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# Fiscal Space for Social Protection and the SDGs

## Options to Expand Social Investments in 187 countries

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## Executive Summary

It is often argued that social protection is not affordable or that government expenditure cuts are inevitable during adjustment periods. But there are alternatives, even in the poorest countries. This working paper offers eight options that should be explored to expand fiscal space and generate resources to achieve the Sustainable Development Goals (SDGs), realize human rights and invest in women and children. These include:

1. Re-allocating public expenditures;
2. Increasing tax revenues;
3. Expanding social security coverage and contributory revenues;
4. Lobbying for aid and transfers;
5. Eliminating illicit financial flows;
6. Using fiscal and foreign exchange reserves;
7. Managing debt: borrowing or restructuring existing debt and;
8. Adopting a more accommodative macroeconomic framework.

All of the financing options described in this paper are supported by policy statements of the United Nations and international financial institutions. Governments around the world have been applying them for decades, showing a wide variety of revenue choices. As this paper demonstrates, examples abound:

- Costa Rica and Thailand reallocated military expenditures for universal health.
- Egypt created an Economic Justice Unit in the Ministry of Finance to review expenditure priorities.
- Indonesia, Ghana and many other developing countries are using fuel subsidies to develop social protection programmes.
- A large number of countries are increasing taxes for social investments – not only on consumption (generally regressive) but also on income, corporate profit, property, natural resource extraction. Bolivia, Mongolia and Zambia are financing universal old-age pensions, child benefits and other schemes from taxes on mining and gas.
- Brazil used a financial transaction tax to expand social protection coverage.
- Ghana, Liberia and Maldives have introduced taxes on tourism.
- Argentina, Brazil, Tunisia, Uruguay, and many others expanded social security coverage and contributory revenues.
- Algeria, Mauritius, Panama among others have complemented social security revenues with high taxes on tobacco.
- Other countries launched lotteries to supplement social spending, like China's Welfare Lottery or Spain's ONCE Lottery for the social inclusion of the blind.
- A number of lower income countries are receiving North-South and South-South transfers, like El Salvador and Guinea-Bissau, while other countries are fighting the large illicit financial flows such by cracking down on tax evasion.
- Chile, Norway and Venezuela, among others, are using fiscal reserves to support social development.

- Colombia launched the first Social Impact Bond in developing countries in 2017, an innovative PPP; South Africa issued municipal bonds to finance basic services and urban infrastructure to redress financing imbalances after the Apartheid regime.
- More than 60 countries have successfully re-negotiated debts, and more than 20 defaulted/repudiated debt, such as Ecuador, Iceland and Iraq, using savings from debt servicing for social programs.
- A significant number of developing countries have used deficit spending and more accommodative macroeconomic frameworks during the global recession to attend to pressing demands at a time of low growth, and to support socio-economic recovery.

Each country is unique, and all options should be carefully examined – including the potential risks and trade-offs associated with each opportunity – and considered in national social dialogue. Given the importance of public investments for human rights, jobs and social protection, it is imperative that governments explore all possible alternatives to expand fiscal space to promote national socio-economic development and the SDGs.

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