

ODI Series Ep. 5 | ODA financing for social protection: lessons from the Covid-19 crisis response

Jo Sharpe: Hello, you're listening to the Social Protection Podcast.

Welcome to the next episode in our special six part series brought to you by [ODI](#) and [GIZ](#) in partnership with [socialprotection.org](#). I'm delighted again, to welcome [Francesca Bastagli](#) from ODI as guest host for this series. We'll be back with a regular episode in August.

Francesca Bastagli: Hello and welcome to the Social Protection Podcast special series. I'm your host Francesca Bastagli. This episode is part of a six episode series based on an ODI/GIZ funded project on social protection response to COVID-19 and beyond: lessons learned for adaptive social protection. Over these six episodes we'll be asking could COVID-19 mark a turning point for social protection?

Our ODI/GIZ study covers six thematic areas each with an accompanying paper. Each week of this podcast special series, I'll be joined by the lead author of one of the papers along with an expert discussant. In this episode, we explore the financing of social protection and we're especially interested in the role of international financing and overseas development assistance - ODA.

ODA plays a central role in enabling social protection across low and many middle income countries. Since the onset of COVID-19, we've seen a number of adjustments and developments in ODA flows, instruments and processes. Have these facilitated or partly hindered effective social protection crisis response?

That is the timely and adequate provision of social protection during the crisis, especially in low-income countries and given the trends in ODA over the last year, as well as the trends we're seeing in domestic revenues and fiscal systems, what are the risks and opportunities for addressing the social protection financing gap going forward?

Finally, given the calls for a building back or building forward better, what are the emerging lessons for more equitable and sustainable social protection financing? Here, to discuss these questions with me today are [Anna McCord](#) and Michal Rutkowski.

Anna McCord is ODI Research Associate and independent researcher in social protection. She's the lead author of the paper "ODA financing for social protection: lessons from the COVID-19 response" together with Cécile Cherrier, Nathalie Both and me. Michal Rutkowski is the World Bank's Global Director for [Social Protection and Jobs](#). Anna and Michal, welcome to the Social Protection Podcast.

Anna McCord: Hi, nice to be here.

Michal Rutkowski: Thanks very much for having me here.

Francesca Bastagli: For a start, what have been the main changes and developments in ODA flows, processes and instruments since the onset of the COVID-19 pandemic?

Anna McCord: I think we've seen some real changes in ODA in response to COVID-19. What we've seen is that there does seem to have been a change in the allocations.

One notable example is a significant increase, particularly from the international financing institutions or where we've seen almost a doubling of the allocations that they made in 2020 compared to previous years, and perhaps not such a great increase among the bilateral donors. We've also seen a very rapid increase in disbursement from the donor community.

And in terms of social protection, it's too early to say exactly what's happened to sectoral allocations. But what we can see is that if we look at overall ODA flows, there have been some reallocations reported in favor of social protection spending, again, particularly among the international financing institutions who have recorded, perhaps as much as a 5% increase in their budgets, allocations to social infrastructure, which includes social protection.

It looks as though there has been both an increase in overall ODA, but also some shifts in favor of the social protection sector. And the other interesting thing that we've seen is that within the sector, traditionally there's been a dominance of the international financing institutions over bilateral donors.

And this seems to have increased in 2020. And what we see is that the bilateral donors are contributing about 30% of total ODA to the sector. And it looks as though the bilaterals are contributing about 70% and that's a growing share. And really we were seeing that last year, the World Bank was dominant in the sector, accounting for almost half of all ODA to the sector.

And it looks so that dominance may have increased over the last year.

Francesca Bastagli: Michal, Anna mentioned the role of the international financial institutions and how that has further developed or evolved since the onset of the crisis in the composition of ODA financing. Could you expand on that and particularly talk to the role of World Bank allocations and processes?

Michal Rutkowski: Thank you Francesca. And thank you, Anna, for a big picture of ODA. I have to say that everything I see on the World Bank side confirms your analysis because our financing for social protection has rapidly increased in an unprecedented fashion, even compared to the three F crisis 12 years ago, and if we look at the period between March 2020 and June 2021 in this period of 15 months, we provided \$10.5 billion in the new financing. And that has never happened before. In addition to that, we redirected from existing projects, repurpose them and that adds yet another few billions. And we count that these financing during these 15 months actually reached above 1 billion beneficiaries worldwide, but there are two other important observations.

First that as I said, I'm not surprised that the share of the World Bank in the ODA grew, but then the second thing is in what we find out is that was a clear turn towards financing cash

transfers, social safety nets. I would say before that, before the COVID, safety nets were say 60% of our financing, the rest was divided between social insurance, including pensions and labor market policies.

Broadly speaking, whereas that 60% grew to almost 80% just because the needs were in the social safety net area. My final comment is on what we actually finance. And what happened during COVID is a blurring of the borderlines between what we normally consider development and what we consider humanitarian aid, and I'm not actually criticizing it.

You would recall that in 2016, at the World Humanitarian Summit in Istanbul, there was a call to bring down the Chinese wall between humanitarian world and development world. The funny thing in a way is that this wall has come down out of necessity in COVID times where, what we find out are on occasions things, which we had never financed before, because they were just what humanitarians were doing.

And then humanitarians are very often in the social protection space because we cannot implement our project like in Yemen without having either UNICEF or WFP on the ground. And then in places like Sudan, we are asked to finance tents and mattresses because of the displacement of the population, which is in part COVID related in part other shocks related.

I just wanted to point out also to that difference in the structure what has been financed for last month, but that was a massive unprecedented increase of financing, can't internal World Bank, if you look at the World Bank lending structure there are shade of spending on social protection grew rapidly.

Anna McCord: I'd just like to confirm what Michael has explained.

He's explained the situation in the bank, and I think the other major donor institutions to the social protection sector, we're seeing similar kinds of challenges and came up with similar responses, the kind of things that we've been seeing are reallocations across budget lines, bringing forward expenditure, front-loading expenditure, as well as putting in additional funds.

I think we've seen some quite profound changes in the way the donor institutions have actually been working and also new instruments being put into place and new coalitions put forward. I know within the EU, for example, they took a team Europe approach, which meant that the different institutions came together and pull their financing and what we've actually seen there is a three-fold increase in the amount of resources allocated to least developed countries. So I think across all the major donor institutions working in the sector, we've seen attempts to really streamline and accelerate processes of growth approval, and also disbursement and very much a bringing forward of planned expenditure.

We've seen perhaps an acceleration of spending in 2020, and the question is going to be how can that be sustained in the longer term.

Francesca Bastagli: So, how has this ODA spending on social protection been used over the course of the last year? What have been the priorities in social protection spending since the onset of the pandemic?

Michal, over to you first.

Michal Rutkowski: I think probably I would rephrase almost this question into a question about the main tensions and the tensions are between financing direct cash benefits, given the needs in the pandemic versus the obvious need to invest in modern delivery systems, especially digital systems. Also given the pandemic because the pandemic only highlighted something which we had known before the pandemic, which is that the number and severity of shocks had been growing worldwide. The trend was clearly upwards and that essentially needed all the countries to emphasize two aspects of social protection systems, its adaptiveness and its focus on delivering resources to intended beneficiaries quickly, safely and efficiently.

And if anything, both aspects were only highlighted in the pandemic. So I think what we really try to focus on to the extent to which it doesn't take away resources from those immediately needy and from those humanitarian needs, which I alluded to in my previous answer, what we really try to do is to finance into systems development so that we, our money actually finance building systems that are modern adaptive, safe and efficient. And that is a key really focus.

Within that there are certain aspects of that delivery systems where we needed to expand our focus to go beyond what was not only defined social protection, we needed to work very closely with colleagues working on identification for development, because in order to be able to deliver resources to intended beneficiary safely you need identification numbers. So in a way, ID for DS we call it identification for development, became a part of the social protection agenda, which it wasn't necessarily before. In fact, the biggest regional programme in the Bank on identification for development in Western Africa with an acronym WURI is managed by us.

And obviously the benefits of identification go beyond social protection, but the pandemic showed how important it is for social safety net to have properly identified beneficiaries, not only properly identified, identified in a way in which they can move across countries and they identity numbers could be recognized.

So that in every point in time you would have a sense of what a person is entitled to, what the person receives. That has been an enormous, enormous challenge, because we never did that with such a speed before. The last point I would mention we needed to rethink our approach to targeting at least during the pandemic, because the typical day-to-day methods we used in the past obviously were not properly timely. We were sometimes based on one of exercises like census swaps or surveys. Rapid telephone surveys using mobile money operators, data to do geographic targeting in urban areas, even did the crisis hit urban areas, so there is a lot of, if you put it this way, innovation in targeting, and this is not the innovation that can be first piloted and then used, we just delve into it.

I would emphasize those three things, adaptiveness, systems building, especially the delivery systems, but that is broad that includes identification for development. And then you going ahead with new methods of targeting that all three features figured very prominently in our response.

Anna McCord: I think I'd like to reiterate what Michal said. There were really perhaps three different phases of the financing. I think initially the focus was very much on putting in resources to extend existing provisions. So very much it was for the payment of cash transfers, but then there was also investment in systems development, these things like registries, ID payment systems, to enable existing systems to expand rapidly to reach new populations. And I think that's where a lot of ODA financing actually was used to extend provision and to accelerate initiatives, which perhaps had already been under discussion. There was an urgency to get these new systems functional. I think ODA resources really help move that forward. And then I think the third area is perhaps the development of new systems where there wasn't existing provision. There was also ODA investment in getting those new systems in place. And what we thought was quite interesting because the different donors played different roles at various stages of the crisis last year. For example, the bank stepped in initially with large amounts of money in order to fund the extension of these existing systems, whereas the smaller donors and the bilateral donors perhaps play more of a catalytic role working with our existing partners to try and focus on some of these systems bottlenecks.

And I think there was a real complementarity there. And also for example, the UN response and recovery trust fund, which was established in response to the crisis to realize the UN secretary generals shared responsibility and global solidarity initiative that our RTF fund was used to address some of the challenges which were inhibiting program expansion.

There were very targeted injections of funding through the UN to overcome some of the systems bottlenecks. And I think it was quite interesting to see how the different agencies work together in a very collaborative way, in many instances, in order to bring about a rapid and large scale of response. But I think perhaps the question which remains for us is that we've seen this explosion of social protection responses over the last year, which has been well-documented by Bank, but it seems that much of this provision has in fact been temporary in nature, often offering one or two transfer episodes.

The question is we've had this increased investment in systems development, but to what extent can that provision of social protection actually be sustained into the future. And to what extent can we capitalize on those benefits? And that will very much depend on future ODA financing flows.

Michal Rutkowski: My perspective on that is that it's even more complicated because some of these financing were temporary and should have been temporary.

Whereas there are cases that yes, it was temporary, but that actually should have been permanent and because it filled the gap existing at the very beginning, we know that less than 20% of the poorest are covered by any sort of social safety net in the world. There is such a

huge coverage gap that you could essentially say whatever increase in financing those safety nets happened is good and should be sustained. The problem is that these are not necessarily the same people who would continue financing on a permanent basis. There is this clear difference between the most needy in a steady state before with rural poor dominating the picture by far and the delta factor, meaning the shock of the pandemic with urban, not necessarily poor, often urban vulnerable being hit more than anybody else and they go their benefits and here is the trigger that some of those rightly so are temporary, but then you would not like just to discontinue that and go to the situation back. We'd like to turn this energy to building systems that could on a permanent basis helping rural poor, but be also adaptable to expand, to cover others in need should the shock hit.

And I think the situation is actually even more complicated and it goes beyond the discussion permanent versus temporary. It goes into the discussion for whom as well.

Francesca Bastagli: We'll come back to this question of the future and the longer term perspectives and indeed sustainability questions. Before we do that, let's go back. If we look back to past global crisis, as such as the 2007, 2008 global financial crisis, are there any differences in the international financing response in this crisis compared to past ones? Is it different this time around?

Anna McCord: We all facing a very different situation currently from that we faced after the global financial crisis in 2007/2008, and I think it's important to remember that it was actually the global food, fuel and financial crisis.

It was recognized by those in the social protection sector, but this triple F crisis, as we were calling it then, was in fact, a major challenge in terms of household incomes. The triple F crisis led to a significant jump in ODA to the sector. It actually doubled in one year between 2007, 2008. Now this was largely driven by US investment in a small social protection, on a small number of countries.

But what we did actually see was that there was a significant impact on social protection financing of the financial crisis, but we were actually starting from a much lower level. If you look back to 2007, 2008, the reach of social protection globally was less than 20% of the global population was in receipt of any kind of social protection.

And that's now increased globally to 45%. So we've actually seen that the sector coverage of the sector has increased and this was in fact in part largely due to the response to the 2007, 2008 crisis. What we saw was that the World Bank administered a multi-donor trust fund, a rapid response fund, which was implemented to support social protection provision after the crisis actually led to the development of many new countries engaging in social protection systems development and the establishment of social protection systems in a significant number of additional low income countries. What we see is now 10 years later, there's far greater coverage of social protection in low and lower middle income countries.

There are more established systems. And so actually the starting point for the response was significantly different, meaning that it was actually possible rapidly to deliver social protection responses in 2020 in a way that just wasn't possible in 2007, 2008.

2007, 2008 the focus was much more on starting to get initial programmes in place and they weren't ready to be vehicles for large scale support, crisis support. But actually what we've seen is that today we have systems in place which are ready to play this shock responsive social protection role.

Michal Rutkowski: It's interesting because again, Anna's analysis is so in tune with what we see in the World Bank.

Let me offer two perspectives of what that actually means. One perspective is in a paradoxical way, we should thank for the triple F crises because it led to building social safety nets, which therefore could be used for the purpose of the pandemic response. And our experience shows very, very convincingly that is very difficult to you cannot build a social safety net in a crisis.

You need to have it on the ground in order to respond to the crisis. And without triple F crises, those social safety nets wouldn't have existed. Therefore, the countries would not have been prepared at all to respond to the pandemic.

So this is the paradox... You know, that famous saying about adversities and opportunities. The adversity of the triple F crisis led to building social safety nets, which created an opportunity to respond to the pandemic.

Second and last observation I wanted to make on it, is the quantity versus quality observation, which is that the way I would define [unintelligible] after the 2007, 2008, it was a quantity period for social safety nets.

We massively help build them in many countries with not that much particular focus on the quality because I mean, everybody was grateful that they exist. What happens now? You know? Social safety nets we're always questioned by policy makers. Is it just a handout? Do countries need that? Is it not something we just do in emergency? And then just the stop?

I think the pandemic crisis called on all of us to focus on who the money goes to, how effective the delivery systems are in terms of getting to the right people. So the focus is so much about the quality of the functioning of the safety nets. And that's why, when I think what the thoughts were after 2007, 2008, was expand, expand, expand quickly, while the thoughts are now how to build features that would make safety nets modern, therefore delivering on this shock and future shocks. And I already talk about what modern means. So quantity to quality shift is an important difference between two crisis.

Francesca Bastagli: When it comes to ODA allocation across countries, there's a concern of poor targeting to low-income countries that are most in need.

Is this the case? And is there a risk of path dependency? How should scarce ODA social protection resources be allocated to countries?

Michal Rutkowski: Where I see the biggest risk, I wouldn't even call it path dependency. I probably would say a risk of being locked in. What I mean by that is the following. Look, if you look across Africa, Sub-Saharan Africa, I would say more than 50% of countries in Sub-Saharan Africa rely between 65 and 95% on foreign financing, ODA financing of the social safety nets. It's a huge number. It's a total dependency. Take Ethiopia. Ethiopia have been often used as a good example of historically prioritizing towards social safety nets.

Rightly so they develop excellent programs prior to the pandemic. Actually, interestingly, both rural and urban, but it's 90% donors financed and there is no change. For us in the World Bank, as we talk at the same time, to sectoral ministers and the ministers of finance, I remember myself being set next to the minister of finance in the annual meetings, it was three years ago, so they were previous previous government of Ethiopia to discuss with him the path of reducing financing of safety nets coming from the donors from 90% to less than 20% within 10 years. Because it was clear that nothing slower than that can happen. And this is what normally would be all the time, negotiating more domestic revenue, mobilization, more domestic financing.

But here is a bit of a trap because the ministers of finance, what I observed, I essentially think why would I promise that if I securely can continue financing by the donors, there is some conflict of interest for them because they believe that the donors are committed to long-term social protection agenda, so why to touch it. And I think this is the biggest risk in ODA that we can be locked in in continuing supporting countries that may not undertake sufficient effort to actually be, do domestic resource mobilization, repurpose it for social protection, even if they can do it, they may not have incentives to do it. That's how I see their biggest sort of speak binding constraint for avoiding path dependency.

Anna McCord: Yes. I think there are challenges here because if we look at social protection spending, ODA spending, it is better targeted than overall ODA, but in fact, only 55% of the resources are targeted to low income countries.

And there is a very high dependence in low-income countries on external financing, as Michal mentioned. I think the question is: could more ODI resources be effectively targeted to low-income countries? What's their ability to absorb those resources? But then what are the implications for perhaps lower middle income countries who also are in need of resources to maintain and expand their own provision?

I think this is an area where there's a need for further thought about how strategically resources should be allocated.

Francesca Bastagli: Michal mentioned the grand bargain earlier, which was agreed during the World Humanitarian Summit in 2016, what have been the changes to ODA financing since

then? Including in terms of potentially increased alignment across the social protection sector and humanitarian funding.

Anna McCord: Yes. I think there've been some very positive developments since the grand bargain was initiated in 2016 in terms of alignment. And even before the pandemic, many humanitarian agencies were explicitly linking their work into national social protection systems in their humanitarian response plans. And I think one very positive example from last year is the Yemen where UNICEF and the World Bank work together to allocate their emergency cash transfer programmes through the national social welfare fund.

What we can see is that there are increasing initiatives to bring together humanitarian and social protection spending and to deliver programmes jointly. And I think this offers considerable opportunities in terms of increased efficiencies. We're also seeing an exploration of how additional ODA can be leveraged for the social protection sector through humanitarian instruments in order to finance systems building.

And we have an exploration of ideas such as anticipatory cash transfer programming, insurance-based initiatives. And I think this whole exploration of disaster risk financing was also another area which is quite exciting because what we're seeing is that there is now the potential to use social protection systems to deliver humanitarian responses.

And I think this is going to be a major, major development in the coming years and the integration across these two sectors. And I think COVID has actually accelerated experimentation in this area.

Michal Rutkowski: I think I fully agree with Anna's analysis on that. That is totally consistent with what we see after the Grand Bargain, after Istanbul, we started working much more closely. We were caught up on that and meetings, discussions, both project level, global level. Great Yemen example. I agree. And there is clearly blurring of the boundaries and this blurring of the boundaries in the short term I think it's a very positive development, especially in crisis, especially in the pandemic.

What I would like to highlight is that where actually the most interesting piloting and experimentation takes place. Unfortunately, is indeed in a fragile and conflict and violence environment. That's one. And the second is when the disaster hits as an asset, because this is where those boundaries completely blur.

And therefore we need to come up with innovations, like the innovations in Yemen. So those innovations without make an effort into capturing them into some learning that will then offer us guidelines, how we work together in a environment that is not by disaster on that is not fragile. I am very optimistic about that.

And I did some studying of the humanitarian movement just to be better prepared and then realize that there are two strands there. They were very open to working with the development doctors, such as those providing ODA. And the other is thinking, no, no, no we are very different. There is also a triangle to those who always wanted to working with us.

And I must say the same in the World Bank. Historically, I would remember colleagues saying we should never work with them, we are different. We confuse the counterparts. The development is completely different business than humanitarian aid. Well, now I think the pendulum shifted towards those who thought it's actually not that different. And in crisis, the difference almost disappears.

Anna McCord: I would just like to add to that point that Michal has made about the blurring of the boundaries. I think they're going to become increasingly blurred in the coming decades, as we see the impacts of climate change becoming more apparent. And so I think that makes it all the more imperative that we move away from the silo thinking and look at where we really can collaborate for greater efficiencies, particularly given the resource constraint nature of the environment within which we're working.

Francesca Bastagli: The overarching question of this podcast special series is: could COVID-19 mark a turning point for social protection? And my question to you is, is this the case from a financing angle in particularly for ODA? We've heard examples of how ODA instruments flows, processes, have been adjusted and how they've developed since the onset of the crisis.

What need to be our priorities going forward, if this is going to be a game changer? What are some of the risks, but also opportunities to address the social protection financing gap in the longer term, but also address some of the inequities in the financing system?

Michal, over to you first.

Michal Rutkowski: It should be a turning point in our thinking about financing of social protection, and we need to be much more daring into going further, into looking at the revenue base and where we can get resources for social protection. We already had been doing it in terms of going into the area like energy subsidies, which is the huge waste worldwide and estimating that we turn them into social protection systems, we would get much better targeted, much more appropriately prioritized benefits instead of wasteful energy subsidies. But I think we need to go further and see where is the potential for expanding the tax base. And here it will be a very difficult territory because the potential is really on the side of consumption taxes, not on the side of income taxes, but if it's a side of consumption taxes, then we will immediately get into territory. But these are, these are actually a regressive taxes. So how to construct a progressive package, that progressives expenditure so that the whole package is progressive. And those discussions with international partners from IMF to the ILO will be very difficult, but are very much needed. We need to enter this area very, very seriously.

The second theory I am afraid we will have to enter talking about taxation will be obviously taxing inheritance and assets because the GINI assets is about 0.8 and GINI income is whatever [0.38 or 0.4] so GINI assets is much bigger, so there are huge ticket items. But they are extremely difficult. And I think this is an opportunity to start this discussion.

There is a discussion about inequality, the world wealth, let's look into assets inequality and what we do about that. So that might be a turning point.

Were there is a turning point for ODA I leave it for Anna to comment in a moment because she has a better perspective, whether it's a turning point within the World Bank on social protection, I hope yes. I hope yes. It will not be easy because there is still the sense you will wrap up the programme once the crisis is over, but at the same time, because it was demonstrated so clearly in this crisis that only the countries that had something on the ground were effective. There are exceptions, by the way, Togo is an exception with fantastic development.

But by and large, I would say 80, 90% of cases, the programmes on the ground. So, everybody this is prior investment pays off in crisis. I hope it will be a turning point too, but I need to keep my fingers crossed. Thank you.

Anna McCord: The big question is whether the developments that have been made, the gains that have been made in social protection over the last year can actually be sustained.

And whether we can go on to really extend provision as anticipated and hoped for under the sustainable development goals. And I think we have to recognize that actually the funding gap for low income countries is if the order of 41 billion dollars per annum as estimated by the ILO. And what we can see is that this is not in the short to medium term going to be financed from domestic resource mobilization.

It represents somewhere 10, 15% of GDP of low income countries. It's simply not possible that these can be financed in the short term domestically. The question is what roles should the external donor community play? And I think there's very clearly a need for continued ODA to the sector and even for increases in ODA.

And I very much hope that we will see further resources allocated to the sector, but I think we have to recognize that this is a very difficult time. The question is what was an extra planishment have either look like. Will the major bilateral donors who've been active in the sector, continue making allocations in the context of contracting domestic economies? And I think this is a very risky time for ODA, and I think it's really important that all the major actors actually protect ODA and social protection within the ODA.

Francesca Bastagli: Thank you Ana and Michal.

Anna McCord: Thank you, Francesca.

Michal Rutkowski: Thanks for having me here. It was a pleasure.

Francesca Bastagli: We'll post links to key resources on this topic in the show notes of this episode. And you can find the ODI/GIZ research series at odi.org. Stay tuned for the next episode in the series where we'll be looking at COVID-19, social protection and informal workers.



Jo Sharpe: The Social Protection Podcast is a production of socialprotection.org, which is the place to go online for free information, research and community on all things social protection. You can follow us on Twitter at [SP_gateway](#) and find us on [Facebook](#), [YouTube](#), and [LinkedIn](#). Subscribe to this podcast via your favorite podcast provider and stay tuned for the next episode.