

Regional Report : Key findings from an ESCAP Study

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I . Introduction

Introduction

- ❑ Asia and the Pacific has showed **remarkable achievements**
 - ✓ Nevertheless, **around 641 million people** are still suffering under extreme poverty.
 - ✓ **Income inequality within countries** has been **consolidated** in many of this region.
- ❑ Newly emerged challenges in Asia & the Pacific
 - ✓ Recurrent economic crises, Natural disasters (e.g.: floods, cyclones, tsunami)
 - ✓ The convergence of such crises has generated **unprecedented threats** to daily life of people, especially the poor and vulnerable.

- ❑ **Social protection** has assumed **greater importance**

- ✓ **As a tool** to **mitigate** the impact of shocks and to **help accelerate** the recovery of people.
- ❑ Among other social protection measures, the **income support schemes** (hereafter, ISSs) have particular attention.
- ✓ **Meet the needs** of the poor and vulnerable by providing direct support and protection.
- ✓ **Building blocks for more comprehensive social protection** by expanding coverage to those who had been excluded from existing social protection system.

- ❑ In response to abovementioned risks, this project aims:

- ✓ To **strengthen social protection**, especially for the poor and vulnerable
- ✓ To **provide a platform** for researchers and policy makers to exchange views, experience, and knowledge on social protection and ISSs

Introduction

- This research analyzes social protection of five sub-regions in Asia and the Pacific with focus on income support schemes.
 - ✓ East and North-East Asia, The Pacific, South-East Asia
 - ✓ South and South-West Asia, North and Central Asia
- The study conducts cross sub-region comparison of those income support schemes in terms of **coverage, benefits, budgets & financing, delivery system & governance and policy outcome & challenges**.
 - ✓ Suggests implications and recommendations based on the comparative analysis.

II. Overview of Asia-Pacific Region

□ Population

- ✓ Total population of the region was 4.2 billion in 2010, which is about 61% of the world's population.
- ✓ The proportion of children in the total population in the region has fallen steadily, from 33% in 1990 to 25% in 2010, while the proportion of elderly aged 65 and above has been gradually increasing reaching 7.0% in 2010.

□ Standard of Living- Economic growth

- ✓ Asia and the Pacific achieved great economic growth in a shorter period of than other regions in the world.
- ✓ Total GDP of Asia and the Pacific reached 14,432 billion US dollar in 2009, which is about double of GDP in 1990, 7,566 billion.

□ Standard of Living- Poverty

- ✓ The region have achieved significant progress in reducing poverty.
- ✓ Number of people living in poverty in the region declined from about 1.6 billion in 1990 to 0.9 billion in 2008.
- ✓ More than half of the population in the region was living in poverty in 1990 (poverty defined as those living on less than PPP\$1.25 per day), but the incidence of poverty had fallen by more than half by 2008.
- ✓ Nevertheless, one quarter of the people in the region, 945 million in 2008, still live in poverty.

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□ Standard of Living- Inequality

- ✓ While the incidence and depth of poverty have declined steadily in the region, **the trend in income inequality seems less clear.**
- ✓ The poorest quintile of the population receive small share in a number of middle and high-income countries, such as Singapore (5.0%), Turkey (5.4%), and Malaysia (6.4%) while those in India (8.1%), Pakistan (9.1%) and Bangladesh (9.4%) do relatively better.

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Overview of Asia-Pacific Region

□ Standard of Living- Social Protection

- ✓ Considerable variation in the types of social protection programs in Asia and the Pacific.
- ✓ On average, Asia-Pacific region spends 4.8% of its GDPs on social protection.
- ✓ In sub-regional level, Central Asia has the highest spending on social protection with spending 6.8% of GDP on social protection, followed by East Asia (4.8%), Pacific (4.5%) and South Asia (3.1%).

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SPI and SP Expenditures (as Percent to GDP, 2009)

Member Economy	SPI	SP expenditures (as percent of GDP)	GDP per capita (at current prices, in USD)
Afghanistan	0.046	2.0	488
Armenia	0.085	2.2	2666
Azerbaijan	0.187	6.1	5018
Bangladesh	0.043	1.4	617
Cambodia	0.020	1.0	731
China, People's Rep. of	0.139	5.4	3734
Fiji, Rep. of	0.060	1.7	2945
India	0.051	1.7	1043
Indonesia	0.044	1.2	2335
Japan	0.416	19.2	39714
Korea, Rep. of	0.200	7.9	17110
Kyrgyz Republic	0.151	8.0	871
Lao PDR	0.026	0.9	904
Malaysia	0.155	3.7	6915
Mongolia	0.206	9.6	1692
Nepal	0.068	2.1	463
Pakistan	0.047	1.3	926
Philippines	0.085	2.5	1746
Samoa	0.066	2.3	2863
Singapore	0.169	3.5	35514
Solomon Islands	0.045	1.3	1048
Sri Lanka	0.121	3.2	2057
Tajikistan	0.039	1.2	668
Thailand	0.119	3.6	4151
Uzbekistan	0.343	10.2	1187
Viet Nam	0.137	4.7	1130

Source : ADB (2012), OECD Korea Centre (2013. 11)

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III. Overview of Income Support Schemes in the Region

Comparative Study of Income Support Schemes

□ Coverage

Eligibility criteria

- ✓ National Basic Livelihood Security System : Anyone with income less than minimum cost of living (lack of family support)
- ✓ Family Assistance Program: Vulnerable groups including Elderly, chronically ill, permanently disabled, widows with children
- ✓ Samurdhi Programme: Poor households (Family wealth ranking)
- ✓ Program Keluarga Harapan: Poor households with pregnant women or children

□ Coverage

Targeting system

- ✓ Means test applied differently by programme
- ✓ National Basic Livelihood Security System & Family Assistance
Program : Means test (income and asset)
- ✓ Samurdhi Programme: Poor households (Family wealth ranking)
- ✓ Program Keluarga Harapan: Based on a series of characteristic for chronically poor households, which are derived from household surveys

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□ Benefits

Key benefit: Cash allowance for living expense (NBLSS, FAP, PKH)
Food stamp (Samurdhi Programme)

Additional benefit

- ✓ NBLSS: Assistance in housing, medical care, education, childbirth, and funeral
- ✓ Samurdhi Programme: Nutritional allowance, monthly kerosene subsidy, special allowances for child rearing, children education, illness and funeral

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□ Benefits

Conditionality:

- ✓ PKH : Pre-natal care visits for pregnant women, priority health check-ups and immunisations for babies from 6 to 11 months, school enrolment for children aged 6-18
- ✓ NBLSS: Provides self-support benefits to those who have working ability and the recipients are required to participate in the self-support programs by government.

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□ Benefits

Graduation strategy

- ✓ FAP : Linked to income generating projects which provide seed fund to FAP beneficiaries to help them start small business
- ✓ NBLSS: Self-support programs such as vocation counselling, care giving jobs and career guidance

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□ Benefits

Level of benefit

- ✓ Benefit levels of many income support programmes are set too low to meet the basic needs for living
- ✓ PKH, Samurdhi, and FAP: Very low level of benefit in term of poverty line
- ✓ NBLSS: Recipients are supposed to receive the difference of their income from the minimum living expense

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□ Budget and financing

- ✓ All budget from general tax: FAP, PKH, NBLSS and Samurdhi
- ✓ FAP: 0.25 % of GDP
- ✓ NBLSS: 0.73% of GDP, 33.85% of Social protection expenditure
- ✓ PKH: 3.34% of total income support scheme budget

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IV. Comparative analysis of income support Scheme

Comparative Analysis

□ Major Income Support Schemes in the Region for Analysis

- ✓ Pacific: Family Assistance Program (Fiji)
- ✓ East and North-East Asia: DIBAO (China), National Basic Livelihood Security System (Republic of Korea)
- ✓ South and South-West Asia: Samurdhi Programme (Sri Lanka)
- ✓ South-East Asia: Program Keluarga Harapan (Indonesia), 캄보디아 포함

□ Pacific: Family Assistance Program (Fiji)

- ✓ Introduced in 1920 as 'destitute relief' to assist elderly Indian indentured laborers who had no means of support and nobody to care them. Later, the coverage of program was expanded to the other poor and it was renamed as Family Assistance in 1969.
- ✓ Legislated under the Social Justice Act 2000
- ✓ Administered by the Department of Social Welfare under the Ministry of Social Welfare, Women and Poverty Alleviation (MSWWPA)

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□ East and North-East Asia:

- ✓ **China**: Minimum Living Standard Guarantee Scheme (DIBAO)
 - > DIBAO was first introduced in Shanghai city in 1993 and nationwide application of the program in urban areas started in 1999.
- ✓ **Republic of Korea** : National Basic Livelihood Security System
 - > Introduced in 1999 in response to increasing poor and unemployed due to structural reforms following the financial crisis in 1997.
 - > Aims to support the livelihood of low-income families whose income is less than the minimum cost of living and promote their self-support .

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□ South and South-West Asia: Samurdhi Programme (Sri Lanka)

- ✓ Introduced in 1995 through the Samurdhi Act of 1995.
- ✓ Aims to integrate youth, women and disadvantaged groups into economic and social development activities and to promote social stability and alleviate poverty by identifying low income families and implementing relief programmes for them.

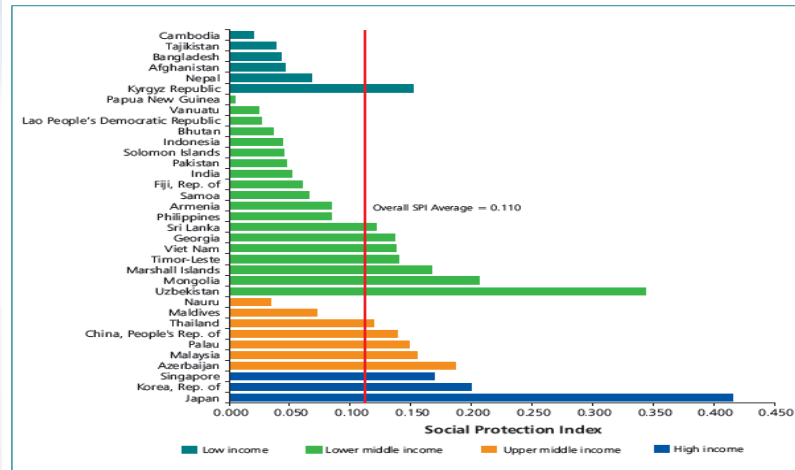
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□ South-East Asia: Program Keluarga Harapan (Indonesia)

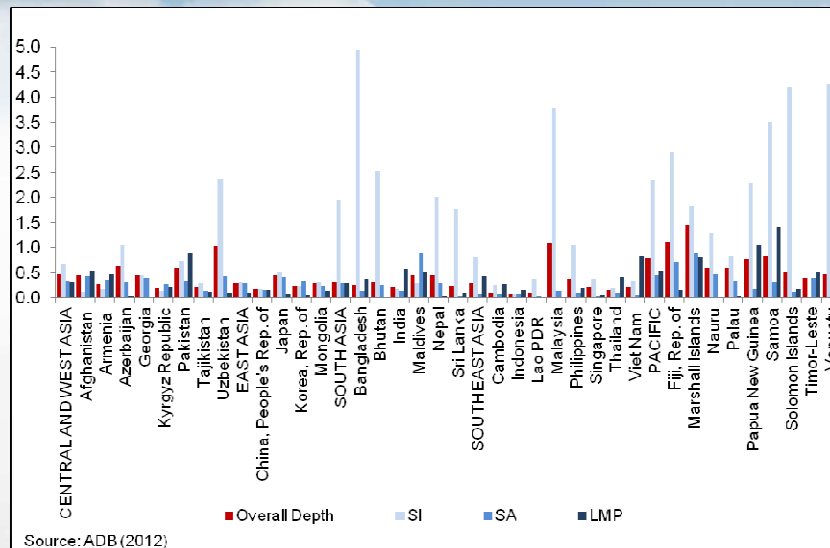
- ✓ Introduced in 2007 aiming to improve the quality of human development, especially for children from poor families.
- ✓ Provides conditional cash transfer with requirement of health for pregnant women, postnatal women and children and education for children.

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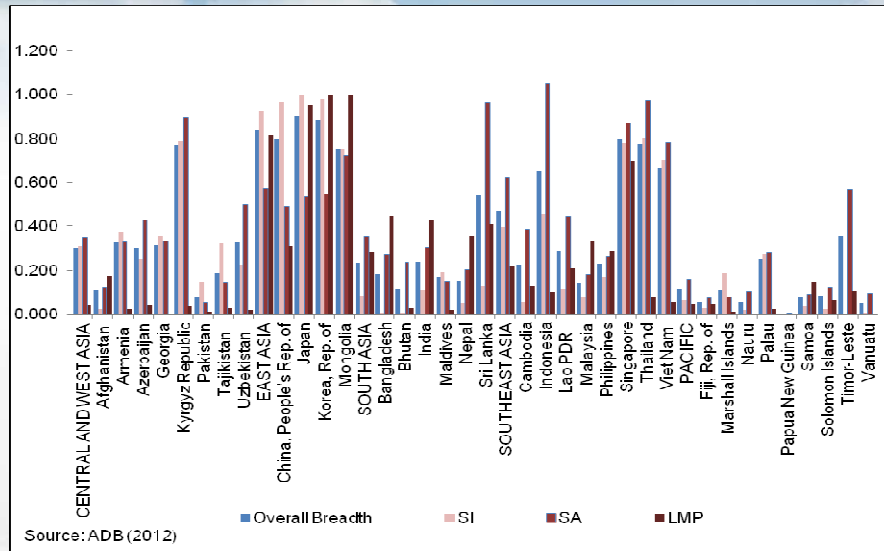
Comparative Analysis: SPI by Income Group



Comparative Analysis: Depth Coverage



Comparative Analysis: Breadth Coverage



Source : ADB (2013), OECD Korea Centre (2013, 10)

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Comparative Analysis

□ Policy outcome and challenges

Poverty Reduction

- ✓ Difficult to determine whether absolute poverty or relative poverty is reduced after introduction of income support scheme
- ✓ **Absolute poverty is decreasing** in many countries of Asia and the Pacific
- ✓ Relative poverty may **not be reduced as much as** absolute poverty

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□ Policy outcome and challenges

Inequality reduction

- ✓ Aggravating inequality in many countries in the region
- ✓ With low coverage and low benefit level, the ISSs in the region have clear limitation to reduce the level of inequality.

□ Policy outcome and challenges

Impact on target group

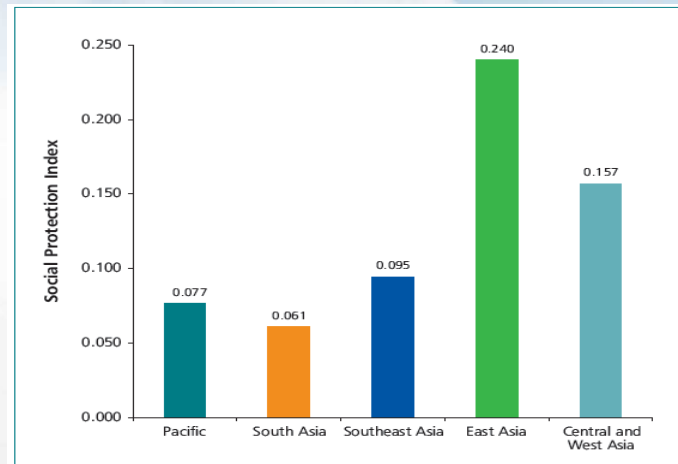
- ✓ NBLSS : Only 31.2 % of the eligible households benefit
- ✓ FAP: 29% of beneficiary are not poor
- ✓ PKH: Achievement in improving the health and education of children in certain level leading to increase of health-care visits, developmental detection and immunization of children (conditions required to the beneficiaries)

V. Case Study for Analyzing of Poverty Alleviation Effects

Background of In-depth Analysis

- ❑ There is a positive relationship b/w a country's GDP per capita & its Social Protection Index (SPI).
- ❑ There seems to be a statistically significant relationship b/w Breadth of SPI & GDP per capita.

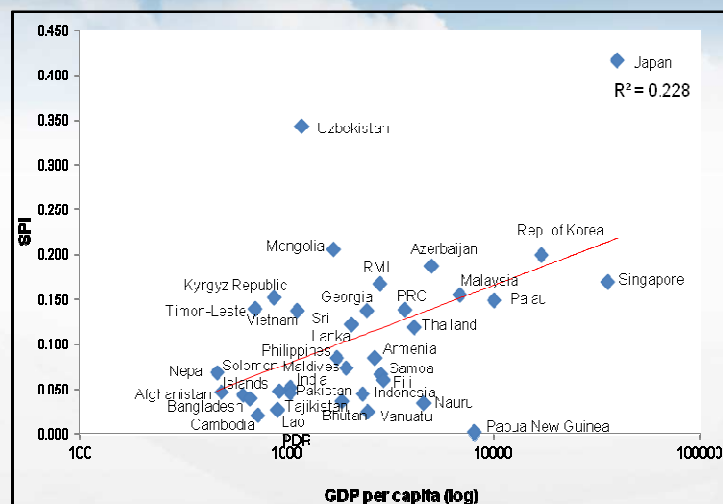
Comparative Analysis: SPI by Region, 2009



Source: ADB staff estimates based on SPI country reports (Appendix 2).

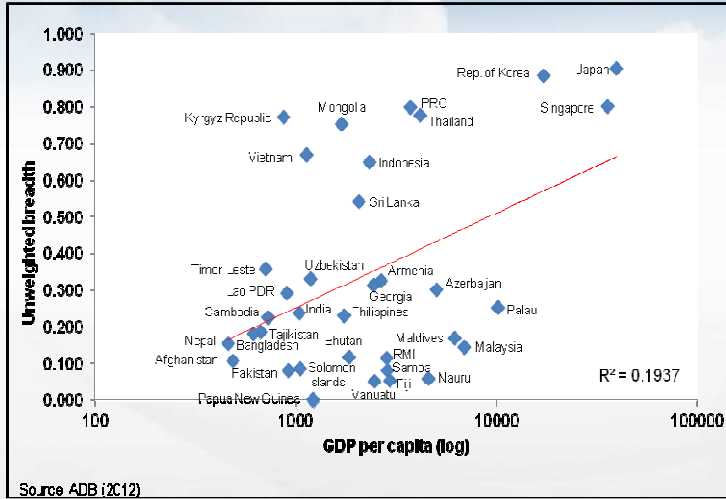
Source : ADB (2013), OECD Korea Centre (2013. 10)

Background of In-depth Analysis : SPI vs. Log of GDP, 2009



Source : OECD Korea Centre (2013. 12), Social Policy Experts Meeting.

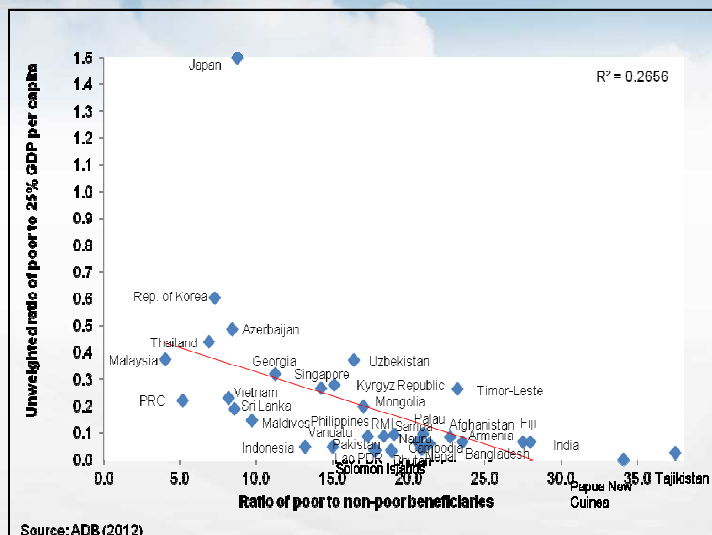
Background of In-depth Analysis: Breadth vs. Log of GDP



Source : OECD Korea Centre (2013. 12), Social Policy Experts Meeting.

Background of In-depth Analysis:

Poor Population vs. Benefits Received



Source : OECD Korea Centre (2013. 12), Social Policy Experts Meeting.

□ Minimum Living Standard Guarantee Scheme (DIBAO)

- ✓ The programme is called zuidi shenghuo baozhang, its target populations are the dibaohu (Dorothy and Yiyang, 2012).
- ✓ DIBAO was first introduced in [Shanghai city in 1993](#) and nationwide application of the [program in urban areas started in 1999](#).

- The program appears to be **very good at avoiding leakage to the non-poor**.
- There are signs that the program is doing better at **reaching the chronically poor** than the transiently poor, which will impede its ability to act as a safety net.
(Shaohua, Martin, and Youjuan, 2006)

- ❑ DIBAO has had a larger impact on **reducing the depth and severity of poverty** than on the poverty rate.
- ❑ The most urgent problem for the DIBAO program is improving the **efficiency of targeting**.
- ❑ DIBAO may **deter work efforts** by the poor and actually encourage them to rely on welfare.

❑ Policy Outcome and challenges

● Poverty reduction

- ✓ Scheme has been functioning well to resolve the absolute poverty.
- ✓ However, the actual benefit amount of DIBAO is **too low to relieve the poverty** of the recipient since not only the minimum living expenses are set low but also the actual amount the beneficiaries receive are even lower than minimum living expenses.

□ Policy Outcome and challenges

● Inequality reduction

- ✓ There is **no sign of reduction of inequality** due to DIBAO program and considering its limited coverage and low benefit level.

● Impact on target group

- ✓ **Only 28%–51% of DIBAO eligible households** have been benefited from the scheme, and those on average received only a quarter of the amount to which they were entitled.

□ Policy Challenges

- ✓ Limited coverage of the urban poor
(bottom 5-10% of the urban population)
- ✓ Non-coverage of the migrant population
- ✓ Eligibility thresholds (Di Bao lines) and benefit levels varying with local fiscal capacity
- ✓ Potential work disincentive effects of the program design.
(World Bank, 2009)

- To offer policy-related lessons to policy makers in the Asia-Pacific region based on the meaningful analysis results secured, East and North-East Asian countries, especially Korea, has been selected as a major region to be analyzed, as these high-income countries are rapidly expanding their social security system.
- ✓ The reasons for the selection of these country are that their social protection systems have rapidly expanded within a short period of time and that they are capable of analyzing effects of the adopted policy based on various statistical data on beneficiaries that they have.

- Korea Achieved the most rapid economic development not only in the Asia-Pacific region but in the world.
- ✓ ROK's establishment of official safety net within only 20 – 30 years after its reliance of an unofficial social safety net of traditional society is likely to offer multiple policy lessons to policy makers in the Asia-Pacific region.
- ✓ NBLLS & BOAP will be analyzed.

- Especially, Hackerman's "Poverty Reduction Efficiency" model has been employed to carry out the analysis on effects of National Basic Livelihood Security System.
 - ✓ The results of the Korea-based analysis offer good lessons on the question on which option is better for each country: one option to widen the range of beneficiaries of the social protection system, or the other option to shrink the range of beneficiaries and expand the benefit level of social protection system.

- Programme background
 - ✓ The Asian financial crisis in 1997 led to increased unemployment and increased the number of those below the national poverty line.
 - ✓ To address this issue, enacted the National Basic Livelihood Security Act in September 1999.
 - ✓ The purpose of the NBLSS is to support the livelihood of low-income families whose income is less than the minimum cost of living and promote their self-support.

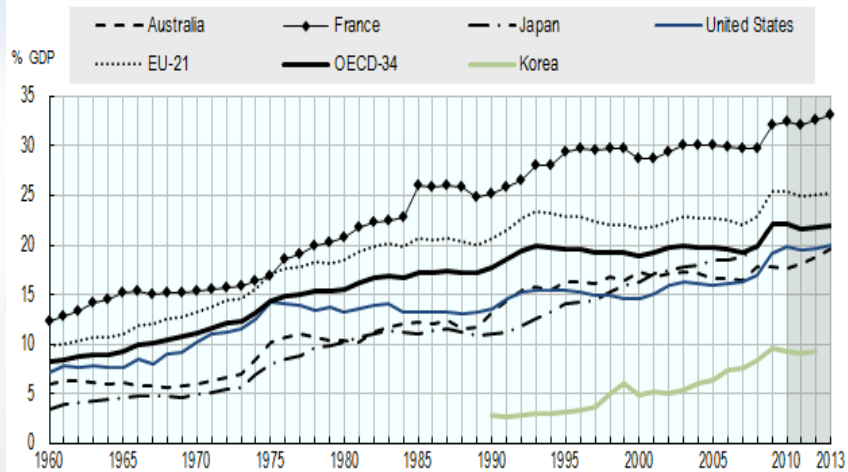
Case Studies: NBLSS of Korea

□ Program Overview

- ✓ The NBLSS provides **cash and a package of in-kind benefits**, including housing, medical and educational benefits, to those living under the national poverty line.
- ✓ Although NBLSS benefits have increased at a double-digit rate, they amounted to only 0.62% (KRW 7.3 trillion) of GDP (KRW 1,173 trillion) in 2010.

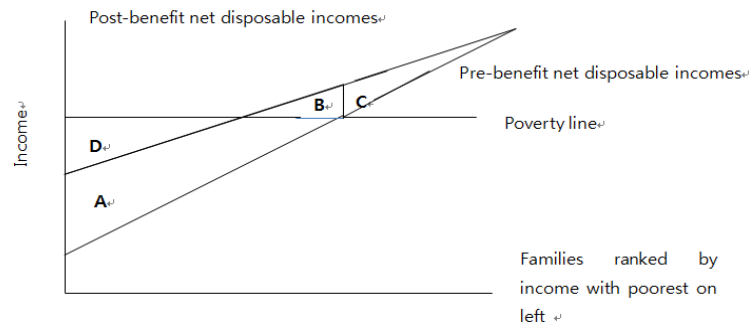
Trends in public social protection

Public social spending, in percentage of GDP, 1960-2013



Source : OECD (2013), OECD Korea Centre (2013, 10)

✓ Beckerman's Poverty reduction efficiency Model



Notes: A+B+C = total expenditures on the benefits in question.
A+B = total amount of benefits received by pre-benefit poor.
A+D = pre-benefit poverty gap.
D = post-benefit poverty gap.

Source: Beckerman et al., (1979).

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Cases Studies of NBLSS (ROK)

□ Poverty Reduction Effect of Transfer Income

✓ Poverty Index per Income Category

(Unit: %)

Category	Poverty Rate		Poverty Gap Ratio	
	Household	Individual	Household	Individual
Market Income	18.5	13.0	9.1	6.1
Market Income + Benefit from National Basic Livelihood Security System(NBLSS)	17.3	12.0	6.6	4.5
Contribution of NBLSS' Benefit to Poverty Reduction	1.2 (6.5)	1.0 (7.7)	2.3 (27.5)	1.6 (26.2)

Source : KIHASA (2012)

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Cases Studies of NBLSS (ROK)

Comparison of Poverty Alleviation Effect of NBLSS per Group

Comparison of Poverty Index of Transfer Income per Household Type (Household-based)

(Unit: %)

Category	Household Type	Elderly Household	Single-Person Household	Single-Mother Household	Single-Father Household	Orphan	General
	Income Category						
Poverty Rate	Market Income	39.6	35.0	38.2	29.6	69.8	12.5
	Market Income + NBLSS Benefits	38.3	33.0	29.5	18.8	56.6	11.9
Poverty Gap Ratio	Market Income	19.1	19.0	18.8	10.3	40.0	5.6
	Market Income + NBLSS Benefits	14.8	12.4	7.0	2.3	19.3	4.7

Source : KIHASA (2012)

Cases Studies of NBLSS (ROK)

Poverty Reduction Efficiency

Analysis Framework for Financial Evaluation of NBLSS

Category		Vertical Evaluation	Horizontal Evaluation
Financial Analysis	Efficiency	- NBLSS' poverty reduction effect - Efficiency of poverty reduction	-
	Effectiveness		
	Fairness	-	- Blind spots of NBLSS' coverage

Source : KIHASA (2012)

Cases Studies of Korea's NBLSS

□ Poverty Reduction Efficiency

✓ Poverty Reduction Efficiency per Household Characteristic (Per No. of Household Members)

(Unit: %)

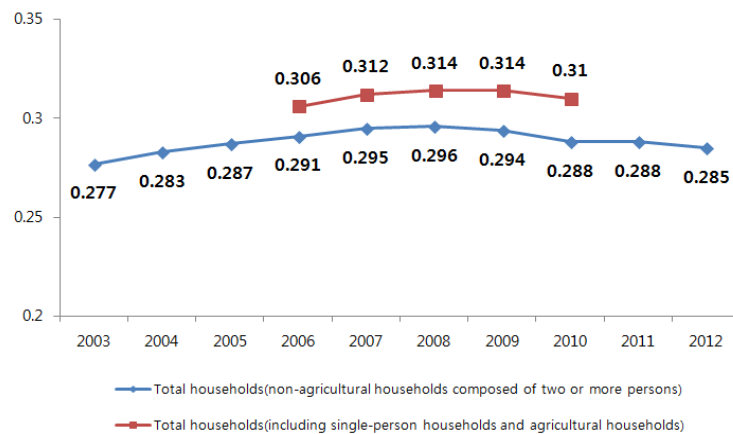
	Category	Poverty Reduction Efficiency	Vertical Expenditure Efficiency	Excessive Expenditure Ratio
2009	1-p.s. Household	87.7	94.8	7.5
	2-p.s. Household	82.6	88.4	6.6
	3-p.s Household	67.5	81.2	16.8
	4-p.s. Household	68.1	77.9	12.6
	5-p.s. Household	60.1	67.1	10.4
	6-p.s. Household	50.4	54.2	7.0
	Total	76.4	84.9	10.0

Source : KIHASA (2012)

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Trends of Gini Coefficient (ROK)

□ Trend in Korea's Gini Coefficient (based on disposable income)



Source : Website of Statistics Korea.

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□ Policy outcomes and challenges

- ✓ It is empirically difficult to attribute overall poverty-reduction benefits to the NBLSS.
- ✓ Its coverage is still limited to only about 3.2 percent of the total population and **about 45.6 per cent of those below the national poverty line** receive benefits through NBLSS.

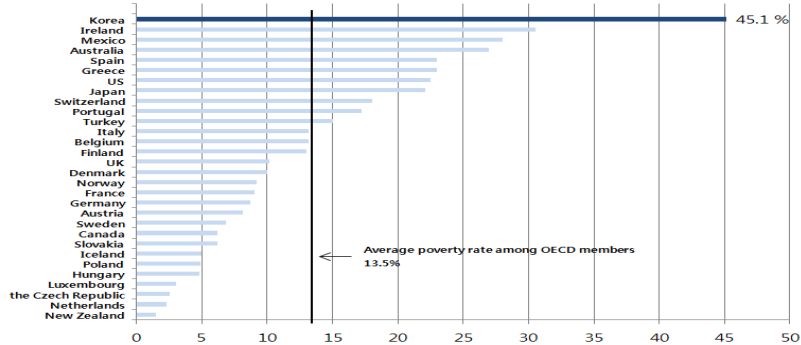
I Basic Old-age Pension (BOAP)

□ Basic Old-Age Pension

- Introduced in 2007 in response to high poverty rate (45% in 2006) of the elderly aged 65 or older.
 - Average poverty rate of the elderly among OECD countries was 13% in 2006.
- **Coverage is high while benefit level is low.**
 - 70% of the elderly receive Basic Old-age Pension.
 - Benefit amount is 5% of average income of NPS recipients.
- **Exposed to problem of sustainability in long term.**

□ Current Status of Elderly Poverty and Income Distribution

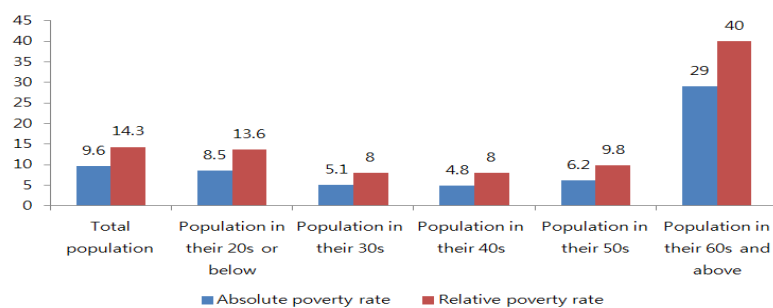
✓ Elderly Poverty Rate Comparison among OECD Members



Source : OECD, *Pension at a Glance*, 2011.

□ Current Status of Elderly Poverty and Income Distribution

✓ Poverty Rate by Age of the Household Head: Based on Disposable Income (as of 2011)



Source : Yun Suk-myung(2013), KIHASA

Elderly Poverty (ROK)

□ Current Status of Elderly Poverty and Income Distribution

✓ Trends of the Elderly Poverty Rate

(Unit: %)

	Household including the elderly		Households composed of only the elderly	
	Poverty rate		Poverty rate	
	2007	2012	2007	2012
Total	32.5	34.3	61.0	66.0
Aged 65~74	41.4	43.5	57.7	60.9
aged 65 and above	43.6	47.2	61.0	66.0
Aged 75 and above	48.6	54.0	67.6	74.7
Total households				
	2007		2012	
	Poverty rate	Extreme poverty rate	Poverty rate	Extreme poverty rate
	14.8	4.4	14.6	4.6

Source : Yun Suk-myung(2013), KIHASA

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Case Studies: ROK Summary

□ National Basic Livelihood Security System (NBLSS), which guarantees minimum living standards, **is outstanding in its performance of poverty alleviation**, whereas Basic Old Age Pension (BOAP) with wider coverage of beneficiaries entitled to a smaller size of benefit shows a significantly low poverty alleviation effect.

✓ It is assumed that NBLSS would be more effective if **its integrated benefit system is reformed in a way that the system covers a wider range of recipients**, including those in low-income brackets that have been excluded from the list of beneficiaries (even using the budget of same amount).

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- Meanwhile, additional strategies seem required to address the low poverty alleviation effect for the low-income elderly benefiting from the semi-generally operated BOAP.
 - ✓ It is advisable that BOAP shifts toward giving more benefits to the low-income elderly exposed to poverty while minimizing political resistance against the system reform using the fact that the existing system has a small poverty alleviation effect.
 - ✓ The analysis of Korea – a country with a grave poverty issue even though its income level is not low and has various social protection schemes – implies that a government needs to be flexible in prioritizing policies so as to achieve its policy goals.

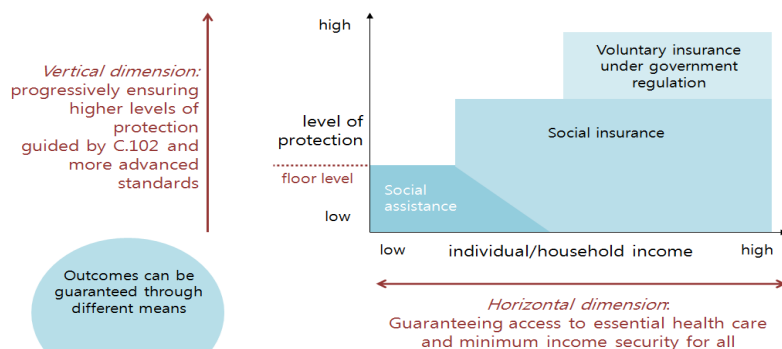
VI. Recommendations

- ❑ Other than the income level of each sub-region, such as **the level of transparency** of the process of delivering benefits of a social protection system to beneficiaries, **and the existence or level of corruption**—are estimated to have a large effect on poverty reduction.
 - ✓ The infrastructure for a transparent operation of the system needs to be put in place.

- ❑ Except for a small number of high-income countries and their sub-regions, an analysis on poverty reduction effects of a social protection system is virtually impossible, because basic data required for the analysis on effects of the introduced system and on transparency of the system operation is non-existent.
 - ✓ Policy makers should pay attention to and make an effort into the establishment of a system that enables **production of basic statistical data** prerequisite for the evaluation of effects of a certain system introduced.

- It is recommended that the social protection system moves toward putting more importance on the vulnerable groups excluded from the social protection floor through choice and concentration.
 - ✓ An increase in benefits is also needed to an extent that could bring in a poverty alleviation effect in real term along with an expansion of the floor.
 - ✓ To produce a greater poverty reduction effect of public transfer, it needs to be identified which poverty index should receive additional attention among various poverty indices.

- Implementing effective national social security extension strategies



Source: ILO(2012)

- Depending on which one between a reduction in the depth of poverty and a decline in the size of poverty is chosen as the goal of a government policy, different policy tools or different income brackets will be selected.
 - ✓ If the government policy is aimed for a cutback on the size of poverty, it would be effective to provide support to an income bracket placed slightly below the poverty threshold.
 - ✓ Or if it is focused on a fall in the depth of poverty, channelling public transfer into the lowest income bracket would bring in a greater effect.

- A majority number of countries in the Asia-Pacific region are operating various social protection schemes, but the size of their benefits is not sufficient enough, generating only a limited poverty alleviation effect.
 - ✓ Although the benefits should be expanded in their amount to enhance the poverty alleviation effect, it is not easy to find a financial source of funding for the budget, leading to a conclusion that a proper level of economic growth is required to secure a continuous financing of the system.

□ Recommendations

- ✓ There are **still many people under poverty not benefiting** from income support programmes
 - > **Increasing the coverage of target group and improving targeting system** should be considered to improve the impact of the schemes
- ✓ Low benefit level limits the impact of many ISSs
 - > Benefit level should be **reconsidered reflecting the needs of the target groups**

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□ Recommendations

- ✓ Most programs focus on providing the living expense to the vulnerable, but do **not have specific graduation strategy**.
 - > Ultimate goal should be supporting the recipient to overcome the poverty.
- ✓ Socio-economic conditions vary among the countries in Asia-Pacific region.
 - > **Gradual approach** to improve the income support schemes in consideration of finance and infrastructure of each country.

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- ❑ In addition, more efforts should be made to improve effectiveness of the system through making the selection of beneficiaries and the benefit delivery process more transparent.
- ✓ Joint efforts among policy makers in the Asia-Pacific region, international organizations, such as UN ESCAP, and NGOs are deemed necessary for establishment of an infrastructure for the effective system operation so as to minimize unjust beneficiaries.