

World Social Security Forum

35th ISSA General Assembly

Kuala Lumpur, Malaysia, 29 September–3 October 2025

Impact investing and the future of social security

Paul Mondoa Ngomba
International Social Security Association

ISSA Technical Commission on Investment of Social Security Funds

The International Social Security Association (ISSA) is the world's leading international organization for social security institutions, government departments and agencies. The ISSA promotes excellence in social security administration through professional guidelines, expert knowledge, services and support to enable its members to develop dynamic social security systems and policy throughout the world.

The ISSA technical commissions play a central role in the Association. They are the backbone of its knowledge development and technical work. Organized along 13 clusters of topics, they allow ISSA members to focus their efforts in their particular area of interest.

The opinions expressed in this document do not necessarily reflect those of the ISSA or its member organizations. For copyright terms, conditions and privacy policy, please consult the ISSA website: www.issa.int/site-policy.

Impact investing and the future of social security¹

Paul Mondoa Ngomba
International Social Security Association

ISSA Technical Commission on Investment of Social Security Funds,
Geneva

Summary

Despite progress over time and space, fulfilling the fundamental human right to social security for all remains a perennial challenge. Governments and social protection policymakers have devised policies and programmes which have played a crucial role in extending coverage to at least a portion of the population and target groups through improved investments in social assistance programmes and the innovative extension of social insurance to informal workers through voluntary insurance mechanisms. Nonetheless, developments such as climate change and its negative socio-economic and environmental impacts inhibit the further extension of coverage. They heighten socio-economic vulnerability and increase the demand for social security benefits and services. This coincides with an erosion of the financing base through climate related job losses. Thus, leaving policymakers to contemplate on the question pertaining to the future of social security in a rapidly changing world. While traditional financing strategies remain relevant, persistent jobs losses and the rise in demand for social security benefits and services echo the need for alternative strategies to support socio-economic resilience and fashion the future of social security. This report explores the potential of impact investing of social security funds and its contribution to climate action and the building of socio-economic resilience. Framed on the investment mission and goals, it reveals that impact investments can support the realization of the fundamental right to social security for all and the right to development, contribute to civil protection and ecological sustainability and strengthen human development and socio-economic resilience through an adequate blend of profit-seeking and value creating investment opportunities.

1. This report was prepared by Paul Mondoa Ngomba on behalf of the ISSA Technical Commission on Investment of Social Security Funds. The report benefited from the contribution of Steven James, the Managing Director of the Canada Pension Plan Investment Board, as well as Meraj Ashraf, Regional Provident Fund Commissioner (Investment), Employees' Provident Fund Organisation (EPFO) from India and Chalach Youssef, ALM Finance and Actuarial Strategy Manager, Savings-Pensions Branch of the Deposit and Management Fund from Morocco and on the specific cases from India and Morocco.

1. Introduction

Despite progress over time and space, realizing the universal right to social security for all remains a perennial challenge. The International Labour Organization (ILO) estimates show that 52.4 per cent of the global population were covered by at least one social protection benefit in 2023 against 42.8 per cent in 2015 (ILO, 2024). Notwithstanding, over 3.8 billion individuals across the globe have no access to any form of social security benefits and services.

On the one hand, developed economies with satisfactory coverage rates grapple with improving the adequacy of benefits and enhancing the long-term sustainability of social protection systems. To address these, some countries engaged in reforms culminating with privatization and the reversal of pension privatizations. On the other hand, developing economies with low coverage rates are confronted with the challenge of expanding the scope and extending coverage to uncovered population groups. Measures such opening social insurance programmes to self-employed workers on voluntary basis and increased investments in social assistance programmes have played a major role in this drive.

Amidst this reality, climate change and climate related risks have elevated the importance of social security benefits and services in addressing socio-economic vulnerability across the spectrum. Paradoxically, the increased demand for social security benefits and services coincides with the erosion of the financing base through climate-related job losses which compounds the number of job losses due to accelerated digitalization and automation that accrued from the fourth industrial revolution. The ongoing adoption of artificial intelligence (AI) in business will equally have its toll on job losses and transformations.

The importance of social security benefits and services in addressing social risks and socio-economic vulnerability cannot be over-emphasized. Social protection is not a one-off public expenditure. It is an investment in human capital that sits at the heart of a sound public policy aimed at stimulating and sustaining development and to accompany people to transition through different stages over the course of life. As such, the design of public social protection policies and programmes always attempts answers to the questions of access, adequacy, affordability and sustainability.

Governments across the globe have been able to guarantee the right to social security to at least a portion or defined groups of the population through a mix of contributory and non-contributory programmes under public and/or private arrangements. Most often, the design of contributory programmes takes account of the need for an ex-ante accumulation of financial resources to provide ex-post benefits and services. This results to the accumulation of social security reserves.

Over the years, accumulating and investing social security reserves have grown to be a core business process in social security administration (ISSA, 2020). Traditionally, these reserves are invested in financial markets and financial market instruments and guided by the investment principles of safety, liquidity and yields with considerations on the social and economic utility of invested funds (Cichon et al., 2004; ISSA, 2020).

However, the ever-increasing share of social security funds in capital markets raises public expectations on the social security funds to re-orient investments to support socio-economic resilience, climate action and contribute to the just transition. Investing social security funds outside financial markets and financial market instruments is not a novelty. Willis Towers Watson (2019) notes that there is a

rising inclination towards the use of social security funds to finance infrastructural projects. This is explained by factors such as environmental, social and governance (ESG) considerations as well as the integration of socially responsible investment (SRI) as part of investment objectives.

In an era marked by climate change and the rising number and acuity of climate related risks, social security funds can play an increasingly important role to finance development besides the traditional role of building viable and sustainable social protection systems. Well-tailored investments can strengthen climate resilience, contribute to job creation and economic formalization to expand the contribution base, support the transition to eco-friendly energy solutions and play a pivotal role in financing universal social protection (ISSA, 2023).

In the light of the evolving discourse on climate change and climate related risks and their negative socio-economic impacts on social security systems, this paper examines how impact investing can contribute to support the just transition and shape the future of social security. It opens with a look at how the classical investment principles of safety, liquidity and yields frame the investment mission and apprise investment goals for social security funds amidst competing investment opportunities.

2. Mission and goals of investing social security funds

Fundamentally, social security funds constitute an integral part of national fiscal and public finance policies (Cichon et al., 2004). They are generally invested in financial markets and financial market instruments on the premise of mainstream investment theories focusing on diversification, risk-return trade-offs and efficient market hypothesis. Traditional investment practices are focused on safety, liquidity and yields and increasingly on the social and economic utility of social security funds in reaching investment decisions (Cichon et al., 2004).

While investment objectives may vary in response to prevailing economic, social and political realities, the investment mission and goals most often than not remain same in countries across the spectrum. Attempting an answer to the question of the mission and goals of investing social security funds warrants an understanding of the mandate and design of social security schemes. As stated above, social security schemes can be contributory, non-contributory or a blend of the two. For contributory schemes, contribution rates during the early years of operation are higher than the pay-as-you-go (PAYG) rate resulting to the accumulation of reserves.

Amongst others, fixing contribution rates above the PAYG rate contributes to guaranteeing intergenerational equity by subjecting different generation of workers to same contribution rates. This comes with the justified expectation that social security reserves and investment returns will constitute a source of funding for social security benefits and services when the PAYG rate exceeds actual contribution rates. And points to the conclusion that the mission and goals of investing social security funds reside around ensuring the financial viability and long-term sustainability of social security systems.

Therefore, designing and implementing the investment strategies to achieve this investment mission and goals remains crucial. While traditional practice upholds the principles of safety, liquidity and yields as the primary determinants of investment decisions, it most often fails to take a holistic view of the social security mandate. Thus, leading to the potential generation of financial profits

with marginal contribution on strengthening the social security mandate and enhancing access to adequate benefits and services.

In contemplating investment decisions amidst competing goals and opportunities, ISSA (2020) makes a difference between investing for profits which tallies with the principles of safety, liquidity and yields and investing for value creation which focuses more on the social and economic utility of social security funds and its impacts on promoting the social security mandate. In so doing, the full potential of social security funds is sought with the overall goal of promoting the mandate of social security institutions and enhancing the long-term financial sustainability of social security systems. This may take forms ranging from optimizing investment returns, expanding the contribution base and extending coverage to minimizing benefits expenditure and curtailing operational expenses and cost.

ESG, SRI and Impact Investing

Environmental, Social and Governance (ESG): According to the Climate Partner (2025), ESG is a holistic framework that measures the sustainable and ethical behaviour of a business. It is a set of non-financial factors employed in screening potential investments. While financial returns remain the primary objective of ESG Investing, ESG considerations reinforce the going concern principle by ensuring that the corporate entities contribute to building the enabling environment to guarantee sustainability, business continuity and profitability.

Socially Responsible Investing (SRI): Socially Responsible Investing is more or less identical to the objectives ESG investing. However, it goes one step further than ESG by eliminating or adding investments based solely on a specific ethical consideration (Zhou, 2025). While ESG prescribes investments based on ESG scores, SRI proscribes investments in defined entities with a presumed “moral deficit”. For instance, an entity engaged in gambling can comply with ESG considerations as such suitable for ESG investing. However, will be excluded on “moral grounds” under SRI.

Impact Investing: According to the Global Impact Investing Network – GIIN, (2025), Impact investments are investments made with the intention to generate positive, measurable social or environmental impact alongside a financial return. Contrary to classical investment theory which considers risks vs financial returns as the key investment decision parameter, impact investing aims at value creation not just financial profits. In investing social security funds, impact investing highlights the importance of the adhering to the “Prudent investor rule”. For instance, a low return investment with a potential to create more and better jobs could be elected by a social security scheme over a high return investment with marginal impacts on employment and social security contributions.

Factoring in ESG considerations in investment decisions has been pivotal in the corporate sustainability movement. Nonetheless, the Climate Partner (2025) highlights the limitations of the current framework which focuses on policies and procedures that are being measured in lieu of how well they are performing. Thus, leaving an opening for potential “greenwashing” of corporate entities and investment strategies by businesses and investors. On the other hand, SRI adopts the negative screening strategy to exclude non-compliant companies from the investment universe. In so doing, limits access and increases the cost of capital for these entities.

Unlike ESG and SRI which employ indirect approaches to reward compliant and “sanction” non-compliant companies, impact investing is more direct and intentional by using evidence and impact data to design investment portfolios (GIIN, 2025). It constitutes a more rigorous and results-based approach to appraise a corporate entity and/or investment strategy.

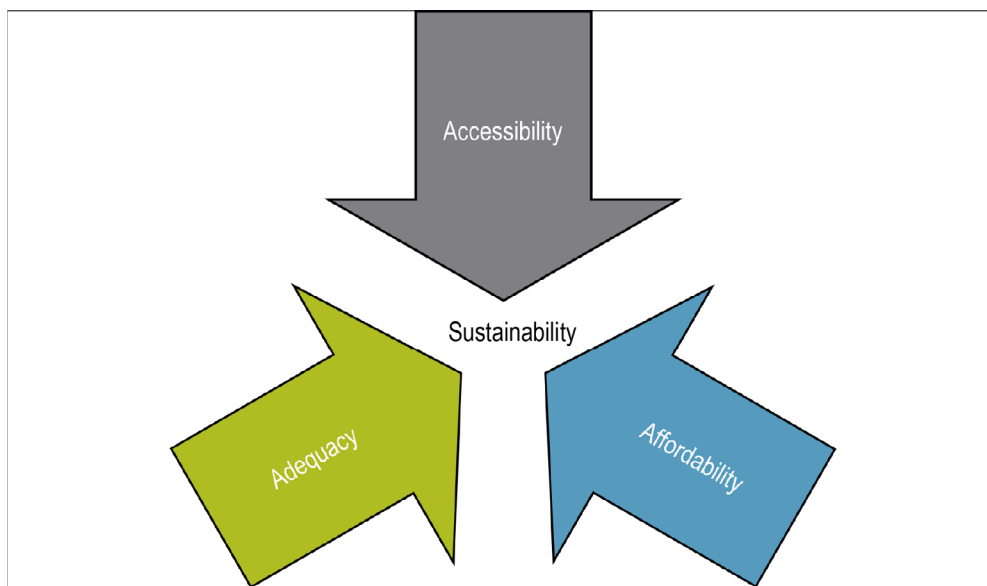
In an era marked by climate change and the rising incidence and acuity of climate related risks, adapting investment strategies to support mitigation efforts and strengthen climate and socio-economic resilience could enhance the impacts of social security funds. This is not just a challenge but equally an opportunity to broaden the investment universe by incorporating new asset screening parameters and expanding diversification beyond traditional asset classes. Evolving developments in this regard have prompted recourse to socially responsible investing (SRI) and environmental

social and governance (ESG) considerations in investment decisions with a rising inclination towards impact investing.

Beyond the traditional investment principles of safety, liquidity and yields, investing to address and/or mitigate the negative socio-economic impacts of climate change and climate related risks on social security systems affords a suitable impact investing framework for social security funds. This should align with the social security mandate to apprise the investment vision and goals. Figure 1 below paints a picture of the investment mission and goals in line with the social security mandate for social security funds.

Financial profits are relevant but not sufficient to guarantee the long-term sustainability of social security systems. Investments that contribute directly or indirectly to strengthen the sustainability of social security systems through cost cutting and cost savings, enhance access to social security protection, improve the adequacy of benefits and curtail the financial burden on protected persons including lowering contribution rates and/or insurance premiums enhance the social and economic utility of social security funds. Thus, constituting viable impact investment opportunities for social security funds.

Figure 1. *Investment vision and goals for social security funds*



Source: Author's elaboration.

SRI and ESG considerations have direct impacts on the cost-drivers of social security schemes. Factoring these considerations in portfolio construction enables social security funds to contribute to climate action. In this respect, ESG and SRI are a vehicle for impact investing. They serve the dual role of rewarding compliant entities – *increasing supply of funds and reducing the cost of capital*; or sanctioning non-compliant entities – *reducing supply of funds and increasing the cost of capital*. However, a narrow focus on SRI and ESG considerations to reduce greenhouse gas (GHG) emissions may divert funds from climate-unfriendly businesses without any meaningful impacts

on climate change and mitigation measures. For instance, Yemtsov and Moubarak found that fuel subsidy reforms implemented for several decades served more of fiscal objectives as opposed to the climate goal of reducing carbon dioxide (CO₂) emissions (McCord and Costella, 2023).

Therefore, it is important to point out that impact investing for social security funds could go beyond the focus on measures to support climate action through the reduction of greenhouse gas (GHG) emissions to engulf policies and programmes aimed at protecting people and the planet alongside the realization of the social security mandate. Impact investments can support the realization of the fundamental right to social security for all and the right to development, contribute to civil protection and ecological sustainability and strengthen human development and socio-economic resilience through an adequate blend of profit-seeking and value creating investment opportunities.

3. Social security and the right to development

Social security is a fundamental human right recognized by international human rights instruments including the Universal Declaration of Human Rights (UDHR) 1948 (articles 22 and 25) and the International Covenant on Economic, Social and Cultural Rights (ICESCR) 1966 (articles 9, 10 and 11). Identical to other human rights such as the right to life, the realization of the right to social security is contingent on the realization of other human rights notably the right to development.

Social security is not just about financial benefits. It warrants the provision and/or protection of income as a means to secure effective access to essential healthcare, goods and services (ILO, 2012). Evidently, financial benefits are relevant but not sufficient to guarantee the realization of the right to social security. Ideally, measures to extend coverage [access to financial benefits] must be complemented by efforts to ensure availability and access to goods and services. Thus, necessitating production to ensure availability and development including healthcare infrastructure to guarantee access.

Paradoxically, the reality opines the contrary. Progress in extending social security coverage during the last decades has coincided with shortfalls in supply of essential goods and services resulting to an escalation of prices which erodes the value of benefits. Thus, prompting the longstanding debates on adequacy of benefits and sustainability of social security systems. While dominant knowledge upholds the thesis of population aging in the adequacy vs sustainability debate, the economic dimension cannot be ignored.

For instance, the global average medical trend rate for 2024 was estimated at 10.1 per cent, up from 9.2 per cent in 2023 and the highest since 2015. This rise in cost is attributed to inflation, technological advances in the medical field, plan utilization patterns and cost shifting from under-funded social programmes (AON, 2024). Additionally, physical inactivity and poor stress management were identified as the lead risk factors driving the escalation of medical cost. All these influence the demand and supply dynamics of healthcare products and services with far-reaching impacts on social security systems.

In the domain of infrastructure, despite the recognition of the critical role adequate infrastructure plays in economic and social development, countries the world over are faced with a tendency of under-investment in vital infrastructures like transport, healthcare, water and energy. Estimates show that global investment needs in infrastructure amount to over \$94 trillion between 2016 and 2040 representing 3.5 per cent of global GDP as opposed to 3 per cent attainable under current investment

trends (GI Hub, 2017). This shortfall in investment translates to lost opportunity for job creation and an unexploited potential to broaden the tax and contribution base for social security programmes.

Realizing the fundamental human right to social security for all will warrant the realization of the right to development. And more comprehensively, the attainment of the Sustainable Development Goals for 2030. While social security investments are generally assessed on the indicators of safety, liquidity and yields, impact investment opportunities that promote social and economic development will play a crucial role in job creation and employment promotion. In so doing, contribute to the extension of social insurance coverage and broaden the tax base for social assistance benefits and services.

In addition, investing to address liability risk factors such as inflation, contribution to technological advancement to curtail escalating medical cost as well as investment in leisure and recreational facilities to support active lifestyles and reduce stress levels will have a meaningful impact on the sustainability of the schemes by keeping costs within affordable thresholds. As noted by Willis Towers Watson (2019), adverse financial market realities have led to an increasing share of social security funds invested in infrastructure. Though advanced as a constraint-driven investment strategy, Carlo et al. (2023) affirm that investing in infrastructure is gaining popularity amongst institutional investors.

In 2018, over 48 per cent of pension funds held investments in infrastructure with an average allocation of 4.8 per cent of total assets and constituting the best-performing assets, measured by investment returns (Carlo et al., 2023). Irrefutably, infrastructure investments constitute alternative and sometimes the preferred asset class especially in developing economies with a perennial challenge of raising capital to fund infrastructural development and stimulate economic growth.

India for instance, the Employees Provident Fund Organisation (EPFO) invested in the National Infrastructure Pipeline covering the energy, roads and railways sectors of government's developmental plan (Ashraf, 2024). The pipeline project(s) were aimed at promoting inclusive growth through job creation, improve living conditions and ensuring equitable access to infrastructure (*Invest India*, 2025). By investing in the projects, the EPFO contributed to government's resolve to provide world-class infrastructure to citizens and improving their quality of life with far-reaching impacts on the social security system.

Similar developments obtained in Morocco where the Savings-Pensions Branch of the Deposit and Management Fund (CDG) has placed impact investing i.e. the simultaneous pursuit of sustainable financial performance and measurable socio-economic benefits, at the heart of its mandate as a long-term institutional investor. Its investment strategy is geared towards projects that accelerate the structural transformation of the country, strengthen its competitiveness and tangibly improve the quality-of-life citizens, while securing the future rights of the scheme's members and beneficiaries (Chalach, 2024).

Key investments in this drive include the Rabat International University (UIR), which is the Kingdom's first private multidisciplinary university, founded in a public-private partnership. It counts over 9,000 students from 40 countries and serves as a centre for applied research and innovation, and high graduate employability. Another venture is the Jorf Fertilizer Company (JFC V - OCP Group) which is an HQE-certified industrial unit with an annual capacity of 1 million tonnes of phosphate fertilisers for export and supports efforts to achieve global food sufficiency and the creation of agricultural ecosystems. The fund equally invested in the Port of Tangier Med which was the first

container port in Africa and the Mediterranean. In 2023, the port's activity was over 8.6 million TEUs including 20 per cent of national exports with more than 1,000 companies established and 110,000 direct jobs created (Chalach, 2024).

Amidst the challenges and strides in investing social security funds to drive economic, infrastructural and social development, expand fiscal space and extend social security coverage, social security systems across the globe are exposed to new strains due to climate change and the rising incidence and acuity of climate related risks. This has not just increased the need for social security benefits and services but also echoes the imperative to refine and complement social protection interventions with measures to enhance civil protection and ecological sustainability.

4. Civil protection and ecological sustainability

Climate change is real and its impacts on people, planet and prosperity are multi-dimensional. It is very evident in rising temperatures and its impacts on sea level rise, droughts and increased risk and frequency of flooding (NOAA, 2025). In the light of the manifestations of climate change, global attention has been tilted towards checking the rise in global temperature through instruments such as the Paris Climate Agreement (2015)².

However, a primal focus on keeping “the increase in global temperatures well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature” (2015, article 2[a]), principally through the reduction of greenhouse gas emissions risks omitting the imperatives of the just transition. Historically, global economic development and societal transformations have been powered to a greater extent by fossil fuels (Ritchie and Rosado, 2017). In 2023, fossil fuels accounted for 82 per cent of global mix with renewable energy constituting only 15 per cent (Igini, 2024).

The energy demand is expected to rise with the current developmental trends. Without meaningful developments in alternative energy sources, the world will depend more on fossil fuels to power technological, social, economic, and infrastructural development. In this regard, recourse to carbon pricing instruments may have very marginal impacts on climate change. The World Bank Group correctly points out that carbon pricing gives an economic signal, and polluters decide for themselves whether to discontinue their polluting activity, reduce emissions, or continue polluting and pay for it. Well-to-do countries and/or entities with limited alternative energy sources or those holding an important stock of fossil fuel reserves may elect the “pollute and pay” option. This will reward governments through higher fiscal revenues but injure people and the planet.

The negative impacts of climate change on people, planet and prosperity cannot be over-emphasized. Nonetheless, the consequences of measures adopted to address climate change cannot be ignored. Despite the apparent consensus on the need to reduce reliance on fossil fuels to power development and sustain societies, the leading consumers of coal – China, India, Russia and the United States of America have made no pledge to phase out the use of coal (Ritchie and Rosado, 2017).

The sustained reliance on fossil fuels by global economic powers leaves humanity with the duty to battle an eminent climate disaster. As noted by the Secretary General of the United Nations (2023), half of the world's population is already living in climate danger zones. The rising global demand for energy and the slow pace of development of alternative energy sources will reinforce the demand

2. https://unfccc.int/sites/default/files/english_paris_agreement.pdf.

for fossil fuels. Recourse to measures such as carbon pricing/taxation and energy subsidy reforms – carbon pricing instruments³ (CPIs), risks failing in the achievement of climate goals alongside the risks of socio-economic hardship especially on the poor. McCord and Costella (2023), noted that carbon pricing instruments will likely adversely affect the poor by increasing consumption cost. They play an important role in expanding fiscal space. Nonetheless, they must be accompanied by redistributive and compensatory measures including social protection (McCord and Costella, 2023) to ensure welfare and civil protection to enhance safety.

Evidently, the climate ambitions of the Paris Climate Agreement (2015) cannot be achieved at the detriment of people and prosperity. Climate efforts should be accompanied by measures to protect people, the ecology and the environment. Brazil offers a unique example in this regard through the Bolsa Floresta programme. Contrary to carbon pricing instruments, the Bolsa Floresta programme focuses on the preservation of nature and the protection of the environment while improving the welfare of residents in selected sustainable development reserves (SDRs) of the state of Amazonas in the Brazilian Amazon (Bakkegaard and Wunder, 2024).

In contemplating the transition to renewable energy, it is imperative to think about environmental degradation and pollution. Irrefutably, fossil fuels are the largest contributor to climate change. But land use and waste disposal play also play an important role. As the world transitions to renewable energy, the manufacture and disposal may of the requisite hardware will most likely constitute an environmental and ecological hazard. For instance, the extraction of materials needed to manufacture lithium and lithium-ion batteries – lithium, cobalt, and nickel; present significant environmental and ethical challenges (Anderson, 2024).

In other instances, the energy transition is only partial at best. Countries which are still to develop the renewable energy potential have adopted renewable energy solutions like electric cars. With the shortfall in renewable energy supply to power these vehicles, they depend on carbon-powered facilities. Hence, very marginal gains on the climate agenda. It is important to point out that the carbon-driven climate crisis is the reflection of the lost equilibrium in the carbon cycle. This can be blamed on increased human activity that culminate in higher greenhouse gas emissions which coincide with higher than proportionate deforestation. These erode the earth's potential for an ecological regeneration.

Current climate policies may just result to a change of the main contributor to climate change with marginal impacts on climate change. The climate agenda should not just be approached from the standpoint of reducing greenhouse gas (GHG) emissions but also on measures to ensure ecological sustainability. Massive deforestation that may accrue from mining activities to manufacture renewable energy infrastructure like solar panels and lithium car batteries will have a huge toll on the environment and ecological systems with far-reaching impacts on climate change.

Therefore, climate action can be approached from a more holistic view of reduce, recycle, reuse and recreate to address the triple planetary crisis of climate change, pollution and biodiversity loss. In this drive, the Canada Pension Plan Investment Board (CPPIB) committed to a net zero carbon portfolio by 2050. This is planned on three fronts – the long-term, the near-term and the no near-term. In the long-term, the Board is commitment to reduce portfolio and operations to being net zero of greenhouse gas emissions across all scopes. In the near-term, the focus is on enabling the

3. <https://carbonpricingdashboard.worldbank.org>.

transition through investing in green and transition assets; target of \$130b in green transition assets by 2030 with a no near-term target on emissions or commitment to divestment ventures with high carbon emissions (Sawatzky, 2023).

In Tunisia, the National Social Security Fund (*Caisse nationale de sécurité sociale* – CNSS) committed to making dialysis greener through the Sousse policlinic trial. The project was aimed at optimizing water consumption by recycling and reusing water from haemodialysis units. In so doing, minimized the amount of wastewater disposed to the environment. This reduced environmental pollution and the contamination of ground water. It equally resulted to the reduction of the amount of water used by the polyclinic (CNSS, 2023). In an era where environmental pollution contributes to escalate climate crisis, initiatives aimed at minimizing the environmental footprints of healthcare facilities will contribute to the climate agenda.

The global climate challenge has increased public expectations on social security funds. As social security administrations engage to address these challenges through ESG, SRI and impact investing opportunities, the financial strains on social security systems are equally on the rise. As stated by Ngomba (2018), no government has an inexhaustible pool of financial resources to allocate to social protection programs. Social security investments can play a key role in the climate agenda. Nonetheless, social security schemes equally have to strive amidst climate challenges and increasingly volatile investment environment by investing in human development and socio-economic resilience.

5. Human development and socio-economic resilience

The discourse on extending social protection generally sits in tandem with the fundamental question of financing. Practically, approaches to expand fiscal space for social security include reallocating current public expenditures, increasing tax revenues, extending social security contributions, borrowing and restructuring existing debt, curtailing illicit financial flows, drawing on increased aid and transfers, using fiscal and central bank foreign exchange reserves as well as adopting a more accommodating macroeconomic framework (ILO, 2014).

While these approaches remain feasible within defined contexts, bridging the financing gap for social protection remains a perennial challenge. Estimates show that low- and middle-income countries need to spend an additional US\$1.4 trillion or 3.3 per cent of GDP (2024) to extend a social protection floor to all (Cattaneo et al., 2024). Furthermore, climate change and mega trends such technological transitions ranging from mechanization, automation and digitalization as well as the evolving use of artificial intelligence (AI) have a huge impact on jobs and job losses. This results to the progressive erosion of the financing base for social protection amidst a growing demand for benefits and services.

It is important to point out that social security is not just a human right, it is equally a social and economic necessity (ILO, 2012). It stimulates consumption and supports socio-economic resilience. Financing social protection sits at the centre of government fiscal and social policy. However, social security funds play a crucial role in this drive. Experiences from ISSA member institutions show that returns on investments made by social security funds can constitute an increasingly important source of funds for social security systems.

For instance, in Cote d'Ivoire, the National Social Insurance Fund (*Caisse nationale de sécurité sociale* – IPS CNSS) adopted a strategy to finance staff cost and administrative expenses from investment proceeds. Investment returns covered over 83 per cent of personnel cost in 2010 and 31

per cent of administrative expenses. These rates increased to 171 per cent and 86 per cent in 2023 respectively (Kouassi, 2024). Similar developments obtained in Cameroon where investment returns covered over 75.4 per cent of the administrative expenses of the National Social Insurance Fund (*Caisse nationale de prévoyance sociale* – CNPS) in 2021 (National Social Insurance Fund, 2023).

The potential of social security funds to finance social security systems is not limited to covering personnel cost and administrative expenses only. Kouassi (2024) highlighted that proceeds from social security investments can play an important role in financing social security benefits and services. In addition, social security reserves can play a wider policy goal ranging from financing benefits from returns to stimulating socio-economic development, job creation and employment promotion thus expanding the financing base and supporting diversification.

Household earnings and profits of enterprises constitute the financing base for social protection (Cichon et al., 2004). Conscious of this, the National Social Security Fund (NSSF), Uganda adopted the SDG-tailored investment strategy to broaden the financing base through enterprise and job creation initiatives. Under its HI-Innovator project, the scheme funded over 400 small and medium size enterprises (SMEs) to creating over 30,000 direct jobs and 142,000 indirect jobs. The Fund received a net increase of over UGX1.7 billion in social security contributions. The fund equally committed to mitigating the impacts of climate change through the seed funding project to organizations contributing to minimizing the global carbon footprints (Ayota, 2025).

12

In Sierra Leone, the National Social Security and Insurance Trust (NSSIT) contributed to social and economic development by investing in affordable housing, and the construction of shopping plazas and markets which cater for the needs of the Sierra Leonean populace. It equally engaged on measures to extend social security coverage to the informal sector. Thus, supporting socio-economic development, expanding the contribution base through job creation and extending coverage to precluded population groups in the informal sector (Lamboi, 2025).

Climate change and measures adopted towards the green transition alongside the ongoing adoption of AI in business is transforming jobs (Boehm and Kläffling, 2024). Securing the financing base for social security will warrant both measures to create new and better jobs as well as strategies to upskill and link job seekers to new jobs. To address these challenges, the Ministry of Labour and Social Protection of Population of the Republic of Azerbaijan, DOST Digital Innovations Centre, State Employment Agency and the State Labour Inspection Service invested for the development of the Unified Labour and Employment Subsystem (EMAS) through a public sector partnership.

The platform integrates all aspects of labour relations including job search, recruitment, contract management and records keeping. Thus, serving as a one-stop-shop for both employers and job seekers. The EMAS platform was presented by the UN South-South Galaxy platform as one of the best solutions in achieving targets of the UN Sustainable Development Goals for 2030. It currently counts over 2.7 million users with close to 315,000 job seekers and over 10,000 employers from the both the private and public sectors. It has facilitated the creation of over 175,000 vacancies (Agency for Sustainable and Operational Social Security – Azerbaijan, 2024).

In a similar development, the Public Employment Service in Sweden (*Arbetsförmedlingen* – PES) developed an automatic search strategy to improve efficacy and efficiency in job search operations. Based on job seeker's educational background and vocational history, the model predicts and propose job search strategies for job seekers that reflect current labour market demands. From 2019 to 2023,

the average number of jobs applied for increased from an average of 4.4 per cent per month to 7.2 per cent per month representing an increase of over 63.4 per cent over the five-year period (Public Employment Service, 2024).

Social security funds have equally intervened in post-disaster situations to protect lives and restore livelihoods through social security investments. For instance, in the Philippines, the Social Security System designed the Calamity Loan Programme (CLP) as a complement to the Salary Loan Programme (SLP), to assist affected members resident in disaster risk zones. The calamity loan was designed to mimic the salary loan with an interest rate of 10 per cent per annum, 1 per cent penalty for late payment and a loan refund period of 24 months for insured persons with at least 36 months of contribution six of which must be within the last twelve months before the application. However, the service fee of 1 per cent was waived (Aguilar and Capulong, 2023).

Similar developments obtained in Saint Vincent and the Grenadines where the National Insurance Services (NIS) have broadened its mandate and policy priorities to support human development and sustainable social security and promoting economic and social development. This is achieved through the allocation of 1 per cent of contribution income to support Corporate Social Responsibility (CSR) initiatives in the areas of healthcare, education and training, expanding home ownership as well as alleviating poverty and socio-economic hardship. The fund equally supports economic development and climate action by investing in people and businesses including climate resilient initiatives (Haynes, 2025).

Social security investments in can play an important role in promoting human development and socio-economic resilience. While ensuring the safeguard of assets, investing with a focus on optimizing the socio-economic potential of social security funds can contribute to enterprise development and job creation. These translate to the expansion of fiscal space for social security through improved labour productivity. The examples of ISSA member institutions demonstrate how social security funds can contribute to this drive without jeopardizing their core mandate.

6. Conclusion

Fulfilling the fundamental right to all remains a longstanding challenge for governments and policymakers across the spectrum. Efforts to extend coverage and enhance the sustainability social protection systems are generally confronted developments which either increase the need for benefits, thus increasing strains on already constrained public budgets or erode the capability of governments to expand fiscal space. Climate change stands out as one of such developments. It does not just increase the need and demand for social security benefits and services but equally contribute to job losses; eroding labour productivity and shrinking fiscal space for social security.

This reality has prompted a rethink on the future of social security. While traditional financing strategies remain relevant, it is imperative to assess the feasibility of alternative strategies to extend coverage and expand fiscal space for social protection. This report looked at the potential of impact investing and how social security funds can leverage on impact investing frameworks to fashion the future of social security and support the just transition to eco-friendly energy solutions. Optimizing the socio-economic potential of social security funds through impact investing opportunities will have far-reaching impacts on social security systems. This report revealed that:

- Financial profits are relevant but not sufficient to guarantee the long-term sustainability

of social security systems. Investments that contribute directly or indirectly to strengthen the sustainability of social security systems through cost cutting and cost savings, enhance access to social security protection, improve the adequacy of benefits and curtail the financial burden on protected persons including lowering contribution rates and/or insurance premiums enhance the social and economic utility of social security funds.

- Impact investments can support the realization of the fundamental right to social security for all and the right to development, contribute to civil protection and ecological sustainability and strengthen human development and socio-economic resilience through an adequate blend of profit-seeking and value creating investment opportunities.

The question of sustainability of social security systems can be approached from different angles. Though the general tendency has been from the angle of increasing contribution rates or increasing retirement age, it is evident that impact investments can support socio-economic development bringing about job creation and employment promotion which will translate to improved labour productivity and broaden the financing base for social security. Alternatively, impact investments can contribute to climate action and reduce the incidence of climate related risks and check the escalation of the demand for social security benefits and services.

Bibliography

- Agency for Sustainable and Operational Social Security.** 2024. *Unified Labour and Employment Subsystem* (Good Practices in Social Security). Geneva, International Social Security Association.
- Aguilar, P. D.; Capulong, T. R.** 2023. *Investments, actuarial & risk management* (Presentation, 21st ISSA International Conference of Social Security Actuaries, Statisticians and Investment Specialists). Geneva, International Social Security Association.
- Anderson, K.** 2024. *The harmful effects of our lithium batteries*. Paris, Greenly.
- AON.** 2024. *2024 global medical trend rates report: Global overview and data tables*. London, Aon.
- Ashraf, M.** 2024. *Infrastructure investments: Unlocking opportunities through investment trusts* (Presentation, ISSA Webinar “Debt instruments and infrastructure investments: Objectives and opportunities”). Geneva, International Social Security Association.
- Ayota, M. P.** 2025. *Socially responsible investing: Case experience of NSSF, Uganda* (Presentation, ISSA Webinar “Corporate social responsibility and socially responsible investing”). Geneva, International Social Security Association.
- Bakkegaard, K.; R.; Wunder, S.** 2024. “*Bolsa Floresta, Brazil*”, in E. O’Sills et al. (eds), *REDD+ on ground: A case book of subnational initiatives across the globe*. Bogor, Center for International Forestry Research.
- Boehm, L.; Kläffling, D.** 2024. *Social and labour market impact of the green transition* (EPRS Briefing). Strasbourg, European Parliamentary Research Service
- Carlo, A. et al.** 2023. “Pension fund investments in infrastructure”, in *Journal of Asset Management*, Vol. 24.
- Cattaneo, U. et al.** 2024. *Financing gap for universal social protection: Global, regional and national estimates and strategies for creating fiscal pace*. Geneva, International Labour Office.
- Chalach, Y.** 2024. *Infrastructures publiques et investissements sociomédicaux* (Presentation, ISSA Technical seminar “Investment of social security funds for viable and sustainable social protection systems”). Geneva, International Social Security Association.
- Cichon, M. et al.** 2004. *Financing social protection* (Quantitative methods in social protection series). Geneva, International Labour Office, International Social Security Association.
- Climate Partner.** 2025. *Environmental, social, and governance: ESG definition*. London.
- GI Hub.** 2017. “*Infrastructure investment needs, 50 countries, 7 sectors to 2040*”, in *Global Infrastructure Outlook – A G20 Initiative*.
- GIIN.** 2025. *What you need to know about impact investing*. New York, NY, Global Impact Investing Network.

Haynes, K. S. 2025. *Incorporating SRI and CSR in NIS Saint Vincent and the Grenadines investment strategy* (Presentation, ISSA Webinar “Corporate social responsibility and socially responsible investing”). Geneva, International Social Security Association.

Igini, M. 2024. “Fossil fuels accounted for 82% of global energy mix in 2023 amid record consumption: Report”, in *Earth.org*, 26 June.

ILO. 2012. *Social security for all: Building social protection floors and comprehensive social security systems – The strategy of the International Labour Organization*. Geneva, International Labour Office.

ILO. 2014. *World Social Protection Report 2014/15: Building economic recovery, inclusive development and social justice*. Geneva, International Labour Office.

ILO. 2024. *World Social Protection Report 2024–26: Universal social protection for climate action and a just transition*. Geneva, International Labour Office.

ISSA. 2020. *Investing social security reserve funds amidst competing goals and opportunities in Africa* (Analysis). Geneva, International Social Security Association.

ISSA. 2023. *Social security response to climate change and environmental degradation* (Analysis). Geneva, International Social Security Association

Invest India. 2025. *National Infrastructure Pipeline*. New Dehli.

Kouassi, C. D. 2024. *Investissements à impact et avenir de la sécurité sociale* (Presentation. ISSA Technical Seminar on Investing social security funds for viable and sustainable social protection systems). Geneva, International Social Security Association.

Lamboi, J. 2025. *Addressing rising risks and fulfilling mandates through socially responsible investment (SRI) and corporate social responsibility (CSR)* (Presentation, ISSA Webinar “Corporate social responsibility and socially responsible investing”). Geneva, International Social Security Association.

McCord, A.; Costella, C. 2023. *Pathways for Social Protection in the Just Transition of Low- and Middle-Income Countries*. Frankfurt am Main, KfW Group.

National Oceanic and Atmospheric Administration. 2025. *Climate change impacts*. Washington, DC.

National Social Insurance Fund. 2023. *Financing operating expenses out of investment income* (Good Practices in Social Security). Geneva, International Social Security Association.

National Social Security Fund. 2023. *Making dialysis greener in the Tunisian National Social Security Fund's policlinics: Sousse policlinic trial* (Good Practices in Social Security). Geneva, International Social Security Association.

Ngomba, M. P. 2018. *The need and financial affordability of alternative social protection strategies in Cameroon: A 2015–2035 actuarial simulation*. London, Éditions universitaires européennes.

Public Employment Service. 2024. *Automatic search strategy: Measures to increase jobseekers search efficiency* (Good Practices in Social Security). Geneva, International Social Security Association.

Ritchie, H.; Rosado, P. 2017. “Fossil fuels”, in *OurWorldinData.org*, October.

Sawatzky, B. 2023. *Climate risk management for pension funds – CPP Investments perspective* (Presentation, 21st ISSA International Conference of Social Security Actuaries, Statisticians and Investment Specialists). Geneva, International Social Security Association.

United Nations. 2023. *The United Nations Secretary General’s Climate Action Acceleration Agenda: Roadmap for a livable planet*. New York, NY.

Willis Towers Watson. 2019. *Infrastructure investment Challenges and opportunities for social security reserve funds*. Geneva, International Social Security Association.

4 route des Morillons
Case postale 1
CH-1211 Geneva 22

T: +41 22 799 66 17
E: issa@ilo.org
www.issa.int

