

# NPRS-PRF

Helping Accelerate Poverty Reduction in Asia and the Pacific

## FORMULATING A COUNTRY-BASED SOCIAL PROTECTION INDEX FOR MONITORING VULNERABILITY

How is social protection defined in each country in the Asia and Pacific region? What is the situation in the developing member countries (DMCs) of the Asian Development Bank's (ADB) concerning social protection? Which tools are applied? What programs exist? What are the resources dedicated to social protection? Who is covered? What is the experience in poverty reduction and prevention through social protection? How can the implementation of ADB's Social Protection Strategy be monitored?

These are some of the many questions ADB had to address as it embarked on helping its DMCs implementing social protection projects and programs.

In 2001, ADB adopted the social protection strategy, which defines social protection 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.”<sup>1</sup>

While social protection is generally agreed to be an essential element of pro-poor growth, particularly in DMCs who want to ensure that economic growth benefits the poor, its definition significantly varies across countries, making the cross-country comparison difficult.

One reason for the diverse definitions is the wide range of tools available for social protection. ADB's social protection strategy identifies five main areas of social protection—labor market policies and programs to promote 'decent work'; social insurance programs to cushion against the risks of unemployment, ill health, disability, and others; social assistance and welfare service programs targeted at the vulnerable groups (including targeted cash transfers); programs that deal with natural disasters; and child protection program. But such a broad-based definition of social protection is not very typical among development organizations.

Each type of social protection scheme can be provided through either formal or informal channels or a combination of both.

Determining the extent a formal or informal channel covers a particular scheme is also a difficult task.

Some efforts have been made in the past to measure quantitative availability or programs and coverage in all the areas of social protection. Such attempts have encountered major difficulty due to the unavailability and unreliability of data.

Given the differences in defining and understanding social protection, capturing progress and drawing together lessons across countries are difficult. The International Labour Organization (ILO) has developed a social security database that compiles and compares social protection data for social security/assistance systems. However, these are on a very aggregate level.

A model for measuring the situation in countries and their development is the Human Development Index (HDI)<sup>2</sup> that the United Nations Development Programme (UNDP) developed. This is one of the most widely used indexes in the field of social development. Its calculation makes cross-country comparisons and longitudinal comparisons feasible. However, it does not mention explicitly social protection.

This is why ADB recognized the need for a social protection index (SPI) that could be used to improve information and measure progress in social protection. The index would need to measure change and compare countries' efforts to reduce poverty through social protection using qualitative and quantitative data and its comparisons.

Before launching the region-wide SPI initiative, ADB proposed a pilot phase to develop and test a preliminary methodology in selected countries. Considering the subregional representation

and availability of data, the following six countries were selected for the first pilot: Bangladesh, Indonesia, Mongolia, Nepal, Pakistan, and Viet Nam.

## Measuring Commitment to Poverty Reduction through Social Protection

ADB approved Regional Technical Assistance (RETA) 6120: Social Protection Index for Committed Poverty Reduction<sup>3</sup> in August 2003 with the following specific objectives:

- To define social protection for each DMC involved in the pilot and develop a common standard for social protection among DMCs;
- To improve statistical information on social protection for monitoring the impact of the social protection strategy; and
- To allow comparisons between countries and over time, with a view to implementing social protection measures.

To meet these objectives, RETA 6120 had four components:

- Methodology development (including development of indicators, definition of social protection, description of alternative formulas, and determination of statistical basis);
- Fieldwork (including pilot fieldwork, collecting information, testing the validity of the index and its results, and local workshops in the six countries);
- Policy work (including interpretation of results in single and multi-country reports, analysis of social protection arrangements, and conference with government representatives from the six countries); and
- Preparation of scaling-up (sharing and discussion of the index with other development banks and ILO, preparation of a handbook that could be used to extend the SPI to all DMCs) and other publications.

The implementation of the RETA involved establishing six country teams under the guidance of the ADB coordinator and two international consultants. In each country, relevant government agencies' support and buy-in was essential in collecting a range of data.

The implementation lasted over a year, during which time the following four steps were followed as a general approach:

- Defining ADB's definition of social protection and finalizing the study methodology;
- Conducting reviews of country policies and programs and statistical data on these;
- Deriving summary indicators of social protection in each country; and
- Combining the summary social protection indicators into the SPI that is comparable across countries.

The RETA had successfully achieved the following:

- Finding a common definition of social protection, which can be described as "programs that directly involve cash or in-kind transfers to households or vulnerable groups", focusing on programs that fall outside the domain of other development sectors, such as education, health, and rural/community development;
- Identifying four SPI component indicators: cost/expenditure, coverage rates, poverty targeting, and distribution impact for the four major categories of social protection activities (i.e.,

labor-market policies and programs, social insurance, health insurance/health subsidies, social assistance, microfinance, and children's programs);

- Conducting cross-country comparative analysis, using the six pilot countries, based on the identified indicators;
- Administering sensitivity tests, including examination of ILO's formulation of their composite indicator of Social Protection, to ensure the SPI values would not significantly change with adoption of different weighting or scaling methods;
- Publishing a handbook of instructions on how DMCs can derive SPI;<sup>4</sup> and
- Publishing the results of RETA 6120 in the ADB book *Social Protection Index for Committed Poverty Reduction* in 2006.<sup>5</sup>

## Major Challenges and Lessons

Lessons learned in the course of the implementation of the RETA were:

- Careful analysis and interpretation of SPI is needed. This is why the index is accompanied by detailed country reports. Many countries have, for the first time, compiled comprehensive information on national social protection schemes.
- The limitations of the methodology must be accounted for when interpreting results. This includes taking into account that social protection data are frequently lacking or of poor quality;
- It definitely served to help increase countries' awareness of social protection, the ways in which it could be implemented, and the opportunities for poverty reduction that it offers. This made SPI a welcome support for policy dialogue, demonstrating the possibilities of social protection, and giving information about best practices, as the reaction of participating countries showed;
- The pilot tests were important and useful for developing an appropriate methodology for SPI, which allowed an up-scaling to more countries and perhaps continents; and
- Published a handbook of instructions on how SPI can be derived by DMCs.

## Recommendations and Follow-Up Actions

The SPI in the first six countries is a starting point in examining the situation and impact of social protection mechanisms in the region and outside. The summary indicators and evidence collected on the progress of social protection programs are expected to significantly contribute to national policy planning on social protection and poverty reduction. The study also recommends that components that contribute to a country's low SPI ranking compared with other countries should be paid particular attention to by policy makers. Understanding the causes of poor performance will result in healthy discussions of ways to improve current policies and programs.

Calculating SPIs for all DMCs is a major challenge. Based on the successful pilot phase, ADB prepared and approved in March 2006 a follow-on full phase as RETA 6308 Up-scaling the Social Protection Index.<sup>6</sup> This new RETA will extend the methodology adopted in the previous phase to nearly all Asian countries. The handbook developed under RETA 6120 will be used on all the remaining countries in Asia and the Pacific to ensure uniformity

and consistency of data across countries. This endeavor will be completed by the end of 2007. More comprehensive information about social protection in Asia will be available and published to support research, systems development, and an informed debate.

---

## Endnotes

- <sup>1</sup> ADB. 2001. Social Protection Strategy of the Asian Development Bank. Manila.
- <sup>2</sup> 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.
- <sup>3</sup> RETA 6120: Social Protection Index for Committed Poverty Reduction. RETA Approval date: August 2003. RETA completion: March 2005. RETA amount \$600,000, cofinanced by the Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies contributed by the Government of the Netherlands, and the Poverty Reduction Cooperation Fund contributed by the United Kingdom Department for International Development.
- <sup>4</sup> TA 6120 REG: Social Protection for Committed Poverty Reduction Multi-Country Report (February 2005).
- <sup>5</sup> The book can be downloaded from [www.adb.org/Documents/NPRS/REG/TA6120\\_REG.asp](http://www.adb.org/Documents/NPRS/REG/TA6120_REG.asp)
- <sup>6</sup> Updates of RETA 6308 can be found at [www.adb.org/projects/project.asp?id=39261](http://www.adb.org/projects/project.asp?id=39261)

This case study was written by Social Development Direct (RETA Consultant) under the Regional TA 6270: Facilitating Knowledge Management for Pro-Poor Policies and Projects with inputs from Axel Weber, Project Officer of TA 6120, and Sonomi Tanaka, Senior Social Development Specialist. The views and assessments contained herein do not necessarily reflect the views of ADB or its Board of Directors or the governments they represent. ADB does not guarantee the accuracy of the data and accepts no responsibility for any consequences of their use.

For any queries, contact:

**NPRS-PRF** Secretariat  
[nprs-prf@adb.org](mailto:nprs-prf@adb.org)

