

Social Policies in Asia and the Pacific Into the 21st Century

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This paper begins with a description of the social challenges in Asia and the Pacific at the beginning of the 21st century, including (i) risks and vulnerabilities, (ii) the effects of demographic changes, (iii) the levels of poverty and the size of the informal sector, and (iv) the impacts of globalization. The paper then 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 antipoverty approaches to other sectors outside the social realm. Priority crosscutting issues for achieving progress in the social development agenda in the 21st century include extending opportunities to the poor and 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. This will require using innovative financing and institutional approaches to mobilize all possible resources into development, including active roles of 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.

1. Social Challenges in Asia and the Pacific

The Asia and Pacific region has half the world's population. Of Asia's total 3.1 billion, 900 million are poor (30 percent), and 1.2 billion are children and youth (40 percent). Moreover, more than 1.8 billion (60 percent of the population) live in rural areas and are deprived of adequate access to social services and good employment opportunities. A main development challenge for the region is to achieve sufficient sustainable growth to secure the inclusion of the poor and of young new entrants in the development process. However, growth alone is not a sufficient means of generating inclusive societies. Populations, households, and individuals face various risks that can plunge them into poverty, so societies have to take steps to reduce their vulnerability and to cope with the effects when shocks occur. Risks may include natural disasters; civil conflicts; economic downturns, of which the 1997 Asian financial crisis is the most recent example; or idiosyncratic household reversals, such as crop failures, unemployment, illness, accident, disability, death, and old age, threatening the future of the household and its members. Development interventions may themselves create new vulnerability

and risks through involuntary effects such as less affordable goods and services, temporary job loss, loss of common property, displacement, and loss of community support networks and social capital. Generally, four main types of risks can be identified: (i) those related to the individual life cycle, (ii) economic, (iii) environmental, and (iv) social/governance-related. Some risks affect all population groups equally; others have more intense impact on the poor. The poor are highly vulnerable to risks and are constantly preoccupied with risk-averse and coping strategies to avoid sinking further into poverty. Social risk is a dynamic concept—insecurity means exposure to risks of events, which, if they occur, result in further vulnerability. While anyone can be vulnerable, the poor and near-poor are particularly at risk, since they have fewer assets, reserves, or other opportunities to fall back on

There are many risk reduction mechanisms, formal and informal, public and private sector-delivered. Table 1 shows some of the informal strategies for coping with risk; many rely on community arrangements and women's support. However, as urbanization and industrialization gradually undermine the effectiveness of traditional and informal protection mechanisms, new public and/or private systems need to be put in place to reduce risks to the population. This is why well designed and regulated social policies are necessary in the region. The large variety of risks is not addressed through social policies alone. Other sound development policies and investments should be in place to reduce or eliminate other risks (e.g., infrastructure investment for flood control) and generate an enabling environment for economic activity.

Given that Asia has a largely young, rural, and poor population, social policies should be built to respond to Asia's needs. The Asia and Pacific region is still experiencing the effects of the demographic explosion; the total population is 3.1 billion, of which 40 percent are children and youth (Figures 1 to 4). The demographic transition has started in Asia with a progressive decrease in the number of infants and a progressive increase in the elderly. However, the major issue in the years 2000–2015 will be the predominance of children and of young new entrants into the labor market. In 2000, 30 percent of the population was below the age of 14; this figure is projected to fall to 25 percent by 2015, still a remarkably high proportion. According to the international definition of children (0–18 years of age), the population group represented as much as 40 percent of the total population in 2000, but is expected to decline to 34 percent in 2015. This has clear implications for education, health care, population, and labor market policies for the realization of human potential and the creation of opportunities for self-reliance, to transform the vicious cycle of poverty into a virtuous cycle of growth and human development.

In contrast to the developed regions and the industrialized countries in Asia, persons over the age of 65 make up only about 5.5 percent of the total population of developing Asia. This percentage is expected to rise gradually to 7.2 percent by 2015, as fertility rates fall and life expectancy increases¹. At present, older people in Asia reside primarily in rural areas, but with urbanization trends, the percentage of older people living in rural areas is expected to decrease. Moreover, it is anticipated that the decrease in the percentage of older persons living in extended families will leave more elderly living alone, thus forcing them to look for assistance for housing and living standards from governments and nongovernment organizations (NGOs). Policymakers will need to plan

¹ East Asia has a more pronounced aging pattern than the other three Asian subregions, due to the effects of aging in the People's Republic of China, where the proportion of the population aged 65 and over is expected to reach 9.3 percent by 2015.

Table 1: Social Risks—Risk Assessment and Risk Reduction Measures

| Risk Assessment | Risk Reduction Measures | | |
|---|--|--|---|
| Types of Social Risks to the Poor | Household or Informal Mechanisms | Options for Public Sector Intervention | Options for Private Sector Mechanisms |
| Lifecycle: | | | |
| <ul style="list-style-type: none"> • Hunger, children's stunted development • illness/injury/disease (including HIV/AIDS) • Disability • Old age • Death | <ul style="list-style-type: none"> • Women as family welfare providers • Extended family, community support • Hygiene, preventive health • Asset/savings depletion • Debt | <ul style="list-style-type: none"> • Health nutrition policy/services • Social insurance policy, mandatory insurance for illness disability, life, old age, microinsurance • Social assistance • Child protection | <ul style="list-style-type: none"> • Provision of health services • Health, disability, and life insurance; reinsurance • Microinsurance • Old age annuities |
| Economic: | | | |
| <ul style="list-style-type: none"> • End of source of livelihood (i.e., crop failure, cattle disease) • Unemployment • Low income • Changes in prices of basic needs • Economic crisis and/or transition | <ul style="list-style-type: none"> • Diversification of sources of livelihood • Private transfers/extended family support, child labor • Asset/savings depletion • Reduced consumption of basic goods • Debt • Migration | <ul style="list-style-type: none"> • Sound macroeconomic and sector policies to promote economic opportunities • In particular, regional and rural development policies, including microinsurance • Labor market policies • Education and training • Social Funds | <ul style="list-style-type: none"> • Employment-generating private sector investment • Agricultural/livestock insurance, reinsurance, microinsurance • Banking services to the poor, microfinance • Provision of training |
| Environmental: | | | |
| <ul style="list-style-type: none"> • Drought • Flood, rains • Earthquake • Landslides | <ul style="list-style-type: none"> • Migration • Community action for resource management • Private transfers/extended family support • Asset/savings depletion | <ul style="list-style-type: none"> • Environmental policy and infrastructure investment • Catastrophe prevention, mitigation programs, including insurance against natural disasters | <ul style="list-style-type: none"> • Agricultural, livestock and catastrophe insurance; reinsurance |
| Social/Governance: | | | |
| <ul style="list-style-type: none"> • Exclusion, losing social status/capital • Extortion, corruption • Crime, domestic violence, social anomie • Political instability | <ul style="list-style-type: none"> • Maintaining community networks (reciprocal gifts, arranging marriages, religious networks) • Community pressure • Women's groups • Migration | <ul style="list-style-type: none"> • Promotion of good governance, anti-discrimination policies, and anticorruption practices • Public information campaigns • Providing security and equal access to justice | <ul style="list-style-type: none"> • NGOs and CBOs • Good corporate governance securing fair employment opportunities and provision of services regardless of race, gender, age, social status, or political affiliation. |

Notes: CBO = Community-Based Organization; NGO = nongovernment organization.

Source: Ortiz (2001).

for labor market and other social policies, including health care, social assistance, and insurance schemes. The considerable size of the work force, combined with decreasing fertility rates, indicates that the Asian countries will face serious old age challenges in 25 to 30 years, as the dependency ratios will be negatively affected. However, old age policies should not be precipitately changed but carefully evaluated; the fact that most of the population remains children and people of working age allows for many policy design options. Short-term priorities in the first decade of the 21st century remain those of addressing the urgent social issues of supporting children and reducing poverty.²

Figure 1. Demographic Trends for World Population, 2000–2015 ('000)

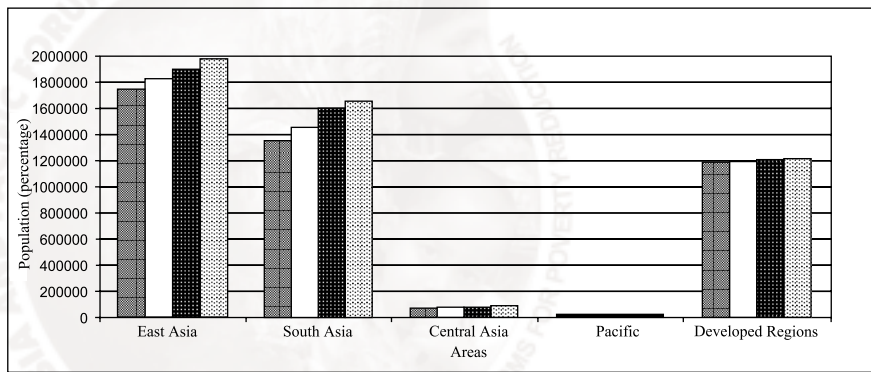
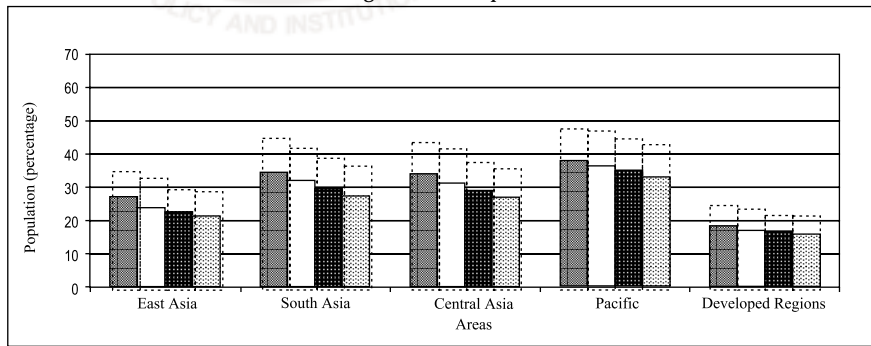
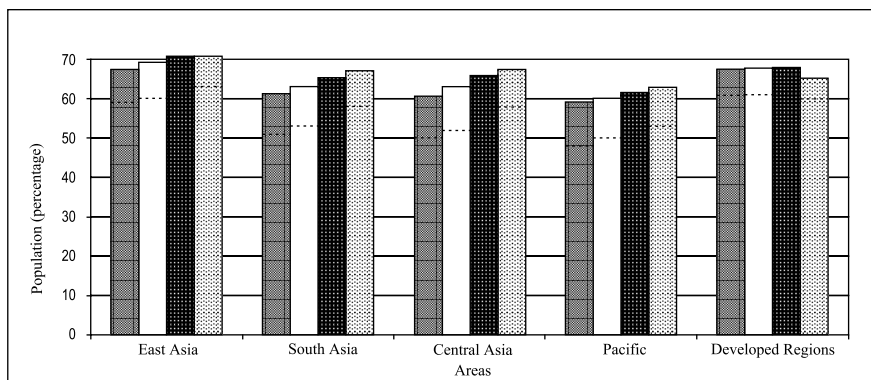


Figure 2. Demographic Trends for World Population, 2000–2015: Children Below the Age of 14 Years (Percentage of Total Population)



Note: Dotted lines refer to 0–19 age group.

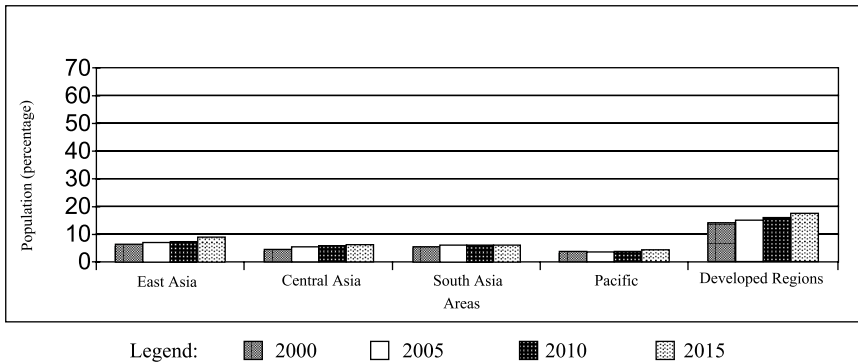
Figure 3. Demographic Trends for World Population, 2000–2015: Active Population Between 15/20 and 65 Years Old (Percentage of Total Population)



Note: Dotted lines refer to 20–64 age group.

2 Short-term priorities 2000–2015 are well reflected in the International Goals for Poverty Reduction, as agreed by the international community at the World Summit on Social Development (Copenhagen, 1995), and later reflected in the Strategy 21 Goals of the Development Assistance Committee of the Organization for Economic Cooperation and Development, and in the poverty reduction and social development agendas of multilateral development banks and other aid agencies.

Figure 4. Demographic Trends for World Population 2000–2015: Elderly (65-Plus Years)
(Percentage of Total Population)



Source: United Nations World Population Prospects (1999).

More than 60 percent of the population in Asia live in rural areas. Most of the poverty in the region is also rurally based, although urban poverty is increasing. About 900 million people, 30 percent of the population of the Asia and Pacific region, are poor. More women than men live in poverty and poverty is increasingly a condition found among older persons. Social divisions of a class, caste, ethnic, or racial nature are often intensified by differing poverty levels. Recently arrived immigrants tend to be poorer than others. Further, the high levels of poverty in Asia constrain the expansion of traditional social policies, given that these products are not affordable or attractive to the poor. The priorities of the poor are sustaining their sources of livelihood; obtaining food, shelter, and clothing; avoiding natural disasters; and maintaining the health of the breadwinner—and not, for instance, old age insurance.

Income disparities are an additional obstacle to economic and social development in most of Asia and the Pacific. Despite the urgent need for more accurate estimations, highly unequal income distribution patterns shown in most Asian and some Pacific countries are obstacles not only to social development but also to economic growth (Table 2). Concentrating assets and wealth in the hands of a few and maintaining current poverty levels result in tiny domestic markets; in turn, low domestic demand makes it difficult to develop local industries. In addition, malnutrition and poverty in children damage health, cause death, harm reproduction, reduce intelligence, and lower productivity and opportunities for future adults—a high tax for a country to pay. Equitable social policies are an indispensable instrument for countries to maintain their international competitiveness, raise productivity, and continue economic growth.

The new century starts with profound changes. Globalization is shifting trade, capital, technology and information flows, changing values and social structures. The increased opportunities resulting from access to new ideas, goods, services, and technology are also accompanied by increasing risks. Interdependence may lead to possible economic shocks and downturns; if no social policies and safety nets are in place, countries may experience mounting unemployment, poverty, marginalization, and political conflict. Most of the political opposition to globalization is due to the absence of adequate transitory compensation systems, which makes implementation of reforms very difficult given that populations may have to pay the costs of reform in the short term. Globalization requires the development of effective

Table 2. Poverty and Inequality Indicators

| Country | Population in Poverty (percentage) ^a | | | | Population Distribution (percentage) | | HDI Rank | Gini Coefficient ^b |
|--------------------------|---|-------------------|-------------------|-----------|--------------------------------------|-------|----------|-------------------------------|
| | Total | Urban | Rural | | Urban | Rural | | |
| Developed Regions | | | | | 81.71 | 18.29 | | |
| USA | | | | | 77.0 | 23.0 | 3 | 40.8 |
| Australia | | | | | 85.0 | 15.0 | 4 | 35.2 |
| Japan | | | | | 79.0 | 21.0 | 9 | 24.9 |
| Canada | | | | | 77.0 | 23.0 | 1 | 31.5 |
| United Kingdom | | | | | 90.0 | 10.0 | 10 | |
| France | | | | | 76.0 | 24.0 | 12 | 32.7 |
| Germany | | | | | 88.0 | 12.0 | 14 | 30 |
| Developing Asia | | | | | 37.01 | 62.99 | | |
| East Asia | | | | | 33.88 | 66.13 | | |
| Cambodia | 36.1 | 21.1 ^c | 40.1 | (1997) | 16.0 | 84.0 | 136 | 40.4 |
| China People's Rep. | 6.7 | | 6.7 | (1996) | 32.0 | 68.0 | 99 | 40.3 |
| Indonesia ^d | 20.3 | 17.8 | 22.0 | (1998) | 41.0 | 59.0 | 109 | 36.5 |
| Lao PDR | 46.1 | 24.0 | 53.0 | (1993) | 24.0 | 76.0 | 140 | |
| Malaysia | 8.0 | | | (1998) | 57.0 | 43.0 | 61 | 48.5 |
| Philippines | 40.6 | 22.5 | 51.2 | (1997) | 59.0 | 41.0 | 77 | 46.2 |
| Thailand ^e | 12.9 | 1.5 | 17.2 | (1998) | 22.0 | 78.0 | 76 | 41.4 |
| Viet Nam | 37.0 | 9.0 | 45.0 | (1998) | 20.0 | 80.0 | 108 | 36.1 |
| South Asia | | | | | 22.71 | 77.29 | | |
| Bangladesh | 35.6 | 14.3 | 35.8 | (1995-96) | 25.0 | 75.0 | 146 | 33.6 |
| Bhutan | | | | | 7.0 | 93.0 | 142 | |
| India | 35.0 | 30.5 | 36.7 | (1994) | 28.0 | 72.0 | 128 | 37.8 |
| Maldives | 40.0 | | | (1994) | 26.0 | 74.0 | 89 | |
| Nepal | 42.0 | 23.0 | 44.0 | (1995-96) | 12.0 | 88.0 | 144 | 36.7 |
| Pakistan ^f | 32.6 | 25.9 | 34.8 | (1998-99) | 37.0 | 63.0 | 135 | 32.2 |
| Sri Lanka ^f | 26.7 | 13.4 | 28.7 | (1995-96) | 24.0 | 76.0 | 84 | 34.4 |
| Central Asia | | | | | 45.71 | 54.29 | | |
| Azerbaijan | 68.1 | | | (1995) | 57.0 | 43.0 | 90 | |
| Kazakhstan | 34.6 | 30.0 | 39.0 | (1996) | 56.0 | 44.0 | 73 | 35.4 |
| Kyrgyz Republic | 51.0 | 28.5 | 64.5 | (1997) | 33.0 | 67.0 | 98 | 40.5 |
| Mongolia | 35.6 | 34.1 ^g | 32.6 | (1998) | 64.0 | 36.0 | 117 | 33.2 |
| Tajikistan | | | | | 28.0 | 72.0 | 110 | |
| Turkmenistan | | | | | 45.0 | 55.0 | 100 | 40.8 |
| Uzbekistan | 22.0 ^h | | | (1996) | 37.0 | 63.0 | 106 | 33.3 |
| Pacific Islands | | | | | 45.72 | 54.28 | | |
| Fiji Islands | 22.5 | 27.6 | 22/4 ⁱ | (1990-91) | | | 66 | |
| Papua New Guinea | 21.7 | | | (1996) | | | 133 | 50.9 |
| Solomon Islands | | | | | | | 121 | |
| Vanuatu | | | | | | | 118 | |
| Western Samoa | 48.0 ^j | | | 1997 | | | 95 | |

Notes: ^a Refers to headcount ratio or proportion of the population falling below the poverty line (in each country) to total population, unless otherwise specified. ^b Refers to the same year as that of the Income Ratio and calculated based on income or expenditure. A value of zero implies perfect equality while a value of 1 implies perfect inequality. ^c Urban areas do not include Phnom Penh, where poverty incidence in 1997 was 11.1 percent. ^d Preliminary data. Estimated figure for August 1999. ^e Urban and rural areas refer to municipal areas and villages, respectively. Poverty incidence in sanitary districts is 7.2 percent. ^f Refers to percentage of poor households. ^g Refers to Ulaanbaatar (capital city). ^h Based on weighted calculation using equivalence scales. ⁱ Rural areas refer to rural villages only; poverty incidence in rural settlements is 26.2 percent. ^j Refers to food poverty. ^k Ranking of the country based on the Human Development Index (1998)/ Human Development Report Office calculations.

Sources: World Bank 2000 World Development Indicators; UNDP Website <http://www.undp.org>; and the ILO Incidence of Poverty in Developing Countries: An ILO Compendium of Data, 1983.

social protection systems in both developed and developing countries. The world's forward-looking development agenda gives social development a primary role to sustain growth and well-functioning markets.

2. Effectiveness of Existing Social Policies and Programs in the Region

The experience of the Asia and Pacific region has been diverse in the past, and the motivations and approaches for future reform differ from one country to another. All Asian and Pacific developing countries have developed social policies over the last decades, mostly focused on education (Table 3). Health care and social protection have received less attention. Ministries of education, health, and labor/social security/welfare exist in all countries, but the effectiveness of their policies has been very diverse. The high levels of poverty in the region are generally caused by governments' failure to ensure economic opportunities and social services for the poor. This lack of effectiveness is normally due to (i) limited coverage of only a portion of the population—more often males than females, and often the wealthiest segments

Table 3. Public Expenditure by Function as a Percentage of GDP, 1993–1998

| Country | Health | Education | Social Security/ Welfare |
|------------------------------------|------------|------------|-----------------------------|
| Developed Regions | 6.2 | 5.4 | 9.8 |
| Developing Asia^a | 2.9 | 3.9 | |
| East Asia^a | 1.2 | 3.1 | 1.0 |
| Cambodia | 0.6 | 2.9 | |
| China, People's Repub. of | 2.0 | 2.3 | |
| Indonesia | 0.6 | 1.4 | |
| Lao PDR | 1.2 | 2.1 | |
| Malaysia | 1.3 | 4.9 | 1.4 |
| Philippines | 1.7 | 3.4 | |
| Thailand | 1.7 | 4.8 | 0.8 |
| Viet Nam | 0.4 | 3.0 | |
| South Asia^a | 2.1 | 3.6 | 0.8 |
| Bangladesh | 1.6 | 2.2 | |
| Bhutan | 3.2 | 4.1 | |
| India | 0.6 | 3.2 | |
| Maldives | 5.4 | 6.4 | 1.4 |
| Nepal | 11.3 | 3.2 | 0.3 |
| Pakistan | 0.9 | 2.7 | |
| Sri Lanka | 1.4 | 3.4 | |
| Central Asia^a | 3.4 | 4.0 | 6.7 |
| Azerbaijan | 1.2 | 3.0 | |
| Kazakhstan | 2.1 | 4.4 | 5.8 |
| Kyrgyz Republic | 2.7 | 5.3 | |
| Mongolia | 4.3 | 5.7 | |
| Tajikistan | 6.6 | 2.2 | |
| Turkmenistan | 3.5 | | |
| Uzbekistan | 3.3 | 7.7 | |
| Pacific Islands^a | 4.8 | | |
| Fiji Islands | 2.9 | | |
| Kiribati | 11.6 | | |
| Papua New Guinea | 2.6 | | |
| Solomon Islands | 4.2 | | |
| Vanuatu | 2.8 | | |
| Western Samoa | 4.8 | | |

Notes: Blank Cells = Not available. ^a Unweighted averages.

Source: World Bank (2001).

of society instead of the poor; and (ii) insufficient funds, incorrectly or inefficiently distributed among programs.

a. Subregional Experience

A brief description by subregion depicts two major subgroups: (i) South Asia, Southeast Asia and the Pacific, which still need to expand their social policies to effectively reduce poverty; and (ii) the transition economies in Central and East Asia, which need to adjust their systems to a market economy. At the time of writing, the countries of East and Southeast Asia were still recovering from the regional financial crisis of the late 1990s and high levels of unemployment, and were in need of substantial investments in social policies to overcome poverty and reduce social risk and vulnerability. The transition economies—the Central Asian Republics, the People's Republic of China (PRC), Viet Nam, and to a lesser extent Cambodia and the Lao People's Democratic Republic (Lao PDR), are restructuring and consolidating their systems to a market-oriented society; existing state-funded and state-controlled social protection schemes are being dismantled, reformed to adjust to reduced budgets, and made more compatible with labor market changes. South Asian countries (Bangladesh, India, Pakistan, and Sri Lanka) have large proportions of the population living in rural poverty, with high levels of illiteracy; state-funded social schemes exist only nominally and are supplemented by some limited programs operated by NGOs. The region needs substantial investments in human development targeted at children and the informal sector and truly vulnerable groups. The Pacific region presents a variety of experiences, with a number of countries having already developed some social policies and others still not having done so. A common trait to all the countries in the region is the need to address child and youth priorities, extend coverage to poorer communities, improve governance, and promote institutional development. In general, all subregions have reduced expenditure on social protection schemes in the last decade in an attempt to balance budgets and achieve macroeconomic stabilization. Since the Asian financial crisis, the effect has been to increase poverty, insecurity, and social exclusion for many vulnerable groups.

b. Progress in Education:

Access to education improved substantially over the last 20 years. Since 1980, the overall adult literacy rate has risen from 61 to 73 percent. However, female literacy rates are only half the rates for males. In absolute terms, the number of illiterates in the region has increased from 647 million to 651 million, and the number of female illiterates from 410 million to 422 million. Illiterates, particularly female illiterates, are heavily concentrated in South Asia. Despite its progress, the Asian and Pacific region still accounts for three fourths of the world's illiterates. Universal primary education has nearly been achieved in most countries of East and Southeast Asia and the Pacific, and many countries are now increasing the period of compulsory basic education to include primary and lower secondary schooling (nine years). However, many South Asian countries continue to invest too little in primary and lower secondary education, with the result that many children, particularly girls, do not have access to schooling. Enrollment rates in higher education have also increased since 1985: in South Asia from 5.3 to 6.5 percent and in East Asia from 5.4 to 8.9 percent. However, these rates are still lower than the demand for higher-level skills experienced in many countries. Increased enrollment rates in basic education mask the fact that poor children are not enrolled—working children, street children, children in remote areas, children of minority groups, disabled children. Furthermore, the issue of quality of education is essential to make a difference in the lives of children. Most countries in the region have a continuing problem with quality, manifested by the large number of children who complete

basic education but who still lack the literacy and numeracy skills necessary to become productive workers.

c. Progress in Health Care, Population Control, Nutrition

Despite smaller investments in health care than in education, progress in basic health care, mother and child health care, population control, immunization, and nutrition campaigns has resulted in improved health conditions in the Asia and Pacific region. In the last decades, fertility and under-five mortality rates have declined, life expectancy has increased, and health status has generally improved. Despite this important progress in the physical well-being of the population, the region still faces serious challenges. Child mortality rates, particularly in South Asia, are higher than in any other region of the world except Sub-Saharan Africa. Every year more than 7 million children below age five die, and almost all of these deaths are preventable. The aggregate trends hide the fact that progress over the last 35 years has been fragmentary. There are countries, such as the PRC, Sri Lanka and Viet Nam that have made dramatic improvements in the health of their populations; other countries, however, have progressed considerably more slowly. Even within countries that on average enjoy good health status, there are large pockets of ill health—for instance, in the rural areas of the PRC, Sri Lanka, and Viet Nam. Malnutrition, particularly in South Asia, remains rampant. Asia contains 75 percent of the malnourished children of the world, and the proportion of its children who are moderately or severely underweight is 70 percent higher than in Sub-Saharan Africa. Some countries, such as Pakistan, Cambodia, Lao PDR, Melanesia, and Micronesia, have such high fertility rates that they interfere with sustainable economic growth. With huge cohorts of children born each year, the ability of these countries to provide minimal health care, education, and social protection to their children is being overwhelmed. Sick and uneducated children imply a mortgaged future.

d. Progress in Social Protection

Social protection (Box 1) has been the least attended subset of social policies. Most of the Asia and Pacific developing countries have some form of institutionalized social protection system, but most of these programs are ineffective due to

- Limited coverage, insofar as they serve only a portion of the formal sector;
- Insufficient budgetary allocations;
- Incorrectly prioritized programs (e.g., providing emergency relief instead of building longer-term programs);
- Inadequate instruments, often copied from developed countries but not appropriate to serve specific in-country needs (e.g., old-age insurance is not a priority for the poor); and
- Factors restricting access to statutory social protection schemes, such as legal restrictions, administrative bottlenecks, and problems with compliance.

Progress in basic social protection, such as core labor standards, is poor: child labor is prevalent in the whole region and bonded labor is reported in several Asian countries (See ILO [various years]). Investments in labor services, which would have a large impact in improving productivity, are minimal or nonexistent. Social insurance has often focused on old age instead of health care, unemployment, or more attractive products for the poor, such as microinsurance. Communities remain poor and very vulnerable to natural disasters: the Asian and Pacific region is the area where the largest number of people are injured, affected, and/or made homeless as a result of catastrophes (80 percent of the world's victims) (Inter-

Box 1: Social Protection Programs

Social protection can be defined as the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income. Accordingly, the proposed definition of social protection contains five components:

1. Labor market policies and programs designed to facilitate employment and promote the efficient operation of labor markets, including
 - Direct employment generation (microenterprise development, public works)
 - Labor exchanges or employment services linking supply and demand of labor (job brokerage;
 - Skills development and training programs; and
 - Labor legislation, including provisions such as minimum age, wage, health conditions, and safety at work, etc., and the four Core Labor Standards (elimination of child labor, forced labor, and discrimination, and freedom of association).
2. Social insurance programs to cushion the risks associated with unemployment, ill health, disability, maternity, work injury, and old age.
3. Social assistance and welfare service programs to provide a floor to the most vulnerable groups with no other means of adequate support, including
 - Welfare and social services, institutionalized or community-based, for orphans, the physically or mentally disabled, and other vulnerable groups;
 - Cash or in-kind transfers, (e.g., food stamps); and
 - Temporary subsidies (e.g., energy life-line tariffs, lower prices of staple food in times of crisis).
4. Micro- and area-based schemes to address risk and vulnerability at the community level, including
 - Microinsurance,
 - Agricultural insurance and reinsurance,
 - Social funds, and
 - Disaster preparedness and management.
5. Child protection programs to secure healthy and productive development of the future Asian work force, such as
 - Early child development interventions;
 - School feeding programs, scholarships, health fee waiving, and family allowances;
 - Street children initiatives;
 - Child rights advocacy/awareness programs; and
 - Youth programs to avoid social anomia in teenagers, drug addiction, early pregnancies, transmittable diseases, etc.

Source: Ortiz, 2001.

national Federation of the Red Crescent/Red Cross, 1998). This risk could be minimized, however, with adequate disaster preparedness programs and proper decentralization policies. Social protection policies should concentrate their efforts to serve the majority of the population, addressing the needs of informal sector clientele by helping them improve their productive labor potential, reducing communities' exposure to risks, and enhancing households' welfare in the region.

3. Sectoral Priorities in Education, Health, and Social Protection

Improving social policies is a major topic in all world regions. However, the motivations for reform and the approaches adopted differ significantly from one country to another. In much of the Asia and Pacific region, the debate is dominated by concerns about

reducing poverty, expanding coverage/benefits, and identifying financing mechanisms to serve the vast majority of the population, particularly children and women. In transition economies, adjusting programs and institutions to reduced budgets under a market economy is the priority. As a comparison, the reform debate in Japan, North America, and Western Europe tends to focus disproportionately on dealing with the costs of aging societies. Country priorities differ substantially and the problems and solutions of one region are not applicable to another. The following sectoral priorities should be understood as generalizations coming from the experience of the Asian Development Bank (ADB) in the region.

a. Priorities for Education

The principal priorities for the education sector in Asia and the Pacific are (in order) literacy and nonformal education, early child development, basic education, secondary education, higher education, and skills development (ADB, 2002). Specific priorities include

- Increasing equity, access, and retention, specially for the poor, girls, women, and other unreached groups, such as children living in marginal areas, working children, street children, and disabled infants.
- Improving the quality of education at all levels: poor quality is a function of inadequate investment, insufficiently trained teachers, inadequate instructional materials, poor classroom management, and often the language of instruction, which may be different from the mother tongue of the child; continued attention to these issues is urgently needed.
- Mobilizing resources for sustainable education delivery, in particular, facilitating the role of the private sector, while protecting access by the poor to affordable basic education, for example, by working with NGOs, or providing tax incentives and outsourcing the provision of education services to the private sector, when this is clearly the most cost-effective alternative.
- Strengthening good governance and partnerships with beneficiaries; developing capacity at the provincial, district, and local levels; and emphasizing greater stakeholder/community participation in school management to improve accountability and enhance transparency of decision making and ownership.
- Emphasizing more experimentation with and dissemination of innovative strategies and information and communication technologies: for instance, connecting educational institutions to the Internet should be more important than the traditional support for library development, and creates positive synergies by facilitating quick and open information exchange.

b. Priorities for Health

The overall health priorities are to ensure that all citizens have broad access to basic preventive and curative services that are cost-effective, efficacious, and affordable (ADB, 1999). Specifically, policies should

- Improve the health of vulnerable groups, especially maintaining an emphasis on primary health care, including reproductive health care, family planning, and nutrition programs, for the poor, women, children, and indigenous people.
- Ensure development impacts, strengthening monitoring and evaluation of interventions and focusing on interventions that have strong evidence of success, such as

vaccination, micronutrient supplementation, and tuberculosis management.

- Support testing of innovations in health care financing, organization, and management, and deployment of effective and affordable new medical technologies.
- Increasing budgetary allocations to the health sector, and diversifying health care financing, promoting social insurance, creating temporary subsidies for the poor, and collaborating with private sector and NGO institutions.
- Increasing the efficiency of health sector investments, improving managerial and local capacity to widen coverage, increasing the quality of care, and meeting the needs of the community.

c. Social Protection Priorities

The social protection priorities for the Asia and Pacific region are the design of sound, comprehensive social protection programs to effectively reduce poverty and vulnerability, including interventions to protect communities and the informal sector; child protection; and labor market programs to ensure the employment of workers in the most productive way, contributing to good working conditions and improving their prospects for human capital development (ADB, 2001). Social protection interventions should address the following priorities:

- Adequate coverage and benefits: formal social protection systems are a top priority in the region, as most citizens are excluded from any formal social protection system.
- Targeting vulnerable population groups: when allocated budgetary funds are limited and country needs are large, public programs are unable to provide adequate coverage and thus resources should be targeted to those most in need. Targeting the informal sector will require expanding nonconventional social protection areas such as microinsurance, social funds, and disaster preparedness. Labor programs, together with child protection, can have substantive impacts on the poor and should be expanded. Given the status of women in the region, gender development, including positive discrimination policies, deserves particular attention to ensure inclusive societies.
- Sustainability and good governance, sound financial management, and adequate institutional arrangements are essential to secure effective administration and minimize charges and impacts on the budget. Evaluating the distribution impacts and cost-effectiveness of interventions will further assist in determining priorities and economic and social benefits.
- An integrated approach: establishing or consulting existing national commissions for social protection is the best institutional mechanism to ensure consistency across programs, appropriate prioritization of in-country social protection needs, and adequate sequencing of reforms.

4. Are the Traditional Social Sectors Sufficient? The Crosscutting Priorities

Will investments in education, health care, and social protection be sufficient to reduce poverty and promote social development in the region? The answer is no. Education, health care, and, to a lesser extent, social protection/security respond to the ministerial structures that were formed at the outset of modern Asian and Pacific states. However, the challenges of poverty reduction and social development are too many and require new approaches to eradicate endemic problems in the region. Targeted programs are not sufficient. Effective poverty reduction and social development will require mainstreaming anti-poverty approaches

to all other policies and national development institutions (UNDP, 1999).

Priority crosscutting issues for achieving progress in the social development agenda in the 21st century include addressing gender disparities, reducing risks and vulnerabilities, improving the quality of social indicators, and expanding the agenda of international public goods.

a. Addressing Gender Disparities

Different gender roles frequently result in gender-based inequality in access and control of key resources; unequal opportunities for women and men, e.g. education, mobility; and discrimination against women's basic human rights, e.g. employment, inheritance, and registration. To advance the gender agenda, support should be provided to

- approaches that enhance opportunities for women's participation,
- development of gender-sensitive policies and programs, and
- capacity building and budgetary requirements to implement programs that advance women's status (ADB, 1998).

b. Reducing Risks and Vulnerabilities

As shown in Table 1, development policies can and should lessen vulnerability by reducing risk, helping the poor and vulnerable to manage risks themselves, and strengthening formal arrangements for the management of risk. Box 2 presents the opposite scenario: risks can also increase as a result of necessary development interventions. The fact that people are affected should not be an obstacle to development, but people should be appropriately compensated. Social protection gives a range of options to preventing shocks from occurring, managing them when they do occur, and mitigating their impact on the poor and vulnerable.

This notion of social risk management is a dynamic concept that requires mainstreaming proactively to nonsocial development sectors (flood control, infrastructure, agriculture and rural develop-

Box 2: Possible Risks Resulting from Development Interventions

Reducing risks also implies compensating risks resulting from new and necessary development interventions. Risks may include, among others,

- Affordability: reduced capacity of the poor to access or benefit from goods and services as a result of increased prices
- Resettlement as a result of necessary civil works;
- Exclusion/limited access of the poor to goods/services, i.e., newly established market-based systems not interested in serving the poor because of high transaction costs, limited demand, and reduced profits;
- Loss of employment;
- Restructuring and/or technological change often leading to labor layoffs; and
- Loss of entitlements: reforms leading to widespread loss of entitlement to free or subsidized assets such as housing, food or fuel; or to increased costs as part of efforts to increase cost recovery, reduce budgetary spending, or prepare for privatization.

To the extent to which reforms or development policies may be needed, mitigation plans should be prepared to ensure that these development efforts do not halt social progress. Mitigation options always aim to adequately balance social fairness and economic sustainability.

Source: Ortiz et al. (2001).

ment, etc.) (World Bank, 2000). It requires an open mindset for government officials, reaching beyond the traditional fields of ministries of education, health, and social security to address the most significant risks and vulnerabilities of the population. The ultimate objective of social policies is to reduce poverty and vulnerability. Social policies should address the needs and demands of the poor and informal sector clientele: improve their productive potential and their employment and livelihood capacity, and mitigate risks that keep households in poverty.³

At the World Bank and ADB, country-specific needs are determined by vulnerability and risk profiles. A description of major risks to the population, demographic structures, levels of urban-rural population, levels of poverty, and the size of the formal sector influence the types of social policy mechanisms that are feasible and appropriate. Where population projections⁴ show a significant number of children and new entrants into the labor market in the near future, social policies should address the needs of the young. Where population growth rates are low or negative, where the population is rapidly aging and the child/adult dependency ratios are low, social protection systems should address the priorities of the elderly. Where the most acute problems may be others—i.e., migrant workers, victims of disasters, or any other vulnerable population group—social policy planning should accommodate the specific country needs. These examples simply show that results will differ from one country to another.

c. Improving the Quality of Social Indicators

Unlike economic indicators, which have progressed significantly over the last decades, the quality of social data remains low. Poverty and social indicators are calculated differently from country to country; data collections are not reliable and often lack rigorous methodological background.⁵ Significant efforts should be devoted to strengthening national poverty and social statistics. Many policy prescriptions are based on wrong assumptions due to inadequate data. Administrations may hide limited success in social development by altering the poverty lines. Any model/regression using cross-country comparisons should be taken with relativism, since it could be based on incorrect aggregates; economists use them because these data are the best available so far, but they lack rigor and accuracy. Standardizing social indicators is a first priority to allow international comparisons and monitor social progress at the country level.

d. International Public Goods

In an increasingly interdependent world, issues such as communicable diseases, finan-

³ Care should be taken with selecting households as units of analysis; the most vulnerable populations of a country are usually not reflected in census or household surveys: migrant workers, orphans, the homeless, victims of disasters, refugees, nomads, or marginalized indigenous groups. Moreover, household surveys do not allow for intrahousehold differences: assets and labor are normally distributed in a different manner between men and women, boys and girls, children and the elderly, within the same household.

⁴ Care has to be taken with the assumptions used in projections. Arguments can be easily manipulated by developing models that either magnify or minimize issues (e.g., aging). As a rule, ADB discourages high or low scenarios and advises carefully evaluating medium-term variant projections.

⁵ The poverty and social indicators presented in Table 2 are a good example of this. The footnotes to Table 2 reflect some of the different methodologies: according to these differently calculated Gini coefficients, Bangladesh and Pakistan appear more egalitarian societies than Australia. For a discussion, see Colman and Nixon (1994).

cial stability, environmental concerns, and conflict management are relevant to the whole international community. The provision of a public good is a matter of collective choice and requires governments' concurrence to contribute toward common interests. While progress in international public goods is still reduced, some developments have occurred in areas such as international finance, HIV/AIDS, malaria, global warming, military conflict resolution, agricultural technology, and information and communications technology (DFID, 2000). Eventually, they may lead to larger international commitments to eradicate poverty and promote human development. Eliminating poverty in less developed countries would benefit the whole world by expanding markets, increasing productivity, and promoting growth. If the world continues its current globalizing trend, more innovative and effective international mechanisms will have to be agreed on to contribute to the sustainable development of the world economy.

5. Mobilizing All Possible Resources and Promoting Innovative Arrangements for Social Development in the 21st Century

In the earlier pages we examined the social needs in the Asian and Pacific region, reviewed some of the progress and effectiveness of existing social policies and programs, and presented an internationally recognized agenda of social policy priorities, including country-specific risks and vulnerabilities that should be reflected in country vulnerability and risk profiles. The next critical issue to address is how to implement a country-specific social policy agenda.

The first step should be to analyze the available resources, in terms of budget and institutions capable of delivering the prioritized policies. In most developing countries, official social development programs do not have sufficient human and financial resources to cover identified needs. If available resources are not sufficient, it will be necessary to mobilize all possible alternative resources, including promoting innovative public-private arrangements, to ensure social development in the 21st century.

The level of resources available for social development will influence a country's public social development policies. As pointed out earlier, many existing social policies and programs are underbudgeted, receive random funding, or have mistargeted benefits. Where allocated public funds are limited and the country needs are large, public programs should be targeted to those most in need. An evaluation of the effectiveness of current programs and resources to reduce poverty and vulnerability in the country will immediately point the need for reforms. Social expenditure reviews, in line with the public expenditure reviews developed by governments and aid agencies, particularly the International Labour Organisation, the World Bank and ADB, are a key instrument to determine fund allocations within and between sectors, showing the administrative costs of social protection; their relative weight as compared to other social expenditures; the distribution of funds among social protection programs; the benefit incidence and effectiveness in reaching vulnerable and poor populations; and last but not least, distribution issues—who is paying and who benefits (Box 3). The matching of the social expenditure review with the country needs assessment will provide the key to the needed social policies.

Box 3: Social Expenditure Reviews

Governments and institutions have a wide range of conflicting demands on the limited resources available, and decisions on public expenditure may not always assist in implementing poverty reduction and social development strategies. Public expenditure reviews, particularly social expenditure reviews, can help governments determine the right allocation of resources for effective poverty reduction and social development by analyzing

- The share of social expenditures in the public budget. Are the general/sectoral budgetary allocations working for effective poverty reduction and social development? Or is government spending centered on sustaining current administrative structures or crowding out the private sector? The share of social expenditures, understood in its wider context (to correct regional imbalances, to service uncovered basic needs and excluded populations), is critical to poverty reduction, particularly in maintaining the share of social spending during economic crises.
- Allocative efficiency. Is the sector allocating resources efficiently? Priority should be given to low-cost, high-impact interventions, particularly if these interventions benefit the poor.
- Progressiveness of expenditures. Who benefits primarily from public investments? Sector expenditure reviews and distribution analysis may assist in determining the benefit incidence of public expenditures.
- Affordability of public goods and services. Although governments may allocate sufficient resources to high-impact services, the poor may not benefit because of co-payments or user fees; an affordability analysis can help to identify how to avoid excluding the poor and, if necessary, a mitigation plan can be designed to ensure access.

Source: Ortiz et al., 2001.

a. Diversifying Financing Sources

Social policies may be financed through budgetary support, income-related contributions, charitable donations, or a mix of all these. Enforcement of revenue collection may result in higher tax collections, particularly in countries with young demographic pyramids. Higher tax revenues can, in turn, support the promotion of national programs. In addition to encouraging adequate tax collection, there is merit in systems in which individuals cofinance services, contributing either individually or through community-based arrangements. However, most programs, particularly those targeted to lower income groups, require a degree of public support. Financing from charitable or aid organizations is discontinuous and does not allow sustainable social programs. Such financing may help to fill the gaps only on a temporary basis. In social insurance programs, accumulated savings/contributions can be invested in financial markets.⁶ Diversification of income sources is desirable to spread risks and ensure the overall sustainability of the program.

b. Promoting innovative institutional arrangements

Societies always have at least some form of social development institutions, but those that exist may be very weak or cover only an extremely small fraction of the population. Understanding the country-specific institutional capacity to deliver proposed priority programs includes the efficiency and coverage of existing programs and the possible roles and risks involved in alternative institutional arrangements. Most developing countries need to allow

⁶ Relying on capital market returns to help finance pension costs can reduce the size of the contributions needed, but as illustrated by the recent economic crisis, can also introduce greater variance in the amount of protection offered.

for flexible and innovative institutional arrangements, bringing all possible development partners together under well-regulated sectoral policies and administrative oversight to ensure good governance and affordable services.

There are four main social service delivery mechanisms:

- Public-based, normally best to achieve expansion of coverage;
- Market-based, normally best for efficient delivery for the formal sector of the economy and voluntary schemes for higher-income groups;
- NGOs and charitable institutions, normally good to target communities; and
- A mix of the above.

However, each mechanism has important limitations. A summary of these is presented in Table 4. The public sector should not crowd out the potential role of the private sector in delivering social protection. Instead, the public sector should concentrate its efforts on serving areas and populations that are not covered by the private sector. Decentralization of public programs offers great potential to improve effectiveness of social programs and bring decision making closer to communities. The private sector is often not attracted to lower-income groups and/or remote areas, because the associated transaction costs are high and returns are low. Private-public partnerships can be agreed upon between governments and private companies to secure inclusion of those excluded from any form of protection. Where NGOs are already significant providers of social protection programs, they can be encouraged to continue. However, NGOs often have limited and discontinuous funding and their presence is scattered, normally not broad enough to ensure equal expansion of coverage, thus limiting their ability to reduce vulnerability. A mixed delivery system may be best to diversify risks and address social protection priorities.

Making the private sector not only an engine of economic growth but also a catalyst of social development is a key topic in the 21st century. Nine common means of increasing the involvement of the private sector and NGOs in social service delivery are subcontracting, licensing, monopoly franchises, consumer cooperatives, equity investments, management contracts, vouchers, and corporate social responsibility.

The role of the central government in social policy becomes one of regulation, policy setting, and oversight. Central governments should maintain leadership and the strategic vision on how best to address country needs, plan resources to achieve objectives, build regulatory frameworks, enforce quality standards; ensure affordability of goods and services, and monitor execution. Local governments become monitors and supervisors of services largely delivered through public-private partnerships. Governments should concentrate scarce public resources to serve the poor. Financing becomes mixed, with inputs from users, NGOs, and local and national governments. With these changes, the new model highlights

- Responsiveness to client needs;
- Demand for, rather than supply of, services as the key to successful service delivery;
- Empowerment of citizens by the delegation of control to the local level;
- Increased choice of supplier for consumers of public services;
- Tailoring of services to meet geographic and area-based needs;
- More appropriate and higher quality service delivery due to competition among providers;
- Cost containment and improved efficiency in public services;
- More responsive and better managed local governments;

Table 4: Typical Advantages and Disadvantages of Social Services Delivery Mechanisms

| Mechanism | Advantages | Disadvantages |
|--|--|---|
| Public-based (i): local government | <ul style="list-style-type: none"> Responsible for vulnerable groups within local community Lower program delivery costs due to nearby location Able to implement programs using existing infrastructure | <ul style="list-style-type: none"> Unable to pool larger area risks (e.g., agricultural) Poorer regions suffering from lower revenue base have a smaller spending base Untrained staff inexperienced in policy design, development, monitoring, and evaluation |
| Public-based (ii): central government | <ul style="list-style-type: none"> National consistency and equity in program access and delivery Opportunities for redistribution mechanisms from wealthier regions to poorer regions Ability to monitor, evaluate, and compare cost effectiveness of programs from national perspective Coordination at national level across sectors (e.g., health, education, housing, labor, and finance) | <ul style="list-style-type: none"> Less knowledgeable about local circumstances and needs Longer time to implement programs Risk of limited efficiency and governance problems |
| Market-based mechanisms | <ul style="list-style-type: none"> Greater efficiency Ideal to serve middle and upper income groups—commercial insurance and pension funds, training, job placement agencies, institutional care for the disabled and elderly Sustainability Political insulation | <ul style="list-style-type: none"> No service to low-income groups, given the high transaction costs and low returns Insurance premiums and service costs not affordable to the poor Given that government normally guarantees minimum incomes/benefits, if companies become financially insolvent, the State may end up having to provide financial support |
| NGOs, charitable institutions | <ul style="list-style-type: none"> Lower costs Located near vulnerable groups, programs offered based on household and community needs Quick and flexible in implementation Use participatory approaches with vulnerable groups | <ul style="list-style-type: none"> Inconsistent nationally, therefore questionable regarding issue of equity Sporadic funding and discontinuous programs, affecting overall effectiveness of interventions No consistent evaluation, monitoring, audits or accountability |
| Mixed delivery system | <ul style="list-style-type: none"> Use strengths of each provider; may be a best option given that a mixed system spreads both the risks and opportunities for success Provide common, consistent set of national social protection policies combined with flexible local pro- | <ul style="list-style-type: none"> May be most costly to maintain involvement to all providers Can create competition rather than cooperation between service providers |

Source: Ortiz (2001).

- Transparent public expenditures; and
- Consumer understanding of the need for and benefits from local tax collection.

As a positive externality, it is expected that the development of private provider companies will generate employment at the local level.

c. Good governance

As part of good corporate governance, both for-profit (companies) and nonprofit private sector institutions (e.g., NGOs) should have independent and publicly disclosed audits and efficient and client-oriented management. *Inter alia*, to allow the private sector to act, the public sector must be predictable and transparent. Common operational problems among agencies include corruption, cronyism, and favoritism; inadequate information-processing, storage and retrieval systems; and organizational cultures that are hostile to customer service. Good governance is crucial for sound social policies, progressive taxation, and equitable allocations of funds for poverty reduction. The impact of basic social services is reduced by governance defects such as inadequate budgets and wasteful, inefficient, and unresponsive administrations. The poor suffer most, as they have poor access, low bargaining power, and little influence on local officialdom and service providers. Avoiding excessive administrative charges is a major challenge for certain kinds of programs; high administrative charges siphon away resources from the intended beneficiaries, needlessly increasing the cost of social policies and reducing society's capacity for providing social services. In addition to the threat they pose to program integrity, inefficient and unresponsive government bureaucracies are often a cause of excessive administrative costs.

d. Risks

Despite the need for efficiency gains in public service delivery, it is important to note the many drawbacks experienced in the private provision of public services. Private sector-type market mechanisms may overcome many of the causes of "government failure" in the delivery of services. However, there are limits to private provision. Market failures are the basis for public intervention, and the reason why public welfare systems were initially created. In some areas, public institutions have been privatized, only to be put to some other use, representing a net loss in social capital. Stories abound of companies entering into monopolistic contracts for service delivery, then holding local (and central) governments "hostage" with fee increases and inefficient services. This means that public-private partnerships must be carefully designed and regulated, and potential market failures identified. Government intervention is especially needed where natural monopolies exist (e.g., a city with one only water source), where private provision is insufficient (e.g., inadequate transport services to remote and thinly populated areas, private companies serving only upper-income groups) and where the lack of capital may create an entry barrier to new companies. Market-based schemes have often found servicing low-income communities unattractive, as compared to the higher returns received from servicing higher-income groups. The poor have discontinuous income and are more prone to risk; the resulting higher transaction costs are thus unattractive to insurance companies and customers. Efforts should be made by governments to arrange public-private partnerships that offer low-income communities access to social services.

6. Making the Social Agenda Work: the Political Economy of Reform

The previous pages described an internationally agreed agenda for poverty reduction and social development into the 21st century. However, agreeing on a development agenda is only the first part of the process. The most difficult part, and often the most ignored, is the implementation of reforms.

a. Costs of Poverty reduction and Social Development

National administrations are usually not opposed to poverty reduction, but find themselves in situations in which powerful ministries or groups fight for a significant share of the budget, collapsing expenditures for social development. Public expenditure reviews are useful tools to bring transparency and rationality to decision making. Successful programs are normally those that are supported by the serious political commitment of the country's leadership.

b. Institutional Resistance

Existing institutions influence policies in several ways. They form a point of reference for comparing alternatives. The country's institutional history, including the relative credibility of the public and private sectors, the extent of previous government social commitments, and social norms and values (e.g., regarding gender, caste, or ethnicity), inevitably affect the scope and character of any new intervention. Given that existing institutions have their staff and stakeholders, who are likely to protect themselves, large government bureaucracies are not dismantled easily, and private concerns that are profiting from the existing arrangements will resist change. A good stakeholder analysis of old and new providers and beneficiaries of social programs may facilitate the process of reform, by making the trade-offs transparent.

c. Winners and Losers

The potential gains must be balanced against the likely losses from reforming existing systems. This will involve a careful review of the conditions under which benefits are provided and the ways in which subsidies may be constructed or abolished, the relationship between the value of the assistance offered and prevailing wages or prices, the affordability of the services provided, the incentives established in the program for delaying taking benefits and/or returning to work as quickly as possible, and the balance between the costs and benefits of new regulations. Reforms that may encounter intense resistance need more intense consultations with relevant stakeholders.

d. Redistribution Issues

The design of any social reform program should carefully evaluate its distribution impacts in order to, first, ensure that the vulnerable and the poor benefit; and second—and above all—avoid regressive redistribution issues, e.g., building systems with public resources that mostly benefit upper-income groups. Since the main objective of social policy is to support vulnerable populations, it results in more equitable societies. Financing targeted social development programs implies some transfer of resources, either from taxed citizens to those outside the formal sector, or from the working-age generation to underage and elderly people. Even when building contributory social insurance schemes, the normally expensive transition costs are passed to the public sector and thus financed by taxpayers. This does not imply that the purpose of social development programs is merely income redistribution: the purpose is to build mechanisms that assist individuals to overcome vulnerability. For this, a degree of redistribution and support is needed. Identifying the adequate mix of financing resources to ensure, if needed, adequate redistribution and support to vulnerable populations should be assessed after careful cost-benefit evaluation of the proposed social policy.

e. Cost-benefit Evaluation

The development of social policies may be affected by differing viewpoints on the positive and negative links between social and economic development. It is easier to calculate the costs borne by taxpayers or contributors in the short term than to assess the long-term benefits gained from each program. Expenditures on children and youth through education, health care, and training programs are all investments in future generations, critical for long-term growth and poverty reduction. Evaluating the cost-effectiveness of social policies requires an impartial assessment of the following issues:

- The cost of the programs (as a percentage of gross domestic product and total public expenditure), including contingent liabilities as a result of possible government guarantees to the programs;
- Performance (the percentage of vulnerable targeted groups covered by the programs, the percentage of benefits going to poor and nonpoor groups, and the extent to which the benefits are adequate to service identified needs);
- Administrative cost (the administrative cost as a percentage of the total cost, and how that cost compares with other programs);
- Long-term social benefits; and
- Feasible options to improve cost-effectiveness, including the cost to society (determining who pays for reforms and which groups benefit from the proposed reform agenda).

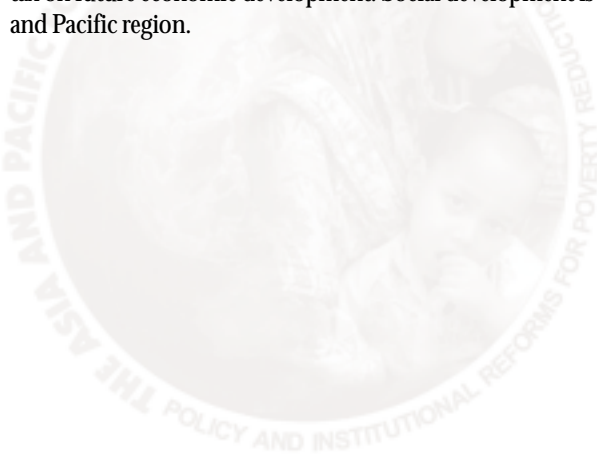
f. The Sequencing of Reforms

Such sequencing will vary from country to country. Adequate sequencing will require an analysis of priority needs to be served and available resources to implement reforms. Public expenditure reviews should assist governments in taking rational and transparent decisions about human and financial allocations, and in trying to shift funds from nonproductive and low-impact sectors/subsectors to priority topics. Additional resources can be mobilized through new financing and institutional arrangements. Country vulnerability and poverty analysis should help to prioritize interventions and remove obstacles for effective poverty reduction and social development. Careful attention should be paid to the comparative value of social interventions against other necessary social development programs (e.g., rural development); targeted social interventions should be developed after careful evaluation of the country-specific priorities to reduce poverty.

7. Conclusion

Social development and welfare systems have not been a priority for most developing-country policymakers in the Asian and Pacific region; with the exception of education, social development has been largely neglected, or at best addressed with inadequate resources. However, a closer look at the economic history of the region shows that its most advanced economies—Japan; Hong Kong, China; Republic of Korea; Singapore; and Taipei, China—built development policies through active public or public/private interventions in medical care, employment policies, social and housing assistance, and minimum retirement levels. Investing in social development was an essential part of the modernization programs of these wealthier societies in the early stages of their development. In fact, higher levels of social security allowed high productivity gains in

the work force, expanded domestic demand, and increased economic growth. Lack of adequate social development may actually put a severe limit on future economic growth. In children, malnutrition and poverty damage health, cause death, harm reproduction, reduce intelligence, and lower productivity and opportunities for the future adult—a high tax on future economic development. Social development is an economic need in the Asian and Pacific region.



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