

## Equitable Growth and Access: the Role of Social Assistance

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### 1. Social Assistance

Social assistance means aid to vulnerable individuals and groups. Who are the vulnerable? In any society, they are the ones who suffer from the effects of old age, illness, disability, natural disasters, economic crises, or civil conflicts. They include the sick, the elderly and the disabled who cannot care for themselves; the mentally ill; war victims; refugees; widows and orphans; HIV/AIDS sufferers; those dislocated by floods, earthquakes, or fire, by lost livelihoods, or by forced relocation, who cannot at any given time muster the resources for their own subsistence. Such vulnerable individuals are almost always poor, either as a cause or an effect of their vulnerability, and are regarded as having some form of entitlement to this kind of assistance.

Social assistance comprises programs all forms of public action, government and nongovernment, that transfer resources to those who are vulnerable and eligible in order to assist these most vulnerable individuals, households, or communities to meet their subsistence needs and help them achieve a decent living standard. It is usually defined as a benefit in cash or in kind, paid by the state on the basis of a means or income test, but can apply to other forms of nonstate assistance, such as relief provided by charities, religious institutions, and nongovernment organizations (NGOs). It can also include programs that subsidize certain social benefits, such as housing, energy, food, education and health. In Asia and the Pacific, social assistance schemes have developed as part of a determined effort to reduce poverty for their countries' most vulnerable groups, maintain social order by ameliorating some of society's worst inequities, and to help communities recover from social and economic upheavals, such as natural calamities and conflicts.

Countries in different stages of development are searching for the right mix of social policies and programs that best contribute to poverty reduction within a country. Growth gains have excluded vulnerable groups from an equal distribution of benefits. Within the overarching objective of poverty reduction, different sectors are developing programs to provide essential services, and to create income and employment opportunities in locations or among communities where poverty is disproportionately high.

Social assistance programs that are designed to further human development through public investment in social services to the poorest and most vulnerable, provide employment opportunities, and encourage self-reliance, are still needed to ensure equity for vulnerable groups and progress in growth. Social assistance programs should be designed

to provide an expansion of opportunities to enable vulnerable groups to produce their way out of poverty rather than the traditional passive receipt of transfers.

The countries within the different subregions have implemented a wide range of social assistance programs based on their specific political and economic circumstances, achieving differing levels of equity and poverty reduction goals for vulnerable groups. Each country has adopted particular social assistance programs to meet local conditions and the needs of vulnerable groups. There are sufficient experiences to demonstrate that social assistance schemes can support growth with equity and bring about success in poverty reduction for vulnerable groups.

### a. Why Social Assistance?

Poverty reduces the productivity of vulnerable groups and lowers their capacity to save or invest. Lower productivity reduces the incomes of vulnerable groups and therefore their opportunities for future investment. The lower incomes of vulnerable groups translate into reduced purchasing power for them, which then limits market opportunities for other producers. Social assistance programs, either in the form of cash transfers, subsidies, or in-kind benefits, can help maintain purchasing power and, if linked to more active instruments, increase the productivity and output of vulnerable groups.

Social assistance programs should be seen as contributing to economic well-being as well as improving livelihoods. Social assistance can help vulnerable individuals, households, and communities maintain their livelihoods when they are confronted by economic, political, environmental, and health shocks. Social assistance programs should also have a longer-term perspective that is aimed at reducing the likelihood of these shocks occurring. The levels of consumption and living standards of vulnerable groups can be raised through well-targeted social assistance programs. Social assistance programs can promote equity by ensuring that vulnerable groups have access to human development opportunities that create a skilled and productive work force, and contribute to levels of social cohesion that assist in long-term economic development. Social assistance can support vulnerable groups in adapting and adjusting livelihood strategies as their environment changes.

Generally, countries that have failed to redistribute social and economic opportunities to vulnerable groups have the lowest growth and continued instability. Many countries have followed the traditional response to various crises or challenges by reducing budget allocations for vulnerable groups rather than investing in the creation of opportunity. Throughout the region, public investment in health and education has brought human development gains that have contributed to declines in poverty, as well as raising productivity and extending opportunities among vulnerable groups. Countries that have emphasized labor-intensive growth have also provided more opportunities for self-reliance among vulnerable groups. Redistribution patterns within countries are critical to social and economic outcomes for vulnerable groups. Countries that have emphasized redistributive rural development programs have created opportunities for vulnerable groups to take advantage of market opportunities.

Social assistance programs should be seen as an important component of growth policies. A larger proportion of vulnerable groups has been able to participate in economic growth, and to share more equitably in its benefits, as a result of Improved levels of

literacy and advances in public health. Access to land, credit, and marketing infrastructure are essential prerequisites so that rural-based vulnerable groups can become productive and invest in their own development. For example, poor women who are small landowners have been able to become self-supporting and productive through access to land and microcredit not previously available to them. For urban vulnerable groups, employment creation programs are a significant mechanism for their reattachment to the labor market and their skill development.

### **b. Common Components of Social Assistance Programs**

Social assistance programs must be developed within a coherent policy framework:

- Effective use of taxation must be earmarked for social assistance programs; and
- Sufficient budget allocations for social assistance programs must be provided for the medium term to meet the core resource costs needed for the programs and administration costs, especially service delivery, so that the program is accessible to the intended vulnerable groups in various regions.

The objective of any social assistance program is to contribute to high growth and greater equity. Some countries have succeeded in achieving high growth levels, but with corresponding high levels of inequity. In South Asia, countries have relatively low levels of inequality but also low growth rates. Post-conflict countries are especially at risk for low growth rates and high levels of inequality. Future social assistance programs should be designed so that they enable vulnerable groups to participate in growth as producers and investors, rather than as passive beneficiaries of income transfers from the top down. Private sector, community-based and nongovernment organization (NGO) participation should be included in social assistance program design. External aid for social assistance programs will be necessary for most of the countries in this region in the medium term.

### **c. How to Assess the Need for Social Assistance Programs**

A simple approach can determine the demands for a social assistance program, based on several phases of analysis. First, it involves identifying those persons or households living below the poverty line, by both national and international measures of poverty. Social protection programs aim to enhance the welfare of society by directly reducing poverty. Social assistance policy development therefore occurs within a framework of government response to poverty. It also involves many local government and nongovernment agencies in service delivery. Countries, therefore, need an integrated perspective on social protection policy, a cohesive set of policies and an effective information database.

Policymakers then need to identify households and individuals that are already receiving assistance either from existing social assistance programs or from other social protection programs, or those receiving other forms of assistance from other sectoral programs, e.g., a food subsidy from a social assistance program in an active labor market program of skills training, or an education allowance from the Ministry of Education. Poverty data may or may not include information about emerging vulnerable groups within countries. A common agreement on the poverty line to be used will be important to identify eligibility and entitlement for social assistance programs.

What are the appropriate expectations of social assistance to meet minimum living standards? During this phase of research and analysis, social assistance programs may have been developed but are not accessible, or are not known to vulnerable groups. It may also be that existing social assistance programs have not been sufficient to address the causes of vulnerabilities. The following short analysis can reveal gaps in coverage and the possible requirements for developing social assistance programs. This approach generates a reasonably comprehensive list of needs, or demands, of all the identified vulnerable groups, usually quite long and large. Countries can then determine what would be the objective of a social assistance program given the demands and the resources available?

#### **d. Socioeconomic Analysis**

At the macro level, there is a need to evaluate the impact of economic growth on equity and the impact of macroeconomic policies on the effectiveness of social policies. Consideration then needs to be given to the national budget, in particular budget allocations for poverty reduction, social services, and social protection. Are there opportunities for vulnerable groups to receive any of the benefits of growth? Will the vulnerable groups be adversely affected by further declines in economic growth? Further questions may also be necessary, e.g., are there any structural changes that will advantage or disadvantage vulnerable groups? Or any specific sectors that primarily affect the poorest, e.g., are there planned increased budget allocations for the health, education, or employment sectors? Are there specific programs designed to address health services for HIV/AIDS sufferers or drug abusers? Are there specific labor market programs targeted to unemployed youth in urban areas? Is there a land distribution program envisaged for poor rural communities? Are there any protections for vulnerable groups in the form of exemptions or subsidies?

Many programs associated with poverty reduction will need to be assessed for their impact on identified vulnerable groups. There may be specific interventions for particular kinds of vulnerabilities, or there may be more comprehensive “social safety net” programs that could be accessed by certain vulnerable groups. Are there other lending programs outside the social sector that will affect vulnerable groups, in particular areas related to the causes of their vulnerability? Are there any existing programs for vulnerable groups that were previously funded from external aid but are no longer to be funded, and have not been included in the programs to be continued by the government?

#### **e. Policy and Program Analysis**

The next phase involves bringing together all the information gathered to undertake a comparison of the various policies and programs affecting vulnerable groups in the short and medium term. There is a risk that there will be overlaps between social assistance programs and other forms of social protection, e.g. emergency feeding, food security, or price support for agricultural producers. However, the linkage between social assistance and broader poverty reduction objectives is necessary to ensure that all the needs of all vulnerable groups are met. An analysis and prioritization of expenditures in different fields—social protection, health, education, and housing—must be undertaken before a social assistance program is developed. The analysis needs to consider whether it is more cost effective to include measures specifically designed for vulnerable groups within other sectors, or whether a specific social assistance program is needed.

Another approach is to identify activities within the poverty reduction or social protection sector that can be modified to meet the needs of vulnerable groups. As an example, this

could include public works programs developed as part of labor market programs that could include a quota for specific vulnerable groups, such as rural unemployed youth. The third option is to develop a specific social assistance response to the needs of vulnerable groups. This could involve a new program or the modification of an existing program. Based on the analysis of options at this phase, the modifications can be recommended for other programs in other sectors, or further research can be undertaken for the design of social assistance programs that meet the needs of the most vulnerable groups.

#### **f. Developing Social Assistance Program Responses**

There are a variety of social assistance program designs and interventions that can be used to provide support and opportunities for vulnerable groups. There are also some important principles that should be followed throughout the design and development of social assistance programs. Mapping different instruments to different benefit groups—some may benefit from two different forms of social assistance, while many others would benefit most from just one form—can help policy makers to identify policy instruments that meet a broad range of vulnerabilities for different groups. For example, a comparative study in India found that, at the margin, public work programs benefit the poorest quintile the most, while credit programs benefit the second and third poorest quintiles the most (World Bank, 2000). Policies should be demand driven, to the extent that they meet the short-term needs of the target groups. Vulnerable groups should be provided with the opportunity to participate in determining the policies and programs required. Where possible, opportunities for participation by beneficiaries in implementation of the program should be explored. However, policies must also consider the long-term needs and emerging trends for different groups within the population.

#### **g. Financing Program Options**

A critical question is whether the government is adopting a pro-poor pattern of public spending. Governments need to make commitments to fund social assistance programs adequately and over a long-term period (of greater duration than annual allocations). Financial constraints faced by many governments usually prohibit a wide-ranging role for social assistance. The burden has fallen most heavily on poor people, who are unable to finance access to private-sector providers. An increasing number of governments are attempting to generate revenues for health and education by charging for services, including, in many cases, the most basic services. Insufficient attention has been paid to the social consequences of this cost recovery. Poor households are frequently forced into distress sales of productive assets in order to finance their health care, and can as a result lose opportunities to lift themselves out of poverty.

#### **h. Policy Challenges**

Economic integration, international labor force mobility, capital flows among countries, and areas of economic integration (such as ASEAN) will make it necessary to adapt social assistance systems to circumstances that fall outside national boundaries of influence. Social protection reform should aim to build partnerships between statutory systems and private sector and household- or community-based insurance and assistance mechanisms, paying as much attention to regulation and facilitation as to direct provision. Appropriate social assistance policy advice requires that special attention be given to issues such as social inequities, social participation, social conflicts, the perceptions of the actors involved, ethics, and the needs of the more affected groups.

**i. Rural Development**

Poverty is often concentrated in areas where inadequate access to rural feeder roads, and poor storage facilities restrict livelihood opportunities. Institutional finance is unavailable to around 80 per cent of rural households in the Asian and Pacific region. Specific interventions may be needed such as investment in marketing infrastructure and services, the creation of rural credit and savings facilities, protection against cheap imports, and price stabilization.

**j. Legislation**

The developing member countries (DMCs) of the Asian Development Bank (ADB) have made international declarations and commitments to the protection of the poor and most vulnerable in their societies. Based on these commitments, DMCs are required to develop legislation, policies, and programs; and collect and report data and allocate funding to reduce poverty and increase social development. Policymakers need to assess the level of protection offered to the weakest and most vulnerable groups of society by the legal and judiciary system.

**k. Social Welfare Institutions**

Such institutions include social funds, ministries of social affairs, health insurances. What kind of social and political philosophy are they based on? How do they draw the line between charity, insurance, and the right to assistance and to a dignified existence? Social assistance programs and programs in other sectors should consider vulnerable groups as active participants, as *producers* of wealth.

**l. Evaluation of Existing Programs**

There are many possible evaluative questions to be asked about existing social assistance programs. The answers to these questions can indicate the main problems or difficulties a social assistance program is likely to encounter:

- To what extent have the programs achieved their objectives?
- How many of the target beneficiaries already receive social assistance from this program? How many were receiving this assistance five years ago?
- What are the program's administrative costs as a percentage of total program costs?
- Has there been any leakage of program benefits to nontargeted groups?

Programs need to be assessed against indicators of effectiveness, relevance, efficiency, and accuracy. The failure of a social assistance program to reduce vulnerability, prevent poverty, increase opportunities or provide support may result from insufficient feedback mechanisms from changes occurring in society, as well as from other programs being delivered.

**m. Program Evaluation**

Crucial aspects to consider are the institutional capacity for program coordination and the carrying out of social programs, the alternatives for more effective and efficient program delivery, the coordination modalities with local nongovernment organizations and

the private for-profit sector, and the alternatives for civil society participation in the policy process. The most urgent evaluation need from the supply side is the assessment of policy coordination at the central government level and the development of capacity for policy execution and integration at the local level.

#### **n. Program Opportunities**

There is an opportunity for social assistance programs to take a longer-term perspective and take advantage of the opportunities available to directly link equity and growth. Targeted human development programs for poor households with children transfer income in cash or in kind on the basis of such observable criteria as children's age, attendance in school, or participation in a health care program. They therefore serve the dual objectives of poverty reduction and human development. To assist the unemployed, the better options are means-tested social assistance and public works programs (workfare). Public work programs are a useful countercyclical instrument for reaching poor unemployed workers. Unemployed rural youth, migrants, refugees, and ethnic minorities gain an opportunity to develop skills and provide services in rural and remote areas for other vulnerable groups. There is already a shortage in many countries of caregivers, teachers, health workers, and other social services in rural areas.

#### **o. Microfinance**

Vulnerable groups need access to microfinance, not just microcredit. Financial institutions that operate in local and national markets can mobilize local savings and provide credit through arrangements adapted to meet the needs of the poor. New savings programs have been developed to provide services to small savers who require a combination of security and easy access. Nongovernment agencies have become extensively involved in credit provision. Some microfinance programs have successfully introduced life insurance, at low rates and with limited benefits (burial costs and repayments of debts) (World Bank, 2000).

#### **p. Elderly and Disabled**

Programs can provide assistance to families that care for live-in elderly. Social assistance or social pensions should cover the oldest and the poorest (categories that frequently overlap) and those without family support. When developing programs for vulnerable elderly, there are several trends to consider. Decentralization of government has meant that more local governments are taking more responsibility for health and welfare services for the elderly living in their communities. Increased privatization in elder care can reduce costs, offer greater choice to participants and create employment opportunities by selling goods and services that promote the health and welfare of the elderly, such as wheelchairs, lifts, special beds for nursing care, home care services, and retirement homes. However, for those who are unable to afford private service, delivery government assistance is necessary.

Changes are needed to financial institutions so that the most vulnerable are able to access credit through existing financial mechanisms. Credit should not be subsidized; banks and other lending institutions should charge market interest rates and then provide adequate outreach and savings facilities for the poor. Energy, housing, health and education should be subsidized. Insufficient financial resources are provided to improve the services and opportunities provided to vulnerable groups. Services for the rural disa-

bled can be achieved by providing funding support for community mobilization, in-service teacher training, resource support, and removing physical barriers. More cross-disability organizations and programs should be encouraged to develop program options for funding by local government.

There are two major approaches to employment promotion used by countries in this region, whose people with disabilities are predominantly rurally based. One approach emphasizes their inclusion in poverty alleviation projects for the rural poor. The other targets government loans directly for the rehabilitation and poverty alleviation of persons with disabilities. In the inclusive approach, the policy measures specify that rural persons with disabilities must be the beneficiaries of a fixed percentage of funding resources and benefits in major schemes for skills development, revolving loan assistance on group and individual bases, wage employment, and housing. Voluntary rural development organizations have also begun to provide skills training and related support services to disabled persons who would otherwise have been excluded from rural poverty alleviation programs.

#### **q. Housing and Integrated Care Facilities**

Housing that includes nearby access to community services, including health and education, day-care centers, and nursing homes, can support local full or part-time employment for many unemployed women otherwise unable to participate in the labor market. Adult literacy programs can be delivered within the community, as well as skills training.

#### **r. Public Works**

Public works programs for vulnerable groups can effectively target rural unemployed, migrants, refugees, the elderly, women heads of poor households, and people with mild disabilities. Such projects employ people to upgrade, construct, and maintain rural roads and irrigation works, providing temporary jobs, improving people's access to markets and social services, and expanding the coverage of irrigation to restore agricultural livelihoods. This project could become a social assistance program in other regions, as a cost-effective way to address both rural poverty and infrastructure development. If resources are insufficient to meet demand, the program should target areas with a high concentration of poor people.

#### **s. Financing Mechanisms**

The financial resources required to meet the objectives of social assistance programs for vulnerable groups usually include

- Direct transfers from the private sector,
- External aid via grants or soft loans as part of program loans for other sectors (e.g. energy, education, health), and
- Specific taxes developed to mobilize funds for social assistance programs.

Before resources are shifted between or within programs as a means to reallocate resources among vulnerable groups, the potential negative impacts on programs and groups from which resources are reallocated must be assessed. When a new social assistance policy or program is required, the potential impact of restructuring financial incentives and the potential role for the private sector in financing social services should be consid-

ered. What are the financial payoffs of reforming and privatizing social assistance programs? Promoting efficiency in social assistance programs should also consider what impact efficiencies have on program effectiveness. Incentives in the financing of social assistance programs may bring to bear more efficient behavior on both sides of the market, the suppliers and users of services. An example is the delivery mechanism for public cash transfers to the working poor and employable people on social assistance, tied directly to incentives, training, and work effort. These types of mechanisms may avoid reinforcing dependence on social assistance as a welfare program by facilitating access to new work opportunities. Greater emphasis should also be placed on social assistance programs that take a preventative rather than simply an ameliorative or remedial approach. The financing of social assistance programs should contribute to the sustainability of social service delivery by creating for beneficiaries more responsibilities, mutual obligations, and active rather than passive program participation.

## 2. Program Operational Issues

Governance encompasses the responsibility of increasing public awareness of the costs of social assistance schemes and programs, the costs of emerging vulnerable groups, the costs of poverty and insecurity, and the costs of reductions in opportunities for young people. The transparent use of public funds is crucial to social assistance efforts. There is a new and increasing role for local government in the development and delivery of social assistance programs, as well as the role of information and communication to all participants, including vulnerable groups, non-government organisations and the private sector. Inadequate preparation or resources at the local government level can have significant consequences for social assistance programs, and negative impacts for vulnerable groups. Accountability in the use of public funds is crucial to social assistance efforts. Vulnerable groups pay a high price for corruption. Programs that target resources for social assistance programs are less likely to be bankrupted by the administrative costs of identifying and reaching the poor than by the diversion of a large amount of these resources into other hands. An effective social assistance program, including a system of cash and in-kind benefits, subsidies and targeting mechanisms requires a capable and accountable administrative system of considerable complexity.

Social assistance in the form of subsidies towards or exemptions from fees for state services may be more common channels of social assistance in low-income countries, as are programs which target cash or in-kind benefits to children in school (e.g. the Bangladesh Food-For-Education). The effective application of exemption from user fees on the basis of poverty criteria is, like other forms of social assistance, a major administrative challenge—and the experience in the health field in poor countries is not encouraging.

## 3. Implications for ADB Social Assistance Programs

The ADB Poverty Reduction Strategy (ADB, 1999a) has adopted a mainstreaming approach, to include core poor, poor, and pro-poor strategies in all sectors of ADB activities. Social protection programs in general, and social assistance in particular, deal with the poorest and most vulnerable within societies. The strategy may assist some of these vulnerable groups. Ideally, however, specific social assistance guidelines and indicators should also be developed to ensure that the needs and opportunities of the most vulnerable are incorporated into every ADB project and lending modality. Likewise, attaching

different kinds of social assistance interventions to employment, health, and education sector programs may be expedient while external funding is provided, encouraging governments to provide these services to the most vulnerable. Specific programs for social assistance may be needed to ensure that the most vulnerable are not forgotten, put aside, excluded, or rejected in considering the increasing demands of the poor.

### **a. Strategies for Each Subregion**

The objective throughout the region in the short to medium term should be to prevent the erosion of economic gains and social progress achieved by the poor and the vulnerable in recent decades. The options in countries currently facing economic declines, as well as most of the countries of South Asia and the transitional economies, should focus on at least sustaining economic growth and social sector support to these groups. In particular, post-conflict societies will relying on external funds to rebuild their societies and re-establish basic social services for all citizens, will certainly require external support to provide income support, health services, and employment opportunities for the most vulnerable groups.

### **b. Difficulties in Program Design and Implementation**

Poverty assessments have shown a consistent widening gap between growth rates, income and asset levels, access to social services, and most human development indicators in rural and urban areas. Other common difficulties encountered in all subregions include the lack of time for program design and preparation, compounded by incomplete and inaccurate data to use for developing programs and targeting vulnerable groups. Similarly, many countries have inadequately prepared for implementation, failing to accurately estimate programs' resource costs for service delivery and public education (such as explaining "active" social assistance concepts to communities). The programs' preventive, coping, and mitigation objectives for targeted vulnerable groups should be thoroughly assessed.

Better-quality information is helping some governments and research institutes to develop more carefully crafted policies, and enhance public understanding of the constraints and trade-offs to be made between sectors, policies, and programs, particularly within the context of growth and employment and vulnerable groups. This information can help to create social consensus on national priorities and performance expectations for social assistance programs. The use of indicators needs to be focused more on revealing the roles and impacts of other actors in addition to the government, so that a more complete assessment can be made of the range of social assistance programs and projects available, and their relative cost-effectiveness in achieving outcomes for vulnerable groups.

At the local level, analysis needs to focus on the important influences, both positive and negative, that households, communities, the private sector, civil society and government have on the lives of vulnerable groups. Governments have been quick to hand over social assistance programs to NGOs, and civil society organizations as part of the "restructuring" of social assistance programs in order to address—or perhaps avoid—some of these problems.

A general weakness of social assistance programs in the region is their lack of integration. Social assistance program strategies containing concrete content, such as public works or subsidies, need to be well integrated so as to avoid disincentives or reduce outcomes in

other sectors or programs. A promising development, resulting from improved multi-sectoral collaboration between two ministries and NGOs, has been program links between the training of persons with disabilities in income-generation skills, and training and support aimed at social mobilization and local group formation. Such synergy in program support will greatly enhance prospects for equalizing the training and employment of rural persons with disabilities.

Another part of the problem is the artificial divide between economic and social policies. Programs that focus on making growth more pro-poor, target inequality, and emphasize support for vulnerable groups are needed. Economic policies are not automatically pro-poor, while social services are assigned the burden of directly addressing poverty. Changes need to be made to financial institutions so that the most vulnerable are able to access credit through existing financial mechanisms. Credit should not be subsidized. Banks and other lending institutions should charge market interest rates and then provide adequate outreach and savings facilities for the poor. More sources of credit need to be made available, not more subsidized credit. Health care and education services should be subsidized: not enough financial resources are allocated to improve the services provided to vulnerable groups. Specific actions should be taken to reduce the gap between rural and urban areas, specifically access to services. For example, Government can use incentives to encourage health workers and teachers to work in remote areas or to recruit and train local populations to become health workers and teachers in their communities.

### **c. Subregional Issues**

in the countries of South Asia, a high proportion of the population lives below the poverty line. High levels of illiteracy and poor public health prevail, along with large gender disparities. The majority of vulnerable groups are excluded from growth. Most social sector programs are biased toward urban development and away from rural provision. High levels of military spending in some countries appear alongside low social indicators. Large numbers of economic and political refugees continue to flow into some South Asian countries. This places an increased burden on governments to provide basic social services and prevent outbreaks of disease in refugee camps. Local governments and NGOs have largely financed social assistance programs in the subregion, with national governments concentrating on food security and providing emergency assistance following natural calamities such as drought and flooding.

International aid providers, including agencies of the United Nations, the World Bank, international NGOs, and bilateral aid providers, have concentrated on generating employment, and including some limited programs of cash transfers for the destitute. Many NGOs are providing innovative social assistance programs on a fragmented basis; some of these successful programs could be expanded on a national basis. The international lending agencies support a range of in-kind and cash assistance programs to prevent school drop-out rates, promote public works, and provide price subsidies to alleviate hardships faced by poor families.

### **d. Transition Economies**

The existing social assistance systems in transitional economies, many run through state enterprises rather than government, were not designed to cope with the kind and extent of poverty and unemployment that have resulted from the transition from a socialized to

a market economy. State government resource allocations to social assistance programs are severely underbudgeted, with local governments expected to meet any shortfalls, including the delivery costs of programs. As a result, the number of vulnerable persons actually receiving any form of social assistance is only a small percentage of those entitled. This has created enormous demands by traditional vulnerable groups that had expected continued state support, as well as increasing needs for social assistance from newly vulnerable groups. Under the socialist system, the availability of basic medical care, immunization, and a strong emphasis on preventive practice contributed significantly to improvements in public health for vulnerable groups, though services were variable in quality and often unresponsive to public needs, especially the needs of women. The cessation of state subsidies and the introduction of user-pay principles as part of the transition processes have had significant impacts on vulnerable groups. There is a danger that the gradual shift towards more market-oriented systems of social sector financing will erode the access of poor people to basic services, leading to a widening health care and education gap. Decentralization of government programs has further exacerbated regional disparities and rural-urban gaps, as poorer regions with larger numbers of vulnerable people have fewer resources to fund social assistance programs. More responsibility is being given to local government to identify the most vulnerable to receive the capped allocations of social assistance. NGOs are encouraged to take an active role in providing social assistance.

Mongolia has now established a "National Program for Households Livelihood Capacity Support" for the period 2000–2005, as a follow-up to its National Program for Poverty Alleviation that operated from 1994–2000. This new program includes access to health care, education, and employment for the poor, elderly, disabled, and children. It also includes water safety and microcredit schemes. Mongolia is also requesting the assistance of the international air provider community and access to soft loans (Government of Mongolia, 2000). Local community groups administer the program using guidelines developed by the Ministry of Labor that identify poverty indicators based on the labor status, income and assets, and access to agricultural land of each household. Low-welfare households are between seven and eight times more likely to receive assistance than high-welfare households. Many vulnerable groups were cared for in state institutions that are struggling to maintain basic care for existing residents.

The Government of Viet Nam has sought to reduce poverty and maintain livelihoods during this period of economic change through a series of social protection programs under its Hunger Eradication and Poverty Reduction Program, which has operated since 1992. The program encompasses access to credit and low-interest loans through the Bank for the Poor (established in 1996), free health insurance cards, and school fee exemptions or reductions for poor students. Regional planning, redistributive public spending policies to favor poorer regions, increased investment in health care, education and marketing infrastructure, and incentives for investors to create employment opportunities away from current growth zones are among the options available. External agencies have concentrated on structural adjustment programs, with some lending agencies also supporting poverty alleviation programs in rural areas, mainly through nonfarm employment generation projects and microcredit schemes.

#### **e. Post-conflict Societies**

Due to the nature of the shocks and the breakdown of society during periods of conflict, the need for basic social services and provision of the in-kind and cash payments of social

assistance and health schemes would seem to be the priority initially for the short term. The population needs are for social stability and well-being, essential food, shelter, clothing and water. In the longer term, countries can introduce more comprehensive social security systems.

Social assistance programs are primarily designed for risk coping, as vulnerable groups are helped to deal with a range of risks that have occurred. A broader range of social protection programs would generally be implemented with the purpose of risk reduction, followed by risk-prevention strategies. The Government's revenues decrease drastically and its ability to provide basic social services becomes severely constrained. Most countries in this situation needed external funding to rebuild the basic social service infrastructure, rebuild factories and employment, repair roads and other transport systems, re-establish communication systems, and try to attract necessary qualified staff to work in the social sector fields. Social assistance programs can at best be minimal in these circumstances, inasmuch as the average benefit for vulnerable households is insufficient to cover minimum household expenses. Vulnerable groups include the unemployed from inactive state-owned enterprises, with underemployment also high in rural areas.

For example, as a consequence of a civil war in Tajikistan, vulnerable groups included 700,000 refugees and 55,000 orphaned children. Comprehensive social protection programs are needed, including social assistance programs that are designed to help vulnerable groups cope with the post conflict crisis conditions in the Asian and Pacific region.

#### **f. Regional Examples**

Many different types of social assistance programs are implemented within the region. The South Asia Poverty Alleviation Program (SAPAP) began in 1996 in Bangladesh, India, Maldives, Nepal, Pakistan and Sri Lanka. The program uses community groups as the primary means to focus activities on the needs and priorities of poorer community members, especially poor women. SAPAP projects provide seed capital to start community credit schemes and promote community links with government line ministries and financial institutions. Members of the community credit groups often prefer to provide larger loans to fund more significant economic activities for a few poor households rather than split up the available credit into many small loans. In India, 4,000 self-help groups have been established, 94 percent of which comprise women only. All self-help groups are meeting their operating costs from the interest on loans to members. The program ensures that the poorest of the poor have access to knowledge, skills, and technology as well as providing credit. The SAPAP example demonstrates that effective social assistance programs can be supported and sustained. A similar program for Southeast Asia may be appropriate for vulnerable groups such as migrants, refugees, poor women, rural unemployed youth and ethnic minorities.

Established in 1972, the Self-Employed Women's Association (SEWA) is a registered trade union for women in India's informal sector that also operates a bank that offers savings accounts and loans to members. SEWA has also offered a social security scheme, which insures about 14 percent of SEWA members, covering health, life, and asset insurance. Well established microcredit programs can also be effective following the natural disasters. Food for Education programs have more recently been implemented in Indonesia and Thailand in response to the effects of the Economic Crisis with the assistance of aid provider funds and soft loans. The Food for Education Programs scheme was implemented in Bangladesh in 1993.

Employment guarantee schemes (EGSS) have been introduced to provide employment in public works programs for targeted categories or segments of the unemployed and vulnerable groups, especially those in rural areas. However, the annual wage income of EGS households was higher than non-EGS households, demonstrating the number of rural working poor. In Japan, the Ministry of Health and Welfare is planning to introduce a new system of “public insurance for elder care,” as a mechanism to provide support to families experiencing difficulties in caring for elderly relatives, a result of the aging demographic in Japan.

### **g. Summary of Social Assistance Subregional Needs**

Economic reforms involving large-scale unemployment and joblessness, low or declining economic performance, high inflation, and budgetary constraints strongly suggest the need for social assistance programs that ensure that vulnerable groups are able to access limited labor market opportunities. Social assistance programs must provide access to such opportunities for vulnerable groups, as well as meeting their immediate short-term survival needs. More information about newly emerging vulnerable groups is needed, as well as an analysis of programs in other sectors that may be contributing to people’s vulnerability. In addition, social assistance programs are needed for the medium term to develop skill levels among vulnerable individuals and groups that will be needed in the labor market, and programs that provide incentives for self-reliance. In the longer term, social assistance programs that prevent vulnerabilities are needed. Social assistance programs that offer secondary incomes for vulnerable households—for example, through public works programs or the creation of part-time, casual, and temporary employment—may be more effective in the longer term in removing the causes of vulnerability. The creation of part-time and casual jobs in service provision, such as home care for elderly and disabled and child care, can directly provide services to those unable to participate in the labor market and provide employment opportunities for vulnerable individuals who are able to participate in the labor market.

### **h. International Lending Institutions**

The World Bank is increasingly influential in the development of social protection approaches, with lending in social protection activities growing rapidly during the 1990s (increasing to US\$3 billion, or 13 percent of total lending, in 1998). The Social Protection Sector was established in 1996, linking social protection policies with an overarching emphasis on poverty reduction. Social assistance activities have been limited to short-term projects or soft loans to meet emergency situations, rather than developing a comprehensive social assistance country program for vulnerable groups. The International Labour Organisation (ILO) has been involved in a number of social security projects that primarily concentrate on social insurance but may have some social assistance interventions. ILO has a labour focus mainly connected with labor market policies and employment generation through public works for established vulnerable groups, including the poor, rural and urban unemployed, the disabled, and women.

The European Union, through its Phare and Tacis programs of assistance to transition economies, has developed expertise in social protection reform issues, particularly in relation to such countries as Mongolia, but has limited experience with other forms of social assistance in this region. The United Nations Children’s Fund has specific interests and expertise in relation to vulnerable children and is involved in programs on the Convention on the Rights of the Child, including some forms of social assistance in related sectors of education and health care.

The International Red Cross has specific interests in vulnerable groups caused by natural disasters, conflicts, and epidemic disease, as well as impoverished families. It has many grass-roots programs operating in most countries in the region that provide services and assistance for vulnerable groups. Within the region, the Red Cross may be a possible partner for ADB to consider in developing and implementing social assistance programs. There are a multitude of international and national NGOs, civil societies, charities and community groups providing a range of social assistance interventions that have had varying degrees of success in reaching vulnerable groups and in improving their living standards.

#### **4. Practical Options for Programs and Projects**

There are 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. There are also opportunities for funding specific pilot projects for vulnerable groups that are designed to increase equity and promote growth. The integrated and comprehensive social assistance program development that is needed requires a combination of technical assistance and soft loans that would, in the long term, become internally sustainable.

A set of objectives is suggested for any social assistance activities implemented by ADB:

- Improve the capacity of public institutions to effectively identify vulnerable groups and their needs;
- Design 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;
- Improve processes and opportunities that enable vulnerable groups to participate in identifying their needs, and design responses to those needs;
- Increase institutional administrative capacities and transparency in the public sector, so that social assistance transfers fully reach the intended vulnerable groups;
- Provide mechanisms to support cross-sectoral approaches that provide effective and efficient forms of assistance to vulnerable groups.

##### **a. Capacity Building Projects**

The capacity of governments, institutions and organizations to develop and implement social assistance programs has expanded recently through the need to cope with the effects of the regional economic crisis, economic transitions, and the emphasis on poverty reduction by international organizations. Technical assistance from development agencies needs to be related to an improved capacity of policy developers to analyze social protection within a holistic treatment of issues of economic growth, governance and public policy.

Policy development should start from the needs, realities, and priorities of the groups intended to benefit from social assistance. There are many factors that contribute to the creation of policy and program systems responsive to the needs of vulnerable groups. Project needs in relation to capacity building include

- Establishing an information base on issues of vulnerable groups' poverty and deprivation, including qualitative aspects that illustrate the realities, and disseminating this information to inform social debate;

- Ensuring that policymakers have an adequate understanding of the various nonstate forms of social protection operating to provide insurance and assistance to poor people; and
- Supporting the development of local groups that enhance the livelihood security of vulnerable groups, through appropriate regulation and programs.

To make social assistance policy information systems accessible and useful to potential users, two basic issues need to be addressed. The data available has increased as more national statistics offices have collected more household data that includes the poorest and more vulnerable groups. Training in social assistance policy issues should generate the capacity to assess the social and political context of social assistance policies; to get acquainted with the local, national, and global trends that condition policies, and to collect and analyze information; and to understand the criteria for choosing priorities and the costs and economic implications of social assistance programs. Training of users of information, especially beneficiaries and actors in social assistance processes, should be given attention. Training should be provided in the financial analysis of policy options and the consequent implications for national budgets, including the opportunity cost of social assistance measures in terms of other state expenditures (both on social sectors such as health and education and on growth-promoting economic policies) that are foregone.

#### **b. Service Delivery Methods.**

Pilot projects involving NGOs, local government, communities, beneficiaries, and national central governments are useful methods for developing models for participation, cooperation, and collaboration. Partnerships with international NGOs and NGOs, and their involvement in ADB projects, can be encouraged through specification of an NGO component in social assistance projects, e.g. survey work, policy development, service delivery, or monitoring and evaluation.

#### **c. Policy Monitoring and Evaluation**

Timely feedback mechanisms on the sudden needs of new groups of vulnerable persons have been tested in some countries and need to be evaluated for general use within the region. Often the results of social assistance programs and other forms of social protection are difficult to isolate from other related sector programs such as health care programs, general poverty reduction efforts, and local initiatives by community organizations and NGOs. The cost effectiveness of design options can be measured against agreed criteria for different vulnerable groups. Specific information concerning vulnerable groups should be collected in poverty data, living standards surveys, labor force statistics, and census and other data collection methods. The poverty levels of vulnerable groups should be reported, as well as social assistance programs' effectiveness of in improving their standards of living.

#### **d. Social Protection Projects and Programs**

Instead of specific social assistance projects or program funding, ADB could seek to address equity and access issues for vulnerable groups through interventions in other social protection programs. For example, ADB could support the extension of social insurance coverage to informal and rural sectors. Health insurance is the more immediate need for the most vulnerable, along with funeral benefits. Another approach would be to combine microcredit programs with health insurance for members and families. The health insurance could be purchased from an existing public health insurance system or private health providers, or a

microinsurance scheme could be established as part of the microcredit scheme. This health insurance approach should be in addition to savings practices, not instead of savings.

Labor market programs can be designed to provide opportunities for vulnerable groups and support the involvement of unemployed rural youth, single mothers, the disabled, refugees, migrants, ethnic minorities, and other groups through the provision of childcare facilities, modified equipment, and even literacy and language training as part of vocational training programs. These programs provide greater opportunities for the most vulnerable to actively participate in the labor market. Social assistance and poverty reduction programs often contain the same target groups. Where countries face this situation, social assistance can become a mechanism within a poverty reduction program. There may be the opportunity for “double-dipping” where a poor household receives income support and access to microcredit and food and health subsidies. Without specific funding, the most vulnerable may be excluded from opportunities to participate as they represent only a minority compared to more vocal poor groups.

### **e. Implementation of Social Assistance Projects and Programs**

Program or project implementation is at risk where there are disputes over ownership of programs, responsibilities for outcomes, resource commitments and lack of senior political support. For example, is there any existing legislation for social assistance or social protection? How will the social assistance program impact upon existing policies and programs? Will the program have an impact on other legislation? The timing of the project or program must be considered in the light of other reforms being undertaken within the country, such as decentralization of government, which may impact upon the implementation of the policy or program objectives. Subregional, regional, and global trends may affect the program in the medium term, either directly or indirectly. It is also important to consider whether the program or project is seeking to change the behavior of vulnerable groups. Cost-benefit analyses can be made of various implementation options based on the policy or program objectives. Transitional arrangements will occur at the beginning of the project or program implementation and at the end, when the project or program is finalized.

### **f. Project Management**

Project management may also be necessary to ensure that related reforms underpinning the program or project are implemented, for example decentralization to local government or exemptions for health services in the health sector. Monitoring information should be assessed regularly to enable program or project fine tuning. The evaluation results should be used to reassess the situation for vulnerable groups and review the policy assessments used at the inception stage of the program or project. Evaluations should be linked to regular official surveys, such as household and poverty surveys, or census activities, to include measurements of forms of social assistance received and impacts.

## **5. Lending instruments for Social Assistance**

The most relevant lending instruments for social assistance program developments are

- Project lending that provides investment funds for technical assistance, for the building of institutional capacity, and for investment in infrastructure;

- Program lending that provides budget support in return for the government's meeting agreed policy conditions; and
- Country strategies that include project lending and loans developed in partnership with the government and ADB to provide a consistent and comprehensive framework for achieving long-term goals such as equity and growth for vulnerable groups.

The majority of program outcomes relating to social assistance occur over the medium and longer term. A preferred arrangement would be for social assistance programs to be included as part of country strategies and policy loan conditions as part of a comprehensive reform of social protection, or as a component of a poverty reduction strategy. This arrangement enables ADB to enter into a long-term partnership with a government and to develop integrated policies and programs. This also provides for some flexibility to change the scope of the loan arrangements and programs to meet emerging needs for newly vulnerable groups.

### **a. Program Lending**

Program lending reduces a significant risk for the implementation of the project and also demonstrates a government's commitment to the program. In addition to the design and financing of projects and programs that directly target the most vulnerable groups, ADB can provide funding for DMCs to build capacity in social assistance program design and implementation. Public social services can be restructured to benefit the poorest, so that during periods of fiscal crisis, per capita social expenditure decreases during the crisis years, but is increased for the poorest decile. An adjustment program provides a coherent policy framework in which vulnerable groups can be identified and protected. In contrast, it is very difficult to protect poor and vulnerable groups in a haphazard policy framework, where macroeconomic distortions and high inflation erode real income levels. With the implementation of adjustment programs in many countries, the policy framework has shifted from short-term safety nets to more appropriate macroeconomic policies coupled with longer-term investments in health and education. Investment in longer-term social assistance policies, particularly in education, has positive effects on growth and therefore on poverty reduction. Social assistance short-term programs can play an important part in transition periods. Social assistance programs must complement rather than contradict the general direction of macroeconomic reforms. ADB could assist governments in meeting their commitments to social development through financing that is linked to state budget allocations to social assistance, for example matching grants.

### **b. Features of Project Lending**

Social assistance project lending is usually designed to enhance the capacity of government institutions to provide social protection benefits or services directly or to regulate interventions mandated through the private sector. Specific social assistance interventions can be developed through project lending, including the piloting of policy implementation or new service delivery methods. Rather than invest in specific social assistance projects or programs, ADB could incorporate social assistance targets (such as 20 percent of employment opportunities), for the participation of vulnerable groups in other projects. This would require the project financing to be sufficient to ensure that necessary facilities and support are provided so as not to exclude certain vulnerable groups.

A range of interventions would need to be incorporated in other sectoral programs or other social protection programs. Employment generation projects should ensure that funding for childcare facilities is provided, as well as home care services to elderly parents, so that working-age members of households can participate in employment and the opportunity for women's participation is increased. Urban redevelopment projects can include low-cost housing opportunities for the urban poor, migrants, refugees, unemployed youth, and other vulnerable groups, and integrate health care, education, and employment services and elderly support services. Systematization and regularization of previously illegal connections to public water systems have brought down the cost and improved the delivery of water to vulnerable groups in shantytowns and urban slums in some countries (e.g., the Philippines). Recently, some countries in the region have experimented with housing assistance, including community financing for low-income groups in both urban and rural areas, with mixed results.

### **c. Mainstreaming Assistance to Vulnerable Groups and Collateral Lending**

ADB can use collateral lending when social assistance policy or capacity building is not the direct objective of the loan. Appropriate measures should be included to subsidize price increases for vulnerable households (e.g., government subsidies for the most vulnerable, or different pricing structures dependent on income levels).

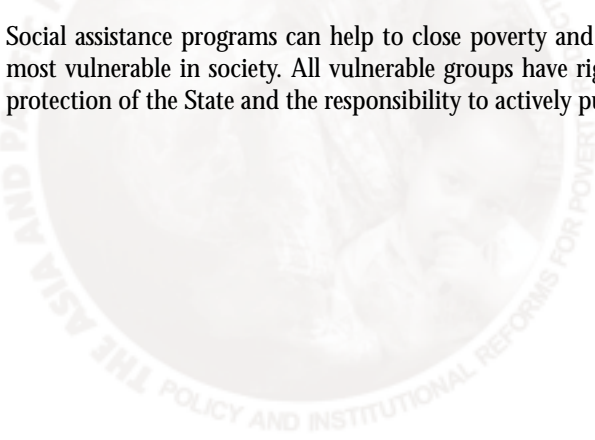
### **d. Cooperation With International Organizations**

More international organizations are increasingly involved in social protection projects, programs and reforms. What would be the lines of complementarity, opposition, competition between social funds, ministries of social affairs, private NGOs and charities, welfare organizations and projects, and the wider international NGOs and agencies? ADB could further develop strategic partnerships with other institutions that have expertise in social protection fields, such as the World Bank, ILO, the World Health Organization, the Food and Agriculture Organization, the United Nations Development Programme, and other United Nations agencies, to complement efforts in poverty reduction and social protection, rather than duplicate projects within countries. For example, a social protection research and training institute could be established in the region that directly involves the expertise of these international agencies, and national experts could provide training to policymakers and program designers, as well as undertaking research into such topics as cost-effective forms of social assistance within the region, linkages between social protection and economic development, and community-based models of health insurance and microcredit. Study exchange programs could be jointly sponsored by the participating organizations to help countries with less experience in social assistance programs. There may be a number of social assistance programs and projects funded by international agencies within the region that have focused on short-term activities, but have not addressed sustainable, long-term programs needed by 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 the economic growth of their country. The largest numbers of vulnerable groups reside in rural areas so it is important that an appropriate balance of social assistance programs be allocated between rural and urban areas. Access to land, investment in infrastructure, access to credit and savings institutions, and protection from external crises are strategies that have the most profound positive impact for the majority of vulnerable groups in DMCs.

Vulnerable groups can save, and they are very efficient investors. Vulnerable groups are often located in marginal areas poorly served by roads, creating additional difficulties in gaining access to inputs and markets. 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 of the elderly, the disabled, and orphans.

Social assistance programs can help to close poverty and social exclusion gaps for the most vulnerable in society. All vulnerable groups have rights as citizens to receive the protection of the State and the responsibility to actively pursue better opportunities.



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