

EXECUTIVE SUMMARY

A. The Main Study Messages

ES1. Social protection is being increasingly recognised by donors and national governments as a vital component of national development and poverty reduction strategies, many of which now explicitly include social protection objectives and policies. This is demonstrated by the multiplicity of SP programs currently operating in Asia and the Pacific and the marked expansions to SP activities which have taken place in several countries in recent years.

ES2. The Social Protection Index (SPI), its component Social Protection Summary Indicators (SPSIs) and the compilation of a large dataset of social protection programs covering 31 Asian and Pacific countries provide an important addition to the limited statistical information that is currently available on this topic.

ES3. For international agencies, the prime uses of the SPI and the SPSIs will be: (i) to identify and examine Asia wide trends in social protection provision and its characteristics; and (ii) to inform policy dialogues with individual countries designed to increase donor assistance on social protection.

ES4. For national governments, the information in this report and the Country Reports can provide: (i) a starting point for more detailed investigations of social protection activities and the design of measures to improve the overall level of provision; and (ii) a basis for monitoring the outcomes of changes in SP provision. Any such analysis must necessarily take into account the possibility of very different explanations being available for why an indicator is particularly high or particularly low, as well as national development goals and priorities and the financial resources available to governments.

ES5. Arguably the most important conclusion is that the imperfect relationship between the provision of social protection on one hand and the HDI and GDP per capita on the other shows that even poorer and less developed countries (e.g. India, Kyrgyzstan and Bangladesh) can provide significant levels of social protection given the political will to do so. This conclusion is reinforced by the fact that the pro-poor targeting of social protection expenditure is largely unrelated to both the HDI and GDP per capita.

ES6. Regular (every two to three years) updating and extensive dissemination are essential if the usefulness of the SPI to policy makers concerned with social protection is to be fully realised.

B. Background and Objectives (Chapter I)

ES7. Social protection is increasingly recognised by donors and national governments as a vital component of national development and poverty reduction strategies. Social protection programs can help countries achieve their MDGs related to poverty reduction, health and education. Social protection can also provide assistance to vulnerable groups not explicitly incorporated into the MDGs such as the elderly, the unemployed and the disabled. Yet up to a few years ago there was a paucity of quantitative information related to social protection.

ES8. In order to improve the information base relating to social protection in Asia, in 2004, the ADB commissioned **TA6120: Social Protection Index for Committed Poverty Reduction** with the following main objectives:

- To describe SP activities and compile statistical information on these activities in six countries: Bangladesh, Indonesia, Mongolia, Nepal, Pakistan and Vietnam.
- To develop a Social Protection Index (SPI).
- To generally raise awareness and about the need for social protection policies and programs.

ES9. The Social Protection Index (SPI) would be a summary measurement tool that systematically and consistently quantified national level social protection activities in Asian and Pacific countries thus providing (i) a starting point for diagnostic evaluations of national social protection (SP) programs; (ii) a means of monitoring of changes in SP provision over time; and (iii) a benchmark for international comparisons of SP provision. The SPI was to be developed from a number of summary social protection indicators (SPSIs) each representing a different facet of a country's social protection activities, e.g. their cost, coverage, poverty targeting and impact on incomes. These SPSIs would then be scaled and weighted to produce the SPI - an additive index of the overall level of social protection provision.

ES10. TA6120 was completed in 2005. The current Study is an extension of this earlier study and has as its primary objective the replication of the TA6120 methodology in another 26 Asian and Pacific countries so as to enable the calculation of SPIs and the creation of a database of Social Protection programs for the whole continent.

C. The Definition of Social Protection (Chapter II)

ES11. The definition of social protection adopted for this study was formulated during the early part of TA6120 through intensive discussions, involving the consultancy team, in country workshops, and workshops attended by the international team, the local consultants and ADB experts.

ES12. The starting point in this process was the ADB's definition of social protection but it was realised early on that this definition would need to be narrowed so that (i) social protection activities were to be defined so as to be clearly distinguishable from activities more usually associated with other sectors such as health, education and community development; (ii) to enable the collection of quantifiable data that could then be transformed into a Social Protection Index; (iii) it reflected national definitions of social welfare and social protection; and (iv) the data collection task was feasible within the resources available to the study.

ES13. After much discussion, the definition of Social Protection adopted for the study was as follows:

The set of policies and programs that enable vulnerable groups to prevent, reduce and /or cope with risks, AND that:

- *are targeted at the vulnerable groups;*
- *involve cash or in kind transfers; and*
- *are not activities which are usually associated with other sectors such as rural development, basic infrastructure, health and education.*

ES14. The major definitional issue which arose during the course of both studies is the classification of basic health and education services. These were explicitly excluded from the definition of social protection used in both studies, as they are in ADB's definition of social protection. There were several reasons: (i) the study was first and foremost about social

protection and it was felt essential to clearly distinguish social protection activities from those most usually associated with other sectors such as health, education and community based infrastructure development; (ii) most current definitions as well as national perceptions hold that social protection consists primarily of activities related to labour markets, social insurance, social assistance and child protection; and (iii) it was feared that including all health care would 'overwhelm' the more 'traditional' aspects of social protection which were exactly those which the study was designed to highlight. Analysis undertaken for the current study essentially confirms that this would indeed be the case; basic health and education services therefore remain excluded from the SPI.

D. The Formulation of the Social Protection Index (Chapter III)

ES15. The over-riding principles in the definition of the SPI and its component Summary Social Protection Indicators (SPSIs) were the desire to provide indicators that: (i) could be easily understood by policy makers; (ii) did not require complicated calculations; and (iii) did not necessitate the collection of excessive amounts of data.

ES16. The definition of the SPSIs and their combination into the SPI was finalised over the 16 month duration of the previous study through intra-team discussions, workshops bringing together the international team, the local consultants and ADB experts, and, finally, a conference held in March 2005 in Manila attended by government representatives from all the participating countries. In its final formulation, the SPI is derived from four component SPSIs which are defined in Table ES1.

Table ES.1. Definition Social Protection Summary Indicators

SPSI	Definition
SPEXP	Total expenditure on all SP programs as % of GDP
SPCOV*	A weighted average of the coverage ratios of seven key social protection target groups: the unem-/ under-employed, the elderly, the sick, the poor through social assistance, the poor through micro-credit schemes, the disabled and poor children.
SPDIST	Number of poor social protection beneficiaries % of the poor population**.
SPIMP	SP expenditure going to the poor on a per capita basis as % of the poverty line.

* Despite its conceptual simplicity, the derivation of this SPSI is more complicated than the others; details are provided in Chapter III.

** Based on the national poverty line.

ES17. There is a symmetry in the selection of these indicators: two are related to expenditure and two to coverage; two involve social protection for the population as a whole and two relate specifically to the poor.

ES18. Three steps were necessary to combine the SPSIs into the overall SPI:

- assigning maximum values to each SPSI: this provides a constant basis for monitoring changes in SPI values;
- scaling the SPSIs by dividing the country value by the maximum assigned value: in practice, three of the SPSIs were assigned maximum values of 100%; thus the only SPSI which needed actually needed to be scaled was SPEXP which is assigned a maximum value of 16% (which corresponds to Japan's SP expenditure).

- applying an equal weighting to each SPSI and summing: this weighting was agreed during the previous study.

ES19. The above methodology essentially replicates that used to derive the HDI from its component indicators.

E. The Social Protection Summary Indicators (Chapter IV)

ES20. The results are summarised in Table ES2 by region and HDI group¹. Average SPSI values are 4.8% (SPEXP), 35% (SPCOV), 57% (SPDIST) and 23% (SPIMP). However the ranges vary considerably and are especially pronounced for SPIMP.

Table ES2. Values of SPSIs by Region and HDI Group

Region	Countries	SPEXP	HDI Group	Countries	SPEXP
Central Asia	7	6.8%	High	5 (4)*	6.5% (7.8%)*
South Asia	7	3.1%	High medium	11	4.4%
East Asia	9 (7)	4.8% (2.8%)**	Low medium	6	6.8%
Pacific	8	4.5%	ALL Medium	17	5.2%
			Low	9	3.0%
ALL ASIA	31 (29)	4.8% (4.3%)**	ALL ASIA	31	4.8%
Region	Countries	SPCOV	HDI Group	Countries	SPCOV
Central Asia	7	50%	High	5	55% (66%)*
South Asia	7	23%	High medium**	11	39%
East Asia	9	43% (33%)**	Low medium**	6	36%
Pacific	8	22%	Low**	9	17%
ALL ASIA	31	35%	ALL ASIA	31	35%
Region	Countries	SPDIST	HDI Group	Countries	SPDIST
Central Asia	7	75%	High	5	73% (89%)*
South Asia	7	55%	High medium	11	66%
East Asia	9	64% (54%)**	Low medium	6	56%
Pacific	8	35%	Low	9	38%
ALL ASIA	31	57%	ALL ASIA	31	57%
Region	Countries	SPIMP	HDI Group	Countries	SPIMP
Central Asia	7	33%	High	5	46% (57%)*
South Asia	7	15%	High medium	11	23%
East Asia	9	32% (15%)**	Low medium	6	23%
Pacific	8	11%	Low	9	9%
ALL ASIA	31	23% (18%)**	ALL ASIA	31	23%

* Excluding Tonga.

** Excluding Japan and Korea.

¹ There are no low development countries using the UN's definition. In this report, LOW development countries refers to those with HDI values between 0.5 and 0.6 and MEDIUM development countries refer to those with HDI values between 0.6 and 0.8.

ES21. For all four SPSIs, the Central Asian countries perform well reflecting the existence of strong social protection systems dating from the pre-transition era, as do Japan and Korea, as befits their status as highly developed economies. If Japan and Korea are excluded from the calculations for East Asia, there is relatively little difference in average SPSI values for South and East Asia, both of which tend to be slightly below the Asian average. Pacific countries generally exhibit lower SPSI values. A distinctive pattern also emerges with respect to country HDI values: 'high' development countries tend to have higher SPSI's values than 'medium' and 'low' development ones.

ES22. Social protection expenditure (SPEXP) is dominated in the great majority of countries by expenditure on formal social insurance schemes: the social insurance share of total SP expenditure is 55% across the 31 countries but it drops below 40% in only eight countries. Although there are exceptions (e.g. Japan, Korea, and Central Asian countries), the coverage of these schemes is generally limited to the public and formal private sectors (i.e. not the poor). On average, another 30% of SP expenditures is made up of social assistance and micro-credit schemes (which are particularly important in several poor South and East Asian countries). Expenditure on child protection and labour market programs account for 15% of total social protection expenditure, although as noted previously, they are much higher in a few countries. Overall, discounting the pre-eminence of social insurance expenditure, there is considerable variation in the patterns of social protection expenditures.

ES23. SPCOV values are almost twice as high in Central Asia as elsewhere and three times higher in high development countries than in low development ones. The variation in the coverage ratios for key social protection target groups is even more pronounced. Nevertheless, similar patterns emerge between the regional and HDI groups as for SPEXP – higher coverage in Central Asia and lower elsewhere, especially in the Pacific countries. On average, the coverage ratios are highest for the elderly, poor adults in need of social assistance and poor children (through educational assistance programs) and tend to be lower for the other groups (such as the unemployed/ underemployed, the sick², the disabled and members of micro-credit schemes). There are, however, examples of high coverage ratios for all these groups.

ES24. Social protection coverage (SPDIST) of the poor averages 57% across Asia. Seven countries have programs which reach 80% or more of the poor while five countries the value of SPDIST does not exceed 11%. Four of these five countries are Pacific states where governments have been slow in acknowledging the existence of poverty.

ES25. The average SPIMP value is 23% but the variability of this indicator is extreme. Only six countries have SPIMP values in excess of 40% while in 20 countries, social expenditure on the poor is equivalent to less than 20% of poverty line. This underscores the conclusion that, irrespective of the level of coverage, the impact of social protection expenditure on the poor in the majority of Asian countries is rarely substantial. Two of the countries where SPIMP values are higher are the two largest, India and China, although in the latter case, this expenditure is indirect and brings only limited additional income to poor households.

ES26. Correlations between the SPSIs and the HDI are all statistically significant and range from 0.4 for SPEXP to 0.75 for SPCOV.³ Correlations against GDP per capita have a similar range – from 0.4 (SPDIST) to 0.8 (SPIMP). The fact that these correlations are not stronger indicates that the SPSIs vary substantially among countries with similar HDI or GDP per capita values.

² As previously noted, directly financed government expenditure on health is excluded from the calculations.

³ These relate to the Pearson r correlations; the rank correlations tend to be appreciably lower.

F. The Social Protection Index for Asian Countries (Chapter V)

ES27. The Social Protection Indices (SPIs) calculated for 31 Asian countries range from a high of 0.96 (Japan) to a low of 0.1 for Papua New Guinea (Table ES3). The All Asia average is 0.36 (or 0.33 if Japan and Korea are excluded). The distribution of SPI values is reasonably well balanced (the median value is 0.34 which is virtually identical to the mean) and approximates a normal distribution, although there is a concentration of countries (mostly Pacific states) with very low values. At the other end of the scale, Central Asian countries tend to have above average values, as do, unsurprisingly, Japan and Korea. SPI values also vary substantially depending on the HDI: countries in the High Human Development group have an average SPI of 0.54 while those in the Medium and Low Human Developments groups have average SPIs of 0.39 and 0.21 respectively.

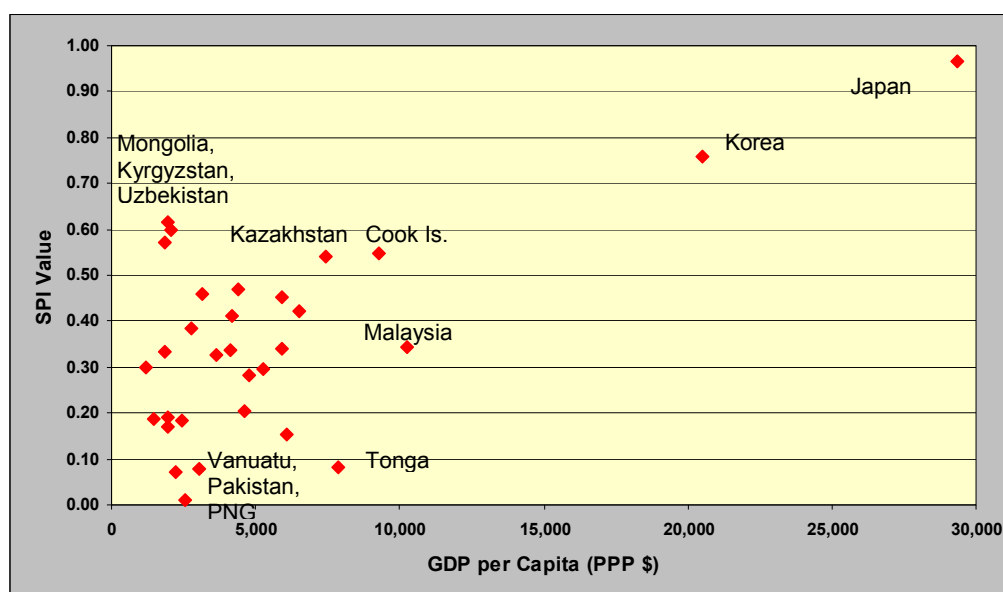
Table ES3. Country SPI Values

SPI Values					
Above average		Average*		Below average	
Japan	0.96	Nauru	0.42	Philippines	0.20
Korea	0.76	Vietnam	0.38	Laos	0.19
Kyrgyzstan	0.62	Malaysia	0.36	Nepal	0.19
Mongolia	0.60	Marshall Islands	0.34	Cambodia	0.19
Uzbekistan	0.57	Armenia	0.34	Bhutan	0.17
Cook Islands	0.55	Bangladesh	0.34	Fiji	0.15
Kazakhstan	0.54	Indonesia	0.33	Tonga	0.08
Azerbaijan	0.53	Tajikistan	0.33	Vanuatu	0.08
Sri Lanka	0.47	Tuvalu	0.30	Pakistan	0.07
India	0.46	Maldives	0.30	PNG	0.01
China	0.45				

* Within 2 standard errors of the mean.

HIGH development; MEDIUM development; LOW development.

ES28. The correlation between the SPI and the HDI is 0.6 (0.7 if Tonga is excluded) and that with GDP per capita is 0.62. Figure ES1 shows the relationship between SPI values and GDP per capita. Of particular note is the wide variation in SPI values for countries with per capita incomes below \$6,000 (PPP). This has important policy implications as it shows that the level of social protection provided is not wholly determined by their level of income or human development.

Figure ES1. Country SPI and GDP per Capita (PPP \$)

G. Uses and Applications of the SPI and the SPSIs

ES29. Analysis of the SPI and SPSI results can help inform policy makers from international agencies and national governments on issues related to the provision of social protection. Some examples of these are summarised in Table ES4.

Table ES4. Potential Uses of the SPI and its Constituent Information

Level of Analysis	Value to Policy Makers	Possible uses
SPI	Relative social protection provision; changes over time.	Policies to improve SP provision; targeting of countries for assistance; demonstration of effectiveness of new (or extended) SP programs.
SPSIs	Aspects of SP which are above and below average.	Where to concentrate more detailed investigations.
Distribution of SP Expenditure/ target group coverage ratios	Categories of SP where expenditure is 'lagging'; target groups where coverage is particularly low.	Increased SP provision/ expenditure to target groups with below average coverage ratios.
SP Programs*	Targeting of programs; average benefits; extent of coverage, etc.	Reviews of the effectiveness and targeting of existing programs.

* Using the information contained in the Country Reports.

ES30. Information of value to national and international policy makers is provided by each of four levels of analysis shown. The analysis should proceed downward through the information provided in this study, i.e. the reverse of the way in which it was compiled. This approach essentially mirrors the use of the HDI, the examination of which is only a prelude to a more detailed analysis of a country's human development situation.

ES31. A concrete example is provided by the change in SPI and SPSIs which have occurred in the last 2-3 years for five of the six countries in the original study. These changes, summarised in Table ES5, show that improvements in social protection provision (i.e. higher

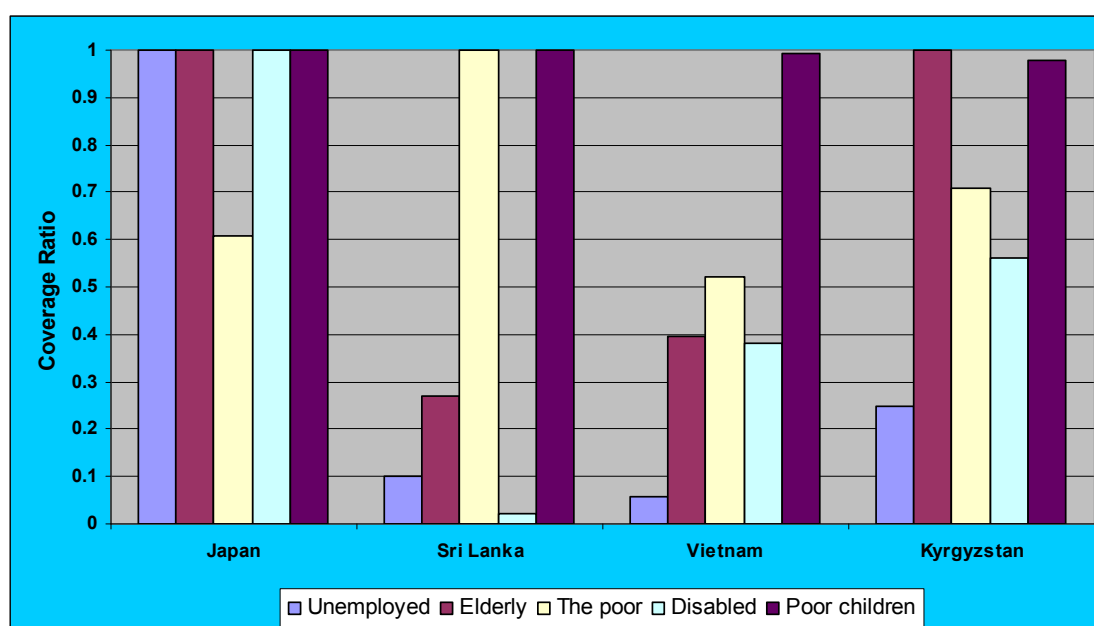
SPI and SPSI values) occurred in all these countries; they were particularly substantial in Bangladesh, Vietnam and Mongolia. These increases in social protection have been achieved by a combination of extending the coverage of existing programs, increasing the benefits from these programs and introducing new programs. The extent of these changes further confirms that the importance of social protection is being increasingly recognised by governments in Asia.

Table ES5. Changes in SPI and SPSI Values, Selected Countries

	Bangladesh	Mongolia	Nepal	Pakistan	Vietnam
SPI: 2002/03	0.19	0.49	0.16	0.06	0.28
SPI: 2004/05	0.33	0.60	0.19	0.07	0.38
Change	0.14	0.11	0.03	0.01	0.10
% Change	70%	22%	19%	17%	38%
SP Expenditure	Increased share for MCF	Big increase for CWSN	Increase in FFW schemes	Little change	Increased share for MCF
Target group coverage ratios	Big increase for most groups	Now, very high coverage of CWSN	Increases in coverage of poor, children and unemployed	Little change	Increased coverage of health schemes for the poor, MCF, the poor - social assistance and children.
SP coverage of the poor (SPDIST)	Large increase	Substantial increase	Some increase	Small increase	Substantial increase
Impact on incomes (SPIMP)	Substantial increase		Little or no increase		Small increase

ES32. As another example, Figure ES2 shows the variation in target group coverage ratios for four countries, and hence the strengths and weaknesses of social protection coverage in each country thereby providing an initial indication of where efforts to improve social protection coverage could be focussed.

Figure ES2. Country Target Group Coverage Ratios, Selected Countries



ES33. As with any analysis of summary indicators, interpretation issues can arise. For example, (i) countries can have similar SPI or SPSI values but very different patterns of social protection provision; (ii) high coverage indicators can co-exist with low levels of benefits provided; (iii) low poverty targeting may be due to social assistance programs explicitly targeting the severe (or food) rather than the general poverty; (iv) low provision of social protection due to different national development priorities such as the provision of basic infrastructure, and health care and education.

ES34. Notwithstanding the above, the SPI and the SPSIs provide a valuable and relatively simple tool which can act as the starting point for more detailed diagnostic analysis of national social provision. Analysis of the SPI and the SPSIs can help policy makers and their advisors identify countries or aspects of social protection where provision is weak and hence draw up a list of initial priorities for more detailed analysis and possible intervention. Once this analysis has been completed, attention then needs to be focussed on the individual SP programs to provide a clearer indication on which programs should be the subject of more detailed studies to identify issues related to program implementation, cost effectiveness, targeting, eligibility criteria, and generally assess ways in which these programs can be made more effective.

H. An Overview of Social Protection in Asia (Chapter VIII)

ES35. The totality of the information compiled for this study also makes possible an overview of the provision of social protection in Asia and the Pacific.

ES36. On average Asian and Pacific countries spend just under 5% of their GDP on social protection and achieve an overall average coverage level of 35% of the seven key target groups.. The average proportion of the poor (using national poverty lines) who receive some social protection benefits is 57% implying that the majority of Asia's poor receive some social protection. The impact of social protection programs on the incomes of the poor is however generally low, averaging under 25% of the poverty line per capita income.

ES37. These averages mask substantial variations. At the top end of the scale, two distinct groups of countries can be identified. First, Japan and Korea by virtue of their status as developed high income countries, achieve the highest values on most of the SPSIs. Second, the Central Asian countries (including Mongolia) have generally high levels of social protection resulting from the comprehensive social protection systems introduced in these countries during the Soviet era.

ES38. Variations between South and East Asian countries (excluding Japan and Korea) are less pronounced. The indicators for the Pacific countries, with the exception of expenditure as a percentage of GDP (which approximates the Asia average) are lower than those for the other regions. Countries in this region however exhibit greater variations with the Cook Islands having generally high indicators while those for Tonga, Vanuatu and Papua New Guinea are uniformly low⁴. The Marshalls, the Cooks and Nauru are also unusual in that they are highly dependent on aid (from respectively the USA, New Zealand and Australia).

ES39. In most Asian and Pacific countries, the majority of expenditure on social protection is provided through formal social insurance systems. This is just as likely to be the case in rich as in poor countries. It can therefore reflect either a well developed social insurance system with high coverage (e.g. Korea and some Central Asian countries) OR countries with social

⁴ It is worth noting that in several Pacific countries, poverty reduction is not a major government priority.

insurance systems which are largely confined to the formal sector (such as civil servants and the military) and are of little relevance to the poor (e.g. Pakistan and Papua New Guinea). Countries with below average proportions of expenditure on social insurance tend to be those with less developed social insurance systems but with substantial other social protection expenditures. Examples are Bangladesh, Laos, Cambodia and Bhutan (all of which have substantial micro-credit programs), Nauru (redundancy payments for ex phosphate workers), and Tajikistan (extensive social assistance programs).

ES40. In contrast to social insurance schemes, the programs that provide the greatest coverage of, and greatest benefits to, the poor are targeted programs. Such programs include educational assistance (or fee exemptions), subsidised health care, food for work scheme/ direct job creation, and MCF schemes. MCF schemes are an important component of social protection in countries with such diverse characteristics as Bangladesh, Kyrgyzstan, Laos, Philippines and Tuvalu. Conversely, formal means tested social assistance programs involving direct cash handouts are rarely important, except those targeted at the most vulnerable and the most destitute.

ES41. Coverage levels for the seven key target groups vary widely both within and between countries. There are wide variations between mean and median coverage values with the latter almost always being lower. This indicates unbalanced distributions with a few countries achieving high levels of coverage but most countries having low coverage ratios. Across Asia, the highest coverage rates are for poor children (educational assistance programs), social assistance to the poor, and the elderly (pensions and targeted health and social welfare schemes).

ES42. In general, the two coverage-based indicators (SPCOV and SPDIST) are almost always higher than the two expenditure-based indicators (SPEXP and SPIMP). This indicates that while many Asian countries have achieved a substantial level of social protection coverage, the level of social protection benefits can be quite low in relation to overall GDP and/or the current poverty line. The policy implication is that in countries where coverage levels are high, greater emphasis should be paid to increasing the benefits payable under these programs.

ES43. There is a clear positive association between the SPI and both the HDI and GDP per capita (PPP\$). Countries with high human development levels have average SPI/ SPSI values that are 2.3 to 6.3 times those of low human development countries. This disparity is particularly marked for SPIMP indicating that low development countries provide little in the way of substantive social protection to their poor populations. All the indicator values for the medium human development countries always fall between those of the high and low ones and approximate the All Asia average. This relationship is as one would expect: higher levels of development are associated with increased social protection activities, as (i) higher GDP enables greater expenditure on social protection; and (ii) better education and health indicators permit governments to devote more attention to social protection issues. Yet in both cases, there is substantial variation in SPIs for countries with similar HDI or GDP per capita values. Furthermore the pro-poor targeting of this assistance is uncorrelated with both the HDI and GDP per capita. What this means is that it is possible for most countries to provide different levels of social protection irrespective of their level of human development or wealth. This finding has important policy implications as it shows that, if governments are willing, virtually every country has scope for providing some level of social protection to its vulnerable populations.

ES44. Finally, there is strong evidence that government awareness of the need for social protection measures to complement national poverty reduction policies are leading to increased levels of provision in many Asian countries. This is evident in the increases in the social protection indices of five countries studied under the previous TA. These improvements are

particularly marked in Bangladesh, Vietnam and Mongolia but are also noticeable in Nepal and Pakistan. Although not quantified there have also been major improvements in the provision of social protection in other countries, e.g. China and Azerbaijan.

I. The ADB's Social Protection Index Website (Chapter VII)

ES45. The SPI website (<http://www.adb.org/SocialProtection/default.asp>) will contain: (i) The Study Reports including the 22 Country Reports; (ii) the SPI database containing the Country SPI, SPSIs, distributions of social protection expenditure and target group coverage ratios as well as the basic statistics needed to calculate the indicators; and (iii) the Social Protection Program Database which contains statistics on all identified SP programs.

ES46. The SPI website will provide one of the main means of disseminating the results of this study. Other aspects of the dissemination process include:

- an international workshop to be held in Seoul, Korea in December 2007 under the aegis of the Joint OECD/Korea Regional Centre on Health and Social Policy (RCHSP). Government and consultants from the majority of the participating countries will attend this workshop along with representatives from the Asian Development Bank, the ILO and OECD.
- ADB will publish a book containing the main results of the study.
- Articles for publication in development journals are in preparation.