

PATHWAYS' PERSPECTIVES

ON SOCIAL POLICY IN INTERNATIONAL DEVELOPMENT

UNIVERSAL SOCIAL SECURITY IS FEASIBLE IN LOW-INCOME COUNTRIES: A CRITICAL REVIEW OF THE ILO'S CALCULATIONS ON THE COST OF BRIDGING THE GAP

BY STEPHEN KIDD, DILOÁ ATHIAS
AND OLIVIA CLAXTON

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Executive summary

The International Labour Organization's (ILO) World Social Protection Report 2024-2026 claimed that implementing universal social security in low-income countries would cost 19.8 per cent of combined GDP. This high figure has led many people to conclude that universal social security is unaffordable in low-income countries without external aid.

This paper demonstrates that this conclusion is incorrect and that the actual cost of providing universal social security in low-income countries is significantly lower than the 19.8 per cent of GDP suggested by the ILO. The ILO's methodology included a range of limitations. The main reason for the ILO's exaggerated costs is the very high transfer values proposed for many low-income countries. For example, the transfer value suggested by the ILO for an old age pension in Sudan was US\$5,559 per year, well above the US\$3,949 proposed for Bulgaria, a high-income country. In fact, the transfer values proposed by the ILO for many low-income countries are higher than those used in a range of middle-income countries. Sudan alone accounted for around half of the cost of 19.8 per cent of combined GDP across low-income countries.

This paper examines the likely reasons for the high transfer values proposed by the ILO. These are linked to the ILO's use of national poverty lines as the basis for determining transfer values. National poverty lines are an inappropriate benchmark for transfer values, since they are a relatively arbitrary measure and do not allow comparability between countries. In many low-income countries, the national poverty line used by the ILO was above the international poverty line for low-income countries. The ILO also used poverty lines that were set many years ago and clearly faced challenges in updating them to 2024 prices.

Overall, the ILO's calculations of the costs of providing universal social security across low- and middle-income countries are highly inconsistent. For example, in some middle-income countries they propose excessively high transfer values—such as a proposed old age pension in Mauritania of US\$7,384 per year—but also some very low transfer values in others, especially in Asia, including an annual pension of only \$338 in China.

Alternative calculations, using more realistic transfer values, indicate that a minimum level of universal social security could be implemented for less than 4 per cent of GDP in low-income countries. If schemes were introduced gradually over a period of 10-20 years, then universal social security becomes very affordable in low-income countries.

The paper calls for the ILO to reassess and clarify the original paper in which their costings were set out and place a corrigendum in the World Social Protection Report.

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List of Acronyms

CAR	Central African Republic
DRC	Democratic Republic of the Congo
GDP	Gross Domestic Product
ILO	International Labour Organization
IMF	International Monetary Fund
LICs	Low-income countries
PPP	Purchasing Power Parity
UCB	Universal Child Benefit

1 Introduction

Last year's otherwise excellent World Social Protection Report 2024-26 from the International Labour Organization (ILO) contained one surprising statistic (see page 71). The ILO estimated that it would cost a total of 19.8 per cent of combined GDP to provide universal social security coverage in low-income countries, an incredibly high amount. This figure is calculated based on countries providing a combination of five cash lifecycle benefits for children (0-14), persons with severe disabilities, the unemployed, new mothers and older people (aged 65+). The basis for the calculations can be found in another ILO paper by [Cattaneo et al \(2024\)](#) in which the ILO estimated the costs of providing universal social security across all low- and middle-income countries.

The figure of 19.8 per cent has, unsurprisingly, caused many people to conclude that low-income countries cannot afford to finance universal social security. Ugo Gentilini of the World Bank, in his weekly newsletter, called it a 'whopping' bill.¹ The United Nations' Special Rapporteur on Extreme Poverty and Human Rights—Olivier de Schutter—has written [a paper](#) in which he claims that, "*in the short-term it is unaffordable for LICs to close the social protection financing gap.*" Instead, he has proposed that the international community should step in as funders, an unlikely prospect given the recent collapse in global funding for international development.

So, is this the end for the promise of universal social security in low-income countries?

Thankfully, the answer is a resounding no! This is because the ILO's calculations have vastly exaggerated the true costs of implementing universal social security in low-income countries. This paper explains how this happened.

¹ The newsletter was dated 13th September 2024.

2 The ILO's methodology

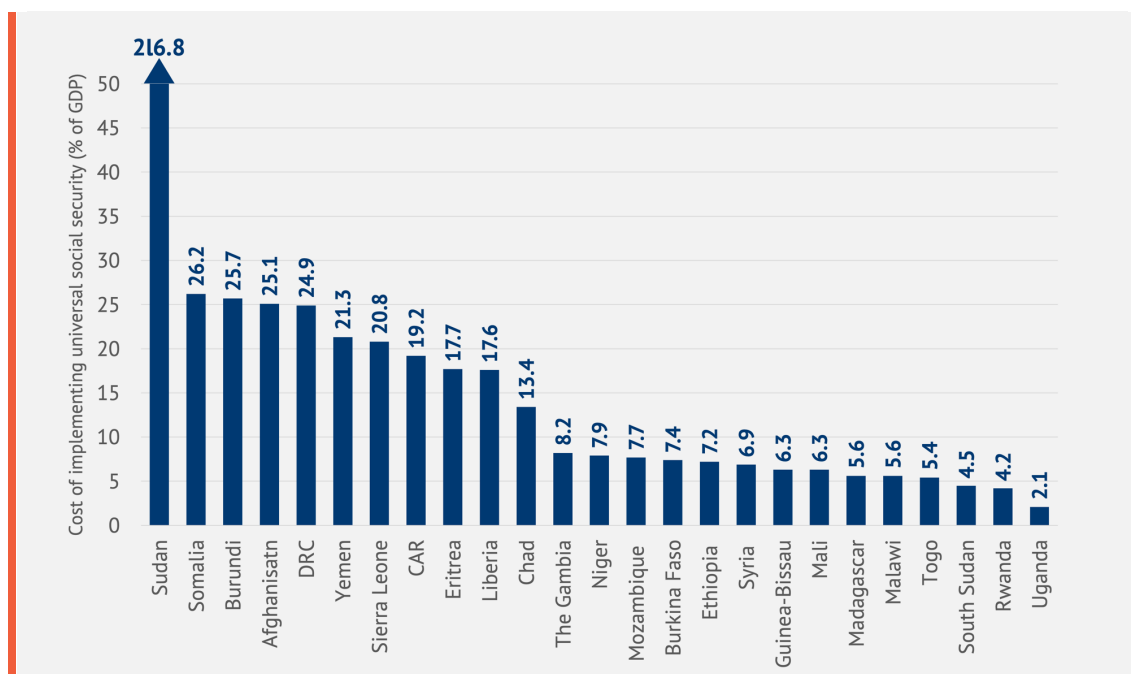
On the face of it, the ILO used a pretty simple methodology to calculate the cost of implementing universal social security within a country. In most countries, they used national poverty lines to set the benefit values, although in a small number they used alternative parameters such as the relative poverty line, the minimum wage or the value of existing social assistance benefits. For adults, the benefits were set at 100 per cent of the poverty line (or 100 per cent of the alternative parameter) and for children the value was 25 per cent. The number of recipients for the benefits was calculated by determining the existing gap in coverage. To calculate the budget required for each scheme, the ILO multiplied the two numbers (transfer value and coverage) together. They then added together the cost of each individual scheme to arrive at the total cost of the full package of five benefits for each country.

It seems so simple. What could go wrong?

3 The ILO's estimates of the cost of universal social security across low-income countries

Although the ILO calculated a total cost of 19.8 per cent to build universal social security systems in low-income countries, their costs varied significantly between countries. As indicated in Figure 3-1, in some countries the costs were massive, none bigger than in Sudan where the ILO calculated a cost of 216.8 per cent of GDP! Costs were also extremely high in other countries such as Afghanistan (25.1 per cent of GDP), Burundi (25.7 per cent), Democratic Republic of Congo (24.9 per cent) and Somalia (26.2 per cent). Overall, in 11 low-income countries, the ILO calculated the cost of building a universal system at more than 10 per cent of GDP. However, in some countries, the costs calculated by the ILO were much lower such as in Rwanda (4.2 per cent of GDP), South Sudan (4.5 per cent of GDP) and Togo (5.4 per cent of GDP). The costs in these countries appear much more reasonable although, as we will show in Section 6, they are still on the high side.

Figure 3-1: The ILO's estimates of the cost of implementing universal social security in low-income countries



Source: Cattaneo et al (2024).

Nonetheless, the extremely high costs calculated by the ILO in some countries have distorted the total global cost across low-income countries, resulting in the very high estimate of 19.8 per cent. In fact, the cost of a universal system in Sudan alone comprises

around 50 per cent of the 19.8 per cent of GDP total cost across low-income countries. The DRC, Sudan and Ethiopia alone comprise almost 80 per cent of the overall cost. If we take Sudan out of the equation, the ILO's estimate for the total global funding requirement for low-income countries would be around 10 per cent of GDP, although this is still too high an estimate.²

There is one further caveat. In a range of countries, the ILO omitted to cost out specific schemes. For example, in Uganda—the low-income country with the supposedly lowest cost for universal social security, at 2.1 per cent of GDP—the ILO significantly underestimated the cost by not including child and disability benefits. If these had been included, the overall cost for Uganda would have been 10.8 per cent of GDP. If the ILO had calculated the costs of all schemes in all low-income countries, then they would have arrived at an even higher total cost than the 19.8 per cent of GDP they proposed.³

The overall impression of the ILO's costing of universal social security systems in low-income countries is one of inconsistency. In some countries, the predicted costs are almost in line with expectations—see Section 6—and are relatively low. But, in others, the costs are excessively high and, as indicated above, severely distort the overall picture. In fact, as demonstrated in Sections 4 and 5, this inconsistency can be applied to the ILO's costings across all countries, not just those that are low-income.

The following section examines the likely causes of the ILO's inconsistent results.

² This calculation is excluding Afghanistan, Eritrea and Syria as data on projected GDP in 2024 for these three countries was not available in the IMF's WEO (October 2023).

³ The ILO omitted to calculate the costs for some schemes in the following countries: CAR, DRC, Guinea-Bissau, Liberia, Madagascar, Mal, Niger, Sierra Leone, Uganda, Syria, and Yemen.

4 The heart of the problem: the transfer values proposed by the ILO

Given that the ILO's methodology was very simple, there are only two potential sources of error: their estimates of coverage or their estimates of transfer values. While the predicted coverage of benefits may have contributed to the low costs in some middle-income countries—see Box 4-1—it is unlikely to have been the cause in low-income countries due to the almost total absence of lifecycle social security schemes in these countries. Consequently, the ILO would have assumed that their proposed schemes reach almost all the eligible population in low-income countries—e.g. all children or all older people—and would have costed out the schemes for almost everyone in each category.

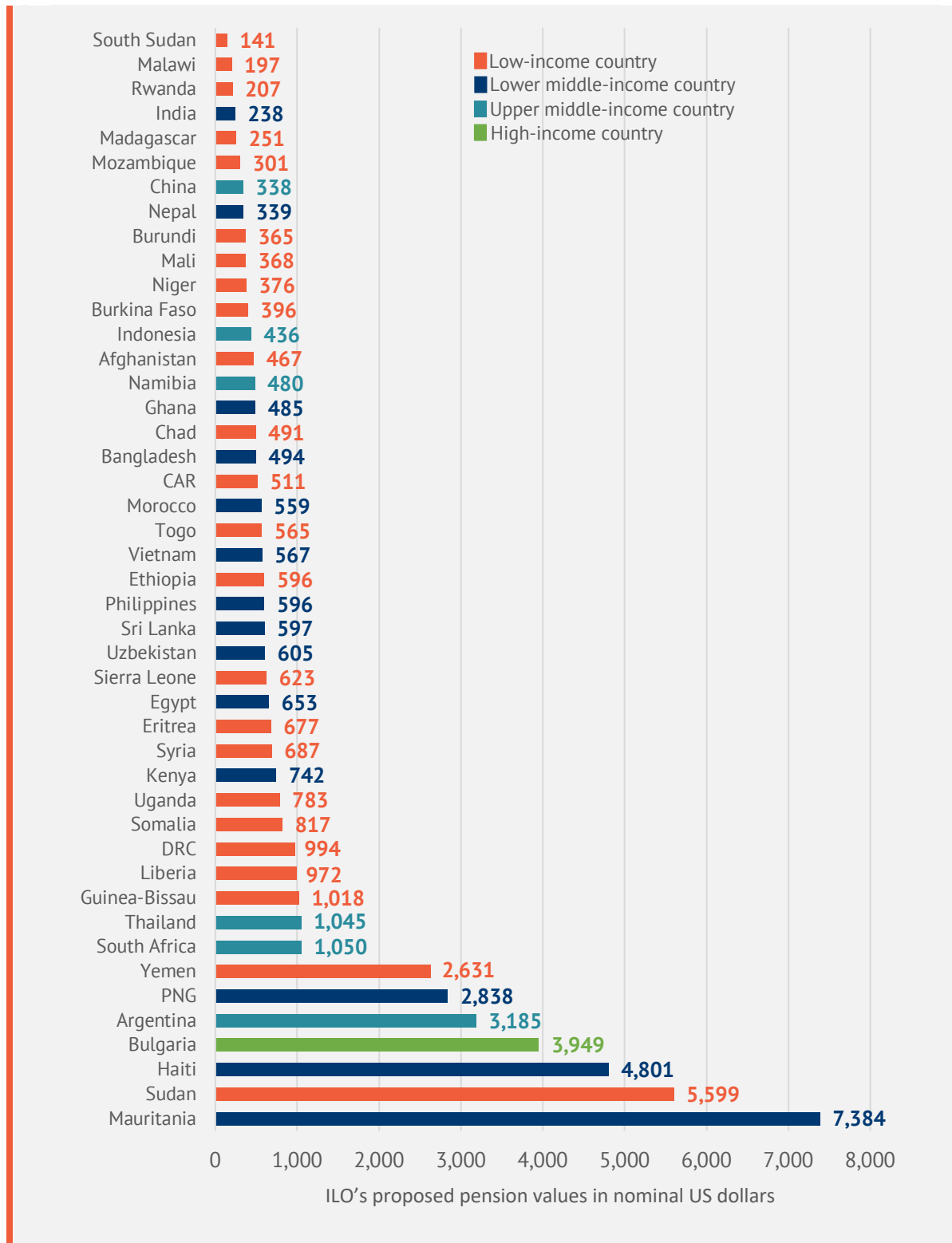
Therefore, the main cause of the ILO's high costs in low-income countries is almost certainly their proposed transfer values. Logic would dictate that, when proposing transfer values for social security benefits globally, the lowest transfer values would be in the poorest countries given that the cost of living will almost certainly be much lower in those countries. Yet, this is not how the ILO proceeded.

Across most low-income countries, the ILO proposed very high transfer values. As indicated earlier, their transfer values for adults were set, in most cases, at the level of the predicted national poverty line while they proposed giving 25 per cent of the national poverty line to children. Figure 4-1 compares the transfer values proposed by the ILO for old age pensions—which is equivalent to the transfer value for all adult benefits—in low-income countries with a range of middle- and high-income countries.

The transfer values proposed by the ILO are widely inconsistent and not at all aligned to the relative wealth of countries. Sudan stands out for the value of its old age pension: despite being a really poor country with a GDP per capita of only US\$595, the ILO propose that older people in Sudan should receive an old age pension of US\$5,599 per year!⁴ This is much higher than, for example, the US\$3,949 they propose for Bulgaria, a high-income country in the European Union, and, indeed, over 16 times higher than the US\$338 annual pension proposed for China, an upper middle-income country. Similarly, the proposed old age pension for Yemen, at US\$2,631 per year, is very high and well above that of many middle-income countries.

⁴ The GDP per capita value mentioned here for Sudan is the prediction by the International Monetary Fund (IMF) for 2025. See the World Economic Outlook database.

Figure 4-1: The values of old age pensions proposed by the ILO, across a range of low-, middle- and high-income countries



Source: Cattaneo et al (2024).

Across a range of low-income countries—including Eritrea, DRC, Liberia, Sierra Leone, Somalia, Syria and Uganda—the ILO propose higher pension values than in the lower middle-income countries of India, Philippines and Vietnam and the upper middle-income countries of China, Indonesia and Namibia. In fact, the ILO propose a transfer value for China that is lower than that of Afghanistan and Burkina Faso.

Nonetheless, in some low-income countries—such as in Malawi, Rwanda and South Sudan—the transfer values proposed are relatively low and more in line with what may be expected for very poor countries. Consequently, the ILO's proposed costs of a universal social security system in these three countries are much lower.

The ILO's inconsistency continues across middle-income countries. Mauritania stands out for its very high proposed old age pension of US\$7,384 per year, despite a GDP per capita of only US\$2,408. This is significantly higher than the pension proposed for much wealthier countries, such as high-income Bulgaria (with a GDP per capita of US\$17,320), Argentina (with a GDP per capita of US\$13,390) and China (with its GDP per capita of US\$13,160).⁵

However, the ILO also proposes transfer values for old age pensions in some middle-income countries that are very low, such as US\$238 per year in India, US\$338 in China and US\$435 in Indonesia. In fact, in some middle-income countries, the ILO does not even align their proposed transfer values with existing schemes: for example, in Namibia, the ILO propose an annual pension value of US\$480, yet Namibia already provides a pension of US\$1,056 per year;⁶ and, in South Africa, the ILO uses an annual pension value of US\$1,050, while the current pension value is US\$1,440.⁷

Readers interested in examining the ILO's inconsistencies in more detail can look at the graph in Annex 2 which compares the ILO's transfer values with countries' relative wealth, for all countries in the ILO's costings.

Nonetheless, the focus of this paper is on the ILO's high proposed costs for building universal social security systems across low-income countries. The high transfer values that drove these high costs can be illustrated through comparisons with the average costs of actual schemes in low- and middle-income countries—in this case, old age pensions—and with international poverty lines.

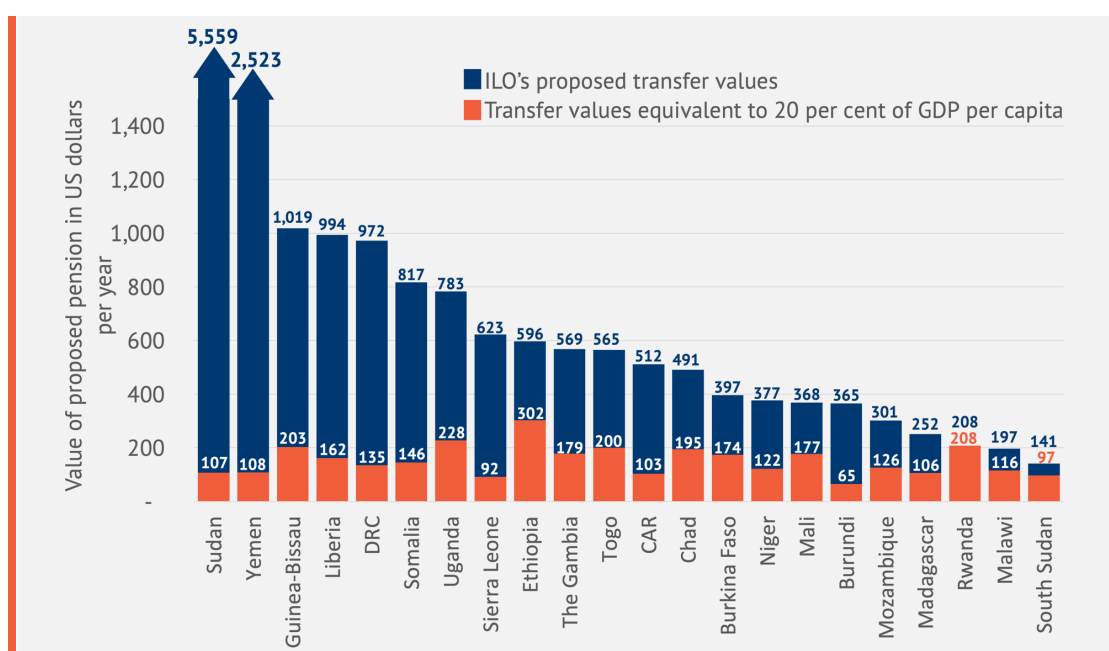
⁵ Source: IMF's World Economic Outlook Database (October 2023). The predicted values for 2024 have been used.

⁶ Source: <https://www.observer24.com.na/old-age-grant-boosted-with-n200/>

⁷ Source: <https://www.gov.za/services/services-residents/social-benefits/old-age-pension>

The ILO's proposed transfer values for old age pensions in most low-income countries are very high when compared to the average value of universal coverage old age tax-financed pensions across low- and middle-income countries, when measured as a percentage of GDP per capita. Across low- and middle-income countries the median transfer value for universal coverage tax-financed pensions is around 20 per cent of GDP (see Annex 1). Therefore, Figure 4-2 compares the ILO's predicted transfer values for pensions across low-income countries with values that are the equivalent of 20 per cent of GDP per capita in the same countries. The ILO's proposed pension transfer values are significantly higher in all countries except for Rwanda. In Sudan and Yemen, they are more than 20 times higher while, in 6 countries, including the DRC, Liberia, and Guinea-Bissau, they are over 5 times greater. These results indicate that the transfer values proposed by the ILO in most low-income countries are excessively high.

Figure 4-2: Comparison of the ILO's proposed transfer values for pensions in low-income countries, compared to transfer values equivalent to 20 per cent of GDP per capita

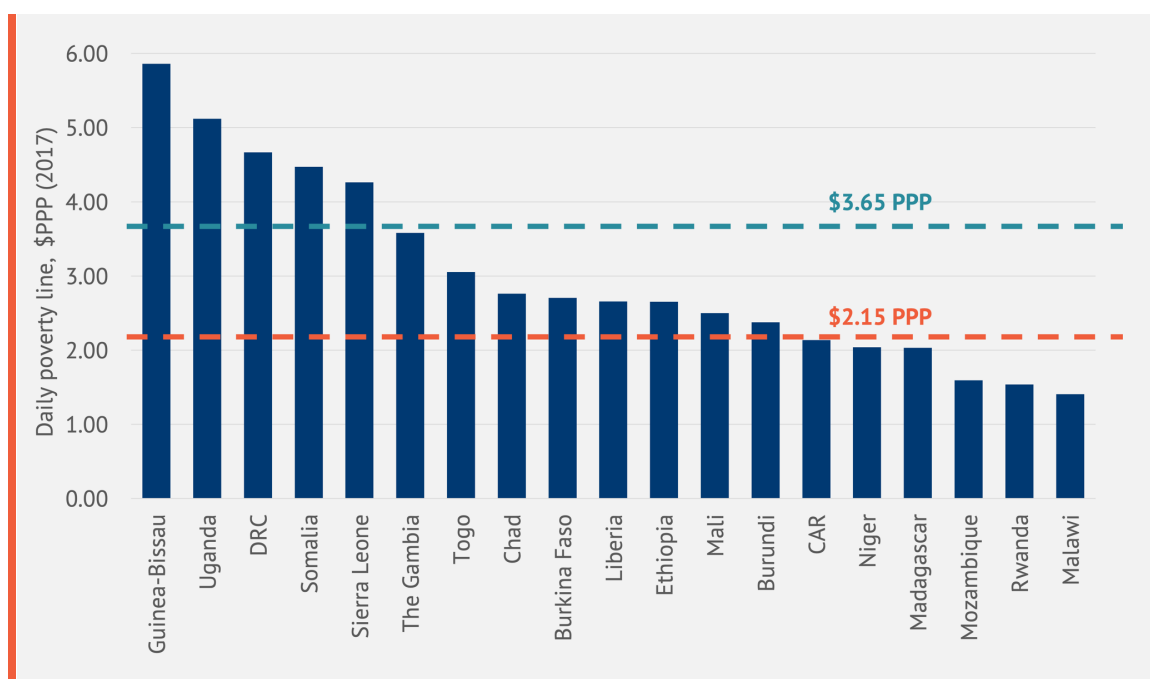


Source: Authors' analysis using information from Cattaneo et al. (2024) and the IMF's Economic Outlook for October 2023. Note: it excludes Afghanistan, Eritrea, Syria as GDP per capita information was not available.

A second means of assessing the validity of the ILO's transfer values is to compare their poverty lines to international poverty lines, although this is only possible for low-income countries with reliable information, so 19 in total. Consequently, some of the most fragile states are excluded. As Figure 4-3 demonstrates, the transfer values—or national poverty lines—used by the ILO for old age pensions were, in 13 cases, above the international poverty line for low-income countries of \$2.15 PPP. In fact, in 5 cases they were above the international poverty line for lower middle-income countries of \$3.65 PPP. Overall,

excluding the countries for which there is no reliable information, the transfer values used by the ILO in low-income countries were an average of 41 per cent higher than the international poverty line for low-income countries. If reliable information were available for calculating the ILO poverty lines in the missing highly fragile states in 2017 purchasing power parity terms, they would almost certainly be very high: as Figure 4-1 showed, the transfer values in many particularly fragile states were among the highest proposed by the ILO across low-income countries.

Figure 4-3: The poverty lines used by the ILO in low-income countries, expressed in international dollars (2017 PPP)



Source: Authors' analysis using information from Cattaneo et al (2024), the WB's World Development Indicators for the PPP conversion factors, and the IMF's Economic Outlook for October 2023. Notes: Excludes Afghanistan, Eritrea, South Sudan, Sudan, Syria and Yemen as PPP conversion factors and/or consumer price indices were not available or were unreliable.

Not only are the transfers values proposed by the ILO in low-income countries high but, in some cases, they are higher than those values chosen by governments themselves. In Sierra Leone, for example, while the ILO proposed an annual old age pension of US\$623, the Government of Sierra Leone, in its 2022-2026 National Social Protection Strategy, proposed a much lower—and more realistic—tax-financed pension of US\$144 per year (i.e., around 25 per cent of the ILO's proposed value). This was, in 2022, the equivalent of 17 per cent of GDP per capita, a much more reasonable value than the 73 per cent of GDP per capita proposed by the ILO.

The high transfer values proposed by the ILO for most low-income countries appear to be the main driver of the extremely high costs proposed by the ILO, which resulted in the

weighted average cost of 19.8 per cent of GDP. Paradoxically, though, in some middle-income countries the costs of universal social security systems proposed by the ILO were too low, further highlighting the inconsistency in the ILO's calculations (see Box 4-1).

Box 4-1: The low costs of implementing universal social security as calculated by the ILO in some middle-income countries

As indicated earlier, the ILO's calculations of the costs of introducing universal social security overnight are inconsistent. Not only did they calculate high costs for many low-income countries, but they also calculated costs that were far too low in some middle-income countries, especially in Asia. Examples include:

- **China:** 0.2 per cent of GDP;
- **India:** 1 per cent of GDP;
- **Indonesia:** 1 per cent of GDP;
- **Thailand:** 0.8 per cent of GDP; and,
- **Vietnam:** 1.5 per cent of GDP.

The reasons for these low costs are likely twofold. The first is that the ILO has used low transfer values in these countries. For example, in India, the proposed value for the old age pension was the equivalent of only 8.5 per cent of GDP per capita, compared to the median for low- and middle-income countries of 20 per cent of GDP. In China, the proposed pension cost was even less realistic, with the ILO using a value of only 2.6 per cent of GDP per capita (although this is not dissimilar to the actual cost of China's current tax-financed pension, which is particularly low). In fact, the ILO calculated that China could provide a Universal Child Benefit (UCB) for a mere 0.1 per cent of GDP, an incredibly low cost driven by the ILO's very low proposed transfer value of US\$7 per month (which can be compared to the US\$29 per month paid by Mongolia to recipients of its universal Child Money scheme). A child benefit of this value in China would have limited impact.

The other reason for the low cost is likely the result of the ILO calculating coverage by deducting those already receiving a benefit from the total population in the category. For example, the coverage of a pension was equivalent to the population aged 65+ not already receiving a pension. Yet, in some cases, the pension provided by countries is below the value proposed by the ILO. In India, for example, those aged 60-79 years receive a tax-financed pension equivalent to only 1 per cent of GDP per capita while those over 80 years receive 2.5 per cent of GDP per capita. The ILO does not seem to have accounted for the need to include the cost of increasing these pensions up to the value that they propose for the rest of the population (at 8.8 per cent of GDP per capita).

The unrealistically low costs proposed by the ILO in countries with high populations—in particular China and India—is the reason for the ILO's surprisingly low estimate of only 1.3 per cent of combined GDP to introduce universal social security across all low- and middle-income countries.

5 The reasons for the ILO's high transfer values

How did the ILO end up proposing high transfer values across many low-income countries?

This question can be answered in three ways. The first is by questioning the choice made by the ILO to use national poverty lines. The second is by examining the ILO's effectiveness in inflating national poverty lines—which, in all cases, were determined some years previously—to 2024 values. The third possibility—based on evidence—is that the ILO may just have made some simple mistakes.

5.1 The choice of national poverty lines to determine transfer values

On the face of it, there seems some logic to using national poverty lines as the basis for setting transfer values given that one aim of social security is to reduce poverty. Yet, there are challenges with this choice. National poverty lines are a relatively arbitrary measure: in some countries they may be low and in others high. There is no consistency across countries, since how they are calculated differs between countries.

An example of a low-income country with a high national poverty line is Sierra Leone. The national poverty line in 2018, the year of the latest household and income expenditure survey, was the equivalent of \$3.24 per day in 2017 PPP.⁸ This is close to the international poverty line for a lower middle-income country of \$3.65 PPP and well above the international poverty line of \$2.15 PPP for a low-income country. Unsurprisingly, therefore, the ILO's estimated cost of a universal social security system in Sierra Leone is very high, at 20.8 per cent of GDP. In fact, given that the ILO did not include the cost of disability and maternity benefits in its calculation of national costs in Sierra Leone, the cost proposed by the ILO should have been even higher.

Further, using poverty lines to determine social policy misunderstands the purpose of poverty lines. While they are a useful tool for monitoring a country's progress, they are not a substitute for governments making informed decisions on appropriate transfer values within their countries, where they must balance affordability against the

⁸ The poverty line in 2017 PPP is extracted from Jolliffe and Prydz (2022). Using the UN's exchange rate, as Cattaneo et al (2024) did, deflating it to 2017 and using the 2017 PPP conversion factors, the poverty line is even higher at \$4.26 PPP.

requirements of their populations. They make even less sense for universal benefits when most people are living above the national poverty line anyway.

Ultimately, the ILO's use of absolute national poverty lines—rather than a standardised relative measure—introduces both inconsistency and overestimation, making their cost projections problematic and difficult to compare across countries. They are, therefore, a poor choice for determining global costs. Using their methodology, it would have made more sense to have used a measure that allows for comparisons between countries, such as international or relative poverty lines.⁹

5.2 The challenges in inflating poverty lines to 2024 values

A challenge the ILO faced when determining national poverty lines is that, in most cases, they did not have up-to-date information and, therefore, had to use national poverty lines that were calculated many years ago, as indicated by Table 1. Almost all were poverty lines determined prior to Covid-19 and the earliest, in Eritrea, was from 2003, with 13 more than 5 years old. Therefore, the ILO had to adjust the poverty lines to 2024 values by accounting for inflation and changes in exchange rates since the year in which the poverty line was determined.

Table 1: Dates when the poverty lines used by the ILO were calculated in low-income countries

Country	Date	Country	Date	Country	Date
Afghanistan	2020	Guinea-Bissau	2010	Sierra Leone	2018
Burundi	2020	Liberia	2016	Somalia	2023
CAR	2021	Madagascar	2013	South Sudan	2008
Chad	2019	Malawi	2020	Sudan	2015
DRC	2018	Mali	2021	Syria	2022
Eritrea	2003	Mozambique	2015	Togo	2019
Ethiopia	2016	Niger	2019	Uganda	2020
The Gambia	2016	Rwanda	2016	Yemen	2014

Source: Cattaneo et al (2024).

⁹ A relative poverty line means a poverty line that is determined by reference to a proportion of median income or consumption.

Since countries determined their poverty lines, there have been significant changes, including high inflation, exchange rate fluctuations, changes in the economy, shocks, and revolutions. For example, although the poverty line used for Afghanistan was relatively recent—from 2020—the country has changed beyond recognition since then. And, in Sudan, since the poverty line was calculated in 2015, there has been inflation of 99,600 per cent while the national currency's exchange rate with the US Dollar has moved from 6.38 Sudanese Pounds in August 2015 to 910 Sudanese Pounds in January 2024.¹⁰

The ILO, therefore, faced an extremely difficult—and, in some cases—impossible task when updating national poverty lines to 2024. The information they had at their disposal to inflate the poverty lines was too uncertain, especially in some of the most fragile states. Given the length of time since the original poverty line was determined, inevitable errors and variations will have crept into the ILO's calculations, and these would likely be greater the longer the period since the original poverty line was calculated.

As a result, the poverty lines estimated by the ILO for 2024 almost certainly do not align to those that would be found if the poverty lines had been calculated using new household survey data from 2024. Some of the ILO's estimates may be lower than reality but, in many cases, they are clearly higher, and this is particularly the case in many of the most fragile states. This resulted in high transfer values and, consequently, high estimates of costs. Sudan and Yemen would seem to be the most extreme examples where the ILO's predicted 'national' poverty lines for 2024 went way off track. The problem of high transfer values used by the ILO also extends to some middle-income countries, as described in Box 5-1.

In many cases, the ILO has attempted to predict national poverty lines for 2024 when there is limited reliable information available, including on the size of the economy. In such countries—which include Afghanistan, DRC, Guinea-Bissau, Eritrea, Liberia, Somalia, South Sudan, Sudan, Syria and Yemen—it would have been best not to include them in the study, at least not when using the methodology proposed by the ILO.¹¹ It was the high costs in many of these countries that were the main driver in distorting the cost across low-income countries, resulting in the weighted average figure of 19.8 per cent of GDP to implement universal social security across low-income countries.

¹⁰ Source of exchange rate information is UN Operational Rates of Exchange for one United States Dollar (US\$), available at: <https://treasury.un.org/operationalrates/OperationalRates.php>.

¹¹ Among the fragile states listed here, it is only in South Sudan where the ILO calculated a more reasonable cost of 4.5 per cent of GDP.

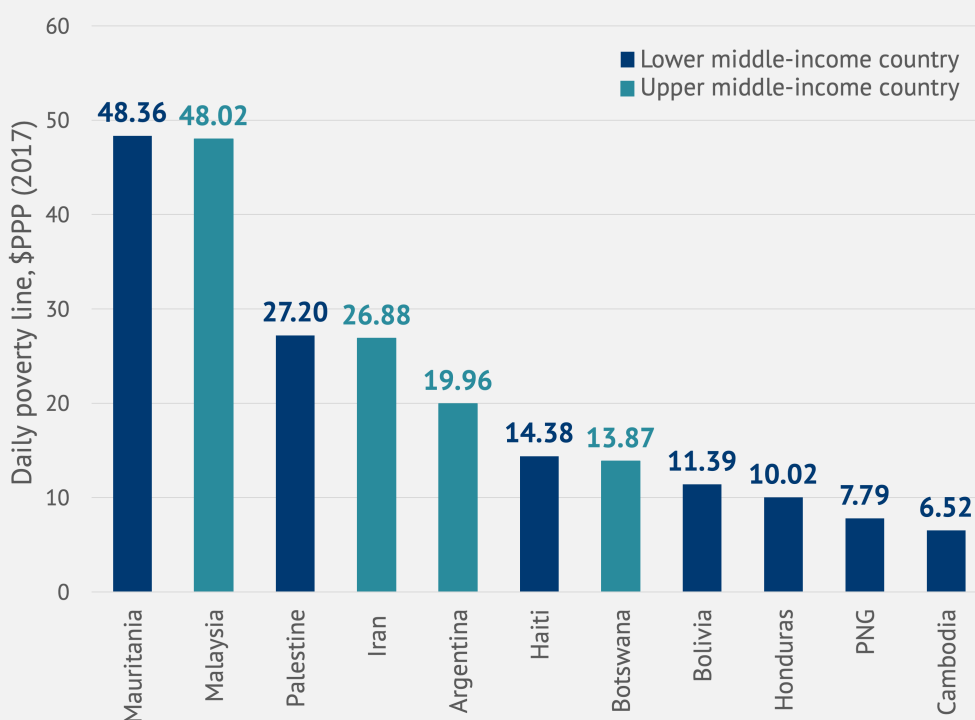
Box 5-1: High poverty lines and costs in a range of middle-income countries

The ILO not only calculated high costs for building universal social security systems in low-income countries, but they also calculated high costs in a range of middle-income countries (to complement the costs that were too low, as discussed in Box 4-1). These include:

- **Mauritania:** 58.7 per cent of GDP;
- **Haiti:** 34 per cent of GDP;
- **Honduras:** 10.1 per cent of GDP;
- **Cambodia:** 9.1 per cent of GDP;
- **Malaysia:** 8 per cent of GDP;
- **Papua New Guinea:** 8 per cent of GDP;
- **Palestine:** 7.6 per cent of GDP;
- **Botswana:** 5.9 per cent of GDP; and,
- **Iran:** 4.9 per cent of GDP.

This is because they also used very high transfer values in these countries, which were derived from high poverty lines. Bearing in mind that the international poverty line for upper middle-income countries is \$6.85 (PPP) and the poverty line in the USA is around US\$20 per day, Figure 5.1 shows the value of the poverty lines proposed by the ILO in equivalent 2017 (PPP) dollars. The poverty lines used by the ILO in Mauritania, Malaysia, Palestine and Iran are well above the USA's poverty line, despite being much poorer countries.

Figure 5-1: Daily poverty line (PPP) 2017 proposed by the ILO in a selection of middle-income countries¹²



Source: Authors' analysis using information from Cattaneo et al (2024), the WB's World Development Indicators for the PPP conversion factors, and the IMF's Economic Outlook for October 2023.

5.3 Potential simple errors made by the ILO

It is also possible that the ILO made some basic mistakes in their calculations. We have not carried out detailed checks on the ILO's data sources, except in the case of Uganda where we found a significant error. In the report used by the ILO for ascertaining the national poverty line in Uganda, the poverty line given by Uganda's Bureau for Statistics in 2020 was \$1.77 per day in 2011 PPP terms.¹³ By reworking the ILO's calculations, it appears that the ILO mistakenly thought that the US\$1.77 poverty line was in nominal dollars rather than PPP dollars. Using the correct Uganda poverty line, in 2024 the predicted poverty line in Uganda would have been US\$0.62 per person per day in nominal terms, or 71 per cent lower than the US\$2.14 poverty line used by ILO, after they had inflated the US\$1.77 to 2024 values. Given that we have only looked at Uganda, it is possible that there have been other errors.

¹² The ILO calculated lower costs for Argentina and Bolivia—at 0.8 per cent and 3.1 per cent of GDP respectively—despite the high transfer values because these countries already have high coverage for some schemes.

¹³ This is the equivalent of \$1.49 in 2017 PPP terms.

6 Alternative costs for introducing universal social security in low-income countries

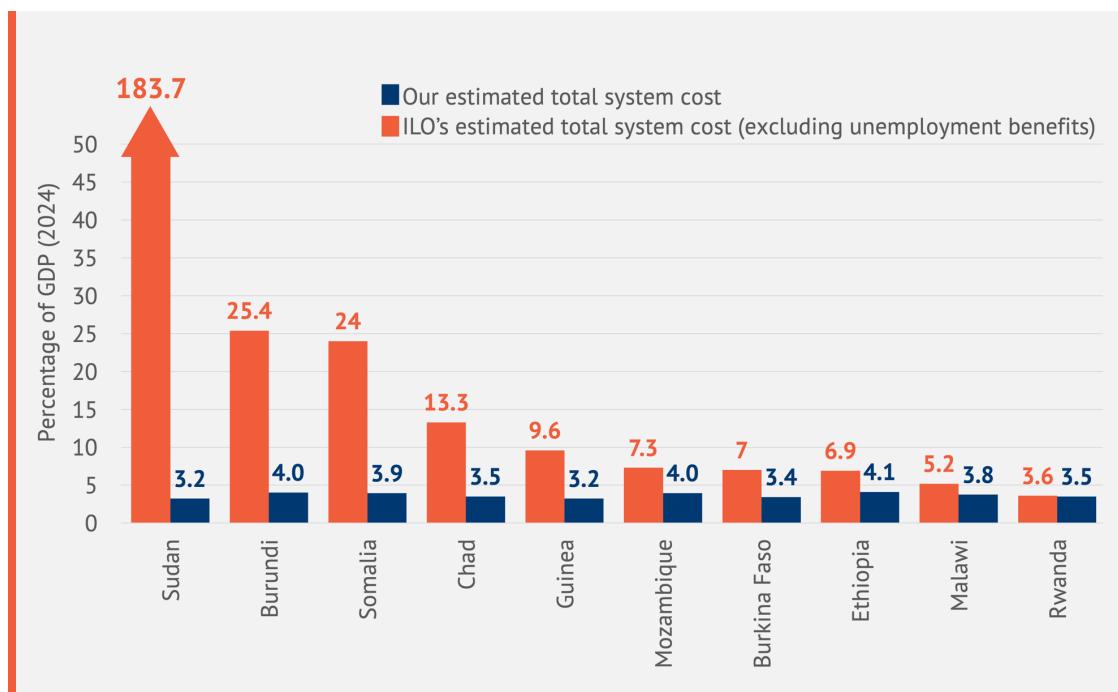
The ILO's calculations of the cost of introducing universal social security in low-income countries can be compared to the costs derived using an alternative, simple approach. The approach proposed below uses transfer values that are slightly below the median value of actual lifecycle benefits in low- and middle-income countries. We have estimated the costs for 10 countries, assuming—as the ILO did—that the benefits would be introduced immediately. The schemes costed are child, disability, maternity and old age benefits and an administrative cost of 5 per cent is included. The parameters used are:

- **Universal Child Benefit:** the transfer value would be 5 per cent of GDP per capita for all children below 18 years of age.¹⁴
- **Child Disability Benefits:** the transfer value would be 15 per cent of GDP per capita and provided to 1 per cent of all children.
- **Adult Disability Benefit:** the transfer value would be 15 per cent of GDP per capita and provided to 3 per cent of all adults between 18-64 years of age.
- **Maternity benefit:** the transfer value would be 30 per cent of GDP per capita. It would be offered to all new mothers for a period of 4 months around the birth of their children.
- **Old Age Pension:** the transfer value would be 15 per cent of GDP per capita for everyone aged 65 years and above.

The costs of the universal social security system using these parameters are set out in Figure 6-1 and compared to those calculated by the ILO. Given that we have not costed unemployment benefits, we have deducted their cost from the ILO's calculations. However, while the ILO calculated the child benefit only for children aged 0-14 years, we have included all children 0-17 years, thereby increasing the cost compared to the ILO.

¹⁴ Due to the low number of universal child benefits in low- and middle-income countries, we have also included universal child benefits in high-income countries when estimating the median cost for universal child benefits.

Figure 6-1: Estimated costs of introducing universal social security system overnight, across a range of low-income countries, compared to the costs calculated by the ILO



Source: Cattaneo et al (2024), IMF World Economic Outlook for October 2023 and UN DESA World Population Prospects (2023).

The costs we have calculated are significantly lower than those of the ILO, except in the case of Rwanda. As expected, the most striking discrepancy is in Sudan where the ILO's cost estimation without unemployment benefits reached 183.7 per cent of GDP, whereas our calculation is only 3.4 per cent of GDP. Similar trends are observed in other countries such as Burundi (25.4 per cent vs. 4.0 per cent), Somalia (24 per cent vs. 3.9 per cent) and Chad (13.3 per cent vs. 3.5 per cent). Overall, our costs across these 10 countries are on average 57 per cent lower than the costs proposed by the ILO for the same countries.

In fact, our costs for building universal social security systems are relatively similar across all countries. The lowest cost is 3.2 per cent of GDP in Sudan and the highest is 4.1 per cent of GDP in Ethiopia. Variations are essentially the result of differences in demographics in each country. It is likely that the costs in all other low-income countries would be similar, meaning that a basic system of universal old age security could be introduced overnight across low-income countries at a cost of less than 4 per cent of GDP, which is substantially lower than the 19.8 per cent of GDP calculated by the ILO.

However, a challenge with both our estimates and those of the ILO is that they assume that all benefits are introduced overnight, in full. No social security system has ever been built in this way (although Oman, in January 2024, introduced child, old age and disability

benefits overnight). Rather, social security systems are built gradually and there is no reason to expect anything different in low- and middle-income countries.

In [Kidd et al \(2023\)](#), we demonstrated how universal social security systems could be introduced gradually, over a period of around 10-20 years. If this were to happen, the cost of building universal social security systems could fall dramatically if countries enjoy a reasonable level of economic growth. For example, in the case of Uganda, we showed that the system could begin, in Year 1, at a cost of no more than 0.08 per cent of GDP and, 17 years later, would reach full coverage at a cost of no more than 1.21 per cent of GDP; and, in the case of India, the initial cost would be only 0.31 per cent of GDP rising to 1.9 per cent of GDP, again 17 years later when fully rolled out. If countries follow a similar path of gradual growth, universal social security systems become very affordable even in the poorest countries.

7 Conclusion

The ILO's finding that the total cost of 19.8 per cent of combined GDP to introduce universal social security across low-income countries is a significant exaggeration. Indeed, around half of this total cost comprises the ILO's calculated costs for Sudan alone, but the ILO's costs for most low-income countries are well above what they should be if countries were to offer a basic minimum level of income security. And, if countries were to introduce their universal systems gradually, the costs required each year would be minimal, offering opportunities to increase the real value of transfers over time.

However, the ILO have not only provided incorrect costs in low-income countries. In some middle-income countries they have exaggerated the costs, while in others they have been significantly under-estimated. The underestimates include both China and India, which together comprise 2.86 billion people, resulting in the ILO proposing a total global cost of 1.3 per cent of GDP, a figure that is too low.¹⁵

The ILO's erroneous costings have, unfortunately, already influenced some people into believing that universal social security is an unattainable dream in low-income countries, with calls—such as that from the UN's Special Rapporteur on Extreme Poverty and Human Rights—for the international community to step in. Others opposed to universal social security will see the ILO's figures as confirming their support for poverty benefits, despite their ineffectiveness and unpopularity.

So, what should the ILO do?

Our recommendations are:

- The Cattaneo et al (2024) paper should be reassessed and the current version withdrawn;
- If the Cattaneo et al (2024) paper is not withdrawn, the ILO should put out a statement acknowledging any discrepancies and limitations in its calculations and methodology to ensure that policymakers and researchers do not rely on their figures that do not accurately reflect the level of investment required to finance the gap in universal social security across low-income countries (and globally); and,
- A corrigendum should be placed in the World Social Protection Report for 2024-26 clarifying that the 19.8 per cent of GDP cost for low-income countries is not an

¹⁵ UNDESA world population prospects 2024.

accurate representation of the actual costs (and that there are significant doubts over the costs for middle-income countries).

While the damage has been done—since the ILO's costings have been widely circulated and influenced people's opinions—hopefully, if the ILO takes the appropriate corrective action now, further damage to the global commitment to introducing universal social security can be mitigated.

The good news for the United Nation's Special Rapporteur on Extreme Poverty and Human Rights is that low-income countries can afford universal social security, as long as the political will is there. So, the Rapporteur can now propose alternative strategies for countries to finance universal social security using their own resources, delivering universal schemes that are popular with citizens—and, of course, taxpayers—thereby increasing the chances that they are funded.

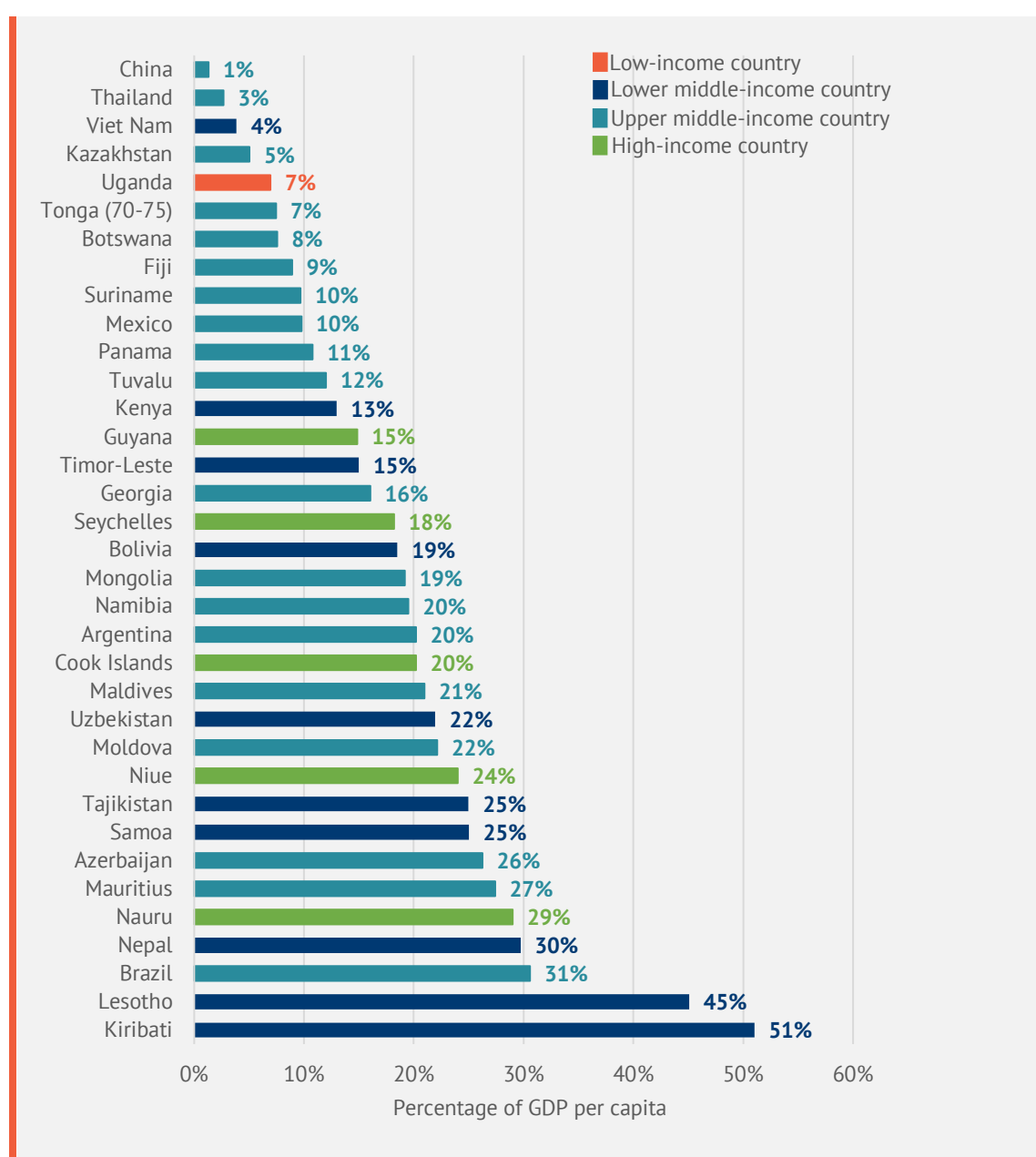
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Annex 1 Transfer values of tax-financed pensions across low- and middle-income countries

Figure A-1 shows the minimum transfer values of tax-financed old age pensions globally in countries with pension systems offering universal coverage for a specific age group.

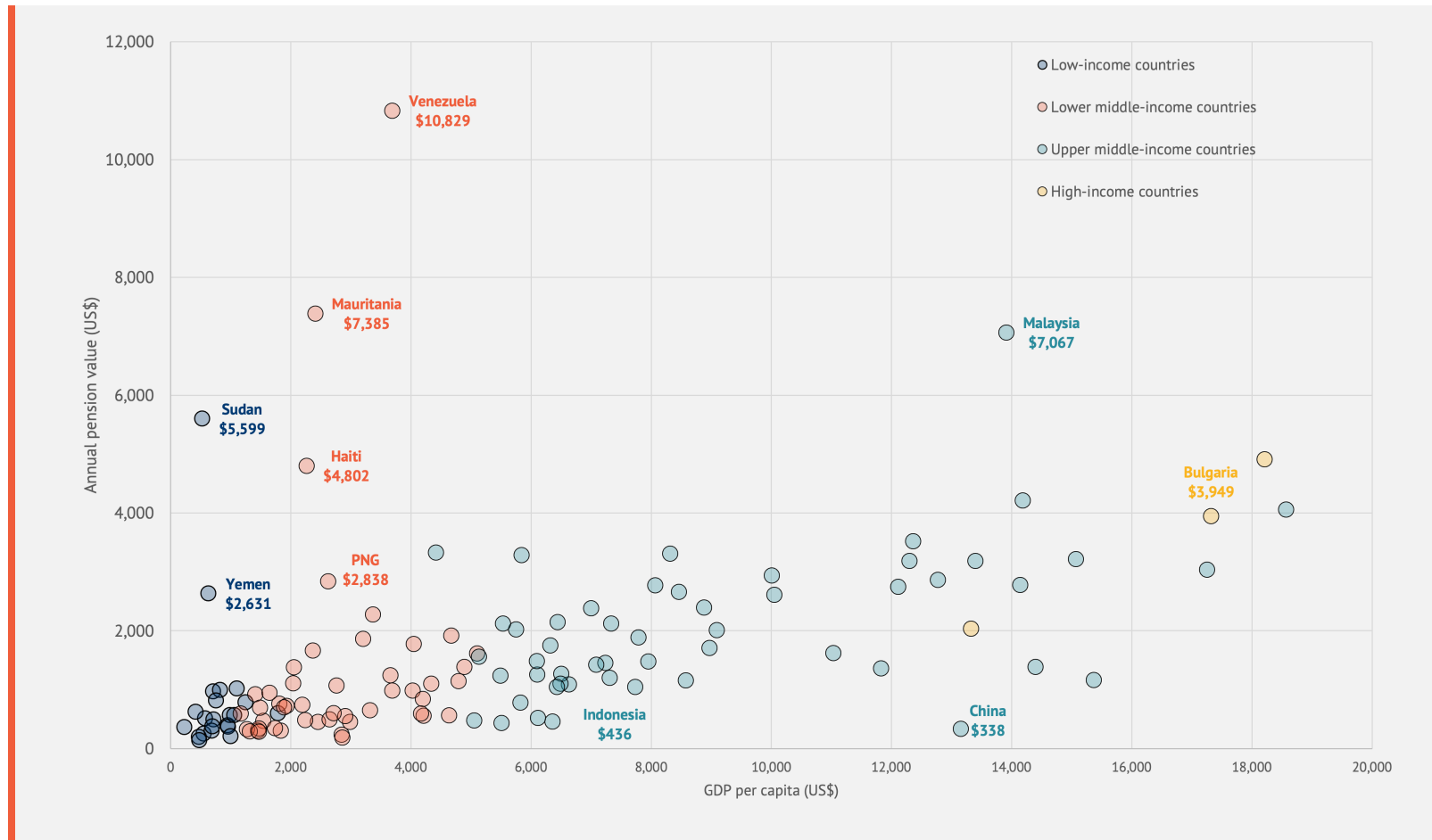
Figure A-1: The value of tax-financed pensions as a percentage of GDP per capita across low- and middle-income countries



Source: Development Pathways' pension database

Annex 2 Annual value of benefits for adults compared to wealth of countries

Figure A-2: Annual old age pension value proposed by ILO compared with countries' relative wealth, measured as GDP per capita



Source: Cattaneo et al (2024), IMF World Economic Outlook for October 2023

Annex 3 Summary of information used by the ILO in its calculations on universal social security

Table A-3 contains a summary of the information used by the ILO to calculate the cost of universal social security across countries as a percentage of GDP, with information taken from Cattaneo et al (2024). Additional data has been added for comparative purposes including the poverty line used by the ILO in PPP dollars and as a percentage of GDP per capita, and the GDP per capita for each country in 2024 as predicted by the IMF.

Table A-3: Universal social security costing parameters used by the ILO

Country	Cost of universal social security calculated by ILO, as a % of GDP	Annual value of benefits for adults proposed by ILO (US\$)	Daily predicted poverty line for 2024 used by the ILO (US\$) ¹⁶	Daily poverty line used by the ILO in PPP dollars (2017)	Poverty line used by ILO as a % of GDP per capita (2024)	GDP per capita 2024 (US\$)
Low-income countries						
Afghanistan	25.1	467	1.28	N/A	N/A	N/A
Burkina Faso	7.4	397	1.09	2.71	42	952
Burundi	25.7	365	1.00	2.38	109	229
CAR	19.2	512	1.40	2.14	90	573
Chad	13.4	491	1.35	2.76	66	716
DRC	24.9	972	2.66	4.67	144	710
Eritrea	17.7	677	1.86	N/A	N/A	N/A
Ethiopia	7.2	596	1.63	2.65	32	1,787
The Gambia	8.2	569	1.56	3.58	59	985
Guinea-Bissau	6.3	1,019	2.79	5.86	93	1,103
Liberia	17.6	994	2.72	2.66	120	826
Madagascar	5.6	252	0.69	2.03	45	548
Malawi	5.6	197	0.54	1.41	43	472
Mali	6.3	368	1.01	2.50	38	957
Mozambique	7.7	301	0.83	1.60	42	687
Niger	7.9	377	1.03	2.04	54	696
Rwanda	4.2	208	0.57	1.54	20	998
Sierra Leone	20.8	623	1.71	4.26	118	417
Somalia	26.2	817	2.24	4.47	108	757

¹⁶ In a few countries, the number given here is not the poverty line, as the ILO used a different parameter to calculate benefit costs. Nonetheless, for comparative purposes, the value used by the ILO to determine benefit values is included in this column and in the next.

Annexes

South Sudan	4.5	141	0.39	N/A	30	479
Sudan	216.8	5,599	15.34	N/A	155	526
Syria	6.9	687	1.88	N/A	N/A	N/A
Togo	5.4	565	1.55	3.06	53	1,061
Uganda	2.1	783	2.15	5.12	64	1,248
Yemen	21.3	2,631	7.21	N/A	132	628
Lower middle-income countries						
Angola	3.1	455	1.25	2.47	18	2,453
Bangladesh	1.8	494	1.35	3.29	19	2,646
Benin	5.1	471	1.29	3.14	31	1,540
Bhutan	4.3	986	2.70	8.04	27	3,692
Bolivia	3.1	1,775	4.86	11.39	44	4,045
Cabo Verde	2.4	1,145	3.14	5.37	24	4,790
Cambodia	9.1	1,112	3.05	6.52	52	2,037
Cameroon	7.3	766	2.10	4.12	42	1,807
Comoros	8.2	927	2.54	4.02	67	1,406
Republic of Congo	1.3	455	1.25	2.27	15	2,984
Côte d'Ivoire	2.9	552	1.51	3.07	19	2,909
Djibouti	4.1	988	2.71	4.21	24	4,026
Egypt	2.4	653	1.79	5.99	15	3,320
Eswatini	3.1	844	2.31	5.23	20	4,198
Ghana	3.2	485	1.33	2.82	18	2,242
Guinea	10.1	946	2.59	4.05	54	1,643
Haiti	34	4,802	13.15	14.38	213	2,263
Honduras	10.1	2,277	6.24	10.02	65	3,366
India	1	238	0.65	1.88	9	2,848
Jordan	4.9	1,619	4.43	7.93	32	5,102
Kenya	6.1	742	2.03	4.88	36	2,194
Kiribati	7.9	1,380	3.78	4.70	69	2,052
Kyrgyz	3.3	723	1.98	5.38	36	1,930
Lao P.D.R.	1.4	305	0.84	2.75	17	1,834
Lebanon	3.2	821	2.25	N/A	N/A	N/A
Lesotho	4	598	1.64	3.95	49	1,167
Mauritania	58.7	7,385	20.23	48.36	310	2,408
Micronesia	5.2	1,920	5.26	4.40	41	4,670
Morocco	2.3	559	1.53	2.94	13	4,212
Myanmar	3.4	306	0.84	3.92	37	1,454
Nepal	2.6	339	0.93	2.78	23	1,468
Nicaragua	6.2	1,074	2.94	6.17	38	2,762
Nigeria	3.5	350	0.96	2.60	26	1,734
Pakistan	4.1	347	0.95	3.40	21	N/A
Palestine	7.6	1,813	4.97	27.20	54	N/A
Papua New Guinea	13.8	2,838	7.77	7.79	108	2,624
Philippines	1.9	596	1.63	3.43	14	4,169

Annexes

Samoa	4.6	1,387	3.80	4.14	27	4,889
Sao Tome and Principe	9.5	1,866	5.11	4.79	59	3,206
Senegal	5.3	701	1.92	3.78	37	1,886
Solomon	4.7	1,664	4.56	3.88	69	2,367
Sri Lanka	2.8	597	1.64	N/A	N/A	N/A
Tajikistan	2.8	328	0.90	2.32	25	1,268
Tanzania	1.9	295	0.81	2.01	22	1,318
Timor-Leste	3.9	694	1.90	3.94	47	1,487
Tunisia	2.9	1,102	3.02	7.57	24	4,336
Uzbekistan	1.5	605	1.66	5.93	23	2,710
Vanuatu	5.8	1,246	3.41	2.38	34	3,658
Vietnam	1.5	567	1.55	4.11	12	4,636
Zambia	2.8	289	0.79	2.19	24	1,469
Zimbabwe	1.2	185	0.51	2.93	4	2,857
Upper middle-income countries						
Albania	1.7	2,396	6.56	9.28	26	8,877
Algeria	2.5	1,563	4.28	10.19	29	5,130
Argentina	0.8	3,185	8.73	19.96	35	13,394
Armenia	1.7	2,015	5.52	10.11	23	9,091
Azerbaijan	1.8	1,891	5.18	11.97	24	7,786
Belarus	0.1	1,457	3.99	12.68	19	7,238
Belize	3.9	2,126	5.83	6.92	29	7,330
Bosnia and Herzegovina	3.9	3,308	9.06	15.89	40	8,317
Botswana	5.9	2,772	7.60	13.87	35	8,067
Brazil	0.8	1,620	4.44	6.32	14	11,029
China	0.2	338	0.92	1.48	3	13,156
Colombia	2.6	1,422	3.90	7.12	17	7,087
Costa Rica	1.5	3,039	8.32	10.08	17	17,249
Cuba	1.4	1,199	3.28	N/A	N/A	N/A
Dominica	2.3	2,939	8.05	9.57	29	10,009
Dominican	1.6	1,361	3.73	6.45	12	11,825
Ecuador	1.7	1,091	2.99	4.83	16	6,630
El Salvador	2.2	783	2.14	3.42	13	5,825
Equatorial	3.8	1,271	3.48	5.75	20	6,500
Fiji	1.7	1,103	3.02	5.80	17	6,490
Gabon	2.7	1,711	4.69	7.18	19	8,969
Georgia	1	1,156	3.17	6.22	13	8,573
Grenada	2.3	2,749	7.53	9.96	23	12,108
Guatemala	5.3	2,027	5.55	8.41	35	5,748
Indonesia	1	436	1.19	2.93	8	5,509
Iran	4.9	3,327	9.12	26.88	53	4,418
Iraq	2.9	1,259	3.45	6.52	21	6,104
Jamaica	1.3	1,202	3.29	4.79	16	7,310
Kazakhstan	0.5	1,386	3.80	7.37	9	14,396

Annexes

Libya	0.6	462	1.26	5.94	7	6,357
Malaysia	8	7,067	19.36	48.02	53	13,913
Maldives	2.2	4,059	11.12	14.99	21	18,568
Marshall	3.6	2,148	5.89	5.01	33	6,443
Mauritius	1.1	2,865	7.85	13.49	21	12,773
Mexico	1.5	3,219	8.82	10.52	21	15,072
Moldova	2.3	2,385	6.53	9.96	30	7,002
Mongolia	0.2	1,241	3.40	6.97	21	5,490
Montenegro	2.4	3,187	8.73	13.91	26	12,297
Namibia	1.1	481	1.32	2.62	10	5,053
North	3.7	2,663	7.30	12.94	31	8,463
Paraguay	2.6	1,484	4.07	8.66	24	6,095
Peru	2.8	1,478	4.05	6.03	18	7,952
Saint Lucia	3.2	2,781	7.62	8.87	20	14,141
Saint Vincent and the Grenadines	4.6	2,611	7.15	8.99	26	10,048
Serbia	4.4	3,518	9.64	14.49	28	12,357
South Africa	1.8	1,050	2.88	5.78	16	6,427
Suriname	1.7	1,750	4.80	8.06	23	6,319
Thailand	0.8	1,046	2.86	7.17	14	7,731
Tonga	6.5	3,286	9.00	8.62	55	5,842
Türkiye	0.7	1,163	3.19	7.35	8	15,368
Turkmenistan	2.6	4,213	11.54	13.04	30	14,184
Tuvalu	0.9	524	1.44	1.22	8	6,113
Ukraine	1.3	2,122	5.81	14.47	35	5,531
Venezuela	9.9	10,829	29.67	N/A	109	3,692
High-income countries						
Bulgaria	0.9	3,949	10.82	18.61	23	17,320
Palau	0.2	4,914	13.46	10.51	27	18,209
Russia	0.1	2,035	5.57	12.63	15	13,324

Sources: Cattaneo et al (2024); IMF World Economic Outlook (October 2023); World Bank (2017) PPP conversion factors.

Notes:

- No data on inflation for 2023 and 2024 (consumer price index) from IMF WEO (October 2023) is available for Afghanistan, Eritrea, South Sudan, Syria, Lebanon, and Sri Lanka;
- In Liberia and Somalia, the primary currency used in international databases (WB and IMF) is US\$;
- For Sierra Leone, the PPP conversion factor has been multiplied by 1,000 to reflect latest changes to the currency; Yemen has no PPP data available from the World Bank;
- Cuba is not included in the IMF WEO database and has no PPP data from the World Bank; and,
- Venezuela has no PPP data from the World Bank, and no recent income classification has been applied to Venezuela; instead, the table considers the 2022 classification for Venezuela of an “upper middle-income country.”

UK OFFICE

First Floor, Marlesfield House, 114-116, Main
Road, Sidcup, DA14 6NG, United Kingdom
Tel +44 (0)20 4526 6267

KENYA OFFICE

Development Pathways Kenya Ltd
P.O Box 22473-00505 Ngong Road
F6, Third Floor, Wood Avenue Park Apartments,
Wood Avenue, Kilimani, Nairobi, Kenya
Tel +254 796 037548

JORDAN OFFICE

4th Floor, Middle East Insurance Building,
No.14, Zahran Street, Third Circle-Jabal
Amman, Amman, Jordan
Tel +962 6 580 60 33
ext. 600

ASIA PACIFIC OFFICE

Level 13, 60 Castlereagh Street
Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

***Stephen Kidd** is the Principal Social Security Specialist and CEO at Development Pathways and has worked across more than 40 countries. He has wide experience across many aspects of social protection, successfully supported national social protection policy development in various countries and undertaken research across a broad range of social protection topics.*

***Diloá Bailey-Athias** is a Senior Economist at Development Pathways and head of the Social and Economic Analysis Team. He brings over 12 years of extensive experience in data analysis with a focus on social policy. Diloá is well-versed in the costing of public interventions, fiscal space analysis and out-of-pocket expenditure analysis.*

***Olivia Claxton** is a Social Protection Officer at Development Pathways, involved in generating evidence-based technical outputs and research on social protection systems in low- and middle-income countries. She has experience working on projects in the Middle East and North Africa, East Africa, Asia and the Pacific.*