Global poverty rate has fallen, but the living standard of people living below the international poverty line has hardly changed. Ending poverty as envisioned in the SDG will require additional effort at global and national levels to address chronic poverty traps and improve outcomes for the poor and vulnerable.

Many countries have invested in social protection over the past decades, and social assistance programs have expanded rapidly. International evidence is highly conclusive about the positive effect of cash transfers on school attendance, food consumption, and the health status of the population, and their multiplier effect.

Recent estimates suggest that eradication of extreme poverty (lifting everybody to the international poverty line of $1.90 per day in 2011 purchasing power parity [PPP]) would require less than 1% of gross domestic product in most of the 16 countries covered by this paper. But closing the poverty gap up to $3.10 per day in 2011 PPP would require substantially more funds.

With limited fiscal resources, governments must decide whether to extend coverage (horizontal dimension) or strengthen adequacy (vertical dimension) of social assistance programs. Governments should also invest in the provision of services such as education, health, and infrastructure for social assistance to translate into better opportunities for the poor and vulnerable.

If the first Sustainable Development Goal (SDG) to “End poverty in all its forms everywhere” is to be taken seriously, most low- and middle-income countries face a huge challenge. An estimated 1 billion people have indeed escaped extreme poverty since the early 1990s, and the global poverty rate fell from 35% in 1990 to 10.7% in 2013, but the absolute number of people living below the international poverty line of $1.90 at purchasing power parity (PPP) has hardly changed. Countries in Asia contributed greatly to the overall decline in poverty rates: from 2012 to 2013, over 100 million people in Asia left extreme poverty behind, notably in the People’s Republic of China (PRC), India, and Indonesia (World Bank 2016).

Social assistance programs, especially cash transfer programs, have become increasingly popular in low- and middle-income countries. According to the World Bank (2015), 157 developing countries surveyed had at least one social assistance program. School feeding programs and unconditional cash transfers, such as social pensions and family allowances, are the most frequently used instruments. SDG Target 1.3 (Implement social protection, including floors) explicitly recognizes the potential of social protection systems for eradicating poverty.

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INTRODUCTION

If the first Sustainable Development Goal (SDG) to “End poverty in all its forms everywhere” is to be taken seriously, most low- and middle-income countries face a huge challenge. An estimated 1 billion people have indeed escaped extreme poverty since the early 1990s, and the global poverty rate fell from 35% in 1990 to 10.7% in 2013, but the absolute number of people living below the international poverty line of $1.90 at purchasing power parity (PPP) has hardly changed. Countries in Asia contributed greatly to the overall decline in poverty rates: from 2012 to 2013, over 100 million people in Asia left extreme poverty behind, notably in the People’s Republic of China (PRC), India, and Indonesia (World Bank 2016).

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Noncontributory social protection schemes—also known as social assistance schemes—as part of the comprehensive social protection systems are important for guaranteeing a minimum consumption level for poor and vulnerable households, allowing them productive livelihoods and promoting access and use of other public services, such as education and health care.1

This brief discusses the fiscal requirements to meet the social protection–related targets of SDGs, particularly on the requirement for social assistance programs in ADB’s 16 developing member countries in Asia.2

IMPACT OF SOCIAL ASSISTANCE ON REDUCING POVERTY

Evidence of the positive impacts of social assistance, i.e., cash transfer programs, on the lives of the poor and vulnerable have accumulated over the past decade. International evidence about this favorable effect is highly conclusive, specifically on school attendance, food intake, and the health status of the population. Changes in disposable income stemming from cash transfers positively affect labor supply and reduce rates of child labor. Other effects relate to labor productivity, resulting from improved human and physical capital from earlier investments in child well-being. Cash transfers are also likely to be spent locally, and can have multiplier effects on the local and regional economy.3

In the context of chronic poverty traps—often the result of unfavorable household demographics, little education, and lack of productive assets (Woolard and Klasen 2005, Scott et al. 2014, Mideros and Gassmann Unpublished)—social assistance programs not only lift consumption floors, but also foster economic and social mobility for those at the bottom of the welfare distribution (Gertler et al. 2012). By extending coverage and improving adequacy of noncontributory social protection measures, the poorest can eventually reach a sustainable growth path.

Many countries have invested in social protection over the past decades, and social assistance programs have expanded rapidly. Some of these programs belong to the world’s largest programs by beneficiary numbers, such as (i) the PRC’s unconditional cash transfer program Di-Bao, targeted at the poor and reaching 75 million beneficiaries; (ii) Indonesia’s Bantuan Langsung Sementara Masyarakat program providing unconditional cash transfers to 61 million recipients; or (iii) the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) public works program in India, which provides support to 58 million recipients (World Bank, 2015). The Philippines’ Pantawid Pamilyang Pilipino program, a conditional cash transfer program targeted at poor families with children, reaches 21% of the population, and Malaysia’s Bantuan Rakyat I Malaysia, an unconditional cash transfer for poor households, goes to 51% of the population (World Bank 2015). At the other end of the spectrum are countries with no sizable cash-based social assistance programs, such as Cambodia, Lao People’s Democratic Republic (Lao PDR), and Myanmar. However, being low-income does not explain the absence of such programs. Low-income Nepal, for example, introduced its Universal Social Pension in 1995 (though initially only for those 75 years and older). In 2014, the program had close to 1 million beneficiaries (World Bank 2015).

Providing income support to the elderly in the form of social pensions has become popular over the last 2 decades. Noncontributory income support programs for the elderly take different forms, ranging from social assistance programs targeted at poor households in general, to selective and universal social pensions (Barrientos 2012). Beyond Nepal, countries with either universal or means-tested social pension schemes include the PRC, India, Indonesia, Malaysia, Philippines, Thailand, Timor-Leste, and Viet Nam. The PRC is a particularly interesting case as its New Rural Social Pension program ties benefit receipt to the condition that the recipient’s children contribute to the formal social insurance scheme. A few years ago, about 60% of people over 60 were receiving payments from that program (ISSA 2013).

Income support for children is usually provided in kind or in the form of education stipends. Support in kind, such as school feeding programs or fee waivers for education– or health-related services, is relatively common in Asia (World Bank 2015). Several countries provide cash-based scholarships for children of school age, sometimes merit-based and not necessarily targeted at vulnerable children. But these programs generally exclude young children and those out-of-school.

Unconditional child grant programs are still uncommon. While Thailand is piloting a child grant for very young children, Mongolia is actually the only country with a universal child grant—the Child Money Program—wherein benefits are provided for every child up to the age of 18 (Onishi and Chuluun 2015).4 Nepal established a child grant to address the specific poverty and vulnerability of the Dalit—which takes a categorical approach to targeting in the poorest Karnali zone—while using hybrid targeting (categorical and means-tested) for the rest of the country (Hagen-Zanker et al. 2015).

Following the example of Latin America, several Asian countries have introduced conditional cash transfer programs for poor families with children. The Program Keluarga Harapan in Indonesia covered 6 million families in 2016, reaching 5% of the population and 11% of the poor. The program has recently been extended and includes families with elderly (aged 70 and above) and disabled household members (Gaol 2016). Pantawid in the Philippines reached 4.4 million households in 2015, among them over 10 million children (Mangahas 2016). The Bolsa da Mãe program in Timor-Leste provided cash transfers to 55,000 households in 2016 (Spantigati 2016).

Income support for the working-age poor and vulnerable groups consists either of means-tested cash transfers (e.g., Azerbaijan and Kazakhstan), categorical transfers to vulnerable groups such as the disabled (e.g., Azerbaijan, Kazakhstan, Mongolia, Sri Lanka, and Viet Nam), or public works programs (such as the program under the MGNREGA in India). While MGNREGA is by far the largest, similar programs are available in some of the other focus countries, though they are either very small (Cambodia and Mongolia), only temporarily available (Kazakhstan), or are still in the pilot phase (Nepal).
Coverage with social assistance—broadly defined—varies greatly. While close to 100% of the population in Mongolia benefited from any form of social assistance in 2012, only 17% of the population in India was covered in 2011 (Figure 1). Overall, 39% of the population in East Asia and the Pacific, and 17% in South Asia were covered by noncontributory social protection schemes (World Bank 2015, p. 46). These numbers point to sizable coverage gaps in the region, indicating that substantial additional investments are required before social protection floors (ILO 2012) become a reality.

On average, cash transfers account for 10% of poor households’ consumption in low-income countries and 21% in lower-middle-income countries (World Bank 2015). Unconditional cash transfer programs, such as social pensions or family allowances, are more generous than other types of cash transfer programs. However, the average cash transfer amount is far from enough to bring the extremely poor up to the international poverty line.

**CLOSING THE SOCIAL ASSISTANCE GAP**

With social assistance policies underperforming in most countries, simply allocating more money—though urgently needed—will not solve the problem. Hence, the question is how to move forward to close the social protection gap through 2030. A realistic approach starts by analyzing the portfolio of social assistance provided and identifying programs that are performing reasonably well and have the potential to be expanded, reformed, or both.

**Basic income security for the elderly.** The policy context for the elderly population is probably the most promising among the three groups: (i) the elderly, (ii) children, and (iii) working-age adults. In most societies, the elderly are more likely considered to be deserving of government support, which makes policy choices in their favor more sustainable (Schüring and Gassmann 2016). Universal coverage of the population above pension age has already been achieved in Mongolia and Timor-Leste (Figure 2). Kazakhstan has close to 100% coverage, while the pension schemes in Azerbaijan, the PRC, and Thailand cover more than 70% of the population above the national pension age. In Nepal, the pension coverage rate also exceeds 60%. In all other focus countries, most of the elderly are not yet covered (ILO 2014).

Most countries rely on a mix of contributory and noncontributory pensions. Following the subsidiarity principle, the higher the coverage with social insurance pensions in a country, the lower the need for social pensions. Countries with majority of its population working in the informal economy tend to have low contribution rates and thus low coverage rates. Moreover, statutory pensions can be lesser for those with...
incomplete contribution history or low previous earnings. Social pensions can replace or complement the contributory pension gap. They are also a means of redistributing from the young to the old and from the wealthier to the poor. The question is whether social pensions should be provided universally or targeted for the poor. Universal social pensions have the advantage of being relatively easy to manage and implement.

The design of social pension schemes offers a lot of flexibility—they can be tailored to the needs and resources of a country and can be adjusted over time. Most countries with social pensions use the universal approach, but some have narrowed eligibility by setting higher age limits or providing transfers only to those without any other pension entitlements, like Mongolia (Neuland 2016). Nepal went the other way, initially defining the eligibility age at 75, but later lowering it to 70.7 The Philippines has also gradually lowered the pension age.

Basic income security for children. Social assistance programs for children show great variation across countries. Of the 16 focus countries, only Mongolia offers a universal child allowance for children up to age 18.8 At the other end of the spectrum are countries with purely poverty targeted cash transfers, often in combination with conditionality. In between are countries that have a mix of different cash-based social assistance programs for children, some categorical, while some are poverty targeted. Eligibility for a categorical transfer may refer to (i) the age of the child, (ii) disability status, (iii) the presence of parents, (iv) household composition, or (v) location, while the transfers for poor children depend on the living standard of the child’s family.

Arguments against the introduction of universal child grants are mainly related to budget constraints and sometimes with the fear of increasing fertility rates. While there is no evidence for the argument about increasing fertility rates (Palermo et al. 2015), the financial argument is not easily rejected. Particularly low-income countries are more likely to have a young population and generate less government revenue. However, a sequenced introduction of universal child grants would still be feasible.

One option is to start with very young children—as they are often the most vulnerable, and deprivation at a young age can potentially have detrimental consequences later in life. Over time, the eligible age can be extended. Thailand, for example, has chosen such a strategy in its Child Support Grant Program. In the pilot year of its child grant program (starting November 2016), the government provided monthly cash payment to 128,000 children born between October 2015 and September 2016 to poor and vulnerable families (Samson 2016). In 2016, the project was extended for 3 years, increasing the level of benefits and the number of beneficiaries (Chanmorchan et al. 2016).

Another option is to combine universal and targeted child grants. During the early years of life, for example, all children are eligible, while

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**Figure 2: Pension Coverage**

*Old age pension coverage by type of pension*

![Pension Coverage Chart]

AZE = Azerbaijan, CAM = Cambodia, PRC = People’s Republic of China, IND = India, INO = Indonesia, KAZ = Kazakhstan, LAO = Lao People’s Democratic Republic, MAL = Malaysia, MON = Mongolia, NEP = Nepal, PHI = Philippines, SRI = Sri Lanka, THA = Thailand, TIM = Timor-Leste.

Source: ILO 2014.
from a certain age grants are targeted to poor children. Kazakhstan has taken this approach: it offers a universal birth grant, a universal Benefit for Children under One (year of age), and a narrowly targeted State Allowance for children until the age of 18 (Overseas Development Institute 2015). Targeting the state allowance for poor children may save costs in the short run, but in the longer run it may limit the country’s economic growth potential—and jeopardize the achievement of other SDGs such as universal education—if children are prevented from attending school due to lack of financial resources.

Basic income security for working-age adults. Protecting working-age adults from poverty by providing them with basic income security is perhaps the hardest and most controversial policy discussion, unless it concerns a (severely) disabled or (chronically) ill person. Most countries have categorical social assistance programs, similar to social pensions, for adults who are incapable of work. Governments are reluctant to offer cash transfers to poor working-age adults. The common perception is that social assistance creates work disincentives and can make recipients welfare dependent, even though most empirical research from low- and middle-income countries refute the argument (ILO 2010; Gassmann et al. 2016; Gassmann and Trindade 2016). This may explain the popularity of public works programs, such as the MGNREGA program in India. The prevalence of a public works program in the other 15 countries is, however, limited and existing programs are small in scope.

Employment guarantee programs, such as the one in India, have potential but also limitations. Public works programs can help (i) in middle-income countries that have been subject to macroeconomic shock; (ii) in low-income countries, which mainly depend on agriculture and are exposed to regular weather shocks or seasonal variation; (iii) in postconflict countries or otherwise fragile contexts; and (iv) in countries that have suffered from a natural disaster (Subbarao et al. 2013).

Depending on the type of employment (“work”) offered—which often involves heavy labor—not all groups can effectively participate. The prospects of moving from public works to regular work are also rarely bright. Yet public work programs have proven to be effective in crises, for example in the aftermath of conflict or natural emergencies. Public works programs are also effective when combined with other types of social assistance programs.

If SDG Target 1.3 is to be achieved by 2030 and the social protection gap is to be closed, most of the 16 Asian countries should step up their efforts and invest in effective and efficient social assistance schemes. The two main policy issues are to extend coverage and increase the level of transfers for adequate protection.

With the exception of Azerbaijan, Malaysia, and Mongolia, cash transfer programs reach only a fraction of the poor. To reduce exclusion errors, countries need to gradually extend the eligibility criteria of existing programs. The nature of the extension depends on the country and its current targeting system. Nepal, for example, could further lower the age after which the elderly are eligible for social pension. Countries with means-tested cash transfers, such as Mongolia’s food stamp program, the Philippines’ Pantawid or Indonesia’s Program Keluarga Harapan could consider raising the eligibility threshold to reach a larger share of the poorest households.

In most countries, the horizontal dimension of social protection needs to be broadened, as some groups are systematically excluded. Viet Nam, for example, which has a mix of categorical and means-based criteria, should consider including children under the age of 3, who are not covered by any social assistance scheme. In the 16 countries, coverage with social assistance programs of the urban poor are far lower than of the rural poor (Gentilini 2015), except for Azerbaijan and Mongolia, where urban coverage is higher or equal (World Bank 2015).

Some programs, such as India’s MGNREGA, focus only on the poor in rural areas. The PRC, however, found a way to address the disparities between urban and rural areas by operating two different Di-Bao subprograms—one for urban and one for rural areas (ADB 2014). Another example is Viet Nam, where the eligibility threshold for the Regular Social Assistance is set at different levels for urban and rural households; and a multidimensional poverty component takes account of deprivations in housing, infrastructure, and services (Dutta 2016).

Cambodia, Lao PDR, and Myanmar have no sizable cash-based social assistance schemes. All three have small pilot-based programs, often financed with support from international donors. Cambodia and Myanmar have developed social protection strategies. Myanmar’s plans for protecting children are similar to Thailand’s—start with the youngest children and extend assistance to other age groups gradually.

The second option—or rather necessity in many countries—is to increase benefit levels to improve the effectiveness of social assistance. The poverty reduction impact of many cash transfer programs is weak—the contribution of cash transfers to total household consumption is significantly below 10% in most countries. However, increasing benefit levels require additional resources. Governments will face the dilemma of whether to extend the horizontal dimension of basic income security or use the resources to strengthen the vertical dimension.

CLOSING THE FINANCIAL GAP

Recent estimates indicate that the eradication of extreme poverty—lifting everybody to the international poverty line of $1.90 per day in 2011 PPP—would require less than 1% of gross domestic product in most of our 16 countries. Closing the poverty gap up to $3.10 per day in 2011 PPP requires considerably more funds and exceeds the threshold of 3% of gross domestic product in five countries, i.e., Cambodia, India, Lao PDR, Nepal, and Timor-Leste (Bierbaum et al. 2016).

The additional financial resources required to close the national poverty gaps (lower scenario) seem moderate for most of our 16 focus countries (Table 1), but these estimates present, at best, a lower bound. The actual requirements might be far more, given the difficulty of identifying and targeting the extremely poor. The underlying assumption of perfect targeting is unlikely to be achieved, and neglects the allocation problem. Even the most effective poverty-targeted social assistance programs have substantial exclusion errors. Therefore, an assessment of the required minimum resources needs to account for both inclusion and exclusion errors, given the trade-off between the two types of errors, and would therefore lead to a higher lower bound. If the lower scenario is to be achieved at all costs, countries would have to completely
overhaul their approach, which could be detrimental in the long run and most probably prevent future change to national social protection floors (upper scenario).

The second option (upper scenario) seems more promising. It allows countries to build on the systems already in place, gradually extend coverage, and increase transfer levels. Several countries with relatively long-standing social protection systems can gain much through reforms. Consolidation is a key word here. Aside from the child grant program, Mongolia has more than 70 social assistance programs—of which all but one (the food stamp program) are allocated on a categorical basis. The distribution of benefits for several of these programs is highly regressive (Onishi and Chuluun 2015). Governments stand to gain a lot from thinking about comprehensive social protection systems, i.e., the protection offered by social insurance, social assistance, employment, and health policies.

Particularly in countries with many different social assistance programs, institutions, agencies, and other entities at different administrative levels, the absence of strong coordination mechanisms or a lead agency results in scattered, overlapping, and eventually costly but ineffective systems. Strengthening the institutions involved in the design and administration of social assistance schemes can help improve program implementation, including management information systems. Social registries, such as those in Indonesia and the Philippines, contain information on potentially eligible individuals and households, and can be used to assign, administer, and monitor such schemes (World Bank 2015). Beneficiary registries, in contrast, are narrower in scope, as they focus on benefit recipients. Even so, these systems are essential for monitoring and for potentially identifying benefit overlaps if the registry contains information on all programs.

Yet, the question remains, how to move forward? In the spirit of social protection floors, extending the horizontal dimension would come first, then the degree of protection can be improved. This argues for improving coverage before adequacy. But even then, which groups should be prioritized if the budget does not extend to serving all?

A policy analyst’s perspective would first assess the degree of poverty and vulnerability of the population’s different groups and prioritize those most at risk. The policy maker, on the other hand, may consider the political economy and societal preferences leading to a different ordering. Both perspectives are relevant in the policymaking process and should guide the development of national social protection strategies on how to fill the social assistance gap. This would require regular analysis of the situation, which feeds into a broad-based social dialogue on each country’s way forward.

**CONCLUSION**

Social assistance programs play an important role in comprehensive social protection systems if the horizontal dimension of the social protection floor is to be achieved. Cash-based programs are effective for ensuring basic income security for children, adults, and the elderly in need. Yet, most countries in the region are lagging on both coverage and adequacy.
Coverage gaps are grounded in several factors: (i) lack of government-based national social assistance programs, e.g., Cambodia and Myanmar; (ii) needs exceeding the allocated financial resources in countries with relatively high poverty rates; or (iii) programs do not reach those in need. The last point may be due to inappropriate or narrow targeting methods leading to exclusion of the poor, or the absence of programs for certain groups.

Shortcomings in adequacy stem predominantly from insufficient budget allocations resulting in cash transfers that account for only a small share in overall household consumption. Moreover, social assistance cash transfers are rarely adjusted for increases in living costs, because laws lack explicit regulations.

Social assistance programs alone cannot close the social protection gap to achieve the first SDG, but they can be very effective in supporting a country’s development and achieve inclusive growth. Social assistance enables households to invest in human and physical capital, reducing inequality and the intergenerational transmission of poverty. Yet, for social assistance policies to be effective, governments should invest in providing health, education, and infrastructure services. Only then can demand strengthened by social assistance translate into better opportunities for the poor and vulnerable.

With limited fiscal resources, governments must decide whether to extend coverage (the horizontal dimension) or strengthen adequacy (the vertical dimension) of social assistance programs. While universal or categorical allocation of social assistance is the preferred solution in the long term, countries can build on current schemes in the short run and gradually extend eligibility and transfer levels over time.

ENDNOTES

1 Or in the terminology of the World Bank “social safety nets” (World Bank 2015). We will use the terms “social assistance” and “noncontributory social protection” interchangeably.
4 The Child Money Program in Mongolia is currently distributed only to the poorest 60% of the children, but with the promise to pay retroactively to the remaining 40% once government finances allow.
5 Although the Government of Mongolia has so far resisted pressures to introduce poverty targeting to the Child Money Program, the fragile economic situation necessitated postponing payments to the most affluent children.
6 Broadly defined, includes in principle any kind of social assistance programs (cash transfers, in-kind transfers, school feeding, public works, fee waivers, and others) for which data are available in national surveys (World Bank 2015). Note that coverage rates refer to the total population (or a subgroup thereof).
7 For Dalits and all residents of the Karnali region the age limit is set at 60.
8 Although currently put on hold for the most affluent 40% of children.
9 The eligibility threshold of the means-test is an average per capita income of 60% of the subsistence minimum (ODI 2015).
10 Poverty-targeted is used here as a general term and refers to targeting methods which apply individual or household assessments of living standards to establish benefit eligibility, such as means tests, proxy-means tests or community-based assessments.
11 National legislation governing social assistance policies is in some countries entirely lacking.

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Potential Contribution of Social Assistance for Achieving Sustainable Development Goals


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