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## Introduction

# Introduction

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By Isabel Ortiz

At the beginning of the 21st century, Asia and the Pacific are in the midst of economic, political, and social transformation. Efforts to define an agenda for poverty reduction in the region should consider action on three levels: promoting sustained pro-poor growth, good governance, and social development. These are the three pillars of the Asian Development Bank's (ADB's) Poverty Reduction Strategy, presented at the First Asia Pacific Forum on Poverty, held in Manila on 5–9 February 2001.

This volume attempts to offer relevant studies on the role of social development and social protection; it unravels issues and calls for deliberate action to achieve accelerated and irreversible reductions in poverty. Fourteen papers delivered and discussed during the Forum were selected to show and represent various issues that need greater attention.

The volume opens with background on the role of social development and social protection in dealing with risks and vulnerabilities in Asia and the Pacific. Many countries in the region that escaped the worst of the East Asian crisis have learned from the experience that improvements in social protection are critical for the new century's development agenda; they are incorporating strategies to reduce people's exposure to risks, promote decent work and efficient labor markets, support temporary safety nets and welfare programs for vulnerable populations, and enhance their capacity to protect themselves against hazards and interruption/loss of income.

In response to the critical need to address vulnerability, following the experience of poverty reduction programs in the regions where they operate, multilateral and bilateral aid agencies have approved social protection strategies and programs; however, they have produced slightly different definitions of social protection to best suit their development priorities. The World Bank definition of social protection is based on social risk management (SRM), and has inspired the approaches of the regional multilateral banks, including ADB. Specifically, ADB's Social Protection Strategy comprises five areas under the SRM approach: labor markets, social insurance, social assistance or safety nets, micro and area schemes for the protection of communities and the informal sector, and child protection. The United Kingdom Department for International Development (DFID) uses a rights-based approach to define social protection, with an emphasis on promoting integrated livelihoods. The International Labour Organisation (ILO), which is the senior agency dealing with social protection topics, maintains a structured view of social security based mostly on social insurance and social assistance; for the ILO, employment and labor markets are separate from social protection. These minor differences are pointed out to clarify and enrich the

debate; in practice, there is unanimous agreement among all aid providers that well-targeted investments in the social protection sector are essential to reduce poverty.

*Robert Holzmann*, Director of Social Protection at the World Bank, in his paper ***Reducing Poverty: The Role of Social Protection and Social Risk Management***, presents the conceptual underpinnings of a vulnerability and SRM framework, a construct that stresses the need to view social protection as a springboard out of poverty. Social protection is defined as public interventions oriented to human capital to (i) help individuals, households, and communities better manage risk; and (ii) provide support to the incapacitated poor.<sup>1</sup> The concept of social risk management asserts that all individuals, households, and communities are vulnerable to multiple risks from different sources, whether they are natural (such as earthquakes, floods, or illness) or manmade (such as unemployment, environmental degradation, or war). Poor people are typically more exposed to risk than people with more assets and have inferior access to effective risk management instruments. Dealing with risks involves recognizing their sources and economic characteristics: for example, whether they affect individuals in an unrelated manner or simultaneously. The most appropriate combination of risk management strategies (prevention, mitigation, or coping) and arrangements (informal, market-based, or publicly provided or mandated) in any given situation depends on the type of risk and on the direct and opportunity costs and effectiveness of the available instruments.

The new SRM framework is the basis of the World Bank's Social Protection Sector Strategy Paper (SPSSP) (World Bank, 2001) and six regional sector strategy papers; the security chapters of *World Development Report 2000* have inspired approaches by other bilateral and multilateral institutions. While the basic thrust of SRM and the main strategic conclusions of SPSSP are getting increasing support, they represent only the beginning of a journey. In order to make the new framework and its strategic conclusions effective for lasting poverty reduction, much more needs to be done at both the conceptual and operational levels. This includes development of an operational definition of vulnerability, the design and implementation of risk and vulnerability assessments, the design of appropriate safety nets to respond to major economic shocks, and the conduct of social sector expenditure, financing, and performance reviews.

Over time, different kinds of SRM arrangements have evolved. These fall into three main categories: (i) informal arrangements, (ii) market-based arrangements, and (iii) public arrangements on a large scale. Each of them has relative strengths and limitations; their proper assessment is essential to ensure proper delivery of social protection services to populations. Interagency collaboration remains essential to ensure adequate use of scarce resources; the successful conclusion of this work and its implementation in developing countries during the coming years should contribute to achieving the poverty reduction goals.

The paper concludes that the new developmental approach focused on vulnerability—a dynamic view of poverty—and the need to offer risk management instruments to the population at large, and to poor people in particular, are essential to reduce current and future poverty. This forward-looking approach promises to be more effective for accelerated and lasting poverty reduction; it also is consistent with the increase in diverse risks facing people in a globalizing world.

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<sup>1</sup> World Bank. 1999. *Social Risk Management: Intellectual Underpinnings of the Social Protection Strategy*. Washington, D.C. Holzmann, R., and Jorgensen, S. 2000. *Social Risk Management: A new conceptual framework for Social Protection*. Washington, D.C.; World Bank. 2000. *Social Protection Sector Strategy*. Washington, D.C.

The paper on ***Social Protection Policy and Governance: An ILO Perspective*** by Anne Drouin provides the ILO's view on social protection policy and governance. It suggests that social protection and employment policies should seek to increase the number of decent jobs and that these two sets of policies should be complementary. The paper emphasizes the ILO's view that employment creation through economic growth is not a sufficient condition to reduce poverty. Social protection should be an integrated component of the strategy. A country that offers adequate social protection will be reducing open unemployment and improving the conditions of workers who can be more productive, as well as easing necessary adjustments in the labor market.

The definition of social security and the focus of the ILO's work have changed since it was founded in 1919. The ILO has recently adopted as its strategic objective the enhancement of the coverage and effectiveness of social protection for all, by focusing on income security with an emphasis on the poor, identifying cost-effective and equitable means by which social protection can be extended to all groups, and shifting from a state-led focus to emphasis on provision of social protection to the informal sector.<sup>2</sup>

The paper suggests that: (i) preventing poverty requires strengthening of existing social security; (ii) social security needs to be supplemented with social assistance measures for those members of society whose entitlements under the contributory system are inadequate or nonexistent; and (iii) the implementation of social protection responsibility programs requires decentralization.

In addition, the ILO encourages policymakers to recognize the existing capacities of academics and others to help strengthen its knowledge base. The ILO has developed a methodology for undertaking a review of the performance of social protection expenditure, emphasizing the coverage of persons, the scope of protection, and the level of protection. In addition to providing information and a picture of the social protection situation in a country, social protection expenditure reviews can play a crucial role in providing the basis for bringing stakeholders together to address the criteria for minimum social protection and designing prevention strategies.

*Arjan De Haan and Sean Conlin* discuss ***Poverty and Social Protection: a DFID Approach***. Social policies are central in DFID support for poverty reduction. There is increasing recognition that economic growth and social justice are interdependent. Social protection consists of policies that assist people, households, and communities to protect themselves against shocks and risks. It is one component of the effort to enable people to take control over their own livelihoods and achieve their human rights. It helps to attain peoples' rights and reduce poverty, and contributes to economic growth and social integration.

To achieve the International Millennium Development Goal of halving poverty by 2015, DFID emphasizes requirements of economic growth, equity, and security. DFID supports a rights-based approach to poverty reduction. Decent living standards, access to services, and security are part of the fabric of rights of poor people. These rights are enshrined in national laws, international agreements, and covenants, including the Core Labor Standards (freedom of association, abolition of forced labor, elimination of child labor, and the elimination of discrimination in the work place), and form the basis on which development

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<sup>2</sup> ILO 2000. *World Labor Report: Income Security and Social Protection in a Changing World*, Geneva. W. Van Ginneken (ed). 1999. *Social Security for the Excluded Majority*. Geneva: ILO.

organizations formulate their policies. Participation in the formulation of such policies by poor people is an equally important part of a rights-based approach. And the issue of security, in a broad sense, is central among poor people's priorities. DFID has worked extensively on the notion of sustaining livelihoods to promote opportunities for all citizens and reduce poverty. In this context, social protection refers to the public actions taken in response to levels of vulnerability, risk, and deprivation for those who fall temporarily or persistently below levels of livelihood deemed acceptable within a given polity or society.<sup>3</sup>

Conlin and De Haan argue that social protection should be integral to wider policy formulation and implementation, since policies should be informed by an awareness of potential future shocks. They suggest mainstreaming the social protection policy formulation into government budget processes and associated political processes. Preparedness can reduce the negative effects of shocks and enable quicker recovery. Thus, social protection policies need to be based not only on an understanding of people's vulnerability and needs, but also of their assets and capabilities. For different groups, and under different circumstances, different kinds of policies are called for. Finally, while there are many actors in the field of social protection, the State has an important role in providing social protection and guaranteeing rights, with the support of civil society and community-based organizations. The challenge for aid providers, including DFID, is to work with governments in creating and implementing regulatory frameworks, including Core Labor Standards, as well as carrying out particular policies that directly help reduce poverty and vulnerability. At the same time, DFID can support civil society, which greatly contributes to social protection, as well as the private sector, in promoting voluntary schemes.

An ADB approach to social protection can be found in Isabel Ortiz's paper *Social Policies In Asia and the Pacific Into the 21st Century*. Social protection is an integral part of social development, one of the three pillars of the ADB Poverty Reduction Strategy; as approved in ADB's Social Protection Strategy (2001). Social protection consists of:

- Labor market policies and programs designed to promote employment, the efficient operation of labor markets, and the protection of workers;
- Social insurance programs to cushion the risks associated with unemployment, ill health, disability, work-related injury, and old age;
- Social assistance and welfare service programs for the most vulnerable groups with no other means of adequate support, including single mothers, the homeless, orphans, people with disabilities, and other such groups;
- Micro and area-based schemes to address vulnerability at the community level, including microinsurance, agricultural insurance, social funds, and programs to manage natural disasters; and
- Child protection to ensure the healthy and productive development of children.

The paper begins with a description of the social challenges in Asia and the Pacific at the beginning of the 21st century, including risks and vulnerabilities, the effects of demographic changes, the levels of poverty and the size of the informal sector, and the impact of globalization. The region is still experiencing the effects of the demographic explosion, and 40 percent of its population is below 19 years of age. The region's population is 3.1 billion, half of the world's total, and of this, 30 percent or 900 million people are poor. About 60 percent of the total

<sup>3</sup> DFID. 2000. *Social Protection: New Directions of Donor Agencies*, London; and DFID-ODI, 2000. *Social Protection Concepts and Approaches: Implications for Policy and Practice in International Development*, London.

population live in rural areas, belong to the informal sector, and remain highly vulnerable to all types of risks, from natural catastrophes and illness to lack of work and exploitation. Asia is a young, poor, rural continent; social development and social protection programs and policies should be built to respond to Asia's needs. This is why, under a SRM approach, ADB has developed a definition of social protection that goes beyond the traditional areas of labor markets, social insurance and social assistance or safety nets, included in any social security system of the world. Given the characteristics of the Asian and Pacific population, two new areas have been added to support children and communities.

The paper reviews the effectiveness of existing social development policies in the region. An internationally recognized development agenda in the fields of education, health, and social protection is presented. However, these sectors will not be sufficient to promote social development. Effective poverty reduction requires mainstreaming anti-poverty approaches to other sectors outside the social realm. Priority cross-cutting issues for achieving progress in the social development agenda in the 21st century include extending opportunities to the poor and to excluded groups, addressing gender disparities, reducing risks and vulnerabilities, ensuring good governance, promoting participatory and client-oriented public services, protecting expenditures for the poor, and improving the quality of social indicators. These will require using innovative financing and institutional approaches to mobilize all possible resources into development, including active roles for public, market-based, and civil-society organizations; the diversification of financing mechanisms; and support for international public goods. The paper closes with some remarks on the political economy, sequencing, and implementation of social policy reforms.

The volume continues with a selection of papers presented at the First Asia and Pacific Forum on Poverty on different social protection topics. The paper ***Labor Market Policies and Social Protection In Asia*** by *Paolo Verme* starts by providing an overview of the different approaches to labor market policies (LMPs) that have emerged in the postwar period, worldwide and in Asia. It moves on to discuss some of the major “divides” present in developing labor markets, using the concept of labor segmentation intended as a form of social exclusion.

Following this, the paper reviews a possible LMP portfolio suitable for social protection, one that weighs major advantages and disadvantages. The list of possible labor market interventions available to policymakers is rather vast, but can be condensed into six main areas of intervention: labor legislation, skills development, labor demand policies, labor supply policies, labor market programs and services, and labor migration policies. Each of these intervention areas has different implications for social protection. Labor legislation is mainly concerned with human rights issues such as the Core Labor Standards, industrial relations policies, wage determination policies, job security provisions, and working conditions. Skills development is concerned with developing the skills of a nation by improving pre-employment education and on-the-job skills training with the purpose of facilitating job access and job retention. Labor demand policies look at enterprises and means for alleviating the pressure caused by economic downturns. This is to minimize the impact on labor while maintaining productivity and competitiveness.

Labor supply policies focus on the unemployed with the aim of preventing this group from falling into poverty and destitution, particularly during economic crises. Labor market programs and services act in between demand and supply and attempt to improve the matching between the two sides of the labor market. Labor migration policies target immigrants or emigrants, recognizing that these groups are particularly vulnerable when it

comes to violation of labor standards and norms. Verme concludes that by redefining LMPs as a fundamental mechanism to assist populations at risk, labor markets can be recognized as a critical element for effective social protection in Asia and the Pacific.

Noriyuki Suzuki in his paper *Globalization and Labor Market Challenges: the Role of Trade Unions* presents a labor union perspective on globalization and the need to develop active social policies to counterbalance trends. Suzuki points out that the losses from globalization substantially outweigh the gains and that the process of globalization grossly lacks employment considerations. This was clearly demonstrated during the Asian crisis of the 1990s.

Further, since two decades ago, unions have been raising concerns about the stabilization, adjustment, and sector reform programs initiated by international financial institutions, specifically in the areas of privatization, deregulation, and liberalization of the economy; they include reduced fiscal deficits, containment of public expenditures, reduced subsidies, enterprise restructuring, and mergers and acquisitions. These policies have all led to deteriorating employment, working, and living conditions across the globe.

In the developing world, Suzuki argues that working men and women have suffered most, and that the rate of creation of additional employment opportunities has declined. The emphasis on stabilization measures, such as reduced public budgets and contractionary monetary policies, contributed to slowing down recovery. Upward adjustment in utility prices and withdrawal of subsidies to essential goods have caused additional burdens on the working class. Experience in the region has clearly demonstrated that privatization per se is not a panacea for public sector ills. In particular, the provision of public goods and services cannot be left to the whims of free market forces, especially in developing countries. Governments cannot be absolved of the responsibility of providing basic health services, the basic amenities of life, elementary education, and social safety nets.

The labor movement never visualized such an outcome of the process of globalization and intends to promote action to ensure that globalization benefits everyone. The challenges confronting labor today demand concrete steps to strengthen financial market supervision and regulation, institute transparency and good governance, evolve effective regulatory mechanisms, introduce uniform international accounting standards and socially responsible practices at the corporate level, promote social development and fair labor standards, and generally ensure that the benefits of economic development reach all citizens in Asia and the Pacific.

Another paper on labor market issues was presented by HyeKyung Lee. The main purpose of *Labor Market Policies and Programs for Pro-poor Growth in Republic of Korea* is to review the Korean Government's LMP reactions to the Asian crisis, particularly to the unprecedented rise in unemployment that resulted from it. With the advent of the crisis, the Government put forth a comprehensive unemployment package that ranged from the establishment of institutions like the Tripartite Commission to achieve consensus among social partners in the crisis to temporary livelihood protection measures for the unemployed poor.

The paper presents a brief review of the social impact of the financial crisis on the labor market and the coming of the Tripartite Commission and its February 1998 Agreement; these serve as background to the post-1997 LMPs in Korea. The paper also reviews a wide range of labor market programs grouped into four categories: income support programs, employment security programs, employment training programs, and employment creation programs.

Lee's paper concludes that despite the strong recovery, there is wide scope for concern. Much remains to be done to consolidate the track to recovery for equitable growth, and to strengthen the social sustainability of the development process. The author suggests that the efforts of the Government after the crisis to expand the employment insurance system should be fostered and sustained. Other active labor market policies, including the wide variety of employment security and training programs, have to function appropriately and are in need of systematic monitoring and evaluations.

*David Gent* sets out strategies for improving the sustainability of national schemes and for the extension of their coverage to those in the informal sector in his paper ***Social Insurance for All***. Important questions about the traditional design of programs to meet the risks of illness, disability, unemployment, old age, and early death are discussed, together with administrative obstacles to the collection of social insurance contributions.

Gent reviews how first pillar old-age pension schemes, which are generally redistributive, have the advantage of creating solidarity when coverage is near universal. However, in the longer term, such schemes can be unsustainable, due to demographic change and other factors. This can be altered if the political will is present to bring about a reduction in expenditure, for example, by reducing the age at which pensions become payable. Second pillar or "defined contribution" schemes, through which assets of individuals are invested, can diversify risk and at the same time assist in the growth of capital markets. Third pillar private or occupational pension schemes are best suited to higher-paid workers and, like second pillar schemes, require a strict regulatory regime and a good financial infrastructure. The option of converting a first pillar scheme to a notional defined contribution scheme is one that could keep mandatory contributions at an affordable level. A country considering a move to a multipillar scheme may need to consider options for funding its existing pension obligations.

Unemployment benefit schemes can assist the working of labor markets with their dual purpose of partly replacing earnings and meeting the cost of job search. New systems should be developed during times of growth to ensure sufficient contributions. Care needs to be taken when operating a new scheme to ensure that the costs of restructuring state enterprises do not bear too heavily on scheme finances.

The poorest members of society see illness and disability as the risks to which they are most vulnerable, not old age. To ensure the sustainability of the insurance system, it is necessary to control benefit expenditure by applying strict criteria, particularly when assessing claims for a disability pension. Where health insurance coverage is limited due to cost, the use of "capitation fees" is probably the cheapest option for paying providers. Microinsurance is a major option to expand coverage to excluded communities prepared to contribute to a local scheme offering a limited range of health and other social insurance benefits.

*Fiona Howell's* paper, ***Equitable Growth and Access: the Role of Social Assistance***, outlines the importance of social assistance to vulnerable groups. One of the most important objectives of any social assistance activity is to provide opportunities for vulnerable groups to become self-sufficient and participate in their country's development. The largest numbers of vulnerable groups reside in rural areas, so it is important that an appropriate balance of social assistance programs between rural and urban areas be maintained. The needs and priorities of newly emerging vulnerable groups, including unemployed youth, migrants, refugees, and HIV/AIDS sufferers, must be balanced against those of the traditional groups

in rural areas: the elderly, the disabled, and orphans. Social assistance programs can help to close poverty and social exclusion gaps for the most vulnerable in society.

Social assistance interventions may include (i) welfare and social services, institutionalized or community-based, to highly vulnerable sections of the population, such as the physically or mentally disabled, orphans, and substance abusers; (ii) cash or in-kind transfers, such as food stamps and family allowances, to vulnerable groups; and (iii) temporary subsidies, such as energy life-line tariffs, housing subsidies, or support for lower prices of staple food in times of crisis. Finally, Howell offers several key areas where technical assistance is required to improve the current levels of expertise available for the design and development of social assistance programs: improving the capacity of public institutions to effectively identify vulnerable groups and their needs; designing service delivery mechanisms that effectively deliver assistance to vulnerable groups and that involve the private sector, NGOs, and community organizations in this delivery where it is most cost effective to do so; and increasing institutional administrative capacities and transparency in the public sector, so that social assistance transfers fully reach the intended vulnerable groups.

*Judy Roberts* discusses the needs of the Asian elderly in her paper ***“Keep our Hands active”: A Positive Response to the Challenge of Social Protection and Old Age in the 21st Century***. This paper argues that development analysis and pro-poor investment in the 21st century need to explore and target the multidimensional assets of older people living with poverty in the developing world. Failure to do so will mean that the International Development Targets will not be achieved. Drawing on evidence from its research and program work in Asia and across the developing world, HelpAge International challenges conventional development thinking on aging, which can characterize older people as economically unproductive, dependent, and passive, and therefore not a priority for development targeting. The examples presented demonstrate how older people are net contributors to family and community, and argue therefore that older people should be targeted as development actors.

The paper also illustrates how older people are benefiting least from contemporary development policies and practices, and still have the most difficulty in escaping poverty even when some safety nets exist. It calls for greater investment in understanding the issues that older people face and how their support to family and community survival can be made more robust. It urges the international community to support the forthcoming UN Plan of Action on Ageing, which draws on the key social summit commitments adopted in Copenhagen in 1995—the importance of the enabling environment; the need to eradicate poverty; the promotion of social integration, gender equity, and equality of access to health and education—to focus attention and action on poor older people across the globe. The paper concludes by asserting that the targeting of old age poverty will bring returns for all ages in the fight to overcome global poverty, enhance social protection, and further human rights.

The following papers in the volume are focused on specific micro and area-based schemes to protect communities. Recent estimates show that almost one out of every three Asians is poor, and many of them can be found in rural communities. Rural communities are exposed to many forms of risks: whole communities have to contend with natural disasters and crop failures; households have to deal with illness and accidents. When these events occur, these households slip into poverty or sink deeper into it. People in rural areas have always devised ways and means to manage and limit the adverse effects of many of these risks. Still, their efforts fall short. Modern society has gone a long way toward instituting a variety of risk reduction mechanisms to mitigate the effects of risks. Many instruments deal with most of the risks, such as social insurance instruments. Yet, despite these developments,

the majority of those in rural areas are not being reached, because many of the measures favor only the formal sector. Further, the high levels of poverty in Asia constrain the expansion of social security instruments, since these products are not affordable or attractive to the poor. The priorities of the poor are sustaining their sources of livelihood; securing food, shelter, and clothing; avoiding natural disasters; and maintaining the health of the breadwinner—and not, for instance, old-age pensions or unemployment benefits. Examining other forms of social protection instruments, especially those that are micro and area-based, is a priority to reduce poverty.

***Health Insurance For The Poor Through Community Schemes—Is It Viable?*** by David Dror presents an overview of the problems of poor people due to the lack of effective and affordable access to preventive and primary health care. The situation is alarming, particularly when access to health care is a critical factor in reducing poverty. Given distributional inequity patterns and insufficient absolute levels of health expenditure in developing countries, the most feasible option in the short term is exploring ways to generate resources from within communities. This is how community-based micro health insurance units (MIUs) have emerged. These community-based MIUs operate in rural areas or in the informal economy where most people are excluded from formal systems of health insurance.

The paper concludes that community-based health-care schemes can be helped to function as MIUs, which can reduce the exposure of poor population segments to health-related financial risk. However, MIUs cannot succeed if they operate as isolated entities. Their efficiency and survival can be greatly improved by pooling the risks of many such schemes, but pooling poor schemes only with other poor schemes may not produce the positive effects of pooling, unless such a pool enjoys some measure of corrective deficit financing through subsidies. The social reinsurer, introducing risk management technology and information-based risk assessment and control of the flow of funds, can offer to limit the financial responsibility of MIUs, and consequently, their members, to the average cost of the benefit package, which can be designed to meet the level of members' ability to pay.

*Andrew Batkin* describes another micro and area-based scheme in his paper, ***Community-based Social Funds***. The paper starts by defining social funds as quasi-governmental agencies that finance small-scale projects, mainly infrastructure schemes, which are proposed, and often implemented, by communities, nongovernment organizations (NGOs), or local governments. The use of social funds to provide targeted assistance to poor and disaster-hit communities has grown rapidly in Latin America and Africa over the past 15 years. Social funds are much less common in Asia, due to the region's longer history of public works and other publicly provided means of social protection.

The popularity of social funds and projects using social fund methodology among governments and aid providers is due to four factors. First, setting up a social fund is a possible response to a wide variety of problem situations, including economic crisis and transition, structural adjustment mitigation, and post-conflict and -natural disaster rehabilitation. They can be a response to chronic and acute poverty, in rural and urban areas, for refugee resettlement and deprived minority communities. Second, provided good needs information is available, they can be efficiently targeted on particular regions and poorer communities within an area. Third, the social funds approach is intrinsically participatory, based on needs assessment, scheme selection, and management by communities—although the evidence is that the quality of participation is heavily dependent on the detailed design and resourcing of the process adopted by the fund. Done well, participation has been found to strengthen local ownership, allocative efficiency,

local contributions, and future operation and maintenance prospects. Fourth, social funds have been seen to be relatively efficient and effective, quick-disbursing, and transparent, largely due to their parallel structure; their relative freedom from government rules and procedures covering recruitment, salary, procurement, etc.; and the imposition of donor requirements for monitoring and reporting.

Despite the popularity of social fund methodology, there are major concerns about the financial and institutional sustainability of social funds and their tendency to deflect attention from strengthening national and local governance and reforming public administration. Although increased use of social funds is an option for countries in Asia, there is a risk that creating new, well-resourced social funds will tend to come at the expense of carrying through essential reforms in governance and administration. It may be advisable for governments and aid providers to explore the possibilities of adopting aspects of social fund methodology within mainstream programs of governance and administrative reform.

*Nil Vanna* presents a specific example of a social fund in Asia in ***Post-conflict Rehabilitation: Experience of the Social Fund of the Kingdom of Cambodia*** (SFKC). The SFKC, with the assistance of the World Bank, became operational in late 1995 to carry out post-conflict rehabilitation of physical infrastructure. Phase I (late 1995 to mid-1999) of the program focused on the nationwide rehabilitation of infrastructure essential to the population. As part of its operational strategy, the SFKC established itself as a demand-driven management instrument to finance activities that fulfilled needs expressed by the community.

Overall, the SFKC's work on the rehabilitation of infrastructure facilities during the post-conflict period indicates that assistance provided through the social fund model is constructive if the subprojects are (i) small-scale and particularly targeted at the poor and at groups facing a sharp deterioration in living standards, (ii) designed to operate in the short to medium term, and (iii) implemented in parallel with other economic reforms. A major challenge that confronted SFKC was the reconciliation of short-term project objectives with longer-term development issues, such as sustainability and capacity building. While SFKC was able to generate concrete results by directly channeling resources to intended beneficiaries, post-conflict rehabilitation work faced formidable challenges in building capacity to better reach the poor and vulnerable and to ensure sustainable use and maintenance of the assets created. In addition, the weak institutional capacity in both Cambodia's private and public sectors made targeted actions more difficult. The SFKC's Phase II (mid-1999 to 2002), with longer-term perspectives, has been designed to address some of these concerns.

The volume closes with a paper dealing with natural disasters, a major source of vulnerability to the poor. ***Disaster Risk Management and Vulnerability Reduction: Protecting the Poor*** by *Suvit Yodmani* stresses that proactive disaster management, focusing on reduction of disaster risks, can contribute significantly to the goals of protecting vulnerable communities, their lives, assets, and livelihoods. Over the past four decades, there has been an exponential increase in human and material losses from disaster events. However, there is no clear evidence that the frequency of extreme hazard events has increased; the increase in injured victims is related to the rise in people's vulnerability. This increase in vulnerability has not been uniform; there are large variations across regions, communities, and socioeconomic classes. Examples of how the same hazards produce different numbers of victims, depending on whether they occur in a developed or developing country, are striking. For instance, in an earthquake of magnitude 6.4 in San Fernando, California in 1971, a city of over 7 million

people, only 58 deaths were reported; two years later, a similar earthquake, registering a magnitude of 6.2 on the Richter scale, in Managua, Nicaragua, reduced the center of the city to rubble and killed more than 6,000 people. The difference in the casualty rates results from disaster prevention and management. About 80 percent of the world's injured victims from natural disasters are in Asia, due to the vulnerability of its population. To address this excessive exposure to risk, a comprehensive paradigm shift in approach, from risk coping to disaster risk management, has emerged in recent years. In addition to this focus on risk management, there is another growing trend in Asia: the shift from a top-down to a bottom-up approach, or community-based disaster management, which can be thought of as risk reduction programs designed primarily by and for the people in a disaster-prone area.

The author provides two examples of community-based disaster management, in Bangladesh and Nepal, which have been at the forefront in developing such community-based initiatives in disaster management. He also discusses the role of the Asian Development Bank in disaster management and mitigation, and urges ADB to continue to provide leadership to various key stakeholders in the complex process of integrating community-based disaster risk and vulnerability reduction in the development agenda.

The paper concludes by emphasizing that disaster risk reduction is a proactive approach that needs to be integrated into regular development planning and poverty reduction programs at all levels. This calls for policymakers to recognize that disasters are not just "setbacks" or "roadblocks" to development, but result from the paths that development is pursuing. Thus, changing the planning processes and incorporating disaster risk assessment in the planning of all new development projects will ensure that future natural hazards will encounter resilient communities that are capable of withstanding their impact, and will therefore remain mere emergencies rather than disasters.

The First Asia Pacific Forum on Poverty, held in Manila 5–7 February 2001, offered an excellent platform to government officials and development agencies to discuss the role of social protection and social development in poverty reduction. Since then, many governments and agencies in the region, including ADB, have developed new and challenging programs in the social protection sector. As a by-product of the debates and consultations held during the Forum on Poverty, ADB and its member countries in September 2001 unanimously approved a Social Protection Strategy for the Asia Pacific region, translating the concerns debated into action. The future will depend on how efficiently countries and development agencies work together to implement it. ADB is ready for the challenge.

# DEFINING AN AGENDA FOR POVERTY REDUCTION

Proceedings of the First Asia and Pacific Forum on Poverty (Volume 2)



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**Proceedings**