



Federal Ministry
for Economic Cooperation
and Development

Social protection for equitable development

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The challenge

At some point in their lives, all people may experience illness, unemployment, natural disasters or other risks. More than 70 per cent of all people worldwide are forced to cope with such risks on their own with little or no external support. Often, this results in poverty, social conflict and economic losses.

The Federal Ministry for Economic Cooperation and Development (BMZ) is working to support social protection systems that provide sustainable protection for all people.

- Social protection plays a key role in the implementation of the **2030 Agenda for Sustainable Development**. We promote social protection as a human right in order to reduce poverty and inequality.
- Our goal is to build strong systems that reach everyone, including the most vulnerable groups in society, thus strengthening their resilience and their capacity to help themselves. Such systems ought to serve as a **safety net** and as a **springboard** at the same time.
- Social protection is an investment that benefits society at large and fosters sustainable economic development – an investment that all countries can afford. The BMZ supports the development of **shock-responsive social protection systems**.

1 Social protection – a key to sustainable development

At some point in their lives, all people may experience illness, unemployment, natural disasters or other crises. Social protection guarantees the provision of assistance if people cannot cope with such a crisis by themselves. Social protection enables them to live in dignity through social assistance that guarantees food, health and income security, but also through social insurance and labor market interventions.

For inclusive development. To this day, 70 per cent of the world's population have no, or no adequate, social protection – even though countries could afford to put in place a basic social protection system requiring an average of 2.9 per cent of GDP. However, costs vary a great deal from one country or region to another. Programs costs are highest for low-income countries, reaching up to 10.7 per cent of GDP.

2030 AGENDA: ACCESS TO SOCIAL PROTECTION FOR ALL

In the 2030 Agenda, social protection is a target in its own right and is also an important instrument for reaching many other Sustainable Development Goals (SDGs). Thus, social protection can form a bridge between the goals needed for the successful implementation of the 2030 Agenda and the Leave No One Behind principle.



SDG 1 – NO POVERTY. Social protection systems help to eradicate poverty everywhere in all its forms.



SDG 3 – GOOD HEALTH AND WELL-BEING. Universal health coverage enables people of all ages to enjoy good health and well-being.



SDG 5 – GENDER EQUALITY. Gender equality means, among other things, that unpaid care and domestic work is given recognition by **adapting social protection policies.**



SDG 8 – DECENT WORK AND ECONOMIC GROWTH. Decent work for all includes **social protection** at the workplace, which fosters inclusive and sustainable growth.



SDG 10 – REDUCED INEQUALITIES. In order to reduce inequality within and between countries, there is a need to adopt fiscal, wage and **social protection** policies.

In addition, social protection can make a direct contribution towards reducing hunger and malnutrition (**SDG 2 – ZERO HUNGER**) and improve people's access to education (**SDG 4 – QUALITY EDUCATION**).

2 Social protection through international cooperation

As part of its bilateral development cooperation, the BMZ currently operates projects worth about 250 million euros that are concerned with social protection. This includes programs supporting the development of social protection systems as well as social protection components in health and governance programs, for instance. The BMZ also fosters social protection through its special initiatives. Furthermore, it provides funding in support of the work of German private agencies and faith-based organizations in the field of enhancing social protection.

Germany's development cooperation programs for social protection focus on three areas:

- (1) **social assistance** to reduce or prevent poverty and eradicate hunger;
- (2) **social health protection** to prevent impoverishment and foster health; and
- (3) **insurance schemes** to improve preparedness and cope with new challenges such as extreme weather events caused by climate change.

3 Social assistance for food security and nutrition

Social assistance in the form of cash or in-kind transfers acts as an important safety net, especially for people who live in poverty or are unable to work, so as to enable them to live in dignity.

For a world without hunger. Social assistance supports people struggling with poverty, hunger and malnutrition, and it enhances their resilience to crises and shocks – directly through school feeding programs and other transfers, and indirectly through measures such as employment programs. In combination with training and employment programs, social assistance can foster the economic inclusion of people who are capable of working, thus enabling them to lift themselves out of poverty permanently. Social assistance also has a **preventive impact**. It

can improve people's health and capacity over the long term. Families who receive social assistance are more likely to invest in their children's education and nutrition, thus becoming able to break the cycle of intergenerational poverty.

Germany uses its development cooperation programs to assist its partner countries in **implementing and reforming national social assistance systems**. This involves measures ranging from identifying families in poverty for social programs (Cambodia) all the way to moving to account-based electronic disbursements of social transfers (Indonesia), in order to facilitate people's access to social assistance and financial services.

For swift crisis response. In a crisis, social assistance can be used to provide assistance to the people affected swiftly. For example, programs that are already in place can be expanded in response to a natural disaster, increasing the range of people covered or providing higher social transfers. This can prevent a crisis from turning into a disaster.

The BMZ's Partnership for Prospects, an employment drive for the Middle East, uses cash-for-work activities to assist both Syrian refugees and locals in host countries across the region. The income they generate enables them to pay for their rent, health care and clothing, for example. Through their work, they build or repair infrastructure, which benefits both refugees and local communities.

In the future, we want to work with our partners to expand and enhance social assistance programs. Above all, we want to support measures that make a targeted contribution to food security and nutrition and that create employment so that people become able to improve their situation through their own efforts. In places where social assistance already exists, we want to make the system resilient to economic and climate-related crises. In crisis situations and fragile contexts where no such systems or programs exist, we want to help find ways of taking life-saving measures and providing temporary income security while at the same time ensuring a longer-term perspective and preventing future crises. As we develop and implement transitional development assistance, we will take care, wherever possible, to ensure that these measures contribute to the development of national social protection systems.

SPOTLIGHT ON: SOCIAL ASSISTANCE IN MALAWI

- The **Malawi National Social Support Programme**, which serves to implement the National Social Support Policy (NSSP) adopted in 2013, comprises five programs: cash transfers, school feeding, public works program, village savings groups, and microfinance.
- **Germany** is engaged in **development cooperation** to assist people living in extreme poverty in Malawi. Labor-constrained households receive transfers of about 8.80 euros a month (2017). The exact amount depends on the number of household members and school-age children (there is a school bonus). Germany is also assisting the Government of Malawi in combining and harmonizing the programs to build an overall social protection system.
- The cash transfers enable families to significantly improve their **health and nutrition situation** and to give children better access to **education**. The families, most of whom are subsistence farmers, also use the transfers for targeted investments in seeds, tools, fertilizer and small domestic animals, thus improving their **risk coverage and income opportunities**. As cash transfers are usually spent locally, they also strengthen **local demand and local economic cycles**.

4 Social health protection

High costs of medical treatment or the inability to work due to untreated illness can push people into poverty, or deeper into poverty. Moreover, such factors often force other members of the household – frequently, children – to go to work in order to make up for the loss in income. This reduces children's chances of escaping poverty through education. Illness must no longer be a cause of poverty.

For social protection in health. Through its development cooperation, Germany assists partner countries in achieving universal health coverage. We support both governmental and private efforts at the national and local levels, with a clear focus on people living in poverty. In Kenya, Tanzania and Pakistan, we are supporting the introduction of social health insurance for the poor, while simultaneously providing incentives for better quality of care. In Cambodia, we are helping to improve social health protection through a fund for health services and through vouchers, in order to give people in poverty access to health care.

In addition, we are helping countries to make further headway on the use of innovative information and communication technologies. In Bangladesh, for example, we help improve monitoring and evaluation in the health sector through an effective information system. Together with the Swiss Agency for Development and Cooperation, Germany is helping the country develop software to manage a health insurance system. OpenHIMIS is an open source program and will be available to other countries, too, which will be able to use it free of charge and further develop it in line with their needs.

In the future, we want to continue to assist our partners in making social health protection accessible for all people, especially people living in poverty. In this way, we are contributing to the achievement of SDG 3.8, universal health coverage.

SPOTLIGHT ON: SOCIAL HEALTH PROTECTION IN INDIA

- In India, **one of the world's largest health insurance systems** has been set up successfully, the Rashtriya Swasthya Bima Yojana (RSBY), which covers about 134 million people and pays for hospital treatment for households below the poverty line. The insurance covers the cost of hospital stays up to a maximum of 400 euros per year for up to five family members. There are no age limits or denial of coverage because of pre-existing conditions. The system operates based on electronic biometric insurance cards.
- **Building on RSBY, Germany is providing advice** to the Indian government on how to design and introduce a new National Health Protection Scheme. In the long run, the scheme will replace RSBY. The number of beneficiaries is to be increased considerably and the quality and quantity of health services for the poor are to be enhanced, for example by including preventive and outpatient health care.

5 Insurance for all situations in life

CLIMATE RISK INSURANCE

In the age of climate change, insurance systems can cushion the negative impacts of extreme weather events. Even before a loss is incurred, the risks are shared within a given group between a large number of stakeholders. *Direct* insurance protects households and businesses against risks such as crop failure and damage to property. *Indirect* insurance enables countries to form risk pools for mutual protection against risks. The better **climate risk insurance** is integrated in, and harmonized with, the social protection system – for example by using existing disbursement mechanisms to pay out claims –, the more effectively it can reach people who have incurred a loss.

For better protection of people living in poverty.

Through its development cooperation, Germany supports efforts to improve the general environment for insurance so that insurance schemes can also reach the poor. In Asia, we are helping to improve insurance market regulation and oversight, and we are supporting efforts to develop innovative insurance schemes for low-income groups. Moreover, Germany uses its development cooperation to support the development of direct insurance systems, such as microinsurance and disaster risk insurance, as well as indirect insurance, such as that provided by the African Risk Capacity.

INCLUSIVE INSURANCE

Often, those who need insurance most have no access to it. Insurance products that make coverage available even to the poorest can help to address this. This requires innovative methods based on sound long-term financing.

Thus, Germany works together with both governmental and private players in order to provide insurance for these groups. For example, Germany has provided advice to the Agriculture Insurance Company of India and to the National Bank for Agriculture and Rural Development with regard to the development of agricultural and other insurance for rural households and smallholders in India. The focus has been on providing crop failure insurance for mango and grape growers. Germany has also provided development cooperation support to the multi-country LeapFrog Financial Inclusion Fund, thus contributing to the work of microinsurance companies in low-income countries in Africa and Asia. These companies provide microinsurance for risks such as illness, crop failure, and death of the breadwinner. They cover lower-income population groups in countries such as Indonesia, Philippines, India, Sri Lanka, Kenya, South Africa, Nigeria, and Ghana.

As older people in developing countries often do not have a secure income, or their income is too low, Germany supports providers of micro pensions in India. They enable people living in poverty to provide for their old age on a long-term basis.

SPOTLIGHT ON: INSURANCE FOR AFRICAN COUNTRIES

- In 2015, the G7 countries launched the **Insu-Resilience initiative**. By the end of 2016, its volume had reached 550 million US dollars. Germany's contribution to this was 190 million euros.
- **With support from the BMZ** and the UK Department for International Development (DFID), the **African Risk Capacity (ARC) Insurance Company Ltd.** was founded. This indirect insurance scheme unites African countries that have formed a risk pool to get coverage for damage caused by extreme weather events such as droughts, floods and tropical storms – especially in view of climate change.
- When a drought hits, ARC finances an emergency program that has been agreed in advance with the country in question and has been reviewed by a panel of independent experts. This creates long-term incentives for countries to improve their resilience against drought in order to reduce the risk of future damage. All member countries of the African Union can take part in ARC. Since 2015, policies have already been acquired by Kenya, Mauritania, Niger, Senegal, Gambia, Malawi, and Mali. So far, claims have been paid out in Mauritania, Niger, Senegal and Malawi, facilitating drought emergency aid for about 1.3 million people.

SAFETY AND HEALTH COVERAGE: ACCIDENT INSURANCE

In many developing and emerging economies, workers are facing precarious working conditions and have no coverage for work accidents or occupational diseases. Often, these people have no access at all to company-based social benefits such as accident insurance or paid maternal leave. This means that an accident or an illness may push them into poverty, as they have to pay for medical treatment or cannot generate an income.

Through the Partnership for Sustainable Textiles, the BMZ supports the development of a national accident insurance system for the textile sector in Bangladesh, in cooperation with the International Labour Organization (ILO). Coverage for workers can provide financial support following work accidents. Other factors that are becoming more and more important are the prevention of workplace accidents and occupational diseases, and physical and occupational rehabilitation for people who have suffered an accident or contracted a disease.

In the future, we will continue to support our partner countries and nongovernmental players in providing insurance for all and taking account of people's specific needs. In order to ensure inclusion of people living in poverty, women, the elderly and other disadvantaged groups, we will facilitate dialogue and the transfer of knowledge on related topics.

6 Our international engagement – combining forces and enhancing coordination

By 2030, appropriate social protection systems for all are to be implemented worldwide. The international community committed to this in Target 1.3 of the 2030 Agenda. This is based on ILO Recommendation 202 on Social Protection Floors, which was adopted by 185 countries in 2012. In order to improve the coordination of international activities, a global coordination platform was set up in 2012 at the request of the G20 Development Working Group – the Social Protection Inter-Agency Cooperation Board (SPIAC-B). The Board unites international organizations as well as bilateral development agencies and nongovernmental aid organizations. Together, they develop common definitions and tools for social protection.

In order to be able to improve the coordination of ongoing country programs, too, the BMZ has been involved since 2016 in the EU Social Protection Systems (EU-SPS) initiative, which was initiated by the European Commission, the OECD and Finland. EU-SPS is active in 11 countries. The BMZ is working in several partner countries to help implement the initiative. For example, support is provided on a global scale for training sessions on social protection, and for advice for African higher education institutions with regard to relevant curricula.

In the future, we want to continue to combine international efforts and enhance coordination, both at the European and at the global level. In this way, based on division of labor with other donors, we can respond to the global demand for support in the field of social protection and become more effective and efficient in supporting our partner countries.

The way ahead

The 2030 Agenda is geared towards achieving sustainable development across all sectors based on an integrated approach, leaving no one behind. Social protection can act as a bridge with special potential for contributing to various SDGs. Support for social protection taps synergies between the SDGs and reduces conflict between different objectives.

In its development cooperation, Germany supports a **systemic approach to the development and expansion of social protection**. Germany has long-standing experience in this field. By putting that experience to use for the financing and programming of vital issues such as the development of shock-responsive social protection systems, Germany can make an important contribution towards implementing the 2030 Agenda. We attach special

importance to building the capacity of our partner countries and their people, so that they will be able to take ownership of their own sustainable development.

Based on our focus on social assistance and food security and nutrition, social health protection, and insurance, we will concentrate on the following *in the future*:

- View the **2030 Agenda** as a call and an opportunity for reducing poverty and inequality on a sustained basis through effective co-ordination and appropriate approaches. The collection, analysis and monitoring of data are more important than ever in that regard – both in order to report under the 2030 Agenda and, more importantly, to ensure accountability to local populations, better policymaking, priority setting, and services that are responsive to people’s needs.
- Find innovative answers so as to ensure **sustainable financing** for social protection. A fund to bridge difficult times of crisis and reinsurance for social protection systems can make an important contribution in this regard.
- Use social protection effectively, including in **contexts of state fragility**, thus ensuring that cash or in-kind transfers which are needed in the short term will contribute to long-term social protection.

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