of other social services, especially in developing countries. In the area of education, for example, reduced resources were projected to create an annual financing gap of almost US$200 billion annually in low- and middle-income countries over the next 10 years.[48] Thus, in addition to the imperative to mobilize new funding for increased health spending, education spending must be boosted, especially in the low- and middle-income countries. Almost two thirds of a sample of those countries withstood decreased education budgets in 2020, compared to only one third of high and upper middle-income countries. This is worsening the education spending gap between rich and poor countries at a moment when the pandemic has required greater spending per pupil to continue to educate the world's children and youth.

It is also necessary to address the negative gender impact of the crisis on education, including through policies to remove gender biases in education systems, ensure schools are safe and free of violence, and bring all girls back to school.[49] Four overarching guiding principles will be essential for a gender-responsive approach: (i) adopting a system-wide approach that brings a gender and inclusion lens to education analysis, including budgeting, takes steps to remove gender bias and discrimination within and across education systems, (ii) prioritizing the leadership of girls and women, and systematically and meaningfully engaging them in consultations and decision-making concerning education recovery planning and financing, (iii) pro-

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[45] Kristalina Georgieva, Tedros Adhanom Ghebreyesus, David Malpass and Ngozi Okonjo-Iweala, "A new commitment for vaccine equity and defeating the pandemic," IMF, 1 June 2021, (https://www.imf.org/en/News/Articles/2021/06/01/a-new-commitment-for-vaccine-equity-and-defeating-the-pandemic?utm_medium=email&utm_source%E2%80%A6).

[46] "Our shared agenda for global action to build back better," Carbis Bay G7 Summit Communiqué, Cornwall, 11-13 June 2021, paras 9-12., (https://www.g7uk.org/wp-content/uploads/2021/06/Carbis-Bay-G7-Summit-Communique-PDF-430KB-25-pages-5.pdf).

[47] "Special session of the World Health Assembly to consider developing a WHO convention, agreement or other international instrument on pandemic preparedness and response," WHO, Seventy-Fourth World Health Assembly, 31 May 2021, (https://apps.who.int/gb/ebwha/pdf_files/WHA74/A74(16)-en.pdf).

[48] Save our Future, *Averting an Education Catastrophe for the World's Children,* (2020) (https://saveourfuture.world/wp-content/uploads/2020/10/Averting-an-Education-Catastrophe-for-the-Worlds-Children_SOF_White-Paper.pdf).

[49] UN, "Policy Brief: Education during COVID-19 and beyond," August 2020, (https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2020/08/sg_policy_brief_covid-19_and_education_august_2020.pdf).

moting an integrated and coordinated approach that addresses and invests in girls' holistic education, health, nutrition, and protection needs, and (iv) prioritizing action to bring all girls back to school, both returning students and those previously out of school, through targeted measures for the poorest and most marginalised girls.[50] Before the pandemic, the unpaid care and domestic work done primarily by women and girls, was critical for sustaining families and communities and enabling economic development.[51] The social and economic cost of inadequate support for the care economy was made evident as pandemic pressures grew for many working families to take over full-time care of their children and adults requiring care. In many cases, long-term care systems were in a state of disarray.[52] In addition, not only were early childhood development programmes affected, but also child protection systems have been unable to respond adequately to greater threats of violence against children during the stresses of the pandemic. Moreover, an estimated US$2.4 billion had been lacking in 2020 just to scale-up life-saving interventions to protect maternal and child nutrition, including in the most vulnerable countries.[53] Other critical gaps included clean water and sanitation, which are vital to controlling the spread of the pandemic.[54]

The goal to which the international community should commit itself, beyond meeting immediate emergency needs and supporting an inclusive recovery that protects and supports the rights of access to social services, is to build universal, comprehensive, gender-responsive and sustainably financed social protection systems that provide protection in response to life cycle risks (e.g., sickness, unemployment, old age) and are sufficiently robust to respond adequately to systemic shocks, such as the COVID-19 pandemic. But whether viewed as emergency measures or as beginning to deliver on the long-run obligation that states must meet their sustainable development goals, each category of increased public outlays requires more public financial resources.

Public finance and international cooperation for recovery

Every country today must overcome the health crisis and minimize the livelihood disaster that the pandemic has triggered. In addition to funding for vaccinations, treatment and prevention, sufficiently increased social spending in a supportive counter-cyclical fiscal and monetary context remains essential. When referring to the severity of the crisis at the beginning of the pandemic in March 2020, the Managing Director of the IMF indicated, "Please spend. Spend as much as you can and then spend a little bit more."[55]

In addition to the immediate societal benefits from increased spending on health, education and lifelong learning and other social services, these services are major employers in most countries and increased spending on them provides a fiscal stimulus that can help address the pandemic-associated unemployment crisis. Investment in childcare services also facilitates parents' partici-

[50] UNESCO, UNICEF, Plan International, UNGEI and Malala Fund, *Building Back Equal: Girls Back to School Guide*, (2020), (https://www.unicef.org/media/75471/file/Building-back-equal-Girls-back-to-school-guide-2020.pdf).

[51] UN Women, "COVID-19 and the care economy: Immediate action and structural transformation for a gender-responsive recovery," 2020, (https://www.unwomen.org/en/digital-library/publications/2020/06/policy-brief-covid-19-and-the-care-economy).

[52] William Gardner et al., "The coronavirus and the risks to the elderly in long-term care," *Journal of Aging & Social Policy,* (2020), (https://doi.org/10.1080/08959420.2020.1750543).

[53] Henrietta H. Fore et al., "Child malnutrition and COVID-19: the time to act is now," *The Lancet* (2020), (https://doi.org/10.1016/S0140-6736(20)31648-2).

[54] The President of the General Assembly, "High-level meeting on the implementation of the water-related goals and targets of the 2030 Agenda, 18 and 22 March 2021, Summary of the President of the General Assembly, " 2021, (https://www.un.org/pga/75/wp-content/uploads/sites/100/2021/04/PGA-letter-summary-of-the-High-level-meeting-on-the-Implementation-of-the-Water-related-Goals-and-Targets-of-the-2030-Agenda.pdf).

[55] "'Spend as much as you can,' IMF head urges governments worldwide" Reuters, 15 January 2021, (https://www.reuters.com/article/us-russia-imf/spend-as-much-as-you-can-imf-head-urges-governments-worldwide-idUSKBN29K1XJ).

pation in the economy, as well as generating jobs in the care sector where women often predominate as workers.[56] A positive employment response would also follow from increased government spending on social protection and food aid, especially necessary for "hand-to-mouth" consumers as it encourages aggregate demand.[57]

Moreover, increased public investment in social infrastructure, defined as investments in health, education, and care, benefits those who receive the services as well as society as a whole. The human and social capital produced by these investments underpin economies and their functioning.[58] For example, the International Labour Organization reported in the *World Social Protection Report 2020-22*, that increased social infrastructure investment, specifically investment in care services, could result in the creation of 269 million jobs by 2030 compared to the number of jobs in 2015.[59] Targeting public investment in social infrastructure, including through expenditures in systems of care, can expand the economy by generating employment; improve public services, such as in schools, hospitals, clinics, water and sanitation, and other facilities on which people – especially the poor - depend; and free up those previously engaged in unpaid care to pursue paid work.[60]

Taken together, increased social spending has significant potential to generate inclusive economic recovery and jobs, and to crowd in private investment as businesses respond to the consumption demands of the re-employed.[61] Indeed, continuing the recovery once begun, additional social spending should be seen as part and parcel of a strategy to promote job growth in the green, blue, creative and digital economy as well meet the obligations of the social agenda.

National efforts were indeed mobilized in 2020 in many countries, many with emergency international support,[62] preventing an even larger decline into poverty from occurring. Some governments (mostly in Europe) included migrants in their social protection and health schemes and measures.

The International Organization for Migration (IOM) reported that some governments in the Middle East and North Africa have extended their social protection systems in order to include additional and new beneficiaries from shock-affected communities. They extended their social transfer programmes to nationals working in the informal sector, but not to non -nationals in the informal sector, which in the case of some regions could entail several hundred thousand people, and in some cases, millions of people.[63]

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56 ILO and UN Women, "A Guide to public investments in the care economy: Policy support tool for estimating care deficits, investment costs and economic returns," (2021), (https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_767029.pdf).

57 Jessica Bracco et al., "Social transfer multipliers in developed and emerging countries: The role of hand-to-mouth consumers," Socialprotection.org, 2021, (https://socialprotection.org/discover/publications/social-transfer-multipliers-developed-and-emerging-countries-role-hand-mouth).

58 Stephanie Seguino, "Financing for Gender Equality in the Context of the Sustainable Development Goals" UN Women, 2016, (https://www.unwomen.org/en/digital-library/publications/2016/3/financing-for-gender-equality-in-the-context-of-the-sustainable-development-goals).

59 ILO, "World Social Protection Report 2020-22," (2021): p, 217, (https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_817572.pdf).

60 Jérôme De Henau and Susan Himmelweit, "A Care-Led Recovery from COVID-19: Investing in High-Quality Care to Stimulate and Rebalance the Economy" *Feminist Economics,* Volume 27 2021; De Hanau, Budlender et al., "Investing in free universal childcare in South Africa, Turkey and Uruguay: A comparative analysis of costs, short-term employment effects and fiscal revenue," UN Women, (2019).

61 Vitor Gaspar et al., "Public Investment for the Recovery," IMF Blog, 5 October 2020, (https://blogs.imf.org/2020/10/05/public-investment-for-the-recovery/?utm_medium=email&utm_source=govdelivery).

62 IMF, "Fiscal Monitor: A Fair Shot," April 2021, (https://www.imf.org/en/Publications/FM/Issues/2021/03/29/fiscal-monitor-april-2021).

63 IOM, "COVID-19: Policies and impact on seasonal agricultural workers," *Issue Brief*, May 2020, (https://www.iom.int/sites/g/files/tmzbdl486/files/documents/seasonal_agricultural_workers_27052020_0.pdf).

In upper middle-income countries, the larger proportion of the workforce participating in social insurance programmes offered other channels for the government to provide support, including waived social security contributions, income from unemployment insurance, sick leave and pension-related measures. Roughly a fifth of the responses to the pandemic in each grouping of countries involved active labour-market measures, such as wage subsidies.[64]

However, the bulk of these measures failed to address the specific and disproportionate impact of the crisis on women. Out of 1,700 social protection and labour market measures adopted between March 2020 and March 2021, only 13 per cent were explicitly aimed at strengthening women's economic security, including by prioritizing them as recipients of cash and in-kind transfers or providing tailored training and entrepreneurship development opportunities.[65] Moreover, the measures that were adopted were largely concentrated in high-income countries. The measures providing support in this area took the form of paid family leave, emergency childcare services for essential workers, cash-for-care or reduced and flexible worktime policies.

Most of these social protection measures were continuing in 2021, although most were time-bound. The world's governments planned to begin to cut back their fiscal expenditures starting in 2021, as can be seen in figure 2, based on estimates and spending plans reported to the IMF as of October 2020. There was thus reason for concern that governments would repeat the policy of a quick return to austerity that they imposed after the global financial crisis of 2008-2009.

A premature and excessive reduction in government expenditure would not only be socially harmful and deter the growth of income and jobs, but it would also worsen inequality within countries, as the affluent have the power to protect their wealth and the poor lack opportunities to overcome their poverty. Such policies can have disproportionately negative impacts for women and girls and have long-lasting impacts on children.[66] These policies are rightly not politically popular. Indeed, government announcements of plans to shrink public benefits in some countries led to civil unrest and had to be rethought.

It is rare that the choice of austerity is inescapable. Finance ministries may hesitate in most years to allow the government deficit to grow in order to maintain creditor confidence in the government's payment capacity. However, the creditor-oriented view can be short sighted. While no country can indefinitely live beyond its means, premature cutbacks unnecessarily deprive the country of incomes and jobs and weaken the country's ultimate capacity to service its debt through economic growth. Moreover, the point of maintaining creditor confidence is to be capable of borrowing when necessary and in this crisis it has been necessary. Also, governments can usually mobilize additional funds in a crisis through emergency financial or tax measures (even if unpopular with affluent taxpayers). If reducing overall expenditures nevertheless becomes unavoidable, the social expenditures can often be maintained by curtailing other outlays. It is a matter of priorities and calculations about risks to society versus risks to perceptions of creditworthiness.

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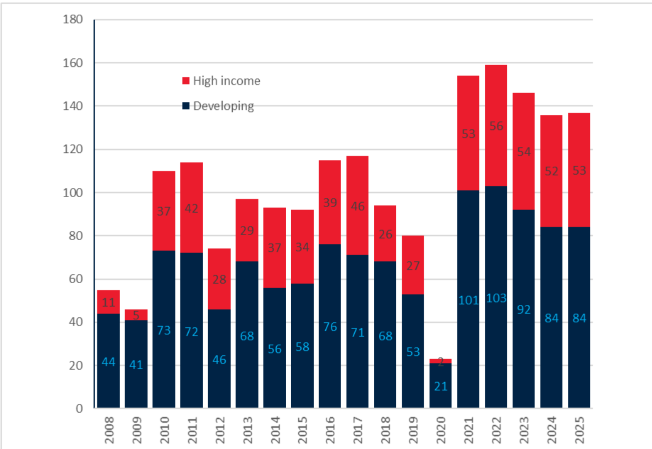
[64] Ugo Gentilini et al., "Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures," *World Bank Living Paper*, version 15 (2021), (https://openknowledge.worldbank.org/handle/10986/33635).

[65] UN Women and UNDP, "Global gender response tracker: Monitoring how women's needs are being met by pandemic responses," UN Women, 11 May 2021, (https://data.unwomen.org/resources/women-have-been-hit-hard-pandemic-how-government-response-measuring).

[66] Elisa Braunstein, "Neoliberal development macroeconomics: a consideration of its gendered employment effects," *United Nations Research Institute for Social Development (UNRISD)* Research Paper (2012), (https://www.unrisd.org/80256B3C005BCCF9/(httpAuxPages)/F95D244010CF453DC12579AD0049AB47/$file/Braunstein.pdf); Sara Cook and Shahra Razavi, "Work and welfare: revisiting the linkages from a gender perspective," *UNRISD* Research Paper (2012), (https://www.unrisd.org/80256B3C005BCCF9/search/F52656072DF9EBB2C1257AD9004657C5?OpenDocument); Nyasha Tiriyavi et. al, "A rapid review of economic policy and social protection responses to health and economic crises and their effects on children," UNICEF, 2020, (https://www.unicef-irc.org/publications/1095-rapid-review-economic-policy-social-protection-responses-to-health-and-economic-crises.html).

Figure 2. Number of countries contracting public expenditure, 2008-2025



Source: Isabel Ortiz and Matthew Cummins (2021), "Global austerity alert: Looming budget cuts in 2021-25 and alternative pathways," Initiative for Policy Dialogue Working Paper, Columbia University, April (https://policydialogue.org/files/publications/papers/Global-Austerity-Alert-Ortiz-Cummins-2021-final.pdf).
Note: Public expenditures and plans expressed as share of gross domestic product, as per IMF, *World Economic Outlook* data base, October 2020; income classification based on World Bank for fiscal year 2021.

The international community needs to help ease the challenge to creditor confidence in developing counties by stepping in to assist countries in need. In the current situation, the IMF, the World Bank and other international institutions and arrangements stepped forward in 2020 with quick-disbursing loans that gave countries a measure of fiscal space for their emergency programmes.[67] Most of those funds were made available to low-income countries, leaving other countries (and some low-income countries) to borrow more on commercial terms in international markets. This increase in sovereign borrowing from official as well as private sources has raised debt levels and was seen to threaten government debt sustainability in some countries. Even prior to the COVID-19 crisis, one fifth of low- and middle-income countries were spending more on debt servicing than healthcare, education and social protections combined.[68]

The international community responded to that threat by facilitating debt relief and providing non-debt creating assistance, albeit in limited ways for some countries. Actions were taken first on debt-servicing relief. The governments of the leading economies that make up the Group of 20 (G20) and the Paris Club of bilateral government creditors offered the "Debt Service Suspension Initiative" (DSSI) to temporarily postpone debt servicing that governments were scheduled to pay beginning in May 2020 on debts owed to them by low-income countries.[69] DSSI, which was extended through December 2021, offered only temporary liquidity relief, but then it was complemented by the offer of a potentially lasting reduction of repayment obligations in a new "Common Framework for Debt Treatments" adopted by the G20 and the Paris Club in November 2020.[70] Nevertheless, with only three countries applying for Common Framework relief as of August 2021 – an option that is not even available to middle-income countries – and without assurances that private bondholders will join with the bilateral creditors in extending relief, additional policy initiatives are warranted to convince private

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[67] UN, "Financing for Sustainable Development Report," (2021): pp. 86-88, (https://developmentfinance.un.org/sites/developmentfinance.un.org/files/FSDR_2021.pdf).

[68] UNICEF, "Protecting and Transforming Social Spending for Inclusive Recoveries," April 2021, (https://www.unicef-irc.org/publications/pdf/Social-spending-series_COVID-19-and-the-looming-debt-crisis.pdf).

[69] World Bank, "COVID 19: Debt Service Suspension Initiative," World Bank, 13 May 2021, (https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative).

[70] "Statement and annexes of the Extraordinary G20 Finance Ministers and Central Bank Governors' Meeting," 13 November 2020, (https://www.mof.go.jp/english/international_policy/convention/g20/g20_201113_1.pdf).

creditors to enter restructuring negotiations at earlier stages of emerging debt crises.

In a modest way, the IMF contributed to debt relief through its Catastrophe Containment and Relief Trust (CCRT), a facility that covered the payment obligations of low-income countries on loans owed to the IMF.[71] The IMF also provided a substantial boost to non-debt creating financial assistance. That is, the IMF agreed in July 2021 to allocate US$650 billion worth of special drawing rights (SDRs) to member countries by the end of August.[72] SDRs are a form of international liquidity that governments can hold in their reserves or exchange for foreign currency to spend on foreign payments, including to cover debt servicing obligations.

One drawback in the SDR allocation is that by IMF's Articles of Agreement, SDRs are allocated roughly in proportion to a country's economic weight in the world economy. Developing countries thus received about US$250 billion of the SDRs, and while this will substantially boost the reserves of many countries, it will concentrate the new SDRs in the high-income countries that need them the least.

Recognizing this drawback and the unmet needs of developing countries, several high-income countries seem prepared to voluntarily transfer a portion of their SDR holdings for the benefit of developing countries. They could transfer SDRs back to the IMF for its lending to low-income countries, possibly to other international financial institutions or directly to individual developing countries, which would further ease pandemic-related payment pressures.[73] As developed country budgets for official development assistance have been stressed by the pandemic, the political interest in some countries to reallocate SDRs to countries more in need seems the most promising and urgent way to assist developing countries combat the crisis in the short run.[74]

The IMF projects slowly declining net borrowing needs of the developing countries in coming years, compared to quicker adjustment in the high-income countries (figure 3). Deficit shrinkage can be a welcomed development if it reflects increased tax revenues, especially from a progressive income tax system, and a reduced need for emergency assistance to households as countries overcome the virus and experience a growth in incomes and decent jobs and livelihoods. However, governments must be strongly urged to avoid premature expenditure cutbacks and with their international partners ensure sufficient fiscal space for necessary social spending, active labour market policies and public employment programmes during the recovery period and beyond. This is a major demand that civil society and trade unions have insisted upon in their consultations for this report, and which the author agencies of this report endorse.

Focusing more specifically on social protection and looking further into the future, the developing countries as a whole need to spend an additional US$1.2 trillion annually post pandemic to bring their social protection systems up to the minimum standard specified in the ILO's Recommendation 202 on social protection floors.[75] The need for comprehensive social protection measures, including social services related to housing, education, sanitation and water is accentuated in the informal economy, and in many migrant communities

[71] "Policy Responses to COVID-19: Policy Tracker," IMF, 2 July 2021, (https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19).

[72] "IMF Managing Director Kristalina Georgieva welcomes the Executive Board's backing for a new US$650 billion SDR allocation," IMF, 9 July 2021 (https://www.imf.org/en/News/Articles/2021/07/08/pr21208-imf-managing-director-kristalina-georgieva-executive-board-backing-new-us650b-sdr-allocation).

[73] Kevin Gallagher and José Antonio Ocampo, "Making the most of a new SDR ration," Reuters Breaking Views, 7 April 2021, (https://www.reuters.com/article/us-imf-sdr-breakingviews/breakingviews-guest-view-making-the-most-of-a-new-sdr-ration-idUSKBN2BU1ZM).

[74] These issues are a focus of cluster 4 on liquidity and debt vulnerability.

[75] ILO, "Financing gaps in social protection: Global estimates and strategies for developing countries in light of the COVID-19 crisis and beyond," Social Protection Spotlight, 17 September 2020, (https://www.social-protection.org/gimi/RessourcePDF.action?id=56836).

Figure 3. General government deficits, 2012-26

(Per cent of GDP)

Source: Data of IMF, World Economic Outlook database, April 2021.

If they can mobilize the political will, most countries that lack full social protection floors could fully implement ILO Recommendation 202, as well as meet their commitment to SDG target 1.3.[76] On one hand, countries can do so through applying social-impact and gender budgeting analyses and through strengthening public financial management. Countries can identify spending inefficiencies and programmes and thus direct more fiscal resources to meet essential social needs. On the other hand, many countries have opportunities to successfully mobilize more public resources by increasing the tax burden on the population segments and companies most able to afford it, by more effective tax administration, and through strengthened international cooperation on tax matters.

In low-income countries, however, ILO estimates that about 16 per cent of gross domestic product would be required to cover the financing gap from only domestic resources, or about 45 per cent of total tax revenues in those countries. In such cases, it is not realistic to expect countries to be able to meet all their needs solely from domestic public revenues. It thus requires more adequate international assistance on appropriate terms, to which end civil society and labour partners have joined with the UN Special Rapporteur on Extreme Poverty and Human Rights to propose the creation of a global fund for social protection, whose functions would be to help finance social protection floors in the poorest countries.[77]

In sum, in middle- and low-income countries, much attention during recovery in the next few years should focus on ring fencing delivery of essential social services, such as in health, education and lifelong learning and social protection, while expanding coverage where needed, such as with respect to workers and enterprises in the informal economy, including migrants, refugees and many groups of internally displaced persons. Policy should also privilege investment in the maintenance and expansion of essential infrastructure, including in clean water, sanitation and connectivity. Addressing the digital divide and investments in digital learning are particularly important for ensuring universal education, as the pandemic demonstrated. It should also include strengthening employment support and promotion mechanisms, including employment services, active labour market programmes and skills development, particularly for women and youth, that can be quickly scaled up in times of crisis.

Particular attention should be paid to the vast number of workers engaged in the informal economy as well migrants, refugees and many IDPs, who in both humanitarian and non-humanitarian settings, are typically excluded from formal employment and are likely to remain invisible to policy makers. In the case of workers with very low and irregular incomes, their ability to make regular social security contributions may be constrained, but there are innovative ways of extending social security schemes to such workers, by adapting the eligibility conditions and subsidizing their contributions with general government revenue. Integrated policies that address the diverse barriers to coverage, are adapted to the realities of workers and enterprises, and ensure sustainable and equitable financing mechanisms through social insurance contributions, general government revenue (based on progressive taxation) or a combination of both are

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[76] General Assembly, "Transforming our world: the 2030 Agenda for Sustainable Development," General Assembly resolution 70/1, (2015): p. 7, (https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_RES_70_1_E.pdf)

[77] UN Human Rights Council (2021), "Global fund for social protection: international solidarity in the service of poverty eradication," Report of the Special Rapporteur on extreme poverty and human rights, Olivier De Schutter (A/H A/HRC/47/36).

most likely to succeed. If links to labour markets are through formalized employment, then the workers and their families not only benefit from social protection but can also contribute to social protection systems through taxation and social security contributions.

Governments that have already built into their budget analyses the principles of public financial management and the impact of their spending and tax programmes on poverty, inequality, including gender inequality, children and youth, will be best able to devise appropriate policies for their recovery period. Other countries would be well advised to adopt such mechanisms, along with other tools of planning for sustainable development. For some countries, such domestic efforts will suffice once the economy recovers from the pandemic, but other countries will require continued international assistance.

VI Strong and financially sustainable policies for beyond socio-economic recovery

Requirements for implementing cluster 2 policies can be grouped into three categories. The first is mobilizing the political will to shape the policies in ways that best align them with global standards and norms. In some countries, this means increasing the political priority to implement the aligned policies; in other countries, it means increased focus on international cooperation to better implement the policies. The second regards government planning, budgeting and implementation of its aligned social policies. Those policies require the adequate, equitable and efficient mobilization of public financial resources, mostly domestic but including international cooperation, as well as strong collaboration with domestic stakeholders in design and oversight of the policies. The third is strengthening the private sector contribution to recovery and development. It requires an enabling and well-regulated legal and policy environment for businesses of all sizes, as well as inclusive policies to support micro, small, and medium-sized enterprises, which are a major source of employment and income growth, along with a strategy for formalizing workers and enterprises in the informal economy, which is a major source of unprotected jobs in many countries.

In relation to all three categories, solutions must adopt a whole-of-society and a whole-of-government approach as promoted in the 2030 Agenda for Sustainable Development, mindful of the perspective of host communities, the interplay with immigration law and policy, the need for labour market interventions and the adoption of context-sensitive governance arrangements. Evident in this latter regard is the need for government ownership and leadership; institutional coordination; cooperation with international (including cross-border) institutions, with regional and local governmental structures, and the private sector; appropriate funding arrangements; and dedicated management and operational arrangements. In essence, what is needed is a whole-of-government approach with emphasis on a comprehensive strategic approach by national governments, rather than fragmented interventions directed by external actors.

Alignment with global standards and norms

Member States of the United Nations have agreed to align their national laws, policies and practices with several global standards, norms and human rights obligations. Human rights-based approaches to development are powerful tools that make us safer and more resilient. They place our emphasis on the people most at risk of discrimination.[78] They are the best way to reduce inequalities and resume our path towards realising the 2030 Agenda. Even in a context of shrinking fiscal space, fighting corruption, reallocating resources and rethinking taxation can help to maximise resources for advancing an economic system that is aligned with human rights – one that delivers access to health care, social protections, quality education, clean water, housing and other fundamental rights.[79]

The International Covenant on Economic, Social and Cultural Rights (ICESR) requires States to "take steps to the maximum of their available resources to achieve progressively the full realization of economic, social and cultural rights."[80] The Covenant also requires States to guarantee the " enjoyment of economic, social and cultural rights without discrimination" and to" ensure the equal rights of men and women to the enjoyment of these rights." Even though States may realize economic, social and cultural rights progressively, they must also take immediate action, irrespective of the resources they have, to meet the *minimum essential levels of each of the rights* – the minimum core obligation, such as access to essential medicines for the right to health, freedom from hunger for the right to food and free and compulsory primary education for the right to education.[81] States also have other immediate obligations regarding economic, social and cultural rights which include dismantling discrimination, avoiding any retrogressive measure and taking targeted, concrete and deliberate actions to move as expeditiously as possible towards the full realization of those rights.

Doing so would better ensure that public and private behaviours lead to socially, environmentally and financially sustainable development and the enjoyment of human rights by all. It would also ensure the adequate provision of essential social services and income supports for individuals and communities who experience multiple and persistent forms of discrimination, including children, women and youth, Afro-descendants and other racial and ethnic minorities, older persons, persons with disabilities, workers in the informal economy, migrants, refugees and IDPs, with the aim of reaching universal social protection, including universal

78 Michelle Bachelet, UN High Commissioner for Human Rights, "Ensuring that no one is left behind- How do we protect the poorest and most vulnerable from the crisis and empower them to realize the SDGs," OHCHR, 6 July 2021, (https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=27278&LangID=E).

79 Ibid.

80 UN OHCHR, "International Covenant on Economic Social and Cultural Rights (ICESR)," UN OHCHR, (https://www.ohchr.org/en/professionalinterest/pages/cescr.aspx).

81 UN OHCHR, "Fact Sheet No. 33: Frequently Asked Questions on Economic, Social and Cultural Rights," *Office of United Nations Commissioner for Human Rights,* Fact Sheet No. 33 (2008), (https://www.ohchr.org/documents/publications/factsheet33en.pdf).

health coverage, clean water and sanitation, quality education and lifelong learning, all the while ensuring that resources are deployed efficiently, effectively and equitably. Social and economic rights include the right to social protection, a critical tool for facilitating access to health care, protecting people against poverty and ensuring the satisfaction of other basic economic and social rights, including the right to food, water, housing, health and education. The State as the primary duty bearer should expand social protection coverage to provide equal access for all, including the most marginalised, in accordance with international human rights treaties.82 Thus, policy makers should increasingly consider alignment and inclusion of mechanisms that ensure substantive equality of the most disadvantaged groups (e.g., women, youth, persons with disabilities, refugees and migrants) in national social protection systems as this could also be a way to align domestic, humanitarian, and development financing flows. The Maastricht Principles on the Extra-Territorial Obligations of States in the area of Economic, Social and Cultural Rights, require higher income countries to support developing countries in ensuring the realization of economic, social and cultural rights for their people.

More precisely, the alignment of social policies with sustainable development requires States to discharge their human rights obligations, including for the realization of the rights to health, education and lifelong learning, and social security, as well as the fundamental principles and rights at work, and international labour standards more broadly with a view to eradicating poverty. It also includes implementation of a number of international conventions, such as the Convention on the Elimination of all Forms of Discrimination against Women, the Convention on the Rights of the Child, and the Convention on the Rights of Persons with Disabilities. The United Nations 2030 Agenda for Sustainable Development,[83] anchored in human rights, outlines the Governments' commitments taken in the context of the Global Compacts for Migration and on Refugees.

Even so, while there is agreement that the implementation of these norms, standards and goals would boost national wellbeing, social inclusion and equity, their implementation often lags. At the national level, systemic patterns of discrimination based on race, ethnicity, age, disability, socioeconomic status, and gender, among others, as well as maintaining the status quo, are all too common. At the same time, international cooperation in the area of economic, social and cultural rights should be expanded and strengthened.[84] Under the International Covenant on Economic, Social and Cultural Rights,[85] in addition to acting individually to progress economic, social and cultural rights to the maximum of their available resources, States must also do so through international assistance and co-operation. Therefore, assisting less developed countries through expanding their fiscal space or by providing technical assistance to step up the enjoyment of these fundamental rights, core of the 2030 Development Agenda, is a human rights oblig-

[82] The right to social security is recognized in numerous human rights instruments including the Universal Declaration of Human Rights (art. 22) and the International Covenant on Economic, Social and Cultural Rights (arts. 9 and 10). Article 11 of the Convention on the Elimination of All forms of Discrimination against Women recognizes the right to social security for women, especially in cases of retirement, unemployment, sickness, invalidity, old age or other incapacity. In addition, article 11 recognizes the right to paid leave. Article 26 of the Convention on the Rights of the Child recognizes the right of the child to social security and social insurance. Article 27 of the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families sets out the right of all migrant workers to social security on an equal footing with nationals, as well as to reimbursement of contributions if they cannot access benefits. Article 28 of the Convention on the Rights of Persons with Disabilities recognizes the right of persons with disabilities to social protection without discrimination on the basis of disability and enumerates steps to be taken by States to safeguard and promote the realization of this right. See CESCR, general comment No 19.

[83] UN OHCHR "Universal Human Rights Instruments," UN OHCHR, (https://www.ohchr.org/EN/ProfessionalInterest/Pages/UniversalHumanRightsInstruments.aspx); ILO, "Convention and Recommendations," ILO, (https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm); "Transforming our world: the 2030 Agenda for Sustainable Development," ILO, (https://sdgs.un.org/2030agenda).

[84] UN OHCHR, "International Covenant on Economic, Social and Cultural Rights," (1966): article 2, para 1, (https://www.ohchr.org/en/professionalinterest/pages/cescr.aspx).

[85] Ibid.

ation and a development imperative.

It follows that regular engagement to work with states to comply with socio-economic obligations at the national and international level is warranted. Thus, appropriate monitoring, reporting and public disclosure of the relevant behaviours of economic actors at national level and governments at international level are a necessary complement to the formal commitment to align national policy to international standards. To this end, the international community has developed and recommends methodologies for national monitoring and reporting, and it has adopted a set of international review mechanisms to support national review efforts.

Such reviews of implementation efforts are undertaken by treaty bodies established with respect to specific conventions. In addition, comprehensive assessments are made through the Universal Periodic Reviews in the Human Rights Council, the review of reports on national implementation by the ILO Committee of Experts on the Application of Conventions and Recommendations and the Tripartite Committee on the Application of Conventions and Recommendations of the International Labour Conference. Monitoring of progress towards the SDGs is accomplished through the Voluntary National Reviews in the High-level Political Forum on Sustainable Development of the UN Economic and Social Council.[86]

These domestic and international monitoring processes are a living practice, regularly under methodological review and strengthened by their oversight bodies. In this regard, for example, the UN Statistical Commission has developed a set of indicators of progress in implementing the 2030 Agenda in order to better monitor country progress on domestic and international cooperation goals and targets.[87] However, only some of the indicators are operational and some are nascent in that while statistical specifications are agreed, relevant data is not yet widely collected by which to measure the indicator. Indeed, the indicator framework is refined annually for improvement.

One aspect of the measurement challenge that governments face is to better measure the disaggregated impact of policies by sex, age, disability, migratory status and other characteristics relevant to national contexts. In the current context, for example, most countries are either not collecting or not making available health data on COVID-19 broken down by sex, age and other characteristics, raising a concern that countries will fail to respond to the priority needs of women and girls, as well as older persons, children, and migrants and refugees.[88] Nationally representative livelihoods data should be collected at a frequent enough interval to be relevant to decision making, as well as to inform measures on poverty alleviation, access to basic services, including financial services, and potentially contribute to the tracking of SDGs. More detailed monitoring of labour markets, especially the informal labour market including through statistical and other data, is also warranted.

In this regard, UN Member States at the 2021 Financing for Development Follow-up Forum underscored in their inter-governmentally agreed conclusions and recommendations “the need to scale up financial support, equipment and infrastructure and technical assistance to strengthen capacities of national statistical offices and fill data gaps with responsible, open and inclusive data” (E/FFDF/2021/L.1, para. 86). The authors of the present report emphatically call for prompt action on that consensus recommendation.

In addition to statistical data, which should be made publicly available in a timely manner, stakeholders and the press should be able to gather information without hindrance. This too is necessary for effective monitoring of commitments. As labour movements, civil society and employer or-

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[86] UN OHCHR, “Increasing implementation of the outcomes of the international human rights mechanisms,” UN OHCHR, (https://www.ohchr.org/EN/AboutUs/ManagementPlan/Pages/human-rights-mechanisms.aspx); ILO, “ILO supervisory system/mechanism,” (https://www.ilo.org/global/about-the-ilo/how-the-ilo-works/ilo-supervisory-system-mechanism/lang--en/index.htm); “High Level Political Forum on Sustainable Development: Voluntary National Review,” Sustainable Development Knowledge Platform, (https://sustainabledevelopment.un.org/vnrs/).

[87] UN/DESA Statistics Division, “Global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development,” Sustainable Development Goals, (https://unstats.un.org/sdgs/indicators/indicators-list).

[88] UN Women, “From insight to action: Gender equality in the wake of Covid-19,” UN Women, 2020, (https://www.unwomen.org/-/media/headquarters/attachments/sections/library/publications/2020/gender-equality-in-the-wake-of-covid-19-en.pdf?la=en&vs=5142).

ganization stakeholders have each emphasized in their consultations, it is crucial to align with international norms, standards and goals and that the national public be well informed of progress and impediments to progress on implementation.

International standards on social protection

Since 1919, based on its constitutional mandate, the ILO has developed standards focused on providing protection to the world of work, including in the case of maternity, sickness, disease and injury arising out of employment, and the provision of old-age benefits. The Declaration of Philadelphia (1944), building on the premise that "poverty anywhere constitutes a danger to prosperity everywhere", called on the ILO to achieve "the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care" (III(f)). The Declaration emphasized that all policies should ensure the basic human rights to freedom, economic security and prosperity for all, calling on the ILO to consider "all international economic and financial policies and measures in the light of this fundamental objective". Over its 100 years of existence, ILO constituents have adopted 31 social security Conventions and 24 Recommendations – more than one sixth of the entire body of international labour standards; consequently, social security is considered "one of the major areas of the standard-setting and supervisory activities of the ILO".[89]

The comprehensive internationally agreed normative framework establishes clear benchmarks and principles and charts the way towards the progressive realization of the human right to social security. Its keystone Social Security (Minimum Standards) Convention, 1952 (No. 102), which remains the only international treaty with a systemic approach to social security, giving the State the general responsibility to establish and maintain a system securing the protection of its population against a series of contingencies faced throughout people's lives, including when these result from systemic shocks, by reference to core principles and minimum qualitative and quantitative benchmarks, and through a combination of contributory and non-contributory mechanisms. These contingencies comprise the need for medical care and income security in the event of sickness, unemployment, old age, employment injury, maternity, disability and survivorship, and for families with children. Convention No. 102 establishes the main principles associated with the administration and financing of the related institutions, complemented by more advanced standards that set higher levels of protection with respect to these contingencies (except family benefits),[90] as well as standards addressing the situation of migrant workers. [91]

Numerous countries have committed to the right to social security by ratifying human rights treaties and ILO instruments. Yet, even in the absence of ratification, these standard[92] continue to guide the development of national social protection policy and legal frameworks, as well as international commitments to expand social security, notably the United Nations (UN) Sustainable Development Goals (SDGs).

Despite these major legal developments, the majority of the world's population remains excluded from any form of social security. Several challenges have prevented the implementation of the human right to social security. The persistence of informal employment, with more than 60 per cent of the employed population making their living in the informal economy, results in significant protection gaps, mostly in developing countries.93

[89] ILO, Social Security and the Rule of Law: General Survey concerning Social Security Instruments in Light of the 2008 Declaration on Social Justice for a Fair Globalization, ILC.100/III/1B (2011), para. 22

90 Employment Injury Benefits Convention, 1964 [Schedule I amended in 1980] (No. 121); Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128); Medical Care and Sickness Benefits Convention, 1969 (No. 130); Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168); and Maternity Protection Convention, 2000 (No. 183); and related Recommendations.

[91] Equality of Treatment (Social Security) Convention, 1962 (No. 118); and Maintenance of Social Security Rights Convention, 1982 (No. 157), and related Recommendation.

[92] Equality of Treatment (Social Security) Convention, 1962 (No. 118); and Maintenance of Social Security Rights Convention, 1982 (No. 157), and related Recommendation.

[93] ILO, *Women and Men in the Informal Economy: A Statistical Picture*, third edition, 2018

Challenging labour market transformations, structural unemployment and fragmented labour markets, not only in high-income countries, have entailed the growth of flexible, temporary, atypical forms of employment, and have incentivized self-employment and greater recourse to complex subcontracting and civil or service contracts, often lacking adequate social protection and among the hardest hit by financial, economic or sanitary crises.94Since the recession of the mid-1970s, recovery has often been sought through economic and structural adjustment policies based on deregulation, privatization, labour market flexibility, social security reforms and a reduction in labour costs and social spending.95 However, in many cases, this has resulted in a noticeable retreat of the welfare state and shifting of responsibility from the State to the private sector and financial markets, thereby shifting greater risks to individuals.96 International labour standards have been depicted as potentially obstructing economic growth and competitiveness, though this has been empirically disproved.97

While globalization undoubtedly contributed to lifting many people out of poverty, it has also been accompanied by increased inequality and socio-economic insecurity, and uneven distribution of the benefits of economic growth in many parts of the world, leaving millions of people without protection when the COVID-19 pandemic hit.98 This phenomenon has had an important impact on social protection for at least two reasons: (1) social insurance is largely financed by contributions based on the labour income share, which has been steadily declining since the 1980s; (2) social protection systems have often been unduly considered only as a cost and a by-product of economic growth rather than an investment in people and a prerequisite for sustainable economic and social development.

In the aftermath of the 1997 Asian economic and financial crisis, it became clear that social protection was a precondition for achieving sustainable inclusive growth and addressing the social consequences of globalization. Against the backdrop of increasing levels of poverty, inequality and social exclusion in many countries, due largely to persistent and increasing levels of unemployment, underemployment, informality, flexibilization and deregulation of labour markets, country experiences evidenced the effectiveness of social transfers and effective access to healthcare as a form of redress.[99] As of 1999, the extension of social protection to all was recognized as one of the four components of decent work and crucial to address the social dimension of globalization in a context of increasing deregulation and informality.[100]

Nearly a decade later, amidst the turmoil of the 2008 global economic and financial crisis, the ILO Declaration on Social Justice for a Fair Globalization stressed that all Members of the Organization have a key responsibility to contribute to the realization of the decent work objectives. This includes implementing the objective of social protection through “the extension of social security to all, including measures to provide basic income to all in need of such protection, and adapting its scope and coverage to meet the new needs and uncertainties generated by the rapidity of technological, societal, demographic and economic changes.”

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[94] ILO, *Non-standard Employment around the World: Understanding Challenges, Shaping Prospects,* 2016.

[95] ILO*, Defending Values, Promoting Change: Social Justice in a Global Economy: An ILO Agenda, Report of the Director-General (Part I)*, International Labour Conference, 81st Session, Geneva, 1994, 71; Gerry Rodgers et al., The International Labour Organization and the Quest for Social Justice, 1919–2009 (ILO, 2009), 33

[96] ILO, *Defending Values, Promoting Change, 10*; ILO, *Social Security and the Rule of Law*, paras 119–123; Francis Maupain, *The Future of the International Labour Organization in the Global Economy* (Oxford: Hart Publishing, 2013).

[97] OECD, *Trade, Employment and Labour Standards: A Study of Core Workers' Rights and International Trade*, 1996; ILO, *Defending Values, Promoting Change: Social justice in a global economy*, 1994, p. 69–75.

[98] ILO, *Social protection Floor for a Fair and Inclusive Globalization, Report of the Social Protection Floor Advisory Group* chaired by Michelle Bachelet, Geneva, 2011, 1–4.

[99] ILO*, Universal Social Protection for Human Dignity, Social Justice and Sustainable Development*, para. 19.

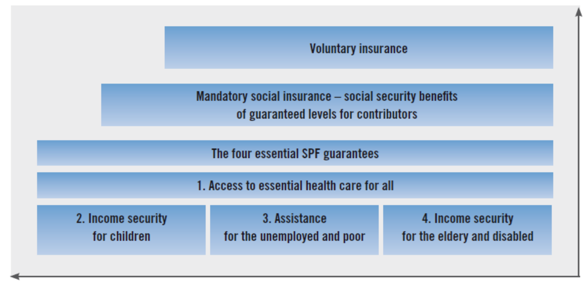
[100] ILO, *A Fair Globalization: Creating Opportunities for All*, World Commission on the Social Dimension of Globalization, 2004

In the aftermath of the crisis, the 2009 Global Jobs Pact called upon countries to build "adequate social protection for all, drawing on a basic social protection floor" and urged "the international community to provide development assistance, including budgetary support, to build up a basic social protection floor on a national basis". The UN System Chief Executives Board for Coordination entrusted the ILO and the World Health Organization (WHO) to lead the UN Social Protection Floor Initiative (UN SPF Initiative), launched in April 2009, as one of several joint initiatives to combat and accelerate recovery. That process paved the way towards the adoption of Recommendation No. 202 in 2012. The ILO resumed its standard-setting activities in social protection through this new landmark instrument listing the principles that guide the formulation of social protection policies and strategies aimed at securing: (i) universal coverage in terms of persons protected; (ii) comprehensive protection in terms of risks covered; and (iii) adequate levels of protection.

Crucially, the Recommendation affirmed that all countries should give priority to establishing national SPFs as a fundamental element of their social security systems through a two-dimensional strategy to guarantee at least basic levels of income security and access to essential healthcare for all (known as the horizontal dimension) and to incrementally secure higher levels of protection, guided by Convention No. 102 and the more advanced standards, for as many persons as possible and as soon as possible (known as the vertical dimension). Taken as a whole, the social security system can thus be envisaged as a policy staircase (figure 4).

Recommendation No. 202 crystallizes the twenty-first century blueprint for developing normative and policy frameworks aimed at building and maintaining universal and sustainable social protection systems, beyond merely ad hoc, one-off or fragmented approaches. The visionary nature of the Recommendation was promptly recognized by the international community in the 2030 Agenda, which urges countries to "implement nationally appropriate social protection systems and measures for all, including floors" (SDG target 1.3) and to "achieve universal health coverage" (SDG target 3.8).[101]

Figure 4. The social protection staircase



Source: ILO (2016), *Social Protection Assessment-Based National Dialogue: A Global Guide* (https://www.social-protection.org/gimi/RessourcePDF.action?id=53462).

Strengthening national planning, budgeting and implementation

The value of coherence and comprehensiveness of national economic and social policies is increasingly appreciated and steps to forge such an approach to policymaking has gained traction, or rather re-gained traction.[102]

The United Nations family has promoted the drafting of national sustainable development strategies since the adoption in 2015 of the 2030 Agenda for Sustainable Development (General Assembly resolution 70/1) and the Addis Ababa Action Agenda (General Assembly resolution 69/313). The national strategies are meant to be complemented by "integrated national financing frameworks" (INFFs), which seek to identify the financial resources, public and private, domestic and international, and desirable regulatory policies to help achieve the country's strategy over the planning period.[103] Global guidance for developing INFFs has been developed by UN DESA through the Inter-

[101] UN General Assembly, resolution 67/81, "Global Health and Foreign Policy, A/RES/67/81" 2012, para. 3, (https://undocs.org/A/RES/67/81).

[102] Barry Herman, "Reviving holistic development planning for sustainable development," *Development*, vol. 61, (2018): p. 94-100, (https://doi.org/10.1057/s41301-018-0172-7).

[103] UN, "Financing for Sustainable Development Report," *Integrated national financing frameworks for sustainable development,* (2019), Chapter II, (https://developmentfinance.un.org/sites/developmentfinance.un.org/files/FSDR2019_ChptII.pdf),

agency Task Force on Financing for Development. A joint knowledge management platform has been developed and is maintained jointly by DESA, UNDP and the European Union (EU).[104] As of May 2021, 77 countries were working with the UN to develop or strengthen their INFFs, mostly assisted with financial support from the UN's Joint SDG Fund.[105] Approximately one quarter of these have an explicit focus on gender. Systematically integrating gender equality into INFFs will, with technical support, help countries to better align national financing strategies with gender equality objectives and led by UNDP in collaboration with over 15 UN agencies, the EU, IMF and other critical development partners in turn target financing to advance gender responsive policy implementation. [106]

As distinct social policies affect other policies, coherence of the package of socio-economic policies is an important focus of the sustainable development strategy and INFF approach. This pertains to interaction among social policy programmes per se (e.g., in health, education and lifelong learning, social protection, clean water and sanitation, and ensuring that jobs entail safe and decent work) and interaction of social policies with those of other sectors (e.g., immigration policy, employment, education, financial services, energy, transportation, and industrial and agricultural supply chains). A case in point is extending a country's digital payments ecosystem to communities where large numbers of social grant recipients reside, which not only improves the efficiency of grant delivery, but also improves information to better inform development interventions.[107] INFFs should thus facilitate productive cooperation among government ministries (and with sub-national layers of government) as well as with different international development partners. Indeed, the Joint SDG Fund not only provides financial support for INFFs but is also providing financial support for cooperation among UN agencies in delivering "integrated social protection." As of May 2021, the Fund was assisting 39 countries in that area.[108]

From a socio-economic perspective, the most central channels of public and private financial flows in an INFF include budgetary transfers and loans, government revenues, foreign direct investment, and financially intermediated domestic and international private flows. The responsibility of the financial sector, in this regard, is to address the credit, payment and safe saving needs of households and micro, small and medium-sized firms (MSMEs), as well as the financial needs of large corporations. Indeed, financial inclusion promoting access to finance on appropriate terms and secure means of payment for low-income households, particularly for women who often lack effective access, and for MSMEs is important for achieving several of the SDGs. Other channels that countries might cover in their INFF analysis include the central bank or monetary authority, a national development bank, a contributory social security system and pensions, public and private insurance schemes, remittances and other non-state grant funding, and official international financial cooperation. Attention to the contribution of the private sector in the INFF presumes, as well, having an enabling environment for business formation and growth within an appropriate framework of prudential, competitive, social and environmental regulation (see section below on government-business interface).

There is, however, no single proper approach to the sourcing of financial resources or how they are allocated. Different interests will promote themselves according to their ability to influence the outcome. Thus, civil society organizations in the ILO consultations expressed concern that the INFFs should not disproportionately be shaped by for-profit interests and by the international development institutions that prioritize the role of the private sector. Indeed, the ILO labour standards are very clear about the primary responsibility of the state for establishing the legal and administrative architecture and sustainable financing of social security, it also being the final guarantor of its good operation. The participants in the ILO consultations thus called on national authorities to gather the observations and recommendations of the full

104 "INFFs provide a framework for financing national sustainable development priorities and the SDGs at the country level," INFF, (https://inff.org/).

105 "SDG Financing," Joint SDG Fund, (https://www.jointsdgfund.org/sdg-financing).

106 "SDG Financing," Joint SDG Fund, (https://www.jointsdgfund.org/sdg-financing).

107 UNCDF, "Inclusive Digital Economies for the SDGs," UNCDF, 2021, (https://www.uncdf.org/ide4sdg).

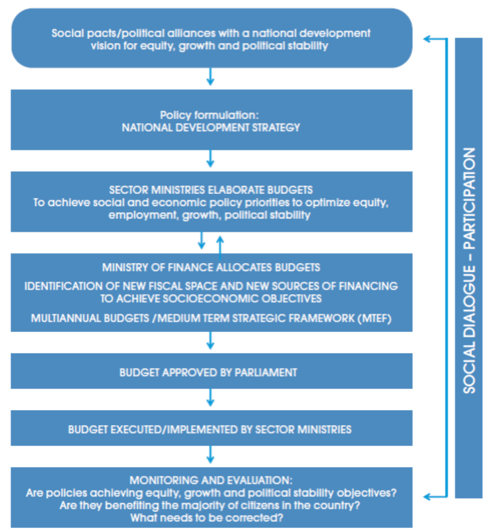
108 "Integrated Social Protection: Leaving no one behind," Joint SDG Fund, (https://www.jointsdgfund.org/integrated-social-protection).

range of domestic academic and advocacy stakeholders whose perspectives might broaden the range of proposals that should be considered in devising the country's INFF. We find this wise advice.

National authorities should look specifically at possible pathways to make the transition for population groups dependant on humanitarian assistance, as well as those engaged in the informal economy, who are not yet included in national social protection schemes, to their longer-term sustainable inclusion in social protection contributory and pension systems, by increasing their contributory capacities. While the INFF emphasizes a comprehensive approach to financing the development strategy, the public finance section of the INFF should inform and be informed by medium-term fiscal planning and the annual budget cycle. Methodologies have developed over decades for medium-term fiscal planning and annual budgeting, as well as for monitoring and evaluation of government expenditure programmes, together grouped into a policy practice called "public financial management" or PFM (figure 5).[109] Proper implementation of PFM should involve issuance of directives/guidelines by ministries of finance, to guide sector budget planning, as well as inequality-impact assessments of expenditures and revenue mobilization. Most advanced in this regard is gender responsive budgeting (GRB), which systematically integrates gender equality concerns into government policy, planning, budgeting, monitoring, evaluation, and audit. GRB tools include ex-ante and ex-post gender needs assessments, gender budget statements and gender audits.[110] PFM principles can also help guide spending on specific programmes, such as for vaccine purchase and dissemination, as well as appropriate monitoring of implementation and auditing the results.[111]

However, socio-economic plans, budget allocations and expenditure decisions are as much political as they are technical, and thus, as highlighted in figure 5, many voices in a country should be involved in their design and execution, including the legislature, audit institutes, social partners and civil society as well as all government ministries. Public discussion in the press, social dialogue, and civil society access to government and the legislature should be essential components of policy formation and monitoring- better enabling the participation of women and youth, as well as population groups that are least covered in policy debates, such as informal economy workers and migrants, refugees and IDPs.

Figure 5. From development strategy to annual budget to programme evaluation



Source: Isabel Ortiz et al., Fiscal Space for Social Protection: A Handbook for Assessing Financing Options, ILO and UN Women, 2019 (https://www.ilo.org/secsoc/information-resources/publications-and-tools/books-and-reports/WCMS_727261/lang--en/index.htm), p. 50.

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[109] Isabel Ortiz et al, "Key concepts to understand national budgets," *Fiscal Space for Social Protection: A Handbook for Assessing Financing Options*, ILO and UN Women, 2019, Chapter 3 (https://www.ilo.org/secsoc/information-resources/publications-and-tools/books-and-reports/WCMS_727261/lang--en/index.htm).

[110] Zohra Khan and Katherine Gifford, "COVID-19 and fiscal policy: applying gender-responsive budgeting in support and recovery," *United Nations Entity for Gender Equality and the Empowerment of Women (UN Women,* Policy Brief No. 21 (2021), (https://www.unwomen.org/en/digital-library/publications/2021/03/policy-brief-covid-19-and-fiscal-policy).

[111] Hélène Barroy et al., "Why PFM is key for the effective roll out of COVID-19 vaccines," IMF PFM Blog, 30 April 2021, (https://blog-pfm.imf.org/pfmblog/2021/04/-why-pfm-is-key-for-the-effective-roll-out-of-covid-19-vaccines-.html).

Making better policies through more inclusive policymaking

While regular government consultation with domestic stakeholders over the government's socioeconomic policies is often advocated, some stakeholders consulted in preparing this report averred that such consultations with their governments are not the usual practice. Civil society representatives noted that governments often negotiate budgets without inputs from other external stakeholders. In other cases, suppression of trade unions led to curtailing of labour laws and protection of workers. Moreover, in several countries in recent years, IMF facilitated government austerity plans had to be rescinded owing to political unrest following their announcement. This suggests that early consultation, human rights impact assessments, transparency and appropriate phasing of economic adjustments aimed at enhancing the enjoyment of economic and social rights and the attainment of the SDGs would be a more effective approach.

In fact, consultation has been practiced from the earliest stages of the pandemic in quite a number of countries in the form of social dialogue of government with labour and employer organizations, especially in Europe, but also in every other geographical region. ILO estimated, based on joint statements and agreements collected from the dialogues between 1 February 2020 and 31 January 2021 that 102 countries produced 381 joint texts. At early stages of the crisis, many of the dialogues addressed emergency challenges to the world of work, while later dialogues considered how to co-exist with the continuing spread of the virus, and yet others subsequently looked to more forward-looking recovery responses. Agreements focused on protecting employment and wages, supporting and sustaining enterprises, and extending social protection, among other policies.[112]

This is a practice that has evolved over time and can serve as a bellwether for governments wishing to consult on a more systematic basis with all their national stakeholders. To be most effective, the process of social consultation should be rich and timely, and governments should be willing to listen to the views of civil society, labour and employers at all stages of the policymaking process. Indeed, international agencies and donor governments have sought to boost the contribution that stakeholders can make to effective social policy, as for example in the joint programme that the European Union, ILO, UNICEF and the Global Coalition for Social Protection Floors (an international civil society network) launched in 2020 to "improve synergies between social protection and public finance management" in 18 developing countries.[113]

It is important to note that the greater international focus today on social policy is also reflected at the IMF, where the "macro-critical" nature of much social spending has been recognized. The IMF's primary responsibility is international financial stability to which end it has been empowered to monitor the macroeconomic policies of its member countries. While the most severe threats to international financial stability reside in the developed economies, as the global financial crisis made clear, global threats can also arise in developing countries, as exemplified in the Asian financial crisis of the late 1990s. The IMF has become more sensitive to the fact that social and political instability caused by unremitting poverty and inequality can be as threatening to global stability as unsustainable fiscal and financial policies and has thus adopted a new policy to work more closely with countries that are seeking to sustainably finance appropriate social spending that is efficiently delivered.[114] It has also issued instructions to its staff on how to help countries forge macroeconomic policy packages that include such social spending, in cooperation with specialized international partners, including ILO, UNICEF, WHO

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[112] ILO, "Social dialogue one year after the outbreak of Covid-19 pandemic: Spotlight on outcomes," Research Brief, June 2021, (https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---dialogue/documents/publication/wcms_802527.pdf).

[113] "Improving synergies between social protection and public finance management," Social Protection & Public Finance Management, (https://socialprotection-pfm.org/).

[114] IMF, "A strategy for IMF engagement on social spending," IMF Policy Paper, June 2019, (https://www.imf.org/en/Publications/Policy-Papers/Issues/2019/06/10/A-Strategy-for-IMF-Engagement-on-Social-Spending-46975).

and the World Bank and in consultation with civil society organizations.[115]

At the same time, representatives from civil society, trade unions and employer organizations have cautioned against what they perceived as diminished "civil space" for advocacy. As finance ministries may be focused on maintaining the confidence of their creditors, they may tend to over-prioritize short-term austerity, as noted earlier. The voices of national stakeholders and development partners can help balance what needs to be considered in socially and economically effective and sustainable policymaking. Governments should take advantage of the interest of the IMF to encourage such dialogues. The agencies, funds, programmes and offices preparing this report are ready to assist countries and their stakeholders in this effort.

Paying for the social agenda

The policies included in cluster 2, whose financing this paper seeks to address, may be called, for shorthand, the social agenda. This does not mean that the agenda only pertains to social issues but that the proposed policy measures impact the social and economic well-being of people. Societies organize and pay for their social agendas to the extent that they are able and have the will to do so. Conventionally, "societies" in this context means the national government, possibly complemented by sub-national levels of government, but in many countries, it also includes private voluntary associations, such as religious and civil society organizations, cooperatives, social entrepreneurs, workers organizations, informal family or neighbourhood arrangements, other providers of informal social protection services, and even for-profit enterprises. In contexts, where the majority of the workforce is employed in the informal economy, including migrant workers, 'societies' should also explicitly include informal workers, migrants and non -nationals who can contribute to the debate on financing the social agenda as well.

In the most resource-constrained societies, they may not be able to provide the essential level of social services on their own, especially if they rely on domestic and formal sources only- disregarding the potential large pool of informal workers, including non-nationals working in the informal sector at home and abroad. One should keep in mind that contributions by informal economy workers at home would still be formal, and a very important non-domestic source can also come in the form of remittances form workers who are working abroad – formally or informally.

All the aforementioned actors are domestic and thus in the most resource-constrained societies, they may not be able to provide the essential level of social services on their own. Also, societies struck by catastrophic events may be temporarily unable to meet emergency – let alone continuing – needs on their own.

In both cases, international assistance is required and may be provided by official and private (charitable) sources, but in both cases the state should also investigate ways to expand their fiscal space by increasing their base of tax-payers and contributors to the social security system by better connecting vulnerable groups to labour markets and social protection, by opening sectors to non-nationals and IDPs to enable the labour market to function more effectively, and by formalising employment and private businesses to enable them to contribute to the social protection system through taxation and receive support during times of either idiosyncratic or covariant shocks. Also, investment in and incorporation of vulnerable population groups in integrated, national public safety net (PSN) responses (in particular, national public works arrangements) should also be considered – as this may reduce reliance on a raft of non-contributory social protection interventions and could, if well-designed and properly executed, provide a pathway to vulnerable migrants to formally enter the labour market and hence participate in contributory social security schemes. In addition, consideration should be given to involve public works participants directly in national, contributory social programme interventions. In short, the question of paying for the social agenda has international as well as domestic dimensions.

Societies have developed a myriad of ways to pay for different parts of their social agenda at home, and in cooperation with foreign partners. Mostly – if not universally – this involves some form of government expenditure, and that will be the focus of discussion here. But regardless of whoever organizes the services and whoever pays for them, it is the state that has the duty to assure that the human right of all people to those services is real-

[115] Irene Yackovlev et al, "How to operationalize IMF engagement on social spending during and in the aftermath of the COVID-19 crisis," IMF How to Notes 20/02, 14 Sept 2020, (https://www.imf.org/en/Publications/Fiscal-Affairs-Department-How-To-Notes/Issues/2020/09/14/How-to-Operationalize-IMF-Engagement-on-Social-Spending-during-and-in-the-aftermath-of-the-49718).

ized. Aspects of public financing of the social agenda

One benefit of the INFF and development planning approaches to financing sustainable development is that they address all the actors in financing for development. Development planning also asks not only about the direct cost of development programmes, but also their indirect costs, so as to assure adequate provision of well-trained service providers, appropriate infrastructure for delivering services, access to foreign exchange for essential imports and capable management capacity. Thus, concern that the social agenda be adequately provided requires concern that the overall development plan and the medium-term policy framework are adequately financed.

The social services themselves can be provided by governments, the non-profit sector and even by for-profit enterprises, either directly (e.g., private hospitals) or financially (e.g., insurance companies). In practice, states involve themselves to greater or lesser extent in providing and paying for different parts of the social agenda. For example, they may engage little or not at all in the provision of adequate shelter, particularly when it comes to housing construction in rural and distant, non-integrated communities, or in informal housing in urban settings. Even in communities in which planners set the stage for urban housing development and governments oversee water, road and power infrastructure, governments often take responsibility only that private construction companies abide by safety and health standards. These governments leave it to the market to decide to what extent the rich, the middle-class and the poor are adequately sheltered.

As working families and the poor may well be excluded from access to adequate shelter in purely market-oriented approaches, some states directly arrange for publicly constructed or publicly financed housing or subsidize private housing through payments to tenants or landlords or reduced taxation of the income from that rent. These social policies are typically included in government budgets and paid for out of general tax revenues or public borrowing. In some countries, governments may prefer to offer partial guarantees to financial investors or builders to encourage them to take perceived risks in these actions. While guarantees are not outright expenditures, and are oftentimes politically preferred for that reason, they will become an expenditure if the risks against which the guarantee is issued come to pass. Guarantees are thus deemed “contingent liabilities” of the government, to which budget authorities need pay attention so that they do not undermine the sustainability of the fiscal situation.

Some parts of the social agenda have “public good” characteristics, which is to say that individuals beyond the ones enjoying the social expenditure benefit from it or suffer harm from the absence of the expenditure. The most immediate example pertains to vaccinations to stop the spread of COVID-19 disease. Public health, education and lifelong learning, clean water and sanitation are commonly considered to be in this category at national level and – as illustrated by the pandemic – at international level. This is thus one case for concerted (i.e., mandatory) *public* spending. The insight in such cases is that because the benefit to society exceeds the benefit to the individual receiving the benefit, individuals left to themselves are unlikely to purchase a socially sufficient amount of the service (e.g., not be vaccinated).[116] In addition to this instrumentalist argument for mandating public social spending, human rights obligations and appeals to human dignity and social solidarity are pertinent. Assistance to the infirm and elderly illustrate this category, as does public support of housing, as the resources of many families would be insufficient to provide adequately.

While the full cost of some services may be covered by public or charitable funds, beneficiaries may also be called upon to share the cost, as in co-payments for visits to the doctor. When it comes to government support for the loss of income – as during unemployment or owing to a cyclone or hurricane – a decision is needed on how much of the beneficiaries’ losses will be replaced and for how long a period. The challenge for policymakers is to honour their obligation to “achieving progressively the full realization” of the economic, social and cultural rights of their people, while also taking stock of the economic burden on those called upon to pay for the services in question.[117]

One further distinction is needed in parsing the question of how to pay for the social agenda, namely that some expenditures are regular and

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[116] Wolfgang Buchholz and Todd Sandler, “Global public goods: A survey,” *Journal of Economic Literature*, vol. 59 (2021): p. 488-545 (https://www.aeaweb.org/articles?id=10.1257/jel.20191546).

[117] “International Covenant on Economic, Social and Cultural Rights,” UN OHCHR, 1966, (https://www.ohchr.org/en/professionalinterest/pages/cescr.aspx).

predictable, while others are contingent on a need arising. The need for the former type of programme may be assessed and provided through standard budget allocations (e.g., school budgets, housing subsidies, universal child benefits). The latter type of programme embodies risks and uncertainties. Preparing for those contingencies is in the nature of arranging insurance, which governments and non-state entities may arrange for the people as a whole or groups of people.

In some of the risk-related cases, the particular social expenditure may be included in the government's annual budget as an entitlement that has been written into law, requiring that the government incur whatever additional expense is necessary to provide the service to all who are eligible for however long is required no matter the fiscal impact until the law is repealed or amended. This is a form of self-insurance, in that the budget, as a whole, assures resources are available to absorb the risk of the unexpected increases in the demand for the services.

Throughout the consultations under this cluster, there was widespread support for increased public spending on a socio-economic response, recognizing that compromises need to be made to advance all the goals of the sustainable development agenda.

Always, there is a political struggle over the budget, with some stakeholders wanting to prioritize spending on the social agenda, others thinking that infrastructure and long-run economic growth are most important, others wanting to prioritize mitigating climate change, others wanting to maximize the income left in private hands rather than be taken by the government in taxation. The authors of this report support increased public spending for cluster 2 policies, recognizing that compromises need to be made to advance all the goals of the sustainable development agenda. In many countries, however, the need for a trade-off of spending on one SDG priority over another can be lessened in time as tax efforts can be increased, making a larger expenditure budget sustainable.

Fair and effective taxation

While a variety of mechanisms are used to mobilize funds to cover the cost of social services, the main source of payments for social spending entitlements and other social programmes is the general tax system, while in the case of social protection both taxes and social security contributions (by employers and employees) play a critical and complementary role.

By all accounts, a "good" tax system should be effective in mobilizing funds, administratively efficient, not inadvertently distort price signals (although sometimes a tax precisely intends to change market behaviour, as in taxing polluters), and the tax system should be deemed equitable in how the burden of paying the tax is shared by people at different income levels.[118] Indeed, if social programmes meant to assist the poor are disproportionately paid for by taxes on the poor, the social aim may well be defeated.[119]

And while social programmes should not disproportionately be paid for by taxes on the poor, not making any efforts to reach out to the workers (national and non-nationals in the informal economy) with contributory capacity as well as employers, means that the tax system, remains inefficient and chronically underfunded, but also that these large pools of people employed in the informal sector remain largely outside the (contributory) social security system and extremely vulnerable if shocks such as COVID- 19 happen again. Taxation policies and strategies should take account of both the formal and informal economies. Efforts should be undertaken to enlarge the tax base by including and formalizing those who are currently excluded from formal labour markets. This is not only a potential exit strategy for humanitarian actors but is a significant source of revenue for struggling governments through a larger tax base.

The equity aspect of tax policy has been highlighted by discussions of one particular taxation method that has been used in developed and developing countries and that international financial institutions favour for low-income countries. This is the value-added tax (VAT), an across-the-board

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[118] Vito Tanzi and Howell Zee, "Tax Policy for Emerging Markets: Developing Countries," *National Tax Journal*, vol. 53 (2000): p. 299-322 (https://ntanet.org/NTJ/53/2/ntj-v53n02p299-322-tax-policy-for-emerging.pdf?v=%CE%B1&r=02889294478798554).

[119] Nora Lustig, ed., *Commitment to Equity Handbook: Estimating the Impact of Fiscal Policy on Inequality and Poverty*, (New Orleans: CEQ Institute at Tulane University, 2018) (https://commitmentoequity.org/publications-ceq-handbook)

duty payable by firms on the difference between their revenue from sales and their payments to the suppliers of their inputs. The advantage of the VAT is seen in the relatively low administrative burden on firms of calculating and paying the tax and on the tax authority in routinely monitoring tax payments based on recorded transactions. As the VAT adds to the price at each stage of production, the final purchaser pays the cumulative tax on the product or service. To the extent that a single VAT rate is imposed across the economy, it minimally distorts price signals. However, the VAT is a "regressive" tax in that all purchasers pay the same tax on the purchase, regardless of the heavier burden that the tax imposes on a low-income purchaser compared to a rich one.

A tax that is much preferred on equity grounds is the "progressive" income tax, which imposes increased rates of tax on higher tranches of an individual's income or corporation's profit. As a result, rich people and more profitable firms will pay a higher tax rate on their total income than poor people and less profitable firms whose income or profit do not rise above the lower tax rate brackets. Indeed, no tax may be charged on the first income bracket for individuals, letting the poor escape the income tax. However, a personal income tax requires individuals and their employers to accurately report their income to the tax authority, and similarly for a corporate profits tax. This creates an incentive for certain individuals and for more financially successful firms to underreport their income, especially non-wage income that is often harder for the authorities to monitor. This challenges the government to collect warranted taxes, especially in countries with weak tax administrations and in which citizens have little confidence that the government will use the tax revenue in a socially desirable way.

Governments have been further challenged in collecting adequate revenues from corporations. In addition to the factors already noted, governments have used tax incentives to entice investments in priority sectors and regions, diminishing the revenue they expect to take from their tax base. Indeed, countries have competed through increasingly generous tax incentive to entice foreign direct investors to locate their facilities in their countries, known colloquially as the "race to the bottom." The only way to stem that tax competition is by cross-country coordination and international agreement, on which the recent pledge to pursue a global common minimum corporate income tax is a promising initiative.[120]
It will complement the more intensive international cooperation that has been building in recent years to improve transparency and exchange of information among national tax authorities (helping to catch tax cheats), country-by-country reporting on tax payments (highlighting differences between where profits are earned and taxes paid) and taxation of the digital economy (an egregious case of corporate profit shifting).[121]

Tax and domestic resource mobilization policies can reinforce and/or perpetuate women's economic, social and political disadvantage, including by undercutting their access to decent paid work and income security; and limiting women's access to productive assets, wealth and other economic opportunities. However, systems and methods of tax can also be powerful tools to address inequality overall and gender inequality specifically. To be more gender responsive, the tax mix adopted by a government needs to be structured in a progressive manner, by taxing those with the highest ability to pay, raising the majority of revenues from progressive personal and corporate income taxes and monitoring tax policies and laws to assess the extent to which they promote gender equality.[122]

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120 Organization for Economic Cooperation and Development, "130 countries and jurisdictions join bold new framework for international tax reform," OECD Press release, 1 July 2021, (https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm); "G20, Third Finance Ministers and Central Bank Governors Meeting," G20, 9-10 July 2021, (https://www.g20.org/wp-content/uploads/2021/07/Communique-Third-G20-FMCBG-meeting-9-10-July-2021.pdf).

121 UN (2021), op. cit., pp. 47-50.

122 Kathleen Lahey, "Gender, Taxation and Equality jn Developing Countries: Issues and Policy Recommendations" UN Women, 2018. (https://www2.unwomen.org/-/media/files/un%20women/grb/resources/geder-tax-report-fin-web.pdf?vs=3508).

A further approach to progressive taxation would be to tax wealth. Although similar challenges apply to collecting taxes on wealth as on income, wealth taxes offer more opportunities and motivtion for the wealthy to escape the tax by hiding their wealth in legal and illegal ways.[123] However, considering the increasingly sharp level of inequality in many countries, new proposals to tax personal wealth have become more politically attractive, as during the 2020 presidential campaign in the United States.[124] And, while an official commission in the United Kingdom of Great Britain and Northern Ireland found an annual wealth tax to be impractical, it saw a significant revenue-raising possibility in a one-off wealth tax to help cover the cost of fighting the COVID-19 pandemic.[125] Indeed, Argentina mobilized more than US$2 billion through such a tax in 2021.[126] In addition, having estimated the "extreme concentration and polarization of wealth in the Arab region," an ESCWA research paper proposed raising the generally low overall tax take by governments in the region through a "solidarity wealth tax."[127] In fact, some types of wealth are commonly taxed, such as municipal property taxes on the value of land and homes (part of the ESCWA proposal). These and other approaches contain opportunities to mobilize greater tax revenues.[128]

It is no surprise that affluent elites oppose adoption of wealth and progressive income taxes. On the other hand, civil society and labour organizations, as in the consultations, call for making national tax systems more progressive and improving the ability of governments to collect their tax revenues more effectively and efficiently. For countries with weak tax systems, this entails building administrative capacity to collect income taxes. When VAT or other types of taxes on sales appear to be the only viable approach to taxing the general population, it is essential that offsetting financial or service supports are provided to low-income taxpayers. Participants in the consultations insisted that all economic agents pay their fair share of taxes, and thus they focused on taxation of enterprises as well as individuals, on combatting tax evasion and on simplifying tax systems to avoid creating opportunities for tax avoidance.[129] They also called for deeper international tax cooperation, including greater transparency as well as assistance in enforcement, as the current system is seen to facilitate illicit financial flows out of developing countries, including unpaid tax revenues.[130] The agencies, funds, programmes and offices preparing this report endorse those views.

123 Florian Scheuer and Joel Slemrod, "Taxing our wealth," *Journal of Economic Perspectives*, vol. 35 (2021): p. 207-230, (https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.35.1.207).

124 Huaqun Lee and Karl Smith, "Analysis of Sen. Warren and Sen. Sanders' wealth tax plans," Tax Foundation Fiscal Fact No. 691, January 2020, (https://files.taxfoundation.org/20200127123048/Analysis-of-Sen.-Warren-and-Sen.-Sanders%E2%80%99-Wealth-Tax-Plans.pdf).

125 Arun Advani, Emma Chamberlain and Andy Summers, "Wealth Tax Commission: A Wealth Tax for the UK," Wealth Tax Commission Final Report, December 2020, (https://www.wealthandpolicy.com/wp/WealthTaxFinalReport.pdf).

126 "Wealth tax fought by the rich raises more than US$2 billion," Buenos Aires Times, 3 May 2021, (https://www.batimes.com.ar/news/economy/argentinas-wealth-tax-fought-by-the-rich-raises-us24-billion.phtml).

127 Khalid Abu-Ismail and Vladimir Hlasny, "Wealth inequality and closing the poverty gap in Arab countries: The case for a solidarity wealth tax," ESCWA June 2020, (E/ESCWA/CL2.GPID/2020/TP.9).

128 For additional sources of tax revenue that may be tapped for social needs, such as a financial transaction tax, see Barry Herman, "Sustainably financing social protection floors: Toward a permanent role in national development planning and taxation," 2018, Analysis 81, Brot für die Welt (https://www.brot-fuer-die-welt.de/downloads/analysis81/).

129 International Trade Union Confederation, "Financing recovery and building the economy of the future: Trade unions demands on Financing for Development," 2021, (https://www.ituc-csi.org/financing-recovery-report).

130 This is a focus of cluster 5 on illicit financial flows.

Strengthening the business contribution to recovery and development

While the social needs made manifest in the pandemic have highlighted the essential societal role of an effective government, private-sector actors generate most of the economic growth and jobs that are requisites for raising living standards in developing as in developed economies. The scope of the private sector ranges from large domestic and multinational firms, on the one hand, to micro, small and medium-sized firms, on the other. Private-sector actors include as well cooperative enterprises, churches, mosques, and other voluntary associations that produce economic and social goods and services, as well as the "informal" economy that operates outside the usual legal and policy nexus.

When the economy operates well, private enterprises speed introduction of new products and more efficient production processes and supply expanding markets with valued goods and services, thereby creating jobs and raising incomes of workers as well as employers. The challenge is to facilitate the income and job creating function of the private sector, while effectively impeding anti-social, anti-competitive and environmentally destructive business behaviours.

Business-government interface

Businesses operate within a legal, institutional and economic framework governed by states, legal tradition and international agreements. When such a framework encourages business formation and growth, it is frequently termed an "enabling environment," although different authors assign different meanings to the term. For example, the World Bank encourages countries to introduce policy reforms that remove "burdensome regulations" and "obstacles to entrepreneurship," while UNCTAD focuses on shortcomings in the trade and financial environment in which businesses perforce operate.[131]

The terminology may be open to interpretation, but there should be agreement that an enabling environment entails an efficient government interface with the countries and multinational businesses, on the one hand, and on the other hand, effective enforcement of the rule of law, anti-corruption policies, and prohibition of business practices that can lead economies in unsustainable, inefficient, volatile and inequitable directions. To assist countries that seek to strengthen their business-enabling environment, ILO has developed an approach to in-country assessment, dialogue and policy reform called "Enabling Environment for Sustainable Enterprises." It seeks to help ILO constituents to identify priorities and to make specific proposals for reforms of the business environment.[132]

Governments may also support entrepreneurship in population groups facing special challenges. Thus, IOM has developed with UNCTAD and UNHCR a policy guide by which governments may promote entrepreneurship among migrants and refugees, who may be restricted from entering the labour market[133]. Not only might such entrepreneurship be an effective way to include migrants and refugees in local economies, but it can also enhance their contributions to countries of origin by sharing their knowledge and entrepreneurial spirit, creating new market opportunities, leveraging cross-border networks and generating employment. IOM also supports livelihoods interventions that aim to connect participants to employment opportunities, typically with vocational training programmes and apprenticeships models, especially for those, who may be restricted from entering the labour market. This could reduce reliance on non-contributory humanitarian assistance.

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[131] World Bank, "Doing Business 2020: Comparing Business Regulation in 190 Economies", 2020, (https://documents1.worldbank.org/curated/en/688761571934946384/pdf/Doing-Business-2020-Comparing-Business-Regulation-in-190-Economies.pdf); UNCTAD, "Report of the multi-year expert meeting on enhancing the enabling economic environment at all levels in support of inclusive and sustainable development, and the promotion of economic integration and cooperation on its fourth session," 26 March 2020, (https://unctad.org/system/files/official-document/cimem8d12_en.pdf).

[132] ILO, "An enabling environment for sustainable enterprises," November 2014, (https://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/@ifp_seed/documents/publication/wcms_175476.pdf).

[133] UNCTAD, "Policy guide on entrepreneurship for migrants and refugees," 2018, (https://www.iom.int/sites/g/files/tmzbdl486/files/our_work/DMM/Labour-Migration/policy_guide_migrantsrefugees_15102018.pdf).

What may be deemed the economic culture of a country also matters in shaping the business environment. For example, one comment made by civil society and labour participants in the consultations was that many people in their countries were not paid wages due them when the crisis struck. Not paying workers is typically a violation of the law, of implicit or explicit contracts and a matter for the judicial system to correct. Moreover, hundreds of instances have been reported of private healthcare providers over-charging patients for COVID-related treatment in violation of national policies.[134] At best, government processes to correct business abuses take time that low-income households, in particular, can ill afford. That the problem has arisen reflects the disruption of the pandemic and opportunism by actors pursuing their private interests in an environment of limited social responsibility and profit maximization. Law and policy can help curtail this, but it is also a matter of culture, of what is deemed acceptable personal behaviour, which is more challenging to change.

Accelerating sustainable development

Policies and practices of private economic actors can steer an economy toward or away from sustainable development. The financial sector can play a positive role in this regard, as it has a strong influence over business investment decisions and capital flows. One aspect is the financial inclusion agenda, which focuses in part on extending access of micro, small and medium-sized enterprises to sources of appropriate credit, which can help advance recovery efforts and act as a lubricant for growth and job creation. In addition, as the insurance companies and pension funds in developing countries serve local-currency customers, their pooled funds provide a growing source of demand for long-term financial securities denominated in local currency. This can encourage the deepening of financial sector development, especially as regards longer-maturity financial instruments. At the same time, policymakers need to be alert to the volatility risks that short-term financial instruments and even highly liquid long-term securities can bring and that need close oversight.

A further issue is the extent to which the investment and operating behaviours of enterprises are guided by the SDGs. When that is the case, they can make large contributions to inclusive and job-rich growth and create more opportunities for women and youth and to sustainable development more broadly. As was said in the consultations, many firms are aware of this and voluntarily seek to align their activities with the SDGs. In addition to internalizing the SDGs, some companies were said to have sought to partner with local communities on SDG-related projects. However, other participants in the consultations averred that business behaviour is most reliably aligned with the SDGs when it does not rely on voluntary action, but firms are instead legally required to follow appropriate national regulations that enforce accountability, including sustainability standards.

To further the conversation, the International Organization of Employers (IOE) has teamed up with the UN Development Coordination Office and the Konrad Adenauer Stiftung on a “Playbook” for deepening collaboration between UN country teams and domestic private sector organizations on several cluster 2 policy foci, including economic informality, social protection systems, public health, gender equality, education and lifelong learning, and COVID-19 recovery.[135]

While the SDGs are the most comprehensive set of goals and targets to guide business behaviour, numerous international discussions have sought agreement on different sets of standards and guidelines to encourage primary, manufacturing and service sectors to align their operations with sustainable development. The discussions include efforts as well to incentivize voluntary adop-

[134] Examples from India, Nepal, the Philippines and the United States include “PMC [Pune Municipal Corporation] issues notices to 172 private hospitals for overcharging Covid patients,” Hindustan Times, 4 June 2021 (https://www.hindustantimes.com/cities/pune-news/pmc-issues-notices-to-172-private-hospitals-for-overcharging-covid-patients-101622817677067.html); “Private hospital bills give poor Covid-19 patients the shivers,” The Kathmandu Post, 12 June 2021 (https://kathmandupost.com/national/2021/05/23/private-hospital-bills-give-poor-covid-19-patients-the-shivers); “Lawmaker warns hospitals vs. ‘abusive’ medical billing practices,” CNN, 4 April 2021, (https://www.cnnphilippines.com/news/2021/4/4/hospitals-overcharging-covid-patients-warning.html); “’It Felt Like Deception’: An Elite NYC Hospital Charges Huge Virus Test Fees,” The New York Times, 30 March 2021 (https://www.nytimes.com/2021/03/30/upshot/covid-test-fees-lenox-hill.html).

[135] IOM, “Building momentum in the Decade of Action through collaboration between employers and UN Resident Coordinators,” 2021, (https://www.ioe-emp.org/index.php?eID=dumpFile&t=f&f=155328&token=8051acb12876f439861c64c13eb2b26742eb6d20).

tion of the standards and reporting publicly on their implementation. Perhaps one of the longest standing such initiatives is the Equator Principles, adopted in 2003 and based on the social and environmental standards that had been adopted to guide the loans and investments of the International Finance Corporation of the World Bank. As of 2021, 118 major private financial institutions have adopted the principles and pledged not to lend to projects that do not abide by the principles. The Equator Principles Association overseas implementation and updating (the principles are in their fourth iteration).[136]

While the Equator Principles intend to bring social and environmental responsibility to international financing of large projects, the "ESG" (environment, social and governance) movement seeks to address all enterprises, especially those that are large corporations whose shares are traded on financial markets.[137] Most advanced, in this regard, are guidelines for voluntary reporting on the climate-related risks and opportunities of the operations of businesses, as developed by the Task Force on Climate-Related Financial Disclosures of the Financial Stability Board.[138] Interest in seeing corporations disclose in their annual reports not only their financial returns but their environmental impact has grown substantially, as equity and bond investors and banks are increasingly asking how their investments impact sustainability. This is inevitably not only out of investors' sense of societal responsibility, but perhaps more in recognition that firms following unsustainable business strategies are likely to fail in the long run.[139] And yet, unconstrained by mandatory reporting on implementation of guidelines, firms may profit significantly in the short to medium run. Perhaps with this in view, the G7 finance ministers called in 2021 for making reporting on implementation of these guidelines compulsory.[140]

Other efforts have sought to make social and sustainable development standards mandatory by writing them into treaties and other formal agreements. While many industry and individual company investment codes embody voluntary pledges, several standards have been written into bilateral and plurilateral investment agreements that govern trade and foreign direct investment.[141] Most notable in this regard are the new labour standards included in the 2020 revised trade agreement between Canada, Mexico and the United States.[142]

Other actors in the private sector

Two components of the private sector warrant special comment- the informal economy and the non-profit sector.

While it had been thought that the share of activities by workers and employers outside the registered, formal economy would decline over time with economic growth, ILO estimates that this has not happened, and that informality has even increased in many countries. Although generally small scale or micro in size, the informal economy is estimated to account today for an estimated 8

136 "The Equator Principles," Equator Principles, 2022, (https://equator-principles.com/).

137 This is a focus of cluster 1 on sustainability and climate action.

138 Task Force on Climate-related Financial Disclosures, "Recommendations of the Task Force on Climate-related Financial Disclosures," Final report, 2017 (https://assets.bbhub.io/company/sites/60/2020/10/FINAL-2017-TCFD-Report-11052018.pdf).

139 ILO and Common Fund for Commodities, "From sustainability commitment to impact – how a social and environmental management system translates intention into action," Common Fund Annual Report, 2019, (https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_753082.pdf).

140 "G-7 Calls for Making Climate-Change Reporting Compulsory," Wall Street Journal, 7 June 2021 (https://www.wsj.com/articles/g-7-calls-for-making-climate-change-reporting-compulsory-11623080613).

141 Karl Sauvant and Howard Mann, "Making FDI more sustainable: Towards an indicative list of FDI sustainability characteristics," *Journal of World Trade and Investment*, vol. 20 (2019): p. 916-952 (https://brill.com/view/journals/jwit/20/6/jwit.20.issue-6.xml).

142 United States, Department of Labor, "Labour rights and the United States-Mexico-Canada Agreement (USMCA)," Bureau of International Labor Affairs, 2021, (https://www.dol.gov/agencies/ilab/our-work/trade/labor-rights-usmca).

out of every 10 enterprises in the world. Over 75 per cent of the workers in those enterprises are in businesses that employ ten or fewer undeclared workers; 45 per cent are independent self-employed workers. Women and youth predominate in the informal economy in low and lower-middle income countries and in the lowest-paid and most vulnerable occupations, which often include unpaid family members.143

Enterprises that operate informally complicate economic policymaking. On the one hand, they can be a source of unfair competition for the enterprises that comply with tax and labour laws. On the other hand, informal enterprises are usually disadvantaged by high barriers of access to capital, financial resources, public infrastructure and markets, which reduces their productivity and profitability. Large-scale informality also makes it more difficult for a government to operate a progressive income tax system, rather than rely on the regressive VAT as the basic source of tax revenue, as noted earlier. In addition, and although there are exceptions in which emergency social protection programmes have been directed to informal workers,[144] those workers usually lack access to the national social programmes that are meant for the entire population. For these reasons, it is a priority of the agencies preparing this report to offer to assist countries to move more of the informal sector into the formal economy, through technical assistance and innovation, as in applying electronic technology to formalize economic units and employment.[145]

Private voluntary institutions are another part of the private sector that should be noted. This sector includes not only providers of health services, education and lifelong learning, but also financial services. In many countries, government provision of social services and public and for-profit financial services do not reach into all corners of the country, or reach all population segments in urban, let alone rural, areas. Thus, several civil society participants in the consultations highlighted the role of their organizations in complementing government activities in developing countries.

There are other examples of privately provided contributory and even non-contributory social protection schemes – including private/occupational-based schemes and informal social protection arrangements. In fact, the role of the state could be multi-functional, even as part of its social contract – in some instances, the state acts as the direct provider, specifically in relation to vulnerable people; in other instances, the state is expected to provide the framework for, e.g., contributory or even non-contributory provisioning.

We must note, though, the precarious sources of voluntary financing on which some of these entities perforce depend. Some classes of independent non-profit institutions in developing countries may only need grants and loans for a time at start-up; they can become self-sustaining based on reasonable charges users pay for their services once their client base expands sufficiently. As noted by a founding figure in microfinance, Fazle Abed of BRAC, "Small is beautiful, but large is necessary."[146] Cases include offering safe and convenient opportunities to poor people to accumulate small savings, reliably make payments, and obtain credit and insurance on appropriate terms. Yet in other cases, continued financial assistance is necessary for the institution to satisfy its organization's mission. This includes some providers of financial services, but also schools and health clinics for underserved communities, which require perpetual fund-raising efforts which are themselves not cost free.

At the same time, private voluntary organizations are staffed by normal people and can fall subject to many of the same anti-social temptations seen in the for-profit sector, which is to say that they too must be adequately regulated and supervised, including in the financial sector where abuses have occurred in non-profits and in social sectors where national health and education and lifelong learning standards should be observed. With that, they can offer an important complementary supply of social and financial services, especially for low-income populations that otherwise may unfortunately be excluded from any support.

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143 Florence Bonnet et al, *Women and Men in the Informal Economy*, ILO and WIEGO, 2021

144 ECLAC (2021), op. cit.

145 ILO, "New technologies and the transition to formality: The trend towards e–formality," Employment Policy Department Working Paper No. 247, 2018, (https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_policy/documents/publication/wcms_635996.pdf).

146 *Building Inclusive Financial Sectors for Development* (New York: United Nations, 2006), 57.

V. Prepare now for the next crisis

In the past dozen years, the world has experienced a global financial crisis, multiple Ebola crises and now the COVID-19 pandemic. In each case, affected countries and the international community mobilized to address the initiating problem and ease the financial burden created by the crisis, in particular, in the developing countries. The next crisis will most likely not look like any of the past ones, but the financial strains are likely to be familiar in the developing countries. The global community should prepare for them.

A major lesson of the pandemic is that developing countries need robust social sectors in place before the crisis erupts, particularly with adequate social protection systems having universal coverage, including migrants, refugees and internally displaced persons, which can expand their activities when a crisis demands it. With the benefit of hindsight, there is thus now much focus in policy analyses on making social protection systems more "shock-responsive."[147] Similarly, there is greater appreciation of the value of having employment support and promotion mechanisms in place that can be quickly scaled up in times of crisis, including employment services, active labour market programmes and skills development.[148]

The disastrous impact of the current pandemic on workers in the informal sector, national and non -nationals alike, despite the criticality of the services that these workers provide for the economy, means that governments need to make very targeted efforts to allow for the transition from the informal to the formal sector, also for non-nationals in the informal sector, building and strengthening their contributory capacities to participate in the social protection staircase. By including these large pools of potential contributors, governments can hope to make their economies and societies more resilient to future shocks and be less dependent on external financing of their public spending budgets.

Excluding migrants, including undocumented migrants, refugees and IDPs from social transfer programs, due to their lack of documentation or residence, does not recognize the criticality of the services and goods that they are providing, which through their work, their remittances and the links they build between countries, reduces poverty, provides vital services, and supports families and communities in countries of origin, transit and destination. COVID-19 has underscored the crucial importance of migrants, and those in the informal economy, in keeping our societies running, while underlining the need to build more equal and inclusive societies that will be resilient in the face of future pandemics.

Finding sustainable long-term solutions for those dependent on humanitarian aid, such as migrants, especially those in the informal economy, IDPs, and refugees, is critical especially as humanitarian donor funding shrinks, conflicts are increasingly protracted in nature, and needs continue to grow more pervasive especially with the prolonged duration of the COVID-19 pandemic and associated restrictions.

The pathways from emergency assistance to long-term social protection solutions, or exit strategies, centre on transitioning vulnerable caseloads to social safety net systems through linkages with humanitarian assistance, linking participants to contributory social security systems via their participation in the labour market, and the extension of social protection to migrants in the informal economy, irrespective of status at any stage of the migration cycle.

If countries clearly need to build shock-responsiveness into their sustainable development strategies, they also need to consider in advance how to finance their responses to shocks. The increased focus highlighted in this report on preparing integrated national financing frameworks

[147] UNICEF, "Programme Guidance: Strengthening Shock Responsive Social Protection Systems," UNICEF, 2019, (https://www.unicef.org/documents/programme-guidance-strengthening-shock-responsive-social-protection-systems); UNDP, "Addressing the COVID-19 Economic Crisis in Asia through Social Protection," UNDP, 2020 (https://www.undp.org/publications/addressing-covid-19-economic-crisis-asia-through-social-protection); World Food Programme, "10 things you wish you'd always known about shock-responsive social protection," WFP, 2020, (https://docs.wfp.org/api/documents/WFP-0000116699/download/?_ga=2.268506680.851422448.1598912531-596057448.1598912531).

[148] ILO, "COVID-19: Public employment services and labour market policy responses," Policy Brief, August 2020, (https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_753404.pdf).

and medium-term fiscal planning in the context of strengthened public financial management provide entry points for carrying out this preparatory work. The agencies and offices preparing this report stand ready to support countries in such efforts so they might be better prepared for the next shock.

However, it is in the nature of the severity of shocks that have become more common that developing countries will very likely need international assistance in addressing them. In each of the past crises, that assistance was mobilized in an ad hoc way. Nevertheless, certain new financial tools were created and remain available as a result and certain additional needs can be identified. As noted earlier, the international community created a new vaccine financing facility and the IMF, the World Bank and other international financial institutions offered quick-disbursing loans and relief from servicing debt owed to IMF and bilateral official creditors, followed by a policy framework to accord potentially permanent relief in cases of severe debt crises of low-income countries. In the case of IMF, its quick-disbursing debt relief and loans had been created in response to earlier crises and could be quickly mobilized in response to the pandemic. The Fund programmes can be activated again in a future crisis. The other, ad hoc arrangements might be seen as setting precedents, but they will not be automatically available if needed again without further agreement.

One reform, in particular, illustrates this issue. As noted earlier, the IMF made a new allocation of SDRs in 2021. It has only done so once before in the contemporary international monetary era, and that was in response to the global financial crisis of 2008-9. The SDR was created, however, when the world operated under a different international monetary system and was meant to address a different problem, a long-run shortage of global liquidity. It has instead been used to address emergency shortages of liquidity in developing countries. Might the purpose of the SDR and the mechanism for its issuance be rethought as a global crisis response mechanism? Admittedly, this would require an amendment to the IMF Articles of Agreement, a significant challenge not to be undertaken lightly, although the Articles have been amended seven times before. Such a reform would be an unprecedented opportunity to boost finance for development.[149]

A further international reform that is increasingly seen as warranted would make suspension of sovereign debt servicing semi-automatic in times of severe shocks. Financial markets have adopted this approach for the bonds of Barbados and Grenada, whose legal documentation on new bonds now includes a clause to automatically postpone payments to the creditors when a hurricane of predetermined severity impacts the islands. This approach should be a more general feature of sovereign debt contracts, not restricted to a single type of catastrophe, especially for countries such as small island developing states that are highly vulnerable to many environmental and health crises.[150] This is not the only improvement that might be made in how sovereign debt difficulties are addressed, but it is one of them.

The proposals for improved international financial collaboration made here do not constitute a complete agenda to prepare for the next severe shock, but rather a suggestion of advances that might be made. We call on the international community to address the problem systematically. It is not something that the agencies, funds, programmes and offices preparing this report can undertake ourselves.

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[149] UNDP, "An Unprecedented Opportunity to Boost Finance for Development: The Upcoming Special Drawing Rights Allocation," ILO Development future series, June 2021, (https://www.undp.org/sites/g/files/zskgke326/files/2021-06/UNDP-DFS-An-Unprecedented-Opportunity-to-Boost-Finance-for-Development_0.pdf).

[150] IMF, "The Role of State-Contingent Debt Instruments in Sovereign Debt Restructurings," Staff Discussion Note, November, 2020, (https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2020/11/13/The-Role-of-State-Contingent-Debt-Instruments-in-Sovereign-Debt-Restructurings-49732).

VI. Recommendations[151]

1. Governments are urged to avoid premature expenditure cutbacks and ensure sufficient fiscal space for necessary social spending during the recovery period and beyond and to promote the growth of productive employment and growing incomes, including through developing comprehensive and gender-responsive national employment policies. In most countries, social protection coverage must not only be protected but expanded. For many emerging and developing economy countries, this will require additional external financial support and possibly debt relief.

2. Governments, in particular members of the G20, are encouraged to cooperate on the channelling of some of their 2021 allocation of special drawing rights (SDRs) to support low- and middle-income countries through COVAX-ACT, social protection floors and economic sectors of strategic importance for job-rich and green growth.

3. While the roughly US$ 433 billion added to the reserve accounts of the advanced economy countries through the SDR allocation provides a unique opportunity to fund additional international cooperation, it is most essential that the cooperation happens whether or not drawing on the SDR windfall.

4. In the spirit of deeper international cooperation that is necessary, greater collaboration with the IMF, the World Bank and other international institutions concerned with social issues in the current emergency and sustainable development is required, as is promoting more intensive dialogue with national stakeholders in countries receiving assistance so as to better understand needs on the ground.

5. With only three countries applying for Common Framework relief as of August 2021 – an option that is not available to many middle-income countries – and without assurances that private bondholders will join with the bilateral creditors in extending relief, we urge additional policy initiatives be taken to ease the debt-servicing burden of middle-income as well as low-income countries.

6. Systemic reforms that will ease future crises also warrant consideration, such as more widespread adoption of state-contingent repayment clauses in sovereign debt contracts and issuance of SDRs to meet global financial, public health or environmental emergencies rather than by the criteria adopted in 1969.

7. The developing countries as a whole need to spend an additional US$1.2 trillion annually post pandemic to bring their social protection systems up the minimum standard specified in the ILO’s Recommendation 202 on social protection floors (plus spend more to cover unemployment).

    a. On the one hand, by applying human rights and SDG sensitive budget analysis, social-impact and gender budgeting analyses and by strengthening public financial management through increased fiscal transparency and accountability measures, countries can identify spending inefficiencies and programmes that disproportionately benefit unwarranted special interests or that could be merged to redirect overhead savings into benefit payments, and thus direct more fiscal resources to more effective policies to meet essential and economic needs and demands.

    b. On the other hand, many countries have opportunities to successfully mobilize more public resources by increasing the tax burden on the population segments and companies most able to afford it, notably in the digital economy, and by taxing activities harmful to the environment or public health, as well as by more effective tax administration, and through strengthened international cooperation in tax matters.

151 The proposals made here do not constitute a complete agenda for strengthened international collaboration to prepare for the next severe shock, but rather a suggestion of advances for a job-rich and socially inclusive recovery.

c. In low-income countries, it is not realistic to expect governments to be able to meet all their needs solely from domestic public revenues. It thus requires more adequate international assistance on appropriate terms.

8. The conduct of human rights impact assessments of proposed austerity measures would provide necessary analysis for informed decision making and planning in this regard. Governments – and all actors – are encouraged to target public investments in social infrastructure to build and strengthen systems of care, on which all societies rely; generate employment and thereby, revenues; allow more women the opportunity for employment and careers; and build long-term resilience.

9. Social protection systems should be strengthened, and the social protection floor should provide basic coverage for all at all stages of the life cycle. Rapidly expanding child benefits towards universal coverage should be prioritised.

10. Attention during recovery in the next few years should focus on either increasing or/ring fencing (as necessary) budget allocations for the delivery of essential, affordable and quality public services, such as health, education, social protection, skills and lifelong learning, and transfer programmes in cash or kind, but it should also include investment in maintenance and expansion of essential infrastructure, including in clean water, sanitation. and connectivity to address the digital divide. It should also include measures that increase productivity such as business development solutions that help vulnerable groups develop their full potential.

11. Countries should strengthen implementation of the principles of participation, transparency and accountability public financial management, taking account of the impact of spending and tax systems, laws and policies on gender, children and youth, inequality and poverty; countries that do not already employ these tools would be well advised to adopt such analytical mechanisms, along with other tools of planning for sustainable development.

12. Countries need to build shock-responsiveness into their sustainable development strategies and consider in advance how to finance their responses to shocks. The increased international focus highlighted in this paper on preparing integrated national financing frameworks and medium-term fiscal planning in the context of strengthened public financial management provide entry points for carrying out such work in advance of the next catastrophe.

13. Strengthening of social protection in fragile and humanitarian contexts is essential. COVID-19 has shown the importance of social protection systems that are ready to respond to crisis through well prepared policies and operating mechanisms including contingency funding. Governments should prioritise improving the readiness of social protection systems, as well as supporting the development of nascent systems in fragile and humanitarian contexts.

14. There is a need to scale up financial support, equipment and infrastructure and technical assistance to strengthen capacities of national statistical offices to collect and analyse reliable labour market statistics and, information on social situations with responsible, open, inclusive and disaggregated data to help monitor trends in living conditions among different population groups.

15. Countries with large informal sectors should extend policy measures to foster the transition from the informal to the formal economy, including to extend social benefits to unserved people, but also with a view to increasing national public revenues from those able to pay. To this end, countries should extend social security to informal sector workers, including non-nationals in the informal sector, by removing legislative and administrative impediments to their inclusion, modifying benefits and contribution rates, building trust in the system, and undertaking outreach to organizations of informal workers. Countries bear pertinent obligations to extend social protection, which may be varied in nature, to migrants irrespective of category.

16. Identify sustainable solutions that reduce the vulnerabilities of migrants and displaced populations, including, when appropriate, efforts to transition from humanitarian assistance to social protection support, facilitating their transition from reliance on humanitarian assistance to social protection support. Humanitarian actors have an imperative to establish exit strategies and support national social security systems where possible and feasible.

17. Amplify efforts to design and implement programmes to increase the availability of jobs

and provide income to vulnerable households, better connect vulnerable groups to labour markets and social protection, consider opening sectors to non-nationals and IDPs, formalize employment and private businesses to enable them to contribute to the social protection system

18. Call on governments when they adopt Integrated National Financing Frameworks (INFFs), to include key national stakeholders in the consultation process, with UN technical assistance when requested.

19. Consider expansion of micro-insurance programmes.

20. Countries should create incentives for environmental, social and governance (ESG)-responsible business practices and sanctions for irresponsible practices through legislation and strengthened oversight of implementation. Governments must adequately regulate their insurance industry, including pension funds, to prevent them from taking excessive risks with funds pledged to beneficiaries and otherwise take advantage of customers. Governments and industry providers should consider expansion of micro-insurance programmes, as for small rural producers. Create incentives for responsible business practices, including decent jobs, the private sector paying its fair share of taxes, and environmental sustainability through legislation.

21. There is a need to regulate and oversee the non-profit as well as the for-profit sector in social services (health, education and lifelong learning) and finance) and finance, especially in countries with a weak state apparatus, where strengthened coordination among public and non-state actors is often needed to assure adequate provision of services to all income groups, especially the poor.