Welcome to the ILO's

5 EURO Project
“The world does not lack the resources to eradicate Poverty, it lacks the right priorities.”

Juan Somavia, Director General of the ILO
To Roger Beattie,

Austere Scotsman,
Walker in the woods,
Climber of Mountains,
Clarinetist,
Believer in Social Security for all.
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<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>ILO-FACTS</td>
<td>International Financial and Actuarial Service of the ILO</td>
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<tr>
<td>TRUST</td>
<td>GLOBAL SOCIAL TRUST</td>
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<tr>
<td>SSNIT</td>
<td>Social Security and National Insurance TRUST (Ghana)</td>
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<tr>
<td>OBSS</td>
<td>Office béninois de Sécurité Sociale</td>
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<tr>
<td>«Satellites»</td>
<td>Community-based organizations</td>
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<tr>
<td>«Hubs»</td>
<td>National social insurance or national social protection schemes</td>
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<tr>
<td>MHO</td>
<td>Mutual Health Organization</td>
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<tr>
<td>STEP</td>
<td>Strategies and tools against social exclusion and poverty (ILO Programme)</td>
</tr>
<tr>
<td>CIDR</td>
<td>Centre International de Développement et de Recherche</td>
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<tr>
<td>HIV/AIDS</td>
<td>Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome</td>
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<td>HIPC</td>
<td>Heavily Indebted Poor Countries</td>
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<td>MDG</td>
<td>Millennium Development Goals</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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Introduction to the study

Institutional background

The 89th International Labour Conference (ILC) in June 2001 concluded a general discussion on social security with a renewed commitment of the International Labour Organization (ILO) to extend social security coverage and improve the governance, financing and administration of social security. The conclusions and recommendations of the Conference also call for the ILO to develop “…innovative approaches in the area of social security to help people to move from the informal economy to the formal economy”.

In line with the recommendations of the 89th ILC the Director General of the ILO has thus requested that the possibility of supporting the development of national social protection systems through international financing be explored. The ILO's International Financial and Actuarial Service (ILO-FACTS) has developed an innovative concept for a GLOBAL SOCIAL TRUST network (or “TRUST”) which connects the global, national and community levels of financing for social security.

Mandate

This feasibility study will examine the potential scope of a GLOBAL SOCIAL TRUST, the rationale and purpose for the TRUST, the reasons for and risks of the ILO being involved in organizing and starting a GLOBAL SOCIAL TRUST, the options available to the Director General of the ILO and the next steps for operationalizing the TRUST. The ultimate purpose of the study is to recommend to the Director General whether and how to proceed with the promotion of a GLOBAL SOCIAL TRUST.

Approach and process

The introduction of a global fund to support the build-up of national social protection systems through international solidarity would constitute a major change in the way technical cooperation in social security is presently delivered by the ILO and other international or bilateral development aid agencies. The ILO assigned a project team of social security actuaries, economists and social security experts and set a fairly extensive agenda for the feasibility study. The team sought the widest possible consultation with international experts on the idea. The team was lead by William Newbrander, (Director of Health Services of Management Sciences for Health (MSH) in Boston and a former WHO health economist) and Michael Cichon (Chief of the Financial, Actuarial and Statistical Services Branch of the ILO) and consisted of:

— Sergio Arvizu, Actuary and Director of Investments, Mexican Social Security Institution,
— Derek Osborne, Actuarial adviser to the National Insurance Board, Bahamas,
— Raymond Wagener, Social security actuary and Director of the General Inspection of Social Security, Luxembourg,
— Peter Rosenberg, Social security economist and former Director General of Planning in the Ministry of Labour and Social Affairs of the Federal Republic of Germany,
— Rüdiger Knop, Senior social security actuary, ILO-FACTS,
— Florian Léger, Social security actuary, ILO-FACTS,

— Karuna Pal, social security finance specialist, ILO-FACTS,
— Diane Vergnaud, statistical assistant and editor.

A short concept paper was presented in Stockholm in September 2001, to the delegates of the triennial General Assembly of the International Social Security Association, which brings together social security managers and decision makers from national social security institutions. This presentation, one day after the September 11 events, marked the launching of the study. The proposal received support from the majority of the delegates who attended the presentation as well as its chairman (Robert Holzmann, World Bank). Following this presentation the ILO organised a meeting of the study team with ILO social security experts and representatives of the ILO Bureaux for Workers and Employers Activities. The meeting resulted in a revised version of the basic concept and the establishment of terms of reference for the following four sub-studies:

- the first explored the feasibility of and the potential for voluntary contribution collection and the different means of contribution collection in a possible donor country. The country selected was Germany as the largest economy in Europe (author Peter Rosenberg in conjunction with Infratest-Sozialforschung);
- the second and the third studies explored the actual need for basic benefits in a limited number of communities in two African countries (e.g. Ghana and Benin) and the ways and means of delivering such benefits in the most efficient manner. Messrs. Knop and Léger prepared and backstopped the studies with the help of Cornelius Dzakpasu, Director of the ILO office in Lagos. Derek Osborne undertook the field study in Ghana and Raymond Wagener the one in Benin. The study teams were supported by Dr. Asuako-Ntomo Atakora, Mr. Daniel Boakey and Ms. Rita Abban from Ghana and Mr. René Houessou and Mr. D. Moussiliou Moustapha from Benin acting as local consultants;
- the fourth study, undertaken by Sergio Arvizu, explored the managerial and administrative requirements and options for the management of a major international TRUST fund.

Peter Lloyd-Sherlock (University of East Anglia) and Armando Barrientos (University of Manchester) contributed a background paper on the impact of non-contributory pensions on poverty levels in families, households and communities.

In addition to the above sub-studies a major effort was undertaken to solicit expert opinions on the feasibility of the GLOBAL SOCIAL TRUST. About 30 established experts in the social security field responded to the team’s request for comments and feedback; their opinions were solicited on the basis of the zero draft of the concept. Diane Vergnaud of the ILO’s Financial, Actuarial and Statistical Services Branch coordinated the survey and summarised the responses. Karuna Pal developed the follow-up project in Ghana. The final report was co-edited by Karuna Pal, Diane Vergnaud, Florian Léger, Rüdiger Knop, Michael Cichon and Ana-Maria Méndez.

Part II of this report contains a set of documents on the outcome of the individual sub-studies as well as a summary of the experts’ opinions. The occasion of a sitting of the Preparatory Committee of the United Nations for the Conference on Financing for Development in January 2002 as well as the Conference in Monterrey in March 2002 itself were used to “float” the revised concept and obtain feedback from another group of experts. The reaction was positive and supportive.
A draft report of the feasibility study was reviewed by a tripartite group of international experts on the financing of social security who agreed a set of Recommendations to the Director General and the Governing Body of the ILO. The group met in May 2002 in Bossey/Geneva and adopted the Recommendations that are reprinted in this volume. The group was chaired by Ms. Lenia Samuel, Permanent Secretary in the Ministry of Labour and Social Insurance of Cyprus. The meeting constituted the final event of the feasibility study. The event was sponsored and supported by the Government of the United Kingdom. It was organised by Margaret Antosik and Karuna Pal of ILO-FACTS.

The nature of this report

This final report documents the development of the thinking in the ILO team and the review group, as well as many external experts on the topic of the GLOBAL SOCIAL TRUST. The process is not yet finalised, and the ultimate shape of the TRUST will probably only emerge after the completion of the first pilot projects. The project team decided to make this full set of documents available to a limited group of the interested experts, as many of the interim thoughts might explain how the official proposal of the ILO has taken shape. A shorter version will be made available to a wider public in November 2002 provided the Governing Body of the ILO agrees to a further exploration of the project.

Acknowledgements

This report is the result of a team effort. Many individuals volunteered generous support. Unfortunately we cannot list all those who offered ideas and reassurance at critical junctures, often modestly and without laying any claims on important contributions to the concept, or those who offered valuable evidence based on personal experience. Many thanks are also due to those who could not be identified here.

The team wishes to express its thanks to all friends and colleagues from a wide range of “walks of life and views” who shared their opinions in writing with the project team. Most of their opinions are reflected in the annex on the survey of expert opinions. The project team made no effort to “streamline” their views – regardless of whether they were in agreement or in disagreement with the views of the team or whether or not they were fully congruent with the values of the ILO. We want to document the full range of the debate on the complicated subject.

The contributions of all participants at the first brainstorming meeting in Geneva in September 2001 (Cornelius Dzakpasu, Phillipe Egger, Krzysztof Hagemejer, Wolfgang Scholz, Melanie Glenat, Karuna Pal, Kenichi Hirose, Rüdiger Knop, Mariko Ouchi, Florian Léger, Anne Richter, Pierre Plamondon, José Tossa, Diane Vergnaud, Hiroshi Yamabana) and in particular the support of the experts from the ILO’s Bureaux for Employers’ and Workers’ Activities (Frank Hoffer, Abdoulaye Diallo and Björn Grunewald as well as Deborah France) were invaluable in shaping the ideas on the GLOBAL SOCIAL TRUST reflected in this report.

Many other colleagues from the ILO and other organizations offered substantial feedback and support: Juan Somavia, Alejandro Bonilla, Annette Ching, Janelle Diller, Assane Diop, Maria-Angelica Ducci, Jean-Victor Gruat, Dominique Peccoud, Gareth Howell, John Langmore, Christophe Perrin, Stephen Pursey, Emmanuel Reynaud (all ILO), Stephen Browne (UNDP), Brent Wilton and Eric Oechslin (International Organization of Employers (IOE)), Ambassador Ivan Šimonovic (Croatia Mission to the UN), Valentin Klotz (German Mission in Geneva), Dieter Hebestreit of H2K Communications in Düsseldorf/Germany, Guy Ryder of the International Confederation of Free Trade Unions (ICFTU), Richard Exell of the UK Trade Union Congress (TUC), Bill Mansfield of the Australian Council of Trade Unions (ACTU),

Special thanks are due to the participants of the very constructive review meeting in Bossey, Geneva in May 2002 who formulated the Recommendations to the Director General. Their names are listed in Annex 7.
Recommendations to the Director-General and the Governing Body of the International Labour Office on the feasibility of a GLOBAL SOCIAL TRUST by the participants in an Interregional Meeting of Experts (Geneva, 14-16 May 2002)  

Introduction

At the invitation of the ILO a group of 25 participants including 14 tripartite representatives and 11 independent resource persons and observers met in Bossey (Geneva) from 14 to 16 May to review the report “A Global Social Trust: Investing in the world’s social future” which explores the feasibility of a GLOBAL SOCIAL TRUST.

The objective of this Meeting was to develop a recommendation to the Director-General and the Governing Body of the ILO as to the viability of the concept and the feasibility of its implementation.

The exploration of the TRUST concept is seen as part of the response of the ILO to extend the coverage and improve the governance of social security systems, and is consistent with the conclusions of the general discussion on social security adopted by the International Labour Conference in 2001.

Summary of conclusions

After intensive discussion, the participants of the Meeting reached consensus on the following issues:

(1) The group endorsed the view that the concept of a GLOBAL SOCIAL TRUST merits further exploration as an innovative measure to provide social security to meet basic needs to assist in combating poverty in developing countries. The proposal envisages that the TRUST would collect modest contributions on a voluntary basis from individuals, and possibly other sources such as institutions, including corporations and foundations, largely in industrialized countries. It would invest these resources in developing countries to build up and temporarily sponsor social security systems.

(2) The TRUST would operate according to the following guiding principles:

- the basic philosophy is the exercise of global social commitment by individual and possibly corporate or institutional contributors;
- it will build on initiatives taken in recipient countries which demonstrate the commitment to self-help;

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2 Interregional Meeting on Exploring the Feasibility of Financing Social Protection Benefits in Low-income Countries through International Transfers (GB.283/Inf.2).
the TRUST will build on social partnerships in donor and recipient countries and on partnerships between organizations in donor and recipient countries;

it will sponsor and support programmes tailor-made and responsive to the most pressing social security needs at a local, regional or national level;

it will consist of a decentralized system of funding combined with a centralized system of project vetting, appraisal and support;

it will maintain political independence and respond exclusively to priority needs;

wherever possible it will utilize existing social administration structures in recipient countries and will help to foster sustainable pluralistic social security networks;

it will support strategies for the extension of social security through a combination of investments in administration and time-bound subsidies, building on commitment at the local, regional and national levels;

operations will be fully transparent, ethical, accountable and subject to regular performance and financial audits;

support will be additional to existing social security resources as the TRUST is intended to provide resources that supplement what governments are currently able to provide.

(3) The TRUST would be organized as a system of national structures which would collect, hold and allocate financial resources directly to projects following their vetting and assessment by an independent international body, which would also audit the conduct, finances and outcome of projects. This body would maintain a small technical secretariat which would provide advice and support to all parts of the TRUST.

(4) The TRUST’s activities would be demand driven. Social security schemes to be supported by the TRUST would be considered according to the national policy priorities of the applicant country, as reflected in its Poverty Reduction Strategy. The TRUST could, for example, support targeted benefits with a direct impact on the financing of community-based health services, basic pensions for the elderly, benefits for the sick and disabled, and family benefits, with particular emphasis on ensuring children’s education. TRUST projects would be proposed, designed and submitted for financing by governments and/or other recognized institutions in applicant countries. These projects would have to satisfy a set of criteria, such as:

they should have a direct measurable impact on poverty and/or health status;

they should be compatible with other national anti-poverty and social protection policies;

resources provided should be additional to pre-existing levels of national social spending;

the schemes would have the objective of attaining financial independence from the TRUST by the end of the project.

(5) The concept of the GLOBAL SOCIAL TRUST fund would be tested and evaluated on a step-by-step basis. The first phase would be one or two pilot projects which would bring
together donor and recipient countries. These projects should demonstrate that adequate resources for such projects can be mobilized through voluntary contributions in donor and recipient countries and that an effective reduction of poverty levels and/or improvement in health levels can be sustainably achieved by supporting social security schemes that meet basic needs.

(6) If these pilot projects prove successful as measured by factors such as:

- effective contribution collection;
- effective governance;
- effective selection and delivery;
- measurable improvement in poverty levels and/or health status;

a permanent international body could be considered to organize the future work and development of the TRUST.

(7) The initial role of the ILO should be to promote the idea of the TRUST within its constituency and at an appropriate stage help establish the national structures and the international organization in collaboration with its tripartite constituents and other stakeholders. Any national organization and international body subsequently established would remain legally independent entities without any budgetary, managerial or administrative links to the ILO; however they would be expected to conform to the ethical and governance principles followed by the ILO. The TRUST could contract with the ILO to provide expertise to the technical secretariat for project vetting, appraisal and support.

(8) The ILO should establish a GLOBAL SOCIAL TRUST pilot project. The funding of the pilot project should largely come from extra-budgetary resources. Its implementation must be considered in the context of the priorities set by the outcome of the General Discussion on Social Security at the 89th ILC (2001). In addition to annual reports on development to the Governing Body, the progress of the pilot project is to be the subject of a significant evaluation initiated by the Governing Body prior to the end of December 2005 and further decisions taken as to the continuation of the overall proposal in March 2006. The project should have a small tripartite advisory board to be appointed by the ILO Director-General and Governing Body officers.

**Recommendation**

That the outcome of the Meeting be noted by the Governing Body.

That the Governing Body invite the Director-General to take action to implement the proposal of the Meeting that the ILO explore social security schemes to help combat poverty in developing countries by voluntary contributions along the lines set out above, in particular the establishment of a pilot project.

Geneva (Bossey), 16 May 2002.
Executive summary of the
GLOBAL SOCIAL TRUST proposal

Background

As recent events have demonstrated to all of us, poverty somewhere is a threat to all of us everywhere. Poverty eradication will remain first and foremost a matter of national economic and social policies as well as good governance. However, there are a number of developing countries with per capita GDP levels of US$1,000 and below which will – if left to their own devices – not be able to escape the poverty trap cemented by malfunctioning governance and bad economic performance for a number of decades. Today, globalization is still largely a phenomenon of capital, goods and services, as well as labour markets. While poverty is widely discussed and multifarious initiatives have been undertaken to combat this problem on national and international levels, global social responsibility is not yet the mindset of most people. The world may be on the way to becoming a global village, but the villagers are not sharing enough of their resources to lift their less fortunate neighbours out of the most severe forms of poverty.

At the turn of the century the global community has adopted Millennium Development Goals (MDGs). The first and most prominent of these ambitious goals is to “eradicate poverty and hunger”. This was concretized as “halving the proportion of people with less than one dollar a day”. National social protection systems providing social security through schemes ranging from basic poverty alleviation to pensions and health-care schemes are one of the most powerful means of alleviating and preventing poverty. However, according to ILO estimates only about 20 per cent of the world’s population has access to some formal social protection. The “GLOBAL SOCIAL TRUST” (or “TRUST” for easy reference) aims at lifting people in the poorest countries – hitherto without access to social protection – out of pandemic poverty faster through the provision of basic social security. This proposal builds on a spirit of global social responsibility. The mission is to sponsor and invest in the build-up of sustainable social governance structures rather than support ad hoc initiatives. This has never been done before in such a concentrated form.

The basic idea, mission and objective

The basic idea is to request people in the richer countries, i.e. OECD countries, to contribute on a voluntary basis a rather modest monthly amount (say €5 per month or about 0.2 per cent of their monthly income) to a GLOBAL SOCIAL TRUST which will be organized in the form of a global network of National Social TRUSTs supported by the ILO, which will then:

3 The terms “social security” and “social protection” were and still are often used interchangeably. However, it seems to be more or less generally accepted by now that the term social protection embodies a wider concept (see ILO: Social security – a new consensus, Geneva 2001, p.39). The terminology problem is aggravated by the fact that the Bretton Woods institutions also use the term “social safety nets”, which generally refers to the core set of most basic forms of social benefits that are necessary to avoid destitution. More recently the World Bank developed the concept of “Social Risk Management” which is a wider concept that encloses all mechanisms that individuals, communities and societies have to safeguard the standard of living of individuals. In this report we pragmatically use the term basic social protection schemes (in the original meaning of the word), describing transfers in cash or in kind that provide some basic income security and access to essential health care and basic education to those in need.
• invest these resources to build up basic social protection schemes in developing countries;

and

• sponsor concrete benefits for a defined initial period until the basic social protection schemes become self-supporting.

The mission of the GLOBAL SOCIAL TRUST Network is to systematically reduce poverty in developing countries through a partnership that invests in and sponsors the development of sustainable national social protection schemes for people and groups which have been excluded from the economic benefits of development. Social security is one prerequisite that enables individuals to fully develop their social skills and economic productivity. Hence, the TRUST would invest in the world’s social future by seeking to alleviate poverty and thus promote social peace.

The objective of the TRUST is to reach 80-100 million people in the least developed and low-income countries, who are today excluded from effective social protection, within the next two decades – and more in the following decades. The underlying principles of the GLOBAL SOCIAL TRUST Network are global social responsibility and social partnership.

Benefits, benefit delivery, obligations of recipients

It is suggested here that the TRUST will support all national action that aims at extending the coverage of basic social security. The concrete set of benefits will be determined in line with national, regional or local priorities on a case-by-case basis. It is expected, however, that the main benefit systems supported through the TRUST will be combined national and community initiatives which finance essential health care, basic income security benefits and finance basic education. The beneficiaries are families as shown in the following basic family protection triangle. A promising avenue for rapid poverty relief for whole families that has emerged during the study appears to be basic “one-dollar-a-day” pensions for the elderly. These have proven to have beneficial effects for whole families.

The basic family protection triangle

It is expected that there will be contractual arrangements between community-based initiatives and existing national social protection systems aimed at building modest but sustainable, pragmatic and pluralistic nationwide social protection networks. The TRUST will operate through the implementation of major national assistance programmes in countries for a period of
between five and ten years. These programmes will be based on explicit agreements, between the TRUST and national governments or national agencies, which will stipulate the obligations of both sides. These contracts will be based on financial and operative transparency and tough monitoring and supervisory machinery. Two field studies exploring the potential chances for a successful, effective and efficient delivery of benefits through the TRUST came to the conclusion that the approach is worth testing. A small project in one country to test the linking of the national and community-based levels for benefit delivery will be launched during 2002 as a further step to collect practical experience for a successful launch of the TRUST.

**Basic operational principles**

The TRUST would operate according to ten major guiding principles:

- the basic philosophy is the exercise of global social commitment by individual and possibly corporate or institutional contributors;
- it will build on initiatives taken in recipient countries which demonstrate the commitment to self-help;
- the TRUST will build on social partnerships in donor and recipient countries and on partnerships between organizations in donor and recipient countries;
- it will sponsor and support programmes tailor-made and responsive to the most pressing social security needs at a local, regional or national level;
- it will consist of a decentralized system of funding combined with a centralized system of project vetting, appraisal and support;
- it will maintain political independence and respond exclusively to priority needs;
- wherever possible it will utilize existing social administration structures in recipient countries and will help to foster sustainable pluralistic social protection networks;
- it will support strategies for the extension of social security through a combination of investments in the administration and time-bound subsidies building on commitment at the local, regional and national levels;
- operations will be fully transparent, ethical, accountable and subject to regular performance and financial audits;
- support will be additional to existing social security resources as the TRUST is intended to provide resources that supplement what governments are currently able to provide.

**Supplementarity**

The TRUST does not intend to compete with other international or global funds or existing charities operating in the field of international development. It aims at different donors, follows a different rationale and has the distinct objective of investing in good long-term social governance as one prerequisite for development. It is a people-to-people trust that seeks long-term presence in the emerging system of global social governance.
While there are a number of global funds that have been established recently, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria and the Global Drug Facility, each of these has a very specific focus on certain disease conditions. Traditional charities – often operating on a religious platform – address a donor community that has an emotional charitable approach to giving. The TRUST is aimed at people who understand and seek contractual agreements between citizens to reduce the income and welfare differences in the world and who believe that this is a beneficial investment towards global social peace in the long term. The TRUST will address the broader issues of human development and the environment and safeguards provided to facilitate human development. It will be undertaking work and funding for which at present there is no global fund and will facilitate improvements in countries rather than act as an implementing agency. It is anticipated that many of the NGOs currently working in social development may enter into partnerships with the TRUST.

Financial potential and impact

The TRUST could grow into a major international financial North-South transfer operation. If between 5 and 10 per cent of the employees in the OECD countries were to contribute an average of about €5 per month, then the TRUST could collect in its stationary state (i.e. after an introductory build-up phase of about one decade) between €1 and €2 billion per annum. This order of magnitude is equivalent to the present income of UNICEF and about four times the amount that the World Bank’s International Development Association (IDA) annually disburses for investment projects in social safety nets. It is estimated here that within the first 1.5 to 2 decades of its existence the TRUST could reach about 100 million people, i.e. help to lift them out of severe poverty through the provision of basic social security.

Organization, governance and the role of the ILO

An operation of the envisaged order of magnitude requires a gradual build-up and the institutionalization of a tight system of monitoring. It also needs to ensure that it is not perceived as another mighty global institution uncontrollable by its financiers. It is thus suggested here to build the TRUST as a decentralized network rather than a centralized money collection and disbursement agency. The design suggested here favours the strong participatory responsibility of the individual financiers. The network approach envisages the gradual building up of national organizations (National Social TRUSTs) confederated in a global organization but with full national budgetary independence. National organizations would launch national membership campaigns, collect contributions, manage the funds, decide on the use of funds and audit projects financed by the respective national organizations. National organizations would be supported by a technical secretariat at the global level that would identify, prepare and implement country programmes under the supervision of a global board and be governed by a global assembly. The ILO would provide and host the technical secretariat. It would be represented on the global board.
and it would hold the “franchising rights” to the organization and the brand name. However, it would not directly manage the funds.

While the ILO will thus have a key role in the design, the promotion, the start up and the funding of the TRUST, it will not be an “ILO fund”. Rather, it will be a partnership demonstrating solidarity between workers, employers and governments of developed and developing countries. The ILO’s role is fully consistent with its constitutional mandate to “promote social security” and its new focus on decent work for all. There can be no decent working conditions in the informal sector without at least a minimum of social security for families.

**Post-September 11 donor fatigue?**

While the events of September 11 may have resulted in more caution when donors are committing financial resources, they have also underlined the greater need to take assertive actions to redress income and welfare differences between countries. Through its novel approach to partnering, the TRUST will provide a unique opportunity and outlet for those who wish to contribute to making the world a more equitable and safer place.

**Implementation**

This study suggests a gradual step-by-step approach to the implementation of the proposals. To reduce risks of failure there are various points where the process can be modified should it become necessary. This feasibility study should be followed by a next step, a pilot project, to test the viability of the principles of the benefit delivery and the contribution collection. This pilot project would seek to test the viability of the benefit delivery concept in one developing country as well as the viability of the financing idea in one OECD country. Once the pilot is successful the process of building up a global organization may commence. This could take a decade.

**Prerequisites for success**

The building up of a major global organization requires strong commitments from “an agent of change” with potential access to strong national partnerships. The ILO, with its tripartite national constituencies and its constitutional and technical competence in the field of social security, would be ideally placed to adopt that role as “agent of change”. Strong and lasting commitment is required – as well as institutional entrepreneurship. In more simple terms – basic investments (not huge but substantial) in terms of budgets and people are also required.

If these conditions are met, the feasibility study team considers the creation of a GLOBAL SOCIAL TRUST Network a bold, worthwhile and entirely feasible exercise.

**A vision of the TRUST**

The GLOBAL SOCIAL TRUST Network as envisaged here is a complex administrative and financial structure. A concrete image of it may help to understand the “soul of the new machine”. That image is provided here in form of a newspaper article that may be written in some five years from now.
A vision come true –
The Global Social Trust changes life in an African village
and in a town in Holland

Today is Moussa Latifov’s 65th birthday. He lives in a rural village in the south of Benin. As of today Moussa is a pensioner. To him that is a miracle.

Moussa has never contributed to any pension scheme in his life. He has always been a subsistence farmer; just made enough to look after his family. Paying contributions in cash to a social security scheme was out of his reach. Cash was only available when the crops were harvested and sold. His old age security were his son and daughter-in-law with whom he wanted to spend his old days together with his wife Aminata. Then came AIDS. Moussa and Aminata now have to care for their son and his wife, both ill, and their kids… Today, Moussa will walk the five miles to the next social security village office and wait with many of his friends for the armoured truck from Cotonou to arrive. He will than show his metal ID and receive – for the first time - this month’s pension of 22,880 FCFA, the equivalent of 30US $. The armoured car will be white, covered with dust, and the doors will be sporting two logos: one of the OBSS, the national social security scheme and the other one will say in light blue letters GST, the acronym of the Global Social Trust, created by the ILO and its national constituents five years ago. The money will be enough to buy the food that they don’t grow themselves and pay the school fees for the grandchildren. The monthly struggle for cash – which Moussa and Aminata lost so often in recent years - will be over.

Before Moussa can draw his pension this afternoon, two seemingly unrelated things happened yesterday in two totally different corners of the world. Joseph Niobe – teacher and part-time worker in the village social security office, which also has two logos on its white door had put Moussa’s name on the list of 65 year old – the age being confirmed by the local priest. Then he had sent that list by e-mail to the OBSS head office in Cotonou. They notified the money transport company to take the extra 30US$ for Moussa on board when they left for the village. They will also take a small parcel with drugs that Moussa’s son and daughter-in-law need so badly to survive for the next month.

At the same time at the other end of the world Ria Kamps (35) in Utrecht in the Netherlands had her bank account debited by 15 Euros – punctually as every quarter. She had that amount deducted from her account since years ago when her local union representative had recruited her as member of the Dutch GST section. She had signed up and forgotten about that regular small contribution. But today is a special day. When she checked her bank account this morning by e-banking from her office, the transaction reminded her again that tonight she will have to take her sports car and drive up to The Hague for a meeting of the GST committee into which she had been elected a year ago. Her qualifications as an accountant make her a valued volunteer - an asset for the committee.

Also about a year ago the Dutch committee of the GSN had decided to fund the project in Benin from Ria’s contributions and those of about 300000 other Dutch employees. Within five years that project will establish a basic pension and pharmaceutical support scheme in Benin hoping to reach out to about 100,000 elderly which would also support other family members. Benefits would thus be spread to about 0.5 million people. The project will finance about 50% of the benefits for these 100,000 elderly, 100,000 victories against old-age poverty. At the end of the project the Benin government will take over the cost of the benefit in full. The cost will in part be covered by savings in the OBSS which will be realized due to the fact that GST cost and performance monitoring of the OBSS has led to a dramatic reduction of administrative cost.

Ria has been selected as one member of a monitoring team of five that will check the progress of the project against milestones that were agreed upon with the OBSS before the project started. “I never think of this as philanthropy” Ria says “for me, this is just an investment in a peaceful future” and she adds with a grin “…this is my equivalent to Bill Gates’s billions for his TRUST”.

Almost exactly 5 years after the UN conference on Financing for Development in Monterrey, Mexico, where the International Labour Office first floated the idea of a GLOBAL SOCIAL TRUST fund, the GST today has just reached its first 10 million beneficiaries in Africa. All over the OECD countries millions, mostly younger employees, pay their solidarity dues of about 5 Euros per months without much ado.

“A vision has come true in the last five years”, says Juan Somavia the Director General of the ILO, “in another five years we hope to reach out to about 100 million people”.

On his way home - humming a familiar old tune - Moussa knows nothing about this, and Ria in her beetle – with roaring hard rock coming from her audio machine - in the middle of the evening traffic jam in Utrecht does not think about it. And yet, the GST has changed their lives – for the better.
Part I: The proposal

1. Setting the scene: Background, justification and development policy context

The world is facing a crisis of human development due largely to poverty and its consequences. There are still shamefully too many people who are too shamefully poor. About 1.2 billion people live on less than one dollar a day.\(^4\) However, poverty is a multi-dimensional phenomenon. It manifests itself inter alia in lack of access to education, lack of access to adequate health services, in malnutrition, in poor sanitation and in gender disparities. The causal links between working and living environment, education systems, health systems, social protection systems, human rights, poverty, and gender are fundamental to finding solutions that will remedy these problems. Improving education, health, environment, work opportunities, and available social security safeguards for poor people are essential strategies to realize international development targets such as the Millennium Development Goals (MDG). Ultimately all potential remedies to all dimensions of poverty have three common denominators: the availability of resources, established national policy priorities with regards to the use of resources and the effective and efficient allocation of available resources. If an economy generates a high enough national income, it also creates a tax base that should permit to devote enough resources to combat poverty. Whether and to what extent these resources are actually used to combat poverty is a matter of national policy priorities. How effectively and efficiently they are used depends on the quality of governance.

Hence, the eradication of poverty remains first and foremost an obligation of national economic, social and fiscal policies. That task inevitably is easier in countries where the economic engine provides enough income that can be redistributed to alleviate immediate poverty and be re-invested in the economy and the governance systems to prevent the poverty risk in the long run. Other countries need external help to put governance systems on a policy trajectory to reduce poverty. This reports analyses whether such support could be provided effectively and efficiently through a GLOBAL SOCIAL TRUST.

Figure 1.1 encapsulates the basic rational of the GLOBAL SOCIAL TRUST approach to poverty alleviation. The bolder line describes the obvious relationship between per capita GDP and the prevalence of income poverty (measured as the headcount of people living on less than US$2 a day). Income poverty obviously steeply declines with increasing levels of per capita GDP. That is no surprise. That poverty is not completely abolished in countries with high per capita levels of GDP is a matter of policy priorities, although the regression line is obviously misleading towards the higher income level end. The US$2 per capita income level is an absolute poverty level and in most high income countries that level of destitution will be virtually non-existent. Figure 1.2, which relates national definitions of relative poverty to per capita GDP levels might be more relevant for higher income countries.

What the graphs also show is that at the same level of GDP per capita different countries can have greatly different levels of poverty. The difference in the level of poverty between these countries is thus not explained by different levels of economic performance but rather by policy and governance factors. One of these governance factors is obviously the spending on social

security - or in other words how much of GDP is devoted to social transfers. The second line in both graphs plots the same relationship in countries with relatively low social spending\(^5\) (as measured in public spending on social security as a percentage of GDP). Even if the regression fit is not very good it seems that social spending itself can push poverty rates down.

A cluster analysis of the relationship of absolute poverty rates and GDP per capita shows that countries with approximately US$5,000 per capita may still have poverty rates of about 50% but could also possibly achieve poverty rates well below the 20% level with the right policy priorities and good governance. At least their absolute poverty lines in theory need not be much higher than the relative poverty line in countries with a multiple of their per capita GDP. At the same level of per capita GDP China and Jordan, for example have very different levels of poverty. China is a relatively low spender (even though not all social security expenditure may be statistically captured here) which experiences a high poverty rate of more than 50% while Jordan’s relatively high social spending seems to be able to push poverty rates down to well below 30%. However, the relationship between poverty and social spending is not as stringent as one might expect. Low spending Morocco seems to be doing as well as high spending Jordan. Within the overall redistribution through social transfer systems the degree of poverty targeting is also relevant. In general, substantial and well allocated social spending seems to be able to effectively push poverty rates down - even without a change in economic performance. The effect of social spending on overall absolute poverty rates is even more dramatic if one were to include the economic transition countries into the regression analysis.

**Figure 1.1.** Percentage of population below US$2 – poverty line versus GDP PPP per capita (1997); countries grouped according to high and low spending on social security (exponential regression); transition countries excluded

\[^5\] ‘Low’ and ‘high’ levels of spending were determined in a two-stage process. First a regression line showing the dependence between social security expenditures as a percentage of GDP and per capita GDP were determined. Low and high spenders were defined as countries below or above that line.
Figure 1.2. Percentage of population below national poverty line versus GDP PPP per capita (1997); countries grouped according to high and low spending on social security (linear regression)

However, while some countries with relatively low levels of GDP appear to be able to maintain systems of good governance and endogenous redistribution there are a number of low income countries with an annual GDP per capita of below US$1,000 which do not seem to be able to invest substantial amounts of resources in the build-up of national social transfer systems as a means to combat poverty. They appear to require an external “kick-start” to build a solid social transfer system.

Economic growth alone and the expected associated increases in public revenues would probably only after decades permit substantial investments in the social transfer sector. For a given country, if one were to leave the development of good social governance to the “natural” development path while GDP increases from a level of US$1,000 to US$5,000 per capita and the poverty rate declines from say – 80% to 20% - that process would take about three and a half decades, even assuming an optimistic average annual rate of real growth of 5%. This is still much too long a period to be ethically and politically acceptable. It is not the mission of the TRUST to create and maintain higher levels of economic growth directly. Its main business would be to reduce the level of poverty faster than economic growth alone could achieve. It is assumed, however, that these lower levels of poverty will have a positive “knock-on” effect on individual productivity and hence long-term growth.

The mission of the GLOBAL SOCIAL TRUST is to financially support efforts of national social protection systems in such countries, which generally cover only a minority of the population, to reach out to uncovered communities and groups in the population. The introduction of universal social protection coverage in many poor nations, communities or groups often faces a critical hurdle that prevents it from taking off: the resource gap. Setting up schemes has inevitable costs, that can often not be covered from own resources. National governments in most poor developing countries simply do not have the fiscal or administrative capacity to organise a nationwide institutional social protection network. The lack of national resources in particular...
hampers the creation of governance skills that would permit successful implementation and operation of national social protection systems. Neither do these countries at present have the capacity to maintain social transfers to the very poor. Communities or occupational groups have to step in and to fend for themselves. However, they are often faced with a vicious circle: They cannot ask members of the community to contribute to a transfer system, without being able to provide these transfers immediately or without providing a full range of transfers immediately. If these schemes are not able to provide the full range of most needed minimum services they lose credibility and collapse. The resource gap does not allow them to train their staff, invest in local infrastructure or finance costly benefits from the start. This is due to the fact that financial reserves and the delivery capacities have to be built-up over a longer period.

External support is required. The objective is to leap-frog the natural pace of the extension of social protection coverage and associated poverty reduction. It seems that dropping down from a natural poverty reduction curve to a curve that has approximately a 20%-points lower poverty level appears possible if investments in good governance and possibly limited external transfers were possible. The duration of the countries’ fight against pandemic poverty might be reduced by about 20 years. While the figures quoted here are only illustrative the following graph encapsulates what the GLOBAL SOCIAL TRUST tries to achieve: A faster reduction of poverty through the launching of the poorest countries onto a lower “poverty orbit” by an initial external boost.

Figure 1.3: The poverty reduction “boost”

The boost would come from substantial external investments in the build-up of a national social protection system and a transitional cost sharing of some of the critical well targeted anti-poverty benefits. These external investments could come from the GLOBAL SOCIAL TRUST which should be fuelled by resources from richer countries.

Ideally the TRUST would be financed by regular contributions from member countries. Recognising that state support for the financing of development will inevitably be limited in the near future, the ILO will seek the voluntary support of individual citizens. It will promote the creation of a network of decentralized funds which will be financed by voluntary contributions from employees and possibly enterprises in the industrialized countries (i.e. through average
monthly contributions of 5 Euros per month or 0.2% of monthly income). The resources will then be used to invest in national social protection systems in low-income countries. This will be aimed at sponsoring, for a limited period, the operations of these systems, while enhancing their capacity to attain full sustainability as well as extending coverage to lower income groups of the population.

The TRUST offers individuals around the world, global citizens, whether they are employees, self-employed, employers, pensioners or corporate entities the possibility to explicitly accept an individual share of global social responsibility. They will – on a rational rather than emotional basis - invest a small part of their income – and possibly some of their time - on a voluntary basis into enhancing global social justice and hence social peace. This may not have immediate tangible benefits for the contributors but may well contribute to safeguarding the lives of their children. Social peace is a public good that can only be “produced” by widespread solidarity.

The GLOBAL SOCIAL TRUST initiative would also complement other worldwide initiatives to alleviate poverty. Under the IMF and World Bank initiatives on debt reduction in the poorest countries (HIPC- Heavily Indebted Poor Countries), the governments of these countries prepare the poverty reduction strategies. The aim is not only to unblock and stimulate economic growth but also to ensure that this growth is an equitable one, that it reduces poverty through a system of social transfers reaching those most vulnerable. The aim of the GLOBAL SOCIAL TRUST is to put in place and enhance exactly this type of transfer systems. For example, the Poverty Reduction Strategy Paper (PRSP) prepared by the government in Ghana foresees that the social security institution (SSNIT) will organize a mutual health insurance scheme, which is a chance to extend the social protection coverage to those not covered until now and thus not only to reduce poverty but also to prevent it for a large number of people. This is the type of activity which would be supported by the GLOBAL SOCIAL TRUST.

The ILO also sees all activities of the TRUST as contributions to the achievement of the Millennium Development Goals (MDG) which are seen as an outcome of the “world conferences organized by the United Nations in the last decade and have been commonly accepted as a framework for measuring developments progress”\(^6\). Effective basic social protection mechanisms can help to achieve at least six of the eight goals. Cash transfers to the poorest families, for example, will have a direct impact on poverty, hunger, primary education (if school fees are paid out of income transfers), gender equality and the empowerment of women (if family cash transfers are paid to women), child mortality (if family benefit are tied to the utilisation of ante-natal care) and the effects of HIV/AIDS (if basic cash or health care benefits are provided to victims and their families). The TRUST would thus also be a tool to mobilize the potential of social protection to the achievement of the Development Goals and as well be compatible with all other initiatives that are needed to achieve these goals.

2. A possible blueprint for a GLOBAL SOCIAL TRUST

The following sections describe a model for the TRUST that appears to be the most plausible at this stage of the exploration of the concept. The individual characteristics were delineated from the findings of the individual sub-studies - as well as the many opinions from experts that were received during the consultation process of the feasibility study. The main characteristics of the blueprint for a GLOBAL SOCIAL TRUST – as they reflect the thinking of the study team and incorporate the basic ideas of the review group - are outlined in the following 10 sections. Needless to say that all of them might have to be modified if the concept were to be explored further.

2.1. The basic idea

The basic idea is to request people in richer countries, i.e. OECD countries, to contribute on a voluntary basis a rather modest monthly amount (say €5 per month or about 0.2 per cent of their monthly income) to a Global Social TRUST which will be organized in the form of a global network of National Social TRUSTs supported by the ILO.

The TRUST would address the twin problems of poverty and social insecurity through:

- **Investments** in social governance structures to enable basic national social protection systems to function independently in the longer-term and become financially self-sustainable through securing adequate national resources (leveraged investment) and

- **Timebound and targeted subsidies** in the short- and medium-term to support social transfers to population groups that are not covered by formal social insurance mechanisms.

This initiative will bring together social partners and governments as well as local communities in developed and developing countries. The TRUST would largely be financed by small, voluntary, solidarity contributions from individuals and if possible employers in the rich countries – thus extending first world social solidarity into the developing world and creating an effective global social partnership for social development. The TRUST will provide seed-support to self-help initiatives without creating long-term dependency.

The TRUST will need strong partners in all individual countries – on the donors’ side as well as on the recipients’ side. Major partners will be employers and workers organizations. The unique tripartite structure of the ILO can be used to mobilize support from workers and employers in ILO member countries. The capacities of the Office will be used to design and monitor project activities.

2.2. Mission and objective of the TRUST

The mission of the GLOBAL SOCIAL TRUST is to systematically reduce poverty in developing countries through a partnership that invests in and sponsors the development of sustainable national social protection schemes for people and groups which have been excluded from the economic benefits of development.
The objective of the TRUST is to reach 80 to 100 million people in the least developed and low-income countries within the next two decades - and more in the following decades. The underlying principles of the TRUST are global social responsibility and social partnership.

Hence, the TRUST would invest in the world’s social future by seeking to alleviate poverty and thus promote social peace.

2.3. Potential benefits for the socially excluded

The purpose of the TRUST is to make significant and sustainable contributions to enhancing social programmes which will facilitate the extrication of people from poverty by providing and supporting opportunities of self-help.

The key activity will be the investment in and the sponsoring of the set-up or extension of social transfer schemes for groups or communities which have hitherto been excluded from adequate social security coverage (inter alia due to the fact that they do not belong to the organized formal sector). However there should be tight eligibility conditions for TRUST support and a categorical limitation of the types of benefits to essential social protection needs.

2.3.1 Eligibility conditions

The crucial and inalienable prerequisite for the TRUST’s support to national initiatives would be the financial and organisational commitment of communities, groups as well as national governments. There would be no 100% financing of initial investments or benefits of sponsored schemes. Community commitment would in principle be demonstrated through the initiative to set-up, organise and to a substantial extent finance community-based insurance or social assistance schemes. National commitment could be demonstrated through budget financing of - at least - a part of the benefit cost. This budgetary commitment could be re-financed, for example, through the charging of an extra contribution for social development to the members of national social insurance schemes. For community or national schemes to qualify for technical support and temporary subsidies they would have to meet certain minimum criteria:

- benefits provided must have a direct and measurable impact on poverty and or the health status of the population served;
- compatibility with other national anti-poverty and social protection policies;
- clear proof that the resources provided by the TRUST are additional to pre-existing levels of social spending;
- open enrolment, i.e. the schemes would have to refrain from screening their membership for “good risks” and would basically have to admit all people that express an interest in joining a scheme (to avoid moral hazard on the part of the members, waiting period till the first benefits are due might be acceptable);
- commitment to achieve the widest possible population coverage, which should be demonstrated through particular support for the most needy members of the community (by helping them to afford membership);
focus on the most urgent social security needs of the community, as demonstrated by a needs assessment study;

commitment to transparent administration and accounting, as demonstrated by a clear set of rules for benefit entitlements and contribution obligations, clear administrative procedures and a minimum set of accounting and budgeting rules;

a clear objective and potential for long-term self-sustainability or financial independence from the TRUST at the national level.

2.3.2 Nature and types of supported social protection benefits

TRUST sponsored social protection benefits are benefits that provide directly or indirectly some basic social security for whole family or household units, in that they should aim at helping the family or the household to cope with the risk of poverty and/or ill-health. The prime addressees of benefits should thus be groups of people that are living together as an economic unit in a household and are coping with income shocks and other risks of life together. This would not exclude people living alone, as they would be regarded as a one-person household. By their nature such benefits are social assistance benefits for families and households rather than the classical social insurance benefits which are generally based on individual entitlements.

Some of the benefits mentioned in this chapter – as possible targets for TRUST support – may appear to have the classical social insurance character of individual benefits, such as basic one-dollar pensions. However, these benefits have strong “trickle down effects” to whole families. Pension cash income, often the only type of regular cash income available to poor families in non-cash economies, is generally shared in the household. One might also tie the payment of that benefit to conditions which would directly benefit other family members such as the school attendance of children or the maintenance of a small savings account for the purchase of essential drugs for family members.

Contrary to its initial intention, the project team gave up the idea of defining one or two specific tangible benefits that would be supported by the TRUST such as, for example, basic health care benefits. In the course of the country studies as well as discussions with experts it became apparent that actual benefit needs may vary widely between countries and even within a given country. It is not appropriate for an international organism like a GLOBAL SOCIAL TRUST to prescribe the benefits that will be provided to communities. Not defining a specific tangible benefit would ensure greater relevance and responsiveness to needs in recipient countries.

However, a categorical definition of benefit schemes to be supported is necessary to maintain public confidence that the contributions are spent where they are most needed. The study team and the review group thus limited the schemes “eligible” for support by the TRUST to schemes that provide basic family security benefits or benefit packages that fall within the triangle of:

- **basic income security benefits**, providing cash or in kind relief to families and individuals facing poverty due to income shocks triggered by a loss of earnings capacity (e.g. in case of old age, disability, sickness);
- **essential health care**, providing family members with care that is medically necessary, nationally available and not affordable to the family;
• **basic education**, ensuring a minimum duration of school attendance up to a defined age for children in supported families through coverage of school fees and sponsoring of e.g. school uniforms.

**Figure 2.1: The basic family protection triangle**

![Diagram of the basic family protection triangle](image)

Supported benefits need not necessarily fall within one category of the triangle. One benefit might actually belong to two or even all three categories. For example, a cash benefit for a disabled family member might be used to purchase essential health care or could be made conditional on school attendance of the children under age 16 living in the same household. All possible benefits that fall within the above triangle have a direct or indirect, immediate or longer-term impact on poverty. Basic income security cash benefits provide immediate relief, essential health benefits relieve tight family budgets or help to maintain the long-term earnings capacity of family members, and basic education helps to ensure future earning capacity.

While there can be no one-type-fits-all approach to benefit delivery, one would normally envisage that benefits be delivered at the community level by either independent community-based insurance-type arrangements with financial and monitoring links to a national centre or a community-supported branch of a national institution (see also paragraph 2.4). The following section provides some examples of benefits and schemes that could be supported by the TRUST.

### 2.3.3 Some typical examples for interventions by the TRUST

Benefits and benefit schemes which could be supported would include community-based programs for education, health, and/or cash benefits for particular groups such as the sick, the old, the disabled, widows, children and orphans. The TRUST may facilitate improved access to health services, or allow for the education of children who are currently working, or provide death benefits that allow widows, widowers, and families to recover economically after the death of a key family member, or it might provide basic pension benefits to the elderly who have to accept care responsibilities for AIDS stricken younger family members. Some of these possibilities are illustrated below. These examples are illustrative rather than exhaustive and are of course different from case to case.

**Example 1: Support for community based health care schemes**

At present many community-based health care schemes face an insurmountable recovery gap. Local communities simply do not have the financial capacity to finance a comprehensive set of
most urgent health or cash benefits. Hospital care, for example is often out of the financial reach of local voluntary health insurance schemes. While these schemes may be able to reinsure against irregular expenditure variations, they are not able to recover the full cost of a reasonably comprehensive benefit package, unless they exclude many poor from coverage and concentrate on the better off in the community. As a rule, the larger the coverage, the bigger the recovery gap or in other words the higher the premium (the smaller the recovery gap) the lower the coverage. The **GLOBAL SOCIAL TRUST** could help close that gap until the scheme is able to close the recovery gap through own means. Figure 2.2 illustrates a possible initial cost-sharing arrangement for a local health and social security scheme.

**Figure 2.2.  Closing local financing or recovery gap – an illustrative example**

**Example 2: Supporting the introduction of universal basic pensions**

Another option could be the temporary cost sharing of a universal pension for all residents after a certain age or a benefit conditional on care responsibilities of the elderly in families. This option has for a long time been considered as un-affordable in many developing countries. If such a benefit were to be introduced nationally and were to be administered in a decentralized way by a community based organization and the benefit were to be limited to US$1 per capita, per day or 1 Euro per capita, per day level and communities were to co-finance the benefit, then the impact on the most severe forms of poverty might be immediate and substantial. Such a scheme could be affordable at least in some developing countries. Local communities could demonstrate commitment by administering the sponsored old age benefit and complement them – for example - by community based invalidity benefit payments. This type of benefit would have a series of direct positive effects for the elderly as well as indirect positive “trickle-down” effects for families in which the elderly live. It would de facto be a multi-purpose family benefit that would generate some form of cash income without being too big a deterrent to employment, it :  

a) would enhance the status of the elderly in the family,  
b) might help to keep children out of employment since families might be able to afford to send them to school rather than to work,
c) could enable the elderly to spend time to care for sick members of the family rather than seek ad hoc employment to generate some cash income in the families.

The paper in Annex 2 by Barrientos and Lloyd-Sherlock evaluates the experience with basic non-contributory pensions in 10 African and Latin American countries. The paper analyses national experiences along three dimensions: the impact on poverty and vulnerability of older people, impact on more aggregate levels of poverty (inter alia poverty levels in households and communities in which the elderly are living) and the impact on household investment. The paper concludes “… that cash transfer programmes do indeed have the potential to make a significant contribution to reducing poverty and vulnerability among the old and their households, as well as reducing the intergenerational transmission of poverty. Thus, the experience of the countries reviewed confirms that these programmes are able to deliver in all three dimensions, and with the right design and financing features, they could constitute the embryo for more embracing social protection systems in the developing world. The available evidence from these cash transfer programmes shows they have a significant impact upon old age poverty, and on the status of older people. In terms of their impact upon aggregate poverty, this depends on the extent of co-residence, and on the cultural norms and practices regulating intra-household distribution of income. Cash transfers to the old may be a less effective instrument in reducing aggregate poverty if, as is the case in transition economies or middle income countries in Latin America, a growing minority of older people start to live alone. However, there are no signs of this occurring on a significant scale in low income countries. Cash transfer programmes to the old also provide an important stimulus to economic activity, and can act as valuable insurance against risks to household consumption and investment. These programmes have the potential to make an important contribution to the development process.”

So far, basic tax-financed pensions were deemed unaffordable in most developing countries. However, recent indicative calculations by the ILO and others show that modest universal basic pensions (one US$ per day or less) could possibly be financed in at least some African countries by about 1 per cent of GDP. This, of course, would require substantial public spending shifts in countries with an overall tax revenue of the Central government between 10 and 20 per cent of GDP. In some countries national financing might be possible, others – almost certainly - would require transitional foreign financing from the TRUST.

The TRUST would not only help to set up the machinery to distribute the benefits and monitor their delivery; it might also develop a long-term financing plan together with the competent government authorities or social partner organizations and other organizations in the country. It is obvious that this type of benefit would require in the long-run a strong financial commitment of the government. A potential financing model for a TRUST supported rural pension scheme in Africa is provided in Box 11 in chapter 3.2.

The following box describes a concrete experience, the universal pension scheme in Namibia, which is by no means a rich country and can afford a nationwide modest universal pension scheme. This example shows that this benefit might be one of the most powerful tools that a national social protection system has at its disposal in order to eliminate one of the hard cores of poverty – old age poverty - and at the same time support families in need.

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7 See Annex 2, Table 1, the countries are Botswana, Mauritius, Namibia, South Africa, Cots Rica, Argentina, Chile, Brazil, Uruguay, Bolivia. Further experience on the effect of basic pensions in Africa and Latin America can be found for example in Case and Denton (1998) and Schwarzer and Delgado (2002)


Box 1. Universal pensions in Namibia

The Universal Pension Scheme in Namibia, which was established in 1992 by the National Pensions Act, is providing a flat rate benefit regardless of other income for rich and poor alike. Four types of benefits exist in the universal pension scheme: Old-age grants, disability grants, child maintenance grants and foster parent grants. Everybody who is a Namibian citizen and ordinarily resides in Namibia and is aged 60 years or more is entitled to an old-age benefit from the scheme.

The non-contributory Universal Pension Scheme (in March 2001) provided 111 789 benefits, thereof 96 767 benefits of the amount of N$ 200 (US $18) per month to persons aged 60 or older. Currently about 98 000 persons are 60 years or older, therefore the total coverage of elderly persons is almost 100 per cent.

Presently the expenditure for old-age benefits without administrative cost is about N$230 million per year, that is 0.8 per cent of GDP. If an annual adjustment of benefits in line with inflation is assumed this share is expected to steadily decline to 0.55 per cent during the period 2040 to 2044, thereafter it will start increasing. In the year 2050 it is calculated to be 0.6 per cent. This also shows that ageing does not always and everywhere pose an insurmountable obstacle for the financial viability of a universal pension scheme. The chosen example also demonstrates, that (almost) universal coverage of anti poverty measures for elderly is possible and affordable.

The main rationale for the Namibian Government to introduce a universal flat rate pension scheme is that of redistribution. The Government designed the pension scheme to be redistributive in order to guarantee adequate retirement income for retirees who were un- or under-employed, in low paid employment while working, or whose accrual of pension benefits was reduced because they were temporarily out of work for reasons such as sickness, unemployment, or family responsibilities. Redistribution between generations is also seen as desirable in order to share the benefits of economic growth.

Currently, the authorities intend to have the payments of the universal scheme means tested, in order to be able to pay higher benefits to those who are actually in need of it. In addition the government intends to establish a contributory pension scheme, in order to better address the needs of invalids, widows, and orphans and to provide higher old-age benefits than the basic anti-poverty measures of the universal pension scheme. Source: ESS-Paper No.6, Namibia’s Universal Pension Scheme: Trends and Challenges; Geneva, ILO, 2002; and own calculations. Box taken from a Paper contributed by the ILO to the Second World Assembly on Ageing (Madrid 2002).

The TRUST does not envisage freeing local communities or national governments or institutions from their responsibility to cater for their own social security needs. It would provide matching grants conditional upon local communities and the government accepting their fair share of the overall burden. It is intended as a contribution to the strengthening of the portfolio of anti-poverty risk management tools that individuals in the informal sector have at their disposal. It also would not accept open-ended commitments. That means – for example - that unforeseen extraordinary expenditure of a health care scheme - triggered for example by a malaria epidemic – will have to be catered for by the schemes’ own arrangements, either through the build-up of a contingency reserve or by taking out a re-insurance arrangement. Benefits from the GLOBAL SOCIAL TRUST will be time-bound. They would be contingent on the agreement of state or regional governments to take over the benefit delivery structures or guarantee the financial viability of the schemes at a certain point in time when the economic and fiscal situation permits full responsibility for the programmes locally.

The benefits of the TRUST would take the form of a contract between the government, the social security institutions involved and (if applicable) local communities and the National Social TRUST organizations. The following box contains the description of a typical benefit package.
Box 2. A typical benefit package of the GLOBAL SOCIAL TRUST

Let us assume that a government in an African country wants to set up a basic community based cash benefit scheme for AIDS affected households in rural areas. It requests help from the GLOBAL SOCIAL TRUST, as it would not be in a position to set up the scheme within its present budget constraints.

The benefit envisaged would be an amount of US$1 a day per infected and actually sick person to be paid to the carer. It is estimated that of the total rural population of about 1 million about 50,000 would suffer from the symptoms of HIV/AIDS. The total benefit cost at the present level of infection would thus be in the order of 18.25 million US$ per year. The benefit would be developed through a system of community based cash benefit insurance schemes which could collect a contribution of about 6 million US$ per year. The start-up cost of the delivery system would be in the order of 1 million US$.

The national social insurance scheme for formal sector workers would act as a partner for the community schemes. It could collect a small solidarity contribution of about 3 million US$ from its members. The government spends today an estimated amount of about 5 million US$ in ad hoc cash support for poor AIDS affected families. It could devote that amount of money to the setting up of the new scheme. Together the available resources still leave a financing gap which the fund will cover for a period of 10 years in addition to the set-up cost.

The GLOBAL SOCIAL TRUST project could establish a contract for this country which specifies in particular the following elements:

- ten year social budget projection for all government expenditure on social protection benefits; this is to ascertain to the extent possible that the government will not simply spend the money that it receives from the TRUST to reduce its overall financial commitment to the social sector;
- commitment by communities to a certain level of cost-sharing;
- commitment from the government to increase its financing share for the scheme till full cost recovery after year 10;
- an agreed upon 10 year financial plan for the benefit which could look as follows, assuming that the benefit amounts would stay constant and that the number of eligible person would increase by 1% per year and the number of contributors in the formal sector would also increase by 1% per annum and their wages by 2% in the formal sector.

Typical financial plan for a GLOBAL SOCIAL TRUST benefit package (milli. US$)

<table>
<thead>
<tr>
<th>Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
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<tr>
<td>Estimated Benefit cost</td>
<td>18.3</td>
<td>18.4</td>
<td>18.6</td>
<td>18.8</td>
<td>19.0</td>
<td>19.2</td>
<td>19.4</td>
<td>19.6</td>
<td>19.8</td>
<td>20.0</td>
</tr>
<tr>
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<tr>
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<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
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<td>20.3</td>
<td>20.5</td>
<td>20.7</td>
<td>20.9</td>
<td>21.1</td>
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<td>Soc. Insurance scheme</td>
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<td>3.4</td>
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<tr>
<td>Global Social Trust</td>
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<tr>
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<td>20.3</td>
<td>20.5</td>
<td>20.7</td>
<td>20.9</td>
<td>21.1</td>
<td>21.3</td>
<td>21.5</td>
<td>21.7</td>
<td>22.0</td>
</tr>
</tbody>
</table>

The financial plan would thus envisage a total commitment of the TRUST for the cost-sharing of the set-up (the investment part) of the scheme and the benefit subsidies for the first years of about 37.6 million US$ (without interest). If the people in the donor country would contribute on average about 5 € per month then about 120,000 contributors would be needed to finance the expenditure of the first year. That number would decline gradually thereafter.
2.4. Envisaged administrative and organisational structures

The administrative and organisational structures would be built on a complex global social partnership, which would connect citizens in all parts of the world through a “social network”. The income side of the network would consist of National Social TRUST organizations which would be involved in collecting the contribution of their members. The National Social TRUSTs would manage these funds and release them for specific projects rather than transfer their resources to a central Fund that would then allocate resources centrally. The financing of the TRUST is detailed in section 2.4.2 of this report. Projects would be identified, planned and implemented by a Technical Secretariat. Over the life-span of a project financed by the TRUST, the National Social TRUSTs would provide information to the contributors on how their funds have been used, audit the use of those funds, and monitor the impact from the use of their contributions. On the beneficiary side the network would preferably use existing social protection systems and build on existing community commitment. The TRUST would thus develop people-to-people partnerships between contributors and beneficiaries through National Social TRUSTs and community based and national social protection schemes.

2.4.1. Organization and management of benefit delivery

On the delivery side the TRUST will seek to use existing community groups and national social protection structures rather than create new organizations or mechanisms. These existing schemes must demonstrate a willingness and desire to solve their own national and/or community problems and promote social sector development. The primary reason for this is sustainability. Creation of new mechanisms may create a dependency, which will result in failure once the TRUST phases out its support for such endeavours.

Satellite social insurance schemes in informal sector communities could be one of the preferred delivery mechanisms “on the ground”. These would be community-based organizations (the “satellites”), run and partly financed by the community, which are mentored and supported financially through existing national social insurance or social protection schemes (the “hubs”), without being a formal branch of these national systems. And yet – the so far, primarily formal sector oriented social protection schemes – would have to develop a portal to reach out to informal sector. The linking of the global, national and community levels through the GLOBAL SOCIAL TRUST is illustrated in Figure 2.3. The idea of the satellite insurance schemes is described in more detail in Part II Annex 1.

The participation of national schemes (hubs) would be decided by either the government or the TRUST and would be subject to quality controls to ensure that minimum standards are met for participation. These national schemes would have to be pre-qualified in order to apply for grants and technical support from the TRUST. This pre-qualification would require a description of the scheme and who it is serving, a review of the financial soundness and accuracy of independent financial statements of the scheme, and a description of the governance and management of the scheme. That information would be reviewed by the Technical Secretariat of the TRUST against specific criteria in order to pre-qualify a scheme or disqualify it. Those schemes which pre-qualify would be eligible to submit an application to the TRUST. The basic idea is to develop a quality standard for national schemes (which could be called ILO 2002, see box 3) that would be used to pre-qualify participating hubs, but could also be used for future auditing of their delivery performance.
Meeting the quality standards could involve the applicant submitting documentation on its soundness through:

- audited financial statements;
- reporting on the benefit delivery and contribution collection performance;
- accepting the participation of donor National Social TRUSTs in providing technical expertise, auditing or other in-kind contributions in addition to financial contributions;
- being accountable to contributors for the use of resources through open and transparent financial reporting.

The national schemes in turn would have to ascertain the quality of administration of the satellite schemes. In countries where no national social protection schemes exist other organizations might be eligible for participation.

TRUST activities supporting national implementation of benefit schemes will be organised in the form of technical co-operations projects. These projects will set-up national project offices for the duration of the projects and will be guided by national project steering committees. Project steering committees will be composed of representatives of stakeholders. Core members will be representatives of governments, employers associations and unions. Other members of the steering committee might include representatives of communities and service providers such as doctors, hospitals, social workers teachers etc.

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**Box 3. The idea of an ILO quality standard (ILO 2002) for national schemes**

The Financial, Actuarial and Statistical Services Branch of the International Labour Office (ILO) has started to develop a set of quantitative performance indicators which can be used by managers and supervisory bodies to assess the performance of social protection schemes.

The quantitative indicators can also be used to develop a system of “minimum performance points” that a Hub or a Satellite has to achieve if it were to qualify for support from the TRUST. This point system would then constitute a quality assurance tool (i.e. the “ILO 2002” standard) that would be used to ascertain that the participating schemes on the national and community level are fulfilling their mandate effectively and efficiently (i.e. without corruption).

The system of indicators was applied to two schemes in Europe in a field test but more piloting would be needed before the system can be used as a standard quality assurance instrument in the TRUST operations. The following list describes the indicators that are deemed necessary to judge the performance of a social security scheme.

**A set of tentative quantitative indicators**

Quantitative indicators aiming at the mapping of the performance of social protection schemes are classified into three main categories, i.e.

- **(L)** design and legislation,
- **(G)** governance and administration and
- **(F)** finance.

Between ten to twenty different indicators are being examined in each category, with the detailed areas of performance assessment being:

- **(L)** coverage, contribution ceilings, age structure, replacement ratio, contribution period, indexation in benefits, etc.;
- **(G)** registration, enforcement and compliance, inspection, contribution collection, record maintenance, benefit disbursement, administrative cost, etc.;
- **(F)** GDP ratio of expenditure and income, liquidity ratio, relative level of contribution rate, dependency ratio, investment, etc.
The tentative list of quantitative indicators is:

(L) Indicators on design and legislation
   (L-1-1) Legislative coverage rate for insured population
   (L-1-2) Legislative coverage rate for employers
   (L-2-1) Level of contribution ceilings 1
   (L-2-2) Level of contribution ceilings 2
   (L-3) Age structure of insured persons
   (L-4-1) Average replacement ratio of benefits in payment
   (L-4-2) Average replacement ratio for newly awarded benefits
   (L-4-3) Average contribution period
   (L-5) Real indexation in benefits
   (L-6) Age structure of beneficiaries
   (L-7) Take-up ratio of benefits

(G) Indicators on governance and administration
   (G-1-1) Percentage of registered population
   (G-1-2) Percentage of registered employers
   (G-2-1) Percentage of actual contributing insured population
   (G-2-2) Percentage of actual contributing employers
   (G-3-1) Percentage of employers inspected
   (G-3-2) Percentage of successful inspections
   (G-4-1) Percentage of contributions in arrears
   (G-4-2) Speed of collection of contributions in arrears
   (G-5) Record keeping ratio
   (G-6) Percentage of outstanding benefits
   (G-7) Average claim-handling time of benefits
   (G-8) Ratio of incorrect payments
   (G-9) Ratio of public enquiries and complaints
   (G-10) Level of administrative cost
   (G-11) Percentage of personnel cost
   (G-12) Staffing level
   (G-13) Salary level of the staff

(F) Indicators on finance
   (F-1) GDP ratio of expenditure and income
   (F-2) Liquidity ratio
   (F-3) Pay-as-you-go contribution rate (with and without government subsidies)
   (F-4) Relative level of contribution rate
   (F-5) Funding ratio
   (F-6) Dependency ratio
   (F-7) Annual average rate of return on investment
   (F-8) Percentage of safe assets
   (F-9) Liquidity of assets
   (F-10) Percentage of government assets

In addition to this general list, a specific list of performance indicators would have to be developed that enables the TRUST to monitor the use of the TRUST resources for the support of local community schemes. Reports on the performance regarding that specific list would than have to be submitted regularly to the sponsoring National Social TRUST organization and would be subject to audits by that organization.
This feasibility study has conducted two field sub-studies in Africa (in Benin and Ghana) which tried to establish whether the hub-satellite mode of delivering benefits could work in the administrative and organisational context of these two developing countries. The countries were selected since they both have fairly well established national social insurance schemes as well as an active movement establishing an increasing number of community based social insurance schemes largely in the form of Mutual Health Organizations. The results of both studies are summarized in the following box. More details are documented in the reports of the consultants on the individual studies which are provided in Part II (Annexes 3 and 4). Both studies demonstrated that the emerging community based social protection schemes (largely health insurance schemes) as well as established or new central level social protection systems would be eligible candidates for further field testing of the satellite delivery system. Both sub-studies stressed the relative instability of the community based schemes and their need for financial as well as longer-term technical back-up. In both countries the central level social insurance schemes have a fairly low population coverage and little or no experience in reaching out to the informal sector. It is obvious that fairly heavy investments would be needed before a governance system will be operating that truly reaches out to the hitherto unprotected groups. Funding for a small pilot project to test possible forms of operations of the validity of the satellite concept has in the meantime been found. The project will commence in September 2002.

Box 4. Studying the feasibility of a satellite delivery system in two African countries

Feasibility study Ghana

Background
Community based health insurance schemes are not new to Ghana. The oldest and largest Mutual Health Organization (MHO), as they are officially called, began operations in 1992, and is the model that almost all new schemes emulate. In recent years there has been significant growth in the number of new schemes, with 47 schemes counted in a study conducted in the 2nd quarter of 2001, of which 14 were described as “fully functional”. While many of these schemes receive financial and technical support from external donors, the Government of Ghana encourages their formation and has in fact, initiated a few of them.

Benefit needs
Most of the community based schemes are focussing on health benefits which seems to reflect the dominant need of the enrolled persons. However, some schemes also provide basic cash benefits such as marriage and funeral grants and child allowances. An extension of the prevailing benefit packages to basic cash benefits thus appears possible.

Candidates for satellites
There is agreement among those directly involved with community based health insurance schemes that they have the potential to make medical care more accessible and affordable. There has been difficulty, however, in translating that perception into increasing enrolment. Even the largest and oldest scheme has only been able to insure around 30% of the residents, with some newer ones having much lower coverage rates. Common problems encountered by schemes in its catchment area are risks of adverse selection, moral hazard, fraud, underestimation of premiums, cost escalation and limited capacity to manage these schemes. While the experience in Ghana is not extensive, there is sufficient evidence that, with support from governments and external donors, schemes can be relatively easily established, the initial managerial and conceptual difficulties can be overcome and that chances are good that the schemes can be reasonably well managed. Possibly the most important keys to successful implementation and operation of community based health schemes are its design features and that it should be community initiated, community led and community run. To increase the chance of success the right community must be identified, an appropriate benefit package and premium structure established, the scheme must be properly marketed and its operations well managed. At the community level there will always be a need to enhance the capacities of leaders, scheme employees and managers. All in all the existing MHOs appear to be viable satellite candidates.
Candidates for hubs
Ghana has an established social insurance institution (SSNIT). It would be a feasible hub for the satellite approach but the public perception of the SSNIT that it is only interested to cater for the formal sector, would have to be changed. A second candidate for the role of the hub could be the new Ghana Healthcare Company. Its brief would perfectly match the role of a hub but it would be limited to supporting health benefit schemes. The same applies to the Ministry of Health, which could act as a hub, but would most likely be limited to supporting health care schemes. Moreover, the strict distinction of regular resources of the MOH and external resources from the TRUST may be difficult. In-depth negotiations would have to be undertaken with the different candidates before a final selection of the hub could be made.

Possible role of the TRUST
The TRUST could invest in and respectively sponsor the following activities:

— Training of both scheme operators and care providers. The greatest threat to collapse is likely to be failure to manage scheme affairs and finances properly and transparently. Therefore, proper governance structures should be put in place, qualified people should be hired and trained and regular audits should be conducted.

— Purchase of initial equipment. Most financial support of community based health insurance schemes will be needed at the start-up stage. Equipment will likely consume the largest share of the schemes' expenditure in the early stages.

— Guarantees for meeting operating deficits in early years and ensuring that an adequate reserve fund is in place. One of the Fund's objectives should be to have the scheme become self-supporting after three to five years. Following this the TRUST's involvement may be more in terms of in-kind support rather than in-cash support.

With assistance from one or more suitable local organizations a GLOBAL SOCIAL TRUST supported community health insurance scheme could make a significant difference to the lives of many people.

Feasibility study Benin
Background
Formal social security in Benin covers presently less than 10% of the population. With the exception of the civil servants, the wage earners of the formal sector are affiliated to the Office Béninois de Sécurité Sociale (OBSS). Health insurance is not part of the social security system, but the employer has to pay up to 60% of the health care expenditure of his employees and the dependent members of their family. Mutual health organizations (MHO) are rather new in Benin. They are small and all together their number of beneficiaries lies somewhere between 30,000 and 40,000 persons.

Benefit needs
With respect to the benefit needs of the informal sector, it seems that the combination of old age insurance with health insurance, as proposed by the Ministry of Labour for the “mutuelles de sécurité sociale” corresponds to the needs of the urban informal sector. In rural areas there is a glaring lack of access to health care services of good quality. Barriers to access are due not only to the prohibitive out-of-pocket cost of care but also to the excessive distances to the nearest provider units.

The emerging mutual health organizations aim to provide access to quality health care services to the insured. However, this is only possible if providers of health services are available to the local population and if the services provided are of acceptable quality. Studies in rural areas show that the schooling ratios in rural areas are very low and it is well known that low educational levels are linked to poor health status. Although no mutual scheme has developed activities in this field, it would be possible for mutual insurance schemes to develop activities to improve the educational situation of its members and their families.

Candidates for satellites
In recent years a significant number of mutual health organizations have been started in Benin and these could be candidates as satellite systems of the GLOBAL SOCIAL TRUST. These mutual organizations have been created only recently and are in general rather small and still not very robust. Nevertheless one should also note that three networks of rural MHOs do exist in Benin and that the oldest MHOs have been active for at least five years. In urban areas a network of mutual health and old age pension organizations is emerging through the “mutuelles de sécurité sociale” promoted by the Ministry of Labour for members of associations of craftsmen and small traders. These schemes for the informal urban sector are still in the embryonic stages. For a pilot study, one should limit the support of the TRUST to those local schemes that are past the initial stage of organising and which have been reasonably stabilised. In the case of Benin this condition seems to limit the participation of the TRUST to the mutual schemes of two of the three existing networks.
Candidates for hubs
Unfortunately the Benin social security scheme does not include a health insurance branch. Therefore, OBSS has only very limited experience in the field of health insurance in its industrial injuries branch. Nonetheless at the national level, the OBSS is interested in being in charge of the national responsibility for distributing benefits of the GLOBAL SOCIAL TRUST in Benin and supervising these. To be able to discharge these additional tasks successfully, OBSS would have to establish a special MHO unit in collaboration with an organization having a deep understanding of mutual health insurance schemes, such as for example STEP (Strategies and tools against social exclusion and poverty – an ILO programme). The MHO unit would be accountable to the GLOBAL SOCIAL TRUST for the use of the funds that it receives and distributes to participating MHOs.

Building on the experience of the Centre International de Développement et de Recherche (CIDR), a French NGO, and with the help of STEP10 the MHO unit could:
- negotiate contracts with MHOs to co-finance benefits through the TRUST;
- define procedures for distributing funds to the participating MHOs;
- define accounting procedures for registering the use of the funds of the TRUST;
- define procedures for auditing accounting and preparation of financial documents concerning the use of the funds coming from the TRUST;
- define a regular statistical reporting system on the activities of the MHOs.

The MHO unit of OBSS would need to offer the staff of the participating MHOs systematic training sessions on themes such as:
- setting contribution rates;
- determining benefit packages;
- marketing and communication;
- choosing and negotiating provider payment mechanisms;
- assessing appropriateness of care provided;
- accounting;
- statistical reporting.

The MHO unit would also need to promote the exchange of experience between the mutual insurance schemes, as well as contacts between the mutual schemes and national Ministries. To help the development of the mutual health insurance schemes, the MHO unit, in collaboration with the participating schemes, could also work out proposals for a legal framework adapted to the activities of the mutual health insurance sector.

Possible role of the TRUST
The support given by TRUST to the mutual schemes should be sustainable in the medium and long run and help to promote solidarity and social insurance. Therefore it is not necessarily recommended to subsidize directly contributions of the members of the schemes, which could blur the link between the contributions of the members and the benefits that may be financed with these contributions.

Taking into account the condition that the external support should help mutual schemes to become sustainable, possible support from the TRUST could be used for:
- Financing health promotion and health education programs, to help members understand the importance of preventive health care and health insurance;
- Organising and financing training of the schemes’ staff;
- Financing programs to improve the quality of health care available to members;
- Financing supplementary benefits on top of those financed by contributions, for example cash anti-poverty benefits. However close attention should be given to the sustainability of financing these benefits.

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10 As well as perhaps other organisations like, for example, the “Alliance Nationale des Mutualités Chrétiennes de Belgique”, which is present in Benin in the health sector.
2.4.2. Organization and management of contribution collection and fund management

On the contributor side, a minimum of new structures is needed. The contribution collection has to be organised, resources have to be managed, projects audited, the overall institution has to be governed. Based on many discussions during the study period, the study team abandoned the idea of a central fund that would accumulate all contributions from participating individuals in different donor countries and then dispense it to national projects.

It appears preferable to decentralise the organization through the creation of a Network of National Social TRUSTs, governed by National Boards. The GLOBAL SOCIAL TRUST (or TRUST as it is referred to in this report) could thus be more appropriately named The GLOBAL SOCIAL TRUST Network. The National Social TRUSTs would hold national resources until such time that the national boards have agreed to finance a specific project. This should enhance transparency and the trust of the contributors. It is hoped that volunteers recruited largely but not exclusively from amidst officials of national social security institutions in OECD countries would accept to carry the bulk of the burden for the management of national boards. This should include the auditing of projects funded from national contributions in the respective countries. National Boards would be composed of representatives of main groups of contributors (i.e. employers associations and unions as well as other groups, such as national associations of pensioners – if a sizeable number of pensioners in richer countries chose to contribute). Members of national boards could be elected in the similar way as the members of alumni associations of American universities are elected, i.e. by mail voting. The actual financial management of funds would have to be delegated to reliable financial institutions (Fund Managers) hopefully for a reduced fee.

National Social TRUSTs would be members of the GLOBAL SOCIAL TRUST Network, which would maintain a small technical secretariat that would undertake the technical project work, organise regular global assemblies and serve as a secretariat to a Global Board.

National Boards would also send members to the Global Assembly. The Global Assembly would elect a Global Board that could also include independent advisors. The ILO would act as a Technical Secretariat to the Board. The following Box sets out a possible governance structure of the TRUST and the basic roles of the key actors in that structure. The Box draws largely on the work done by the sub-study on TRUST Fund management but adapts its suggestions to a decentralized overall structure of the TRUST. The operating principles of the TRUST, as described in the sub-study on Fund management, for a centralized rather than decentralized Fund (which reflected the thinking when the sub-study was commissioned) were adapted to the decentralized network structure of National Social TRUSTs and its international superstructures (i.e. the Global Assembly, the Global Board and the Technical Secretariat). Crucial for the TRUST are sound operating principles that achieve among donors the confidence and trust that is needed to maintain a certain level of participation in the donor countries. The sub-study on TRUST Fund management describes these principles in full detail.

The Technical Secretariat would also encourage active participation by the contributors to the TRUST activities. For instance, there would be the opportunity for in-kind contributions of technical expertise. A social security office in a developed country may provide a technical

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11 See Arvizu, S.: “Governance and Management of a Major International TRUST Fund: Issues Study”, mimeo ILO 2001. A full copy of the report is available from ILO FACTS (contact actnet@ilo.org or vergnaud@ilo.org ).
expert to a country in order to assist with an assessment of the social security mechanisms in place or those planned, or labour unions whose members are contributing to the TRUST may provide expertise in accounting to an employee organization in the developing country. National organizations would also be in charge of fielding auditing missions to project sites, which should enhance the confidence of the individual donors that monies are spent wisely and responsibly. These in-kind contributions would provide the links between contributors to and recipients of funds from the TRUST and hence create the global partnership that the TRUST seeks to facilitate.

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**Box 5. The basic governance structure of the TRUST**

The design of the governance structure should reflect the interests of a broad range of stakeholders: donors from the private and public sectors, NGO’s, participating governments and social security institutions, representatives from recipient communities, representatives from ILO’s tripartite structure (union’s, employers, government), ILO’s Social Protection Sector, etc. Additionally, the governance structure should reflect the:

- international nature of the benefit delivery programs;
- potential diversity of benefit programs;
- geographic dispersion of operations;
- ILO’s important role as promoter and “supervisor” of this initiative;
- need to be efficient and to operate with minimum resources and in-house staff;
- need to adopt the high standards in transparency, reporting, and accounting (to establish and maintain public trust);
- potential participation of different national social security institutions, satellite schemes and communities;
- gradual launching of the TRUST (in stages, starting with one or two pilot sites);
- initial scarcity of funds to mount a full-scale operation;
- diversity in nature, size and national origin of the collecting agencies (i.e. governments, national social security institutions, employers, the private health and life insurance companies, banks, etc.);
- participation of teams of experts from national social protection schemes in auditing the Fund’s operation;
- need for an independent professional Fund manager.

The following multi-layer governance structure proposal (Box figure 1) considers the above requirements and is congruent with principles and guidelines of corporate governance. The role of the key elements in the governance structure are outlined in the following figure. All national organizations and international bodies subsequently established would remain legally independent entities without any budgetary, managerial or administrative links to the ILO; they would, however, be expected to adhere to the ethical and governance principles followed by the ILO.

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12 As already mentioned, codes, guidelines and principles from different countries and from international organizations (World Bank, OECD and IMF) were reviewed and relevant concepts were applied.
Box figure 1. Proposed Governance Structure of the GLOBAL SOCIAL TRUST (Network of National Social TRUSTs)

Global Assembly
The Global Assembly would be composed of representatives from the Boards of the National Social TRUSTs as well as a defined number of representatives from potential recipient countries, independent experts in social protection and the ILO as well as other international agencies. The composition of the Assembly would always ensure a majority for representatives of the National Social TRUSTs. As the number of National Social TRUSTs increases the membership of the Global Assembly would increase.

The main responsibility of the Global Assembly will be to determine the statutes of the GLOBAL SOCIAL TRUST, to establish its vision and mission, to approve the strategic plan developed by the Board, and to exercise leadership in directing the TRUST to achieve its short and long term goals, in a manner based on transparency, accountability, probity and social responsibility. The Global Assembly will also decide on the admittance of new national member organizations. It will audit the conduct of national member organizations to protect the reputation of the Global Social TRUST and to ensure its credibility. In the rare event that the TRUST were to be dissolved, only the Global Assembly would have the power to decide it by a consensus decision. As a general rule, the Global Assembly would convene every two years. The ILO could host the Global Assembly at its headquarters or at one of its Regional Offices.

Global Board
The Global Board constitutes the management authority of the TRUST and could be composed of representatives of Boards of the National Social TRUSTs subject to confirmation by the Global Assembly. As with the Global Assembly, the membership of the Board would increase with the number of National Social TRUSTs. The Board could select an independent chairperson who need not be a member of a national board.

In general terms, the Board will be responsible for defining the strategic plan of the TRUST. The Board also would do the following:
- identify and select with the help of the Technical Secretariat projects eligible for TRUST support,
- decide to suggest project proposals to one or a group of National Social TRUSTs for funding,
- organize multi-national audit teams in case projects are financed by more than one National Social TRUST,
- appoint officers of the Technical Secretariat,
- decide on the structure of the TRUST including the creation of Board Committees as it may see fit (i.e. Regional, Audit, Officers Evaluation and Compensation, Donation Applications Review Committees, etc.).
As a general rule, the Board would meet twice a year.
**Technical Secretariat**

The Technical Secretariat would be responsible for the identification, the preparation and the implementation of country programmes. It will as well develop basic methodologies of quality control and auditing. The Technical Secretariat would be accountable to the Global Board and serve as its secretariat. In essence, the Technical Secretariat would act as the TRUST's operational hub. The Technical Secretariat will be composed of a compact team of professionals (could be officers from the ILO (who can either be assigned on a temporary or definitive basis to the secretariat)). Until otherwise decided by the Global Assembly, the Technical Secretariat will be based in Geneva, Switzerland, and hosted by the ILO. The technical secretariat will be financed by small contributions from the National Social TRUSTs. It will be directed by a Secretary-General who will be appointed by the Global Board.

**National Boards**

National Boards are the governing bodies of the National Social TRUSTs. National Social TRUST organizations are legal entities (most likely NGOs that conform with national legal requirements for non-profit organizations) that – compliant with laws in the donor countries – are collecting contributions and are allocating them to particular projects. The composition of National Boards will depend on the specific circumstances of each country but core members should be representatives of employers associations, unions and governments. National Board members could be elected by individual contributors (from specific lists that would ensure at least a tripartite structure of the Board) and would be responsible for the supervision and evaluation of TRUST projects that are funded by the respective national organization. Each National Board will elect its Chairperson. National Boards would meet on an ad hoc basis, but not less than twice a year. A National Board may decide to invite representatives of the Global Board or the Technical Secretariat to participate in its meetings, when the performance of a particular project is being evaluated.

The National Boards will be responsible for

- the organization of contribution collections including the organization of public relations campaigns and their financing,
- deciding on the sponsoring or co-sponsoring of TRUST projects,
- managing the national funds collected through the appointment of a professional Fund Manager\(^\text{13}\) and the setting of investment guidelines,
- organizing national audit teams in case projects are financed by only one National Social TRUST or assigning members of international audit teams on request of the Global Board,
- electing representatives for the Global Assembly and the Global Board

National Boards may create National Board committees as they see fit.

It may be the case that for certain projects National Social TRUSTs from more than one country would participate. In this case a project committee would be set up which would include representatives from the respective National Social TRUSTs and a representative from the Technical Secretariat. This committee will agree on the management of the funds which are to be allocated to the project, on the auditing and on the monitoring of the use of those funds. Decisions will need to be taken on a unanimous basis within the committee. The committee will be the donor counterpart with whom the recipient schemes in developing countries will communicate.

\(^{13}\) The Fund Manager will be an independent cost-effective organization that will manage all resources and financial transactions of a National Social TRUST, including asset management and funds transfer. It is also envisaged that the National Social TRUSTs will invest a rather modest volume of funds, conceived purely as a buffer mechanism rather than a long-term capital administrator. Its role relative to investments will be to preserve and safe-keep the funds on a temporary basis before the funds are expediently routed to one of the benefit delivery programs. In any case, the Fund Manager will adopt a prudent and conservative investment guideline that will be reviewed and approved by the Board and that will also consider hedging needs.
2.4.3 The role of the ILO

The core role of the ILO is to enable the setting up of the GLOBAL SOCIAL TRUST Network with National Social TRUSTs as member organizations. It will in particular:

- hold the right to the name of the Network,
- develop a set of rules of conduct and guidelines for the statutes of national member organizations,
- develop the draft statutes for the Global Assembly and the Global Board,
- promote the concept of the Global Social TRUST in its member States with the help of its tripartite structure,
- host the Global Assembly, the Global Board and the Technical Secretariat (if so decided by the Global Assembly and the Global Board),
- it may – upon request of the Global Boards – second officials to the Technical Secretariat.

The Global Social TRUST Network as well as the National Social TRUSTs will be organisationally and financially independent from the ILO.

2.4.4. A summary of the main organisational features

The following figure provides a summary of the different roles of the main actors in the TRUST. The brown lines describe the flow of funds in the TRUST while the blue lines describe organisational relationships and/or lines of technical support. The key message of the figure is the relationship from “people to people”. In the long run there would be another “return-line” leading back from the recipients of today to the donors of today or their children and grandchildren. A return line that would describe the presently agreeably intangible benefits to be derived from a more stable social peace, from less risk of global epidemics, increased demands on global markets and less migratory pressure.
Figure 2.3. From people to people: Linking the global, national and community levels through a GLOBAL SOCIAL TRUST, National social protection schemes and satellite schemes.
2.5. Tentative patterns of operations

The possible pattern of operations of the TRUST is best described by a typical cycle of operations from project identification, approval, financing, implementation, to monitoring and auditing.

Let us assume – for example – a country office of the ILO or the Technical Secretariat of the TRUST in Geneva itself is approached by a developing country requesting support for the build-up of a basic social protection scheme in rural areas. The scheme should be connected to community efforts to organise basic social insurance schemes. The request could be processed in the following steps:

(1) **Step 1**: The Global Board of the TRUST would authorize the Technical Secretariat to study the feasibility of the request and – if viable – prepare a project document.

(2) **Step 2**: The Technical Secretariat would field an exploratory mission, which would seek to establish:

   (i) the administrative feasibility of the proposal, i.e. it would analyse whether the cooperating partners in the country, i.e. the government, the social security organizations (or another centralized agent) and the community organizations are able to handle the suggested scheme without efficiency losses i.e. due to corruption, and whether the participating partners are accepting regular monitoring procedures;
   (ii) the compatibility, i.e. with other national anti-poverty and social protection policies and that the resources provided would be in addition to pre-existing levels of national social spending;\(^\text{14}\);
   (iii) the potential impact of the proposal, i.e. the mission will seek to establish which short- to long-term effect the schemes would have on the level of poverty in the country or the implicated regions;
   (iv) the long-term sustainability, i.e. the mission will try to establish whether the scheme is likely to survive once the direct support from the TRUST will cease,
   (v) the cost of the project, i.e the annual and total amount of the TRUST’s involvement.

(3) **Step 3**: The Technical Secretariat will design a project and develop a project document, that will establish the exact Terms of Reference for the project, i.e. inputs, outputs, expected outcomes, timetables, a budget, monitoring procedures, and draft contracts between the TRUST and the government as well. The draft contract would contain a post-implementation clause which will oblige the participating government or institutions to maintain the benefit schemes that were sponsored by the TRUST. Should the government/institution not honour its obligations the TRUST’s investment might be turned into debt that would have to be repaid.

\(^\text{14}\) Ascertaining that TRUST resources will be a net addition to domestic resources spent on social is not an easy task. A proxy method will have to be employed. The secretariat will use the social budgeting methodology to establish the present an likely future social protection spending without the financial assistance of the of the Trust. These approximate figures have to be agreed between the secretariat and the government before the financial engagement of the TRUST can be decided upon. The Social Budgeting methodology is explained in full detail in Scholz et al. (2000).
(4) **Step 4:** The Technical Secretariat will submit the project document to the Global Board who will either adopt it, reject it or ask for further information. If the proposal is technically approved, the Board will develop a financing proposal, i.e. it will recommend the project to one or more of the National Boards for financing.

(5) **Step 5:** The National Board may or may not accept the proposal. In case of refusal, the Global Board will seek other sponsoring national organizations. In case of acceptance the National Boards will develop a financing plan and will assign members of a monitoring team that could consist of volunteers knowledgeable in the field of social security.

(6) **Step 6:** The Technical Secretariat will establish a project implementation team composed of international and national professionals (in recipient countries) who will commence with the implementation of the project according to the timetable outlined in the project document. It will report to the Global Board and the National Board on a six monthly basis.

(7) **Step 7:** The monitoring team from the sponsoring National Social TRUST will visit the project at least once every 12 months, but has the right to further *ad hoc* auditing missions. Its report will be the basis for a decision by the National Board to release a further tranche of financing for the project. If more than one National Social TRUST is sponsoring a project, the team will be composed of representatives from each of the sponsoring National Social TRUSTs.

(8) **Step 8:** The Global Board and the National Board will close the project officially, once the terms of reference have been achieved or no further progress can be expected.

(9) **Step 9:** The Technical Secretariat and the national monitoring team might monitor whether the government and the collaborating agencies are complying with their post-project obligations (such as the continuation of the new scheme).

It is the objective of the TRUST to invest in the build-up of sustainable long-term social governance structures, hence the above project cycle might take a decade to complete. Precision, accuracy and transparency should take precedence over the understandable desire to show quick early results.

### 2.6. Financing

The **GLOBAL SOCIAL TRUST** would – first and foremost – be a **People-to-People Fund** where voluntary contributors were people: employees and private entities, possibly and desirably solicited with the assistance of employers and possibly national governments during the start-up phase. It would rely on the support of existing national social insurance schemes, private health and life insurance companies, banks, possibly credit card organizations, employers and trade unions in Europe and OECD countries to support the collection. In the context of wider corporate responsibility enterprises may also choose to contribute directly.

The TRUST, however, will only ever co-finance a project. It is envisaged in all cases that the respective national governments, or possibly the national social insurance schemes for the formal sector as well as community-based organizations in recipient countries contribute to the financing of TRUST projects. The social insurance institutions (for example, pension schemes
for public and/or private sectors) could for example charge small additional contributions as a token of national solidarity, which would formally match the requested international solidarity.

The actual method of contribution collection in donor countries may vary from country to country for legal reasons. According to the feasibility study on contribution collection in Germany, a simple deduction of an additional voluntary 0.1% to 0.2% of insurable wages through the statutory social insurance institutions does not appear possible, since the social insurance institutions are forbidden by federal insurance law to conduct any other than their core business. However, they would be allowed to promote the idea of the GLOBAL SOCIAL TRUST through their regular publications which they send to every member. In some countries there may be collection through credit card institutions, such as a fixed or marginal surcharge on consumption, which may also achieve a certain progressiveness of contributions. In other countries the voluntary contributors may authorize their employers to deduct a certain amount from their wage. Some employers may choose to match worker’s contributions. In others, a simple standing order to banks to transfer the individuals’ contribution to a National Social TRUST may be the preferred and legally simplest solution. To enhance the level of contributions, enterprises might make donations and use the label “Member of the GLOBAL SOCIAL TRUST” in their product advertising.

In any case it is critical to create a regular pattern of individual contributions, which underscores the basic difference of this TRUST from charities that collect donations on an ad hoc basis and it would aim to create the “image/feeling” of accepting an individual permanent responsibility for enhancing global social security through a global social insurance network. In most countries in the OECD, contributions will be tax deductible due to the non-profit nature of the National Social TRUST. Legal provisions on tax deductibility vary from country to country, thus the legal identity of the national organizations may also have to vary by country. This is another reason for the decentralisation of the TRUST into national organizations. In effect this turns the financing of the TRUST into a tripartite exercise. Through forgone taxes, governments participate in the financing of the TRUST. To what extent this is an additional “expense” for the government is not entirely clear, as it depends on the extent to which the contributions replace contributions that the individuals, respectively employers, would have made to other organizations that have tax deductible status. However, the promotion strategies of the National Social TRUSTs at the national level should aim at mobilising new resources rather than trying to compete with other charities for an existing limited pool of resources (see also point 2.8).

2.7 Administrative cost and cost of resource mobilisation

How fast the national organizations can reach their potential depends on the amount of start-up funds that can be mobilised for the initial country campaigns. Most of the start-up costs will involve the cost of initiating public relations campaigns. The cost of setting up a national NGO (i.e. the National Social TRUST) need not be enormous. It is anticipated that this could be undertaken through the tripartite sponsorship of employers, workers and governments.

However, the initiating campaigns will require substantial commitments from national organising committees. Campaign funds would have to come from institutional donors, such as governments or large corporations. It appears unlikely that organised labour or other charities can be approached for start-up funds. The ILO’s tripartite structure should provide access to
potential campaign financiers. According to the campaign manager of the ILO’s Child Labour Programme (IPEC) an initial campaign in a European country would cost about € 1 million. This may appear optimistic but could apply to a campaign that has established institutional partners in a country. The TRUST would have such partners (such as labour unions, employer’s organizations or social security institutions). Furthermore, parts of nationally developed campaign strategies may be portable to other countries and thus development cost (such as fees of professional public relation companies) may be subject to some economies of scale. The national organizations could simply limit their initial campaign expenditures to say 0.25 Euros per potential contributor, which implies the assumption that the main national constituent organizations of the ILO (employers and workers organizations) would make their own public relation channels available free of charge. With that per capita amount, initial campaign costs in Austria, Belgium, Portugal, Sweden and Switzerland would be in the order of magnitude of one million Euro.

For a country of the size of Germany this would amount to expenses for the initial campaign cost in the order of 8 million Euro. The project team interviewed Dieter Hebestreit 15, an established public relations specialist in Germany, with regard to the potential cost of a potential awareness raising campaign in Germany. He quoted the following figures for the media spending of major charities in Germany (in million Euros): German Red Cross: 7.5; Brot für die Welt: 6.6; UNICEF: 6.3; Deutsche Aidshilfe: 5.3; Caritasverband: 5.1; Terre des Hommes: 4.4; Amnesty International: 1.8; World Vision Int’s: 2.8; Naturschutzbund: 2.5; Ärzte ohne Grenzen: 2.2; SOS Kinderdorf: 2.0; Misereor 1.8; Deutsche Welthungerhilfe: 1.5; Care Deutschland: 1.4; Greenpeace: 1.4. These figures refer to awareness-maintenance campaigns rather than initiating campaigns, but they might indicate that the per capita budget of 0.25 Euros might well be a realistic order of magnitude.

The long-term collection cost would be a part of the overall administrative cost of the TRUST. Again, given the specific circumstances and assumed substantial support from the ILO’s constituents, specific costs for the contribution collection itself, are hard to predict. The following table reflects some of the administrative and fundraising cost experience of major established charities.

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15 The full text of the interview is available from ILO-FACTS on request.
Table 2.1. Transaction cost experience of major charities

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Total income</th>
<th>Fundraising cost</th>
<th>Administrative support cost</th>
<th>Total Overhead Cost % of Total Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>in mill. US $</td>
<td>(incl. publ. awareness)</td>
<td>in % of income</td>
<td>in mill. US $</td>
</tr>
<tr>
<td>Catholic Relief Services US, 2000 (1)</td>
<td>373.2</td>
<td>18.2</td>
<td>4.9</td>
<td>12.9</td>
</tr>
<tr>
<td>Oxfam UK, 2001 (2)</td>
<td>264.7</td>
<td>32.1</td>
<td>12.1</td>
<td>33.54</td>
</tr>
<tr>
<td>World Vision, US,2000 (3)</td>
<td>469.1</td>
<td>50.9</td>
<td>10.9</td>
<td>27.6</td>
</tr>
<tr>
<td>World Vision, UK (4)</td>
<td>41.4</td>
<td>6.72</td>
<td>16.2</td>
<td>0.76</td>
</tr>
<tr>
<td>WWF, US,2001 (5)</td>
<td>119.9</td>
<td>6.0</td>
<td>5.0</td>
<td>15.6</td>
</tr>
<tr>
<td>Brot für die Welt (Germany in DM, (6))</td>
<td>249.8</td>
<td>15.5</td>
<td>6.2</td>
<td>13.1</td>
</tr>
<tr>
<td>Diakonisches Werk (Germany, DM, (7))</td>
<td>341.2</td>
<td>10.1</td>
<td>3.0</td>
<td>18.4</td>
</tr>
<tr>
<td>American Red Cross (6)</td>
<td>2421</td>
<td>96.6</td>
<td>4.0</td>
<td>145.3</td>
</tr>
<tr>
<td>Doctors without borders, US (9)</td>
<td>37.9</td>
<td>3.7</td>
<td>9.8</td>
<td>0.9</td>
</tr>
<tr>
<td>Greenpeace, Global (10)</td>
<td>29.4</td>
<td>1.18</td>
<td>4.0</td>
<td>0</td>
</tr>
</tbody>
</table>

Sources: (1) www.catholicrelief.com  
(2) OXFAM UK annual report figures originally provided in UK £ (1£=1.413 US$), trading cost are included to achieve comparibility with other charities  
(3) www.worldvision.org  
(4) www.worldvision.org.uk, same excange rate as in (2)  
(5) www.worldwildlife.org  
(6) www. Brot-fuer-de-Welt.de  
(7) www.diakonie-katastrophenhilfe.de  
(8) www.redcross.org  
(9) www.doctorswithoutborders.org  
(10) www.greenpeace.org, original data in euros

It is assumed here that the overall administrative cost ratio of the TRUST can be kept at or preferably below 10% of the contribution income. As can be seen from the above table some of the charities have administrative cost in the order of under 10% of their income provided they have strong institutional affiliations (i.e. here churches). It seems that a strong organisational affiliation could help to cut administrative costs by about half. It is assumed that the affiliations that the TRUST could seek with workers and employers organizations as well as social security institutions in the donor countries could help to keep the administrative costs (including fund raising expenditure) under the 10% level. In addition, the 10% level is equivalent to the administrative costs of well run European social insurance schemes. Overhead costs in the order of 10% of income should be a declared long-term policy objective of the TRUST.

2.8. The competitive environment, potential partnerships and alliances

Infratert Sozialforschung calculated the potential revenues of the TRUST in Germany based on their observed propensity to contribute. The – still growing - volume of the German voluntary charity market is presently 4 to 5 billion Euros. A monthly donation of 5 Euros by 10 to 20% of the German workforce to the GLOBAL SOCIAL TRUST would mean an extra volume of 200 to 400 million Euros and represent a high potential market share of between 4% and 10%. This extra contribution for a GLOBAL SOCIAL TRUST possibly has to be realized in a competitive market situation where several large and a big number of charity organizations exist.

Penetrating the market on a competitive basis would possibly be costly and would create socially counterproductive opportunity costs. The objective of the TRUST should be to tap additional resources and hence avoid displacement competition which is also feared by a number of experts that responded to the survey of expert opinions. Infratert quotes experts of the charity market who observe a new generation of donors – particularly in the high income bracket - whose
priority with respect to contributing is no longer to “ad hoc help against misery” but “contribution to sustainable change”. This new mentality matches the idea of the ILO to introduce a regularly and sustainable contribution by private supporters of the TRUST in contrast to the traditional annual “Christmas” charity. As a result of its analysis, Infratest recommends that the ILO adopt a publicity strategy that is primarily based on a “rational” charity concept and less on traditional collection of funds for charity concept. The German charity market is already highly penetrated by large charity organizations which pursue an emotional publicity strategy. The rational strategy should stress the two aspects of long-term change on the one hand and favourable consequences for the developed countries on the other hand (less immigration of the poorest and potential development of new markets).

On the delivery side the TRUST would seek alliances with other NGOs working in the field of social security. It will seek a wide network of partnerships to implement its objectives. Even if the TRUST reaches its full potential it would still not be able to reach all 1.2 billion people in abject poverty. Co-ordination with other initiatives would thus be indispensable. Likewise the TRUST will not set out to compete with other ILO activities but rather complement them. The experience from STEP or ILO-AIDS should be utilized to implement and execute concrete projects in TRUST activity countries. In the long-run the supported schemes should seek help from a Social re-insurance programme that could be introduced by the government or another government agency.

The research team sought to establish the possible reaction of the World Bank to the possible introduction of the TRUST. Robert Holzmann, the Director of the Bank’s Social Protection Network agreed to a talk about the issue in April. His main ideas are reflected in the following interview. His main concern was to ascertain that the TRUST initiatives in specific countries were compatible with the national anti-poverty strategies as developed in the national Poverty Reduction Strategy Papers (PRSP). However, it is inconceivable that the TRUST would compete with National Anti-poverty strategies which national governments have developed and negotiated with the Bretton Woods institutions in order to obtain a debt relief package. The study team would see TRUST projects – and notably the government commitments to maintain the established schemes after the end of the main project – as a part of the overall national poverty reduction strategy.
Box 6. An interview in Geneva with Robert Holzmann, Director of the World Bank’s Social Protection Network, 11 April 2002

SOCFAS: Welcome to the ILO’s Five EURO project. Robert, you are aware of the concept of the GLOBAL SOCIAL TRUST which we are exploring on request of the Director General. Since September 2001 when you chaired the first public brainstorming session on the TRUST during the General Assembly of ISSA in Stockholm, the concept has gone through various alterations. It now looks as follows (the present state of the concept is outlined)...

HOLZMANN: First of all, I have to say that the concept has indeed become clearer since I heard you present it the first time. What I like about it are three things: the focus on the investment in good governance, the principle of co-financing of national or community based social protection initiatives, and the emphasis on strict monitoring and auditing. I hasten to say - tongue in cheek - that I never thought the ILO would ever design anything that vaguely would smack of conditionality... Where I see potential problems are in the - obviously intended - lack of focus on one or two precise benefits in cash or kind. I think it may be easier for the public to support a system that has a clear cut focus. What you mention rather as a footnote - i.e. the grand parent benefit (i.e. a basic universal pension at the US$ 1-per day level, SOCFAS) - captures my imagination - even if it leaves out some of what I call the most vulnerable groups (such as widows or elderly living alone). Grandparents in poor families could indeed be used as agents for the delivery of basic anti-poverty benefits. Quite independently of the TRUST, I would like us to explore the concept together. There is already good research on the positive effects of a basic pension in South Africa.

SOCFAS: I explicitly ignore the passing reference to our old debate on conditionality... We deliberately refrained from defining an exact benefit as we want to keep the freedom to respond to specific local and national benefit priorities. Where would you see the main obstacles to its public acceptance and implementation?

HOLZMANN: On the public acceptance and implementation side you may be confronted with questions that you would have to answer convincingly if you want the TRUST to succeed. Such questions are: What makes this thing different from other ongoing technical co-operation projects? Why would we need another Global Fund and what are the experiences with current initiatives, such as on health? Can you really deliver a corruption free benefit and assistance package? And if so, how do you do that in least developed countries where all government structures have virtually collapsed. Regarding the latter we have positive experience with our Social Funds and their administration- even if we are sometimes criticised for setting up a parallel governance system. I would be less optimistic about your concept of using the existing Social Insurance Schemes in all country contexts. Many of them will not have the administrative capacity or the efficiency to handle this business. If you fail in one project because your agent in the recipient country is corrupt, the TRUST loses its credibility which is its only real own capital. Your only safeguard against that is unconditional transparency, including the use of strict and public criteria, open bidding process, transparent selection process through an international committee, full information about progress, etc., best provided on a fully accessible web-site. Your plans to design and audit quality standards may be one answer to the problem.

SOCFAS: We think we are different from other technical co-operation activities in that we - for the first time - have the financial muscle to implement five to ten year programmes consisting of investments and concrete financial subsidies rather than providing short-term expert advice which cannot be backed up with real financial transfers. We are different from other funds in that we target our investments exclusively in social governance. We see no other source of - hopefully - one billion EURO per year for investment in social governance. Do you see any opposition from other agencies, such as ...your own?

HOLZMANN: I think you would run into stiff opposition if the TRUST were to implement social governance structures that would not be part of national PRSP (Poverty Reduction Strategy Papers). We - that is the Bretton Woods institutions - have invested a lot of effort in this device as a government-driven development process and product and as a co-ordination tool for international technical co-operation. I don’t think you should operate in isolation from national PRSP processes.

SOCFAS: We recognize the importance of PRSPs - despite their teething problems. We will not seek any competition to any other major anti-poverty measure. We rather see the TRUST as building the delivery structures which help a number of other activities to succeed. We would see the TRUST Programs in recipient countries as part of a policy matrix that could be developed in the framework of a PRSP. Robert, how is your overall opinion of our 5 EURO project?
HOLZMANN: It may have the potential to invest a substantial amount of money into social infrastructure if you succeed to avoid that you simply substitute government resources, that they would have invested anyhow and if you can avoid to simply replace existing sources of AID. It will obviously not be the panacea against poverty. I see this as a complement to a whole concert of national and international efforts such as debt relief, reduction of trade barriers, design of more rational national social transfer and labour market policies and more. I am not necessarily speaking for my organization, but as a social sector economist I would support trying it out.

SOCFAS: Will we succeed?

HOLZMANN: You won’t know until you try. What does the ILO have to lose?

2.9. Public acceptance

Achieving interest in the TRUST in developing countries, i.e. in the potential recipient countries appears obviously to be less of a problem than motivating the public in potential donors countries to support an ambitious new institution. However, it must be assumed that once the full set of conditions for the implementation of TRUST projects in a given country becomes obvious, enthusiasm might also diminish in some countries.

It is obvious that participating parties in recipient countries will have to sign a legally binding contract with the TRUST which will stipulate a series of conditions for the launching of a project. The government of the recipient country will have to:

(1) approve the project implementation plan;
(2) accept to deliver a series of inputs at specified times during the project implementation;
(3) accept monitoring and auditing missions during the implementation phase,
(4) accept the obligation to continue the delivery of services through the newly social protection systems after the end of the project,
(5) accept post implementation monitoring by the TRUST for at least five years after the completion of the project.

These conditions may be unacceptable to some governments or institutions. Should this be the case then the respective country or region will not be eligible for TRUST financed projects.

More critical during the early years of the TRUST is the support from the general public and opinion leaders in potential donor countries. The sub-study on the feasibility of contribution collection in Germany, which was used here as a representative of the donor community, basically observes a positive feedback. The following box summarizes the main results. More details may be found in Annex 5. The results may be biased as the study explicitly focussed on the support for the build-up of a health care financing infrastructure – a focus which was subsequently dropped during the feasibility study. The most surprising result appears to be that the general public as well as the social security experts in the government and workers organizations seem to support the idea whereas the technical co-operation professionals in the Ministry of Technical Co-operation seem to be more reluctant to create a new major agency in the existing concert of AID agencies. Some of that reluctance may be a consequence of a German particularity of charity financing. The federal government seems to match each Euro in donations by the general public by one Euro in tax subsidies for a range of major charities. A new major player on the scene would force the Ministry of Technical Co-operation as well as the Parliament to review that procedure.
In any case, it appears obvious that the TRUST requires strong national support from established societal groups, otherwise the start-up investment for building the credibility which is a prerequisite for the collection of contributions would be prohibitive. The UN enjoys sound credibility within the general public in Germany. About half of all Germans consider that the technical co-operation activities of the UN system are effective, an amazing 40%-points more than the proportion of people that know about the work of the German GTZ, and consider it effective. However, that credibility of the UN system as a whole cannot easily be taken for granted for an initiative of the ILO, which is a virtually unknown organization in Germany. A German national contribution collection organization would thus have to build an alliance preferably with unions and employers based on the country’s long tradition in social partnership.

The need to build national alliances is another argument for the gradual build-up of a network of national organizations rather than a central International Fund. The period for promotion of the concept and the idea will vary according to countries. It appears advisable to start the process in the relatively small but affluent and economically successful economies in Europe.
Box 7. The study on the feasibility of collecting contributions for the GLOBAL SOCIAL TRUST in Germany – Summary of results

One of the four sub-studies of this report analysed the feasibility to collect contributions from the public in Europe’s biggest economy – Germany – for the GLOBAL SOCIAL TRUST. The author also organised the already mentioned survey concerning the general public’s propensity to contribute and conducted a series of interviews with representatives from the government, employers and workers organizations to assess the reactions of opinion leaders in relevant societal groups. The author’s main findings can be summarized as follows:

(1) The potential volume of contributions

The author assumes that after an introductory phase a volume of between 70 to 100 million Euro per year can be collected in Germany on a permanent basis. This is about half the volume that was estimated in Table 3.1 but is compatible with the rather more conservative exercise in Table 3.2. A higher amount appears unrealistic as presently only about 500 million Euro of donations per annum are collected for development aid in Germany.

(2) Public acceptance

While the reaction of the general public was relatively positive (up to 30 percent of the interviewed individuals said they were willing to contribute to the TRUST, see also chapter 3) the reaction of opinion leaders was mixed. While the project found positive reactions in the Ministries of Labour, Health and representatives of trade unions as well as the Federations of Local Sickness Funds, officials in the Ministry of Technical cooperation and representatives of the Federation of Employers were less supportive and rather sceptical. Individual representatives of industry showed a more positive entrepreneurial attitude, as did a representative of the Catholic Church.

(3) Legal conditions

German tax law envisages the possibility to grant tax exemptions to organizations that collect donations for the purpose of technical co-operation in international development. However, the collecting agency needs to reside legally in Germany. In addition tax exceptions are granted to individual donors.

(4) Organization of the contribution collection

German social laws prohibit the use of the institutions of social security as collection agencies. Their administrative system can exclusively be used to conduct their core business. However, these institutions can be used to communicate the idea of the TRUST to their members through their regular publications. This is not a negligible asset – in terms of credibility - for a new and unknown organization. Contribution collection itself should proceed through standing orders from personal bank accounts. Contacts with contributors should be kept by a national organizations that maintains a certain level of national visibility.

(5) Public relations

The public relations campaign should be professionally designed and multi-dimensional. It should have a concrete message for the general public, while the campaign for enterprises should focus on the concept of building sustainable social infrastructures. For both groups the conceptual new approach to development policy has to be emphasized.

(6) General summary

The study shows that the concept did not meet with unconditional support from all sides. However, criticism never referred to the objectives of the TRUST but rather concerned organisational questions which the author considers as surmountable. The financial potential appears substantial. Financial support from the general public appears certain, financial support from enterprises can probably be generated.
The idea of a People-to-people fund is not entirely new. Some 25 years ago, UN staff members in Geneva got together to found the 1% - Fund for development. All members contribute on a voluntary basis approximately 1% of their monthly salary for development projects (see Box 8). The oldest fund in Geneva now has 25 years of experience. In the ILO alone membership oscillates between 5 and 10% of staff - an obvious achievement for a Fund that is operated entirely by volunteers, cannot organise extensive membership campaigns and asks people (in relative terms) to contribute about 5 times as much as the GLOBAL SOCIAL TRUST would do. This is a small scale but real life experiment that may support our 10% assumption for the potential contributor ratio in OECD countries.

Box 8. The 1% for Development Fund of the UN Staff

What is it?
An association of staff of the United Nations system and other intergovernmental organizations who have chosen to allocate 1% or more of their salary to development projects in underprivileged countries. The first 1% Fund was set up in Geneva in 1976; others were established in Rome in 1983, New York in 1985 and Vienna in 1986. Though their objectives are the same, each 1% Fund operates independently.

Why 1%?
In resolution No.2626 (XXV) of 24 October 1970, members of the United Nations agreed to transfer 0.7% of their GNP from developed to developing countries. Frustrated at the inertia of most member countries and of the UN system, a small group of international civil servants decided to start practising what their governments preached, by contributing 1% of their salary to development projects. Members do a self-assessment of their contribution amount and arrange for this to be credited to the Fund’s bank account on a regular basis.

How does the Fund provide support?
A committee of Fund members evaluates proposals, all of which emanate from the people in the places concerned; funding is approved at general assemblies twice a year. Each funded project is required to report on results. When possible, Fund members and their colleagues also visit project sites during their spare time on working trips.

What percentage of members’ contributions is spent on administration?
The entire amount of members’ contributions is allocated to development projects. The Fund, in fact, incurs no administrative costs because it is administered entirely by its members as volunteers.

What has the Fund done so far?
In 25 years the Fund has spent about 6 million Swiss francs in support of more than 500 community development projects in about 50 countries, mostly in Africa, Latin America and Asia.

And the Fund today?
The current membership is 260, made up of both serving officials (from 18 organizations) and retirees who have chosen to continue contributing. The average age of Fund members is rising and several members now leave the Fund each year when they retire. A lack of promotional activities over the past few years (one must remember that all members of the Management Committee are volunteers with full time jobs) has been responsible for the trend of falling membership but now a promotion group is becoming more active and this trend is being slowly reversed as new younger members join the Fund. The long-term objective is to achieve a participation rate of about 10% of the staff of the participating UN organizations.

If the current objective of increasing and rejuvenating the membership can be met, there is no reason to think that the Fund should not continue its good work for at least another 25 years!
2.10. The name

‘GLOBAL SOCIAL TRUST’ is the current working title. The final name could be selected by means of market research. It would be preferable, however, to have a name that would not require translation into most languages, like Amnesty International or Greenpeace, and at the same time spells out clearly what the TRUST does. This might seem difficult as the purpose and activities of the TRUST are more complex than that of other organizations. Names like “Solidarity International” or close derivations thereof are already taken by other organizations. However, the GLOBAL SOCIAL TRUST sets out to invest in the build-up of social protection systems in developing countries, i.e. it tries to build basic social safety nets in these countries. Another name for the TRUST could thus be Global Social Net or the International Social Net, implying that we are trying to span a net that helps all people and at the same time alluding to the fact that the system builds on a network of people. Some members of the review group preferred more paradigmatic names like “Global Neighbours” or the “Blue Roof”. The matter remains undecided for the time being. The donor country staging the first pilot project might in effect decide on a name for a National Social TRUST and thus de facto limit the choice for the global organization and other National Social TRUSTs. This is the prerogative of a trail blazer. The ILO will continue to use the working title, which has already attracted some prominence among Governing Body members and within the ILO constituency.
3. Financial potential and possible impact

The financial potential of the TRUST is difficult to establish with certainty as there is no direct relevant experience to draw on. The overall amount of income can only be estimated but there is reason to believe that it could be substantial. The overall impact of the TRUST critically depends on its financial potential.

3.1 Estimated financial potential

The possible volume of contributions critically depends on the propensity of the population to contribute. That propensity of individuals to contribute cannot be predicted with certainty. The feasibility study thus had to develop a survey strategy to assess the number of potential contributors before the possible financial volume of contributions could be estimated.

3.1.1 Assessing the propensity of individuals in OECD countries to contribute

The sub-study on the contribution collection included a two stage opinion poll by the renowned institute *Infratest Sozialforschung* in Germany. Opinion polls cannot predict contribution behaviour with certainty, but they are the only way to find out whether people would consider to contribute. Considerable caution should still be exercised when interpreting the results. The calculations only take the survey results as a point of departure.

The first set of telephone interviews were conducted in November 2001. In order to limit the complexity of the questions, the survey asked for contributions (5 € per month) that would go towards financing basic health care in developing countries. The poll asked an emotional question as well as a more rationally formulated question. In both cases a representative group of 1000 people was interviewed by telephone. Despite the fact that the emotional questions returned a higher positive response, the following results quoted here are those related to the rational question, as it was considered that a rational public relations campaign would be most appropriate for the TRUST.

The poll concluded that approximately 28 percent of the population would be willing to contribute 5 Euros per month for a period of three years to such a fund (see Part II, Annex 5), 23% “may” do so and 48% showed definitely no interest in making financial contributions (1% with no opinion).
The highest percentage of people willing to donate to a TRUST can be found in the age bracket between 35 and 59 years. About 35% say that they are definitely ready to make a donation. A very high percentage of definite supporters of a GLOBAL SOCIAL TRUST can be found in another important target group - people with high incomes (46%). Furthermore the idea of global partnership finds particular support among higher educated women (46%).

Following the discussions within the review group in May the poll was repeated in July 2002. The review group feared that limiting the questions to health care as well as the reliance on only one observation point might paint too optimistic a picture. It was also feared that the proximity to the 11 September events might have biased the results. This time the (rational) health question was repeated to establish whether there was any systematic bias or trend within the two results. In addition a second question was asked referring to the willingness to support a basic old age pension system in developing countries with €5 per month. The basic old age pension was selected as a representative of the family of potential “basic income security” benefits to be supported by the TRUST. It was assumed that pensions with a focus on old age might be the least attractive benefit to the public and thus referring to pension in the questions would provide the team with a conservative estimate of the propensity to contribute.

Figure 3.2 summarizes the results of the health care question of the year 2002. While there were some shifts between different population groups the overall percentage of “yes” responses dropped slightly to 26% - a difference which can be considered to be in the normal range of uncertainty of polls of this size. The “yes” and “maybe” responses together account - as in November 2001 – for more than 50% of the respondents.
Figure 3.2:

![Pie chart showing percentage of adult population in Germany willing to contribute to the GST-health care - July 2002](image)

Source: Infratest Sozialforschung, July 2002, N= 1000

Figure 3.3 shows the results of the questions regarding the propensity to contribute to the financing of a basic old-age pension.

Figure 3.3:

![Pie chart showing percentage of adult population in Germany willing to contribute to the GST-old age pension - July 2002](image)

Source: Infratest Sozialforschung –July 2002, N= 1000

The proportion of unconditionally positive responses is only slightly smaller than in the case of the health question. This is somewhat reassuring – as it had to be expected that “alleviating poverty in old age” as a use of voluntary contributions was thought to be substantially less attractive to potential contributors than health care.

The survey institute thus concluded that a considerable percentage of the German population showed a positive attitude to “global partnership” between citizens of rich and poor countries
and that the propensity to contribute to the support of basic social protection systems was rather stable.

The following box summarizes the most important results in ten key figures.

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**Box 9. Who would contribute in Germany? An answer in ten figures**

In November/December 2001 Infratest Munich conducted in parallel two independent telephone surveys to test the propensity of the public in Germany to contribute to a GLOBAL SOCIAL TRUST. Each sample had a size of 1000 people. Two polls were necessary to test the possible impact of an emotional versus a rational promotion strategy for the TRUST. The questions asked were:

**Emotional Version A:**
You may know that many people in the poorest developing countries have hardly any money for their health care. The competent sub-organization of the UN in Geneva plans a worldwide solidarity fund, to finance health care for the poorest of the poor. Would you be willing to contribute say for 2 to 3 years about 10 DM (i.e. 5€) per month to that Fund?
- a) Yes
- b) Maybe
- c) No

**Rational Version B:**
Some developing countries are not able to provide any meaningful health care for their population. The International Labour Organization of the UN in Geneva plans a Global Solidarity Fund to finance Health Care in such countries. The resources for this Fund should come from private contributions. Behind this is the idea of a global partnership between citizens of rich countries with people in poor countries? What do you think of this? Would you be prepared to contribute for say 2-3 years a monthly amount of say 5 €?
- a) Yes
- b) Maybe
- c) No

The main structural aspects of the answers are summarized in the following points

- **Emotional vs. rational appeal**
The aggregate answers for the two versions were as follows

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**Box figure 1. Emotional versus rational appeal (in%)**

![Bar chart showing emotional vs. rational appeal](http://www.fineprint.com)
The results show an unconditional agreement of 33% for the emotional approach and 28% for the more rational approach. Women appear to be less susceptible to an emotional “dressing” of the questions. Further analysis shows that the highest unconditional propensity to contribute is reached in the age group 45 to 59 (the highest income group) with 36% for version A and 35% for version B. Based on an analysis of the competitive situation on the charity market Infratest recommends to pursue the rational promotion strategy. The following results thus refer to version B.

**Willingness to contribute by employment status and income**
Results show an obvious positive correlation between the willingness to contribute and the level of household income (Box figure 4) as well as the relationship between employment status and willingness to contribute (Box figure 3).

Box figure 2. Yes – by gender (in %)

<table>
<thead>
<tr>
<th>Men</th>
<th>Version A %</th>
<th>Version B %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>Version A %</td>
<td>Version B %</td>
</tr>
</tbody>
</table>

Box figure 3. Employment status and willingness to contribute (in %)
Box figure 4. Willingness to contribute and monthly gross household income (in %)

- Gender and educational level
Women show a generally higher readiness to contribute (see Box figure 2). Women with a high educational status (Abitur = Baccalaureat) show the highest willingness to contribute. Their consent with the concept of the TRUST reaches almost 50% which is more than 10% higher than that of men.

Box figure 5. Willingness to contribute by gender and high educational attainment (in %)

- General shifts in propensity to contribute between November 2001 and November 2002
In July 2002 the rational health care question was almost identically repeated in another round of 1000 telephone interviews. The main results compared to the November 2001 survey are displayed in box figures 6 to 8.
The proportion of firm “yes” has increased slightly for men but decreased substantially (partly in favour of “maybe”) in the case of women. On the whole the proportion of people considering contributing (Yes Plus Maybe) hovers around 50%. The fairly substantial shift for women can largely be attributed to a dramatic shift in the attitude of housewives as Box figure 7 indicates. They may be more nervous about the present economic down-turn in the country than blue and white collar workers. The overall reduction of the “yes” can be attributed to the lower propensity to contribute of the high income earners. The self-employed are highly represented in this group. Their more cautious attitude may also be based on economic reasons.
Box figure 8: Willingness to contribute to the financing of basic health care systems by household income – November 2001 vs. July 2002

- Differences in willingness to contribute for health care vs other benefits

In order to test the sensitivity of the survey results to the nature of the benefit to be financed, a second question asking for the readiness to contribute to the financing of basic old age pension schemes was fielded in parallel to the renewed health care question. The question was:

Some developing countries are so poor, that practically no old age pension scheme exists and not even a minimum standard of living can be guaranteed for the elderly. However, even very small amounts of money can help to alleviate the poverty of whole families. The International Labour Office of the United Nations in Geneva is thus planning to introduce a Global Solidarity Fund to finance modest pensions for people older than 65 years in developing countries. Financial resources should come from private donations. The plan is based on the idea of a global partnership between people in affluent and poor countries. What would you think:

Would you be ready to contribute to this Solidarity fund of the UN for 2 to 3 years say 5€ per month:

- a) Yes
- b) Maybe
- c) No

Overall the propensity to contribute to the financing of a pension scheme is slightly less than that to contribute to the set-up of a health care scheme. The following two graphs highlight the main structural differences by gender and by age. Generally it appears that women and lower income groups have a lower preference to contribute to health care schemes than to old-age pension schemes.
Box figure 9: Willingness to contribute to the financing of old-age vs. health care benefits by gender, July 2002

Box figure 10: Willingness to contribute to the financing of old-age vs. health care benefits by income, July 2002
While it is not clear whether these attitudes are representative for other countries in the OECD, the survey also reveals some indications about the elasticity of the willingness to contribute to levels of per capita GDP. The following figure shows that there is a marked difference between the propensity to contribute to old age pension projects between East Germany and the richer West Germany (the per capita GDP of East Germany is only about 60% of that in West Germany). One might conclude from this that the propensity to contribute in the less well-off OECD countries might be substantially lower than the indicative survey figures for Germany as a whole.

Figure 3.4: Willingness to contribute to financing of old age pensions schemes - East and West Germany, July

<table>
<thead>
<tr>
<th></th>
<th>West</th>
<th></th>
<th>East</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>27%</td>
<td></td>
<td>15%</td>
</tr>
<tr>
<td>No</td>
<td>47%</td>
<td></td>
<td>60%</td>
</tr>
<tr>
<td>Maybe</td>
<td>26%</td>
<td></td>
<td>25%</td>
</tr>
</tbody>
</table>

Surveys are always subject to errors. People’s responses on the telephone might differ from their real life behaviour. On the other hand surveys do not really simulate well the behaviour of people who have been subject to publicity campaigns. In view of the remaining uncertainty about people’s behaviour as well as the potential difference in the propensity to contribute between countries with different levels of per capita GDP, a conservative assumption was made concerning the average participation rate in the OECD countries. It was assumed that even in the stationary state of the TRUST, i.e. after one to one and a half decades when it has reached its “cruising” speed and all possible National Social TRUSTs have been set up, the average participation rates would only reach about 10% of all employed persons.

### 3.1.2 Estimating the potential volume of contributions

Based on the above assumption the potential contribution income of the TRUST in its stationary state can be estimated. It is hence assumed that a participation rate of 10% of all employed persons may be achievable on average across all OECD countries if they are asked to contribute about 0.2% (or 5 Euros) per month of their wages. This is equivalent to two thirds of the “yes” response rate in East Germany. Further contributors may be recruited from the self-employed. One can tentatively assume that their contribution rate would be equal to that of employees. Additional contributions may also come from enterprises and better-off pensioners. No educated guess on the potential was possible and the potential income from the latter three sources is considered a safety margin which may compensate for lower propensities to contribute in some of the OECD countries.
Table 3.1 assesses the contribution potential to the TRUST by calculating the potential income from 10% of all employees and alternatively that of all employees plus the self-employed. This calculation would yield between 2.4 and 2.8 billion € as annual contribution income.

Table 3.2 tries an alternative – more prudent - way to assess the financial potential of the TRUST. It assumes that only people in the established and relatively rich industrialized economies in the OECD would contribute and that participation rates would only be between 5 and 10% of all employees\(^{16}\). In this case the potential amount of contributions would lie between 0.8 billion € and 1.6 billion €. For comparison the table provides the annual income of UNICEF from the public and private sector in the respective countries. It is obvious that the TRUST could have an income equal or higher than that of UNICEF.

On the whole it appears that in the stationary state one could expect a potential volume of total income of the TRUST in the order of between 1.0 and 2.0 billion Euros per annum once all national organizations have been built up. However, that income would gradually build-up over time. The pace of the build-up depends on the pace with which the national organizations can be founded and achieve their individual state of full potential.

This is a substantial amount in comparison to the estimated volume of aid resources that are flowing into the social protection sector. According to the latest World Bank Development Report\(^{17}\), NGOs globally administered around US$ 10 billion in development assistance per annum in the late 1990s of which about 50% were public resources. According to the OECD, official development assistance allocated directly by governments accounted for around US$ 55 billion in 2000\(^{18}\). It is not known exactly how much of the total global development assistance goes directly to the social sector. However, estimations based on OECD data indicate that it may be in the order to 4 to 5 billion US$. This means that in the stationary state, the Trust could increase the present level of global development assistance for social protection by about 25%.

It appears safe to say that in the stationary state the TRUST would make a substantial contribution to development assistance that is devoted to social protection. An assumed average annual income of €1 billion would be equivalent to about:

- 110 times the estimated technical co-operation resources for social security of the ILO per annum in the biennium 2002/03\(^{19}\) and
- about 4 times the World Bank’s International Development Association’s (IDA) annual disbursements for investment projects in social safety nets in 1998\(^{20}\).

There is reason to believe that the TRUST could become the single biggest global investor in social governance.

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\(^{16}\) The views on the potential propensity of workers to contribute vary widely among experts. A representative of the British TUC alerted the project team to the fact that probably less than 1% of British workers are contributing to OFFA (a voluntary Fund that supports the unemployed). Workers and employers’ representatives’ from Luxembourg were more optimistic. Ultimately the propensity to contribute can only be tested in a real life experiment. There might be a wide range of participation rates between different countries.


\(^{18}\) Computed on the basis of tables from the OECD Development co-operation report 2001.


Table 3.1. Yearly contribution potential (values in € as of the year 1999)

<table>
<thead>
<tr>
<th>Year 1999 (*)</th>
<th>Country</th>
<th>Employees in 1'000</th>
<th>Self-employed in 1'000</th>
<th>10% of employees contribute 5 Euros per month</th>
<th>10% of employees and of self-employed contribute 5 Euros per month</th>
<th>Annual gross wage in Euros</th>
<th>contribution in percentage of annual gross wage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Australia</td>
<td>7'380</td>
<td>1'274</td>
<td>44'280'000</td>
<td>51'924'000</td>
<td>24'121</td>
<td>0.25%</td>
</tr>
<tr>
<td>2</td>
<td>Austria</td>
<td>3'231</td>
<td>398</td>
<td>19'386'000</td>
<td>21'774'000</td>
<td>22'616</td>
<td>0.27%</td>
</tr>
<tr>
<td>3</td>
<td>Belgium</td>
<td>3'118</td>
<td>565</td>
<td>18'708'000</td>
<td>21'098'000</td>
<td>28'253</td>
<td>0.21%</td>
</tr>
<tr>
<td>4</td>
<td>Canada</td>
<td>12'890</td>
<td>1'595</td>
<td>77'338'800</td>
<td>86'907'600</td>
<td>24'121</td>
<td>0.25%</td>
</tr>
<tr>
<td>5</td>
<td>Czech Republic</td>
<td>4'024</td>
<td>660</td>
<td>24'144'000</td>
<td>28'102'200</td>
<td>4'502</td>
<td>1.33%</td>
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<td>6</td>
<td>Denmark</td>
<td>2'428</td>
<td>221</td>
<td>14'568'000</td>
<td>15'894'000</td>
<td>28'253</td>
<td>0.21%</td>
</tr>
<tr>
<td>7</td>
<td>Finland</td>
<td>1'966</td>
<td>305</td>
<td>11'796'000</td>
<td>13'626'000</td>
<td>24'121</td>
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</tr>
<tr>
<td>8</td>
<td>France</td>
<td>20'509</td>
<td>2'471</td>
<td>123'054'000</td>
<td>137'880'000</td>
<td>20'787</td>
<td>0.29%</td>
</tr>
<tr>
<td>9</td>
<td>Germany</td>
<td>32'489</td>
<td>565</td>
<td>194'934'000</td>
<td>216'426'000</td>
<td>31'124</td>
<td>0.19%</td>
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<tr>
<td>10</td>
<td>Greece</td>
<td>2'296</td>
<td>561</td>
<td>137'766'000</td>
<td>159'940'000</td>
<td>28'253</td>
<td>0.21%</td>
</tr>
<tr>
<td>11</td>
<td>Hungary</td>
<td>3'140</td>
<td>561</td>
<td>188'400'000</td>
<td>220'600'000</td>
<td>2'891</td>
<td>2.08%</td>
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<td>Iceland</td>
<td>126</td>
<td>27</td>
<td>757'200</td>
<td>917'400</td>
<td>23'189</td>
<td>0.26%</td>
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<td>9'378'000</td>
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<td>5071</td>
<td>87'743'400</td>
<td>118'166'400</td>
<td>20'101</td>
<td>0.30%</td>
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<td>7'540</td>
<td>319'860'000</td>
<td>365'100'000</td>
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<td>0.17%</td>
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<td>5'841</td>
<td>75'132'000</td>
<td>95'132'000</td>
<td>139'65</td>
<td>0.43%</td>
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<tr>
<td>17</td>
<td>Luxembourg</td>
<td>232</td>
<td>17</td>
<td>1'389'000</td>
<td>1'489'000</td>
<td>28'139</td>
<td>0.21%</td>
</tr>
<tr>
<td>18</td>
<td>Mexico</td>
<td>23'225</td>
<td>11'321</td>
<td>139'354'800</td>
<td>216'426'000</td>
<td>4'146</td>
<td>1.45%</td>
</tr>
<tr>
<td>19</td>
<td>Netherlands</td>
<td>6'762</td>
<td>797</td>
<td>40'720'000</td>
<td>56'920'000</td>
<td>27'008</td>
<td>0.22%</td>
</tr>
<tr>
<td>20</td>
<td>New Zealand</td>
<td>1'380</td>
<td>354</td>
<td>82'799'400</td>
<td>104'049'000</td>
<td>17'628</td>
<td>0.34%</td>
</tr>
<tr>
<td>21</td>
<td>Norway</td>
<td>2'058</td>
<td>166</td>
<td>123'480'000</td>
<td>133'440'000</td>
<td>31'995</td>
<td>0.19%</td>
</tr>
<tr>
<td>22</td>
<td>Poland</td>
<td>11'173</td>
<td>3'446</td>
<td>67'036'200</td>
<td>87'712'000</td>
<td>4'823</td>
<td>1.24%</td>
</tr>
<tr>
<td>23</td>
<td>Portugal</td>
<td>3'463</td>
<td>1'183</td>
<td>20'778'800</td>
<td>27'875'400</td>
<td>7322</td>
<td>0.82%</td>
</tr>
<tr>
<td>24</td>
<td>Slovak Republic (*)</td>
<td>1'965</td>
<td>1'61</td>
<td>11'907'000</td>
<td>12'584'000</td>
<td>4'502</td>
<td>1.33%</td>
</tr>
<tr>
<td>25</td>
<td>Spain</td>
<td>10'790</td>
<td>2'694</td>
<td>64'707'000</td>
<td>80'544'000</td>
<td>14'437</td>
<td>0.42%</td>
</tr>
<tr>
<td>26</td>
<td>Sweden</td>
<td>3'636</td>
<td>419</td>
<td>21'816'000</td>
<td>24'330'000</td>
<td>25'077</td>
<td>0.24%</td>
</tr>
<tr>
<td>27</td>
<td>Switzerland</td>
<td>3'361</td>
<td>431</td>
<td>23'166'000</td>
<td>26'752'000</td>
<td>37'643</td>
<td>0.16%</td>
</tr>
<tr>
<td>28</td>
<td>Turkey</td>
<td>9'487</td>
<td>6'244</td>
<td>56'920'000</td>
<td>94'383'000</td>
<td>8'207</td>
<td>0.73%</td>
</tr>
<tr>
<td>29</td>
<td>United Kingdom</td>
<td>23'848</td>
<td>3'202</td>
<td>143'090'400</td>
<td>162'304'800</td>
<td>27'015</td>
<td>0.22%</td>
</tr>
<tr>
<td>30</td>
<td>United States</td>
<td>123'267</td>
<td>10'087</td>
<td>739'602'000</td>
<td>800'124'000</td>
<td>28'151</td>
<td>0.21%</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>399'980</td>
<td>71'817</td>
<td>2'399'880'600</td>
<td>2'831'781'400</td>
<td>24'075</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

gross wage of the average production worker.

(*) in 1999, 1 euro = 1.06 dollars
(**) wage assumed equal to Czech Republic.
Table 3.2. Alternative assessment of contribution potential (values in mill. € as of the year 2000)

<table>
<thead>
<tr>
<th>Country</th>
<th>Estimated revenues of the 5% part. rate; 5 € per month</th>
<th>Estimated revenues of the 10% part. rate; 5 € per month</th>
<th>For UNICEF revenues 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Governmental contributions</td>
<td>Private contributions</td>
<td>Total</td>
</tr>
<tr>
<td>Australia</td>
<td>22</td>
<td>44</td>
<td>22</td>
</tr>
<tr>
<td>Austria</td>
<td>10</td>
<td>19</td>
<td>2</td>
</tr>
<tr>
<td>Belgium</td>
<td>9</td>
<td>19</td>
<td>7</td>
</tr>
<tr>
<td>Canada</td>
<td>39</td>
<td>77</td>
<td>22</td>
</tr>
<tr>
<td>Switzerland</td>
<td>10</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>Germany</td>
<td>97</td>
<td>195</td>
<td>5</td>
</tr>
<tr>
<td>Denmark</td>
<td>8</td>
<td>15</td>
<td>32</td>
</tr>
<tr>
<td>Spain</td>
<td>32</td>
<td>65</td>
<td>25</td>
</tr>
<tr>
<td>Finland</td>
<td>6</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>France</td>
<td>62</td>
<td>123</td>
<td>8</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>72</td>
<td>143</td>
<td>91</td>
</tr>
<tr>
<td>Ireland</td>
<td>4</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>Iceland</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Italy</td>
<td>44</td>
<td>88</td>
<td>18</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Netherlands</td>
<td>20</td>
<td>41</td>
<td>55</td>
</tr>
<tr>
<td>Norway</td>
<td>6</td>
<td>12</td>
<td>59</td>
</tr>
<tr>
<td>New Zealand</td>
<td>4</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>Sweden</td>
<td>11</td>
<td>22</td>
<td>61</td>
</tr>
<tr>
<td>United States</td>
<td>370</td>
<td>740</td>
<td>269</td>
</tr>
<tr>
<td>Total</td>
<td>827</td>
<td>1653</td>
<td>690</td>
</tr>
</tbody>
</table>

(*) in 2000, 1 euro = 0.92 dollars.

Source: OECD, EU and UNICEF data.
3.2. Potential impact

The benefits from the TRUST will accrue to individuals, families, communities, and ultimately national societies. In the long run global social solidarity benefits all -- the contributors, the beneficiaries, the country, the economy, the donors, etc.-- not just the immediate recipients. For instance, when the social situation in developing countries is improving, the benefits are felt not only by them, but also by the rich countries because of the benefits from an increased supply of global public goods. Additional benefits for all parties would include increased social peace, good governance, and better education. The resultant increased growth in the poorest countries would reduce the risk of a global spread of diseases, increase demand for goods and services in industrialized countries and reduce migratory pressure.

However, the central question of this feasibility study is what impact the TRUST would have on the social situation in developing countries. Essentially the build-up of sustainable social security structures will benefit the total population in the recipient countries in the long run. It will make their life more socially secure, reduce the risk of falling into poverty and will allow them to lead a socially and economically meaningful life.

Contributors rightly demand information about immediate impacts.

Assessing the immediate impact requires estimating the cost of a typical minimum benefit package in a community based social security scheme. The data situation is notoriously weak and of course highly dependent on national and regional circumstances. In addition the suggested policy of the TRUST is not to prescribe one uniform set of benefits for all. However, assessing the potential impact of the TRUST demands an estimate of how many people can be supported with the assessed 1 to 2 billion € that the Fund can hopefully collect per year.

A pragmatic way to assess the per capita cost of a typical basic benefit package thus has to be found. In the absence of reliable risk assessments in benefit expenditure, social security transfer systems tend to cash limit their expenditure. In view of the data situation this approach is pursued here. It is assumed here that the expenditure per protected person (not necessarily per direct beneficiary) and per month for a minimum benefit package including basic health benefits and a modest anti-poverty cash benefit (including administrative overhead costs) can be kept at € 2.50.

That figure is based on the following reasoning about an “average” support package which might be considered typical. It is assumed that the support package would help to provide a set of basic social security benefits that are provide by a community based social protection scheme. The package could consist of an essential health care subsidy and a cash benefit subsidy. The latter could be tied to the condition that all children in the household are attending school. Thus the benefit package would incorporate elements from all “corners” of the basic family protection triangle. The figures calculated here are indicative and refer to the initial amount of per capita subsidies for all protected people - not only for beneficiaries. The TRUST thus supports the protection of people, it does not just pay part of the benefits for the recipients of benefits. It is also assumed that the per capita subsidy level will be reduced over time.
The health component of a “typical support package”

The WHO Macro-economic Commission for Health estimates\(^{21}\) that the total cost of health care per person in low income and least developed countries is in the order of US$35 per capita and year. The figure includes recurrent costs of health services as well as basic investments. Least developed to low income countries presently spend about US$13 to 14 on average per person and year. Required would thus be on average another US$21. Assuming that during the years sponsored by the TRUST a community based scheme can collect half that additional amount through contributions, i.e. on average US$10.5 or about 12 € (2001 exchange rate), the TRUST could cover the € 12 per person and year or one EURO per month. The following box supports that reasoning by referring to concrete expenditure and cost data of community based health insurance schemes.

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**Box 10: Calculating a typical per capita subsidy in community based health care schemes**

The box table compiles the estimated per capita monthly full Pay-as-you-go cost (i.e. the cost covering premium) for 14 community based health schemes for which data could be found in recent studies. According to this - probably highly biased sample - and rough estimates, the average cost for the schemes could be in the order of US$0.6 to 1.8 per covered person (i.e. mean plus/minus 1.5 times the standard deviation) across all regions. Covering half the cost would lead to a monthly per capita health subsidy by the TRUST in the order of the € 1 per month as estimated above.

It should be noted in this context that the US$0.6 to 1.8 per capita cost certainly do not represent the full cost of health care. Government and other sponsors are still heavily involved in the financing of health care. The cost to the schemes for medical treatment represent *charges* in health facilities that they have to pay on behalf of their members. These charges usually do not represent the full cost of the care provided to the patient as direct government or other sponsor resources (like NGO resources or international aid) are de facto subsidizing the prices that the community based schemes are paying to the health care providers. In fact Bennett et al. (1998) showed that only about half of the schemes analysed in Asia and Africa covered more than 50% of the estimated full cost of care\(^{22}\). Thus the risk that through supporting community based schemes the withdrawal of government resources from health financing might be facilitated is not very high as long as the provider payment systems are not changed after the TRUST engagement has been agreed upon. The provider payment mechanism to be employed by the community based satellites can easily be agreed upon in the contract between the hub, the satellites and the TRUST. Our calculations assume that governments will not seek to reduce their per capita input for covered persons, i.e. in other words that government can be prevented from reducing their financial commitments to the health sector respectively the social sector in general.

It is difficult to estimate the impact of a subsidy towards the contribution rate of about US$1 or €1 per month per person. However, coverage rates are sensitive to premium levels. Again, the data base on the elasticity of coverage to premium levels is weak but one of the working papers of the WHO commission of Macroeconomics and Health contains a regression estimate on the elasticity for a rural district in Ghana\(^{23}\). It permits to conclude that a reduction of the per capita annual premium from 50,000 cedis (i.e. US$7) to about 7000 cedis (i.e. about US$1) could increase the potential coverage rate from 2 to 38% of all households in the district. The potential impact on the overall level of access to health care in the country would be substantial. The effect would be attained by providing half the level of average assumed cost subsidy by the TRUST.

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\(^{21}\) See Macroeconomic commission for Health: Macroeconomics and Health: Investing in health for economic development, WHO 2001 pp. 53 ff.

\(^{22}\) See Table 7 in Bennett et al (1998).

\(^{23}\) See Figure 2.3 (“willingness to pay for adult insurance”) in Arhin-Tenkorang (2001).
**Box Table: Amounts of cost covering premium per capita in selected community based health insurance schemes, late 1990s to 2001**

<table>
<thead>
<tr>
<th>Country scheme</th>
<th>Estimated monthly cost covering contributions per person in US$</th>
<th>Benefits covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benin (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MHO Klolo, Quesse</td>
<td>1.8</td>
<td>inpatient and outpatient care (incl. small surgery)</td>
</tr>
<tr>
<td>MHO Tasso, Nikki</td>
<td>2.3</td>
<td>inpatient and outpatient care (incl. small surgery)</td>
</tr>
<tr>
<td>MHO Kalale, Kalale</td>
<td>1.5</td>
<td>inpatient and outpatient care (incl. small surgery)</td>
</tr>
<tr>
<td>MHO Toul, Quesse</td>
<td>1.9</td>
<td>inpatient and outpatient care (incl. small surgery)</td>
</tr>
<tr>
<td>MHO Gunagorou, Perere</td>
<td>1.4</td>
<td>inpatient and outpatient care (incl. small surgery)</td>
</tr>
<tr>
<td>MHO Sirarou, N'Dali</td>
<td>1.5</td>
<td>inpatient and outpatient care (incl. small surgery)</td>
</tr>
<tr>
<td>Ghana (2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dangme West Scheme</td>
<td>0.2</td>
<td>inpatient and outpatient care (excluding subsidies)</td>
</tr>
<tr>
<td>Nkoranza Health Scheme</td>
<td>0.1</td>
<td>inpatient and outpatient care (excluding subsidies)</td>
</tr>
<tr>
<td>Uganda (3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kizizi Hospital Health Society</td>
<td>0.5</td>
<td>subsidized through collaborating hospital</td>
</tr>
<tr>
<td>Kenya (3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chogoria Hospital Insurance Plan</td>
<td>1.8</td>
<td>inpatient and outpatient (medium coverage plan, group rate)</td>
</tr>
<tr>
<td>Tanzania (4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Health Fund in Singida</td>
<td>1.1</td>
<td>calculated full cost per person including govt. matching funds and co-payments</td>
</tr>
<tr>
<td>Atiman scheme in Msimbazi</td>
<td>1.3</td>
<td>calculated full cost premium for inpatient and outpatient care</td>
</tr>
<tr>
<td>Philippines (5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ORT scheme</td>
<td>0.6</td>
<td>financing only part of inpatient and outpatient care; substantial part paid by social security</td>
</tr>
<tr>
<td>Tarlac scheme</td>
<td>0.9</td>
<td>part paid by social security</td>
</tr>
</tbody>
</table>

| Unweighted average       | 1.2                                                           | 1.4                                                        |
| Standard deviation       | 0.4                                                           | 0.6                                                        |

Sources:
1. Benin sub-study, only schemes with more than 750 members were covered
2. Ghana substudy
3. Musau, S.N., Partnerships for Health reform
5. Actuarial studies by Hioshi Yamabana of ILO SOCFAS
Calculations and estimates: ILO SOCFAS

---

**The cash component of a “typical support package”**

Based on the assumed expenditure ceiling of the TRUST of 2.50 € per assisted person per month, a typical community based schemes could then – after deduction of the health subsidy of €1 - afford to spend about 1.50€ per month and per capita on a basic income replacement/poverty relief cash benefit.

Assuming that

— a benefit of 1€ per day would provide a modest but helpful income replacement benefit under a basic cash benefit provision (in case of sickness, maternity, invalidity, or an old age pension) and the TRUST would cover 25% of that aspired benefit level during the initial subsidy phase;
about 20 percent of all covered people in the community based scheme are eligible for a cash benefit (this could be composed of about 10% of the people receiving a cash benefit for invalidity and sickness and 10% for old age), then the monthly rate of benefit cost per capita could be kept at about 1.5€ (i.e. 20% of 30€ multiplied by the TRUST’s subsidy rate of 25%).

The above reasoning gives an amount of about 0.75€ per month and per protected person for subsidizing a small old-age pension. The following box provides an example of a basic- anti poverty old age benefit system whose build-up could be sponsored by the TRUST. Initially the community based schemes will not be able to reach the aspired benefits levels of 1 € (or 1 US$) a day. This may be reached only after years of individual savings which have to complement the transfers from the TRUST and the National government. Many other cash benefit designs could be envisaged depending on the capacity of the government, local communities or other groups to finance or co-finance such a benefit in the long run. The aim of the example is to provide the possible financial development pattern of a rural pension scheme in a developing country as well as the development pattern of the TRUST’s financial involvement. It does not intend to provide exact nominal values.

---

**Box 11. A possible model for a TRUST supported rural pension scheme in Africa**

Let us assume that an African government wants to increase its old age pension coverage in the entire country. It plans to provide ultimately a minimum pension of the equivalent of US$ 1 a day to all people hitherto excluded from coverage to be reached after a transition period of two to three decades, i.e. mainly the population in rural areas. However, the present fiscal situation and the expected development of government finances in the medium term will not allow an outright public financing of the benefit. The government develops a model that aims at a substantial co-financing of the benefit through the covered population. It thus agrees to co-finance the basic pension for all who agree to join local voluntary pension funds. The downside is that coverage will not be complete and that pensions have to be fully funded since other methods of financing are not feasible or equitable in a voluntary scheme. However, in any case the scheme will have a substantial impact on old age poverty and will also have trickle-down effects into the families and households in which the benefiting elderly live. In order to rapidly extend the concept throughout the country, its attractiveness has to be demonstrated almost instantly in order to achieve the necessary public acceptance. A further problem is that fully funded schemes take a long time to mature, as the ultimate level of benefits can only be reached after a full life-time contribution period unless the government provides extensive subsidies during the maturation phase. However, that is exactly what the government will not be able to afford within the next two decades. It will seek start-up financial support from the TRUST for a well defined - but longer than usual - project period of two decades. The following section describes in a stylised manner how the TRUST support could work in principle. It is assumed that the TRUST co-financing would only be provided to pensions of beneficiaries who have contributed to the rural pension scheme for a defined period of time, i.e. for about 25 years, or, i.e. at least for 90% of the time that the scheme has been operational (transitional provision). This aims at reducing moral hazard by limiting the co-financing only to persons entering the scheme as early as possible.

These rural pension schemes would be little more than elementary savings schemes where people would agree to contribute about 10% of their average monthly income (say in this case of US$ 45\(^{24}\) per month) to the scheme. The scheme registers these contributions in individual savings accounts where they would earn interest. At age 60 the total accumulated sum of savings would be annuitized, i.e. converted into a monthly pension. Elementary invalidity and survivors benefit might also be paid but are ignored here to simplify the case. 50 % of the funds are to be placed with the social insurance "hub", while 50% can be locally invested by the administration of the scheme. The hub provides administrative and managerial support if required. The government guarantees a real rate of return of 3% and agrees to subsidize the scheme by matching each dollar of the pensions that is a result of the individual savings by exactly the same amount until such time that the individual monthly pension earned by savings would exceed US$ 15.

\(^{24}\) The average monthly income may appear high, but the example is meant as a demonstration only. It demonstrates that assumed ultimate replacement rate of pensions for the poor is assumed to be about 2/3 of their income.
As the average pension amounts per retiring cohort earned from savings plus government subsidies would increase very slowly and monthly pensions would even a decade after the lapse of an initial waiting period of five years (during which no pension would be paid as the minimum savings period to qualify for government subsidies would be 5 years) only reach a level of about US$ 15 per month (i.e. half the ultimate targeted amount). The government could request a subsidy from the TRUST to bring initial pensions during the maturation period (which would be about 20 years) up to levels much closer to the minimum needs of the people as quickly as possible. The TRUST could decide to subsidize each pension by US$ 10 minus the government support until the total package of savings pension + government support + TRUST subsidy would reach US$ 20 (in real terms, i.e. 2/3 of the ultimately target amount).

Assuming no inflation, a real interest rate of 3%, and a life expectancy of 58 years at birth, the annual annuities (pensions stemming from savings) as well as government subsidies and TRUST subsidies are calculated for a male contributing on the basis of US$ 45 in the following box table 1. The table assumes that the years denote the number of contribution years as well as the age of the scheme. The grey shaded area marks the years in which the TRUST intervenes. The subsidy from the TRUST towards newly awarded pensions ceases in the 20th year. However, the subsidy from the TRUST towards the benefits awarded in the early years of inception of the scheme may continue until the 26th year. Box figure 1 shows the development of the average pension for newly awarded pensions and their composition. Box figure 2 shows the changing share of government and TRUST subsidy shares in these individual pensions. In this model calculation the pension generated by individual savings will account for almost 80% of the total monthly individual pension after 35 years. While the TRUST would definitely stop providing its subsidies after about 20 years when new pensions no longer need co-financing. Remaining obligations would be paid off through a lump sum payment of a present value of remaining subsidies until the agreed upon subsidisation period. The government obligation is less predictable. As with all fully funded pension schemes the amount of government subsidies or obligations stemming from deficit guarantees largely depends on the investment performance of the schemes which in turn is highly dependent on the performance of the capital market which is unpredictable over decades. Basically the rural pension scheme suggested here is a government commitment to finance a basic pension for all who are willing to contribute on a voluntary basis throughout their active years – a contribution financed pension with a tax financed minimum pension guarantee.
Box table 1. Average monthly amounts in US$ of newly awarded pensions to males according to the model for a rural pension scheme in an African country (real interest rate 3%, life expectancy at birth 58 years, pension age 60)

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Trust Part</th>
<th>Government part</th>
<th>Individual savings</th>
<th>TOTAL monthly pension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>2</td>
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<td>0</td>
<td>0</td>
<td>0.0</td>
</tr>
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<td>3</td>
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<td>0</td>
<td>0</td>
<td>0.0</td>
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<td>4</td>
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</tr>
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<td>6</td>
<td>7.5</td>
<td>2.5</td>
<td>2.5</td>
<td>12.5</td>
</tr>
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<td>7</td>
<td>7.0</td>
<td>3.0</td>
<td>3.0</td>
<td>13.0</td>
</tr>
<tr>
<td>8</td>
<td>6.6</td>
<td>3.4</td>
<td>3.4</td>
<td>13.4</td>
</tr>
<tr>
<td>9</td>
<td>6.1</td>
<td>3.9</td>
<td>3.9</td>
<td>13.9</td>
</tr>
<tr>
<td>10</td>
<td>5.8</td>
<td>4.4</td>
<td>4.4</td>
<td>14.4</td>
</tr>
<tr>
<td>11</td>
<td>5.1</td>
<td>4.9</td>
<td>4.9</td>
<td>14.9</td>
</tr>
<tr>
<td>12</td>
<td>4.5</td>
<td>5.5</td>
<td>5.5</td>
<td>15.5</td>
</tr>
<tr>
<td>13</td>
<td>4.0</td>
<td>6.0</td>
<td>6.0</td>
<td>16.0</td>
</tr>
<tr>
<td>14</td>
<td>3.4</td>
<td>6.6</td>
<td>6.6</td>
<td>16.6</td>
</tr>
<tr>
<td>15</td>
<td>2.8</td>
<td>7.2</td>
<td>7.2</td>
<td>17.2</td>
</tr>
<tr>
<td>16</td>
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Box figure 1: Development of the composition of average newly awarded individual pensions (in US$)
An actuarial model calculation was made for the case of a small rural pension scheme whose initial population of 1000 insured persons grows by an assumed 1% per annum and where after 5 years the first group of about 105 pensioners will receive a pension. It is assumed that the number of pensioners grows by about 2% per annum reflecting the ageing of the population modelled. The first group of new pensioners coming in after the five-year waiting period consist of new pensioners of all ages who have saved for 5 years. This is another simplification which overestimates initial expenditure. To simplify things further it is also assumed that male and female pensions are equal. The following box table shows that the share of the TRUST at total pension expenditure till its last year of involvement drops from 60% to 11% of the total benefit expenditure of the scheme, demonstrating first the substantial involvement of the TRUST and then the gradual disengagement of the TRUST from the financing of benefits. After that the subsidies of the fund have to be taken over by the government.

**Box table 2. Model income and expenditure calculation for a rural pension scheme (in US$)**

<table>
<thead>
<tr>
<th>Contribution year</th>
<th>Number of contributors</th>
<th>Total Contributions</th>
<th>Number of pensioners</th>
<th>Total annual pension expenditure</th>
<th>annual amount</th>
<th>TRUST EXPENDITURE in % of total expenditure</th>
<th>per insured person and month</th>
<th>Annual amount of government expenditure</th>
<th>Annual expenditure financed from savings</th>
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<td>-</td>
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The following box figure shows the average subsidy of the TRUST and of the government per pension in payment till the end of the subsidy period under the above model calculation.

**Box figure 2: Average subsidies for all pensions in payment (in US$)**
Total typical per capita cost and impact

Assuming that the above per capita health care and cash benefit subsidies include the estimated administrative cost of about 10% of total cost (as well as possibly a potential full subsidy for health insurance premia for the elderly and the chronically sick) this would lead to a total per capita cost of 2.5 € per month. Investments in the initial infrastructure of the community based schemes or the capacity of the national schemes to function as a hub for the community based schemes would have to be accommodated within that amount. Payment of cash benefit subsidies may have to be delayed for some time in the start-up phase to permit the coverage of investment cost.

The same per capita subsidy could for example be realized by a project that supports only an old age pension scheme for rural families or households, provided that all children in the household are attending school. It is assumed that the TRUST would shoulder 50% of the initial per capita cost of the scheme. If one assumes that each pension supports indirectly about five further household members then the per capita support cost per month would also amount to about €2.5 (again assuming that the administrative costs are included).

On the basis of the above calculation assuming 10% of the workforce in OECD countries participate (which would be about 40 million people, see table 3.1), the TRUST could maintain reasonably sized subsidies for the social protection of about 80 million people in the stationary state at any given point in time. If further contributions (for example matching employer contributions) and contributors could be attracted in addition to employees then the number could go up to 100 million people. That potential would be reached gradually as the national organizations are successively being built up. If one were to start with one small country, say Luxembourg, then the first group of protected people may only be in the order of 50,000. Adding Ireland in the next one or two years could add about 250,000 and Sweden 720,000. It is assumed here that the full potential could be reached with one to two decades following the start of the first pilot project. If one were to make a much more conservative calculation on the basis of about 1.5 billion € annual income then the scheme could still reach about 50 million people at any given point in time. If one were to assume that subsidy programmes were time limited to five years, the TRUST could still reach out to 100 million people per decade. The TRUST is surely not the only response that a worldwide campaign against poverty and social exclusion requires but it would certainly be the biggest people-to-people operation ever launched.

Hence, - as a rule of thumb - one contributor could on average support 2 beneficiaries.
This is our basic people-to-people support formula.
In other words by adding about 0.2%-points to the total social security contributions which a worker in an OECD country spends to secure himself and her/his family, s/he could protect two other people in the developing world.
4. Options and next steps: Operationalizing the TRUST

4.1. Basic options

The basic options for the ILO in setting up or promoting the TRUST are either to proceed or not to proceed. The reasons to decide either way are manifold ranging from general considerations concerning the role of the ILO in the concert of international agencies to the political risk that is incurred if projects fail. Valuing these dimensions is not the subject of this feasibility study. This study simply sought to establish whether the set-up of a GLOBAL SOCIAL TRUST was feasible and reasonable. Ultimately risks remain, which have to be weighted in the political sphere. The main risks are that:

— the TRUST fails to attract a sufficient number of contributors, and just becomes one more small charity,
— the TRUST fails administratively and managerially, for example through sponsoring failing projects or through bad management of Funds tarnishing the image of the ILO.

These risks have to be weighted against the ILO’s renewed mandate to extend the coverage and improve the governance of social security and the potential risk to be challenged some years down the road on grounds of not having been innovative enough.

The above basic administrative and organisational features of the TRUST have been developed with a view to minimize the political and managerial risks for the ILO without compromising the potential impact of the TRUST. The main element in this respect is the move away from one centralized fund to a network of national funds, or National Social TRUSTs, organized in a global network and thus limiting of the role of the ILO to promoting the idea in national contexts as well as to hosting and supporting the Technical Secretariat of the Global Board of the TRUST.

A second safeguard is built in through the gradual phasing in of the TRUST over a number of years. The following section sets out a possible time-table. The project team reckons that there would be little merit in a further theoretical study. The process to set-up a new international network of National Social TRUSTs as well as the launching of big technical co-operation projects with a heavy focus on local benefit delivery enters into new uncharted territory. The validity of the concept now has to be subjected to a real live test.

4.2. Possible next steps

Provided that the Governing body gives its green light in November it is envisaged to proceed in a three-stage process with the further development of the concept. The next steps could be:

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Step 1: Field testing the benefit delivery and contribution collection (2003-2005)

The first step should be the field testing of the main delivery idea and the feasibility of the contribution collection through the setting up of one or more field pilot projects, which would bring together one donor country and one recipient country.

On the benefit delivery this project would test the feasibility to set up lasting community based basic social protection systems through satellite arrangements with temporary external help. The government of Namibia has indicated that it would also be interested to host a pilot project for TRUST activities. In the framework of this project the following items have to be tested:

a) the corruption free flow of funds from an international donor to a national scheme and from there to the community based schemes,

b) the support for community based schemes through coaching by national entities,

c) the sustainable and equitable delivery of benefits at the community level,

d) the monitoring of the national agent and the community based scheme by using a strict performance standards (that have to be developed) in the course of the project.

At the same time the ILO will identify a donor country that would be willing to set up a National Social TRUST to finance a concrete benefit scheme in the country that is hosting the delivery test. ILO constituents, that is national workers’ and employers’ organizations, will try to create a national organization which would start to support the financing of a specific benefit scheme in the recipient country. The statutes and the governance principles would be developed and tested. The social partners of Luxembourg have shown interest in setting up an NGO which would function as a National Social TRUST. A further donor might be needed to shoulder some of the start-up costs.

The ILO would set-up a small temporary technical project unit (The “pilot project” office) at Headquarters in Geneva to backstop the project and support further development of the know-how base needed for the successful implementation of the delivery side of the project. The unit could ultimately be the nucleus of the Technical Secretariat of the Global TRUST. The Director General may wish to appoint a small tripartite international advisory committee. The review meeting has requested that the Director General report to the Governing body on the progress of the pilot project every year and seek in November 2005/March 2006 a decision on whether the concept of the GLOBAL SOCIAL TRUST should be promoted further by the ILO. At that time the pilot project will not be completed, but it is expected that its chance of success could be established with a reasonable degree of confidence.

Step 2: Promoting further National Social TRUSTs and developing the operational framework of the global organization (2006-2007)

With the successful completion of Step 1 the ILO would have a showcase which would facilitate the promotion of further National Social TRUSTs and their federation into a global organization. Provided that the Governing Body authorizes further activities in its March 2006 session, the ILO will establish a transitional tripartite working group to develop – with the help of the pilot project office - the basic guidelines and draft statutes concerning the operations of the GLOBAL SOCIAL TRUST. This would include issues such as the legal status, management structure, financial management systems, and processes for the TRUST to be able to initiate activities in countries. It would also clarify the administrative, operational as well as financial relations.
between the national organization and the global organization. The following are aspects of the TRUST which will have to be defined by the transitional working group:

- Operating principles
- Governance and management, relations between the National Social TRUSTs and the Global Social TRUST Network, the role of the ILO
- Establishment of conditions for use of funds from the TRUST
- Operations
  - Application for access to financial and technical resources of the Fund
  - Means by which the TRUST will seek out appropriate opportunities
  - Review of applications
  - Decisions on the level of support to be provided
  - Monitoring of country and community based interventions — information systems, financial reporting, country visits
- Financial requirements

At the same time, the pilot project office at the ILO will continue to identify new country projects, implement the ongoing project(s) sponsored by the first generation of national organisations and monitor the execution of ongoing projects.

At the end of phase 2 (November 2007) the Governing Body will decide on whether to accept the role of the ILO as laid out by the transitional working group in the draft rules and regulations.

**Step 3: Going Global (2008)**

Provided that the Governing Body of the ILO approves the ILO’s further role, the office can prepare and invite an inaugurating Global Assembly consisting of representatives of the founding National Social TRUSTs (provided that at least two have been founded in the meantime). It could seek to attract an internationally renowned Chairperson, whose reputation would enhance the chances for a rapid extension of the number of national organisations. It would adopt its statutes and possibly a mission statement, elect the first Global Board and commission the Technical Secretariat.

A major campaign supported by the Chairperson of the TRUST and the Director-General of the ILO would be launched to promote the founding of further national organizations. It is hoped that by around 2010 all major OECD member countries could have National Social TRUSTS.
5. Conclusion

The TRUST as described above would not simply be another charity. Its potential volume of income in the stationary state would far exceed that of most other charities. It would not appeal to emotional philanthropy. It would aim at “selling” a rational long-term global social investment strategy. Its major rational would be that social security is one means to contribute to social justice, and social justice is a prerequisite for social peace. In an increasingly interconnected world social injustice and unrest are no longer local phenomena. By investing in social justice, the TRUST would seek to reduce the worst forms of social injustice wherever they occur. That way it would contribute to reduce the habitats/nurturing grounds for global radicalism and violence. In effect every educated contributor would invest as much in the future safety and economic well-being of his/her own family as s/he invests in the future of a family in recipient countries. The TRUST appeals to global citizens, who personally accept a global social responsibility without waiting for governments to allocate a part of their taxes to global social justice. As citizens, they will increase - on a voluntary basis - their monthly tax and contribution burden to make sure that global redistribution and investments into global social peace are made outside of the day-to-day resource allocation battles of national budgets.

Instead of fighting a rearguard battle against globalisation the TRUST would adopt globalisation as a fact of life and use the potential of the global interconnectedness to bring people in the rich countries together with people in the poorer countries. Instead of operating in parallel or in many cases even in confrontation with national governance institutions, it would seek to strengthen national social governance institutions, building on the perception that in the long-run only strong and sound institutions of governance can create social security and contribute to the social stability that a country needs to prosper economically. At the same time it will use its financial independence from national governments in donor countries and the UN system, the fact that it is the TRUSTee of funds enTRUSTed by people – not anonymous government institutions, to execute a tight quality control and tight auditing of the use of funds. If projects were stopped or monies withdrawn due to observed misappropriations of funds in recipient countries, the TRUST would communicate the reasons to the affected population hoping to generate enough pressure to initiate positive changes in national governance practice.

The project team considers the introduction of a GLOBAL SOCIAL TRUST possible along the lines developed in the previous chapters. A gradual build-up of an international network of National Social TRUSTs appears to be the most prudent procedure. The ILO should focus on:

— promoting the idea in its economically most well-off member countries, using its influence on its tripartite constituency,
— serving on the Global Assembly of the TRUST,
— hosting and supporting the Technical Secretariat,
— hosting the Global Assembly and the Global Board.

In other words the ILO should seek a similar preferential (or special) relationship with the TRUST as it has with the International Social Security Association (ISSA), an NGO, which it founded in the 1920s. Therefore the ILO would not be solely responsible for the TRUST.

It appears that the TRUST would have a potential impact with respect to the improvement of national and international social governance. This would, in the mid- to long term, have a substantial impact on poverty alleviation and contribute substantially to the achievements of the
Millennium Development Goals. The TRUST would not compete with other technical co-operation projects or other Global Funds in the field of social security; it would rather seek to build national governance infrastructures that would help to enhance the chances of other projects to succeed.

The GLOBAL SOCIAL TRUST will not be an instant magic bullet solution to poverty. It can be part of a global answer. We believe, an important part. It can breathe new life into international co-operation on good governance.

This study can only be the first step of a long journey. A journey, we reckon, worth travelling.

***
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(5) Diakonie Katastrophenhilfe
(6) Greenpeace
(7) American Red Cross
(8) WWF
(9) Doctors without borders
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