

ASIAN DEVELOPMENT BANK

TAR:STU 36667

TECHNICAL ASSISTANCE
(Financed by the Japan Special Fund)

FOR THE

PACIFIC REGIONAL SOCIAL PROTECTION SYSTEMS ASSESSMENT

December 2004

ABBREVIATIONS

ADB	–	Asian Development Bank
PDMC	–	Pacific developing member country
PNG	–	Papua New Guinea
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	General intervention
Sector	–	Multisector
Subsector	–	Social safety net programs
Theme	–	Inclusive social development
Subtheme	–	Human development

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. The Asian Development Bank (ADB) approved its social protection strategy and associated action plan in 2001. The strategy covers five main areas of intervention to mitigate risk and vulnerability, namely: social insurance, social assistance, labor market programs, local and area-based schemes, and child protection. A regional social protection assessment study was included in the Pacific Regional Assistance Program in 2002. Fact-finding missions were fielded to Papua New Guinea (PNG) in January 2003, to Vanuatu in February 2003, and to the Marshall Islands (RMI) in April 2003. The missions discussed with the governments the concept, approach, and outline of the study. The Government of Vanuatu concurred with the goals, purpose, scope, implementation arrangements, cost, financing arrangements, and terms of reference of the study. Concurrence from the governments of PNG and RMI is being sought, and other countries will be invited to participate as appropriate. No project activities will be undertaken in any country until the concurrence of the particular government is received. The technical assistance (TA)¹ framework is shown in Appendix 1.

II. ISSUES

2. Pacific economies face some long-standing problems, including weak or no employment growth, poverty, low levels of private investment, low return on public investments, insecurity of land tenure, and low commodity prices. A general economic slowdown, a decline in international trade, decreased international tourism, and the migration of skilled workers are common across the region. The region is also susceptible to natural disasters, which bring economic shocks to already vulnerable communities. While their economies remain stagnant, some Pacific developing member countries (PDMCs) depend largely on international aid and remittances from abroad.

3. Although individual PDMCs' circumstances and performance vary significantly, the overall picture is not encouraging. The Pacific is falling behind other developing regions. Economic growth has not kept pace with high population growth rates, so per capita incomes are declining, sometimes steeply. Even where per capita incomes have grown, the extent of growth is insufficient to promote real development. The private sector has been unable to lead economic growth, job creation for young people has been minimal, and poverty is becoming a significant issue in many PDMCs. Previously mitigated by social safety nets in rural villages, today poverty most often manifests itself as hardship in meeting basic needs rather than in absolute or food poverty. It lurks in unplanned and un-serviced peri-urban settlements filled with migrants seeking nonexistent jobs and among those populations left behind on outer islands. While data are not definitive, more than 25% of the population of Fiji Islands, Kiribati, Federated States of Micronesia, PNG, Solomon Islands, Timor-Leste, and Vanuatu are believed to be living in poverty.

4. Social indicators are also showing very mixed performance. Some PDMCs are slipping down the country rankings of the human development index, and many will fail to achieve key targets of the Millennium Development Goals by 2015. Crime and ethnic tensions are growing in many areas, and the rule of law has come under pressure in some PDMCs.

5. Two priorities emerge consistently from surveys of the poor across eight PDMCs: (i) access to cash income-generating opportunities, and (ii) access to social services, especially

¹ The TA first appeared in the *ADB Business Opportunities* (Internet edition) on 20 January 2003.

primary education and health care. ADB is proposing that these two priorities guide its new Pacific strategy. The key to generating cash income is enabling the poor to gain access to efficient markets for goods and services and to secure decent jobs. As PDMC governments recognize, the private sector must drive market and job creation. The range of good governance, policy, and institutional issues is vital to the creation of a supportive environment for private sector development. Public goods such as macroeconomic stability, physical security, and adherence to the rule of law are essential prerequisites. These in turn require a degree of political stability.

6. Social protection policy interventions can alleviate hardship caused by sharp drops in income or consumption among those in the most vulnerable groups, and can mitigate the consequent erosion of human capital investment. Social protection mechanisms can spur growth insofar as the poor can afford to undertake riskier activities with higher returns in production and the labor market. They can also encourage pro-growth reforms and liberalization programs.

7. Social protection in Marshall Islands, PNG, and Vanuatu is limited in all five areas identified by ADB's social protection strategy (para. 1). The few government-provided or government-mandated programs that do exist focus predominantly on those in the formal labor market. Protection for those outside the formal sector is largely provided by families or communities. Traditional or customary protections still play an important role in mitigating the risks of minor shocks, such as temporary job loss or short-term illness, although such forms of protection are becoming less prevalent, particularly in urban areas. Traditional forms of protection are largely ineffective in mitigating the risks of major shocks, such as drops in commodity prices and the impact of global economic downturns, because such shocks affect the wider community and their effects are experienced by all, not just the poor and vulnerable.

8. Governments need to understand the role that social protection interventions can play in mitigating risk and vulnerability and to explore the benefits and costs of such programs. Assessing existing programs to see what value they are adding to social and economic risk management will help optimize the use of scarce government, donor, private sector, community, and household resources. Most PDMCs have little capacity in the field of social policy development to conduct such assessments or to identify alternatives.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

9. The purpose of the study is to improve Pacific governments' capacity to develop social protection policies and programs for the poor and vulnerable. The TA is in line with the poverty reduction agreements of the participating countries and with ADB's social protection strategy.

10. The major output will be a social protection assessment study, which for each of the participating countries, Marshall Islands, PNG, and Vanuatu, includes (i) a vulnerability and risk profile; (ii) a summary labor market assessment; (iii) a review and analysis of the current social protection system, both formal and informal, that includes an assessment of its adequacy, effectiveness, and efficiency in providing social protection to the vulnerable population; and (iv) recommendations for future social protection policies and programs based on identified needs, institutional capacity, costs of proposed interventions, and financing options. An outline of the study is shown in Appendix 2.

B. Methodology and Key Activities

11. The analytical framework for the study will include the frameworks outlined in ADB's *Handbook on Poverty and Social Analysis* and social protection strategy.
12. The TA activities will include:
 - (i) **Desk review, research, and analysis of existing data, studies, and literature.** The ADB participative poverty studies conducted under TA 6002-REG,² will provide data on the nature of poverty and hardship, the perceived needs of the poor, and the current coping mechanisms of the poor. An inventory of existing social protection arrangements (formal and nonformal) will be prepared, including a description of the arrangements, target groups, coverage, access, and financial dimensions, and an evaluation of the arrangements' adequacy and effectiveness for the poor in general, and for women and special needs groups (such as the disabled and children) in particular. The desk review will also consider other related assessments conducted by ADB.³
 - (ii) **Field work and primary data collection.** Field work will be conducted to review social protection in place and to verify the findings of the desk research. Focus group discussions and interviews will be conducted with relevant stakeholders, including potential beneficiaries. Consultations with the governments will be undertaken to analyze the effectiveness and efficiency of government-mandated and government-provided social protection programs. Consultations with civil society will be undertaken to analyze social protection mechanisms outside the formal sector.
 - (iii) **Stakeholder dialogue and consultation.** The study's findings will be shared with relevant stakeholders to identify recommendations for future government consideration.

C. Cost and Financing

13. The total cost of the TA is estimated at \$565,000 equivalent. ADB will finance \$500,000 and the balance of \$65,000 equivalent will be provided by the participating governments through the provision of counterpart staff, support services, and office facilities. The TA will be financed on a grant basis by the Japan Special Fund, funded by the Government of Japan. Appendix 3 presents detailed cost estimates and the financing plan.

D. Implementation Arrangements

14. ADB will finance two international consultants with expertise in social protection and poverty analysis for 12 person-months, and four domestic consultants with expertise in social protection and social development for 24 person-months. Appendix 4 lists the outline terms of reference for the consultants. The expected duration of the TA is 6 months, commencing in January 2005 and ending in June 2005. ADB will be the executing/implementing agency and

² ADB. 2001. *Technical Assistance for Consultation Workshops for Poverty Reduction Strategies in Selected Pacific Developing Member Countries*. Manila.

³ ADB. 2000. *Technical Assistance for Strategies for Improved Social Protection in Asia*. Manila; ADB. 2000. *Technical Assistance for Seminars on Business Opportunities in 2000–2001*. Manila; ADB. 2001. *Technical Assistance to Papua New Guinea for the Poverty Analyses for Socioeconomic Development Strategies*. Manila; ADB. 2002. *Technical Assistance for the Preparation of National Poverty Reduction Strategies in Pacific Developing Member Countries*. Manila; ADB. 2004. *Technical Assistance for Strengthening Poverty Analysis and Strategies in the Pacific*. Manila.

ADB's Pacific Department will be responsible for the overall and day-to-day monitoring of TA activities. Counterpart agencies for the TA are the Ministry of Finance of the Marshall Islands, the Ministry for Welfare and Social Development of PNG, and the Ministry of Finance and Economic Management of Vanuatu.

15. All consultants will be recruited on the basis of quality- and cost-based selection procedures using ADB's simplified technical proposal, in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for the engagement of domestic consultants.

16. The consultants will submit three reports: (i) an inception report to be submitted no later than 2 weeks after the commencement of the TA, (ii) a draft final report 5 months after commencement of the TA, and (iii) a final report incorporating comments from ADB and the participating governments within 1 month of receiving these comments.

17. The results of the study will be disseminated in the participating countries via workshops. The final report will be disseminated to all PDMCs.

IV. THE PRESIDENT'S DECISION

18. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$500,000 on a grant basis for the Pacific Regional Social Protection Systems Assessment, and hereby reports this action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions
<p>Goal Improved social and economic risk mitigation for the poor in Marshall Islands, Papua New Guinea, and Vanuatu</p>	<p>Better targeting of social protection programs</p>	<p>Government financial reports</p>	
<p>Purpose Improved government capacity to develop social protection policies and programs for the poor and vulnerable</p>	<p>Social protection policy and programs included in government development plans and budgets</p>	<p>Government development plans and budgets</p>	<p>Governments maintain their interest in building capacity for social policy.</p>
<p>Outputs Social protection assessment study for Marshall Islands, Papua New Guinea, and Vanuatu, providing each government with an assessment of social protection in its country and options for future social protection policies and programs</p>	<ol style="list-style-type: none"> 1. Vulnerability and risk profile and summary labor market assessment within 5 months of technical assistance (TA) commencement 2. Review and analysis of the current social protection system, both formal and informal, including an assessment of its adequacy, effectiveness, and efficiency in providing social protection, for each participating country within 5 months of TA commencement 3. Recommendations for future social protection policies and programs within 5 months of TA commencement 	<p>Draft and final consultant reports; Government feedback; Project implementation progress reports; Project review mission</p>	<p>Information and statistics relevant to the studies are inadequate or outdated.</p> <p>Vulnerability is hidden.</p>
<p>Activities For each country: Research available literature and existing</p>	<p>All activities are compiled in a work plan</p>	<p>Draft and final consultant reports;</p>	

Continued on next page

Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions
<p>data and studies by means of a desk study</p> <p>Field Work: Conduct interviews and hold discussions with relevant stakeholders</p> <p>Prepare documentation for consultations</p> <p>Conduct stakeholder workshops to disseminate findings</p> <p>Prepare final report</p>	<p>2 weeks after inception of the TA and have been completed 8 months after inception</p>	<p>Government feedback; Project implementation progress reports; Project review mission</p>	
<p>Inputs ADB Regional TA grant of \$500,000, of which:</p> <p>International Consultants</p> <p>Domestic Consultants</p> <p>Travel</p> <p>Reports, Training, Surveys, Administration, and Other Costs</p> <p>Contingencies</p>	<p>\$240,000</p> <p>\$120,000</p> <p>\$40,000</p> <p>\$35,000</p> <p>\$65,000</p>	<p>Project implementation progress reports; Project accounts</p>	

DRAFT OUTLINE OF THE STUDY

The study will address the following issues:

- (i) context and objectives
- (ii) methodology of the study
- (iii) conceptual framework
- (iv) risk and vulnerability profile
 - dynamics of poverty
 - causes of vulnerability
 - who is vulnerable: geography, gender, age group, income group, special needs
 - risks: country, life cycle, economic, environmental, social, governance
 - incidence and risk rating
- (v) summary labor market assessment
 - incidence of employment, unemployment, and underemployment
 - seasonal labor
 - formal and informal labor markets
 - compliance with international core labor standards
 - labor market regulatory framework
- (vi) inventory of social protection policies and programs
 - formal programs: labor markets, social insurance, social assistance, local and area-based schemes, child protection
 - informal programs: traditional and tribal; community; family, household, and individual
 - assessment of coverage: access, adequacy, equity, effectiveness, efficiency
 - institutional assessment
- (vii) options for future social protection interventions
- (viii) recommendations

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
A. Asian Development Bank Financing^a	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	240.0
ii. Domestic Consultants	120.0
b. International and Local Travel	40.0
c. Reports and Communications	5.0
2. Training, Seminars, and Conferences	10.0
3. Surveys	10.0
4. Miscellaneous Administration and Support Costs	10.0
5. Contingencies	65.0
Subtotal (A)	500.0
B. Government Financing	
1. Office Accommodation and Equipment	20.0
2. Remuneration and Per Diem of Counterpart Staff	30.0
3. Support for Meetings	5.0
4. Workshops and Seminars	10.0
Subtotal (B)	65.0
Total	565.0

^a Financed by the Japan Special Fund, funded by the Government of Japan.
Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The technical assistance (TA) will be conducted in three countries: Marshall Islands, Papua New Guinea, and Vanuatu. The consulting team for the TA will comprise two international consultants and four domestic consultants, recruited under a firm through the Asian Development Bank's (ADB's) quality- and cost-based selection (QCBS) procedure using a simplified technical proposal, in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for the engagement of consultants. The consultants will take into account the relevant ADB handbooks, particularly the *Handbook on Poverty and Social Analysis*, ADB's social protection strategy, and ADB's policy on gender and development. The specific technical tasks associated with each consultant follows.

A. International Consultants

1. Social Protection Specialist/Team Leader (6 person-months)

2. The specialist should have a solid background and experience in the field of formal and informal sector social protection instruments, including health care. The specialist should have broad experience in developing countries.

3. The specialist will ensure that gender issues are adequately mainstreamed by identifying gender biases in existing social protection arrangements and proposing measures to improve the situation of women with regard to social protection.

4. As team leader, the specialist will be responsible for the following activities:

- (i) preparing the TA inception report, including a detailed work plan for the team;
- (ii) consolidating the TA's outputs before and after each scheduled mission;
- (iii) regular consultation with government steering committees, counterpart agencies, other development partners, and ADB on the issues raised and recommendations of the study;
- (iv) preparation of the draft final report and revisions required for finalizing the report based on a tripartite review; and
- (v) coordination of the activities of the other team members.

5. The consultant's activities as social protection specialist include, but are not limited to the following:

- (i) review and assess in detail all existing programs and arrangements for social protection by various government and nongovernment actors;
- (ii) agree on a definition of what constitutes social protection in each country;
- (iii) define priority target groups and assess their exposure to risks and their need for social protection arrangements;
- (iv) conduct several participatory workshops and focus group discussions to assess needs, formulate priorities, and introduce the process of social protection;
- (v) adapt lessons learned from other projects and studies;
- (vi) propose possible activities in the field of capacity building of officials on their roles and relevant issues to enable them to perform as catalysts to address the needs of the target groups;
- (vii) hold a workshop with government representatives and development partners involved in proposals and studies to discuss the team's proposals; and

- (viii) produce and consolidate a report (see outline in Appendix 2) for discussion with the governments, including recommendations for improving current social protection arrangements and establishing new ones.

2. Social Protection Specialist (6 person-months)

6. The specialist should have a solid background and experience in the field of formal and informal sector social protection instruments, including health care. The specialist should have broad experience in developing countries.

7. The specialist will also ensure that gender issues are adequately mainstreamed by identifying gender biases in existing social protection arrangements and proposing measures to improve the situation of women with regard to social protection.

8. Under the direction of the team leader, the social protection specialist will contribute to:
- (i) review and assess in detail all existing programs and arrangements for social protection by various government and nongovernment actors, including appropriate institutional assessments;
 - (ii) agree on a definition of what constitutes social protection in each country;
 - (iii) define the priority target groups and assess their exposure to risks and their need for social protection arrangements;
 - (iv) conduct several participatory workshops and focus group discussions to assess needs, formulate priorities, and introduce the process of social protection;
 - (v) adapt lessons learned from other projects and studies;
 - (vi) propose possible activities in the field of capacity building of officials on their role and relevant issues to enable them to perform as catalysts to address the needs of the target groups;
 - (vii) prepare a workshop with government representatives and development partners involved in proposals and studies in order to discuss the team's proposals; and
 - (viii) produce and consolidate a report (see outline in Appendix 2) for discussion with the governments, including recommendations for improving current social protection arrangements and establishing new ones.

B. Domestic Consultants

1. Social Protection Specialist/Economist (6 person-months)

9. The economist will prepare a comprehensive analysis that supports the economic impacts and justification of the strategy proposed by the study and demonstrates the cost-effectiveness of the proposed interventions.

10. The economist will:
- (i) coordinate the collation of data on government expenditures on social protection (amount, sources, and funding channels) and assess the implications of future financing arrangements (including copayments or user fees for access to services by the poorest), drawing on pertinent studies;

- (ii) elaborate quantitative dimensions of social protection, including an initial social budget (expenditures and funding sources for social protection in each country), population covered, and available facilities and staffing;
- (iii) provide, in cooperation with the social protection specialist, cost estimates for all proposed activities, including capacity building, institutional development, management strengthening, policy development, and investment needs; and
- (iv) contribute to the final report.

2. Legal Specialist in Social and Labor Law (6 person-months)

11. The legal specialist will:

- (i) review all acts and regulations pertaining to social protection;
- (ii) review the results of existing studies and consolidate information relevant to the study, identifying gaps and areas of special concern;
- (iii) identify key issues in the legal reform process that need to be addressed in order to implement the proposed social protection recommendations;
- (iv) identify regulations and structures that promote and obstruct gender equity and make recommendations;
- (v) coordinate with local bodies and working groups to incorporate relevant legal issues and cross-cutting issues in the proposed social protection strategy; and
- (vi) contribute to the final report.

3. Community Development and Gender Specialist (6 person-months)

12. The community development specialist will:

- (i) review the situation of target groups at the community level by gender and identify ways to express their needs and complaints;
- (ii) conduct—with the poverty analyst—participatory workshops and focus group discussions with mixed and women-only groups at various levels (national, district, community) to assess needs, formulate priorities, and introduce the process of social protection;
- (iii) prepare a stakeholder analysis and assessment report along with a proposed participation strategy for implementation of social protection measures;
- (iv) identify and formulate, a strategy for community-level support to the most disadvantaged groups together with relevant ministries and government and nongovernment institutions;
- (v) identify possible pilot projects at local levels, including social protection service delivery to disadvantaged groups and strengthening local bodies and agencies through training and capacity building in relation to social protection issues to be tested; and
- (vi) contribute to the final report.

4. Poverty Analyst (6 person-months)

13. The poverty analyst will work closely with the team leader to identify the target groups, municipalities, and districts most in need of social protection. The specialist will:

- (i) prepare a summary risk and vulnerability profile using ADB methodology and drawing on studies prepared by other development partners in this area;

- (ii) identify the potential beneficiaries of the proposed social protection measures;
- (iii) work with the social protection specialist on demand for services and address participation and demand more generally for the targeted groups;
- (iv) conduct focus group discussions with target groups to ascertain their needs and preferences;
- (v) quantify the poverty impact of proposed interventions either directly, e.g., numbers of beneficiaries receiving essential social protection services broken down by gender, or indirectly, e.g., availability of services, including referral systems, to targeted beneficiaries;
- (vi) identify risks of failure to achieve the objectives and steps to be taken to minimize those risks;
- (vii) examine the likelihood of benefit leakages to the nonpoor and steps to correct this;
- (viii) identify credible instruments for targeting and monitoring poverty impacts;
- (ix) work with the social protection specialist to identify performance indicators and methodologies and the human resources required to support the proposed measures, baseline and later evaluation surveys, and monitoring of the poverty impact on the target groups; and
- (x) contribute to the final report.