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Official development assistance financing for social protection

Lessons from the Covid-19 response

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Social protection responses to Covid-19 and beyond

Key messages

Official development assistance (ODA) in 2020 was characterised by a sectoral reallocation in favour of social protection and an increase in overall ODA commitments compared with 2019. ODA has played a significant role in extending social protection provision since the onset of the Covid-19 crisis, particularly in low-income countries (LICs).

Donors have expedited ODA resource mobilisation for the sector by using their existing social protection portfolios as a conduit, introducing new instruments and streamlined approval and disbursement mechanisms, bringing forward planned expenditure and reallocating committed funds. They have also introduced new ways of collaborating to enhance financing efficiencies. In some contexts, this has enabled the use of ODA to increase programme coverage and to accelerate systems development.

Unprecedented efforts have been made to integrate and align ODA-funded humanitarian initiatives with national social protection systems. There is the potential to further leverage alternative sources of humanitarian funding.

At $2.4 billion in 2019, ODA funds for social protection are trivial in relation to the funding gap, estimated at $41.9 billion for LICs. Additional future financing for the sector is crucial. In LICs and lower-middle-income countries (LMICs), financing provision in line with the Sustainable Development Goals, and even maintaining existing levels of social protection financing, will be a challenge in the short term as resources are constrained by the global recession and high levels of debt distress.

This crisis provides an opportunity to capitalise on the investment in temporary programme expansion and accelerated investment in systems development that took place during 2020. Strategically extending financing for social protection provision is a key component of the UN 'Build Back Better' initiative and Agenda 2030 goals.

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Acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (Federal Ministry of Economic Cooperation and Development of Germany)
CCRT	IMF's Catastrophe Containment and Relief Trust
CERF	UN Central Emergency Response Fund
COVAX	Covid-19 Vaccines Global Access
CRS	OECD-DAC Creditor Reporting System
CRW	World Bank's Crisis Response Window
CVA	cash and voucher assistance
DAC	Development Assistance Committee
DEVCO	European Commission's Directorate-General for International Cooperation and Development
DSSI	Debt Suspension Service Initiative
EC	European Commission
ECHO	Directorate-General for European Civil Protection and Humanitarian Aid Operations
EU	European Union
FCDO	United Kingdom's Foreign, Commonwealth and Development Office
FTS	OCHA's Financial Tracking Service
GDP	gross domestic product
GFC	global financial crisis
GFSP	Global Fund for Social Protection
GHRP	Global Humanitarian Response Plan
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Corporation for International Cooperation)
GNI	gross national income
HCT	Humanitarian Cash Transfer
IADB	Inter-American Development Bank
IASC	Inter-Agency Standing Committee
IATI	International Aid Transparency Initiative
IBRD	International Bank for Reconstruction and Development

IDA	International Development Association
IDA20	Twentieth IDA Replenishment
IFI	international financial institution
ILO	International Labour Organization
IPC-IG	International Policy Centre for Inclusive Growth
IPF	investment project financing
IMF	International Monetary Fund
KfW	Germany's Kreditanstalt für Wiederaufbau or Reconstruction Credit Institute
KII	key informant interview
LDCs	least developed countries
LIC	low-income country
LMIC	lower-middle-income country
MENA	Middle East and North Africa region
MIC	middle-income country
NEAR	European Commission Directorate-General for Neighbourhood and Enlargement Negotiations
NGO	non-governmental organisation
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
PRGT	Poverty Reduction and Growth Trust
RCF	IMF Rapid Credit Facility
RDB	regional development bank
RFI	IMF Rapid Financing Instrument
SCTP	Social Cash Transfer Programme
SDG	Sustainable Development Goals
SPJ	Social Protection and Jobs (World Bank)
SSA	sub-Saharan Africa
UMIC	upper-middle-income country
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNJSDGF	United Nations Joint Sustainable Development Goals Fund
UNRRTF	United Nations COVID-19 Response and Recovery Trust Fund

USAID	United States Agency for International Development
USD	United States dollars
WFP	World Food Programme
WHO	World Health Organization

Executive summary

This working paper examines trends in official development assistance (ODA) overall and for the social protection sector, in particular since the onset of the Covid-19 crisis, and discusses the implications for both short-term crisis response and recovery, and the financial sustainability and strengthening of social protection systems in the longer term. In particular, it asks: what do we know about the role ODA has played in the social protection sector since the onset of the crisis; how well has ODA performed in enabling the timeliness and adequacy of response; what factors enabled or hindered effective ODA support to social protection response; and what are the emerging issues, trade-offs and lessons for the financing of social protection crisis response and broader 'routine' social protection system-building from the international financing perspective?

This paper focuses on the role of ODA (concessional aid given by donors from the Development Assistance Committee (DAC)) allocated to the social protection sector in low- and middle-income countries (LICs and MICs) in the context of the Covid-19 crisis. It includes both technical assistance for systems development and the direct funding of social protection provision. It also examines ODA flows to the humanitarian sector, which increasingly involve the provision of cash and voucher assistance (CVA) and programming in support of the development of national social protection systems, placing these flows within the broader frame of overall ODA. It first analyses trends in overall and sectoral ODA prior to the crisis, then ODA flows during 2020, discussing the performance of key donors in the sector.

The paper finds that ODA has been timely, with donors expediting ODA resource mobilisation for the sector by using their existing social protection portfolios as a conduit, introducing new instruments and streamlined approval and disbursement mechanisms, bringing forward planned expenditure and reallocating committed funds in favour of extending social protection provision. Donors have collaborated to enhance financing efficiencies, with the larger donors focusing ODA on financing increased programme coverage, while more specialised donors have funded technical assistance and inputs to accelerate systems development, offering a legacy benefit for the future performance of national systems. The international financing institutions (IFIs) allocated funds rapidly, but their performance was marred by significant lags in disbursements, compared with bilateral donors.

In terms of adequacy, ODA allocations to social protection increased slightly in 2020, driven by a major expansion in overall World Bank International Development Association (IDA) allocations and sectoral reallocations in favour of social protection spending. As such, ODA played a significant role in extending social protection provision, particularly in LICs in debt distress and with limited domestic resource mobilisation capacity. However, at $2.4 billion in 2019, ODA funding for social protection is trivial in relation to the funding gap for the provision of basic social protection – as envisaged in the Social Protection Floor (estimated at $41.9 billion per annum for LICs). Therefore, additional future financing for the sector is crucial, particularly in the light of increasing shortfalls in humanitarian funding.

Given the urgency of distributing social protection transfers, initial ODA flows to social protection were largely provided through existing programmes to ensure rapid absorption of funds. As such, ODA was initially concentrated in countries where significant social protection funding for systems development had already taken place, and on extending provision (in terms of value and/or coverage) to populations that had previously been targeted, rather than those experiencing the biggest losses in income and increases in poverty. Reaching new populations through revised targeting systems or the creation of additional interventions is much slower. However, ODA to the social protection sector is historically better targeted to LICs than ODA overall, with LICs receiving 55% of ODA to the sector in 2019 – compared to an estimated flow of only 32% of total bilateral ODA and 11% of IFI ODA to LICs in 2020. That said, the increasing dominance of IFI funding in the sector may reduce the emphasis on LIC targeting in the future.

The main enabling and hindering factors that drove an effective ODA financing response and determined the adequacy, timeliness and targeting of ODA to the sector were identified as, on the one hand, having national systems in place to enable the rapid absorption of ODA and, on the other, donor capacity, particularly in terms of increased resource availability, institutional flexibility and the ability to collaborate. At the national level, this entailed: having a social protection system in place prior to the crisis; the existence of pre-crisis international funding relationships in the sector; and having a shock-responsive social protection (SRSP) framework in place. On the part of the donor community, the key enablers were: the ready availability of additional resources; the ability to innovate and adjust existing ODA financing mechanisms and match accelerated approvals with expedited disbursement; effective donor coordination; and collaboration across the development–humanitarian nexus.

The main implications of our findings are that the Covid-19 crisis response has highlighted both the critical role ODA can play in enabling effective social protection crisis response, and the gaps and limitations in social protection ODA financing levels and instruments. Domestic financing will be key for sustained social protection expansion and sustainability in the medium to long term. However, the ability of LICs to support provision from domestic resource mobilisation is a distant prospect given current resource constraints, exacerbated by the global recession and high levels of debt distress. At the same time, there are significant uncertainties about future ODA in the context of the global recession.

However, there is space for optimism in terms of increased ODA flows and innovations around humanitarian–development interventions. The 2008 global financial crisis (GFC) led to a dramatic increase in ODA to the sector and this current crisis also provides an opportunity to capitalise on the investment in temporary programme expansion and accelerated investment in systems development that took place during 2020. Strategically extending financing for social protection provision is a key component of the UN 'Build Back Better' initiative, and agencies have identified social protection as a key instrument for social and macroeconomic stability as well as social justice. The crisis also illustrated the potential to extend humanitarian CVA and integrate and align CVA initiatives with national social protection systems. Humanitarian funding can be used to extend provision and adopt new forms of financing to support systems development and put in place SRSP, with which humanitarian provision is increasingly aligned.

The paper makes seven sets of recommendations.

1. Ring-fence and increase ODA for social protection.

- Protect existing bilateral and multilateral social protection allocations.
- Ensure adequate replenishment contributions to IDA20 and prioritise policy commitments on social protection within IDA20 replenishment.
- In the context of potential budget cuts in response to the global economic depression, ensure social protection remains a key sector in the new European Union (EU) programming cycle (2021–2027) and among the major DAC donors to social protection.
- Advocate for increased ODA to the sector, including within the G20 and G7, recognising the inadequacy of current flows in relation to social protection financing gaps.

2. Prioritise strategic use of ODA allocations.

- Initiate discussions between ODA donors and LIC and MIC governments to promote the strategic use of the limited ODA resources available for the sector, and put in place mechanisms to support this.

3. Focus ODA support.

- Improve the targeting of bilateral and multilateral ODA for social protection to LICs and lower-middle-income countries (LMICs).
- Direct ODA to social protection provision in LICs and LMICs that are dependent on ODA, where domestic financing is not yet viable, and where fiscal constraints risk compromising ongoing provision.
- Focus ODA flows for social protection on investment in systems-strengthening to increase efficiencies and coverage.

4. Support and mainstream humanitarian–development financing innovations.

- Develop mechanisms for integrating humanitarian financing innovations into national social protection systems to finance expanded and shock-responsive provision, including, for example, financing of anticipatory action, disaster risk financing and insurance-based approaches.
- Promote initiatives to harmonise CVA and multi-purpose cash assistance in the humanitarian sector with national social protection systems.
- Use social protection ODA to leverage additional financing through humanitarian financing instruments and approaches, including insurance or private sector support, disaster risk financing, disaster risk management approaches, or anticipatory/early cash transfer systems, and link them into the national social protection system to enhance SRSP capacity.

5. **Refresh ODA donor policies, instruments and funds supporting social protection to promote access to resources by LICs.**

- Review IFI lending instruments and policies to ensure a greater share of resources are allocated to LICs.
- Explore mechanisms to increase access for LICs and LMICs to concessional financing and grants.
- Consider the desirability of and options for creating a new institution or initiative to promote LIC access to ODA for social protection, such as a Global Fund for Social Protection or alternative proposals.

6. **Promote domestic resource mobilisation.**

- Support initiatives to promote domestic resource mobilisation.
- Promote national autonomy and capacity to manage crisis responses by promoting sectoral basket funding at country level, reducing the transaction costs of multi-donor negotiation.
- Explore policy-based financing as a tool to promote domestic political ownership and domestic resource allocation for social protection, such as the World Bank Development Policy Loan.
- Promote the ring-fencing of national social protection expenditure in the context of fiscal consolidation associated with IMF borrowing.
- Support debt restructuring to enhance fiscal space for social protection and other SDG-relevant expenditure.
- Increase countries' ability to access future concessional and non-concessional finance.

7. **Address data gaps relating to ODA flows to the sector.**

- Review data challenges and inconsistencies among bilateral and multilateral donor agencies and other key actors, which currently inhibit timely and meaningful analysis of sectoral ODA flows, in order to develop improved and harmonised approaches to data capture and analysis.

1 Introduction

1.1 Background

Data from the World Bank and the International Monetary Fund (IMF) suggests Covid-19 is having a major negative impact on levels of poverty and hunger globally, reversing the progress in poverty reduction made in recent years. Real GDP declined globally by 3.5% in 2020 (World Bank, 2021a) resulting in an estimated increase in the number of people living in extreme poverty of between 119 and 124 million (Lakner et al., 2021), with some calculating that extreme poverty in sub-Saharan Africa has risen to 43% (Dodd et al, 2021). Projections by the World Food Programme (WFP) suggest that, by the end of 2020, an additional 130 million people were facing acute hunger as a result of the crisis (WFP, 2020a).

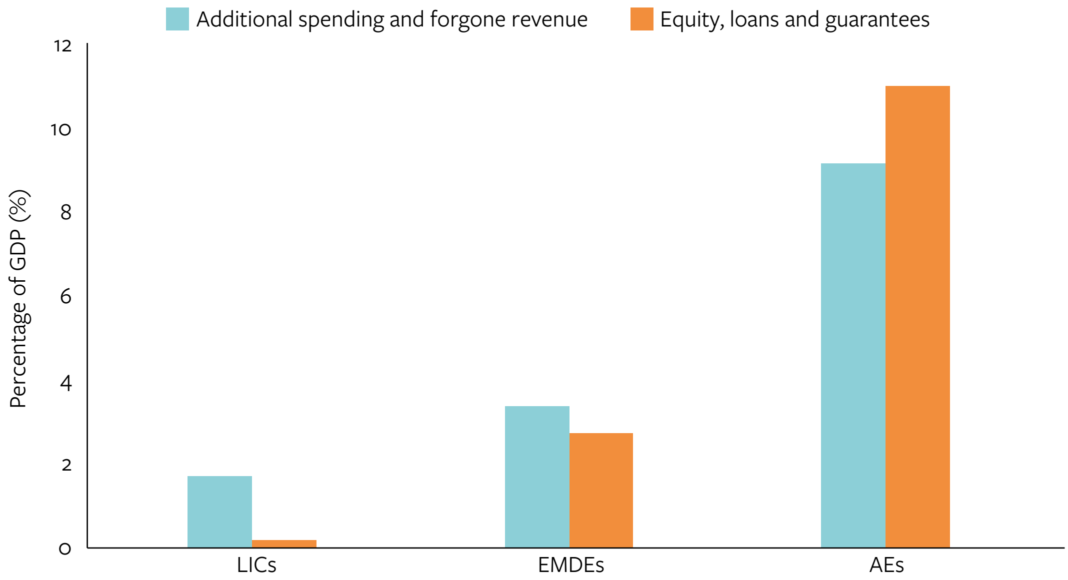
Covid-19 has seen social protection come to the forefront of crisis response and socioeconomic recovery programming globally. Since the early stages of the crisis, an unprecedented number of programme innovations and new initiatives have been announced worldwide. Much of this activity has taken the form of temporary crisis response interventions rather than an ongoing expansion of social protection provision, and it is not yet evident to what extent the initial pandemic expansion will result in significant sustained increases in provision (Gentilini, 2021).

These innovations are, however, significant inasmuch as they have been used to rapidly scale up existing provision – particularly in the form of non-contributory provision (notably for working age and informal workers) – and extend coverage to non-traditional groups who have previously been largely excluded from provision – such as urban populations in contexts where most social cash transfers have focused on rural areas (Bastagli and Lowe, 2021). The crisis has accelerated the development of systems and the adoption of technologies that have demonstrated the technical feasibility of large-scale provision that extends beyond the (in some cases, trivial) coverage levels prior to Covid-19, and the shock-responsive capacity of many existing systems. These innovations have also demonstrated the capacity of the sector to absorb additional external financing.

Such initiatives have been financed through the mobilisation of domestic resources as well as the allocation of additional donor funds for social protection responses to the crisis (see, for example, Almenfi et al., 2020). International financing support is particularly important in LICs, where the ability to respond has been compromised by reductions in foreign direct investment, remittances, tourism and government revenue. Taken together, these reductions are estimated to be larger than total ODA to LICs in 2019 (Dodd et al, 2021). The ongoing nature of the crisis makes the extended provision of social protection an urgent priority.

Learning lessons from the ODA response so far is critical for shaping future policy decisions. While governments typically adopted a mixed strategy of reallocations and deficit financing to mobilise resources for their crisis response (ILO, 2020), this was not sufficient to fully finance significant extensions to social protection provision in most LICs and LMICs. As such, ODA is likely to play a key role in maintaining and extending social protection provision in LIC and LMIC contexts, where domestic resources are severely constrained and fiscal recovery packages are trivial compared to those in Organisation for Economic Co-operation and Development (OECD) countries – as shown in Figure 1 and discussed in Steel and Harris (2020).

Figure 1 Fiscal measures in response to Covid-19 (as of June 2020)



Note: LICs = low-income countries; EMDEs = emerging market and developing economies; AEs = advanced economies.
Source: Based on IMF, 2020

1.2 Objectives

This paper examines the role of international assistance in the financing of social protection in the context of the Covid-19 crisis in LICs and MICs. Specifically, it considers ODA – concessional aid given by donors from the DAC[1,2] – to governments in LICs and MICs, administered with the primary objective of promoting the economic development and welfare enhancement of developing

1 DAC is an international forum of many of the world's largest aid providers: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, the UK and the USA.

2 There are also a small number of other donors outside the DAC framework whose contributions are reported in the OECD-DAC data. These include Azerbaijan, Bulgaria, Croatia, Cyprus, Estonia, Israel, Kazakhstan, Kuwait, Latvia, Liechtenstein, Lithuania, Malta, Qatar, Romania, Russia, Saudi Arabia, Chinese Taipei, Thailand, Timor-Leste, Turkey and the United Arab Emirates. Not all OECD countries are members of the DAC or report to it; aid from some major donors, including China and India, are not included in DAC figures.

countries (Ahmad et al., 2020).[3] The paper focuses on countries that are eligible for concessional assistance from IFIs – notably, countries eligible for allocations from the World Bank's IDA[4] and those eligible for the IMF's Poverty Reduction and Growth Facility (PRGF).[5] It does not cover non-concessional social protection financing, such as flows from the International Bank for Reconstruction and Development (IBRD) to MICs.[6] It includes both financing for the development of social protection systems, including technical assistance, and also the direct funding of social protection provision.

The paper examines trends in ODA since the onset of the crisis, and discusses the implications for both short-term crisis response and recovery, and the financial sustainability and strengthening of social protection systems in the longer term. In particular, it asks:

- What do we know about the role ODA has played in the social protection sector since the onset of the crisis?
- How well has ODA performed in enabling the timeliness and adequacy of the response?
- What factors enabled or hindered effective ODA support to social protection response?
- What are the emerging issues, trade-offs and lessons for financing a) adaptive social protection and effective crisis response, and b) broader 'routine' social protection system-building from the international financing perspective?

1.3 Methodology

In this paper the term social protection is broadly defined as: 'a set of policies and programmes aimed at preventing and protecting all people against poverty, vulnerability and social exclusion, throughout their life cycle, placing a particular emphasis on vulnerable groups' (SPIAC-B, 2019). This does not include health provision. However, this definition is not used consistently among ODA donors and, in some cases, the term is used to include an extensive range of labour market interventions; where this wider definition is used, it is noted in the text. The paper considers all ODA labelled by donors as 'social protection', and includes ODA flows that support both the financing of social transfers and national social protection system-building.

The paper is based on a review of the literature, including published and unpublished donor documents, and quantitative data analysis, as well as key informant interviews (KIIs) with representatives of major bilateral donors, multilateral agencies, and LIC and upper-middle income country (UMIC) governments and research institutions. The analysis involved:

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3 There is also a significant flow of non-concessional social protection financing from multilateral organisations, for example, World Bank IBRD financing for MICs that are not eligible for concessional assistance.

4 IDA is the part of the World Bank that provides concessional loans and grants to countries with the lowest gross national income, per capita income and poor creditworthiness.

5 The PRGF is the arm of the IMF that lends to the world's poorest countries.

6 All LICs can access concessional IDA support, and all UMICs can access IBRD funds, but this distinction is not clear cut for all LMICs, as eligibility for IDA is contingent on a number of additional criteria.

- examining trends in ODA flows since the onset of the Covid-19 crisis and how these compare with both pre-Covid-19 trends and performance in the aftermath of the 2008 GFC
- reviewing the use of specific financing instruments and whether/how they have contributed to a timely and adequate social protection response to the crisis – identifying key factors that have enabled or hindered adequate crisis response.

1.3.1 Analysing trends in ODA flows

The paper reviews ODA in the period after the Covid-19 outbreak was declared 'a public health emergency of international concern' in late January 2020 to the end of 2020, and compares this to trends over the preceding 15 years. Specifically, it reviews: 1) overall ODA flows; 2) ODA flows explicitly targeted to social protection; and 3) the extent to which humanitarian aid flows have also supported social protection. It considers changes in overall ODA in the context of the crisis and associated global recession, as well as shifts across sector allocations, and examines provision in 2020 in the context of longer-term trends in ODA. Throughout, particular attention is given to variations between country income groups.

To review trends prior to the Covid-19 pandemic, we draw on official data on ODA flows produced by the OECD–DAC Creditor Reporting System (CRS).[7] In the absence of data for 2020 (DAC data on 2020 ODA flows will only be available in disaggregated form in late 2021), we draw on data from the International Aid Transparency Initiative (IATI)[8] and development partners' own tracking systems to examine trends in financing flows for 2020. It is important to note that the CRS ODA data is subject

7 DAC uses a sector classification specifically developed to track aid flows and to permit measuring the share of each sector (e.g. health, energy, agriculture) or other purpose category (e.g. general budget support, humanitarian aid) in total aid. ODA is assigned to a particular sector in answer to the following question: 'Which specific area of the recipient's economic and social structure is the transfer intended to foster?' It does not refer to the type of goods or services provided. Each activity can be assigned *only one purpose code*. For activities cutting across several sectors, either a multi-sector code or the code corresponding to the largest component of the aid activity is used. For information on the OECD-DAC CRS, visit www.oecd.org/dac/stats/data.

8 Launched in 2008, IATI is a voluntary, multi-stakeholder initiative and international open data standard that aims to improve the transparency and openness of both development and humanitarian activities. IATI provides a mechanism for the regular, automated publication of open data on financial flows. IATI also enables organisations to publish information on their project or programming activities, including information on monitoring, evaluation and results. IATI aims to standardise and automate the exchange of data – it is not a system or platform. It does not curate data, nor does it provide statistics, aggregation or analysis. It is a format that publishers can use to publish and exchange their data with others. This creates a pool of open data, in machine-readable format, that others can contribute to, draw on and use, perhaps most notably via visualisations, dashboards, tools and platforms that read and display the data. The actual content and quality of data available through IATI depends on the data organisations are able or prepared to publish. Overall, over 1,000 humanitarian and development organisations, including government donors, multilateral and UN agencies, and international and local non-governmental organisations currently use the IATI Standard to publish information on their funding and activities. For more information, visit https://iatistandard.org/en/about/iati-standard/.

to some significant limitations. The data does not offer a comprehensive record of all concessional aid flows as not all OECD donors report to the DAC, and aid from some other major donors, including China and India, are not included. In terms of 'labelling' (assigning ODA to a particular sector), there is no consensus on how social protection is defined (Brunori and O'Reilly, 2010), even among those donors reporting to DAC, and donors continue to report their expenditure in different ways. Due to the cross-sectoral nature of much social protection funding, total ODA flows to the sector may be underestimated, and because the CRS only allows one sectoral 'purpose tag', social protection funding may be reported under other sectors such as health, education, nutrition, climate or jobs. An additional complicating factor is that many bilateral institutions channel much of their support to social protection as unearmarked core contributions through multilateral agencies, such as the International Labour Organization (ILO), the United Nations (UN), the EU and the World Bank. This makes it difficult to accurately capture bilateral contributions to the sector (Hynes and Scott, 2013). Social protection activity may also be funded through budget support, none of which is captured as ODA for social protection in the CRS. Notwithstanding these challenges, given the lack of alternative data options, this paper uses the CRS data coded as social protection (16010) as the basis for its analysis.[9]

In the absence of DAC data for 2020, we used IATI data to gain an indicative overview of aid flows in 2020 in near real time. While there are a number of discrepancies in the IATI data, including variations in reporting timeframes and data gaps, the overall trends identified in the data for 2019 are sufficiently consistent with those found in DAC data for the same period, to give credibility to the indicative shift they suggest – as presented in Chapter 2. The paper draws on an analysis of IATI data by Development Initiatives (2020a; 2020b; 2021), which provides an overview of the composition and value of commitments and disbursement data from key bilateral donors, IFIs and multilateral institutions across 2018, 2019 and 2020 (covering the period January to November).

The paper also attempts to review the international humanitarian aid flows that interact with national social protection systems and responses. The types of interactions considered here include: the channelling of humanitarian funds through national systems to increase social protection benefits; the alignment of humanitarian responses (e.g. for non-nationals or in conflict-affected areas) to national social protection system norms; and the mobilisation of humanitarian resources to support the development of the 'building blocks' of national social protection

9 ODA social protection allocations fall under DAC code 160, 'Other Social Infrastructure and Services', which is subdivided using CRS codes to identify the particular sector to which it is allocated. The specific code for social protection is 16010, which includes: social protection or social security strategies, legislation and administration; institution capacity-building and advice; social security and other social schemes; support programmes, cash benefits, pensions and special programmes for older persons, orphans, persons with disabilities, children, mothers with newborns, those living in poverty, without jobs and other vulnerable groups; and social dimensions of structural adjustment. For more information, see: www.oecd.org/development/financing-sustainable-development/development-finance-standards/dacandcrscodelists.htm.

systems (such as unified registries or payment mechanisms). Although crucial in the response to the Covid-19 crisis, international funding flows for humanitarian responses implemented outside of national social protection systems were not included in this study[10]

1.3.2 Analysing specific financing instruments and approaches

The paper analyses the key financing instruments and approaches used by selected actors to support social protection provision in response to the pandemic, namely:

- **Bilateral donors:** We consider two of the largest bilateral donors to the social protection sector, the United Kingdom (UK) and Germany.
- **UN system:** We focus on innovative approaches by the United Nations Children's Fund (UNICEF) and WFP; the UN funds and plans implemented in response to Covid-19 that explicitly address social protection, namely, the UN Office for the Coordination of Humanitarian Affairs' (OCHA) Global Humanitarian Response Plan (GHRP) and the UN Covid-19 Response and Recovery Trust Fund (UNRRTF). We also examine the UN Joint Sustainable Development Goals Fund (UNJSDGF), whose first call for proposals, coinciding with the pandemic, was on social protection.
- **Regional development banks (RDBs):** We consider three RDBs that committed substantial funds to support member responses to the pandemic: the Inter-American Development Bank (IADB), the Asian Development Bank (ADB) and the African Development Bank (AfDB).
- **EU institutions:** We focus on the 'Team Europe' response to the pandemic, which entails drawing contributions from all EU institutions and combining these with resources mobilised by EU Member States and financial institutions, including the European Investment Bank and the European Bank for Reconstruction and Development.
- **Bretton Woods institutions:** We examine the IMF and World Bank responses to Covid-19, including the main instruments used by each.
- **G20:** We also consider the Debt Suspension Service Initiative (DSSI) established by the G20 countries to provide relief to eligible countries and enable them to focus resources on responding to Covid-19.

10 This approach is in line with the conceptual framework used by Beazley et al. (2020) to study social protection responses to Covid-19.

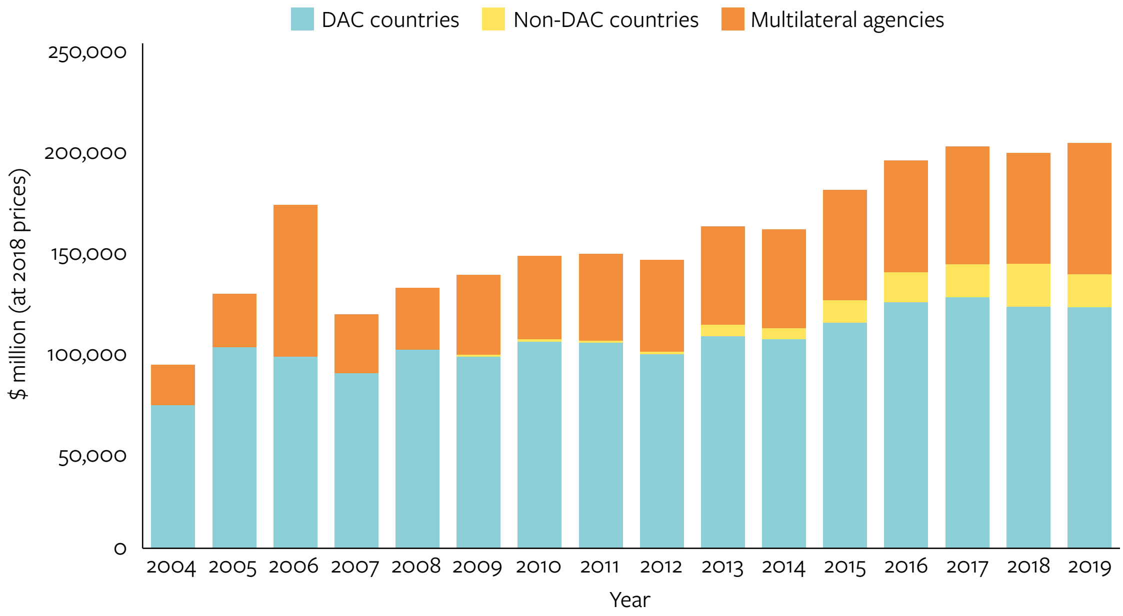
2 ODA for social protection prior to Covid-19

In this chapter we examine historic trends in ODA prior to the crisis, looking at overall ODA flows (Section 2.1) and flows explicitly targeting social protection (Section 2.2), as well as the use of humanitarian assistance to support national social protection systems (Section 2.3).

2.1 Pre-Covid-19 trends in overall ODA

Prior to the pandemic, levels of ODA – including bilateral and multilateral contributions (UN and IFIs) – had been broadly stable in real terms since 2016, totalling $201 billion in 2019.[11] ODA rose significantly during the 2000s, increasing by over 60% in real terms over the decade. This was driven in part by a series of key international development initiatives, including the Millennium Declaration (2000), the Monterrey Conference on Financing for Development (2002) and the Gleneagles G7 Summit (2005) (Ahmad et al., 2020). ODA spiked in 2006, largely due to a number of debt relief initiatives that year (OECD, 2008) and remained resilient despite the GFC. It continued to increase over the following decade during a period of renewed global commitments to international development, before plateauing from 2017 onwards (see Figure 2).

Figure 2 Total bilateral and multilateral ODA, 2004–2019

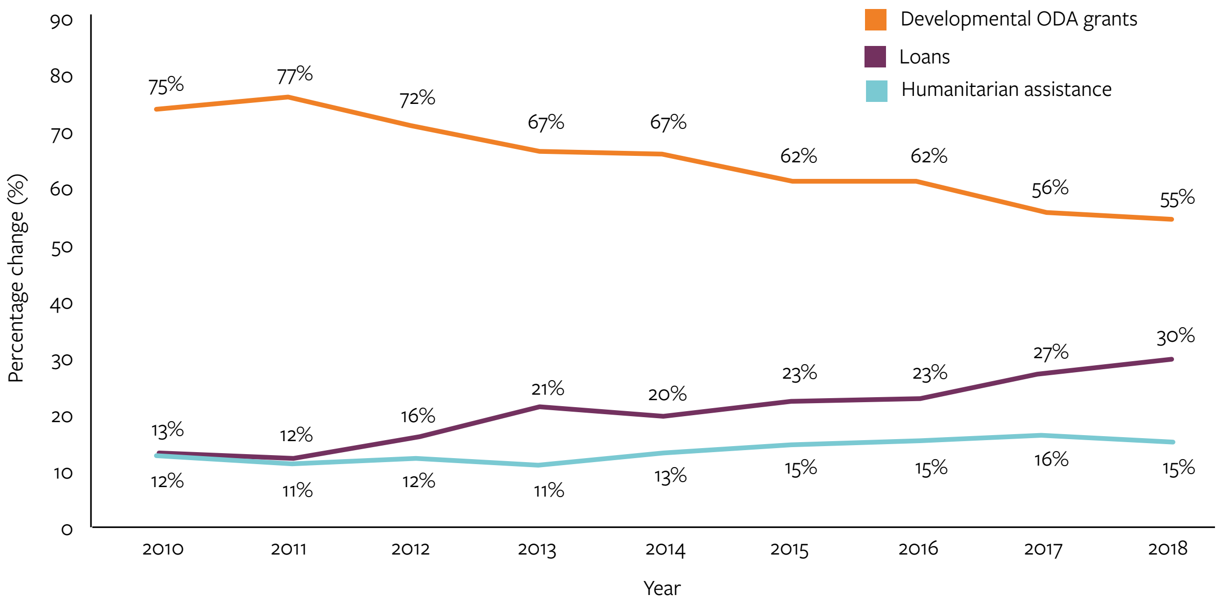


Note: Data prior to 2009 does not include non-DAC countries, which contributed 2% of total ODA flows to the sector in 2009.
Source: Authors' calculations, based on DAC data.

11 Authors' calculations, based on DAC CRS data.

In total, bilateral agencies contributed 67% of all ODA in 2019. The major donors that year were the United States (US), Germany, the UK, Japan and France. The remaining ODA was provided by multilateral agencies, including IFIs, with the multilateral contribution increasing by 32% between 2011 and 2018 (OECD, 2020b). This increase in the share of commitments from IFIs relative to bilateral donors has altered the grant–loan profile of ODA (Dodd et al., 2021) (see Figure 3).

Figure 3 Proportional changes in ODA loans, grants and humanitarian assistance in least developed countries, 2010–2018



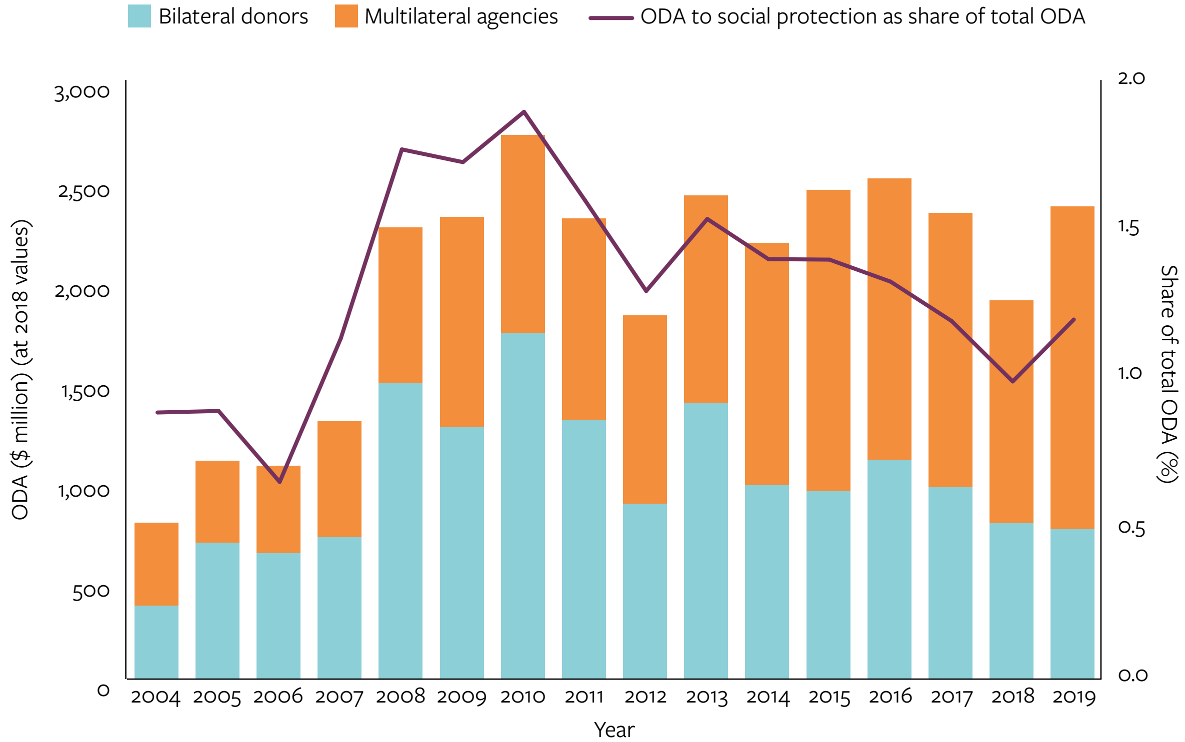
Source: Dodd et al., 2021

Debt servicing as a proportion of non-grant revenues has more than doubled in least developed countries (LDCs) since 2010 (Development Initiatives, 2020a). This is largely due to the increasing dominance of private creditors, who accounted for 75% of net debt inflows to LICs and MICs in 2019 – compared to only 31% in 2010 (World Bank, 2021b). The additional spending needs induced by the current crisis, combined with a collapse in revenue, is expected to encourage new borrowing that will push debt ratios even higher (IMF, 2021c).

2.2 Pre-Covid-19 trends in ODA for social protection

To measure, monitor and harmonise efforts towards international commitments in support of social protection initiatives requires accurate tracking of ODA expenditures on social protection. This is challenging given the shortcomings of the DAC data on social protection noted above, but an analysis of ODA (using the CRS code 16010) can be used to identify broad trends in provision.[12] ODA for social protection almost doubled between 2007 and 2008 (rising from $1.2 billion to $2.3 billion) at the time of the GFC. After spiking in 2010, funding has been broadly stable over the last decade, but at a significantly higher level than prior to the GFC – although it has declined slightly as a percentage of total ODA over this period (see Figure 4). In 2019, ODA for social protection stood at $2.4 billion, 1.2% of total ODA, according to CRS data. As noted above, this figure may be an underestimate given the cross-sectoral nature of much social protection funding and the fact that the CRS only allows one sectoral 'purpose tag'.

Figure 4 Multilateral and bilateral ODA to the social protection sector 2004–2019

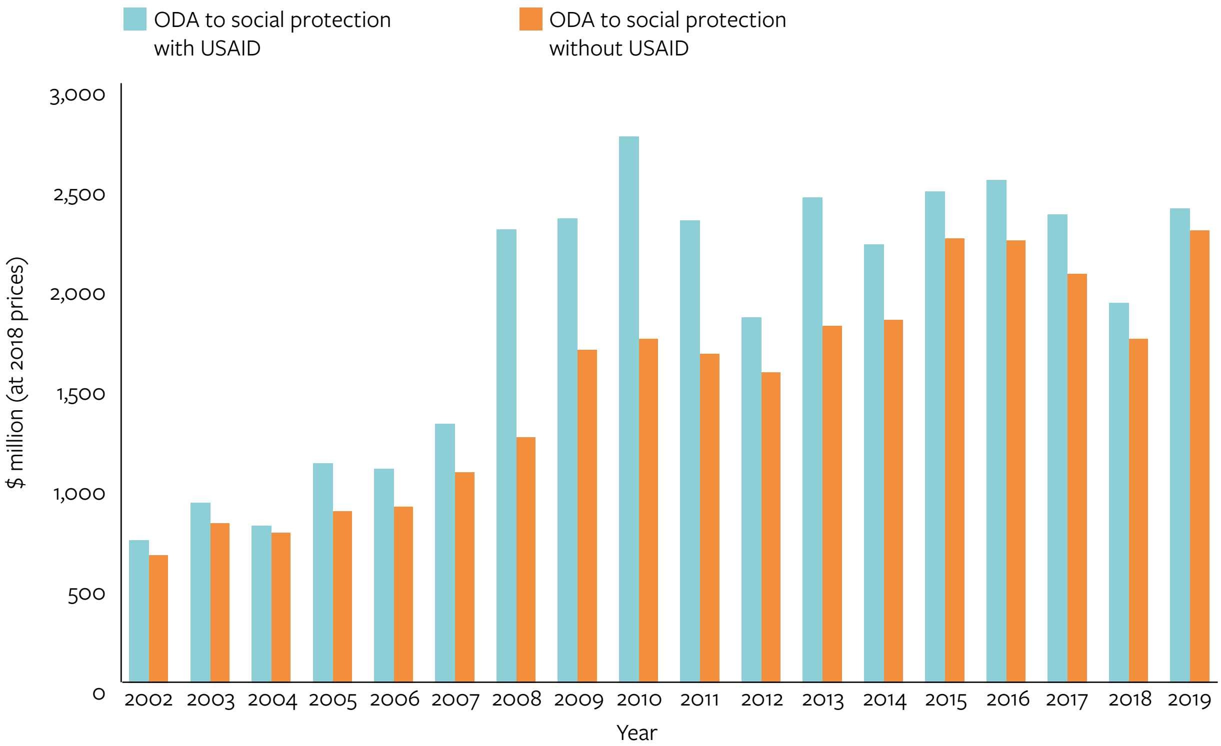


Note: Data prior to 2009 does not include non-DAC countries, which contributed 2% of total ODA flows to the sector in 2009.
Source: Authors' calculations, based on DAC CRS data.

The significant increase in the level of allocations to social protection after the GFC was, however, largely driven by significant increases in US ODA for social protection to just four territories (Iraq, the occupied Palestinian territory, Afghanistan and Pakistan); if the United States Agency for International Development (USAID) ODA is removed, a more stable pattern of ODA allocations to the sector emerges, showing a more muted but, nonetheless, marked growth in resource flows to the sector following the GFC in 2007/2008, with provision doubling between 2007 and 2017 (see Figure 5).

12 The CRS data analysed in this report was downloaded from OECD QWIDS and refers to gross ODA disbursements, using 2018 constant prices.

Figure 5 ODA flows to social protection, 2002–2019 – with and without USAID



Note: USAID = United States Agency for International Development.

Source: Authors' calculations, based on DAC CRS data.

The growth in ODA to the sector between 2007 and 2009 likely reflects the use of social protection as an instrument for delivering recovery responses to the economic and social disruption arising from the simultaneous food, fuel and financial crises that occurred in 2007 and 2008 – although once USAID contributions are removed, this effect is more muted, with year-on-year rises of 16% between 2007 and 2008, and 35% between 2008 and 2009.

This increase reflects the expansion in donors' social protection country portfolios that took place following the crisis (KII) and the increased profile of social protection as an instrument for delivering development outcomes – not least due to its explicit inclusion in Agenda 2030 and 2015 SDG targets (Ahmad et al., 2020).[13] It also reflects a growing interest in the potential role of social protection in future shock responses, with the development of the concepts of shock-responsive[14] and adaptive social protection over this period.[15]

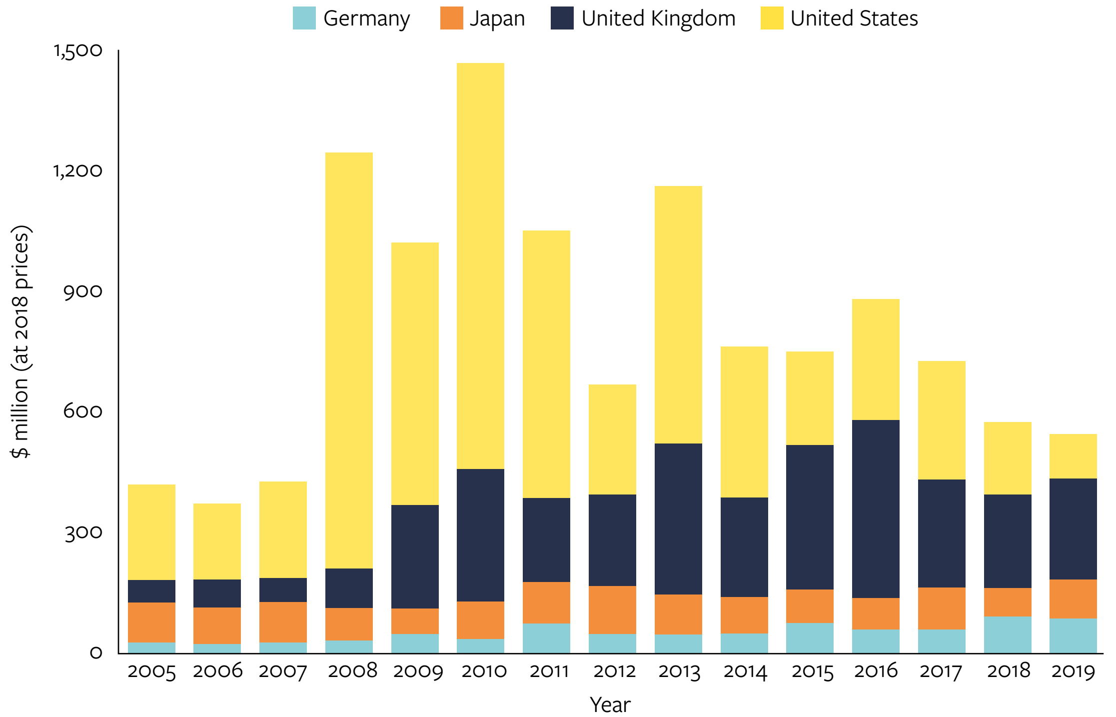
13 Social protection is included in SDG target 1.3: 'Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable'. For more information, see https://unstats.un.org/sdgs/metadata/.

14 For detail on SRSP, see O'Brien et al., 2018.

15 Adaptive social protection refers to efforts to integrate social protection, disaster risk reduction and climate change adaptation – see Arnall et al., 2010; Bowen et al., 2020.

Bilateral ODA from DAC countries accounted for 31% of total ODA to the sector in 2019, a share that has been decreasing relative to multilateral contributions since 2010, as illustrated in Figure 4. Bilateral ODA to social protection has been dominated by a small group of donors over the last fifteen years, notably, the US, Germany, the UK and Japan,[16] who together accounted for 74% of total DAC ODA to the sector in 2019: the UK contributed $250 million, the US $112 million, Japan $97 million and Germany $87 million, as illustrated in Figure 6. The figure also shows the significant increase in the share of UK contributions since 2008 and the dramatic decline in US ODA to social protection. The US was particularly active in the sector between 2008 and 2013, reflecting its international foreign policy priorities in the Middle East and South Asia during this period.

Figure 6 ODA to social protection from the four main DAC donors, 2005–2019



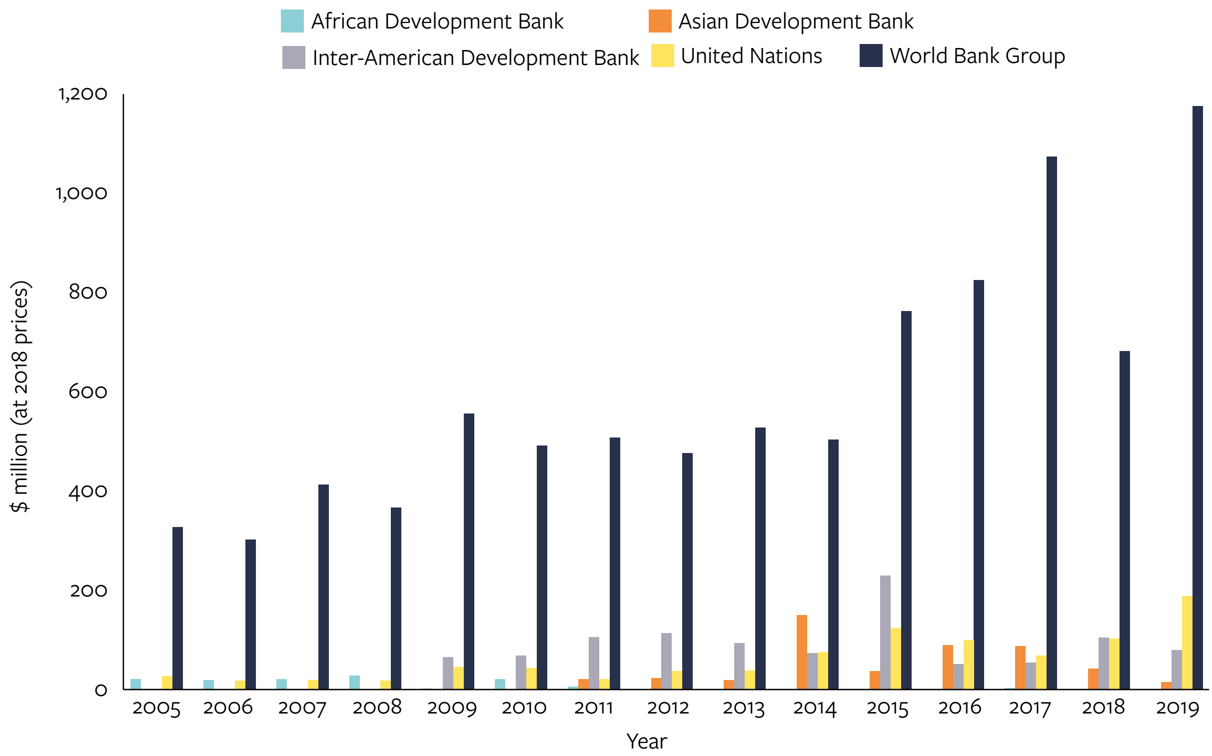
Source: Authors' calculations, based on DAC CRS data.

Bilateral donors (DAC and non-DAC) accounted for two-thirds of ODA to the sector from the mid-2000s for a decade, reflecting their greater social protection footprint on the ground compared to the multilateral agencies. However, from 2014 onwards, while total allocations to social protection did not change significantly, multilateral donors became increasingly dominant, accounting for two-thirds of ODA to the sector by 2019 (see Figure 4). This reflects increased multilateral engagement in the sector, building on the portfolio expansion that took place in the aftermath of the GFC, particularly within the World Bank. It also reflects the increasing preference of bilateral donors to delegate sector spending more generally to the multilaterals, driven by domestic policy decisions and capacity considerations.

16 Together with France, these four donors are also currently the main DAC donors to ODA overall.

The World Bank is the dominant multilateral donor in the sector. It accounted for 50% of total ODA to social protection in 2019 and almost 80% of multilateral ODA to the sector – compared to only 12% for the UN group (the majority of which is accounted for by UNICEF) and 7% for the regional development banks (RDBs), as illustrated in Figure 7.

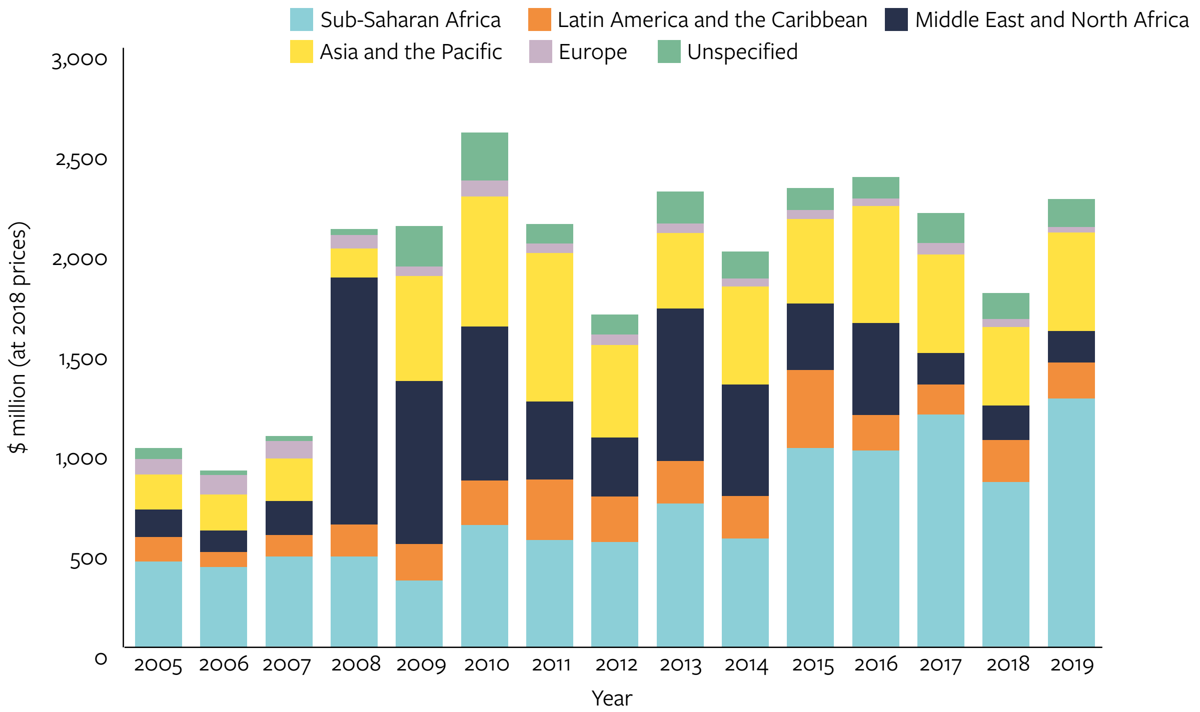
Figure 7 ODA to social protection from the main multilateral donors, 2005–2019



Source: Authors’ calculations, based on DAC CRS data.

In terms of the regional distribution of allocations, 40% of ODA for social protection went to sub-Saharan Africa (SSA) in the years immediately prior to the GFC. However, in 2008, the significant increase in flows to the Middle East and North Africa (MENA) and Asia and the Pacific, driven largely by USAID contributions (as noted above), reduced the share of allocations to SSA to less than 20% of total flows to the sector. The share allocated to SSA did not return to pre-GFC levels again until 2015, as the scale of USAID contributions to the sector declined, and since 2015 SSA has been the major recipient of social protection ODA. In real terms, disbursements to SSA only fell significantly for one year, 2009, and have risen consistently since then, both as a share of overall ODA to the sector and in real terms, reaching over 50% of allocations in 2017 (see Figure 8). The Asia-Pacific region has received the second largest share since 2015 as flows to the MENA region have declined. The spike in flows to MENA in 2008 was largely driven by a one-year rise in USAID disbursements to Iraq ($458 million) and elevated levels of funding to the occupied Palestinian territory ($601 million). Since then, flows to these territories have continued to account for a significant share of social protection ODA to the region.[17]

Figure 8 ODA to social protection by region, 2005–2019



Note: This figure is indicative only, as CRS regional classification totals are not consistent with total ODA flows to the sector.
Source: Authors' calculations, based on DAC CRS data.

In terms of the income status of recipient countries, the bulk of ODA for social protection is targeted to LICs and LMICs.[18] These together accounted for 70% of ODA prior to the GFC, with ODA split evenly across the two income groups. As ODA to the sector rose in 2008, much of the increase was allocated to LMICs and UMICs, and while the amount allocated to LICs remained broadly stable, the share of total sectoral ODA to these countries fell to just 20%. Much of this shift is explained by the patterns of USAID allocations during this period (as noted above), but it may also be because LICs were less able to absorb external financing into existing social protection systems or rapidly establish new systems in response to the crisis, compared to LMICs and UMICs, in the years immediately following the GFC. While LMICs continued to receive the majority of ODA flows to the sector until 2015, the amount allocated to LICs increased steadily

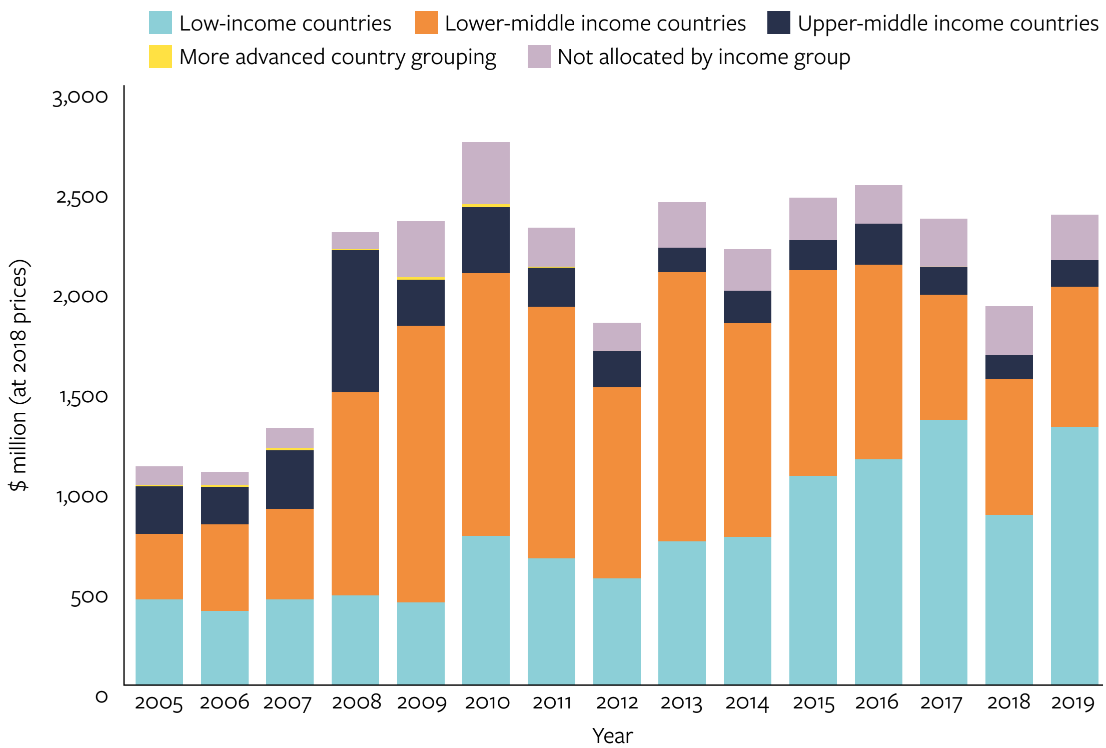
17 ODA support for social protection in the occupied Palestinian territory rose from only 4% of total flows to the region in 2007 to 47% in 2008, rising to a peak of 83% in 2011. In 2019, the occupied Palestinian territory accounted for 36% of flows to the region.

18 All LICs and MICs are eligible for ODA but IFIs do not offer concessional loans to UMICs and some LMICs.

from 2009, in line with a greater focus on poverty reduction in the sector. By 2017, LICs received over 55% of total flows, with volumes nearly tripling in constant terms between 2005 and 2019 (see Figure 9) – increasing at a far greater rate than ODA to the sector overall.

The patterns in the volume, source and distribution of ODA to the social protection sector outlined above indicate that the GFC marked a clear turning point in resource flows to the sector.

Figure 9 ODA to social protection by income grouping, 2005–2019



Note: This figure is indicative only, as income group classification totals are not consistent with total ODA flows to social protection.
Source: Authors' calculations, based on DAC CRS data.

2.3 Use of humanitarian aid in support of social protection

In this section we focus on the links between humanitarian CVA and the development of social protection systems. In recent years, there has been a growing interest in bringing together humanitarian and social protection approaches in response to the increasing complexity, frequency, severity and duration of humanitarian crises – which calls for the need to identify new, effective and affordable ways to respond. There has been a particular interest in the use of CVA as a cost-effective alternative to traditional humanitarian relief. Linking CVA with national social protection systems has gained considerable momentum within the humanitarian community, in part due to the recognition that if the capacity of national social protection systems to respond to shocks is enhanced, the need for humanitarian assistance is likely to decrease. This discourse has included consideration of how humanitarian interventions can align with and support the development of national social protection systems to enhance both efficiency and sustainability (see, for example, European Commission, 2019).

At the 2016 World Humanitarian Summit, donor governments, multilateral and UN agencies, non-governmental organisations (NGOs) and the Red Cross Red Crescent movement (RCRC) agreed to a package of reforms called the 'Grand Bargain'.[19] The reforms were designed to improve the efficiency and effectiveness of humanitarian action in response to the growing humanitarian financing gap (IASC, 2016). One of the key commitments was to scale up the use of cash in humanitarian responses (ibid.). The value of CVA doubled between 2016 and 2019, from $2.8bn to $5.6bn, and CVA is now an established humanitarian approach, accounting for almost a fifth of international humanitarian assistance in 2019 (Jodar et al., 2020). In December 2018, OCHA, UNHCR, WFP and UNICEF reaffirmed their commitment to collaboration around cash provision.

The 'Grand Bargain' also included commitments to use, link or align with local and national mechanisms such as social protection systems (IASC, 2016), which would enable humanitarian programming to contribute to the development of national social protection systems. UNICEF, for example, has made a commitment to include cash-based programming in its humanitarian response in ways that support the development of sustainable social protection systems (UNICEF, 2016). Similar commitments have also been signed for refugee situations (UNGA, 2016), and humanitarian actors are increasingly required to demonstrate the rationale for not using existing national systems to provide assistance (Council of the European Union, 2015; World Bank, 2016; European Commission, 2019). Signatories to the 'Grand Bargain' are increasingly using existing national social protection systems for humanitarian cash programming 'as an efficient and effective way to support national capacities and reduce the costs associated with creating entirely new systems' (Metcalfe-Hough et al., 2019). In 2018, UNICEF programmed 27% of its cash assistance through existing national social protection systems (ibid.) and in Yemen, UNICEF and the World Bank, with support from the UK (through the Yemen Emergency Multi-Donor Trust Fund), used the national Social Welfare Fund programme to deliver large-scale emergency cash support (Metcalfe-Hough et al., 2020).

An internal review of pre-Covid-19 Humanitarian Response Plans commissioned by OCHA in September 2020 revealed that 18 out of 23 plans mentioned some form of link to social protection mechanisms. While some were still at an early stage, others had initiated regular collaboration with social protection actors and/or were conducting studies on the links between humanitarian CVA and social protection, were adapting the implementation of CVA based on the national social protection

19 Originally conceived as an agreement between the five major donors and the six largest UN agencies, the Grand Bargain has since expanded to include 62 signatories (25 states, 11 UN agencies, five inter-governmental organisations and RCRC, and 21 NGOs). In 2018, this group represented 73% of all humanitarian contributions donated and 70% of aid received by agencies (Development Initiatives, 2020b). For more information, see https://interagencystandingcommittee.org/grand-bargain-hosted-iasc.

system or were supporting the design and implementation of new (shock-responsive) social protection systems (UNOCHA, 2020). Channelling humanitarian funds directly through the social protection system was only identified as an option in a limited number of plans.

Reporting by the 'Grand Bargain' signatories against the commitment to 'Increase social protection programmes and strengthen national and local systems and coping mechanisms in order to build resilience in fragile contexts' (commitment 10.3) indicated good progress in 2018, 'with important investments in national and sub-national systems, including the integration of humanitarian cash programmes with existing national social protection systems' (Metcalfe-Hough et al., 2019). In 2019, reporting against commitment 10.3 was dominated by the World Bank's investments in this area: an allocation of $2.7 billion to social safety net programmes in 26 programmes in 21 fragile and conflict-affected states (Metcalfe-Hough et al., 2020).

Improving humanitarian financing was also an Inter-Agency Standing Committee (IASC) strategic priority for 2018–2020.[20] This entailed promoting dialogue, coordination and mutual learning among donors under the 2003 Good Humanitarian Donorship initiative,[21] as well as developing links with the World Bank in fragile contexts (GHD, 2016). Efforts have focused on the development of innovative financing mechanisms that can support anticipatory/early action – which is recognised as more cost-effective than traditional humanitarian responses. These mechanisms include insurance schemes, contingency financing and the private sector (examples are included in Lowcock, 2018; 2019).

2.4 The adequacy of pre-Covid-19 ODA for social protection and humanitarian financing

The significant increases in total ODA allocated to social protection and the prioritisation of LICs and LMICs noted above have had a catalytic effect on the development of national social protection systems in LICs and MICs, contributing to a significant extension of coverage since 2010. In 2017, 45% of the global population had access to some form of social protection, compared to only 20% in 2010 (ILO, 2011; 2017). However, while support for the sector increased significantly over this period, the total annual ODA allocation to social protection – $2.4 billion in 2019 – remains trivial in comparison to the cost of basic social protection provision,[22] accounting for less than 6% of the estimated $41.9

20 Created by UN General Assembly resolution 46/182 (https://undocs.org/A/RES/46/182) in 1991, the IASC is the longest-standing and highest-level humanitarian coordination forum of the UN system. It brings together the executive heads of 18 UN and non-UN organisations to ensure coherence of preparedness and response efforts, formulate policy, and agree on priorities for strengthened humanitarian action.

21 See IASC Results Group 5, working in collaboration with the Grand Bargain Workstreams 7 (Increase collaborative humanitarian multi-year planning and funding) and 8 (Reduce the earmarking of donor contributions).

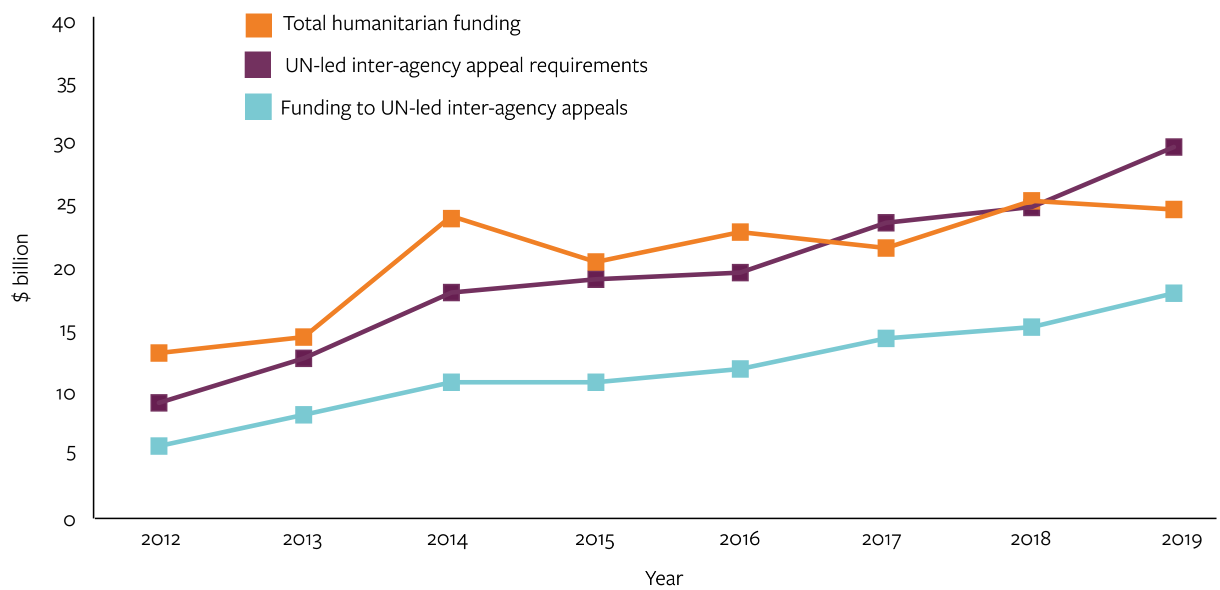
22 This includes provision of the four social protection areas (children, maternity, disability and old age) set out in the Social Protection Floor.

billion annual social protection spending gap for LICs, calculated by Durán-Valverde et al. (2020).[23] This illustrates the magnitude of the shortfall in domestic financing for social protection in LICs and LMICs. Average public social protection expenditure comprises only 1.3% of GDP in LICs, 2.4% in LMICs and 7.9% in UMICs, compared to between 11% and 13.1% in Europe (Durán-Valverde et al., 2020). These limited allocations mean that levels of social protection coverage in most LICs and LMICs were low prior to the pandemic, with newly developed national systems reaching only a small proportion of the poor. The most recent coverage data from the ILO indicate that only 13% of the population of SSA received any form of social protection provision in 2015 (ILO, 2017).[24]

Similarly, despite an upward trend in aid flows to the humanitarian sector, the financing gap has remained wide. The shortfall between requirements and funding for UN-led inter-agency appeals in 2019 ($11.6bn) was more than three times that in 2012 ($3.4bn) (see Figure 10). Since 2007, needs have grown more than five-fold (Development Initiatives, 2020b) and by the close of 2019, 2% of the global population (over 160 million people) were estimated to be in need of humanitarian assistance to survive.

This financing pressure in the humanitarian sector has encouraged increased interaction between the humanitarian aid and social protection sectors in pursuit of efficiencies and sustainable alternatives to repeated humanitarian provision.

Figure 10 Volumes of inter-agency appeal requirements, funding to inter-agency appeals, and total humanitarian funding, 2012–2019



Source: Authors' compilation, based on OCHA Financial Tracking Service data (https://fts.unocha.org/).

23 Authors' calculations, based on CRS data.
24 Less than 10% of populations in Lesotho, Cameroon, Burkina Faso, the Gambia, Nigeria and Uganda had access to any form of provision (ILO, 2017).

3 ODA flows for social protection in 2020

In line with our first question, this chapter reviews evidence of international financial commitments and actual disbursement since the onset of the Covid-19 crisis. It appraises developments in ODA in general (Section 3.1), ODA flows targeted to the social protection sector (Section 3.2), and ODA for humanitarian aid used in support of social protection (Section 3.3) since January 2020.

3.1 Aggregated ODA flows in 2020

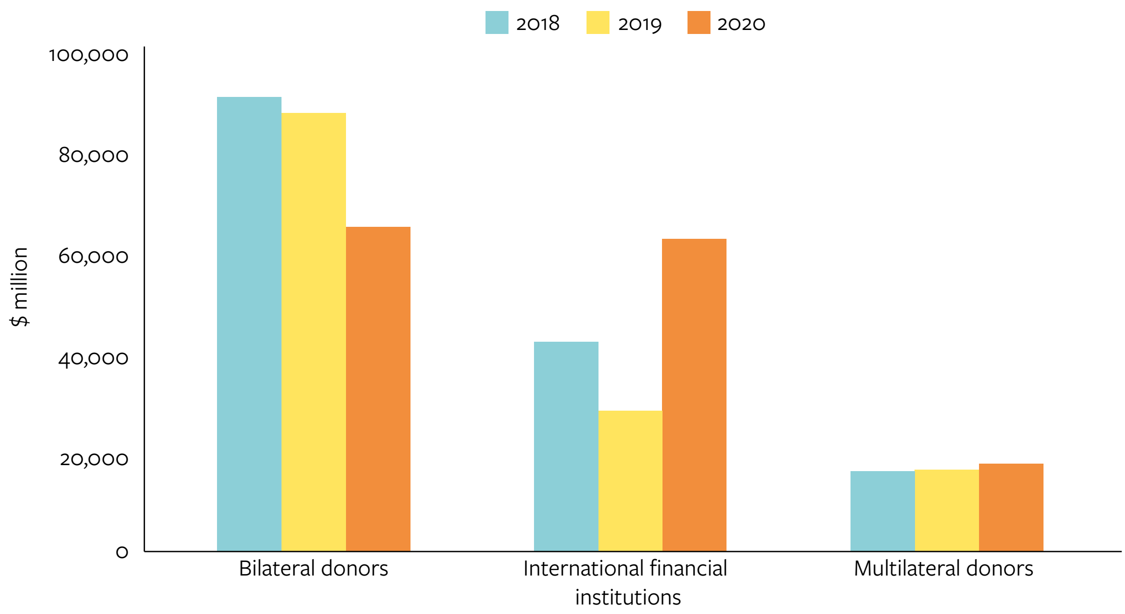
3.1.1 Total ODA financing and its composition (bilateral, multilateral, IFIs) in 2020

In terms of total external finance (including ODA), the Covid-19 pandemic has stimulated a significant response from the donor community, with resources focused initially on health provision and then on macroeconomic stabilisation, including social protection provision. Pledges by bilateral, multilateral and IFI donors have totalled $1.3 trillion, primarily in the form of loans, including $1 trillion from the IMF and $160 billion from the World Bank (ILO, 2020). Of this, an estimated $126.6 billion had been allocated to social protection and health by September 2020 (ILO, 2020).

In terms of ODA specifically, most major bilateral and multilateral donors have maintained existing commitments (with the notable exception of the UK) and brought forward planned financing, while some have even added significant new resources (Carson et al., 2021) – although the performance of the multilateral development banks has been mixed (see discussion below). IATI data indicates an increase of $12.7 billion in overall ODA commitments in 2020 compared to 2019[25] (Development Initiatives, 2021), reversing the flat-lining of ODA since 2017 (see Section 2.1). While bilateral ODA commitments appear to have declined significantly in 2020 compared with 2019, falling from $90 billion in 2018 to $64 billion in 2020, the data also suggests a significant acceleration in the growth of the IFI share of ODA contributions, with IFI commitments more than doubling from $27 billion to $62 billion over the same period (Development Initiatives, 2021), bringing IFI and bilateral commitments to a similar level (see Figure 11). This is consistent with the findings of an analysis of World Bank IDA project documentation, which found that approvals had increased by over 100% in 2020 compared to 2019 (Carson et al., 2021).

25 The data covers the period January to November 2020, rather than the full year, as noted above.

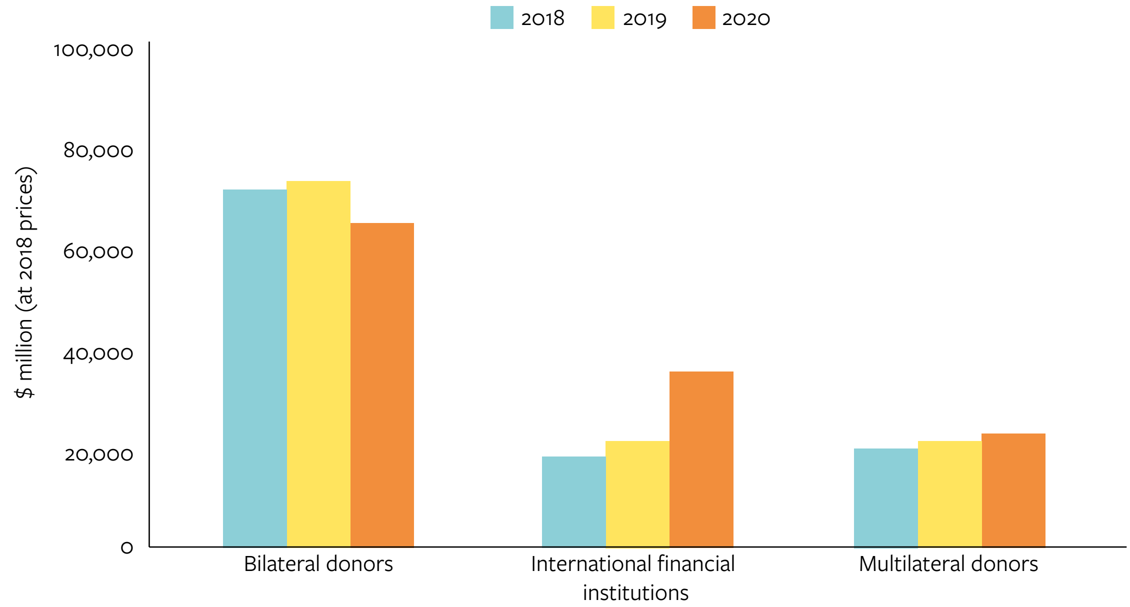
Figure 11 Aid commitments by key bilateral donors, international financial institutions and multilateral institutions, January to November 2018–2020



Source: Based on Development Initiatives, 2021, using IATI data

The IATI data suggests that despite parity in total ODA commitment levels, bilateral disbursements were almost double the value of IFI disbursements ($65 billion and $32 billion respectively), as the overall bilateral disbursement rate was significantly higher than that of the IFIs. However, notwithstanding this low disbursement rate, IFI disbursements increased significantly in real terms in 2020, rising from $21 billion in 2019 to $35 billion in 2020 (see Figure 12), while bilateral disbursements fell slightly and multilateral disbursements remained largely stable. IFI disbursements comprised 29% of the total in 2020 compared to 18% in 2019 (Development Initiatives, 2021).

Figure 12 Aid disbursements by key bilateral donors, international financial institutions and multilateral institutions (January to November 2018–2020)



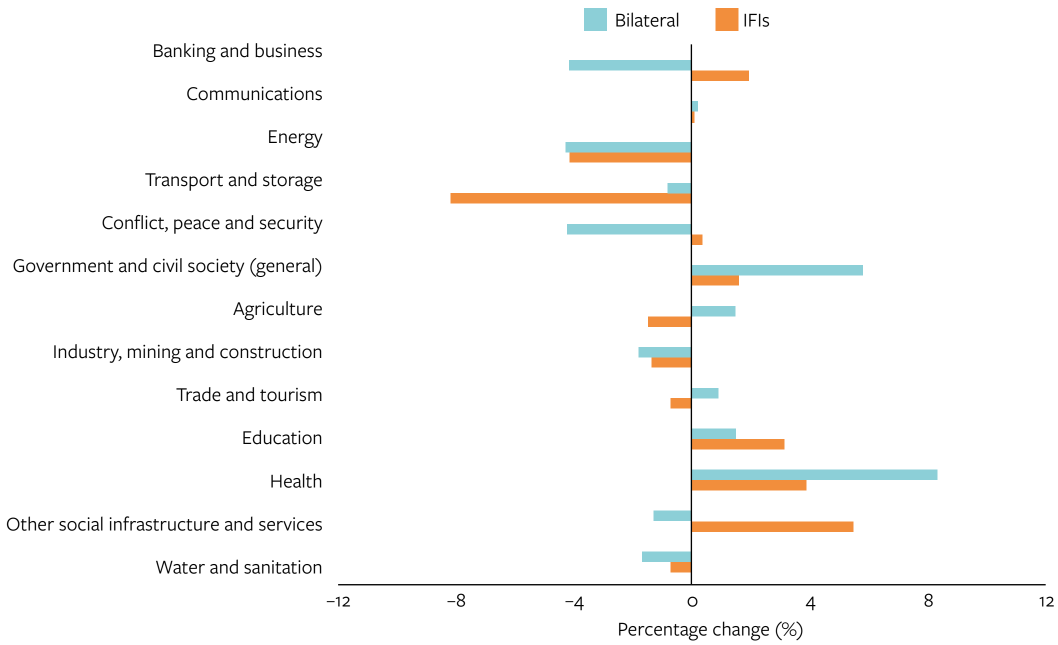
Source: Based on Development Initiatives, 2021, using IATI data

3.1.2 ODA sector allocations

The IATI data indicates that bilateral donors decreased the share of ODA allocated to social infrastructure, which includes social protection, and prioritised support for the health sector. In contrast, the IFIs have significantly increased the share of their expanded ODA commitment to both health and social infrastructure (Development Initiatives, 2021), as illustrated in Figure 13.

IATI data suggests that allocations to social infrastructure from the IFIs in 2020, rose to 184% of 2019 levels, most of which was allocated to social protection. This was driven primarily by allocations from the World Bank, the major ODA donor to the sector, along with significant contributions from the IADB and ADB (Dodd et al., 2021).

Figure 13 Sector percentage changes for bilateral donors and IFIs (January to November 2018–2020)



Source: Development Initiatives, 2021

3.2 Social protection financing and ODA flows in 2020

This section explores the role of external financing in social protection provision in 2020. It draws on datasets of Covid-19-related social protection interventions collated by the International Policy Centre for Inclusive Growth (IPC-IG) and the World Bank, and IATI data relating to ODA allocations and disbursements to the social protection sector.

While governments typically adopted a mixed strategy of reallocations and deficit financing to mobilise resources for their crisis response (ILO, 2020), this was not sufficient to fully finance the extensions to social protection provision implemented in many LICs and MICs. Reviews by Almenfi et al. (2020) and the IPC-IG (2021) provide a useful analysis of the contribution of external financing to these sectoral programmes and the contribution of financing flows to social protection innovations (new or adapted interventions) adopted during 2020 – which include a broad range of social protection, social insurance and labour market interventions.

An analysis of financing data for 31 programmes in Africa, Latin America, the Caribbean and South Asia found that external financing had been used to finance 68% of the innovations. More specifically, 19% were financed exclusively through external resource flows, 49% used a combination of domestic and external financing and 32% were financed exclusively through domestic sources of finance (Almenfi et al., 2020). While the number of data points is limited,[26] the research suggests that external resources were most important in low-income contexts:

26 The Almenfi data set comprised two LICs, 13 LMICs and 12 UMICs.

the two LIC interventions in the study were 100% externally financed, compared to 63% of interventions in LMICs and 53% in UMICs. The case of Malawi, where 90% of sector financing came from the donor community (even prior to the crisis), illustrates the importance of external financing in enabling pandemic responses in the sector. Both the expansion of existing programmes and the development and roll-out of a new short-term urban Covid-19 social transfer programme, the Government Urban Cash Initiative, were wholly dependent on external financing, while the government's own fiscal resources were prioritised in favour of urgent health and education responses to the crisis, rather than the extension of social protection provision (KII).

The IPC-IG analysis – which drew on a larger data set, with information on the financing of 529 social protection innovations developed in response to the crisis[27] – found that over 70% of the programmes reviewed in Asia, the Pacific, Latin America, the Caribbean and Africa were publicly funded, drawing on state budgets, contingency funds and central bank allocations,[28] with ODA accounting for only 10–15% of total financing (IPC-IG, 2021). This analysis suggests that of the interventions that were partly or fully internationally financed, the IMF and the World Bank were the dominant donors, providing 43% of the external resources across the 'Global South', while bilateral partners contributed 27%, RDBs 12%, and the UN and international organisations 18% (see Figure 14).

The analysis also found that, while the World Bank and the IMF were the dominant external funders across all regions, RDB contributions were more important in East Asia and the Pacific, and Latin America and the Caribbean, than in Africa, where bilateral donors were more important, rivalling levels of IMF and World Bank contributions.

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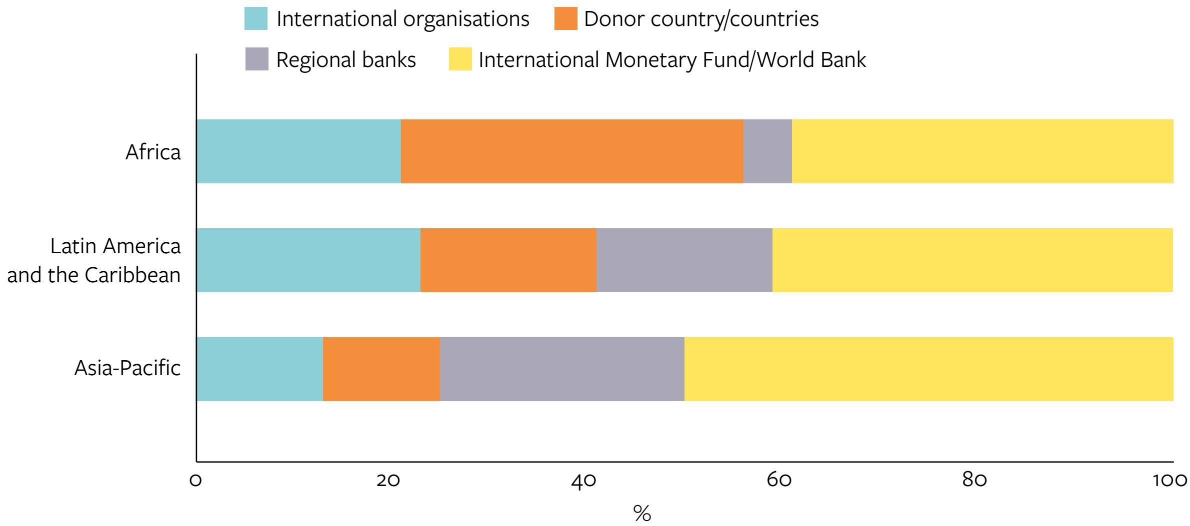
27 The IPC-IG social protection database includes the following interventions: social assistance – cash transfers, in kind transfers, school feeding, subsidies, loans, credit, health insurance and public works programmes; social insurance – unemployment insurance, etc.; labour market interventions – wage subsidies, business loans, reduced social security contributions, payroll credit subsidies, reduced social insurance contributions, and credits for businesses, including training and childcare provision.
It contains data on 685 social protection measures: 441 providing social assistance, 93 social insurance and 151 labour policy. The types of interventions vary by region, for example, with social insurance more prevalent in Latin America and the Caribbean than sub-Saharan Africa, reflecting the greater prior existence of social insurance provision in the region and the higher prevalence of informal employment in Africa (IPC-IG, 2021).

28 Public sources include: state budgets (including those with financing from the treasury, the government or through savings and debt financing contingency funds), budget reallocations, extra-budgetary funds with public and private financing and central bank measures. International sources of financing include: international organisations, donor countries, RDBs and IFIs (IPC-IG, 2021).

Figure 14 International sources of financing for selected national social protection measures introduced in the Global South in response to the Covid-19 crisis, by region



Source: Based on IPC-IG, 2021

3.3 Humanitarian aid in support of social protection in 2020

Social protection was explicitly identified within the UN's GHRP as part of the humanitarian response. The plan, which received $3.8 billion in financing, had a specific objective (2.1) to 'preserve the ability of people most vulnerable to the pandemic to meet their food consumption and other basic needs through their productive activities and access to social protection and humanitarian assistance'. Against this objective, UNICEF reported 21 million households benefiting from increased or expanded social protection. This figure includes provision funded by both governments and other development partners – potentially including ODA identified as social protection in the DAC system.

There is no global tracking of the share of humanitarian aid that is supporting national social protection systems. OCHA's Financial Tracking Service (FTS) includes tags for organisations and sectors, but does not identify social protection as a sector, and does not track funding allocated under each specific objective of the GHRP. Also, humanitarian cash assistance, some of which is aligned with national social protection systems, may be reported under a range of different objectives.[29] As a result, neither the FTS nor the DAC system can be used to

29 For instance, under GHRP objective 3.1, UNHCR reported providing 39.4 million refugees and internally displaced people with a range of support, including cash assistance to 7.85 million individuals (UNOCHA, 2021b). The proportion and value of such assistance that was aligned with national social protection systems is not recorded.

track humanitarian aid used in interaction with national social protection systems.[30] In April 2018, changes were made to the CRS codes relating to humanitarian assistance and disaster risk reduction,[31] but the new codes do not have the granularity required to distinguish humanitarian assistance used in interaction with social protection systems or in the form of cash transfers. Monitoring of the 'Grand Bargain' commitments, which include increasing CVA and support to social protection systems, is based on self-reporting. In 2019, most donors reported difficulties because neither they nor their partners were systematically tracking the proportion of funding transferred as CVA, or the extent to which programmes were implemented in coordination with national social protection systems. Some donors have reported investing in systems to track the share of funds allocated to cash transfers, including Germany and the USA, but this approach is not yet mainstream (Metcalfe-Hough et al., 2020).

Even at the individual agency level, tracking the share of humanitarian aid used in interaction with national social protection systems is problematic. Both UNICEF and WFP, agencies actively engaged in linking humanitarian assistance and social protection, were unable to provide figures on such funding flows (KIIs). In 2018, UNICEF put in place an internal reporting system to track humanitarian cash transfers (HCTs), funding channelled through UNICEF, in terms of number of households reached and financial volume, but this revealed no major changes between 2019 and 2020; UNICEF reached 2.5 million households in both years, although the number of countries increased from 30 to 50, and a significant increase in UNICEF's engagement in technical assistance in the sector was recorded.[32]

The UNICEF internal tracking system attempted to break down UNICEF-funded HCTs into three categories in order to identify the extent of alignment: those channelled through the national system, those delivered through a mixed approach (piggybacking on elements of the national social protection system but with funds still directly managed by UNICEF), and those delivered through parallel interventions (with no interaction with the national system). In 2018 and 2019, UNICEF reported that 20% and 14% respectively of UNICEF-funded HCTs were delivered using national systems' payment mechanisms. 2020 data suggests that 30% of the 2.5 million HCT recipients were supported through interventions delivered in conjunction with the national social protection system, and of these, funding was channelled through the national system for 23% of households.[33]

30 For activities cutting across several sectors, either a multi-sector code or the code corresponding to the largest component of the aid activity is used. For the list of purpose codes, see www.oecd.org/dac/financing-sustainable-development/development-finance-data/dac-glossary.htm#Purpose_Code.

31 For detail of the revisions see https://one.oecd.org/document/DCD/DAC/STAT(2018)9/ADD2/FINAL/en/pdf.

32 UNICEF technical assistance to support national social protection systems deliver emergency cash transfers was estimated to affect over 45 million households in 2020, compared to only 244,000 in 2019 (UNICEF, 2021).

33 These figures are indicative only as they are dependent on individual understanding of 'national', 'mixed' and 'parallel' delivery systems.

The pandemic has seen some instances of the direct use of humanitarian funding to support the extension of a national social assistance programmes. In Saint Lucia, for instance, WFP leveraged donor resources – from the Directorate-General for European Civil Protection and Humanitarian Aid Operations (ECHO), the UK's Foreign, Commonwealth and Development Office (FCDO), the India–UN Fund and the UN Office for South–South Cooperation – as well as its own internal funds to expand the national Public Assistance Programme. This expansion has the potential to unlock longer-term assistance through the World Bank-funded Human Capital Resilience Project, which allows for the roll-out of assistance for the Public Assistance Programme, as part of the ongoing social protection reform (WFP, 2020b).

In the absence of robust and consistent reporting practices, it is not possible to quantify the extent to which humanitarian aid flows are supporting national social protection systems, although anecdotal evidence suggests that efforts to increase interactions between humanitarian assistance and social protection have been sustained – and possibly amplified – in the context of the pandemic.[34] Both UNICEF and WFP have been promoting their services to governments and their partners in the context of the Covid-19 crisis – both as technical advisers and service providers – as well as delivering transfers in hard-to-reach areas (UNICEF, 2020; WFP, 2020c).

However, the pandemic has led to significant adjustments in many humanitarian programmes, including accelerated integration of humanitarian caseloads into national provision. To expand social assistance provision for refugees in the context of the pandemic, UNHCR and WFP opened a new humanitarian funding stream to receive additional funding from international donors. The rationale for using humanitarian rather than development funding to support this expansion was to enable programmes to access large-scale funding based on the understanding that responses to covariant shocks are the mandate of humanitarian rather than development donors. In the case of Jordan, however, where three years of development funding had already been secured for ongoing provision for refugees who have been resident for 10 years, the UN approach called into question whether the response to the pandemic should be considered a humanitarian response (calling for humanitarian funding) or a shock-responsive adjustment to an established social assistance system for refugees (calling for development funds). In Jordan (as in Lebanon and Turkey), regular, aligned programmes for refugees, even if externally funded, have become part of the national system.

In Turkey, ECHO has supported the Emergency Social Safety Net since 2016. This supports 1.7 million refugees and is the largest EU-funded humanitarian programme ever. The programme

34 For example, in September 2020, the Cash Learning Partnership , UNICEF and OCHA jointly produced guidance to support country-level coordination between humanitarian coordination groups implementing CVA, and existing social protection and disaster risk reduction actors, with a view to increasing impact and efficiency, avoiding duplication, minimising the waste of resources and learning from each other.

is currently implemented by the IFRC and the Turkish Red Crescent, under the supervision of the Ministry of Social Development. When the Government of Turkey announced, as part of its pandemic response, that it would provide top-up payments to citizens enrolled in national social assistance programmes, ECHO supported the provision of a similar top-up for refugees, and in July the EU Parliament approved financing of €485 million (European Commission, 2020).

The pandemic occurred immediately following the signing of a €100 million agreement between the EU Trust Fund ('Madad') and WFP to provide social assistance to both refugees and poor and vulnerable Lebanese citizens – the former through a scheme that runs in parallel to the national social protection system, and the latter through the national system itself. The refugee caseload is managed by WFP outside the Government of Lebanon system, and the Lebanese national caseload is an extension of the existing government programme supported by the World Bank (National Poverty Targeting Program), which, prior to the pandemic, had a very low caseload. The programme was adjusted to allow the EU funding to also be used for people affected by the Covid-19 restrictions. The EU funding was front-loaded: the scheme was shortened (to two years instead of three) and more of the money was used during the first year to support the horizontal and vertical expansion of assistance for refugees and nationals affected by the crisis (KII).

During the pandemic there has been strong coordination between development and humanitarian donors in Jordan, and a readiness by the government to discuss the expansion of social protection. This led to the decision to double the number of Jordanians under the National Aid Fund. The UK, the US and Spain allocated grants, while the World Bank provided loans, and the EU provided technical support to the government to facilitate this horizontal expansion (KII).

4 ODA financing of social protection: approaches and instruments

Having considered ODA flows in aggregate, this chapter describes the measures that have been implemented by selected ODA actors to finance social protection in response to the crisis.

4.1 Bilateral donors

The major bilateral donors have pursued a dual strategy of reallocating existing budgets across and within their existing programmes, and the provision of additional funding, largely allocated to multilaterals and IFIs to support the delivery of health assistance, humanitarian response and fiscal stabilisation (Development Initiatives, 2020). In this paper we consider two of the largest bilateral donors to the social protection sector, the UK and Germany.

Germany's BMZ, the Federal Ministry of Economic Cooperation and Development, announced a Covid Emergency plan for 2020 and 2021, which included €3 billion in additional financing and explicitly identified social protection as one of its seven key priorities (BMZ, 2020). Under this plan, €540 million was allocated to 'social protection and jobs', with €180 million redirected from existing programmes, and an additional €340 million allocated (spread across 2020 and 2021) to support additional bilateral and multilateral activities. Significant additional funding for social protection programmes has also been budgeted under the other six priority areas. The medium-term budget plan foresees a reduction in the development cooperation budget, starting in 2022, as part of post-pandemic fiscal consolidation. National elections are to take place in Germany in 2021, adding a level of uncertainty around the level of ODA spending and prioritisation after 2021.

The German response included additional support for the Sahel Adaptive Social Protection Programme (SASPP), implemented jointly with France and the UK through a pre-existing Multi-Donor Trust Fund. The SASPP already included significant resources for systems-building but, in 2020, budget allocations were revised to enable a greater proportion of the funds (80%) to be used directly for cash transfer provision, rather than systems development, in order to support the rapid expansion of short-term crisis response, reflecting the BMZ priority of supporting cash delivery in 2020. Thereafter, in 2021, the focus would shift to systems development to enhance future sector performance (BMZ, 2020). Germany also provided significant funding bilaterally through concessional lending and budget support, as well as through grant funding for country and regional programmes implemented by UN agencies, especially WFP and UNICEF. German ODA was also used to support an extension of the Social Cash Transfer Programme (SCTP) in Malawi. The SCTP is 92% funded by bilateral and multilateral donors including the KfW (Germany's Reconstruction Credit Institute), the EU, IrishAid and the World Bank, based on a geographical division of responsibilities across districts. The KfW supported a temporary vertical expansion of the programme in the seven districts it supports, with other donors doing the same.

This was done in coordination with WFP, which supported a temporary horizontal expansion aligned with the SCTP response, following a model of periodic funding expansion that has been developed in the programme over recent years as a means of responding to severe lean seasons. This was enabled by donor coordination and flexible resourcing approaches working through an existing programme (KII).

The UK's FCDO has also followed a mixed strategy, revising over 300 existing bilateral programmes in response to the crisis and announcing new ODA amounting to £1.3 billion (KII), of which £800 million was committed by September 2020 (ICAI, 2020). Ninety percent of the new ODA focused on multilateral health and humanitarian initiatives, including Covid-19 Vaccines Global Access (COVAX),[35] with the remaining £150 million allocated to the IMF Catastrophe Containment and Relief Trust. Unlike BMZ, none of FCDO's Covid-19-related allocations explicitly targeted the social protection sector, and data on the extent of reallocations across sectors at country level is not yet available. The FCDO response was compromised by the announcement of a cross-government package of £2.9 billion in-year cuts in ODA in July (ICAI, 2020); the implications of this for future social protection sector spending are yet to be seen.

Notwithstanding the broader context of reduced ODA, the FCDO announced commitments to increase contributions to key multilateral agencies and IFIs – notably, an increase in core funding to the World Health Organization (WHO) (£340 million over the coming four years) and £2.2 billion in new concessional loan resources for LICs through the IMF's Poverty Reduction and Growth Trust (PRGT), doubling its previous contributions. Through the G20, the FCDO has promoted the provision of $200 billion for the World Bank and RDBs and extended support for the G20 DSSI, with the aim of providing additional fiscal space for LICs of up to $6 billion (KII).

4.2 UN system

The UN's response to the crisis had three main components: the health response, led by the WHO; the humanitarian response; and the socioeconomic response, which aimed to operationalise the UN Secretary-General's *Shared Responsibility, Global Solidarity* report.[36] Both the GHRP and the socio-economic response explicitly included social protection.

In support of these components, the UN launched two inter-agency appeals that explicitly included the financing of expanded social protection provision: the UNRRTF, a framework for the operationalisation of the socioeconomic response; and the GHRP. Both of these are outlined below.

35 COVAX is an initiative co-led by the Coalition for Epidemic Preparedness Innovations, Gavi and the World Health Organization to ensure equitable access to Covid-19 vaccines (CEPI, 2021).

36 See https://unsdg.un.org/resources/shared-responsibility-global-solidarity-responding-socio-economic-impacts-covid-19.

4.2.1 The UN Response and Recovery Trust Fund

The UN established the UNRRTF, a multi-partner trust fund, as a vehicle for providing strategic financial support to the UN's *Framework for the immediate socio-economic response to Covid-19*. The framework aimed to provide a roadmap for social and economic recovery from the pandemic (UN, 2020b). The UNRRTF allocated funds to social protection through one of its three windows, which was dedicated to mitigating the socioeconomic impact of the pandemic and safeguarding people and their livelihoods. The objectives of this window were to: enhance social protection mechanisms through immediate impact measures (scaling up cash transfers, insurance, food security, asset creation and safety nets); meet children's food and educational needs through school meal programmes and access to learning; and promote digital innovations to support employment and livelihoods and improve the provision of social services to promote recovery (UN, 2020a).

The UNRRTF was targeted at joint UN programmes in countries not covered by the GHRP, and LICs and MICs heavily affected by the pandemic, channelling funding for joint technical assistance implemented by UN agencies. The initial target for the UNRRTF was over $1 billion but the level of donor support fell far short of this. By February 2021, a total of only $76 million had been committed to the Fund,[37] severely limiting its potential to contribute to the UN's socioeconomic response. This low level of support may be attributed, in part, to its relatively low profile; the limited awareness among donors of its social protection orientation or intended strategic links to the UN's socioeconomic response plan; and a preference for targeting resources to individual UN agencies in support of larger-scale programmes and the direct funding of social transfers (KII).

During the first two calls for proposals, the Fund supported 78 projects with a value of $61 million. Eighteen of these projects, with a total value of $17 million, were wholly or partially concerned with social protection. Of these, 13 were in MICs, four in high-income countries, and one in an LIC, reflecting the categories of countries targeted by the Fund (KII). Social protection funding focused primarily on strategic technical assistance for national systems-strengthening rather than the provision of direct transfers (UN Multi-Partner Trust Fund Office, 2020), which was seen as the role of the larger IFIs. This included support for strengthening targeting processes, particularly digitisation, to enable rapid social protection responses to the pandemic, while also improving sector performance in the longer-term (KII). In the case of Indonesia, the RRTF financed support to the government to expand the Unified Database for Social Protection by training enumerators and developing standard operating procedures (KII), and work on the unified registry was continued using funds from the UN Joint SDG Fund (see Sub-section 4.2.4) after the RRTF funding came to an end.

37 See the Multi-Partner Trust Fund Office Gateway for the latest information on commitments to the Fund: mptf.undp.org/factsheet/fund/COV00.

The RRTF was designed as a temporary crisis response instrument and will be incorporated into the Joint SDG Fund as an emergency window (KII).

4.2.2 The Covid-19 Global Humanitarian Response Plan

The UN GHRP was launched in response to Covid-19 in March 2020, two weeks after the WHO declared a global pandemic, and came to an end in December 2020. Covid-19-related responses were then integrated into regular Humanitarian Needs Overviews and Humanitarian Response Plans, as part of the Humanitarian Programme Cycle 2021 (UNOCHA, 2021b). The GHRP was coordinated by OCHA and implemented by UN agencies, together with international NGOs and NGO consortiums. The GHRP was the first ever humanitarian event-specific global appeal.

The GHRP was poorly funded, with total funding reaching only $3.8 billion – 40% of the $9.5 billion required. The largest donors were the US (24.3%), Germany (11.4%), ECHO (7.5%), and the UK (6.6%). The UN Central Emergency Response Fund (CERF)[38] accounted for 5.2%, and the World Bank 4.2%. Overall, the GHRP accounted for an estimated 57% of the total humanitarian funding to Covid-19 ($6.66 billion) (UNOCHA, 2021c).

Social protection was an explicit component of the GHRP, which included the objective to 'preserve the ability of people most vulnerable to the pandemic to meet their food consumption and other basic needs through their productive activities and access to social protection and humanitarian assistance'. However, the overall contribution of the GHRP to social protection funding is difficult to ascertain due to the use of headcount indicators and the lack of specificity in OCHA's FTS – as discussed above. Significant cash transfer coverage outcomes were reported under the GHRP, but it is difficult to determine the extent to which funding was aligned with or supported national social protection systems.

4.2.3 Individual UN agency appeals

In addition to inter-agency appeals, individual UN agencies also have their own funding mechanisms. These are increasingly used to provide additional multilateral financing for social protection in line with the 'Grand Bargain' commitments. One example of this is UNICEF's Humanitarian Action for Children appeal, which, in 2021, includes financing for both the expansion of social protection systems and the provision of emergency safety nets, including cash transfers,

38 CERF is a UN global emergency response fund that funds humanitarian responses. Its Rapid Response window allows country teams to initiate immediate relief efforts when a new crisis emerges. The window for Underfunded Emergencies helps scale up and sustain protracted relief operations to avoid critical gaps when no other funding is available (https://cerf.un.org/about-us/who-we-are).

in response to the socioeconomic impacts of Covid-19, with 5% of the total budget requirements ($6.4 billion) intended for social protection and cash transfer provision to 9.6 million households (UNICEF, 2021).[39]

4.2.4 UN Joint Sustainable Development Goals Fund

In addition to the Covid-19-specific instruments outlined above, the UNJSDGF – established in 2018 to fund joint UN programming in support of the SDGs – launched its first call for proposals in 2019, with a focus on supporting integrated social protection. However, the degree of commonality with the UNRRTF (in terms of mandate, donors and recipients) meant that the UNJSDGF stood down its call for financing after the UNRRTF was announced. This left the UNRRTF as the primary vehicle for the mobilisation of resources for country-level joint UN initiatives to promote social protection during Covid-19 (KII). The subsequent low levels of donor support to the UNJSDGF meant that the Fund had a limited impact on catalysing social protection at country level. Given that the emphasis on social protection in the first call was adopted, in part, to compensate for the lack of movement on the development of a global social protection fund, this was potentially a significant loss in terms of mobilising funds for and raising the profile of strategic sector development (KII).

4.3 Regional development banks

The RDBs committed substantial funds to support member countries to respond to the pandemic. The IADB committed $21.6 billion to the Covid-19 response, the ADB $20 billion (of which $13 billion was additional funding), and the AfDB $10 billion, including $7 billion of non-concessional lending (ADB, 2020; AfDB, 2020; IADB, 2020; Prizzon and Humphrey, 2020). While the ADB's capacity to increase spending was supported by the restructuring of the ADB's concessional window in 2017, the AfDB was only projected to approve $5 billion in total lending in 2020 due to limited financial capacity – only its African Development Fund (the concessional window) was on track to meet its target ($3 billion) (AfDB, 2020).

Support for social protection was explicitly identified as a core priority in both the IADB and ADB pandemic responses, but was not a component of the AfDB response. This reflects the fact that the AfDB does not have a history of significant engagement in the sector, with overall social sector lending accounting for only 3.7% of its portfolio in 2019, while the institutional focus is on infrastructure, agriculture and rural development (AfDB, 2019).

By the end of 2020, 25% of IADB approvals for Covid-19 response lending supported the provision of safety nets for vulnerable populations ($2 billion of the $8 billion), making social protection the highest funded sector in the IADB response (IADB, 2021). These levels of funding were

39 In comparison, the target for the Humanitarian Action for Children 2020 appeal was to reach 1.7 million people with cash assistance.

comparable (in real terms) to the financing provided to the social protection sector in the years immediately following the GFC, after which financing to the sector declined as member countries became less reliant on external funding to finance their social protection systems. The majority of the IADB financial support took the form of loans, although allocations to poorer countries such as Haiti and Guyana included significant grant components.

4.4 EU institutions

In April 2020, the EU announced its 'Coronavirus: EU global response to fight the pandemic' initiative. The initiative focused on 1) addressing the immediate health crisis and resulting humanitarian needs; 2) strengthening partner countries' health, water and sanitation systems, and their research and preparedness capacities to deal with the pandemic; and 3) mitigating the socioeconomic impact. To achieve these objectives, more than €15.6 billion was made available from existing budgets, including €500 million for emergency responses. This was mobilised from across a range of European institutions under the 'Team Europe' approach (see Sub-section 5.2.5). As of October 2020, the overall response to the pandemic had reached €38.5 billion,[40] €21 billion of which was committed through EU institutions (EEAS, 2021).

Social protection was included under the pillar for addressing the socioeconomic consequences of the crisis. As of October 2020, this pillar accounted for 74% of the resources committed (€15.6 billion). The EU Council Conclusions on the Team Europe global response to Covid-19 referred explicitly to social protection, calling for a rights-based and people-centred approach, working across the humanitarian–development–peace nexus (Council of the European Union, 2020). Overall, the EU has reoriented and increased its budget support to national governments around the world to support mitigating actions, including social protection benefits for the most vulnerable.

In December 2020, the European Commission (EC) reported that, of the €2.3 billion mobilised to support social protection system-building in 2020, €600 million had been allocated to support social protection responses to the pandemic (see Table 1).

Preliminary figures for 2020 indicate a significant increase in EC social protection disbursements in 2020, with €382 million disbursed through 235 projects, compared to €130 million through 207 projects in 2019.

40 As per https://eeas.europa.eu/headquarters/headquarters-homepage/76341/coronavirus-latest-news-eu-actions-repatriation-efforts-and-solidarity-stories-around-world_en, accessed in February 2021.

Table 1 Ongoing EU social protection programmes, as of December 2020

Type of programme	Number of countries	Budget (€ million)
Budget support	12	700
Programme approach	18	1,000
Global programmes	2	30
Covid-19 responses	18	600
Total	**45**	**2,330**

Source: InfoPoint, 2020

Innovations by the EC's Directorate-General for International Cooperation and Development (DEVCO) in response to the crisis include mobilising €30 million for building social protection systems in Iraq (to be implemented with UNICEF, ILO and WFP); providing a top-up to the existing State Building Contract in Haiti for the development of an electronic payment platform; and reallocating funds for a project on economic and fiscal governance in Tanzania to enable an expansion of safety net provision.

4.5 The World Bank

The World Bank has experienced a major acceleration in demand and programming activity in relation to social protection over the last year, adopting a strategy of reallocation alongside the mobilisation of additional resources through the IDA and the IBRD. In total, the Bank anticipated $9.2 billion in new financing for 'Social Protection and Jobs' (SPJ) activities for the Covid-19 response (World Bank, 2021c) – $4.1 billion through the IBRD and $ 5.1 billion through the IDA. As of February 2021, 31 SPJ projects had been approved to a total value of $ 7.6 billion in new financing, with an additional $1.6 billion remaining for the 2021 financial year (July to June); a further 17 projects were under preparation. In addition, 33 SPJ projects have been restructured or repurposed since the start of the pandemic, with a value of $1.3 billion.

As illustrated in Figure 15, IDA lending represents the majority of the resources allocated to South Asia, Eastern and Southern Africa, and Western and Central Africa, reflecting the predominance of LICs and LMICs in these regions. Funding to the South Asia region is dominated by an allocation of $1.15 billion to India.

Figure 15 Regional allocations of World Bank IBRD and IDA funding to social protection and jobs, 2020/2021

Note: IBRD = International Bank of Reconstruction and Development; IDA = International Development Association.
Source: World Bank, 2021c

The size of the Bank's existing social protection portfolio made it possible to extend provision without the inherent delays in negotiating new programmes, and the Bank has pursued a flexible approach based on existing programmes. While new investment project financing (IPF) instruments could not be developed rapidly in response to the crisis, existing IPF were used to reduce response times by inserting additional financing components and repurposing to finance cash transfers, for example enabling governments to use the systems development allocations of loans to finance extended transfers provision where the transfer component has been disbursed more rapidly than anticipated. Financing was reallocated within projects, repurposed from programmes suspended due to the crisis, and front-loaded to support vertical and horizontal programme expansion (KII).

Initial Covid-19 funding was approved under macro-financial assistance emergency procedures, and then subsequently through lending plans, with the Bank increasing its overall spending using IDA (and IBRD) resources and further extending its portfolio in the sector. The Bank has prioritised the use of relatively fast disbursing instruments in the sector, with Development Policy Financing and Programme for Results resources used to catalyse development partner support for government programmes and systems-strengthening, and the adoption of emergency procedures to shorten turnaround for additional financing.

While the Bank's initial spending priority was to provide resources for the immediate expansion of cash transfer payments and the development of the necessary digital systems to enable rapid disbursement, its priority for the second phase was to support the development of adaptive and shock-responsive national social protection systems to help countries cope with future crises (KII).

The World Bank's Crisis Response Window (CRW) facility also provided additional financing to many national social protection systems. Under IDA-19 the CRW can provide $2.5 billion in crisis response financing for IDA-19 eligible countries in response to the impact of severe natural disasters, public health emergencies and economic crises (World Bank, 2020a). This facility has been used in a number of countries to scale up safety nets to prevent a deterioration in food security in the context of the pandemic (KII). This mechanism for channelling money into social safety nets rapidly and early is, however, dependent for its effectiveness on the Bank's ability to disburse rapidly on receipt of trigger information. In addition to appropriate funding mechanisms, it also requires the existence of functional social protection systems that are scalable to deliver extended assistance. In its recent famine prevention and humanitarian crises compact, the G7 committed to work with the World Bank Group to 'support shock-responsive and social protection systems in more of the most vulnerable and conflict-affected countries, and enhance support to existing systems, including through strengthening the linkages between humanitarian assistance and national systems' (G7, 2021). In contexts where national social protection systems are not yet fully functional or scalable, alternative systems supported by international actors have the potential to serve as delivery channels, as in the case of the delivery of anticipatory cash transfers in Bangladesh (Pople et al., 2021). The use of the CRW to facilitate extended social protection provision in this way is the subject of ongoing discussions between OCHA and the World Bank (KII).

Overall, the Bank's response has supported significantly more countries than in 2008/2009. This is partly due to the different geographic footprint of the GFC, but also largely due to the increase in the Bank's social protection portfolio over this period and the significant increase in the number of national systems in place, which has given the Bank an extended basis for rapid response (KII). The GFC response was characterised by a small number of large loans, primarily to UMICs with pre-existing systems that were able to absorb additional finances, and a larger number of IDA-funded interventions that supported the development of new and extremely small-scale programmes in the years following the crisis – some of which are now mature and enabling the current response. The scale of the response in 2020 is significantly greater, and includes the first Bank concessional loan to India for national-scale social protection provision, with 800 million beneficiaries (World Bank, 2021c). Greater engagement in social protection activity in LICs immediately prior to the pandemic meant that the share of activity in these countries was higher in 2020 than in response to the GFC. It is also important to note that the GFC had a significantly smaller effect on LICs than the pandemic and the subsequent global depression.

The scale of the Bank's response in 2020 compared to 2007/2008 was also positively affected by the fact that the pandemic occurred immediately after the finalisation of an historic $82 billion financing package for IDA countries (IDA-19), agreed in December 2019 (KII).

4.6 International Monetary Fund

The IMF has also played a role in supporting financing flows to social protection in response to the current crisis by creating greater fiscal space in LICs. The IMF accelerated provision through the Poverty Reduction and Growth Trust (PGRT), its regular concessional loan programme for LICs, while also promoting mechanisms to ease the fiscal envelope at national level by supplying new money. This was achieved through two emergency financing instruments: the Rapid Financing Instrument (RFI), available to countries facing a balance of payments crisis (primarily, but not exclusively, emerging markets) and the concessional Rapid Credit Facility (RCF) for LICs (IMF, 2021b).

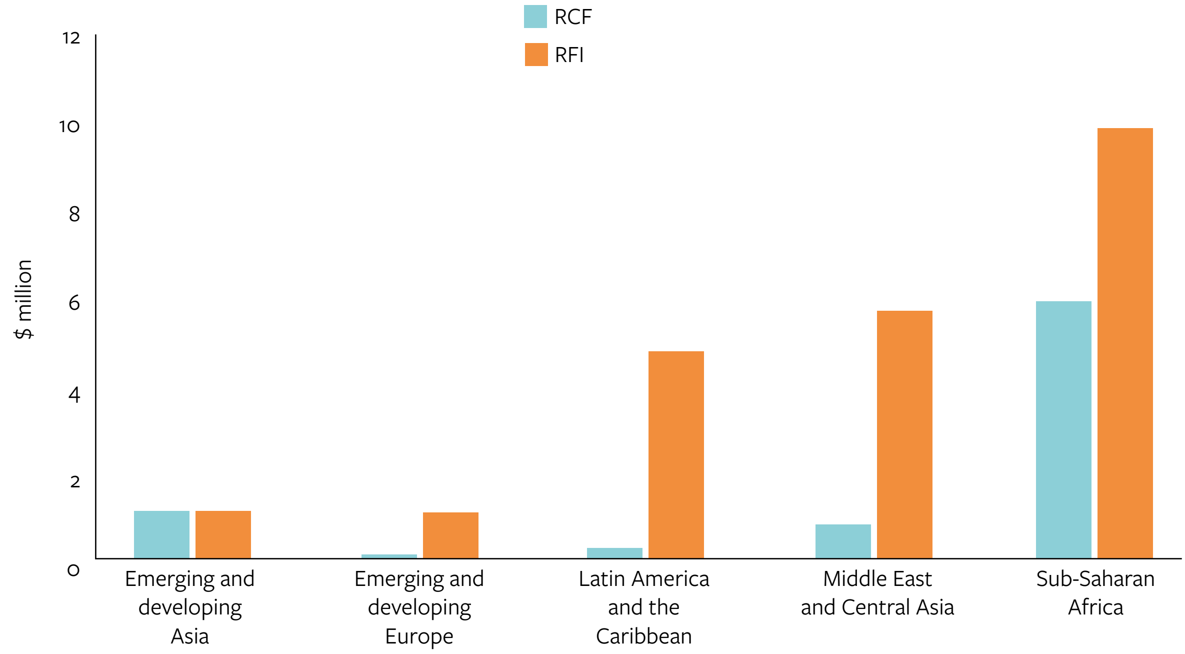
The most significant instrument, in terms of providing new money with the potential to benefit social spending, was the RFI. This was developed as an alternative to the pre-existing Catastrophe Containment and Relief Trust (CCRT),[41] which had been found to be slow in delivering timely shock-responsive liquidity (KII). In March 2020, the IMF increased access to the RFI to enhance the availability of financial assistance for member countries to respond to the crisis, with no requirement for a full-fledged programme to be in place, no conditionalities other than the expectation that the financial assistance would be used for 'social and other' priority spending, and a reduced due diligence threshold in comparison to conventional programme financing (KII). Between March 2020 and mid-April 2021, $22.5 billion in emergency lending was approved under the RFI and $8.2 billion under the RCF for LICs (with disbursements of $20.9 and $7.9 billion, respectively), with sub-Saharan Africa receiving 73% of RCF funding and 44% of RFI approvals (see Figure 16) (IMF, 2021e). $0.7 billion was disbursed under the CCRT over the same period, 85% of which was allocated to SSA. Of the total $111 billion of Covid-19 funding approved by the IMF since March 2020,[42] less than 1% took the form of grants and 9% concessional lending, with resources heavily skewed to Latin America and the Caribbean, which received over 60% of total allocations.[43]

41 The RFI was established in response to the Ebola crisis in 2015, with the aim of providing grants for debt relief following natural and public health disasters.

42 This includes new approvals, augmentations to existing programmes, debt service relief and disbursements from pre-existing programmes.

43 This comprised $0.7 billion in grants, $10.0 billion in concessional lending and $110.4 billion in non-concessional lending. Over 60% was allocated to Latin America and the Caribbean, compared to 18% to SSA (IMF, 2021e).

Figure 16 Regional distribution of IMF RCF and RFI approvals (2020–2021)



Note: RCF = IMF Rapid Credit Facility; RFI = IMF Rapid Financing Instrument.
Source: Authors' calculations from IMF, 2021e.

An additional IMF innovation of relevance to social sector spending, introduced prior to the crisis, was that much of the regular PRGT lending is now subject to social spending floor conditions. These quantitative spending targets relating to social and other priority funding were included in over 90% of PRGT implemented between 2011 and 2017 – compared to just 50% in the period 2002 to 2011 (IMF, 2019b).[44] This ring-fencing was introduced, in part, as a response to the criticism that the IMF's lending response to the GFC prioritised fiscal consolidation and failed to give sufficient consideration to the protection of national allocations to the social sectors (see Roy and Almeida Ramos, 2012). The inclusion of these floors is also in line with the increasing prioritisation of social spending within the IMF set out in the 2019 strategy (IMF, 2019b).[45] In the case of the Covid-19 crisis, however, these floors may not be sufficient to safeguard social protection financing as the targets include health sector spending, which many countries have increased to levels above the target in their Covid-19 response (KII) – particularly as an estimated 84% of Covid-19 emergency loans include the promotion of fiscal consolidation measures (Oxfam, 2020a).

44 This was based on a review of all 70 PRGT (Standby Credit Facility, Extended Credit Facility) and 11 Policy Support Instruments (PSIs) – which were treated as PRGT in the review – implemented between September 2011 and December 2017 (IMF, 2018, cited in IMF, 2019b).

45 The introduction of quantitative spending targets is in line with the 2019 'strategy for IMF engagement in social spending', which notes the expansion in the IMF's work on social spending, and the inclusion of social spending floors in IMF-supported programmes, as well as technical assistance to expand fiscal resources available for social spending (IMF, 2019b).

4.7 G20

In May 2020, the G20 launched the Debt Service Suspension Initiative (DSSI), which was designed to free up domestic resources for the mitigation of the human and economic impacts of the Covid-19 crisis. While the initiative did not affect social protection financing directly, it had an important impact on domestic fiscal capacity. Under the DSSI, official bilateral creditors allowed LICs and LMICs to postpone debt service payments until June 2021 (IMF, 2021a). By December 2020, the DSSI had provided $5 billion in postponement financing (World Bank, 2020b) and, as of March 2021, 60% of eligible countries had requested temporary debt service suspension (IMF, 2021b). However, some potential beneficiaries were reticent to make use of the DSSI due to concerns that loan deferral might lead to a downgrading of their credit rating and send a negative signal to private creditors – including China, on which LICs and MICs have becoming increasingly reliant over the last decade – as well as increase the cost of debt refinancing (KIIs).[46]

The DSSI, however, has significant limitations: the value of the temporary freeze on bilateral debt servicing has an estimated value of just 0.67% of GDP in participating countries (IPC-IG, 2021) and does not address the issue of debt relief or the increasingly important challenge of private debt. This has resulted in calls for additional measures such as the extension of debt relief to include private creditors, the management of credit rating interventions, and the issuing of a new allocation of Special Drawing Rights[47] (IMF, 2021d) – as occurred in response to the GFC. This was put forward by the G20 in February 2021 for IMF approval at the spring meetings in April 2021 (Government of Italy, 2021).

46 Despite the growing importance of China as a source of public and private funding, relative to ODA, Chinese credit has diminished significantly in recent years, and may not play such a major role in the aftermath of the crisis as anticipated (Carson et al., 2021).

47 Special Drawing Rights function as an international reserve asset to supplement member countries' official reserves and increase liquidity (IMF, 2021d).

5 Effectiveness of ODA financing approaches

This chapter discusses the effectiveness of the main financing instruments and approaches adopted, taking into consideration issues of timeliness, adequacy and targeting (in line with the other papers in this series) (Section 5.1). It then identifies how particular features of these approaches facilitated or hindered the effectiveness of crisis response (Section 5.2). Finally, it considers the longer-term implications of the financing trends and adjustments since the onset of the crisis for social protection financing (Section 5.3).

5.1 Effectiveness of crisis response social protection financing

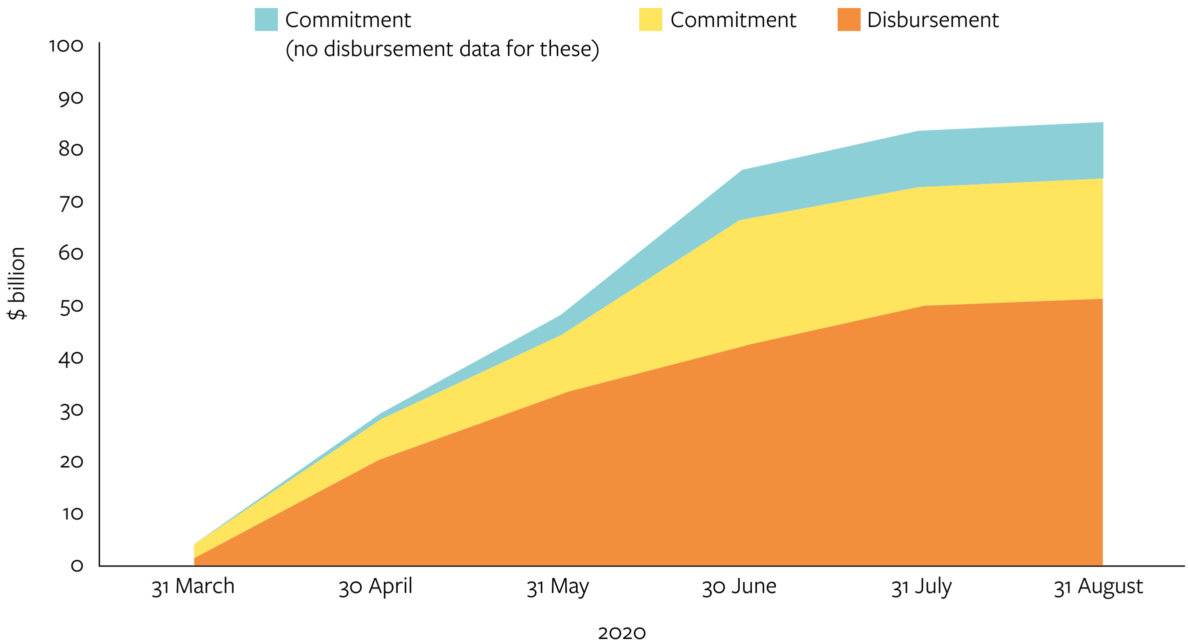
An effective social protection crisis response hinges on the rapid provision of adequate financing, as well as on the level of resources provided and how these are allocated. This section presents and discusses the evidence on the timeliness and adequacy of ODA and, where appropriate, other international financial resources in support of the social protection crisis response – set in the context of the wider ODA response.

5.1.1 Timeliness

Overall, ODA responses to the Covid-19 crisis were characterised by rapid additional ODA commitments and slightly less rapid disbursement. This rapid expansion is illustrated in Figure 17, which shows the amount committed ($90 billion) and disbursed ($50 billion) in response to the Covid-19 pandemic between March and August 2020 – based on IATI data from the major multilateral actors (IMF, World Bank, ADB, AfDB, IADG, IDG, UN GHRP) (Hill et al., 2020).

As Figure 17 indicates, however, there was a significant gap between commitments and disbursements among the multilateral donors (ibid.). Total World Bank new loan commitments increased by 118%, on the basis of a year-on-year comparison, in the first seven months of 2020, reflecting, in part, an acceleration of normal administrative processes (KII). However, actual disbursements rose by only 31% (Duggan et al., 2020), and despite an increase in IDA project approvals from $9.8 billion in 2019 to $15.1 billion during 2020, only 50% of overall IFI allocations were disbursed during the year (Prizzon et al., 2021). This degree of lag between commitments and disbursements was not seen in relation to bilateral financing sources (see Sub-section 3.1.1).

Figure 17 ODA committed and disbursed as Covid-19 response by key multilateral actors, March–August 2020



Source: Hill et al., 2020

This acceleration of commitment, processing and, to a lesser extent, disbursement was also noted in the social protection sector, where it was achieved through a combination of reallocating committed funds between and within existing projects, adapting and modifying existing projects to enable rapid scale-up, and bringing forward programme spending. It also involved facilitating access to additional financial flows by modifying and simplifying existing application and disbursement procedures, creating new instruments and lowering access thresholds.

The impact of prior engagement on the timeliness of funding is illustrated by the contrasting performances of the RDBs. The ADB was able to rapidly approve budget support and social protection spending due to their level of engagement in the sector prior to the pandemic. In the Philippines, for example, a decade of experience in the social protection sector enabled them to build on their existing knowledge and experience, expediting their response times. Conversely, in India and Bangladesh, where they had limited prior engagement in the sector, it took longer to identify an appropriate Covid-19 response (KII).

Timely social protection responses were facilitated in country by the use of both pre-existing and specially created joint donor funds such as the UNJSDGF and UNRRTF and specific technical assistance inputs funded, for example, by UNICEF, WFP, and the ILO to address technical system bottlenecks constraining the expansion of social protection delivery. These funds were used to provide targeted support to complement the resources provided by larger donors such as the World Bank, which, in the first phase of the response, were largely used to fund the costs of programme implementation and extended transfers. In the case of Indonesia, UNRRTF and UNJSDGF resources were used in a complementary way to enable rapid investment in systems development, which both facilitated immediate pandemic response and contributed to longer-term strategic systems-strengthening (KII).

5.1.2 Funding adequacy

Although a definitive figure for ODA flows to the sector is not yet available, indicative data and donor reports suggest that there was a significant increase in ODA to the sector in 2020, largely driven by an increase in IFI financing (see Sub-section 3.1.2). However, despite this increase, total ODA flows to social protection remain trivial in relation to the funding gap (see discussion in Section 2.4). At the same time, domestic financing for the sector is increasingly constrained by the impact of the pandemic-induced global depression, which is limiting domestic resource mobilisation and leading to a contraction of the fiscus. In this context, the overall response is inadequate and increased ODA is likely to be required even to maintain pre-Covid-19 levels of provision, as governments have to choose between prioritising immediate health needs and social protection provision. Given the significant increases in poverty anticipated as a result of the crisis, needs are likely to increase, extending the already significant $41.9 billion social protection financing gap in LICs and $241 billion gap in LMICs (Durán-Valverde et al., 2020).

The UNJSDGF and UNRRTF experienced significant shortfalls in contributions. The RRTF target was in excess of $1 billion but the actual level of donor support fell far short of this – only $76 million (see Sub-section 4.2.1) – limiting its potential to contribute significantly to the UN's socioeconomic response, including extended social protection provision, as initially intended (KII). Low levels of funding for the UNJSDGF's call for social protection, have also compromised both support for crisis response and planned inter-agency investment in systems-building in the sector (KII).

Similarly, despite increasing aid flows to the humanitarian sector, the financing gap has been widening (see discussion in Section 2.4). Despite the fact that total reported humanitarian funding reached a record high of $26.9 billion in 2020 – an 8% ($2 billion) increase on 2019 funding (UNOCHA, 2021a) – the gap between humanitarian requirements and funding in 2020 also reached unprecedented levels, estimated at $20 billion. Humanitarian requirements in 2020 were significantly higher than the previous year, largely due to the needs created by the direct and secondary effects of the pandemic. Compared to total 2020 funding needs set out in the *Global humanitarian overview* (UN, 2021) of $38.5 billion,[48] funding had reached only $18.6 billion by the end of February 2021, covering only 48% of the identified needs – a lower percentage than in 2019 (63%) and 2018 (61%) (UNOCHA, 2021a). So, while some additional funding was achieved overall, and some good funding practices have emerged in relation to social protection alignment,

48 To be allocated across 64 countries to provide assistance to 264 million of the 439 million people identified as in need.

etc. (see Section 3.3), humanitarian organisations, particularly NGOs and local responders, experienced severe underfunding and were unable to carry out many activities planned for 2020 (UNOCHA, 2021b).

Overall, the scale of the RDB response to the crisis was more muted than that of the response to the GFC. The projected 15% ($2 billion) increase in total IADB lending for 2020 fell significantly below the 40% increase provided in response to the GFC (Humphrey and Prizzon, 2020). While the ADB and IADB increased activity in the social protection sector in 2020, limited prior AfDB engagement in the sector meant that RDB support for extended social protection provision in Africa in response to the crisis was limited (see Section 4.3).

In terms of coverage, both within and across countries, the financing response has not been comprehensive. Funding has been patchy and largely path dependent, with resources flowing fastest to those countries and populations served by pre-existing programmes (KII). In addition, much of the funding has supported short-term crisis response programming, rather than the extension of broader social protection provision (Gentilini, 2021).

The pandemic has not led to significant changes in the targeting of World Bank grants or loans – although IDA spending on social protection, which marginally exceeded IBRD spending prior to the pandemic, has seen a slight further increase over IBRD in the sector, resulting in a small overall increase in the grant share of spending (World Bank, 2021c). Worsening debt indicators for countries in or at high risk of debt distress mean that it has been possible to alter the grant/loan ratio to accommodate a higher grant share, and this may also have contributed to an increase in the overall grant share.

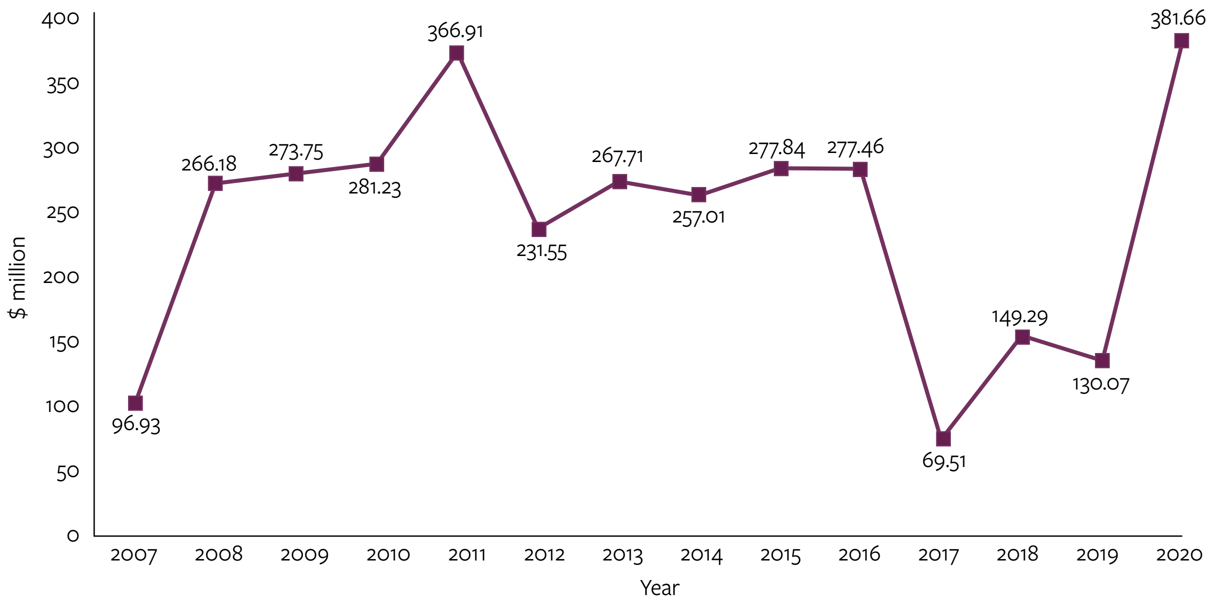
5.1.3 Targeting – ODA allocation by country income group

In the absence of definitive DAC data for 2020, analysts have used a range of approaches, donor selections and data sources to assess allocations by country income group, and the available analysis presents a mixed picture. An analysis of selected World Bank and RDB project documentation conducted by ODI suggests that there were increases in the value of project approvals for LICs and LMICs between 2019 and 2020 (Carson et al., 2021). However, in terms of overall ODA, analysis of the IATI data suggests that the total share allocated to LICs fell in 2020 compared to 2019, with the IFIs allocating only 22% of their ODA to LICs (compared to 41% in 2019), while bilateral donors allocated 44% in both years (Development Initiatives, 2021). The reduction in IFI shares allocated to LICs was due in part to the fact that the grant share of total IFI ODA decreased to only 1.4% in 2020 (Dodd et al., 2021). The findings of both Carson et al. (2021) and Development Initiatives (2021b) suggest that the aid response to the pandemic has not shifted overall ODA allocation in favour of LICs, reflecting the limited access of LICs to IFI resources due to a range of practical, institutional and mandate-related factors.

The IMF has no presence in fragile states as it lacks the institutional mechanisms to adapt its generic lending instruments to the 20 countries where 80% of humanitarian needs are concentrated (KII). As a result, many countries have only limited access to concessional lending and countries such as Sudan and Zimbabwe are unable to access credit or lending ahead of crises – a challenge the IMF is currently in the process of attempting to address (KII). While the PGRT explicitly focuses on LICs, and despite a financing review by the IMF Executive Board in 2019 that set out reforms to enhance support to these countries (IMF, 2019a), overall IMF allocations still have low LIC penetration. This is largely because IMF support is primarily loan-based and many LICs are unable to meet the IMF lending criteria.

Preliminary social protection-specific data on EC disbursements for 2020 indicates that the EC was successful in shifting its social protection financing significantly in favour of LDCs. Of the €382 million disbursed in 2020, €143 million (37%) was allocated to LDCs, compared to €34 million (26%) in 2019 – a significant increase and shift in the targeting of funding to the sector (see Figure 18).[49]

Figure 18 European Commission social protection disbursements to least developed countries, 2007–2020



Source: EU Aid Explorer, 2021

49 A total of 76% of these social protection disbursements were made through central governments. Data drawn from the 'EU Aid Explorer', February 2021 (https://euaidexplorer.ec.europa.eu/content/explore/sectors_en).

Once the 2020 CRS data is available, it will be possible to determine the extent to which this pattern – the increase in both the share and absolute amounts allocated to LDCs – is found more widely across the sector.

5.2 Enablers and bottlenecks

This section identifies and briefly discusses the main enabling and hindering factors that have driven or constrained an effective ODA financing response. These factors – which determine the adequacy, timeliness and targeting of ODA to the sector – relate, on the one hand, to having national systems in place that enable the rapid absorption of ODA and, on the other, to donor capacity, particularly in terms of increased resource availability, institutional flexibility and the ability to collaborate. At the national level, this entailed: having a social protection system in place prior to the crisis; the existence of pre-crisis international funding relationships in the sector; and having a SRSP framework in place. On the part of the donor community, the key enablers were: the ready availability of additional resources; the ability to innovate and adjust existing ODA financing mechanisms and match accelerated approvals with expedited disbursement; effective donor coordination; and collaboration across the development–humanitarian nexus.

5.2.1 Pre-crisis social protection system infrastructure

The presence of an existing social protection system with the institutional and operational capacity to absorb and channel additional financial resources is perhaps the most significant enabler of an effective ODA financing response. The existence of effective systems for targeting and information management, together with a unified registry, enhance the capacity of countries to rapidly extend provision and absorb ODA. LICs and LMICs that have established systems with operational capacity attracted ODA flows from the onset of the crisis. This can be seen as a prerequisite for the rapid provision of significant ODA flows in a crisis context.

In countries lacking established systems with sufficient reach to provide an effective crisis response, donors tended to fund specially developed programmes directly implemented by actors such as UNICEF or WFP (as in the case of GIZ in the Sahel). Many of these responses combined short-term financing of provision through non-state agencies with components to support the development of national social protection systems (KII). This dual approach was adopted to enable social protection provision to reach target groups in the short term while also contributing to longer-term systems development.

5.2.2 Existing international funding relationships in the sector

This study found that donors have a preference for modifying and adapting existing funding agreements, rather than setting up new programmes in crisis contexts. In the interest of rapid resource mobilisation and absorption capacity, they tend to finance crisis responses in countries where they have an existing social protection funding portfolio. Timely donor investment in contexts where there was already a funding relationship enabled a rapid vertical and horizontal expansion of existing national programmes. Similarly, a prior relationship between donors and governments facilitated the rapid disbursement of funds to address specific technical and systems bottlenecks to expanding coverage on the basis of trust and systems understanding. This sectoral extension was also noted in humanitarian contexts, where existing humanitarian interventions were extended to include CVA where this had not previously been provided. The absence of pre-existing sectoral agreements and relationships was not, however, a binding constraint, as illustrated by the fact that Germany directly funded the governments of India, Brazil, Georgia, Tunisia, Jordan and Morocco to extend provision even without prior financing links in the sector.

It is noteworthy that the ADB and IADB provided social protection funding in countries where they did not have live projects in the sector, and had either not supported the sector at all in the past (ABD) or had not done so in many years (IADB), demonstrating their institutional interest in financing the sector. By contrast, the fact that the AfDB had not identified social protection as an institutional priority and had little prior engagement in the sector meant that it was not in a position to play a similar role in Africa, despite the significant funding gap and shortfall in provision across the region.

5.2.3 Shock-responsive social protection in place

Experience of SRSP and the development of agreed triggers and protocols for financing made funding the crisis response easier. It enabled established procedures for financing, donor coordination and programme expansion to be implemented right from the onset of the pandemic. The development of pre-existing SRSP funding mechanisms under which funds are automatically released when certain conditions are met – is central to the SRSP agenda. One way this can be facilitated is by explicitly building crisis response contingency resources into ODA funding instruments. However, prior to the pandemic, few countries had in place SRSP plans which were able to accommodate the type of nationwide covariate shock the Covid-19 crisis represented.

5.2.4 Donor innovations and adjustments to existing ODA financing instruments

Donor innovation and institutional flexibility in developing and applying new instruments, repurposing funds that had already been allocated, simplifying existing instruments, and bringing forward spending was central to enabling rapid ODA resource mobilisation in response to the pandemic.

This study identified multiple examples of donor agencies revising and streamlining their funding processes to expedite financing flows. For example, both the UK and Germany adapted existing bilaterally funded social protection programming to free up resources for increased cash transfer provision, and directed resources to pre-existing financing mechanisms, regional multi-donor trust funds and multilateral agencies across the sector in order to expedite resource transfers, as an alternative to setting up new programmes and financing mechanism. The EU also adopted this approach, reallocating across programmes and accelerating funding already allocated to countries in order to provide a fast, flexible and operationally practical response.

Similarly, the EC's DEVCO accelerated implementation under existing social protection programmes by frontloading payments, softening conditionalities, topping up existing programmes, and providing additional cash transfers and food aid. The IMF streamlined its RFI approval and spending process, reducing due diligence requirements, permitting unconditioned spending, and allowing spending to take place directly on the basis of *post hoc* justifications (IMF, 2021b). This lack of specificity and light reporting requirements expedited resource mobilisation, but risked trade-offs in terms of transparency, accountability and the sectoral allocation of resources. In addition, the IMF preference for the use of these funds to promote health and social protection responses to the crisis may not necessarily correspond with national allocation decisions (Oxfam, 2020b).

The ADB and IADB also adjusted existing procedures to allow for a more rapid and flexible response to the pandemic (ADB, 2020; IADB, 2021). The ADB widened the scope and eligibility criteria for certain emergency support and concessional facilities, and streamlined processes for completing approvals and making disbursements, enabling more rapid responses than normal (KII). The IADB also introduced retroactive financing mechanisms to expedite processing, providing financial resources to governments to cover expenditure that had already been made. As a result, the main limiting factor on the rapidity of disbursements to the sector was the speed with which governments were able to approve and implement responses – which varied significantly by country (KII).

The financing conditions of the two UN funds (discussed above), the UN SDG Fund and the UNRRTF, were also revised to increase flexibility and expedite disbursement. Recipients were permitted to reallocate 20% of total agreed joint-SDG funding to finance their Covid-19 responses, and the RRTF approvals process was designed to be swifter than other similar non-emergency UN funds, including the Joint SDG Fund, with the fund director having the authority to make approvals unilaterally, with support from the Advisory Committee, rather than requiring a formal steering committee process. This resulted in a rapid approval process with disbursements made within five days of project approval (KII).

In some instances, programme roll-out was delayed by the inability of donor funding practices to accommodate programming changes and reallocations to enable timely injections of funding for addressing emerging systems challenges. The Government Urban Cash Initiative in Malawi is a case in point: differences in the stringency of conditions required by some of the multiple donors providing funding for programme development delayed the implementation of the new initiative. These were eventually resolved through inter-donor advocacy in favour of lighter process requirements and permission to vary funding usage (KII).

At country level, humanitarian partners demonstrated significant innovation and flexibility in adapting programmes and delivering assistance, despite a rapidly changing operational environment. Some 2020 funding was quickly repurposed and disbursements planned for later in the year were brought forward to enable the scaling up of cash transfer responses to address the socioeconomic impacts of the pandemic.

5.2.5 ODA donor coordination

This study identified complementarity of ODA flows from different actors, with donors playing different roles according to their expertise, mandate, portfolio and the nature and quantity of the resources they were able to offer.

As the major donor to the sector, the World Bank prioritised, in the first instance, extending its programme-level support across a wide portfolio of programmes to increase transfer coverage – as did key bilateral donors, who supported the temporary vertical and horizontal expansion of programmes with which they had existing financing links. This approach was complemented by an acceleration of investment, often by UN specialised agencies, in national social protection systems development. They provided smaller amounts of financing focused on their areas of sectoral expertise, with the aim of facilitating immediate Covid-19 responses, as well future routine provision.

Where state provision of social protection was constrained, humanitarian actors were able to compensate to some degree, with some explicitly engaging and aligning with government systems. For example, in Madagascar, UNICEF channelled its own resources through the national system to support an expansion of social benefits to 8,500 households; and in Turkey, ECHO supported the provision of emergency top-ups for refugees, in alignment with top-ups provided to citizens by the government.

At the same time, the IMF provided loans to release fiscal constraints and protect resources for social sector provision, as well as promoting investment in domestic resource mobilisation; although, again, this support entailed risks of trade-offs for the sector overall – as seen, for example, with the regressive resource mobilisation strategy adopted in Nigeria based on the extension of VAT – and potentially also the risk of adverse effects of fiscal consolidation on social protection financing (see Section 4.6) (Oxfam, 2020a).

Agency collaboration and pooling of resources to reduce donor and recipient transaction costs was also identified as an enabler of efficient funding practice. The ‘Team Europe’ response to the pandemic is one example of this. The European initiative, ‘Coronavirus: EU Global Response to Fight the Pandemic’, has a budget of €15.6 billion created from a combination of existing budgets, including €500 million for emergency responses, contributions from EU institutions, and resources mobilised by EU Member States and financial institutions, including the European Investment Bank and the European Bank for Reconstruction and Development.

DEVCO also extended collaboration outside Europe, adapting its global programme to improve synergies between social protection and public finance management. It provided €3 million in funding to ILO across ten countries for technical assistance on social protection responses to the pandemic, including support for unemployment protection in Ecuador, wage subsidies for the garment industry workers in Bangladesh, support to workers in the tourism sector in Sri Lanka, and the inclusion of informal economy workers in Covid-19 measures in Nigeria. DEVCO also used its global technical advisory service on social protection (SOCIEUX+) to provide timely, remote support. Similarly, in Indonesia, the joint administration of social protection funding from two UN funds (the RRTF and JSDGF) through a single UN contact promoted efficiency with the proposal for RRTF funding explicitly building on and complementing the programme funded by the Joint SDG Fund, which was partially implemented by the same UN agencies (KIIs).

5.2.6 Development–humanitarian collaboration

Similarly, prior experience of coordination between government, humanitarian actors and social protection donors helped to facilitate alignment between humanitarian and development actors at the point of crisis – as exemplified by the EC, which coordinated across the development–humanitarian nexus during the pandemic. Within the Commission, all resources for the socioeconomic response to the crisis went to DEVCO and the Directorate-General for Neighbourhood and Enlargement Negotiations (NEAR). As the crisis coincided with the end of the seven-year programming cycle (2013–2020), resources were limited in EU Delegations and ECHO offices, but due to the established collaboration between ECHO, DEVCO and NEAR on social protection,[50] ECHO teams were able to provide technical assistance on emergency cash transfers in countries where the emergency response was supported by development funds (managed by EU Delegations).

Another nascent example is the ongoing discussion between OCHA and the World Bank regarding the potential for collaboration around the development of anticipatory cash transfers in humanitarian contexts, which, to date, have only been delivered outside national social protection systems.

5.3 Implications for future social protection financing

The Covid-19 crisis response has highlighted both the critical role ODA can play in enabling effective social protection crisis responses, and the limitations of social protection ODA financing levels and instruments. Previous sections have examined ODA financing trends and adjustments, and initiatives taken since the onset of the crisis; this section considers the implications of such adjustments for longer-term social protection financing.

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50 As set out in the EU guidance package on 'Social protection across the humanitarian–development nexus' (European Commission, 2019).

The availability of ODA resources is the primary enabler of an extended social protection response in contexts where domestic resource mobilisation is constrained. ODA donors and recipients are now facing a changed set of needs and opportunities. The pandemic is threatening gains in global poverty reduction and has added over a hundred million people to the ranks of the extreme poor. There may be an urgent need for further short-term income-replacement provision if future waves entail further lockdowns. Even after Covid-19 abates, there is a risk that the impacts of the crisis may persist and 'erase the progress made on the Sustainable Development Goals in the last five years, amounting to $2.5 trillion in budget costs spent on health, education and social protection' (Omtzigt and Pople, 2020). It is estimated that in 2021, 235 million people will need humanitarian assistance and protection – a 40% increase compared to early 2020 (UN, 2021). The challenge is sobering. In this context, it is critical to reflect on the nature of recent ODA flows, and identify the emerging implications for social protection system financing in the longer term. There is a growing need for social protection, but current levels of coverage are trivial in many LICs and LMICs, the funding gap is significant, and ODA flows are limited. There is a need to think in a new way about financing options in the future.

5.3.1 Domestic financing

Domestic financing will be key for sustained social protection expansion and sustainability in the medium to long term, but the ability of LICs to fully fund provision from domestic resources is a distant prospect given current resource constraints (Durán-Valverde et al., 2020). The lack of domestic resources and the magnitude of the social protection funding gap in LICs and many LMICs, means that LICs in particular will remain highly dependent on ongoing external ODA support, both for the extension of basic social protection provision, and also for future shock responses. The domestic resource mobilisation context will remain challenging in UMICs and LICs in the near term due to the impacts of the global Covid-induced economic slowdown and the current debt crisis, which is severely compromising domestic financing options. The growing role of private creditors in LICs is also a growing challenge for ongoing fiscal stability. Debt restructuring is critical, but existing debt relief initiatives are not sufficiently extensive – in terms of budget, duration or scope – to significantly ease this crisis. At the same time, the conditions for IDA lending and the current levels of debt distress mean that many of the LICs and LMICs most in need of ODA are not able to access additional concessional loans or non-concessional finance, unless significant debt restructuring takes place.

In order to embed SRSP in LICs and fragile states, there is a need to put in place ODA financing guarantees to create incentives for government investment and engender confidence that countries will have the fiscal space to deliver extended provision in time of crisis. This will help to answer the question put forward by a KII: 'Why would you build the system if you never get the funding to push money through?'. In these contexts, there is a need to provide financial support to establish social protection systems and provide assurance that, in times of crisis, ODA will be available to finance the expansion of provision.

The G20 DSSI initiative is providing some limited measure of assistance (see Section 4.7), but longer-term and more far-reaching debt service relief and forgiveness may be required to support domestic financing to facilitate sector development (KII).

5.3.2 ODA availability post-crisis

There are uncertainties about future ODA in the context of the global recession. GDP across the G20 fell by an unprecedented 6.9% in the second quarter of 2020– significantly more than the fall of 1.6% recorded in the first quarter of 2009, the height of the global food, fuel and financial crisis. GDP in the UK, France and the US, some of the largest bilateral donors to the sector, fell by 19.8%, 13.7% and 9.0% respectively, while OECD countries as a whole experienced a fall of 10.5% (OECD, 2020a). This situation may also be compounded by reductions in allocations to ODA overall as a percentage of GNI. The UK, for example, introduced ODA budget cuts during 2020 and announced that in 2021, ODA would be reduced from 0.7% to 0.5% of GNI – a total cut of £5 billion, estimated at one-third of total ODA over two years (Coppard et al., 2021). There is also uncertainty regarding future German bilateral contributions pending the national elections in 2021 (KII). In this context, Carson et al. (2021) estimated that overall ODA might fall by between 2.5% and 9.5% in 2021.

Given the uncertainty regarding future bilateral financing and the dominance of the World Bank in terms of ODA to the sector, the success of the IDA replenishment in December 2021 will be key for future social protection ODA. However, given the economic slowdown, it is not certain whether the IDA will be fully replenished. A reduction in the availability of IDA resources for future social protection investment would result in the Bank prioritising support for advisory services rather than programme financing, and future social protection provision would become increasingly reliant on domestic financing (KII), potentially representing a significant challenge to the ongoing functioning and continued expansion of social protection systems with shock-response capacity in many LICs, which are currently dependent on IDA loans for both the financing of transfers and recurrent costs.

Even with high levels of replenishment, it is unlikely that the Bank's crisis response surge of 2020 would be sustained, although it is likely that social protection, along with health and stabilisation, will remain donor priorities. The share of overall ODA allocated to social protection may remain elevated for several years, as happened in the years immediately following the GFC. There may also be a similar sustained ratcheting up of social protection sector ODA, depending on the profile ascribed to social protection in relation to socioeconomic recovery programming and the UN's Build Back Better agenda, with the pandemic inducing an increase in ODA to the sector as occurred after the GFC. The GFC marked a transitional point in terms of shifts in the volume of ODA allocated to the sector, the geographical and country income groupings targeted, and a change from bilateral to multilateral dominance in the sector (see Section 2.2). The current pandemic may also result in significant changes in the composition and direction of resources, potentially offering an opportunity for reviewing current financing approaches.

Social protection sector ODA is better targeted to LICs than overall ODA. However, only 50% of sector funds are targeted to LICs, largely due to the limited systems in place and low absorption capacity. As such, it is not well targeted to meet the needs of populations in the poorest countries. If the share of ODA provided by bilateral donors continues to diminish, and the IFI funding share in the sector continues to increase, poverty targeting is likely to deteriorate in the future. This would represent a major challenge in terms of the provision of sectoral ODA and access to concessional financing for the poorest and most resource-constrained countries, unless there is a deliberate policy shift among donors to modify aid instruments to direct resources to this group. The recent trend in EC targeting, with the increasing focus on LDCs, illustrates the potential for improving sectoral targeting to LICs.

As the data that would enable an analysis of the targeting of social protection spending by country income levels is not yet available, no definitive conclusions can be drawn. However, given the path dependence noted above, and the current focus on the modification of existing programmes, it is likely that ODA support will continue to be concentrated in countries where significant prior investment in systems development has already taken place. However, the current situation differs from the GFC in that a larger number of LICs and LMICs are now better placed than in previous crises to absorb funding. Many of these countries now have social protection infrastructure in place, largely due to GFC-induced investments, which provided an important stimulus to the sector.

5.3.3 Alternative global ODA social protection financing instruments

One option put forward in recent years to make resources available to LICs for expanding access to social protection financing is the creation of a Global Fund for Social Protection (GFSP) (see UNOHCHR, 2020). This approach has been discussed widely within the sector (Manuel et al., 2020) but has limited traction currently with bilateral and multilateral agencies due to the absence of significant additional resources, which are unlikely to materialise in the current global economic context. The key arguments against the creation of a GFSP are the additional set-up and recurrent costs of establishing a new international agency, the heightened transaction costs for governments wishing to access resources, and the fact that this approach would represent a challenge to national-level government-led intersectoral coordination (KII).

However, if the GFSP is not taken forward, there is a need to consider alternative options, including alternative global funding resources for the sector or country-based funds.

5.3.4 Disaster risk financing, contingency financing and humanitarian–social protection links

This crisis has significantly enhanced humanitarian–development collaboration, and there is potential to take forward significant innovations in sectoral financing that build on these strengthened relationships. This involves connecting to alternative funding sources, including, for example, anticipatory action and disaster risk financing (the creation of a system of budgetary and financial mechanisms to credibly pay for a specific risk, arranged prior to a potential shock (Centre for Disaster Protection, 2020)). It could also involve leveraging innovative financing sources such as private sector financing and insurance.

For humanitarian actors to channel more assistance of this kind through national social protection systems, they need to be convinced that working through national systems is effective in both the short and long term. This requires national social protection systems to be in place and the integration of their targeting approaches, social registries and interoperability mechanisms into humanitarian initiatives. This could be done by building on recent global commitments, such as the 'Grand Bargain' and facilitating connection, dialogue and coordination between humanitarian and social protection actors.

In February 2020, the UN Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator committed to investing up to $80 million from the UN CERF towards anticipatory action. A recent pilot in Bangladesh provided proof-of-concept for anticipatory cash transfers (Centre for Humanitarian Data, 2020) and similar mechanisms are already operational outside the humanitarian sector, such as the African Risk Capacity and other regional disaster risk pools and reinsurance mechanisms, which operate based on triggers and pre-agreed action plans. There are now new opportunities for channelling and aligning humanitarian funding through existing or similar mechanisms, and anticipatory action initiatives are ongoing or planned in a number of high-risk countries, with the hope that they can help transform the way in which humanitarian aid is delivered (KII). OCHA has been establishing anticipatory action frameworks that have three elements: a predictive model or forecast; pre-arranged financing based on triggers; and a pre-agreed action plan. However, anticipatory/early action requires having systems in place. Such systems can be set up in parallel to the national social protection system (for instance, using WFP and the national Red Cross/Crescent society), or directly plugged into the national social protection system. Through its collaboration with the World Bank, OCHA is exploring how to get pre-positioned funding in place for anticipatory social protection provision ahead of covariant shocks, which is released automatically on the basis of predefined triggers.

5.3.5 Social contract

Despite manifestations of international solidarity during the crisis – illustrated, for example, by increases in bilateral ODA financing (Germany) and financial support for global initiatives such as COVAX – there have also been actual and announced cuts to international financing (see

Sub-section 5.3.2) and fiscal pressure is on the rise. The crisis has the potential to strengthen, or conversely, to weaken, the social contract between governments, international players and members of society. The question, to which we do not yet have an answer, is how the crisis and related financing adjustments and innovations have influenced the mindset of governments, international organisations and donors in terms of their attitudes to social protection and its financing.

Previous global crises, notably the first and second world wars, led to major changes in global attitudes to welfare and a recognition of the need for the provision of social protection on a mass scale to address both the moral imperatives of poverty and inequality, and also the broader challenges of macroeconomic and political stabilisation. These periods of dislocation led to the development of national social protection systems in the Global North. To a lesser extent, the GFC played a similar role in stimulating donor commitment to developing national social protection systems in LICs and LMICs, both to address structural poverty and also as a basis for future shock response. As a result of Covid-19, we now face an urgent global development challenge, which threatens to create a period of profound economic, social and political destabilisation, particularly in the context of the growing environmental crisis. Social protection has the potential to play a significant role in responding to and defusing these crises, as it has in the past, but this would require major changes in the scale of ODA resources allocated to the challenge, and their direction and coordination.

5.3.6 Extended provision

The extension of provision in response to the pandemic has, in some instances, created new financing engagements that will be sustained after the crisis. The ADB, for example, provided social protection funding in countries in which they did not have live projects in the sector or had not supported the sector at all in the past. This new engagement has resulted in plans for future engagement and technical assistance, with a particular focus on systems-strengthening and adaptation, creating the opportunity for an increased portfolio of activity in the sector.

6 Policy lessons and recommendations

This chapter identifies the main policy lessons relating to ODA financing for both social protection responses to future crises and the routine provision of social protection, summarising the initiatives outlined in the paper and then providing key recommendations.

6.1 ODA financing for effective social protection

Considering that ODA for social protection remains trivial in relation to the global sectoral funding gap, and that, overall, ODA is unlikely to increase in the years to come, the main policy lessons emerging from the findings of this paper are that ODA to the sector needs to be strategic and efficient. Adopting an approach that combines these characteristics will help to promote both effective future shock responses and the routine provision of social protection.

6.1.1 Strategic use of ODA

Currently, scarce ODA resources to the sector are utilised in an ad hoc manner, reflecting multiple individual institutional preferences and priorities, rather than allocated strategically, focusing on key activities (e.g. systems-building), selected countries and, where appropriate, enhancing links with humanitarian CVA actors and activities. There is an opportunity for dialogue among and between governments and donors to identify the most strategic use of scarce ODA resources, both regionally and nationally.

This might mean reinforcing efforts to build social protection systems that facilitate links with the humanitarian system – for example, in terms of targeting, data interoperability and registries – or simply facilitating coordination with the humanitarian system to expand social protection-style provision to hard-to-reach people/areas during shocks and crises, even if this support is not directly aligned to the social protection system. Social protection ODA could also be used to leverage additional financing through, for example, humanitarian financing instruments and approaches, including insurance or private sector support, disaster risk financing, disaster risk management approaches or anticipatory/early action cash transfer systems, and linking them into the national social protection system.

6.1.2 Efficient use of ODA

Multiple instances of increased efficiencies in ODA financing practices were identified in the crisis response, with donors adapting their normal habits. This included working more collaboratively, having a clear division of inputs, working flexibly, revising and streamlining procedural norms, increasing recipient discretion over the use of funds and pooling resources. These approaches reduced opportunity costs for both donors and recipient governments and other actors.

Examples of donor collaboration included the pooling of crisis response resources from across a range of European financing institutions; programmatically aligned financing for national social protection programmes in India and Brazil across the World Bank, RDBs, Germany and France (KII); and the creation of a single contact point for the administration of two separate UN funds, facilitating both the financing of technical assistance to the national social protection ministry in Indonesia, and the sequential integration of the funds (KII). Other examples include the division of labour between different donors, with the World Bank initially taking a lead role in financing extended transfer provision, primarily through existing partners, with smaller technical UN agencies and specialised funds financing technical assistance to overcome systems development bottlenecks in the expansion of provision.

Streamlining procedures significantly enhanced the speed of donor allocations, as in the case of the World Bank SPJ team; and increasing recipient discretion accelerated disbursement and programme implementation, as illustrated by the IMF. Conversely, in Malawi, a lack of government autonomy over the use of pooled funds has slowed programme development.

6.2 Recommendations

To promote ODA financing for sustainable social protection systems and SRSP, we propose the following recommendations, based on the findings of this study:

1. Ring-fence and increase ODA for social protection.

- Protect existing bilateral and multilateral social protection allocations.
- Ensure adequate replenishment contributions to IDA20 and prioritise policy commitments on social protection within IDA20 replenishment.
- In the context of potential budget cuts in response to the global economic depression, ensure social protection remains a key sector in the new EU programming cycle (2021–2027) and among the major DAC donors to social protection.
- Advocate for increased ODA to the sector, including within the G20 and G7, recognising the inadequacy of current flows in relation to the social protection financing gaps.

2. Prioritise the strategic use of ODA allocations.

- Initiate discussions between ODA donors and LIC and MIC governments to promote the strategic use of the limited ODA resources available for the sector, and put in place mechanisms to support this.

3. Focus ODA support.

- Improve the targeting of bilateral and multilateral ODA for social protection to LICs and LMICs.
- Direct ODA to social protection provision in LICs and LMICs that are dependent on ODA, where domestic financing is not yet viable and where fiscal constraints risk compromising ongoing provision.
- Focus ODA flows for social protection on investment in systems-strengthening and the development of SRSP mechanisms to increase efficiencies and coverage.

4. Support and mainstream humanitarian–development financing innovations.

- Develop mechanisms for integrating humanitarian financing innovations into national social protection systems to finance expanded and shock-responsive provision, including, for example, financing anticipatory action, disaster risk financing and insurance-based approaches.
- Promote initiatives to harmonise CVA in the humanitarian sector with national social protection systems.
- Use social protection ODA to leverage additional financing through humanitarian financing instruments and approaches, including insurance or private sector support, disaster risk financing, disaster risk management approaches or anticipatory/early cash transfer systems, and link them into the national social protection system to enhance SRSP capacity.

5. Refresh ODA donor policies, instruments and funds supporting social protection to promote access to resources by LICs.

- Review IFI lending instruments and policies to ensure a greater share of resources are allocated to LICs.
- Explore mechanisms to increase LICs' and LMICs' access to concessional financing and grants.
- Consider the desirability of and options for creating a new institution or initiative to promote LIC access to ODA for social protection, such as a Global Fund for Social Protection or alternative proposals.

6. Promote domestic resource mobilisation.

- Support initiatives to promote domestic resource mobilisation.
- Promote national autonomy and capacity to manage crisis responses by promoting sectoral basket funding at country level, reducing the transaction costs of multi-donor negotiation.
- Explore policy-based financing as a tool to promote domestic political ownership and domestic resource allocation for social protection, such as the World Bank Development Policy Loan.
- Promote the ring-fencing of national social protection expenditure in the context of fiscal consolidation associated with IMF borrowing.
- Support debt restructuring to enhance fiscal space for social protection and other SDG-relevant expenditure.
- Increase the ability of countries to access future concessional and non-concessional finance.

7. Address data gaps relating to ODA flows to the sector.

- Review data challenges and inconsistencies among bilateral and multilateral donor agencies and other key actors, which currently inhibit timely and meaningful analysis of sectoral ODA flows, in order to develop improved and harmonised approaches to data capture and analysis.

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