

ASIAN DEVELOPMENT BANK

TAR: REG 37104-01

TECHNICAL ASSISTANCE

(Financed by the Poverty Reduction Cooperation Fund and the Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies)

FOR THE

SOCIAL PROTECTION INDEX FOR COMMITTED POVERTY REDUCTION

August 2003

ABBREVIATIONS

ADB	–	Asian Development Bank
DMC	–	developing member countries
GDP	–	gross domestic product
HDI	–	human development index
ILO	–	International Labour Organisation
NGO	–	nongovernment organization
SPI	–	Social Protection Index
TA	–	technical assistance
UNDP	–	United Nations Development Programme

NOTE

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

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I. INTRODUCTION

1. In 2001, the Asian Development Bank (ADB) approved its Social Protection Strategy. Currently, ADB is preparing steps to implement the strategy by including social protection projects and programs in the country strategy programs of developing member countries (DMCs). Given the pivotal role of a Social Protection Index (SPI) in monitoring poverty reduction, ADB endorsed in December 2002 a concept paper to develop an SPI which was endorsed for funding by the (i) Poverty Reduction Cooperation Fund (PRF) by the Department of International Development of the Government of the United Kingdom, and (ii) Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies by the Netherlands. ADB also decided to pilot test the SPI in a regional technical assistance¹ (TA) in six countries (Bangladesh, Indonesia, Mongolia, Nepal, Pakistan, Viet Nam). The Governments of the six countries have agreed to participate in the pilot test. Currently, ADB is preparing or carrying out social protection studies in several countries (Indonesia, People's Democratic Republic of Lao, Nepal, Pakistan, Papua New Guinea) and a regional TA is being prepared to assess social protection systems in Marshall Islands, Papua New Guinea, and Vanuatu. The findings of the studies will support the development of the methodology of the SPI. The TA framework is given in Appendix 1.

II. ISSUES

2. Social protection is defined as the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income. Social protection is moving higher on the agenda of many international, bilateral and national institutions and governments. Due to the shock of the Asian Crisis and to ensure that economic growth in DMCs benefits the poor, social protection is needed as an element of pro-poor growth.

3. Nearly all DMCs have social protection schemes. However, a large part of the funds dedicated to social protection is vested in formal social insurance schemes, mostly for government officials. Social protection measures are also targeted to the poor, e.g. programs for the elderly, the disabled, orphans, disaster relief, food for work, social funds, public health care provider networks, and micro-insurance schemes. Social protection schemes include formal and informal sector social protection, financed through government budget, contributions from individuals, the private sector, nongovernment organizations, and development partners. Also, social protection concepts vary greatly among DMCs.

4. So far, little has been done to measure quantitative dimensions of all the areas of social protection (para 3). Reliable data are generally unavailable, but are a prerequisite for effective planning and monitoring of social protection measures. Most available data pertain to public budget items (though not always in a disaggregated and target-oriented format) and to formal social protection schemes like pension schemes for public servants and large private sector enterprises. The International Labour Organization has done important work in compiling and analyzing formal social protection data through their social budgeting model. Hardly any aggregate quantitative information is available on other private sector activities, NGO activities, development partner contributions, and the large informal sector, which has an important role in social protection in all DMCs.

¹ The TA was first listed in *ADB Business Opportunities* on 12 February 2003.

5. Thus, to implement the ADB Social Protection Strategy, various questions arise:
- (i) How should social protection be defined in each DMC? Social protection policies, mechanisms, and instruments vary from one country to another owing to differences in needs, available resources, and priorities.
 - (ii) What is the situation in DMCs concerning social protection? Which tools are applied? What are the resources dedicated to social protection? Who is covered? What is the experience in poverty reduction and prevention?
 - (iii) How can the implementation of the Social Protection Strategy be monitored?
6. There are different ways to address these questions. One basic requirement is to improve the data situation. Information has to be collected, compiled, adapted, and analyzed with view to social protection needs. Data that are not in the required format have to be estimated based on related sources, e.g., surveys.
7. An SPI could be used to (i) to measure the situation and progress made in terms of social protection (ii) measure developments, and (iii) compare countries' efforts to reduce poverty through social protection. One of the best known indexes in the field of social development is the human development index (HDI) computed by United Nations Development Programme (UNDP). The HDI is based on three indicators: life expectancy at birth; knowledge measured by adult literacy rate; gross primary, secondary, and tertiary enrolment; and standard of living measured by gross domestic product (GDP) per capita. The HDI is calculated for every country based on the same methodology, thus making cross-country comparisons and comparisons in time possible. An index can also be useful for analyzing and improving data, which itself is an important step toward transparency and monitoring.
8. In the field of social protection, a few indicators are commonly used (e.g., social expenditure as a share of GDP based on a social budget, coverage rate for formal and nonformal social insurance schemes, and poverty indicators), but no composite index is broadly accepted.
9. An SPI could be used to compare countries and for benchmarking, taking into account a whole set of circumstances like economic performance, size of the social problems the country faces, and achievements. Countries with low incomes could be compared in their efforts with countries with higher incomes. This might show no direct correlation between the level of social protection efforts and the economic performance of a country, and that countries with low incomes make relatively greater efforts in social protection than countries with higher incomes.
10. Developing an SPI will also help to define social protection (including instruments like subsidies for the poor, informal sector schemes, traditional and community-based mechanisms, and social welfare), taking into account the different concepts of social protection in each DMC. Country preferences are also influenced by the political support and social consensus needed to implement reforms. According to the ADB Social Protection Strategy, formal education and macroeconomic labor market issues, for example, are not regarded as part of social protection.
11. The SPI will be based on quantitative data and will be accompanied by a qualitative assessment of social protection instruments and policies through social protection studies (reports). The reports will link the quantitative and qualitative work by interpreting results of both and giving background information on the situation of social protection in each DMC.

12. The SPI will be simple and transparent so that regular compilation is easy for the statistical offices of DMCs and to make it readily understandable. The index could, for example, incorporate all or some of the following elements:

- (i) affordability: the total funds spent for formal and nonformal social protection (e.g., from the social budget, public expenditure reviews, etc.) in relation to GDP per capita;
- (ii) coverage: percent of population covered (members and beneficiaries of social insurance, beneficiaries of social assistance, beneficiaries of non-formal protection schemes);
- (iii) equity: distribution of social protection benefits among target groups; and
- (iv) adequacy: poverty level (share of population to be regarded as below the poverty line); this indicator would reflect the need for social protection measures, and could, for example, use delivery of social protection benefits according to quintiles of income.

13. The preliminary examples should be evaluated and/or refined by the proposed study, especially considering existing data. At least three alternatives should be discussed. Alternative indicators could be taken into account like vulnerability, availability of instruments, resource allocation, and targeting. The SPI for all DMCs should be computed by the same methodology, allowing comparisons between countries and our time.

14. The availability of data may be a major problem for the development of the index. This can be handled in several ways.

- (i) In areas such as formal social protection schemes, public expenditure, and GDP per capita, data will be available at the government level.
- (ii) In other areas, like distribution of income and benefits, survey data may be used.
- (iii) In some areas, stakeholders must be asked, data must be indirectly generated, extrapolations will have to be made.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

15. The goal of devising the SPI is to help reduce poverty by supporting social protection in the DMCs. The objectives are to

- (i) define social protection for each DMC involved and develop a common standard regarding what is part of social protection (important in order to ensure comparability among DMCs),
- (ii) improve statistical information on social protection (for monitoring of social protection strategy impacts), and
- (iii) allow comparisons between countries and over time with view to implementation of social protection measures.

B. Methodology and Key Activities

16. The TA will have four components.

17. **Component 1, Methodology.** In a first step, a preliminary methodology will be elaborated (indicators included, social protection defined, alternative formulas described, and statistical basis determined). Existing ADB and other accessible data bases, country reports, limitations concerning availability and viability of data, and other factors should be analyzed for their relevancy to the index. This component will have a preparatory phase and a phase that overlaps in time with component 2.

18. **Component 2, Field Work.** Pilot fieldwork will be done in one of the TA DMCs. Based on the methodology discussed, information will be collected and the index will be computed to determine the validity of the output. Amendments to the methodology might be necessary. Based on the experience in the pilot country, guidelines will be elaborated for local consultants to collect information and data in the remaining TA countries. A workshop (the TA workshop) with all the local consultants from the RETA countries will provide an opportunity to (i) discuss the results; (ii) ascertain feedback on methodology, guidelines, and data situation; and (iii) provide guidance for the additional work to be done. Local workshops in each of the RETA countries will be held in the DMCs in order to discuss the statistical data and methodology used with stakeholders will be held. The index will be calculated for all TA DMCs based on the work done by the local consultants.

19. **Component 3, Policy.** After this, the results have to be interpreted in single- and multi-country reports analyzing and interpreting the findings derived from the index and the analysis of the social protection arrangements. Differences in social protection concepts should be highlighted. A conference with government representatives (preferably from statistical offices) from the TA DMCs will discuss conclusions from the index and from the country reports and will receive inputs concerning the practical implementation of the index.

20. **Component 4, Upscaling.** The index will be shared and discussed with other development banks and ILO. ILO has expressed interest in being involved in the work on the index. A handbook on the use of the index in Asia will be prepared, taking into account the findings in the TA DMCs and practical issues encountered. A preliminary index will be calculated for all DMCs based on available data (from internationally available data bases and country reports). The final report and the handbook will be distributed by ADB to all DMCs in order to raise support for developing the index.

C. Cost and Financing

21. The total cost of the TA is estimated at \$650,000 equivalent. ADB will finance \$600,000 equivalent. The TA will be funded on a grant basis from the Poverty Reduction Cooperation Fund and the Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies, each for \$300,000 equivalent. The remaining \$50,000 equivalent will be contributed by the governments of the pilot countries in kind and will include counterpart staff remuneration and workshop venue. The detailed cost estimates and financing plan are shown in Appendix 2.

D. Implementation Arrangements

22. The TA will be carried out during 18 months, beginning in November 2003 and ending in March 2005. Consultants' inputs will amount to 42 person-months: 30 domestic, and 12 international. The international consultants (with person-months in parenthesis) will include a statistician (8) and a social protection specialist (4). The domestic consultants are six statisticians (3 each) and six social protection specialists (2 each). All consultants will be

recruited through a firm using the quality- and cost-based selection method in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for engaging domestic consultants. The simplified technical proposal format will be used. The team will be chaired by the international statistician.

23. The Executing Agency for the TA will be ADB's, Social Sectors Division, South Asia Department in close coordination with the Regional Departments and the Regional and Sustainable Development Department.

24. **Component 1.** The methodology will be determined by a consulting firm and/or a research institute hired by ADB, selected in line with ADB guidelines on the use of consultants.

25. **Component 2.** The statistical preparation and computation of the index for the TA DMCs will be done by local consultants hired by the consulting firm. The TA workshop will be organized by the firm. In this phase, line ministries, statistical offices, and stakeholders of the TA DMCs would be involved.

26. **Component 3.** The reports and the conference with government representatives from the TA DMCs will be prepared by the consulting firm. ADB will provide support by inviting the participants.

27. **Component 4.** The consulting firm will manage the discussion of the index with other development banks and ILO, the preparation of the handbook, and the calculation of the preliminary index for all DMCs.

28. The consultants will submit short 6-monthly progress reports summarizing project activities, issues, and constraints for the duration of the TA. In addition, four major reports will be submitted: (i) an inception report, including a work plan for the TA, within 3 weeks of TA commencement; (ii) individual country reports, which will be discussed at the TA workshop 8 months after inception; (iii) a draft final report and the draft handbook, which will be submitted 17 months after inception; (iv) a final report 4 weeks after comments are received from ADB.

IV. THE PRESIDENT'S DECISION

29. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$600,000 to be financed on a grant basis by the Poverty Reduction Cooperation Fund and the Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies, for the Social Protection Index for Committed Poverty Reduction, and hereby reports this action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal</p> <p>To reduce poverty by supporting social protection in the developing member countries (DMCs)</p>	<p>The Social Protection Index has contributed to a broader recognition of the importance of social protection in Asia</p>	<p>Reports, reaction of participants in the final conference, acceptance of the index in DMCs not participating in the regional technical assistance (TA)</p>	<p>DMCs have other priorities and will not participate in the Index</p>
<p>Objectives</p> <p>(i) To allow comparisons between countries and in time to implement social protection</p> <p>(ii) To definite social protection as relevant each DMC involved.</p> <p>(iii) To improve statistical information on social protection (monitoring of social protection strategy impacts)</p>	<p>Comparison of a number of countries has been made, applying the Social Protection Index.</p> <p>Social protection sector has been defined in a number of DMCs</p> <p>The index has proved that it can contribute to improvement of statistical information</p>	<p>Reports, final conference</p> <p>Reports, final conference</p> <p>Reports, final conference</p>	<p>Availability of data</p> <p>Difficulties in defining which activities and projects are seen as being social protection</p>
<p>Outputs</p> <p>Component 1, Methodology</p> <p>Component 2, Field work</p> <p>Component 3, Policy</p> <p>Component 4, Upscaling</p>	<p>A preliminary methodology has been elaborated</p> <p>Pilot fieldwork has been done in one of the TA DMCs. Based on the methodology discussed, information has been collected and the index computed. Guidelines for local consultants have been elaborated. A workshop with the local consultants has been held 8 months after inception. The index for the TA DMCs was calculated.</p> <p>The results have been interpreted in country and multi-country reports</p> <p>A final conference with Government representatives from the TA countries has been organized. The index has been shared and discussed with other development banks and the International Labour</p>	<p>Reports</p> <p>Reports, guidelines, workshop results</p> <p>Reports, conference documents</p> <p>Final conference results, reports, reactions from other development partners, handbook</p>	<p>Availability of data</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
	Organisation (ILO). An index handbook has been elaborated. A preliminary index was calculated for all DMCs.		The Index is not accepted by all DMCs
Inputs	<ul style="list-style-type: none"> ▪ Consultants and Government staff ▪ Conference ▪ Workshops ▪ Training 		

COST ESTIMATES AND FINANCING PLAN
(\$ '000)

Item	Total Costs
A. Asian Development Bank Financing^a	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	276
ii. Domestic Consultants	120
b. Reports and Communications	10
c. International and Local Travel	79
2. Workshops and Seminars	35
3. Translation Services	10
4. Miscellaneous Administration and Support Costs	20
5. Contingencies	50
Subtotal (A)	600
B. Government Financing	
1. Counterpart Staff Services	40
2. Support for Meetings	10
Subtotal (B)	50
Total	650

^a Financed by the Poverty Reduction Cooperation Fund and the Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies.
Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTING SERVICES

1. All consultants will be recruited through a firm or a research institute using the quality- and cost-based selection method in accordance with the Guidelines on the Use of Consultants of the Asian Development Bank (ADB), and with other arrangements satisfactory to ADB for engaging domestic consultants. The simplified format for technical proposals will be used. The specific technical tasks associated with each consultant are outlined here.

A. International Consultants

1. Statistician, specialized in social sector statistics, and Team Leader (8 person-months)

2. The team leader will

- (i) design the methodology of the social protection index, including alternative proposals for the index, evaluate the proposals, and recommend to ADB which approach to choose;
- (ii) define data requirements and analyze data available in ADB and elsewhere (from countries, World Bank, [UNDP], International Labour Organisation [ILO], etc.) for calculating the index;
- (iii) do field work in one developing member country (DMC) that will participate on the technical assistance (TA), to test and refine the methodology, get feedback from the DMC's, Government and stakeholders in a workshop, and calculate the index for this country;
- (iv) prepare a model country report based on the findings, including a description of the social protection arrangements, statistical framework, technical issues encountered, and calculation of the index;
- (v) present findings and the methodology to ADB;
- (vi) prepare guidelines for the domestic consultants for data collection and methodology;
- (vii) help the domestic consultants to present the methodology to line ministries and statistical offices of the TA DMCs through feedback and elaboration of presentation documents;
- (viii) organize the TA workshop with the domestic consultants;
- (ix) identify further needs and steps to improve the data situation and the index;
- (x) analyze and comment on the country reports by the local consultants, and suggest how to improve them, if necessary;
- (xi) organize the final workshop with government representatives from the TA DMCs, to present findings and recommendations;
- (xii) calculate the index for countries not included in the pilot DMC, using data available from ADB data bases and data published in accessible data bases and available country reports;
- (xiii) contact development partners (especially Inter-American Development Bank, African Development Bank, ILO, UNDP, and World Bank in order to start an exchange about the methodology proposed;
- (xiv) draft a handbook, that should guide all DMCs in elaborating and calculating the index and establishing social protection statistics, taking into account the methodological work, all field experiences, and the result of the workshop; and
- (xv) prepare a final report, including the draft index for all ADB DMCs, social protection statistics of the TA DMCs, analysis of findings and conclusions, and

proposals for further proceedings in order to establish the index and to improve its quality and acceptance.

2. Social Protection Specialist (4 person-months)

3. The specialist will

- (i) identify and assess social protection schemes, measures, and activities in one of the TA DMCs (together with the team leader);
- (ii) define social protection suitable for preparing the index, based on ADB's social protection strategy, the results of the field visit, and possible inputs from the local social protection specialists, using the work done in ongoing social protection studies in various DMCs, paying special attention to non-formal social protection, and including minority groups;
- (iii) advise and assist the team leader in identifying and validating relevant data in one TA DMC;
- (iv) contribute to the country report in one TA DMC;
- (v) participate in preparing the guidelines for domestic consultants, with special emphasis on guiding the social protection specialists;
- (vi) participate in the TA workshop and suggest how to improve the index;
- (vii) analyze the country reports prepared by the domestic consultants and suggest how to improve them if necessary;
- (viii) participate in the final workshop with government representatives and present findings and recommendations;
- (ix) contribute to the preparation of the handbook; and
- (x) contribute to the final report, including an analysis of findings and conclusions and proposals for further work needed to establish the index and improve its quality and acceptance.

B. Domestic Consultants

1. Six Statisticians, specialized in social sector statistics (3 person-months each)

4. The domestic statisticians will

- (i) support the team in identifying, obtaining, analyzing, validating, and interpreting the necessary data and information in their DMCs based on the guidelines prepared by the team leader;
- (ii) present the concept of the index to line ministries and statistical offices of the TA DMCs;
- (iii) advise the team on how to implement the index in their DMCs;
- (iv) hold in-country technical workshops to present the concept to stakeholders, get their support for obtaining relevant data and information, and achieve comparability in statistical data and methodology used;
- (v) calculate the index based on a common methodology and guidelines;
- (vi) participate in the TA workshop and prepare a preliminary country report for the workshop;
- (vii) compute the country index; and
- (viii) prepare country reports, in English, containing consolidated statistics on social protection, the findings in terms of the calculated index, the interpretation of the

index and corresponding methodological and practical problems encountered, and proposals for further proceeding.

2. Six Social Protection Specialists (2 person-months each)

5. The specialists will

- (i) identify and assess social protection schemes, measures, and activities in their DMCs.
- (ii) define social protection in the DMCs context, based on the guidelines prepared by the international social protection specialist;
- (iii) advise and assist the local statistician in identifying and validating relevant data;
- (iv) participate in the TA workshop; and
- (v) contribute to the country reports, including an analysis of findings and conclusions and proposals for further proceedings to establish the index and to improve its quality and acceptance.