COSTING SOCIAL PROTECTION REFORM FOR ASIA AND THE PACIFIC

STRATEGIES TO ACHIEVE SUSTAINABLE DEVELOPMENT GOALS IN THE DEVELOPING MEMBER COUNTRIES

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ABBREVIATIONS

ADB	–	Asian Development Bank
ALMP	–	active labor market program
COVID-19	–	coronavirus disease
GDP	–	gross domestic product
ILO	–	International Labour Organization
IMF	–	International Monetary Fund
Lao PDR	–	Lao People's Democratic Republic
PRC	–	People's Republic of China
SDG	–	Sustainable Development Goal
SPI	–	Social Protection Indicator
SPRS	–	Social Protection Reform Simulation
USD	–	United States dollar

COUNTRIES (26) INCLUDED IN THE COSTING EXERCISE

By Subregion:

Central and West Asia:
Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Pakistan, Tajikistan, and Uzbekistan

East Asia:
Mongolia

South Asia:
Bangladesh, Nepal, and Sri Lanka

Southeast Asia:
Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Philippines, Thailand, Timor-Leste, and Viet Nam

Pacific:
Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga, and Vanuatu

By Income Group:

Upper-Middle-Income:
Armenia, Azerbaijan, Fiji, Georgia, Indonesia, Kazakhstan, Malaysia, Samoa, Thailand, and Tonga

Lower-Middle-Income and Low-Income:
Bangladesh, Cambodia, the Kyrgyz Republic, Lao People's Democratic Republic, Mongolia, Nepal, Pakistan, Philippines, Papua New Guinea, Solomon Islands, Sri Lanka, Tajikistan, Timor-Leste, Uzbekistan, Vanuatu, and Viet Nam

EXECUTIVE SUMMARY

The coronavirus disease (COVID-19) pandemic has sparked an unprecedented global response in the realm of social protection, as nations work to provide adequate support to their citizens. Compounded by subsequent crises, such as the Russian invasion of Ukraine, the resulting inflation crisis, and an escalating frequency of disasters linked to climate change, social protection systems across the world are facing ever-mounting challenges.

In response, countries in the Asia and Pacific region have temporarily adapted and expanded their existing national social protection programs. Those with well-established infrastructure for social protection have been able to implement measures swiftly and effectively, benefiting large segments of their populations. However, most of these measures were designed for short-term relief. Surprisingly, less than 10% of the cash transfer measures initiated in response to the pandemic were extended beyond their initial time frame, despite the enduring nature of the crisis. Moreover, most of the measures devised to address the inflation crisis are also of a temporary nature.

The consequences of these developments are far-reaching, with a significant portion of the global as well as Asia and the Pacific population left without adequate access to social protection. The plight of poor people is particularly severe as they bear the brunt of rising costs of living, including essential items such as food, fuel, and transport, which make up a substantial portion of their consumption expenses. Consequently, the need for a fundamental expansion of social protection has never been more pressing.

Given this backdrop, this working paper leverages the Social Protection Reform Simulation 2023 (SPRS23) model, version 2.0, to conduct a comprehensive analysis. This analysis focuses on the costs and financing strategies associated with delivering social protection packages throughout the remaining duration of the Sustainable Development Goal targets (i.e., 2024–2030) for 26 countries in Asia and the Pacific.

The main added value of this paper is that it allows policymakers to assess policy alternatives in a comparative perspective. What are the costs of social protection reform? What drives these costs, and do countries differ from others in this respect?

In the first step, the SPRS23 model establishes the baseline (status quo) projections based on the Social Protection Indicator and projects' expenditures and beneficiaries up to 2030. The second step evaluates the expenditures of additional social protection provisions, which expand social protection coverage horizontally (i.e., broadening coverage) and vertically (i.e., creating higher benefit levels).

For all countries, it is found that the costs of establishing a social protection reform scenario would substantially add to existing costs. The total costs would be 5.7% of gross domestic product (GDP) for the 20 Asian countries and 5.1% of GDP for Pacific countries by 2030. Note that these are additional costs, adding to existing costs as projected in the status quo scenario.

Generally, expenditure levels in Central and West Asia would be among the highest, and expenditure levels in South Asia and the Pacific would the lowest.

At the outset, upper-middle-income countries would exhibit expenditure levels approximately 1.5 percentage points higher as a share of GDP compared to low- and lower-middle-income nations. Nevertheless, this expenditure gap would gradually diminish over time, falling to less than 1.0% of GDP toward the end of the projection period.

Looking specifically at contributory social insurance schemes, Asia is projected to require an additional expenditure of about 2.0% of GDP by 2030, while the Pacific is expected to incur around 0.9% of GDP in similar costs. It is important to note that variations exist between different subregions.

The findings also highlight substantial social assistance expenditure in multiple countries. This is evident for two groups of countries: (i) countries where expenditure is already elevated in the baseline scenario; and (ii) countries in South Asia, Southeast Asia, and the Pacific, which are projected to allocate approximately 4%–5% of their GDPs to noncontributory programs. For some of these nations, this level of spending could pose challenges in terms of affordability. However, a scenario involving a more moderate set of reform options demonstrates that these countries can achieve lower expenditure levels. Thus, the reform of social protection can indeed be financially feasible for all countries in Asia and the Pacific.

The reform scenario also would lead to a significant increase in the numbers of beneficiaries in all programs. Under social assistance, 45.7% of all beneficiaries in 2030 would be previously uncovered beneficiaries. In social insurance, 20.5% would be new beneficiaries; whereas, in the active labor market programs, as much as 80.0% would be new beneficiaries. Most new beneficiaries are in Southeast Asia and Central and West Asia. The share of female beneficiaries and those of urban and rural beneficiaries follow the demographic composition and design of programs.

The distribution of beneficiaries between poor and nonpoor people would vary depending on the type of program. In universal programs like old-age pensions, disability pensions, and child benefits, the proportion of poor individuals among the total beneficiaries stands at approximately 16%. Conversely, in programs employing categorical targeting, the proportion of poor beneficiaries would significantly be higher, although some still would include a substantial number of nonpoor recipients.

The average spending gap as a percentage of the government budget would be 12.4% in upper-middle-income countries and 13.7% in low- and lower-middle-income countries. Some countries will have difficulties in financing a significant reform package. For these countries, increasing government revenues in the medium to longer term will help finance the costs of social protection reform.

Expressed in United States (US) dollars, South Asia and Southeast Asia reveal the highest expenditure gaps in per capita terms, followed by Central and West Asia and the Pacific. Expenditure gaps are higher, on average, in upper-middle-income countries than in low- and lower-middle-income countries, where financing social protection reform will be most problematic. The financing gap for these countries will increase from $52 in 2024 to $156 in 2030, all expressed in per capita terms. This is equivalent to $0.43 per person per day.

The three most expensive programs, measured in absolute US dollars, are health insurance contribution waivers for poor and vulnerable families, universal basic old-age benefits, and child benefits. Conditional cash transfers for poor families are the fourth most expensive, followed by the active labor market programs, which are fifth (skills development and training) and sixth (cash-for-work program) on the list. The most expensive programs are crucial from a social protection floor perspective.

The additional social protection costs should be met with sustainable resource allocation, administrative reform, political will, and perseverance. Given their large informal sectors and low tax bases, many low- and lower-middle-income countries and other developing economies may find themselves relying heavily on general government revenues or external resources to finance social protection benefits. Hence, a vital step toward achieving the Sustainable Development Goal targets is to establish the fiscal capacity necessary to accommodate the escalating social protection expenses.

I. INTRODUCTION

This chapter provides an introduction to the topic and a recap of the findings from the previous study. It ends with a reader's guide.

The coronavirus disease (COVID-19) pandemic has initiated a social protection response around the world of unprecedented magnitude—and countries are struggling to provide adequate support to their citizens. The pandemic exposed deficiencies in the social protection framework worldwide. Even prior to the outbreak of the COVID-19 crisis, the global community was behind schedule in meeting its policy commitments as outlined in the International Labour Organization (ILO) Recommendation No. 202 on social protection floors, and in the Sustainable Development Goal (SDG) targets on social protection (SDG 1.3) and universal health coverage (SDG 3.8) (ILO 2021a). The latest available findings from the Social Protection Indicator (SPI) of the Asian Development Bank (ADB) suggest that in 2018, prior to the crisis, Asia was only spending 5.4% of its gross domestic product (GDP), on average, on social protection (ADB 2022a). Simultaneously, expenditure on social protection in the Pacific was recorded at 6.2% of its GDP (ADB 2022b). Effective coverage reached just 65.2% of intended beneficiaries in Asia and 32.0% in the Pacific before the pandemic (Van der Auwera, van de Meerendonk, and Kumar 2022). These findings demonstrate that large sections of the population were left without adequate access to social protection when the pandemic hit.

During the first 12 months of the pandemic, 222 countries implemented over 3,000 measures to protect their citizens from the financial consequences of the pandemic. Coverage of social assistance programs—at least temporarily—increased during the pandemic. Often, existing national programs were adjusted or scaled up. Over 1.3 billion people—17% of the global population—received at least one COVID-19-related cash transfer by May 2021 (ILO 2021b). The pandemic emphasized, once again, the fundamental importance of social protection as a social, economic, and political stabilizer (ILO 2021b). Moreover, it demonstrated that countries with well-established social protection systems were able to utilize these to deliver measures rapidly and effectively to large segments of the population. Most of these measures, however, were of short duration. Less than 10% of cash transfer measures were extended after their initial periods despite the protracted nature of the crisis (ILO 2021b).

Today, countries are struggling to restore their public finances and may find limited fiscal space for financing social protection reform initiatives. So, which priorities should be set? What would it cost for a country to establish a social protection floor or even move beyond that? What are the alternatives and costs associated with them? What are the drivers behind these costs, and what, if at all, can we do to influence these drivers? This working paper seeks to help answer these questions.

The Social Protection Reform Simulation (SPRS) model is a comprehensive social protection costing tool developed during the COVID-19 pandemic to assist countries in estimating the costs and financing gaps associated with delivering adequate social protection coverage to their populations through these unprecedented times.[1] The model enables users to estimate the cost of delivering a tailored social protection floor in concurrence with social protection-related SDG targets up to 2030. The model provides users with a list of up to 15 social protection programs that can be included in a country's social protection package and allows for a range of program-level customizations, with respect to the levels of benefits, benefit adjustment mechanisms, benefit duration, program maturity periods, target populations (i.e., eligibility conditions), and other criteria.

[1] The initial author of the model was Arthur van de Meerendonk. Guido Heins substantially contributed to the second version of the model, building upon the option to distinguish status quo and reform-related costs and beneficiaries. Bart van de Meerendonk, a part-time collaborator of the Original Position consulting company at the Netherlands, built a tool to retrieve outputs from multicountry model simulations.

The first version of the SPRS model was developed in the midst of the pandemic. Its main findings were as follows (Van der Auwera, van de Meerendonk, and Kumar 2022):

- The emergency (i.e., COVID-19 pandemic) response package would cost around 3% of GDP, on average, across the 30 countries studied, accounting for almost 15% of government revenue in 2020.[2]
- The recovery and/or transition package (2021–2023), aiming to provide sustained recovery support for the most vulnerable and to facilitate activation in the labor market while slowly phasing out government subsidies and resuming contribution financing over time, would cost approximately 3.4% of GDP in 2021, gradually falling to 3.2% in 2023.
- The social protection floor package would cost approximately 4.1% of GDP, on average, across the 30 countries in 2024, gradually increasing to 5.9% of GDP by 2030.
- Child benefits were estimated to be the most expensive program at the end of the projection period in 2030, followed by universal old-age assistance. Subregionally, the package was estimated to be particularly expensive in the Pacific, at an average cost of 9.0% of GDP in 2030, consistently above the average for Asia and the Pacific throughout the projection phase.
- The gender balance in the projections was found to be rather equal for most programs, except for the active labor market programs (ALMPs) in which men are disproportionately represented among beneficiaries. Benefits would also be equally distributed among urban and rural beneficiaries.
- Most social assistance measures, with the exception of poverty-targeted household assistance and ALMP measures, were projected to benefit nonpoor people more than the poor people with poor people accounting for less than 18.0% of total beneficiaries.
- Overall, the cost of delivering adequate social protection coverage was estimated to be particularly high in several countries, including low- or lower-middle-income countries where resource availability may be limited and dependency on external (i.e., donor) financing may be heavy.

With countries still grappling with their responses to the COVID-19 pandemic, the Russian invasion of Ukraine in the spring of 2022, the ensuing inflation crisis, and various extreme weather events have further challenged the social protection systems throughout the region. The impact of the Russian invasion has been felt differently across subregions in Asia and the Pacific. While most countries have suffered from the consequences of disrupted trade and increased prices for basic commodities, some—notably in Central and West Asia—have found themselves in positions where their economies have actually benefited from diversions in trade routes (ADB 2023).

The region also suffered severe consequences from climate change, with floods in Pakistan in 2022 and extreme droughts in the summer of 2023 in large parts of the region. Compared to prepandemic projections for 2022, an additional 67.8 million people were estimated to have become extremely poor in Asia in 2022 (ADB 2023). These poorest are among those hurt most by the increases in costs of living, as food, fuel, and transport weigh heavier in their consumption baskets and have fewer options for substitution than for the nonpoor (ADB 2023). If not sufficiently addressed, the social consequences of the pandemic and more recent shocks could persist over decades.

Against this backdrop, this working paper applies a second version of the SPRS model to analyze the costs and financing strategies associated with delivering social protection packages through the remaining duration of the SDG targets (i.e., 2024–2030) for 26 countries in Asia and the Pacific. The findings from this paper provide an important opportunity for policymakers to reevaluate investments and strategies

[2] The first version of the SPRS model covered more countries and, like this paper, lists findings from projections. The estimates produced are driven largely by a set of strong assumptions, including full coverage for social protection floor packages by 2030.

and to readjust their spending priorities in the domain of social protection. The main added value of this working paper is that it allows policymakers to assess policy alternatives through a comparative perspective. What are the costs of social protection reform? What drives these costs, and do countries differ from other countries in this respect? These insights may provide indicators that can serve as the starting points for policymakers for more in-depth exploration, which could then use national data sources instead of the international data sources that were used in this paper.

This working paper is structured as follows: Chapter 2 introduces the Social Protection Reform Simulation 2023 (SPRS23) model, its methodological approach, scope, and limitations of the current costing exercise. Chapter 3, in brief, discusses longer-term trends and recent developments in social protection for the Asia and Pacific region. Chapter 4 lays out the details of various social protection packages simulated by the SPRS23 model and presents the results and findings of the costing exercise. This is followed by concluding remarks in Chapter 5.

II. THE SOCIAL PROTECTION REFORM SIMULATION 2023 MODEL

This chapter describes the methodology behind the SPRS model: its initial (2020) version, and the modifications applied in this (2023) version, reflecting social protection financing challenges. This chapter also describes the data sources used for the simulations and their limitations.

The SPRS23 model derives its information from publicly available data sources. Notably, the following data sources have been used:

- United Nations, World Population Prospects 2022
- United Nations, Household Size and Composition 2022
- International Monetary Fund (IMF), World Economic Outlook Database, April 2023
- World Health Organization, Global Health Expenditure Database
- ILO, ILOSTAT
- World Bank, World Development Indicators

The source data feeds into three modules. The first is a population and labor force characteristics module, which provides the numbers of beneficiaries that would qualify for the various social protection programs. The module includes historic trends and projections. The population and labor force projections are derived from the United Nations and ILO, guiding a satellite module that projects the employed and unemployed population. This satellite module applies an unemployment rate projection path, which starts from its actual value in the base year and converges gradually to a realistic target rate toward the end of the projection period. The satellite module subsequently calculates the corresponding employment–population ratio during the projection period.

The second module is an economic module that contains historical trends for GDP, inflation, wages, and interest rates. This module also contains projections for these variables, which are based on the following three assumptions:

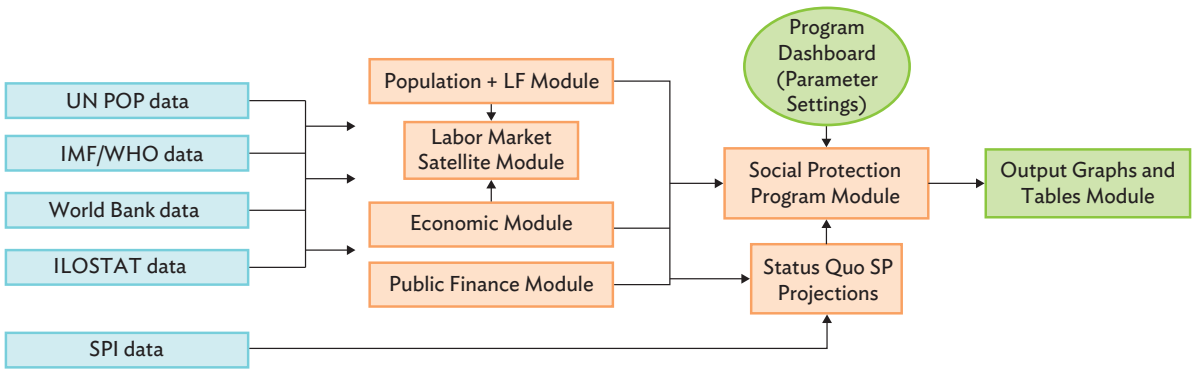
(i) The 2023–2028 GDP per capita growth, projected by the IMF, is extrapolated linearly to 2029–2030;
(ii) The 2023–2028 inflation is extrapolated linearly to 2029–2030; and
(iii) The 2015–2018 labor productivity growth is extrapolated linearly to 2020–2030 and is assumed to drive growth in real wages.

The other economic indicators follow mathematically from these three anchors.

The third module is a public finance module that projects government revenues and expenditures based on the IMF projections to 2028. Projections for 2029–2030 are linear extrapolations.

The three modules plus the labor market satellite module feed into the Social Protection Program Module, which is the centerpiece of the SPRS23 model. The Social Protection Program Module contains more than 15 different social protection programs—contributory, noncontributory, cash, in-kind, health insurance, and ALMPs—which can be customized and combined into various scenarios. For this purpose, the model provides a dashboard that allows users to enable or disable individual programs, change parameter settings for these programs, and view consolidated country results. The dashboard includes options to select poverty line thresholds (both national and international), various phase-in or program maturity periods, benefit amounts, benefit durations and adjustment mechanisms (i.e., earnings or inflation), eligibility conditions, and administrative costs involved. Other factors—including formality rates—are derived from respective national statistics, with provisions to allow for further manual calibration of these variables; this enables users to model different labor market scenarios as necessary. Finally, the model contains a tables and graphs module that shows the outputs from the modeling exercise (Figure 1).

Figure 1: Social Protection Reform Scenario Model Outline



IMF = International Monetary Fund, LF = labor force, SP = social protection, SPI = Social Protection Indicator, UN = United Nations, WHO = World Health Organization.
Source: Authors.

The current version—SPRS23—addresses some of the limitations of its predecessor. Notably, the latest version distinguishes between the costs and beneficiaries of existing social protection programs and additional costs and beneficiaries of projected reform scenarios.

In the first step, the SPRS23 establishes baseline (i.e., status quo) projections based on the SPI dataset and projects' expenditures and beneficiaries up to 2030, assuming no major changes in the social protection provision system. This step takes place in the Status Quo Social Protection Projections module in Figure 1. To project total future expenditures, the model estimates (i) per-beneficiary benefits and (ii) the number of beneficiaries in the future based on economic and demographic drivers. Benefit levels over the projected period are estimated using either future per capita real GDP growth for social insurance programs and ALMPs or inflation for social assistance programs. Future numbers of beneficiaries are estimated following demographic trends projected by the World Population Prospects 2022.

Once future benefits and beneficiaries are defined, the model multiplies the two elements to obtain estimates of future expenditures for each detailed social protection category defined under the SPI.[3]

The second step evaluates the expenditures of the "additional" social protection provisions, which are defined in the Social Protection Program Module in Figure 1. Eventually, the model aims to establish nationally relevant social protection floors through comprehensive programs, ensuring access to essential health care and basic income security across the life cycle (ILO 2012) (Table 1). Hence, the SPRS23 takes into account the existing provisions for each of the countries with available SPI data.

Indeed, the reform or additional expenditures are estimated for additional beneficiaries of existing programs and expansion of existing benefits when these are considered inadequate. For instance, if a pension-tested social assistance old-age benefit is considered, the SPRS23 would take into account (i) status quo social insurance benefits, (ii) additional social insurance benefits, and (iii) existing social assistance benefits. Based on these three elements, the model estimates the additional population to be included in the program, which is currently not covered. Moreover, if the additional benefit is higher than the status quo, the model assigns to beneficiaries of status quo programs only the vertical expansion of the benefit (i.e., the difference between the additional and status quo benefit level). Conversely, if the benefit of the status quo scenario is higher than the adequate benefit, the model expands the status quo benefit level to the additional beneficiaries of the programs. Table 1 introduces the additional package, medium variant, which builds on the existing provisions. Annex 1 describes the status quo scenario (baseline projections), and Annex 2 presents the parameters for the three reform scenarios (low, medium, and high). The programs and settings for the low and high reform scenarios are detailed in Annex 3, while findings for the medium reform scenario are in Annex 4.

Table 1: Social Protection Floor Packages, Programs and Parameter Settings, 2024–2030

	Program	Scope	Age	Level and Duration of Benefit	Administrative Cost
Social Insurance	Health insurance	Formal sector workers	18–59 years	Per capita benefit level calculated with country-specific data, 12 months in 1 year, assuming 25% OOP	5%
	Sickness benefits	Formal sector workers	18–59 years	70% of average earnings, 1 month in 1 year	5%
	Maternity benefits (insurance)	Female formal sector workers	Women with new babies	100% of average earnings, 3 months in 1 year	5%
	Unemployment insurance benefits	Formal sector workers	18–59 years	45% of average earnings, 3 months in 1 year	5%
	Old-age pension	Formal sector workers	60 years and over	60% of average earnings, 12 months in 1 year	5%
	Disability benefits	Formal sector workers	18–59 years	60% of average earnings, 12 months in 1 year	5%
	Health insurance contribution waiver	Currently non-insured population	All ages	Per capita benefit level calculated with country-specific data, 12 months in 1 year, assuming 25% OOP	10%

continued on next page

[3] The list of the detailed social protection categories defined by the SPI are pensions, health insurance, unemployment benefits, disability pension, sickness benefits, other social insurance, assistance for older people, health assistance, child welfare programs, disability assistance, welfare assistance, public works programs, skills development and training, and labor market programs for people with disabilities.

Table 1 *continued*

	Program	Scope	Age	Level and Duration of Benefit	Administrative Cost
Social Assistance	Child benefits	All children	0–17 years	0.1 × national poverty line, 12 months in 1 year	10%
	Student stipends	Children in primary and secondary education, 40% poorest households	6–11 years 12–14 years 15–17 years	0.06 × national poverty line, 0.10 × national poverty line, 0.12 × national poverty line, 10 months in 1 year	10%
	Social assistance cash transfer	Poor households	Households	On average, 1.7 × national individual poverty gap, 12 months in 1 year	10%
	Food program	25% poorest households	Households, according to size (<4, 4–5, and >5 members)	0.15/0.30/0.35 × national individual poverty line, 12 months in 1 year	10%
	Universal basic old-age benefits	All older people not covered under social insurance	60 years and over	100% of national individual poverty line, 12 months in 1 year	10%
	Universal disability benefits	All people with disabilities not covered under social insurance	18–59 years	100% of national individual poverty line, 12 months in 1 year	10%
Active Labor Market Programs	Skills training and intermediation	Urban unemployed youth and workers in precarious sectors (formal and informal)	18–59 years	Per capita cost: 10% of average earnings, 10 months in 1 year	40%
	Public works/ employment guarantee	Informal sector workers (urban and rural)	18–59 years	Submarket earnings rate, 100 days in 1 year	40%

Notes:
1. OOP is out-of-pocket payment. This is the assumed average share of household medical expenses that does not fall within the scope of health insurance.
2. Level and duration of benefit refer to the assumed new benefit under the additional scenario. If this benefit is lower than the basic status quo benefit, the model uses the existing benefit.

Source: Authors.

Eventually, with the two steps, the model analyzes the new expenditures and financing necessities, in addition to what each country already invests in social protection for each detailed ADB social protection category.

The model also estimates a full social protection package intervention for the few countries for which the social protection data were unavailable or could not be used. These countries are Fiji, Lao People's Democratic Republic (Lao PDR), Solomon Islands, and Vanuatu. Hence, for these countries, the expenditure projections will consider a total—hypothetically assuming no existing status quo social protection expenditures.

The program parameters in Table 1 reflect standing and common practices in the region. The justification for the selected parameter settings is the following sample existing program design settings in the countries.[4] Sickness benefits, for example, are around 70% of earnings in Cambodia,

[4] The information on existing benefit parameters is derived from Government of the United States, Social Security Administration (2018). The assumption in setting the benefit parameters is that this information has not lost its relevance.

the Kyrgyz Republic, Lao PDR, Pakistan, Uzbekistan, and Viet Nam. In Georgia, Indonesia, Nepal, Philippines, and Samoa, sickness benefits are 100% for a limited period. Maternity benefits, if they exist, are almost 100% of earnings in all countries, except in Cambodia (70%) and Lao PDR (80%). The benefits duration ranges from 1 month (Samoa) to 6 months (Georgia, Viet Nam). Three months is the average duration. Unemployment insurance benefits, if they exist, range from 30% of earnings (Kazakhstan) to 80% (Malaysia). But, in most countries, benefit replacement rates range between 45% and 60% (Lao PDR, Tajikistan, Thailand, Uzbekistan, Viet Nam), with a duration of 3–6 months. The parameter settings in the table for unemployment insurance benefits, therefore, are on the conservative side.

Existing old-age pensions in the region have a variety of parameter settings. Many countries differentiate their retirement ages between men and women. The most typical cases are ages 60 years for men and 55 years for women (Lao PDR, Pakistan, Uzbekistan, Viet Nam), or 63–65 years for men and 58–60 years for women (most of Central and West Asia). Some countries do not differentiate between males and females (Philippines, Samoa). Sometimes, retirement ages are even lower than 60 years for males and 55 years for females (Malaysia, Solomon Islands, Sri Lanka, Thailand, Vanuatu). Often, these countries operate provident funds where retirees can claim lump-sum benefits (Malaysia, Nepal, Sri Lanka, and most Pacific countries). These lump-sum benefits have not been simulated, as the model assumes monthly benefits. The same applies for individual account schemes that are common in most of Central and West Asia. Benefit replacement rates of 60% are applied in several countries (Kazakhstan). Sometimes countries operate rather complex benefit formulas (Lao PDR, Pakistan, Philippines, Thailand, Viet Nam), so 60% is an estimate of their average benefit replacement rates.

For disability benefits, benefit replacement rates of around 60% are common in most of Central and West Asia, and in Bangladesh, Indonesia, Malaysia, and Samoa. In some countries, benefit replacement rates are higher (Cambodia, Lao PDR). Most countries with provident funds (Nepal) do not have predetermined replacement rates, and the same applies for countries with individual accounts (Central and West Asia) and those with complex benefit formulas (Philippines, Thailand).

Countries with child benefits have applied a variety of benefit levels. For example, Fiji and Samoa have child benefits at around 50% of their individual poverty thresholds. In Armenia, the child grant is around 40% of the individual poverty threshold; whereas, in Azerbaijan, the Kyrgyz Republic, and Tajikistan, this is around 15%–30%. In Nepal, the child grant is around 15% of the individual poverty line. In Mongolia, the child grant represented 12% of the individual poverty line in 2018; after 2020, the benefit level was increased substantially in light of the COVID-19 crisis and still stands at 50% of the poverty line. In Thailand, the child grant is less than 10% of the individual poverty threshold.

Student stipends are less common. Indonesia has stipends for elementary schoolchildren at around 8%–9% of the poverty line, for junior secondary schoolchildren at 14%–15%, and for senior secondary schoolchildren at 18%–20%. Pakistan has stipends for students at around 10% of the poverty threshold. The Philippines has a 10-month student allowance of 15% of the poverty line for elementary school students and 25% for secondary school students. The model assumes a stipend of 6% of the poverty line for elementary school pupils, 10% for lower secondary pupils, and 12% of upper secondary school pupils for the poorest 40% of households. This cut-off has been modeled after the Indonesian example.

Household social assistance is available in a wide range of countries. The benefit levels range between 40% and 60% of the individual poverty thresholds in Armenia, Azerbaijan, Indonesia, and Pakistan. Benefit levels are lower in Tajikistan and higher in Sri Lanka and Fiji, depending on household size.

Several countries have food assistance programs, like Indonesia and the Philippines. The value of the in-kind benefit in the model is modeled after Indonesia's *Sembako* program.

The benefit levels for the universal old-age and disability benefits are 67% of the poverty threshold in Tajikistan and 50% in Uzbekistan. In Nepal and Viet Nam, the benefit levels are higher at around 80%–100% of the individual poverty thresholds. In most other countries, however, benefit levels are lower at 10%–20% of the individual poverty lines. This working paper uses a higher benefit level of 70%–100% of the individual poverty line; unlike the other programs, there is less justification for this from existing practices in the region. The justification lies in a conceptualization of a social protection floor for those vulnerable categories that cannot easily supplement incomes through alternative sources. These vulnerable groups need a basic income guarantee.

Universal health insurance has been introduced in the Philippines and Thailand. In Indonesia and Mongolia, coverage stands close to universal with the help of the governments subsidizing health insurance for the poor and vulnerable families. The parameter settings for the health insurance scheme in the simulations, including the use of a country-specific cut-off point, have been selected after the Indonesian example.

Even while spending levels on ALMPs are generally low, there is a huge variety in participation in ALMPs in the Asia and Pacific region. In some countries, participation in these programs is rather high—for example, 23% of the population in the Kyrgyz Republic and 11% in Viet Nam participate in these programs (Niño-Zarazúa and Torm 2022). In some countries (India, Armenia), these measures reach urban populations twice as much as rural populations. In others (Bangladesh, Indonesia, Viet Nam), participation tends to be larger in rural areas than in urban (Niño-Zarazúa and Torm 2022). In Asia, the focus in spending—apart from public employment services—is more on public employment programs; whereas, in the Pacific, the focus is more on vocational training (Niño-Zarazúa and Torm 2022). Examples of vocational training programs exist in many countries (Indonesia, Kazakhstan, Nepal, Pakistan, Philippines, Viet Nam), and these have been successful in increasing employment probabilities and earnings for their target groups (Niño-Zarazúa and Torm 2022). Employment guarantee or cash-for-work programs, pioneered in India, have been implemented in, for example, Nepal. Evidence of their success in meeting immediate consumption-smoothing objectives, apart from the widely studied Indian example, originates mainly from studies of the implementation of cash-for-work programs in Latin America (Niño-Zarazúa and Torm 2022). Yet, empirical evidence on the effectiveness of wage subsidy programs, as have been applied in Sri Lanka, is limited. Wage subsidies, therefore, have not been included in the set of ALMPs that were simulated in this paper.

For all programs, it was assumed that a change in the level of a benefit is implemented immediately in its year of introduction, whereas a change in the number of beneficiaries will materialize only gradually. More specifically, for the expansion of actual coverage, a linear progress is assumed with full coverage by 2030.

For old-age pensions and disability benefits, the scenarios assume that the contributory and noncontributory programs constitute two separate pillars. Beneficiaries are eligible only under one of these two pillars, depending on whether they have a formal sector employment track record.

Moreover, where available and in line with international statistics, the model adopts national poverty lines—or gaps, in the specific case of household social assistance—to estimate the additional projections per beneficiary benefit level when higher than the existing benefits. For countries that did not evaluate a nationally defined poverty line (gap) or this was not available, the absolute international poverty line (gap) was adopted. Furthermore, macroeconomic data were retrieved from the IMF; however, for Pakistan and Sri Lanka, estimates were not provided regarding future exchange rates. The SPRS23 assumes, in the case of Sri Lanka, a slow decrease to 2022 exchange rate levels by 2030; for Pakistan, it assumes constant exchange rates after 2023.

Earlier, it was mentioned that the current version, SPRS23, addresses some of the limitations of its predecessor. Some limitations, however, remain. The most important ones are listed here.

With respect to data availability:

- For Papua New Guinea and Solomon Islands, labor market statistics were not available. The model could not produce projection results for labor market-related programs (notably, social insurance) for these countries.
- Not all countries have available information on existing social protection programs. Moreover, for a few countries with existing information, it was not possible to correctly evaluate per-beneficiary benefits for specific programs.

With respect to model design:

- Similar to the previous version, the SPRS23 model assumes perfect targeting. Therefore, errors of inclusion (i.e., spillages) or exclusion are not taken into account. This implies that the numbers covered under the reform scenarios are theoretical. For example, for the household cash-transfer program, it is assumed that the poorest households are served first, and, if the program allows, then the near-poor are also covered. Hence, the costs of achieving the targeted coverage may be higher than the model predicts, and the actual coverage of the target population may be less.
- Further, the SPRS23 applies a program-based modeling approach that may lead to considerable overlaps between beneficiary groups of different programs. For this reason, beneficiary disaggregation in terms of coverage is discussed in this working paper at a program level across individual countries, subregions, and the region.

III. POST-COVID-19 CHALLENGES FOR ASIA AND THE PACIFIC

How are countries in Asia and the Pacific emerging from the pandemic and more recent shocks? Which of the measures that governments implemented to protect their citizens during COVID-19 have been phased out? Have there been any structural changes in the perception of social protection? To what extent has the pandemic halted or even reversed progress on the path to achieving the SDGs, in particular targets SDG 1.3 and SDG 3.8, by 2030? In discussing these matters, this chapter takes stock of recent developments in social protection and, thus, sets the stage for the analysis and findings.

Key Trends

Recent findings have shown that 55.9% of the population in Asia and the Pacific are not covered under a single social protection program (ILO 2021a). This is even worse for some categories within the population, such as workers in cases of work-related injuries (75.2%), people with disabilities (78.4%), children (82.0%), and the unemployed (86.0%). Mothers with newborns (45.9%) are close to the overall average, and only older people (73.5%) are relatively well covered (ILO 2021a). Behind these regional averages lie wide disparities. For example, in 20 countries in Asia and the Pacific, more than half of older people do not receive a pension (UNESCAP 2022a). Worldwide, only Africa demonstrates poorer performance in terms of coverage of its vulnerable populations (ILO 2021a).

Coverage under the formal sector social insurance schemes in developing Asia has increased from 22.5% in 2009 to 41.0% in 2018. Increased health insurance coverage in several Southeast Asian countries and

the establishment of universal old-age pensions—notably in Thailand—have been major drivers behind this trend (ADB 2022a).

In Pacific countries, formal sector social insurance coverage is reported to be low (9.9%), even if the trend moved moderately upward between 2009 and 2018 (ADB 2022b). Benefit levels are high, on average, with large amounts accruing to small numbers of beneficiaries (ADB 2022b).

Just prior to the COVID-19 crisis, about 2 billion workers—or almost 60.0% of the world's adult labor force—were in informal employment. More than 80.0% of enterprises operate in the informal sector worldwide. In Asia and the Pacific, the rate of informal employment averages 68.5%, which again is second only to that of Africa. Moreover, the disparities are wide and range from less than 20.0% in developed countries in the region such as Australia or Japan, to almost 90.0% or more in Bangladesh, Cambodia, India, and Lao PDR (OECD 2023). Unlike in earlier crises, during the COVID-19 pandemic, the informal sector did not function as a last-resort shelter for those who lost their jobs; it was unable to provide refuge (OECD 2023). Moreover, large numbers of people employed in the informal sector left the labor force, and these workers and their families were left unprotected. At the height of the crisis, globally, 20.0% of jobs in the informal sector vanished, about twice the loss of jobs in the formal sector (OECD 2023).

Ideally, these workers and their families would have found shelter under a social assistance umbrella. Yet, in many countries in Asia and the Pacific, this social safety net was only partially operational. For example, coverage under noncontributory social protection schemes in the Pacific was only 19.1% in 2018 (ADB 2022b).

Asian countries saw an increase in coverage under noncontributory social protection programs (i.e., social assistance) from 16.8% 2009 to 25.7% in 2018. ALMPs, however, covered as little as 1.6% of their target population (i.e., the unemployed and underemployed) in 2018 (ADB 2022a).

Government Responses to the COVID-19 Pandemic

Regional trends in the social insurance response to the COVID-19 pandemic embodied three interventions—contribution waivers, sickness benefits, and unemployment benefits—which when combined, accounted for close to 33.0% of social insurance measures introduced in the region (Van der Auwera, van de Meerendonk, and Kumar 2022).

Social assistance measures introduced in the Asia and Pacific region included health and sickness assistance; unemployment assistance; cash transfers; and food assistance measures primarily targeted at poor and vulnerable households, informal sector workers, and other vulnerable categories. Wage subsidies accounted for the largest share in the number of ALMPs introduced as a response to the pandemic. Other programs including skills development, training, and public works programs were only introduced in a limited set of countries in the region and accounted for a significantly smaller portion of the ALMP expenditure in these countries (Van der Auwera, van de Meerendonk, and Kumar 2022).

The COVID-19 crisis demonstrated that countries with well-established social protection systems were able to roll out measures to large populations rapidly and effectively. Conversely, economies that were more severely affected by the pandemic were those without strong social protection systems (McConnell 2022).

Post-Pandemic Responses

Any optimism for a fast economic recovery in early 2022 dampened, as some countries—notably the People's Republic of China (PRC)—were slow to terminate their stringent COVID-19 measures, including

closures of factories and border facilities. Moreover, the Russian invasion of Ukraine, from March 2022, reinvigorated severe disruptions in food and energy markets, adding to the looming uncertainties and further fueling inflation (ADB 2023).

With inflation of basic commodities and services soaring, recovery from the pandemic became cumbersome, particularly for low-income groups, including those who had just escaped poverty and were pushed back because of increases in costs of living (ADB 2023). Poor households tend to spend a relatively large proportion of their budgets on food, fuel, and transport. For example, poor households tend to have less storage (e.g., refrigerators) to purchase efficient quantities of food, often live in outer suburban areas or in informal settlements on the remote fringes of cities, and have to spend more time and income on commuting to work.[5] These households will be hit harder when prices of these commodities and services increase; it is expensive to be poor (ADB 2023).

In response to the recent inflation crisis, several countries in the Asia and Pacific region have implemented temporary measures. These include unconditional cash transfers for poor and vulnerable families with and without children and low-paid workers (Cambodia, Indonesia, Malaysia, Philippines, Tajikistan); increases in benefit levels for existing beneficiaries (the Kyrgyz Republic, Sri Lanka); specific measures targeting specific categories, like children or older people (Fiji, Thailand, Uzbekistan); cash-for-work programs (Indonesia); or increases in the level of the statutory minimum wage (Armenia, Thailand). Sometimes, the scope of some of these measures was quite large—for example, in Pakistan where about 33% of the total population were covered under the relief measures, or in the Philippines where 50% of families received a one-off grant in 2022 (Gentilini et al. 2022). Between the end of 2022 and mid-2023, most of the new measures that were implemented in East Asia, Southeast Asia, and the Pacific were social assistance-related (47%), notably extensions or increases in cash-transfer programs. Subsidies (27%) followed cash-transfer measures as the second instrument that governments in the region applied to cushion the hikes in the cost of living (Gentilini et al. 2023).

Progress and Challenges on the Path to 2030

The challenges of achieving the SDG targets have increased in the wake of the recent crises. The expected year of achieving the SDGs for the region—assuming no major policy changes—has shifted further into the future and now stands at 2065 (UNESCAP 2022a). More specifically focusing on the social protection-related SDG targets, only East Asia is on track for achieving SDG 1 (no poverty) by 2030. Most subregions must double their pace to meet the 2030 social protection-related targets: SDG 1.3 (establish a social protection floor) and SDG 3.8 (universal access to health services). This particularly applies to South Asia, which has experienced some severe setbacks due to extreme weather events, and the Pacific, where coverage levels are generally low (UNESCAP 2022a). Moreover, children, women, poor households, people with disabilities, and older people are among those most at risk of exclusion (UNESCAP 2022a).

The design of the contributory social insurance schemes in the region has been mostly based on models implemented initially in Europe or higher-income Asian economies—like Japan or the Republic of Korea—which were designed for a labor market dominated by workers with a stable employer–employee work relationship. Moreover, the fact that most noncontributory programs are targeted to a minority of the population deemed poor and vulnerable implies a conceptualization that the majority is, in fact, in a position of relative economic security (ILO and UNESCAP 2022). In reality, there is a large share of the population in the region—sometimes referred to as "the missing middle." The changing nature of work—with the emergence of atypical forms of work like the platform economy—further exacerbates the need for social protection programs and systems that are designed to address these challenges.

[5] ADB (2023) lists a wide range of empirical research supporting these findings.

Preliminary Conclusions

Large segments of the population—in particular, vulnerable groups including children, women, people with disabilities, and older people—are not well covered under existing social protection provisions. Informal employment rates are high, and most in the informal sector are not covered by social protection. This became an urgent issue when a series of crises emerged, including the pandemic, inflation, and climate-induced environmental shocks. Poor people were hit the hardest, but increasingly, the middle-income segments have also lost their financial capacities to sustain their livelihoods. The countries who were able to respond rapidly and effectively to these crises were those with well-established social protection infrastructures in place.

The general conclusion may be that the trend in social protection is upward, but the pace is too slow, and countries fall back on ad-hoc measures to respond to emerging crises. Often, the existing social protection infrastructure serves as the channel for emergency measures. Being at the halfway point with respect to the 2030 targets for sustainable development, this shapes the agenda for the reform package that has been projected by the SPRS23 model. The findings from this exercise will be discussed in Chapter 4.

IV. MEETING THE SUSTAINABLE DEVELOPMENT GOAL TARGETS: RESULTS AND FINDINGS

This chapter presents the findings in terms of projected costs and estimated coverage (2023–2030), with variations in benefit levels, benefit durations, and other parameters of social protection programs as relevant for Asia and the Pacific. It will distinguish status quo spending (i.e., the projected costs of existing social protection programs in selected countries) versus additional costs of various social protection reform options.

Introduction

In the recent past, several studies focused on the costs of a social protection floor package for Asia and the Pacific countries (e.g., Van der Auwera, van de Meerendonk, and Kumar 2022). Even if valuable for their focus on unmet needs, these studies do not, or insufficiently, take into account the diversity in existing social protection systems and ensuing policy challenges in the Asia and Pacific region. While many countries are still struggling to provide a safety net for their poor and vulnerable populations, other countries—such as most countries in Central and West Asia, Mongolia, and several countries in Southeast Asia—have well-established contributory pillars. For these countries, the ambitions stretch beyond building a social protection floor. Typically, in these countries, the missing middle—roughly the population in the third and fourth quintiles of income distribution—is an important focus of the national policy debate. Governments in these countries face the challenge of increasing the number of insured in their contributory systems. This working paper aims to do justice to these ambitions, in addition to the aim of establishing a universal social protection floor for those categories of the population that remain excluded from any social protection. In this respect, this paper is unique in its focus on both the horizontal and vertical dimensions of social protection reform.[6]

The SPRS23 model demonstrates a comprehensive social protection package aimed at delivering at least adequate social protection floors in line with the ILO Recommendation No. 202 and the social

[6] The horizontal and vertical approaches are part of a two-dimensional approach to the extension of social security coverage, which aims to implement national social protection floors that ensure universal access to at least basic social security guarantees (i.e., the horizontal dimension) and the progressive achievement of higher levels of protection (i.e., the vertical dimension) within comprehensive social security systems (ILO 2012).

protection-related SDG targets in the 26 countries of Asia and the Pacific. The package builds on the gaps that have been identified in the previous chapter and is designed to provide access to essential health care, including maternity care; basic income security for children including access to nutrition, education, and other necessary goods and services; income security for persons unable to earn sufficient income because of sickness, unemployment, maternity, or disability; labor market measures for those who are temporarily unable to find gainful work; and basic income security for older people. Estimates represent the total costs, including those in addition to the findings from the status quo projections. Programs modeled in this phase are assumed to be gradually implemented between 2023 and 2027 and will have achieved full coverage by 2028.

Overall Expenditure

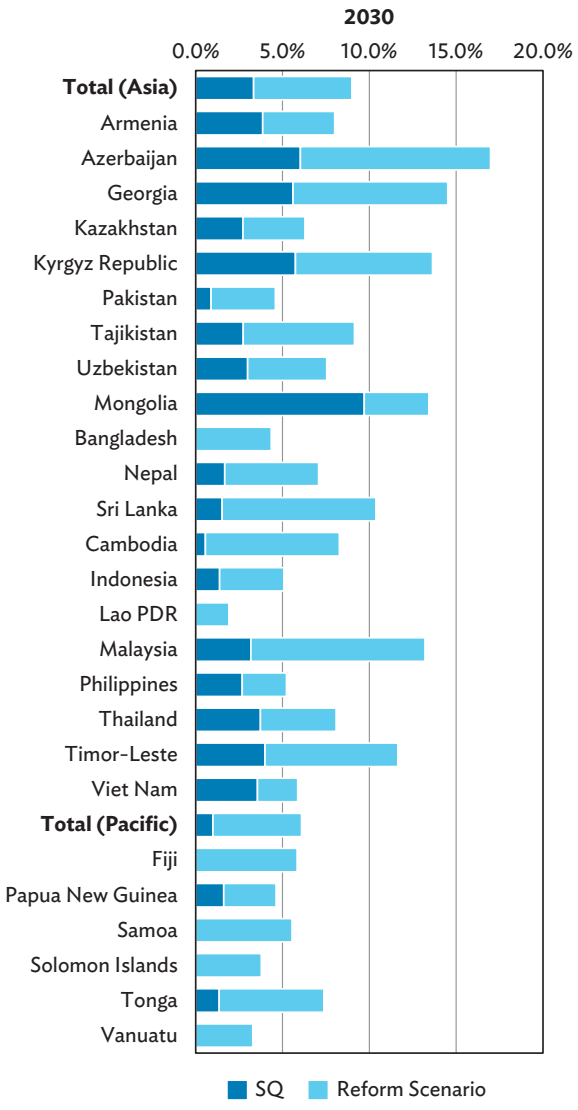
Figure 2 shows the overall expenditure for the 26 countries in percentage of GDP resulting from the scenario that was outlined in Chapter 2. The figure shows results for 3 years: the second year after

Figure 2: Social Protection Floor Package, 2024–2030
(overall expenditure in % of GDP)

Grand Total Consolidated Expenditure

Region	Country	2024	2027	2030
Asia	**Total**	**7.42**	**9.57**	**8.99**
Central and West Asia	Armenia	7.90	8.94	8.01
	Azerbaijan	11.40	17.02	16.98
	Georgia	12.71	16.68	14.52
	Kazakhstan	5.56	7.01	6.30
	Kyrgyz Republic	12.62	14.70	13.64
	Pakistan	3.00	5.04	4.59
	Tajikistan	8.88	9.98	9.14
	Uzbekistan	8.16	8.49	7.54
East Asia	Mongolia	13.53	14.80	13.43
South Asia	Bangladesh	2.86	4.96	4.35
	Nepal	5.75	7.51	7.08
	Sri Lanka	7.08	11.96	10.38
Southeast Asia	Cambodia	5.84	8.82	8.27
	Indonesia	3.16	4.78	5.08
	Lao PDR	0.70	1.81	1.91
	Malaysia	7.31	12.67	13.21
	Philippines	4.52	5.47	5.23
	Thailand	7.56	8.10	8.09
	Timor-Leste	7.15	11.09	11.64
	Viet Nam	5.4	6.43	5.88
Pacific	**Total**	**2.94**	**6.14**	**6.09**
	Fiji	2.18	6.17	5.84
	Papua New Guinea	2.61	4.54	4.63
	Samoa	1.95	5.41	5.55
	Solomon Islands	1.20	3.88	3.78
	Tonga	4.04	7.20	7.38
	Vanuatu	1.09	3.33	3.28

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, SQ = status quo.
Source: Authors.



introduction (2024), midterm (2027), and final year of the projection horizon (2030).[7] For countries for which expenditure data on the current programs were not available, the figure lists expenditure in the reform scenario only. The discussion will focus on the costs of the reform scenario in the final year.

The figure shows that for all countries, the costs of establishing the social protection reform scenario outlined in Chapter 2 would substantially add to existing costs. This is the result of a multitude of factors. Therefore, it will help to examine each of these findings.[8]

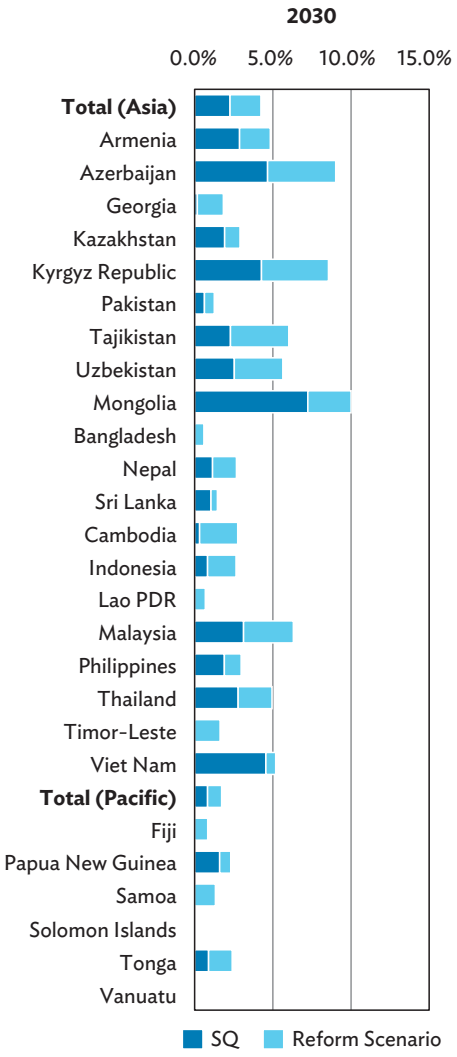
Figures 3 and 4 break down the contributory schemes (i.e., social insurance) and noncontributory programs (i.e., social assistance).

Figure 3: Social Protection Floor Package—Social Insurance, 2024–2030
(% of GDP)

Total Consolidated Social Insurance Expenditure

Region	Country	2024	2027	2030
Asia	**Total**	**4.02**	**4.17**	**4.24**
Central and West Asia	Armenia	5.56	5.26	4.84
	Azerbaijan	7.23	8.04	9.02
	Georgia	1.03	1.78	1.83
	Kazakhstan	3.61	3.20	2.90
	Kyrgyz Republic	9.67	9.08	8.56
	Pakistan	1.14	1.29	1.26
	Tajikistan	6.87	6.53	6.02
	Uzbekistan	7.01	6.24	5.64
East Asia	Mongolia	9.62	10.86	10.00
South Asia	Bangladesh	0.18	0.42	0.59
	Nepal	1.95	2.38	2.67
	Sri Lanka	1.36	1.42	1.45
Southeast Asia	Cambodia	1.89	2.40	2.75
	Indonesia	1.34	2.06	2.64
	Lao PDR	0.19	0.48	0.68
	Malaysia	3.93	5.03	6.31
	Philippines	2.62	2.88	2.98
	Thailand	4.29	4.67	4.94
	Timor-Leste	0.59	1.28	1.63
	Viet Nam	4.79	5.06	5.18
Pacific	**Total**	**1.18**	**1.59**	**1.73**
	Fiji	0.30	0.68	0.84
	Papua New Guinea	1.85	2.14	2.31
	Samoa	0.46	1.06	1.33
	Solomon Islands	0.00	0.01	0.02
	Tonga	1.44	2.07	2.40
	Vanuatu	0.00	0.01	0.02

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, SQ = status quo.
Source: Authors.



[7] Nearly all findings show a lower expenditure figure for 2030 than for 2027. In 2027, reform measures will be fully rolled out. The decrease in expenditure after 2027 then follows from faster GDP growth than growth in social protection expenditure, both in nominal terms.

[8] Earlier, it was mentioned that for Bangladesh, Fiji, Lao PDR, Solomon Islands, and Vanuatu, the SPI database does not have the information to produce results. Therefore, the figure only shows the costs of the reform scenario, and total costs (i.e., existing plus additional) may be underestimated for these countries.

Figure 4: Social Protection Floor Package—Social Assistance, 2024–2030
(% of GDP)

Total Consolidated Social Assistance Expenditure

Region	Country	2024	2027	2030
Asia	**Total**	**3.44**	**5.44**	**4.82**
Central and West Asia	Armenia	2.34	3.68	3.17
	Azerbaijan	4.18	8.98	7.96
	Georgia	11.67	14.90	12.69
	Kazakhstan	1.95	3.80	3.40
	Kyrgyz Republic	2.95	5.62	5.08
	Pakistan	1.86	3.75	3.34
	Tajikistan	2.01	3.45	3.13
	Uzbekistan	1.16	2.26	1.90
East Asia	Mongolia	3.91	3.94	3.43
South Asia	Bangladesh	2.68	4.54	3.76
	Nepal	3.81	5.13	4.41
	Sri Lanka	5.72	10.54	8.93
Southeast Asia	Cambodia	3.95	6.42	5.52
	Indonesia	1.82	2.72	2.44
	Lao PDR	0.51	1.33	1.23
	Malaysia	3.38	7.65	6.89
	Philippines	1.90	2.59	2.25
	Thailand	3.27	3.43	3.14
	Timor-Leste	6.56	9.81	10.01
	Viet Nam	1.26	2.38	1.98
Pacific	**Total**	**1.75**	**4.54**	**4.36**
	Fiji	1.87	5.48	5.00
	Papua New Guinea	0.76	2.40	2.32
	Samoa	1.49	4.35	4.22
	Solomon Islands	1.20	3.87	3.75
	Tonga	2.60	5.14	4.97
	Vanuatu	1.09	3.33	3.26

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, SQ = status quo.
Source: Authors.

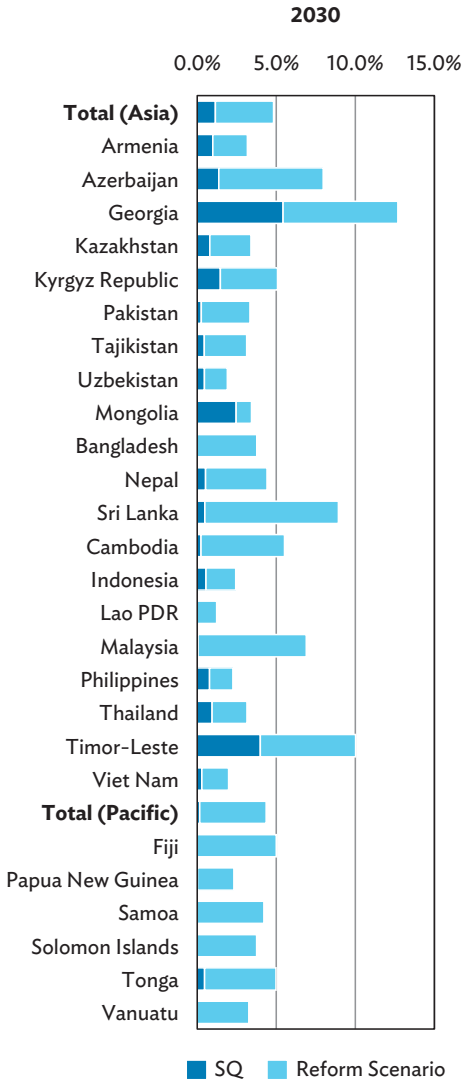


Figure 3 reveals high expenditure levels for Azerbaijan, the Kyrgyz Republic, and Mongolia, and to a lesser extent for Malaysia, Tajikistan, and Uzbekistan, which all show expenditure levels exceeding 6% of GDP. These Central and West Asian countries and Mongolia have well-established contributory social insurance frameworks with high levels of coverage. Expenditures, therefore, are already relatively high in the status quo scenario, as explained earlier.

Figure 4 shows high levels of expenditure on social assistance for several countries. First, in countries where expenditure is already high in the baseline scenario (Georgia, Timor-Leste), the costs of reform would add substantially to existing costs; this warrants some further investigation, which follows. Second, countries in South Asia, Southeast Asia, and the Pacific would spend around 4%–5% of their GDP on noncontributory programs, which may be problematic for some in terms of affordability; this will also be discussed below when the focus is on the additional costs of the reform scenario.

Expenditure by Country Income Groups

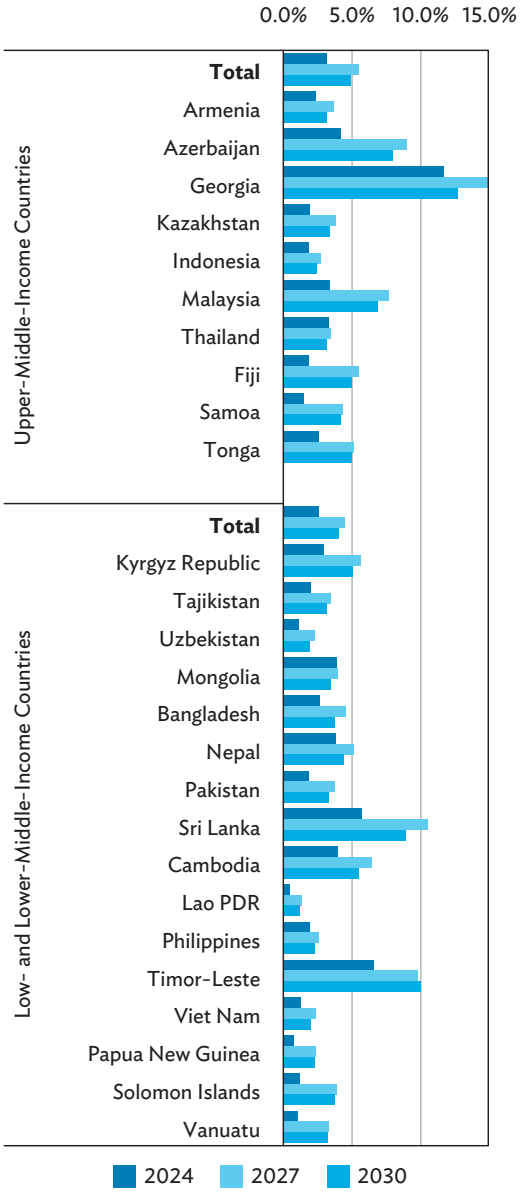
Turning from a subregional to a country income category perspective, Figure 5 shows total consolidated government expenditure on noncontributory programs for countries broken down into income groups. Figure 5 shows that upper-middle-income countries, on average, would spend up to 1% of their GDPs more than low- and lower-middle-income countries.

Figure 5: Social Assistance Reform Package by Country Income Group, 2024–2030
(% of GDP)

Country Income Groups

Income Group	Country	2024	2027	2030
Total Upper-Middle-Income		**3.14**	**5.47**	**4.90**
Upper-Middle-Income Countries	Armenia	2.34	3.68	3.17
	Azerbaijan	4.18	8.98	7.96
	Georgia	11.67	14.90	12.69
	Kazakhstan	1.95	3.80	3.40
	Indonesia	1.82	2.72	2.44
	Malaysia	3.3	7.65	6.89
	Thailand	3.27	3.43	3.14
	Fiji	1.87	5.48	5.00
	Samoa	1.49	4.35	4.22
	Tonga	2.60	5.14	4.97
Total Low- and Lower-Middle-Income		**2.58**	**4.46**	**4.02**
Low- and Lower-Middle-Income Countries	Kyrgyz Republic	2.95	5.62	5.08
	Tajikistan	2.01	3.45	3.13
	Uzbekistan	1.16	2.26	1.90
	Mongolia	3.91	3.94	3.43
	Bangladesh	2.68	4.54	3.76
	Nepal	3.81	5.13	4.41
	Pakistan	1.86	3.75	3.34
	Sri Lanka	5.72	10.54	8.93
	Cambodia	3.95	6.42	5.52
	Lao PDR	0.51	1.33	1.23
	Philippines	1.90	2.59	2.25
	Timor-Leste	6.56	9.81	10.01
	Viet Nam	1.26	2.38	1.98
	Papua New Guinea	0.76	2.40	2.32
	Solomon Islands	1.20	3.87	3.75
	Vanuatu	1.09	3.33	3.26

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.
Source: Authors.



Additional Expenditure

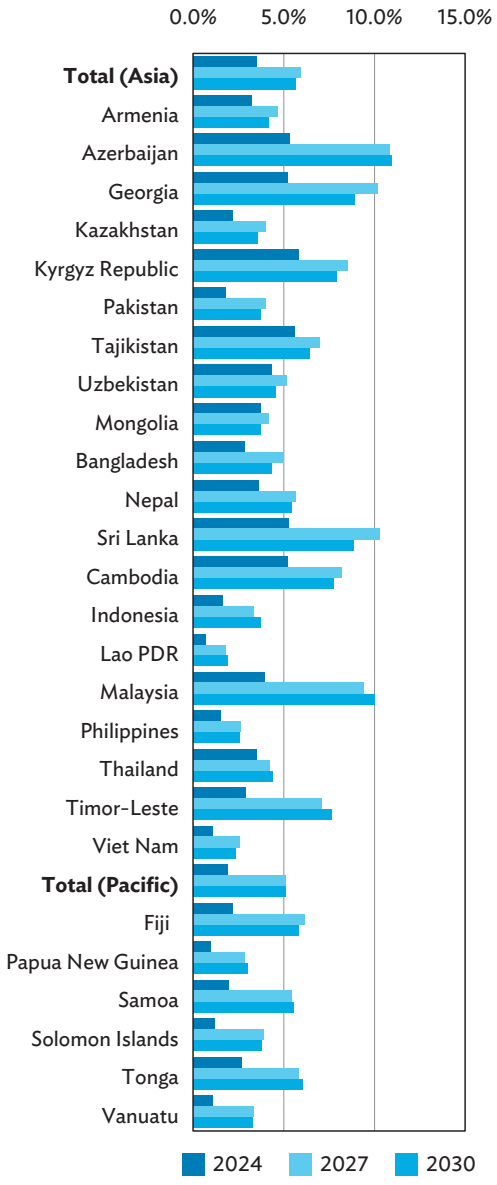
Figure 6 presents the additional expenditure for social insurance and social assistance following the reform scenario outlined in Chapter 2.

Figure 6: Social Protection Reform Package—Additional Expenditure, 2024–2030
(% of GDP)

Grand Total Additional Expenditure

Region	Country	2024	2027	2030
Asia	**Total**	**3.47**	**5.94**	**5.65**
Central and West Asia	Armenia	3.20	4.65	4.15
	Azerbaijan	5.30	10.84	10.95
	Georgia	5.21	10.19	8.92
	Kazakhstan	2.15	3.99	3.58
	Kyrgyz Republic	5.81	8.49	7.89
	Pakistan	1.80	4.02	3.71
	Tajikistan	5.62	6.96	6.41
	Uzbekistan	4.31	5.15	4.55
East Asia	Mongolia	3.75	4.14	3.72
South Asia	Bangladesh	2.86	4.96	4.35
	Nepal	3.62	5.63	5.41
	Sri Lanka	5.27	10.29	8.85
Southeast Asia	Cambodia	5.20	8.21	7.71
	Indonesia	1.60	3.32	3.70
	Lao PDR	0.70	1.81	1.91
	Malaysia	3.94	9.41	10.03
	Philippines	1.49	2.60	2.55
	Thailand	3.48	4.21	4.36
	Timor-Leste	2.90	7.06	7.65
	Viet Nam	1.08	2.54	2.32
Pacific	**Total**	**1.92**	**5.12**	**5.10**
	Fiji	2.18	6.17	5.84
	Papua New Guinea	0.95	2.87	3.02
	Samoa	1.95	5.41	5.55
	Solomon Islands	1.20	3.88	3.78
	Tonga	2.66	5.83	6.02
	Vanuatu	1.09	3.33	3.28

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.
Source: Authors.



In 2030, the average costs—specifically related to the reform scenario—would be 5.7% of GDP for the 20 Asian countries and 5.1% of GDP for the Pacific countries. These represent the additional costs of reform measures above the expenditures in the baseline scenario.

On average, the costs of the reform scenario in 2030 would be lower in South Asia (5.6% of GDP) and Southeast Asia (5.0% of GDP) than in Central and West Asia (6.3% of GDP). For South Asia

and Southeast Asia, the costs are mainly associated with noncontributory programs (4.8% of GDP in 2030 in South Asia and 3.3% of GDP in Southeast Asia, as compared with 3.9% of GDP in Central and West Asia); whereas, for Central and West Asia, the reform scenario of the contributory schemes (2.6% of GDP in 2030) has a major share in the total costs of the reform scenario (0.8% of GDP in South Asia and 1.7% of GDP in Southeast Asia).

For most subregions, the phase-in of new beneficiaries would lead to a gradual increase in reform costs during the projection period. However, for most countries in Central and West Asia and for Mongolia, the reform scenario of the contributory schemes would have an immediate impact, while the further increase during the remainder of the projection period would be small. This is because these countries already have relatively high coverage rates, and the increase in their costs would mainly be caused by the increase in the average level of benefits and the introduction of some new branches (e.g., unemployment insurance) for the already-insured population.

Figures 7 and 8 show the breakdown of costs for contributory and noncontributory programs.

Figure 7: Social Insurance Reform Package—Additional Expenditure, 2024–2030
(% of GDP)

Total Additional Social Insurance Expenditure

Region	Country	2024	2027	2030
Asia	**Total**	**1.45**	**1.77**	**1.98**
Central and West Asia	Armenia	2.16	2.11	1.96
	Azerbaijan	2.59	3.30	4.35
	Georgia	0.84	1.60	1.66
	Kazakhstan	1.11	1.04	0.98
	Kyrgyz Republic	4.62	4.49	4.28
	Pakistan	0.25	0.56	0.63
	Tajikistan	4.05	3.96	3.72
	Uzbekistan	3.78	3.42	3.10
East Asia	Mongolia	3.17	3.05	2.76
South Asia	Bangladesh	0.18	0.42	0.59
	Nepal	0.48	1.09	1.53
	Sri Lanka	0.12	0.28	0.41
Southeast Asia	Cambodia	1.57	2.07	2.43
	Indonesia	0.52	1.24	1.82
	Lao PDR	0.19	0.48	0.68
	Malaysia	0.62	1.82	3.19
	Philippines	0.58	0.90	1.07
	Thailand	1.29	1.79	2.16
	Timor-Leste	0.59	1.28	1.63
	Viet Nam	0.24	0.50	0.63
Pacific	**Total**	**0.32**	**0.73**	**0.90**
	Fiji	0.30	0.68	0.84
	Papua New Guinea	0.20	0.48	0.71
	Samoa	0.46	1.06	1.33
	Solomon Islands	0.00	0.01	0.02
	Tonga	0.50	1.15	1.52
	Vanuatu	0.00	0.01	0.02

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.
Source: Authors.

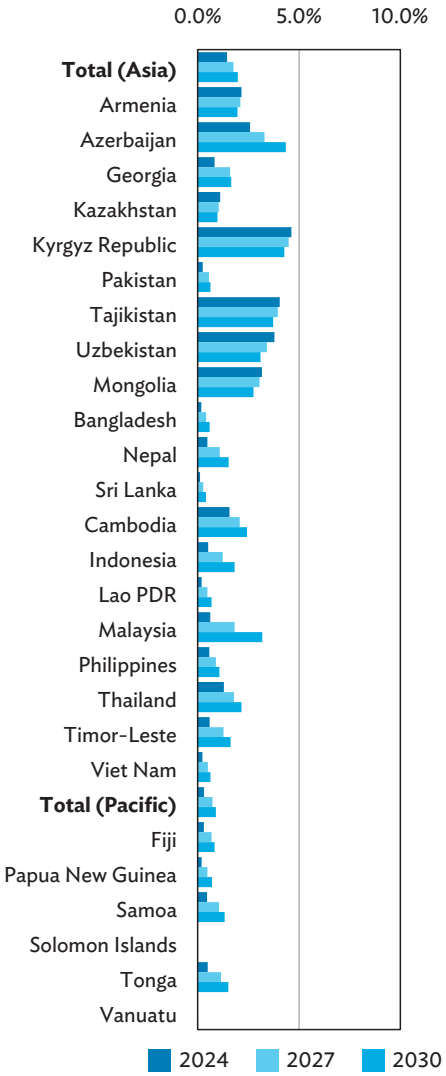
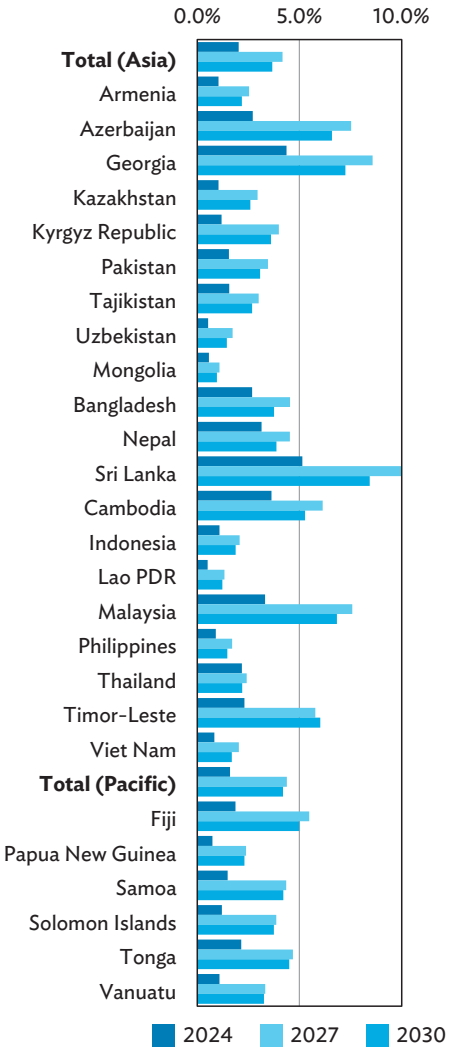


Figure 8: Social Assistance Reform Package—Additional Expenditure, 2024–2030
(% of GDP)

Total Additional Social Assistance Expenditure

Region	Country	2024	2027	2030
Asia	**Total**	**2.03**	**4.17**	**3.68**
Central and West Asia	Armenia	1.04	2.54	2.18
	Azerbaijan	2.72	7.54	6.60
	Georgia	4.37	8.59	7.26
	Kazakhstan	1.04	2.95	2.60
	Kyrgyz Republic	1.19	4.00	3.61
	Pakistan	1.55	3.47	3.08
	Tajikistan	1.57	3.01	2.68
	Uzbekistan	0.53	1.73	1.45
East Asia	Mongolia	0.57	1.09	0.96
South Asia	Bangladesh	2.68	4.54	3.76
	Nepal	3.15	4.54	3.88
	Sri Lanka	5.15	10.02	8.54
Southeast Asia	Cambodia	3.63	6.14	5.28
	Indonesia	1.09	2.08	1.88
	Lao PDR	0.51	1.33	1.23
	Malaysia	3.32	7.59	6.84
	Philippines	0.91	1.70	1.47
	Thailand	2.19	2.42	2.20
	Timor-Leste	2.31	5.78	6.03
	Viet Nam	0.84	2.04	1.69
Pacific	**Total**	**1.60**	**4.39**	**4.20**
	Fiji	1.87	5.48	5.00
	Papua New Guinea	0.75	2.39	2.31
	Samoa	1.49	4.35	4.22
	Solomon Islands	1.20	3.87	3.75
	Tonga	2.16	4.68	4.51
	Vanuatu	1.09	3.33	3.26



GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.
Source: Authors.

The additional expenditure corresponding to the reform of contributory social insurance schemes would be around 2.0% of GDP in Asia and around 0.9% of GDP in the Pacific—all in the final year of projections. Extra spending on social insurance schemes would be high, more than 3.0% of GDP, in several Central and West Asian countries, notably Azerbaijan, the Kyrgyz Republic, Tajikistan, and Uzbekistan. Even if these costs are financed predominantly from contributions from workers and their employers, the costs may still be prohibitively high for some of these countries, and this may slow down an increase in the formality rate.

Taking a closer look into the set of social insurance schemes, the old-age pension scheme would be responsible for 4.9% of GDP, equivalent to 70.0% of the additional costs in these countries. Therefore, it could be an option for these countries to implement a slightly less generous set of parameters for their old-age pension reform.

The average of additional spending on noncontributory programs would build up to around 3.7% of GDP in Asia and 4.2% of GDP in the Pacific by the end of the projection period. For Azerbaijan, Cambodia, Fiji, Georgia, Malaysia, Sri Lanka, and Timor-Leste, the reform package would cost more than

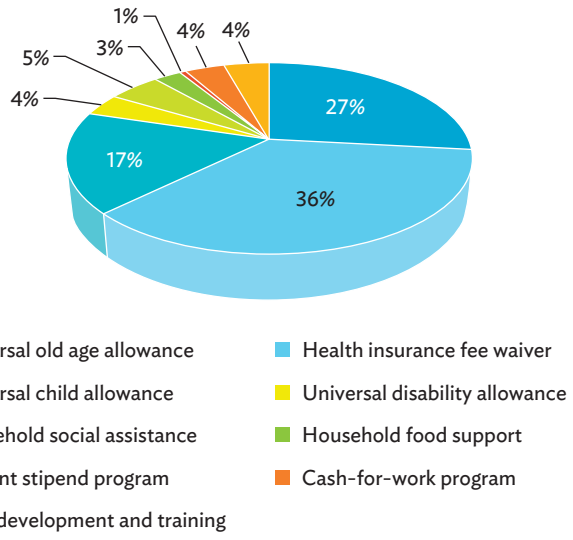
5.0% of GDP. In others—like Bangladesh, the Kyrgyz Republic, Nepal, and Solomon Islands—reform spending would reach close to 4.0% of GDP. Countries can opt for a less ambitious reform scenario. This will be discussed further below.

Expenditure on Employment Programs

The two ALMPs in the reform scenario—the 100-day employment guarantee for seasonal workers in the informal sector, and the skills development and training program for urban workers—are relatively inexpensive. Both programs are projected to cost 0.14% of GDP, on average, in Asia and 0.08% (skills development) and 0.10% (public works) in the Pacific in 2030. The Kyrgyz Republic (0.30%) and Vanuatu (0.23%) are projected to spend the most on the public works program; whereas, Thailand (0.73%) tops the list with respect to the skills development program for young urban workers.

Figure 9 shows a breakdown in relative program spending within noncontributory programs. Three programs account for more than 75% of total expenditure: health insurance contribution waivers for the 50% poorest (36%), universal basic old-age benefits (27%), and child benefits (17%). Social assistance for poor families (5%) follows, and the other four programs would account for less than 5% of the total reform package cost. Annex 4 has a table with detailed costs per program.

Figure 9: Relative Program Costs in Total Expenditure, 2030



Source: Authors.

Simulating Lower- and Upper-Bound Reform Packages

While this working paper aims to demonstrate the costs of a uniform social protection reform package across Asia and the Pacific, the costs of this initial package may be considered high for some countries. For example, Georgia and Tonga are upper-middle-income countries where the total social assistance package would exceed 10% of GDP in some or all years during the projection period. This is about twice the average expenditure levels for the upper-middle-income group.

Cambodia, the Kyrgyz Republic, Nepal, Sri Lanka, and Timor-Leste are lower-middle-income countries where social assistance programs would exceed 5% of their GDP during all or some of the years of the

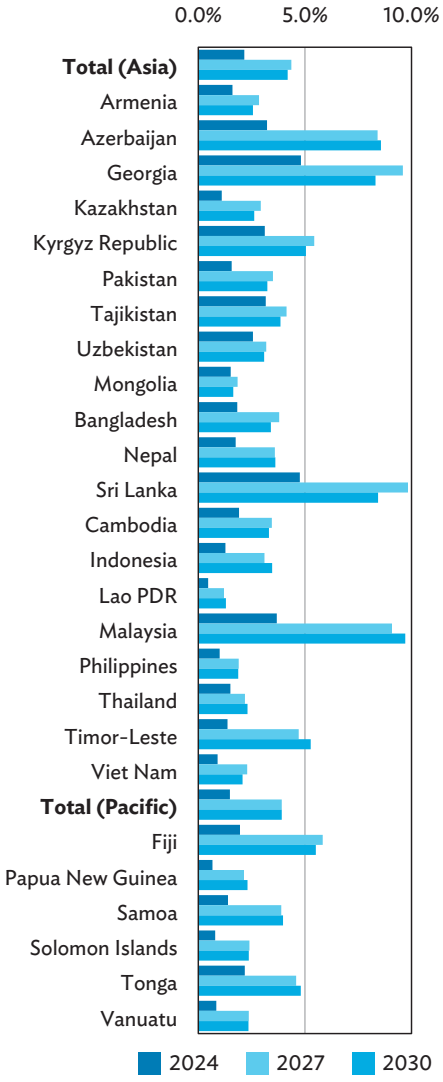
projection time frame. Within this group, Bangladesh and Solomon Islands also reveal high spending (close to 5% of their GDPs) on social assistance programs. There may be countries where the simulated set of reform measures could be unaffordable for government.

Therefore, the paper has simulated a less extensive reform package.[9] This comprises a limited set of 10 (instead of 15) contributory and noncontributory programs covering old-age, health, disability, and child allowances, as well as social assistance for poor families. The benefit levels for each of these programs have been set at the minimum subsistence level. For the contributory programs, this is the minimum level that is prescribed in the ILO Social Security Convention No. 102; for noncontributory programs, the benefit level is set at the lower bound of what was observed within the region (Chapter 2). Figure 10 shows the findings.

Figure 10: Social Protection Reform—Modified Scheme Parameters (Low Variant), 2024–2030
(% of GDP)

Grand Total Additional Expenditure

Region	Country	2024	2027	2030
Asia	**Total**	**2.16**	**4.36**	**4.19**
Central and West Asia	Armenia	1.60	2.85	2.56
	Azerbaijan	3.22	8.41	8.57
	Georgia	4.82	9.60	8.31
	Kazakhstan	1.10	2.93	2.63
	Kyrgyz Republic	3.12	5.44	5.05
	Pakistan	1.56	3.50	3.24
	Tajikistan	3.17	4.14	3.85
	Uzbekistan	2.56	3.19	3.09
East Asia	Mongolia	1.52	1.84	1.64
South Asia	Bangladesh	1.83	3.80	3.40
	Nepal	1.75	3.59	3.61
	Sri Lanka	4.76	9.83	8.44
Southeast Asia	Cambodia	1.91	3.45	3.31
	Indonesia	1.27	3.10	3.46
	Lao PDR	0.46	1.20	1.29
	Malaysia	3.68	9.09	9.71
	Philippines	1.00	1.90	1.88
	Thailand	1.50	2.19	2.31
	Timor-Leste	1.37	4.71	5.27
	Viet Nam	0.90	2.29	2.07
Pacific	**Total**	**1.48**	**3.91**	**3.92**
	Fiji	1.95	5.84	5.51
	Papua New Guinea	0.67	2.14	2.31
	Samoa	1.39	3.89	3.97
	Solomon Islands	0.79	2.40	2.37
	Tonga	2.18	4.59	4.80
	Vanuatu	0.84	2.37	2.35



GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.
Source: Authors.

[9] The parameter settings for this package are outlined in Annex 2.

For most countries, this would help render the status quo plus reform packages affordable for governments. Exceptions could be the Kyrgyz Republic, Sri Lanka, Tajikistan, and Timor-Leste, being low- or lower-middle-income countries where costs remain high (i.e., 4.0%–5.0% of GDP or higher). Sri Lanka is a lower-middle-income country where social assistance programs would exceed 5.0% of GDP during all or some of the years of the projection time frame, rising to 8.4% of GDP in 2030. For Azerbaijan, Georgia, and Malaysia, costs would also be as high as 8.0%–9.0% of GDP, despite the fact that these are upper-middle-income countries. For most of these upper-middle-income countries, a substantial share of the additional costs would accrue from the expansion of contributory schemes.

For all of these countries, two programs are responsible for most of the costs: health insurance contribution waivers for poor and vulnerable families, and child benefits. Adjusting the eligibility and/or benefit parameters for these two programs results in a substantial reduction of costs.[10] For Azerbaijan, the costs for the government would become 2.3% of GDP in 2030 from 6.6%. For Georgia, the revised cost for the government would be 2.0% of GDP from 7.3%, and for Malaysia, the cost would decrease from 6.8% of GDP to 3.1%. For Sri Lanka, the revised cost for the government would be 3.1% of GDP in 2030 from 8.4%.

In the case of Timor-Leste, having more programs is driving the high costs. Universal basic old-age benefits (1.1 percentage points), child benefits (1.5 percentage points), universal disability benefits (0.4 percentage points), household social assistance (1.0 percentage points), and cash-for-work programs (1.6 percentage points) all contribute to the cost of the reform package. Therefore, a broader revision of the reform package could help trim costs for this government. For example, lowering the level of child benefits and those for the universal old-age and disability benefits to 50% of the poverty line and cutting the cash-for-work program from the reform package would help make the reform package more affordable. In this scenario, the costs of the reform package would decrease from 6.0% to 3.1% of GDP in 2030.

For some other countries, the reform package may not be ambitious enough. Thus, the paper has also simulated a more generous reform scenario (footnote 10). This package consists of the same 15 programs, as discussed previously, but now with levels of benefits closer to the upper bound of what was observed in the region (Chapter 2). Figure 11 shows the findings.

The differences in the levels of expenditure between the three reform packages for some countries are rather limited (Figure 12). One important cause for this may be that the model, by design, takes into account the existing program settings in the various countries and does not allow benefit levels to drop below that level. Hence, for some countries and programs, differences between the three variants in expenditure levels are (close to) zero.

Figure 12 recaps the differences between the three reform scenario variants for the final year of the projections.

Annex 3 features a more detailed discussion of the low and high variants.

Drivers of Expenditure Levels

What drives differences in expenditure levels between the various countries? What are options or guidelines for governments to act—that is, how can they influence levels of expenditure?

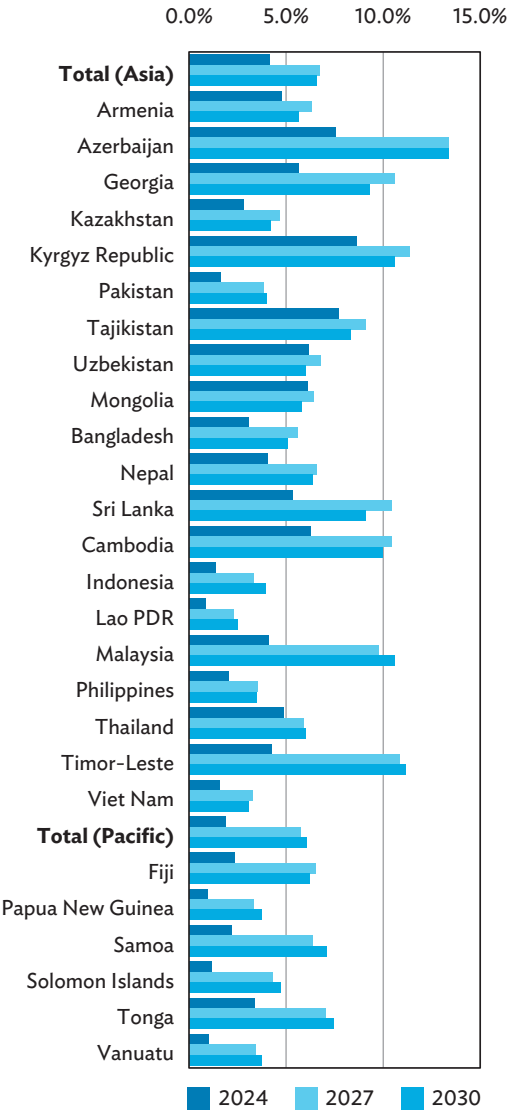
[10] For Azerbaijan, Malaysia, and Sri Lanka, capping the eligibility cut-off point to 15% of poor and vulnerable population for Georgia, lowering the amount of the fee waiver; and for Azerbaijan and Georgia, setting the child allowances at 10.0% of the poverty line (i.e., lowering the existing benefit level) lead to cost reductions of 3.6–5.4 percentage points for these countries.

Figure 11: Social Protection Reform—Modified Scheme Parameters (High Variant), 2024–2030
(% of GDP)

Grand Total Additional Expenditure

Region	Country	2024	2027	2030
Asia	**Total**	**4.13**	**6.72**	**6.55**
Central and West Asia	Armenia	4.79	6.29	5.62
	Azerbaijan	7.55	13.35	13.38
	Georgia	5.66	10.58	9.30
	Kazakhstan	2.82	4.66	4.18
	Kyrgyz Republic	8.61	11.38	10.59
	Pakistan	1.64	3.85	3.98
	Tajikistan	7.71	9.09%	8.31
	Uzbekistan	6.15	6.77	5.99
East Asia	Mongolia	6.13	6.42	5.79
South Asia	Bangladesh	3.08	5.57	5.06
	Nepal	4.02	6.54	6.34
	Sri Lanka	5.32	10.45	9.08
Southeast Asia	Cambodia	6.23	10.43	9.97
	Indonesia	1.34	3.31	3.92
	Lao PDR	0.86	2.29	2.49
	Malaysia	4.10	9.74	10.56
	Philippines	2.04	3.50	3.48
	Thailand	4.89	5.89	6.00
	Timor-Leste	4.27	10.84	11.18
	Viet Nam	1.56	3.27	3.08
Pacific	**Total**	**1.91**	**5.74**	**6.03**
	Fiji	2.35	6.53	6.20
	Papua New Guinea	0.95	3.34	3.73
	Samoa	2.20	6.37	7.10
	Solomon Islands	1.18	4.28	4.72
	Tonga	3.40	7.06	7.46
	Vanuatu	1.00	3.45	3.75

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.
Source: Authors.



Generally, there are six major drivers of expenditure levels. The first is differences among countries in their demographics. For example, a child benefit will be costly for countries with large shares of children in their population (e.g., those in South Asia), and universal basic old-age benefits will be more expensive for countries that have advanced further than others in terms of aging (e.g., Central and West Asia).

The second driver is the current systems. In countries with well-established social protection systems, the options for further expansion in coverage and associated additional spending may be limited. The same applies to countries with already relatively generous levels of benefits. Yet, countries with limited coverage and relatively generous benefits may experience that expansion of coverage is costly. Some Pacific countries, for example, operate programs with rather high levels of benefits, which would be expensive to expand.

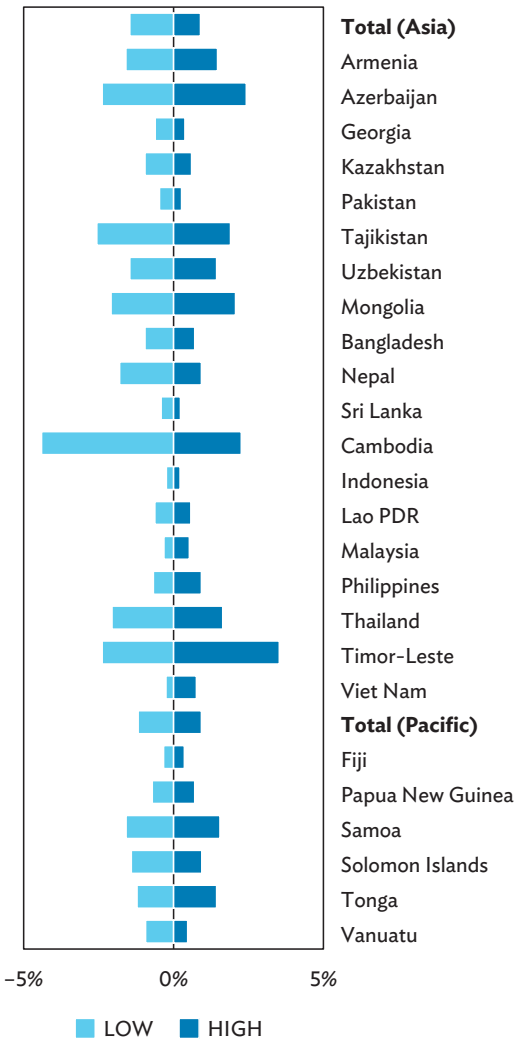
Figure 12: Social Protection Reform—Recap of Findings (Low, Medium, and High Variants), 2030
(% of GDP)

Grand Total Additional Expenditure

Region	Country	Low	Medium	High
Asia	**Total**	**4.19**	**5.65**	**6.55**
Central and West Asia	Armenia	2.56	4.15	5.62
	Azerbaijan	8.57	10.95	13.38
	Georgia	8.31	8.92	9.30
	Kazakhstan	2.63	3.58	4.18
	Kyrgyz Republic	5.05	7.89	10.59
	Pakistan	3.24	3.71	3.98
	Tajikistan	3.85	6.41	8.31
	Uzbekistan	3.09	4.55	5.99
East Asia	Mongolia	1.64	3.72	5.79
South Asia	Bangladesh	3.40	4.35	5.06
	Nepal	3.61	5.41	6.34
	Sri Lanka	8.44	8.85	9.08
Southeast Asia	Cambodia	3.31	7.71	9.97
	Indonesia	3.46	3.70	3.92
	Lao PDR	1.29	1.91	2.49
	Malaysia	9.71	10.03	10.56
	Philippines	1.88	2.55	3.48
	Thailand	2.31	4.36	6.00
	Timor-Leste	5.27	7.65	11.18
	Viet Nam	2.07	2.32	3.08
Pacific	**Total**	**3.92**	**5.10**	**6.03**
	Fiji	5.51	5.84	6.20
	Papua New Guinea	2.31	3.02	3.73
	Samoa	3.97	5.55	7.10
	Solomon Islands	2.37	3.78	4.72
	Tonga	4.80	6.02	7.46
	Vanuatu	2.35	3.28	3.75

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.
Source: Authors.

Expenditure spread, Low and High variants



The third driver is formality levels. Contributory programs tend to be more costly than noncontributory programs. Intuitively, in those with a low level of formality (i.e., a large share of the workforce is employed in the informal economy), vertical expansion can be costly. On the other hand, even with relatively high formality rates, expansion of insurance can be expensive if the benefit levels are high. This is what was observed for the Central and West Asian countries in the various scenarios.

The fourth driver of differences lies in the poverty maps of countries. The higher the poverty headcount, the more people are there to be covered. The higher the poverty gap, the more expensive this will be. At the same time, this expansion of coverage will be even more expensive—as a percentage of GDP—when the poverty line is closer to the average income, as measured in GDP per capita. This corresponds to the situation of many South Asian, Southeast Asian, and Pacific low- or lower-middle-income countries. Social protection reform costs measured in percentage of GDP can be high for these countries.

The fifth driver is differences in GDP growth rates. Expenditures in this chapter have been expressed in percentage of GDP. Some countries will experience higher rates of economic growth—for these countries, a similar absolute amount of costs will be less when measured in percentage of their GDPs. Chapter 5 will take a closer look into expenditures measured in monetary value.

The sixth driver is in regard to the size of government. For countries with higher tax–GDP ratios (such as Viet Nam) or where governments benefit from the exploitation of natural resources (such as Timor-Leste), the expansion of noncontributory social protection programs—even if the cost is the same in percentage of GDP as in other countries—may be more affordable for governments with deeper pockets. This is discussed further in Chapter 5.

The scope of this working paper does not allow discussion of the observed differences among countries in the various reform scenario variants. For this, individual country studies are more appropriate, as has occurred with Indonesia and Mongolia.[11]

From an international perspective, Indonesia has relatively low social protection expenditure. In the separate country report, several scenarios were simulated for reform of the noncontributory (i.e., social assistance) pillar.[12] The simulations envisaged a gradual rollout of reform measures while slowly phasing out some current subsidies to make the reform affordable. By 2030, the total package would cost 1.9% of GDP, which is less than the average amount of subsidies over the past 12 years. The paper also demonstrated findings from several scenarios with modified program parameters, such as variations in the retirement age for a pension, inclusion of out-of-pocket payments in health insurance, and higher child benefits. The paper found a cost bandwidth of –0.4 and +0.5 percentage point around 1.9% of GDP for the initial reform package. This, therefore, leaves the government with a range of options.

Social protection expenditure is relatively high in Mongolia compared to peer countries. Two components stand out in this respect.[13] The first is a sizable transfer to the Child Money Program (2.8% of GDP in 2022), and the second is a large transfer from the state budget to the social insurance fund. In the separate country report on Mongolia, three reform scenarios were simulated with respect to the noncontributory social welfare programs, which are in line with the reform proposals from the government that are currently pending in parliament. The three simulated scenarios ranged from –0.25% of GDP to +0.5% of GDP as compared with the outcome of the status quo scenario, which was projected at 2.3% of GDP in 2030.

Preliminary Conclusions

For all countries, the costs of establishing the social protection reform scenario outlined in Chapter 2 would substantially add to existing social protection costs. The total costs would be 5.7% of GDP for Asia and 5.1% of GDP for the Pacific (Table 2).

Generally, expenditure levels in Central and West Asia are among the highest, and expenditure levels in South Asia and the Pacific are the lowest among all subregions.

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[11] Simultaneously to this working paper ADB prepared two country studies—one for Indonesia and one for Mongolia—in which the drivers for expenditure are discussed in more detail.

[12] A. van de Meerendonk. Forthcoming. *Costing Social Protection Reform for Indonesia: Costing and Financing Social Protection to Achieve the Sustainable Development Goals*. Manila: ADB.

[13] A. van de Meerendonk and G. Heins. Forthcoming. *Costing Social Protection Reform for Mongolia: Costing and Financing Social Protection to Achieve the Sustainable Development Goals*. Manila: ADB.

Table 2: Additional Expenditure by Social Protection Component and Subregion, 2030
(% of GDP)

Region	Total	Social Insurance	Social Assistance and ALMPs
Asia	**5.65**	**1.98**	**3.68**
Central and West Asia	6.27	2.59	3.68
South Asia	5.58	0.79	4.79
Southeast Asia	5.03	1.70	3.33
Pacific	**5.10**	**0.90**	**4.20**

ALMP = active labor market program, GDP = gross domestic product.
Note: East Asia comprises only Mongolia and has been omitted from the table.
Source: Authors.

Expenditure levels in the upper-middle-income countries are initially around 1.5% of GDP, which are higher than expenditure levels in the low- and lower-middle-income countries. However, the difference in terms of expenditure levels between these income groups narrows to less than 1.0% of GDP by the end of the projection horizon.

The additional expenditure corresponding to the contributory social insurance schemes would be around 2.0% of GDP in Asia in 2030 and 0.9% of GDP in the Pacific. Extra spending on social insurance schemes is particularly high in several Central and West Asian countries and in Mongolia. Paradoxically, these are typically countries with well-established contributory social insurance frameworks with high levels of coverage. The introduction of additional branches and the increase in benefit replacement rates for the high numbers of covered workers explain this finding.

The findings also reveal high levels of expenditure on social assistance in many countries, such as in countries where expenditure is high in the baseline scenario. In addition, countries in South Asia, Southeast Asia, and the Pacific would spend around 5.0% of their GDP on noncontributory programs, which for some may be unaffordable.

Simulations of a more moderate reform package were conducted, and these help lower expenditure levels for these countries. This is the rationale of the SPRS23 model—to facilitate countries in designing social protection floors to meet the SDGs and, at the same time, consider the extent to which reform of social protection will remain financially affordable.

Simulations of a more generous package demonstrated that, for some countries, a more ambitious set of reforms could be financially affordable and more in line with strategies to reach out to the missing middle.

Beneficiaries

By the end of the projection period in 2030, the (medium and high variants) reform scenarios would lead to a significant increase in the numbers of beneficiaries in all programs (Table 3). Out of a projected total of 445.6 million beneficiaries under the contributory schemes, 20.5% would be new beneficiaries due to the introduction of new schemes providing long-term (i.e., pensions) and short-term coverage for contingencies.[14] For noncontributory social assistance programs, the projected total number of beneficiaries is nearly 2.7 billion, out of which 45.7% would be previously uncovered beneficiaries. For ALMPs, the total number of beneficiaries is projected at 85.2 million, with 79.9% new beneficiaries.

[14] The increase in the numbers of beneficiaries related to the reform scenario is not because of aging, as this is already factored in in the status quo scenario.

Table 3: Estimated Beneficiaries, Status Quo, Reform, and Consolidated Scenarios, 2030
('000 persons)

Program	Total (Existing + New)		Existing (Status Quo)		New (Reform)	
Social Insurance	**445,638**	100.00%	**359,055**	**80.6%**	**86,583**	**19.4%**
Health insurance	365,311	100.00%	313,023	85.7%	52,288	14.3%
Sickness benefits	6,113	100.00%	262	4.3%	5,851	95.7%
Maternity benefits	16,243	100.00%				
Unemployment benefits	3,158	100.00%	1,208	38.3%	1,943	61.5%
Old-age pension	52,214	100.00%	38,930	74.6%	13,253	25.4%
Disability benefits	2,599	100.00%	1,205	46.4%	1,421	54.7%
Social Assistance	**2,662,563**	100.00%	**1,540,892**	**57.9%**	**1,121,671**	**42.1%**
Health insurance contribution waiver (uninsured population)	943,649	100.00%	191,727	20.3%	751,922	79.7%
Child benefits	1,494,447	100.00%	1,218,354	81.5%	276,092	18.5%
Student stipends	9461	100.00%				
Cash transfer		100.00%				
Food program		100.00%				
Universal basic old-age benefits	108,583	100.00%	28,661	26.4%	79,921	73.6%
Universal disability benefits	21,274	100.00%	6,909	32.5%	14,365	67.5%
Active Labor Market Programs	**85,240**	100.00%	**17,149**	**20.1%**	**68,091**	**79.9%**
Skills training and intermediation	41,044	100.00%	8,910	21.7%	32,134	78.3%
Public works/employment guarantee program	44,196	100.00%	8,239	18.6%	35,957	81.4%

Notes:
1. For programs targeting households, the numbers of individual beneficiaries do not apply. Figures for several countries on existing contributory schemes were not available. These countries, therefore, could not be included in the status quo projections. To a lesser extent, figures on existing beneficiaries in noncontributory programs were not available.
2. This table excludes the People's Republic of China and India. For Fiji, Lao People's Democratic Republic, Samoa, Solomon Islands, and Vanuatu, data on existing beneficiaries were not available. Therefore, the table only reports new beneficiaries for these countries.

Source: Authors.

For several programs—sickness and unemployment benefits in social insurance, most of the social assistance programs, and all of the employment programs—the majority of beneficiaries are new beneficiaries due to the introduction of programs that currently do not exist in most countries.

From the status quo projections, it is not possible to evaluate any type of breakdown of beneficiaries. Conversely, disaggregation based on sex, poverty status, and urban–rural is possible for additional beneficiaries of the reform scenario (Table 4). Nevertheless, these breakdowns are subject to parametric eligibility set across programs in the social protection floor phase.

For instance, for social insurance programs, it is possible to estimate breakdown by sex, but it is not possible to identify any urban–rural divisions or individuals living in poverty. For most social assistance and ALMPs, it is possible to define all types of breakdowns, excluding the poverty-targeted household cash transfer program, which is assumed to be targeting only the population living in poverty. For some other programs, notably household food assistance and student stipends, the assumption is perfect targeting of beneficiaries from poor households and that the cut-off point for program eligibility lies higher than the poverty headcount, so there will also be nonpoor among the beneficiaries.

The remainder of this section takes a closer look at the new beneficiaries from the reforms.

Table 4: Estimated Shares of New Beneficiaries per Program, 2030
(% of beneficiaries)

Program	Male	Female	Urban	Rural	Poor	Nonpoor
Social Insurance						
Health insurance (formal sector workers)	51	49	100			100
Sickness benefits (formal sector workers)	52	48	100			100
Maternity benefits (formal sector workers)		100	100			100
Unemployment insurance benefits (formal sector workers)	52	48	100			100
Old-age pension (formal sector workers)	44	56	100			100
Disability benefits (formal sector)	52	48				100
Social Assistance						
Health insurance contribution waiver (uninsured population)	44	56	63	37	16	84
Child benefits	50	50	63	37	16	84
Student stipends			63	37	40	60
Cash transfer			63	37	100	
Food program			63	37	61	39
Universal basic old-age benefits	44	56	63	37	16	84
Universal disability benefits	52	48	63	37	16	84
Active Labor Market Programs						
Skills training and intermediation	52	48	100		16	84
Public works/employment guarantee program	52	48		100	100	

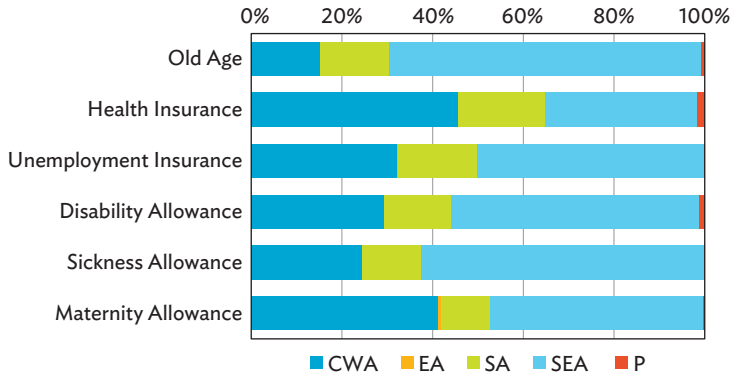
Source: Authors.

At the end of the projection period in 2030, as a result of the reform scenario, Southeast Asia would account for the largest share of new formal sector social insurance beneficiaries (50.0% or higher), with the exception of health insurance (Figure 13). Central and West Asia would account for the largest share of new beneficiaries in health insurance (45.6%). Pakistan would have the largest share of new beneficiaries in the entire region. East Asia and the Pacific would account for the smallest shares, mainly because of their smaller shares in the total population in the region. South Asia (not including India) would take a midrange position, with shares of 10%–20% of total beneficiaries.

Social assistance programs in the social protection floor package target a wide range of beneficiary groups, including those left outside of formal health insurance schemes, pregnant women, children, older people and people with disabilities. Beneficiaries for such programs are generally concentrated in South Asia and Southeast Asia (accounting for 60%–75% of total beneficiaries in Asia) and in Pakistan (which is in Central and West Asia).

The distribution of poor versus nonpoor people varies across programs. For universal programs (e.g., old-age pensions, disability pensions, and child grants), the share of poor people in total beneficiaries is around 16%. For programs where categorical targeting is applied (e.g., household social assistance, food support, and student stipends), the shares of poor people in total beneficiaries range from 40% (student stipends), 61% (food support), to 100% (means-tested household cash benefits). The share of the poor beneficiaries with respect to health insurance contribution waivers for the uninsured is estimated at

Figure 13: Social Insurance Subregional Distribution of Beneficiaries per Program, 2030
(% of beneficiaries)

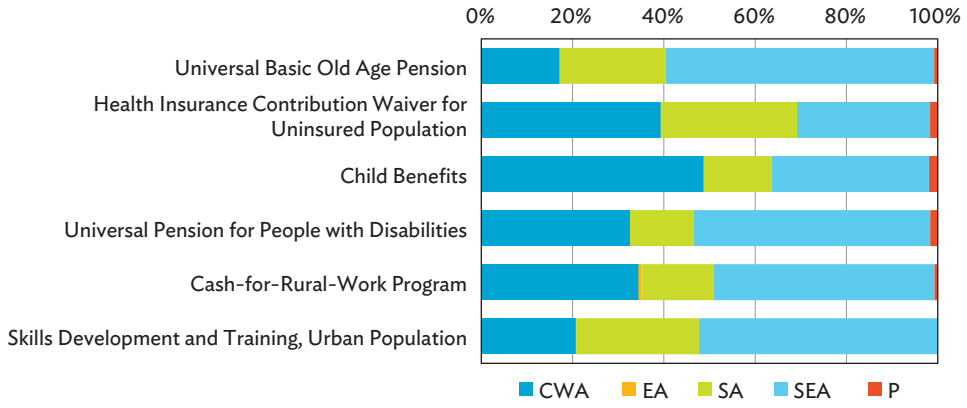


EA = East Asia (Mongolia), P = Pacific, SA = South Asia, SEA = Southeast Asia, CWA = Central and West Asia.
Source: Authors.

around 31%. Social assistance programs are estimated to better benefit the poor in low-income countries and the Pacific, where 35%–50% of beneficiaries are poor, in comparison with other income groups and subregions.

Another approach is to look at specific categories of beneficiaries and assess how these are distributed across the various subregions. Figure 14 starts with female new beneficiaries who receive coverage for the first time—thanks to the simulated reform package.

Figure 14: Social Assistance Subregional Distribution of Female Beneficiaries per Program, 2030
(% of total beneficiaries)



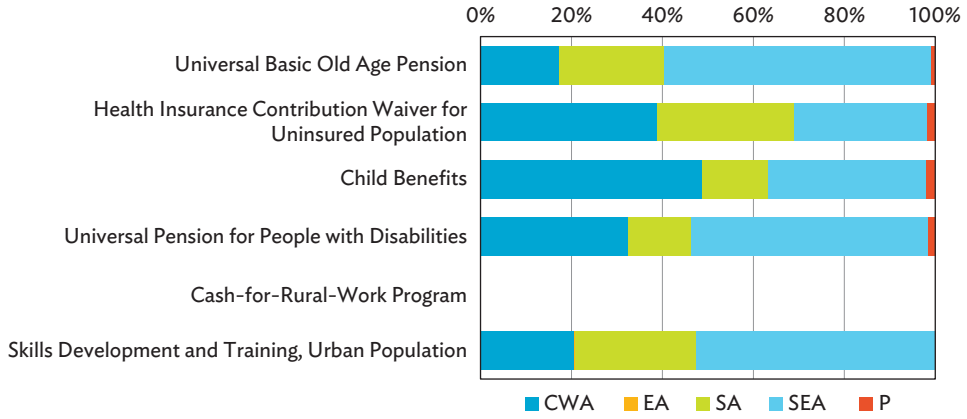
EA = East Asia (Mongolia), P = Pacific, SA = South Asia, SEA = Southeast Asia, CWA = Central and West Asia.
Source: Authors.

Southeast Asia is well represented in most of the programs, having 50%–60% of total female beneficiaries. However, this is less true for health insurance and child benefits (both around 30%), as these programs are already part of the current social protection system in several countries in the subregion. For the other programs, a large share in the total population, combined with a large share of the population working in the informal sector, drives the numbers up for this subregion.

Central and West Asia is well represented in new beneficiaries in health insurance (39%) and child benefits (49%). It appears that the expansion of coverage, which is embedded in the reform scenario, attracts large numbers of beneficiaries for these programs in this subregion, particularly in Pakistan.

A similar picture emerges in the subregional shares of urban beneficiaries (Figure 15). Southeast Asia, with its large population centers, is well represented. South Asia varies between 15% and 30% of urban beneficiaries across programs; whereas, East Asia and the Pacific account for minor shares in total urban beneficiaries.

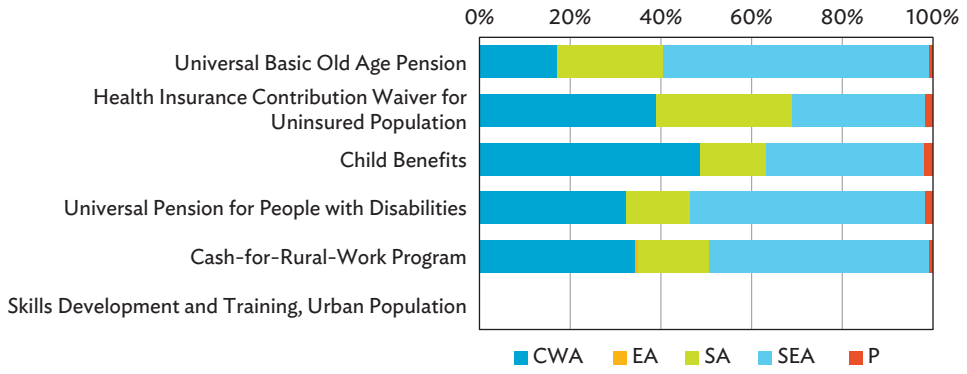
Figure 15: Social Assistance Subregional Distribution of Urban Beneficiaries per Program, 2030
(% of total beneficiaries)



EA = East Asia (Mongolia), P = Pacific, SA = South Asia, SEA = Southeast Asia, CWA = Central and West Asia.
Source: Authors.

Figure 16 considers subregional shares of rural beneficiaries. Here also, Southeast Asia accounts for most in terms of beneficiaries, with beneficiary shares between 30% and 60%. South Asia accounts for between 15% and 30% of beneficiaries, with health insurance (30%) and old-age benefits (23%) as larger components. Central and West Asia accounts for between 30% and 50% for most programs, except universal basic old-age benefits (17%), which may be explained from their higher shares of formal sector workers.

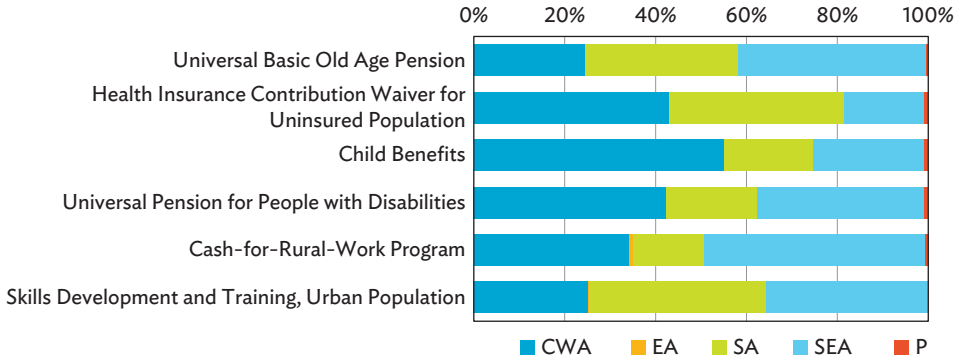
Figure 16: Social Assistance Subregional Distribution of Rural Beneficiaries per Program, 2030
(% of total beneficiaries)



EA = East Asia (Mongolia), P = Pacific, SA = South Asia, SEA = Southeast Asia, CWA = Central and West Asia.
Source: Authors.

Figure 17 shows the subregional distribution of poor beneficiaries (excluding family benefits). Here, a clear distinction, as compared with the earlier figures, is visible. Notably, South Asia accounts for larger shares of poor beneficiaries. Central and West Asia has a large share of poor children receiving child benefits, which may be explained from the relative lower prevalence of child grants in current social protection systems in this region. Expanding these to universal coverage could account for the large share of new beneficiaries from this subregion. Southeast Asia accounts for the majority of new poor beneficiaries in nearly all programs, except health insurance and child benefits—again, these programs are already part of the current social protection package in this subregion.

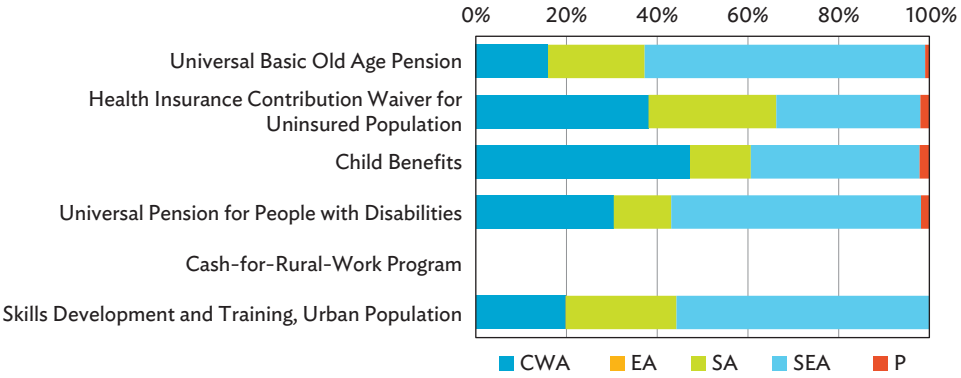
Figure 17: Social Assistance Subregional Distribution of Poor Beneficiaries per Program, 2030
(% of total beneficiaries)



EA = East Asia (Mongolia), P = Pacific, SA = South Asia, SEA = Southeast Asia, CWA = Central and West Asia.
Source: Authors.

Figure 18 shows the subregional distribution of nonpoor beneficiaries from noncontributory programs. One explanation could be the lower shares of poor in the total population (i.e., lower poverty headcount numbers). Alternatively, it could be that social protection programs are less pro-poor in these countries. This would require more in-depth research of benefit incidence per country, which is beyond the scope of this paper.

Figure 18: Social Assistance Subregional Distribution of Nonpoor Beneficiaries per Program, 2030
(% of total beneficiaries)



EA = East Asia (Mongolia), P = Pacific, SA = South Asia, SEA = Southeast Asia, CWA = Central and West Asia.
Source: Authors.

With respect to ALMPs, the skills training and intermediation program focuses on the urban unemployed. Overall, it is estimated to have a very low poverty impact, benefiting just 11% of the poor among the total participants. The poor in Central and West Asia are estimated to benefit most from the skills training and intermediation program, where close to 30.0% of beneficiaries are poor, as compared with Southeast Asia (11.0%) and East Asia (1.7%). The public works program is targeted at poor individuals, which is estimated to perform better for the rural poor, with over 52% rural beneficiaries in the region. The rural poor in the Pacific appear to particularly benefit from the public works program, where they account for over 76% of the total beneficiaries for this program, in comparison with 40% in East Asia.

Preliminary Conclusions

The reform scenario would lead to a significant increase in the numbers of beneficiaries in all programs. In social assistance, 45.7% of all beneficiaries in 2030 would be previously uncovered beneficiaries. In social insurance, 20.5% would be new beneficiaries; whereas, in ALMPs, as much as 80.0% would be new beneficiaries.

Most new beneficiaries are in Southeast Asia and in Central and West Asia, where Pakistan accounts for most of the new entrants. East Asia and South Asia represent smaller shares. The fact that both the PRC and India are missing obviously helps explain the smaller share of these two subregions in the numbers of new beneficiaries.

Geographical shares of new beneficiaries due to the reform scenario are also an outcome of what is already included in the current social protection landscape—sometimes even in a single country, provided that its population is sizable enough. For example, the reason that Central and West Asia accounts for high shares of new beneficiaries in the health insurance and child benefit programs is because these categories do not exist in Pakistan.

The share of female beneficiaries and those of urban and rural beneficiaries follow the demographic composition and design of programs. For example, the female share in the maternity scheme is 100%, and the rural share in the cash-for-work program for rural off-season workers is 100%.

The distribution of poor versus nonpoor beneficiaries varies across programs. For universal programs (e.g., child benefits), the share of the poor in total beneficiaries is around 16%. Some of these programs still have sizable shares of nonpoor among their beneficiaries. This, however, is an issue of the design of the programs. For example, putting the cut-off point for student stipends at the 40th percentile point of income distribution will inevitably include children from nonpoor families into the pool of beneficiaries. If the objective of this program is to reduce early dropouts among children for whom their families cannot afford the high costs of education, then including children for near-poor families may well be legitimate.

V. FINANCING GAPS

This chapter discusses the scope for financing the social protection gap (i.e., the difference between the projected status quo cost and the full cost of measures with a view of addressing the needs of SDG 1.3 and SDG 3.8 targets) in Asia and the Pacific countries in the medium to longer term (2023–2030).

Introduction

Chapter 4 discussed the costs of the status quo and the reform scenarios (in three variants: low, medium, and high) in percentages of GDP. The additional cost for the reform scenario (in either variant) constitutes the financing gap. To be more precise, the financing gap is measured in this working paper as the difference in expenditure, in any projection year, between the status quo and the reform scenarios.

Financing contributory programs is a concern for social insurance administrations. Financing sources for these programs will be contributions and profits from investing accumulated reserves. Governments may also finance contributory programs predominantly in their role as employers. Many governments, including in Asia and the Pacific, also subsidize social insurance funds. In this paper, however, these subsidies have not been taken into consideration.

The main source of financing noncontributory programs tends to be the government budget. The focus in this chapter will be on the financing gap for noncontributory programs.

To what extent will countries be able to finance these costs? This chapter will analyze this question in two steps. The first expresses the financing gap with respect to noncontributory programs in percentage of the government budget. The rationale for this is that governments need to be able to finance social protection reform from their own budgets. The size of the government budget may determine the extent to which governments can carry the burden.

The second step expresses the financing gap in United States dollars (USD). The rationale for this is that, for governments who may not be able to finance social protection reform entirely from their own pockets, external financial support from international donors may be required. In such cases, it is instructive to express the financing gap in USD terms.

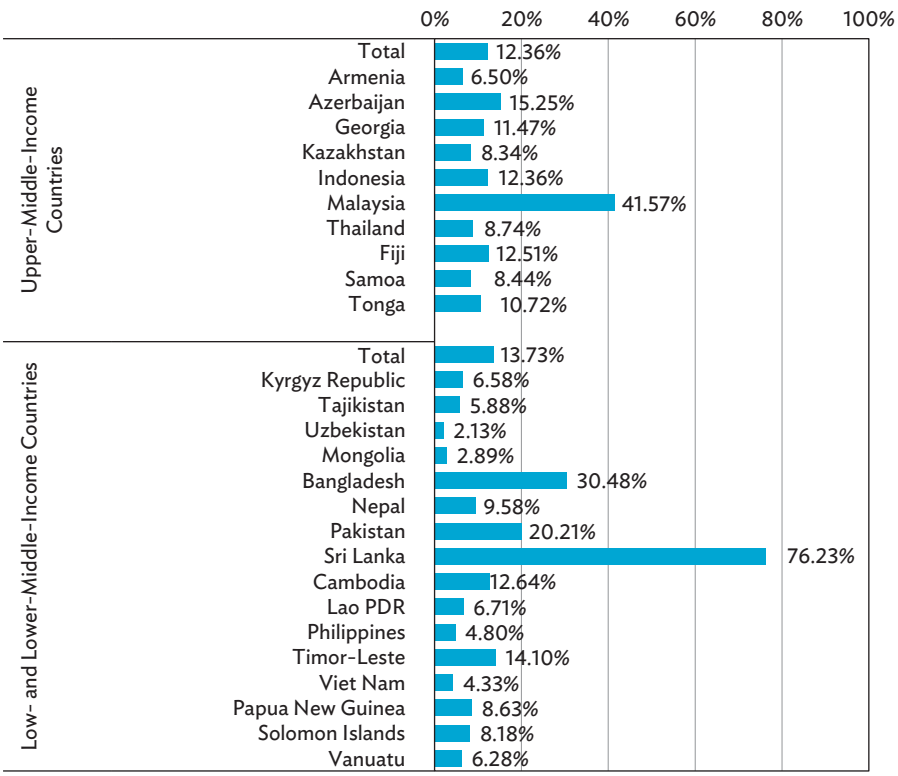
Financing Social Protection Reform from the Government Budget

Figure 19 shows the expenditure gap as a percentage of the government budget for upper-middle-income countries and low- and lower-middle-income countries in Asia and the Pacific. The average spending gap in percentage of the government budget would be 12.4% in upper-middle-income countries and 13.7% in low- and lower-middle-income countries. Within the first group, Malaysia stands out, with a very high expenditure gap as a share of total government expenditure in 2030. In the second group, Bangladesh, Pakistan, and Sri Lanka reveal high to extremely high expenditure gaps. It is clear that these countries will not be able to finance a reform package of this ambition.

Some of the Pacific countries (e.g., Fiji, Tonga), plus Azerbaijan, Georgia, Indonesia, Nepal, and Timor-Leste, also face high expenditure gaps when measured against the size of their government budgets.

For the outlier countries—Bangladesh, Malaysia, and Sri Lanka—moving from the medium to the low reform variant would not help, as the difference in expenditure levels between these scenarios is small. Some further tailoring of benefit parameters, as discussed in Chapter 4 for Malaysia and Sri Lanka, would help these governments finance social protection reform, albeit through a more sober variant. For all

Figure 19: Costs of Social Protection Reform (Medium Variant), 2030
(% of government budget)



Lao PDR = Lao People's Democratic Republic.
Source: Authors.

countries, increasing government revenues in the medium to longer term will also help finance the costs of social protection reform.

Financing Gap in United States Dollars

Turning to the option of external financing of social protection reform, Table 5 shows the financing gap in USD for the Asia and Pacific region, with a breakdown into contributory and noncontributory spending categories per subregion.

Table 6 shows the financing gap in USD for all countries, with a breakdown into upper-middle-income and low- and lower-middle-income groups.

Obviously, these amounts are only, to some extent, instructive. To compare countries, it may be better to express their financing gaps in USD per capita. Only in this way can comparison between individual countries and country categories become meaningful. Figure 20 shows average financing gaps in USD per capita for the various subregions, and Figure 21 shows the same for country income groups.

South Asia and Southeast Asia show the highest expenditure gaps in per capita terms, followed by Central and West Asia and the Pacific. Expenditure gaps are higher, on average, in upper-middle-income countries than in low- and lower-middle-income countries. The latter countries are those where financing social protection reform would be most problematic. The financing gap for these countries would increase

Table 5: Financing Gap by Social Protection Component and Subregion, 2024–2030
($ million)

Region	2024	2027	2030
Asia	**101,063**	**252,855**	**303,409**
Central and West Asia	15,852	54,219	68,877
East Asia (excl. PRC)	154	352	434
South Asia (excl. India)	21,691	54,589	65,228
Southeast Asia	63,366	143,694	168,871
Pacific	**457**	**1,727**	**2,167**

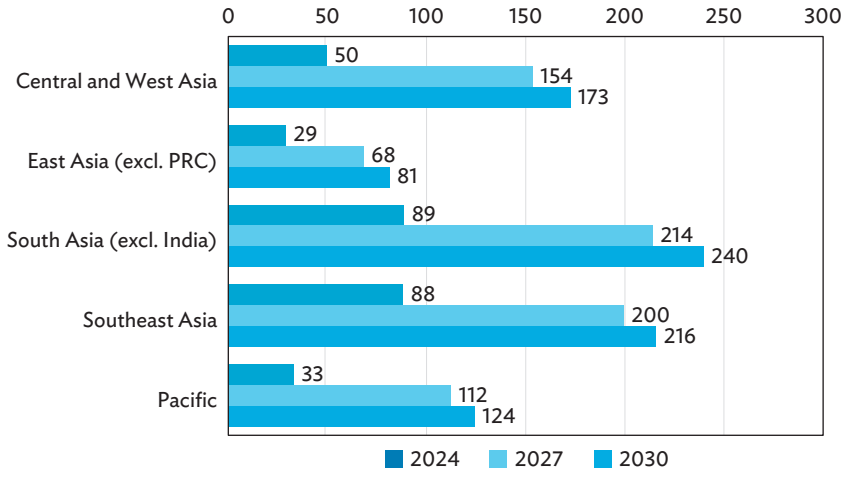
PRC = People's Republic of China.
Note: East Asia comprises only Mongolia and has been omitted from the table.
Source: Authors.

Table 6: Financing Gap by Country Income Group, 2024–2030
($ million)

Income Group	Country	2024	2027	2030
Upper-Middle-Income Countries	**Total**	**52,315**	**122,479**	**134,131**
	Armenia	261	752	829
	Azerbaijan	2,028	6,681	7,033
	Georgia	1,309	3,280	3,526
	Kazakhstan	2,697	9,218	10,233
	Indonesia	16,395	39,350	44,342
	Malaysia	15,985	45,050	48,905
	Thailand	13,499	17,666	18,735
	Fiji	114	404	439
	Samoa	14	48	54
	Tonga	12	30	34
Low- and Lower-Middle-Income Countries	**Total**	**40,773**	**112,549**	**131,813**
	Kyrgyz Republic	153	637	728
	Tajikistan	9,439	30,434	37,790
	Uzbekistan	547	2,562	2,964
	Mongolia	101	248	304
	Bangladesh	12,602	30,300	36,018
	Nepal	1,453	2,744	3,203
	Pakistan	223	550	663
	Sri Lanka	6,158	17,075	18,266
	Cambodia	1,196	2,570	2,889
	Lao PDR	71	223	257
	Philippines	4,312	10,239	11,601
	Timor-Leste	46	142	176
	Viet Nam	4,187	13,784	15,715
	Papua New Guinea	251	913	1,090
	Solomon Islands	22	84	98
	Vanuatu	12	46	53

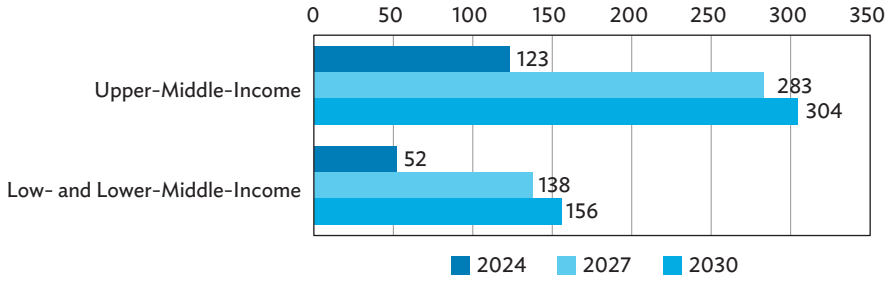
Lao PDR = Lao People's Democratic Republic.
Source: Authors.

Figure 20: Financing Gap by Subregion, 2024–2030
($ per capita)



Source: Authors.

Figure 21: Financing Gap by Country Income Group, 2024–2030
($ per capita)



Source: Authors.

from $52 in 2024 to $156 in 2030, all expressed in per capita terms. To put this in perspective, this is equivalent to $0.43 per person per day.

Table 7 shows the financing gap per program for noncontributory programs. The table shows that the top three programs are health insurance contribution waivers for poor and vulnerable population, universal old-age benefits, and child benefits. Conditional cash transfers for poor families are the fourth most expensive program. The two ALMPs are fifth (skills development and training) and sixth (cash-for-work program) on the list.

The most expensive programs are also the core programs, from a social protection floor perspective. It is difficult to conceive of a social protection floor without these programs. Meeting the SDG 1.3 and SDG 3.8 targets, therefore, comes with a price tag.

Table 7: Financing Gap by Noncontributory Program, 2024–2030
($ million)

Program	2024	2027	2030
Universal old-age benefits	24,744	60,111	71,142
Health insurance contribution waiver	34,660	87,524	95,660
Child benefits	14,237	40,661	45,538
Universal disability benefits	3,932	8,877	9,858
Social assistance cash transfer	4,912	11,233	13,171
Food program	2,204	6,283	7,188
Student stipends	476	1,337	1,478
Cash-for-work program	3,063	8,548	10,198
Skills development and training	4,860	10,455	11,711

Source: Authors.

VI. CONCLUSION

In a world coming out of the COVID-19 pandemic and facing geopolitical crises like the Russian invasion of Ukraine and the increasing frequency of climate-related shocks, the importance of robust national social protection systems cannot be overstated. These global events underscore the urgency of strengthening social safety nets for people across the globe.

This working paper is a response to this call for action, focusing on Asia and the Pacific. It provides estimates that outline the financial requirements for implementing comprehensive social protection systems in 26 countries in the region. These estimates are aimed at ensuring that social protection remains a cornerstone of sustainable development and poverty reduction from 2024 to 2030. The findings are more than just numbers; they paint a vivid picture of the challenges and opportunities that lie ahead.

Here are the key takeaways:

Reform Scenario:

- The reform scenario introduces 15 programs covering all life stages, encompassing both contributory and noncontributory elements.
- Some countries already have these programs, while others would see new programs, additional beneficiaries, or increased benefits.
- Implementing the reform scenario leads to a significant increase in social protection costs for all countries.

Cost Breakdown:

- Total costs would range from 6.1% of GDP (Pacific) to 9.0% of GDP (Asia), including additional expenditures related to the reform package in addition to the baseline (status quo) expenditure.
- For contributory programs, Asia would incur higher costs (4.2% of GDP in 2030) than the Pacific (1.7% of GDP in 2030).
- Noncontributory packages would cost approximately 4.9% of GDP in Asia and 4.4% of GDP in the Pacific in 2030.
- The reform scenario estimates additional spending, increasing during the projection time frame.

Regional Variations:

- Expenditure levels would vary across regions, with Central and West Asia having the highest, while South Asia and the Pacific registering the lowest.
- South Asia and Southeast Asia would allocate more to noncontributory programs, while Central and West Asia would allocate a relatively higher share to contributory schemes within additional expenditures related to the reforms.

Drivers behind Differences in Expenditures between Countries:

- Demographic composition (i.e., age structure of the population)
- Maturity of existing systems
- Degree of formality in the labor market
- Structure of poverty
- Pace of GDP growth
- Relative size of the government budget

Phased Introduction of Beneficiaries:

- For most subregions, a phased introduction of new beneficiaries would correspond to a gradual rise in reform costs during the projection period.
- However, in Central and West Asia, as well as in Mongolia, the reform scenario would have an immediate impact, with minimal subsequent increases because of the mature state of social insurance in these regions.

Increase in Beneficiaries:

- By 2030, the reform scenario anticipates a significant increase in beneficiaries across all program categories.
- In social assistance, 45.7% of all beneficiaries would be previously uncovered. There would be an increase of 20.5% new beneficiaries in social insurance, and up to 80.0% new beneficiaries in ALMPs.
- Most new beneficiaries are in Southeast Asia and Central and West Asia, with Pakistan accounting for most new entrants.

Beneficiary Distribution:

- The gender balance aligns with demographic distribution in most programs, and benefits are expected to be distributed proportionally among urban and rural beneficiaries.
- The distribution of beneficiaries among poor and nonpoor population would vary by program type, with universal programs having around 16% of poor beneficiaries and programs with categorical targeting exhibiting substantially higher proportions.

Government Expenditure:

- In 2030, governments in the low- and lower-middle-income countries would spend, on average, 4.7% of GDP on consolidated measures (status quo plus reform scenarios).
- In the upper-middle-income countries, the estimates would average 5.7% of GDP, with a similar package of baseline plus reform measures.

Expenditure Gaps:

- The average spending gap, expressed in percentage of the government budget, would be 12.4% in the upper-middle-income countries and 13.7% in the low- and lower-middle-income countries.
- South Asia and Southeast Asia reveal the highest expenditure gaps in per capita terms, followed by Central and West Asia and the Pacific.

- Expenditure gaps would be higher, on average, in the upper-middle-income countries than in the low- and lower-middle-income countries.
- The top three most expensive programs in USD terms would be the health insurance contribution waivers for poor and vulnerable population, universal basic old-age benefits, and child benefits.

Financial Viability:

- Some lower-middle-income countries may find the simulated reform package financially demanding.
- Exploring less generous reform options could offer a more fiscally viable solution.
- The alternative is to increase government revenues in the medium to longer term (i.e., mobilizing fiscal space), as this will help finance the costs of social protection reform.

Active Labor Market Programs:

- Expenditure on ALMPs would remain modest in both the baseline and the reform scenarios, accounting for approximately 0.2% of GDP for most countries.

These additional expenses are not only numbers; they represent the lifelines that safeguard vulnerable populations, ensuring their well-being and dignity in the face of adversity. To effectively tackle this multifaceted challenge, three key aspects are discussed below: sustainable resource allocation, economic growth, and effective governance.

Sustainable resource allocation and mobilization, coupled with political will at the national level, are imperative. Many low- and lower-middle-income countries, along with other developing economies, will rely heavily on general government revenues to fund social protection because of large informal sectors and limited tax bases. Creating fiscal space is paramount for reaching the SDG targets. The establishment of a Global Social Protection Fund has been proposed as a step in the right direction by the Global Coalition for Social Protection Floors.

Economic growth plays a pivotal role in making extended social protection coverage financially viable. As the results discussed in chapter 4 demonstrate, the cost of social protection packages at different stages is estimated to be high among some low- and lower-middle-income countries, where resource availability is often limited and with a heavy dependency on donor financing and international aid. Adequate resources must be channelled to the low- and lower-middle-income countries to ensure effective support for their citizens.

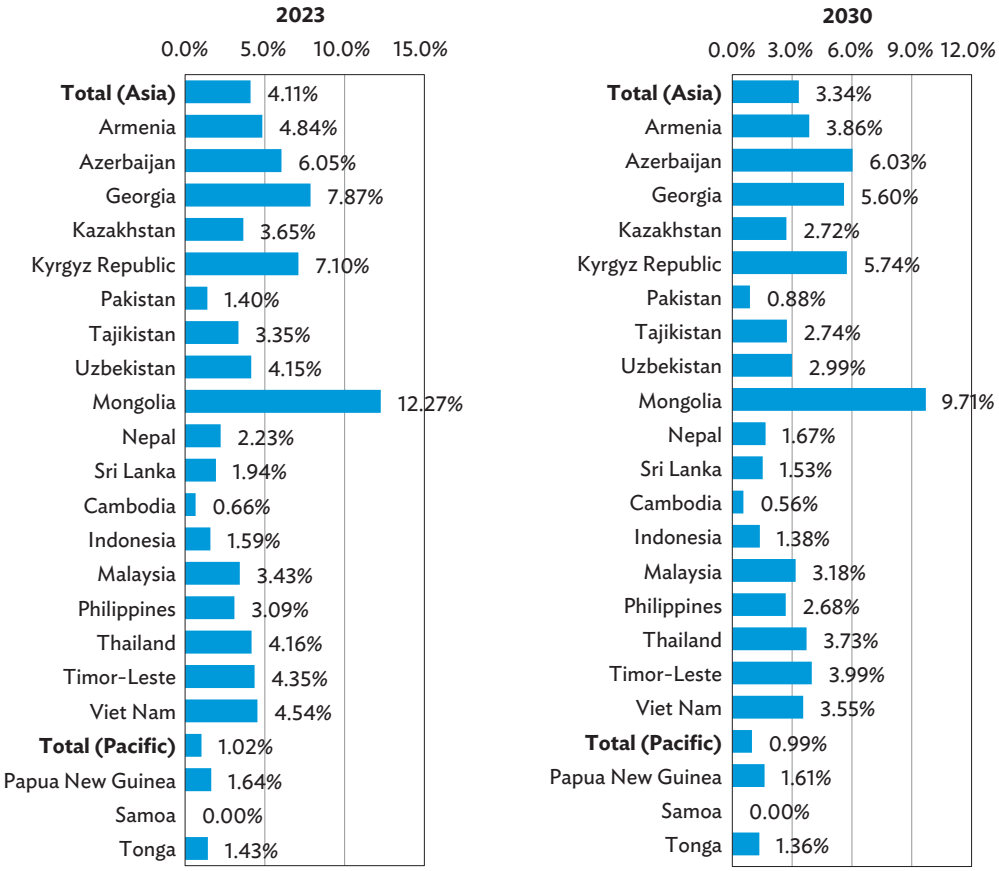
A coherent social protection landscape is essential to ensure that national efforts translate effectively for different beneficiary groups (Van der Auwera, van de Meerendonk, and Kumar 2022). Governance frameworks and administrative mechanisms must function cohesively at the national level to achieve the SDGs. Coherent social protection policies are vital for delivering support effectively and efficiently to diverse beneficiary groups.

In conclusion, this working paper accompanied by the SPRS23, aims to equip countries with the resources they need to navigate the challenges ahead and to realize their national and regional social protection aspirations. It is a call to action—an opportunity to create a brighter and more secure future for all.

ANNEX 1: STATUS QUO SCENARIO (BASELINE PROJECTIONS)

Figure A1.1 shows the results from the status quo, or baseline, scenario. This scenario projects expenditures on current social protection programs in all countries, assuming no policy changes, except for a correction of annual benefit levels for inflation. In many countries, such an automatic adjustment mechanism does not exist. However, often these countries apply ad-hoc adjustments to their benefit levels at irregular intervals. Since this is difficult to project, an automatic inflation correction in the baseline scenario is included.

Figure A1.1: Baseline Projection Scenarios, 2023–2030
(% of GDP)



GDP = gross domestic product.
Source: Authors.

The figure shows expenditures for 2023, the start of the projection period, to 2030, the final year of the projection period. The findings for 2023 result from extrapolating data from the 2018 Social Protection Indicator (SPI) of the Asian Development Bank. Here, a caveat is in its place. Between 2019 and 2022, governments implemented measures, including social protection measures, to cushion their populations from the economic and financial consequences resulting from the coronavirus disease (COVID-19) pandemic and inflation crises. These measures have not been factored in the extrapolation of the 2018 SPI data to the base year of the projections. This may be considered as a limitation.

On the other hand, Chapter 3 demonstrated that most of these measures were or continue to be temporary. The social protection measures of the past few years have seldom been of a structural nature.

In social protection, business as usual has returned, supporting the use of pre-crisis data for this exercise. Moreover, even if actual expenditure in some countries in 2023 is underestimated (which is the case for those countries for which the SPI dataset did not provide information,[1] as well as those where some structural reforms have been implemented), this would merely lead to an overestimation of the additional costs of the reform scenario. The consolidated costs (status quo plus reform) are not affected.

What is underrated in the status quo projections will be compensated in the projections of the reform scenario. The sum of the two—the total expenditure on social protection including the reform measures—will not suffer from this limitation in data availability. This study projects the costs of achieving a certain level of social protection coverage and adequacy by 2030. Subsequently, it projects the additional expenditure required to achieve this target by subtracting the already envisaged costs of the current system (the status quo). If the status quo is lower, then the additional costs will be higher and vice versa.

The Central and West Asia subregion and Mongolia, on average, show higher expenditures than the other subregions. This is mainly because of their relatively mature contributory social insurance systems. Several Southeast Asian countries, notably Malaysia, Thailand, Timor-Leste, and Viet Nam, have higher expenditures than the other countries. With the exception of Timor-Leste, for these countries, their more extended social insurance systems cause these higher expenditure outcomes.

Figure A1.2 sheds more light on this. The figure presents the expenditures of contributory and noncontributory social protection, both for the final year of the projection period. Across the region, expenditure on contributory systems exceeds spending on noncontributory programs, except in Georgia. The figure also reveals that social assistance spending, as a percentage of gross domestic product (GDP), is relatively high in Georgia, Mongolia, and Timor-Leste, but is low to extremely low in most other countries.

Included in the social assistance spending is the active labor market programs (ALMPs). However, this is almost negligible, as levels of expenditure in the baseline scenario, on average, lie between 0.02% and 0.03% of GDP in the region.

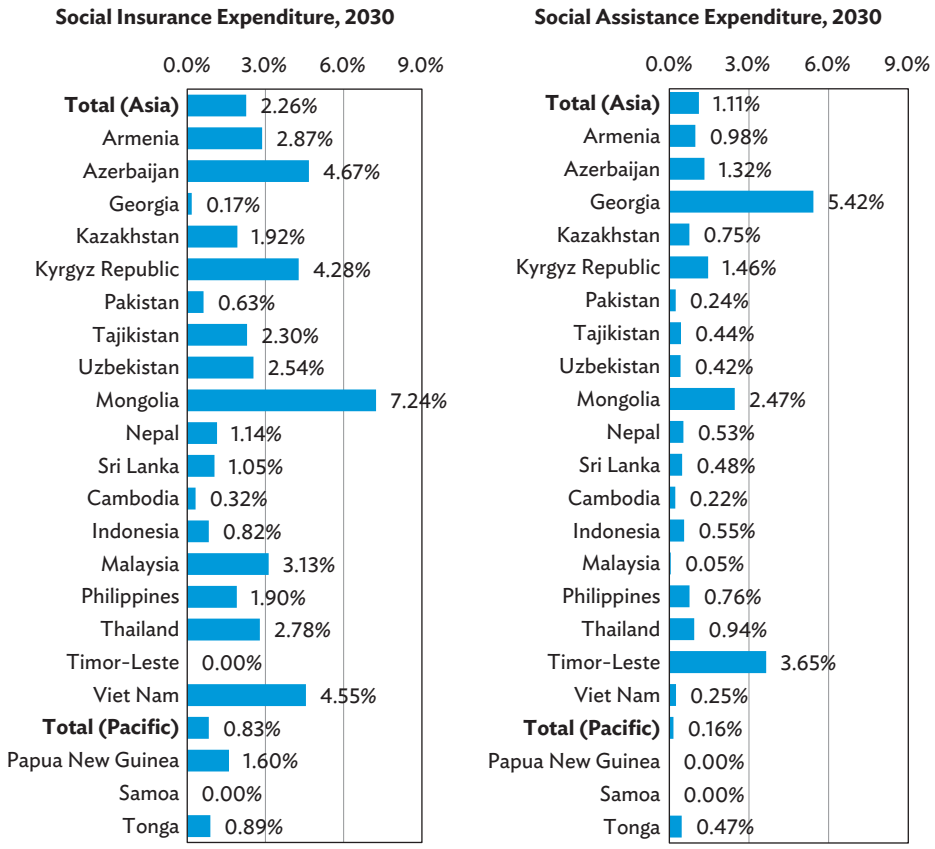
Figure A1.3 shows a clear distinction in average expenditure on social protection between the upper-middle-income countries and the low- and lower-middle-income countries. The figure reveals that, on average, the upper-middle-income countries spend 1.5% of GDP more than the low- and lower-middle-income countries.

Over time, spending levels in the status quo projection scenario decrease. This is because the projections assume no policy changes, and nominal GDP growth rates are higher than the growth (also in nominal terms) of social protection expenditure.

In summary, when examining baseline projections for social protection expenditure, significant disparities among countries are noted. Notably, countries in Central and West Asia, along with Mongolia and certain nations in Southeast Asia, exhibit higher expenditure levels than their counterparts. In contrast, countries in South Asia and the Pacific tend to allocate relatively lower budgets to social protection. The primary driver of higher expenditure in these countries is their substantial investment in contributory schemes. Many of these nations have well-established social insurance systems that date back several decades, with some taking root as early as the 1970s and 1980s. In contrast, most other countries ventured into social insurance systems much later, primarily after the turn of the millennium. This historical discrepancy is evident in their expenditure patterns.

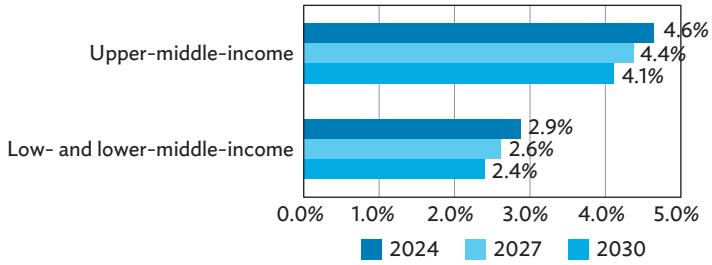
[1] For some countries (i.e., Bangladesh, Fiji, Lao People's Democratic Republic, Solomon Islands, and Vanuatu), the SPI database did not have the information to produce results. These countries have not been included in the status quo projections.

Figure A1.2: Baseline Projection Scenarios—Contributory and Noncontributory, 2030
(% of GDP)



GDP = gross domestic product.
Source: Authors.

Figure A1.3: Baseline Projection Scenarios by Country Income Group, 2024–2030
(% of GDP)



GDP = gross domestic product.
Source: Authors.

However, it is worth noting that in a few countries, such as Georgia and Timor-Leste, spending priorities differ significantly. Here, the focus leans more toward noncontributory programs, offering a distinct profile within the spectrum of social protection expenditure.

Conclusion

- The status quo projections show significant expenditure variations across countries.
- In 2030, on average, Asia would allocate 3.3% of GDP to social protection, while the Pacific would allocate 1.0%.
- Notably, contributory schemes receive higher funding (2.30% in Asia, 0.83% in the Pacific) compared with noncontributory programs (1.10% in Asia, 0.20% in the Pacific).
- The upper-middle-income countries would spend approximately 1.5 percentage points more than the low- and lower-middle-income countries throughout the projection period.

ANNEX 2: PARAMETERS FOR REFORM SCENARIOS (LOW, MEDIUM, HIGH)

Table A2.1 shows the settings for the low reform scenario, with a limited set of 10 programs.

Table A2.1: Social Protection Floor Package, Low Variant

	Program	Scope	Age	Level and Duration of Benefit	Administrative Cost
Social Insurance	Health insurance	Formal sector workers	18–59 years	Per capita benefit level calculated with country-specific data,12 months in 1 year, assuming 25% OOP	5%
	Maternity benefits	Female formal sector workers	Women with new babies	45% of average earnings, 3 months in 1 year	5%
	Old-age pension	Formal sector workers	60+ years	40% of average earnings, 12 months in 1 year	5%
	Disability benefits	Formal sector workers	18–59 years	40% of average earnings, 12 months in 1 year	5%
Social Assistance	Health insurance contribution waiver	Currently noninsured population	All ages	Per capita benefit level calculated with country-specific data, 12 months in 1 year, assuming 25% OOP	10%
	Child benefits	All children	0–17 years	0.05 × national poverty line, 12 months in 1 year	10%
	Social assistance cash transfer	Poor households	Households	On average, 0.67 × national individual poverty gap, 12 months in 1 year	10%
	Universal basic old-age benefits	All older people not covered under social insurance	60+ years	70% of national individual poverty line, 12 months in 1 year	10%
	Universal disability benefits	All people with disabilities not covered under social insurance	18–59 years	70% of national individual poverty line, 12 months in 1 year	10%
ALMPs	Public works/ employment guarantee	Informal sector workers (rural)	18–59 years	Submarket earnings rate, 80 days in 1 year	40%

ALMP = active labor market program.

Notes:

1. Level and duration of benefit refer to the assumed new benefit under the additional scenario. If this benefit is lower than the basic status quo benefit, the model uses the existing benefit.
2. OOP is out-of-pocket payment. This is the assumed average share of household medical expenses that does not fall within the scope of health insurance.

Source: Authors.

Table A2.2 shows the parameter settings for the medium reform scenario, with a more extensive set of 15 programs. For these programs, parameter settings represent the lower bound of actual programs observed in the region.

Table A2.2: Social Protection Floor Package, Medium Variant

	Program	Scope	Age	Level and Duration of Benefit	Administrative Cost
Social Insurance	Health insurance	Formal sector workers	18–59 years	Per capita benefit level calculated with country-specific data, 12 months in 1 year, assuming 25% OOP	5%
	Sickness benefits	Formal sector workers	18–59 years	45% of average earnings, 1 month in 1 year	5%
	Maternity benefits	Female formal sector workers	Women with new babies	70% of average earnings, 3 months in 1 year	5%
	Unemployment insurance benefits	Formal sector workers	18–59 years	45% of average earnings, 3 months in 1 year	5%
	Old-age pension	Formal sector workers	60+ years	70% of average earnings, 12 months in 1 year	5%
	Disability benefits	Formal sector workers	18–59 years	70% of average earnings, 12 months in 1 year	5%
Social Assistance	Health insurance contribution waiver	Currently noninsured population	All ages	Per capita benefit level calculated with country-specific data, 12 months in 1 year, assuming 25% OOP	10%
	Child benefits	All children	0–17	0.1 × national poverty line, 12 months in 1 year	10%
	Student stipends	Children in secondary education, 25% poorest households	12–14 years 15–17 years	0.06 × national poverty line, 10 months in 1 year	10%
	Social assistance cash transfer	Poor households	Households	On average, 0.67 × national individual poverty gap, 12 months in 1 year	10%
	Food program	25% poorest households	Households	0.15 × national individual poverty line, 12 months in 1 year	10%
	Universal basic old-age benefits	All older people not covered under social insurance	60+ years	70% of national individual poverty line, 12 months in 1 year	10%
	Universal disability benefits	All people with disabilities not covered under social insurance	18–59 years	70% of national individual poverty line, 12 months in 1 year	10%
ALMPs	Skills training and intermediation	Urban unemployed youth and workers in hard-hit sectors (formal and informal)	18–59 years	Per capita cost: 10% of average earnings, 6 months in 1 year	40%
	Public works/ employment guarantee	Informal sector workers (rural)	18–59 years	Submarket earnings rate, 100 days in 1 year	40%

ALMP = active labor market program.

Notes:

1. Level and duration of benefit refer to the assumed new benefit under the additional scenario. If this benefit is lower than the basic status quo benefit, the model uses the existing benefit.
2. OOP is out-of-pocket payment. This is the assumed average share of household medical expenses that does not fall within the scope of health insurance.

Source: Authors.

Table A2.3 shows the parameter settings for the high reform scenario, with 15 programs and program parameters that reflect the upper bound of settings observed in the region.

Table A2.3: Social Protection Floor Package, High Variant

	Program	Scope	Age	Level and Duration of Benefit	Administrative Cost
Social Insurance	Health insurance	Formal sector workers	18–59 years	Per capita benefit level calculated with country-specific data, 12 months in 1 year, assuming 25% OOP	5%
	Sickness benefits	Formal sector workers	18–59 years	70% of average earnings, 1 month in 1 year	5%
	Maternity benefits	Female formal sector workers	Women with new babies	100% of average earnings, 3 months in 1 year	5%
	Unemployment insurance benefits	Formal sector workers	18–59 years	45% of average earnings, 3 months in 1 year	5%
	Old-age pension	Formal sector workers	60+ years	60% of average earnings, 12 months in 1 year	5%
	Disability benefits	Formal sector workers	18–59 years	60% of average earnings, 12 months in 1 year	5%
Social Assistance	Health insurance contribution waiver	Currently noninsured population	All ages	Per capita benefit level calculated with country-specific data,12 months in 1 year, assuming 25% OOP	10%
	Child benefits	All children	0–17 years	0.1 × national poverty line, 12 months in 1 year	10%
	Student stipends	Children in primary and secondary education, 40% poorest households	6–11 years 12–14 years 15–17 years	0.06 × national poverty line, 0.10 × national poverty line, 0.12 × national poverty line, 10 months in 1 year	10%
	Social assistance cash transfer	Poor households	Households	On average, 1.7 × national individual poverty gap, 12 months in 1 year	10%
	Food program	25% poorest households	Households, according to size (<4, 4–5, and >5 members)	0.15/0.30/0.35 × national individual poverty line, 12 months in 1 year	10%
	Universal basic old-age benefits	All older people not covered under social insurance	60+ years	100% of national individual poverty line, 12 months in 1 year	10%
	Universal disability benefits	All people with disabilities not covered under social insurance	18–59 years	100% of national individual poverty line, 12 months in 1 year	10%
ALMPs	Skills training and intermediation	Urban unemployed youth and workers in hard-hit sectors (formal and informal)	18–59 years	Per capita cost, 10% of average earnings, 10 months in 1 year	40%
	Public works/ employment guarantee	Informal sector workers (rural)	18–59 years	Submarket earnings rate, 100 days in 1 year	40%

ALMP = active labor market program.

Notes:

1. Level and duration of benefit refer to the assumed new benefit under the additional scenario. If this benefit is lower than the basic status quo benefit, the model uses the existing benefit.
2. OOP is out-of-pocket payment. This is the assumed average share of household medical expenses that does not fall within the scope of health insurance.

Source: Authors.

ANNEX 3: DETAILED FINDINGS FOR REFORM SCENARIOS (LOW, HIGH)

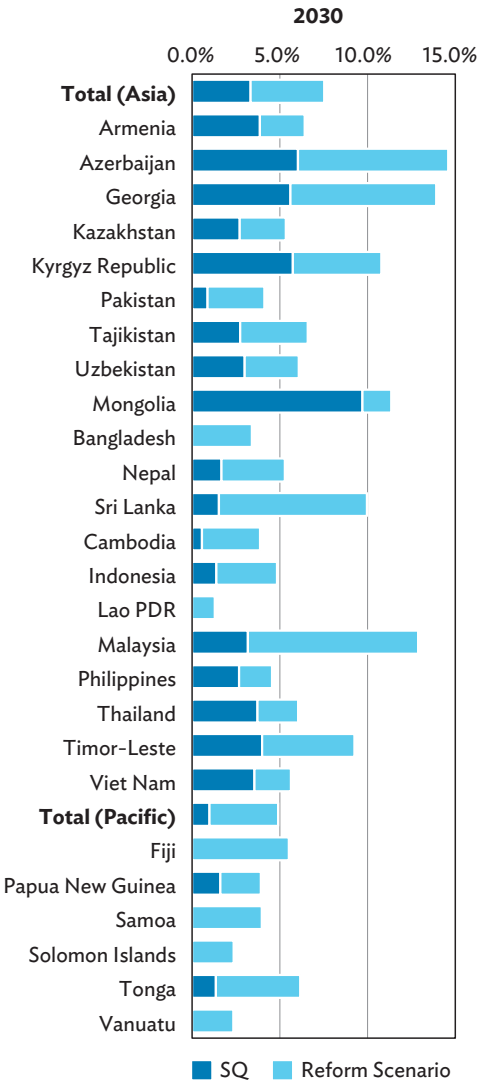
Figure A3.1 shows the overall expenditure for the 26 countries in percentage of gross domestic product (GDP) resulting from the low variant scenario outlined in Annex 2.

Figure A3.1: Social Protection Floor Package (Low Variant), 2024–2030
(% of GDP)

Grand Total Consolidated Expenditure

Region	Country	2024	2027	2030
Asia	**Total**	**6.11**	**7.99**	**7.53**
Central and West Asia	Armenia	6.31	7.15	6.42
	Azerbaijan	9.33	14.59	14.60
	Georgia	12.31	16.09	13.91
	Kazakhstan	4.51	5.95	5.34
	Kyrgyz Republic	9.92	11.65	10.79
	Pakistan	2.76	4.52	4.12
	Tajikistan	6.43	7.16	6.59
	Uzbekistan	6.42	6.53	6.08
East Asia	Mongolia	13.30	12.50	11.35
South Asia	Bangladesh	1.83	3.80	3.40
	Nepal	3.88	5.48	5.28
	Sri Lanka	6.58	11.50	9.96
Southeast Asia	Cambodia	2.55	4.06	3.87
	Indonesia	2.83	4.56	4.84
	Lao PDR	0.46	1.20	1.29
	Malaysia	7.05	12.35	12.89
	Philippines	4.04	4.76	4.56
	Thailand	5.58	6.08	6.04
	Timor-Leste	5.63	8.74	9.26
	Viet Nam	5.25	6.18	5.63
Pacific	**Total**	**2.50**	**4.93**	**4.91**
	Fiji	1.95	5.84	5.51
	Papua New Guinea	2.33	3.82	3.92
	Samoa	1.39	3.89	3.97
	Solomon Islands	0.79	2.40	2.37
	Tonga	3.57	5.96	6.16
	Vanuatu	0.84	2.37	2.35

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, SQ = status quo.
Source: Authors.



Figures A3.2 and A3.3 break this down further into contributory schemes (social insurance) and noncontributory programs (social assistance).

Figure A3.2: Social Protection Floor Package (Low Variant)—Social Insurance, 2024–2030
(% of GDP)

Total Consolidated Social Insurance Expenditure

Region	Country	2024	2027	2030
Asia	**Total**	**3.22**	**3.43**	**3.50**
Central and West Asia	Armenia	4.22	4.03	3.74
	Azerbaijan	5.31	6.03	7.02
	Georgia	0.78	1.52	1.51
	Kazakhstan	2.63	2.35	2.13
	Kyrgyz Republic	7.32	6.84	6.46
	Pakistan	1.11	1.30	1.26
	Tajikistan	5.06	4.83	4.49
	Uzbekistan	5.33	4.76	4.33
East Asia	Mongolia	9.59	9.00	8.31
South Asia	Bangladesh	0.10	0.42	0.57
	Nepal	1.75	2.33	2.58
	Sri Lanka	1.32	1.41	1.43
Southeast Asia	Cambodia	0.78	1.08	1.28
	Indonesia	1.14	2.11	2.63
	Lao PDR	0.09	0.33	0.47
	Malaysia	3.80	4.99	6.25
	Philippines	2.35	2.62	2.69
	Thailand	3.37	3.71	3.84
	Timor-Leste	0.27	0.86	1.06
	Viet Nam	4.69	5.03	5.14
Pacific	**Total**	**1.05**	**1.44**	**1.55**
	Fiji	0.18	0.58	0.72
	Papua New Guinea	1.77	2.17	2.31
	Samoa	0.22	0.71	0.87
	Solomon Islands	0.00	0.01	0.02
	Tonga	1.24	1.96	2.25
	Vanuatu	0.00	0.01	0.02

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, SQ = status quo.
Source: Authors.

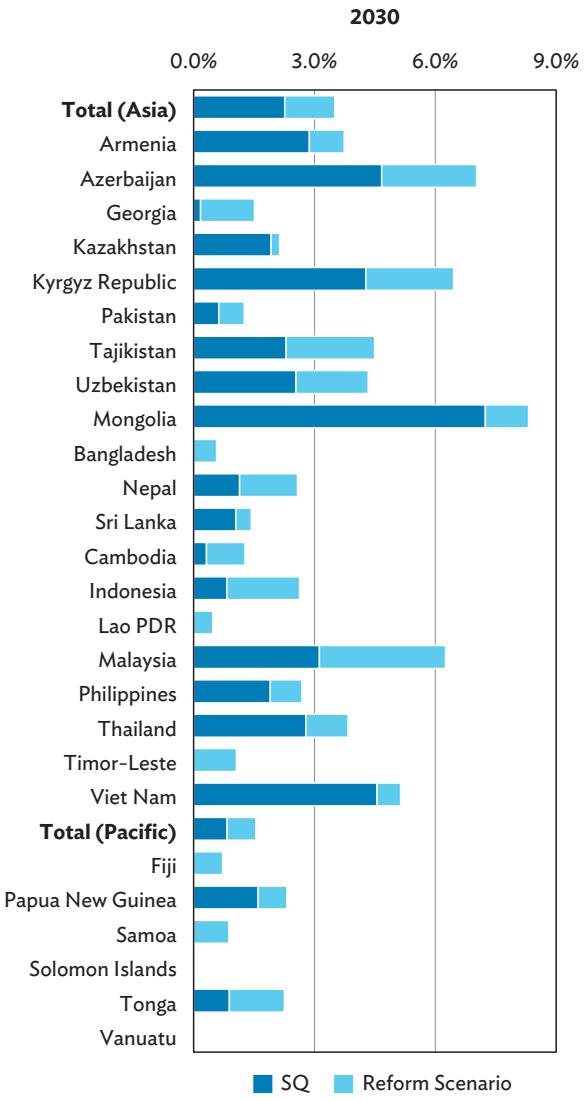
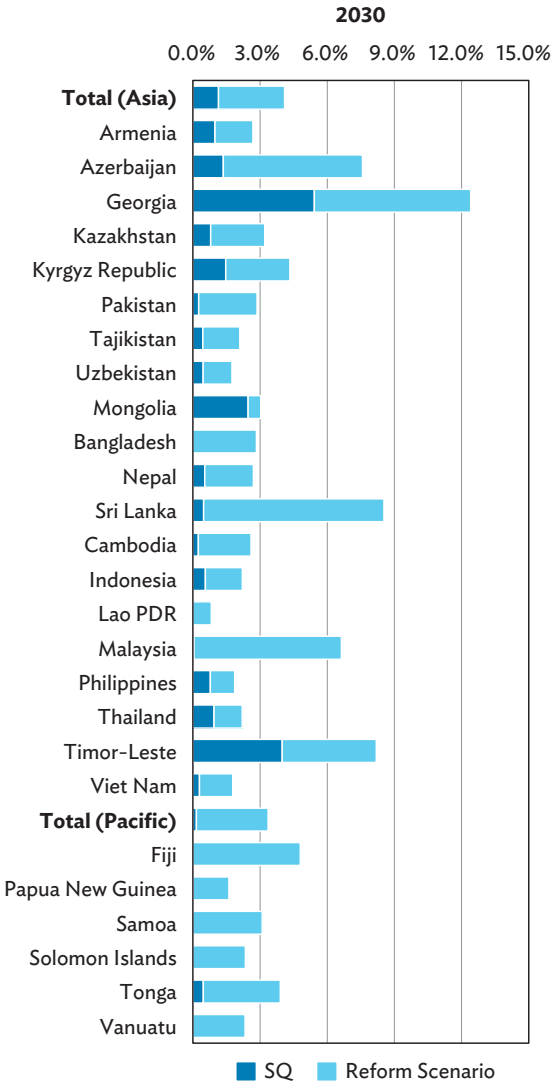


Figure A3.3: Social Protection Floor Package (Low Variant)—Social Assistance, 2024–2030
(% of GDP)

Total Consolidated Social Assistance Expenditure

Region	Country	2024	2027	2030
Asia	**Total**	**2.92**	**4.60**	**4.10**
Central and West Asia	Armenia	2.09	3.12	2.68
	Azerbaijan	4.01	8.56	7.57
	Georgia	11.53	14.57	12.40
	Kazakhstan	1.88	3.60	3.21
	Kyrgyz Republic	2.60	4.81	4.33
	Pakistan	1.66	3.22	2.87
	Tajikistan	1.36	2.34	2.10
	Uzbekistan	1.09	1.77	1.74
East Asia	Mongolia	3.71	3.50	3.03
South Asia	Bangladesh	1.72	3.38	2.84
	Nepal	2.13	3.15	2.71
	Sri Lanka	5.26	10.09	8.53
Southeast Asia	Cambodia	1.78	2.97	2.59
	Indonesia	1.68	2.46	2.21
	Lao PDR	0.38	0.87	0.82
	Malaysia	3.25	7.36	6.63
	Philippines	1.69	2.14	1.87
	Thailand	2.20	2.36	2.20
	Timor-Leste	5.35	7.88	8.19
	Viet Nam	1.18	2.16	1.78
Pacific	**Total**	**1.45**	**3.49**	**3.36**
	Fiji	1.77	5.26	4.79
	Papua New Guinea	0.57	1.65	1.61
	Samoa	1.17	3.18	3.10
	Solomon Islands	0.79	2.39	2.35
	Tonga	2.33	4.00	3.91
	Vanuatu	0.84	2.36	2.33

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, SQ = status quo.
Source: Authors.

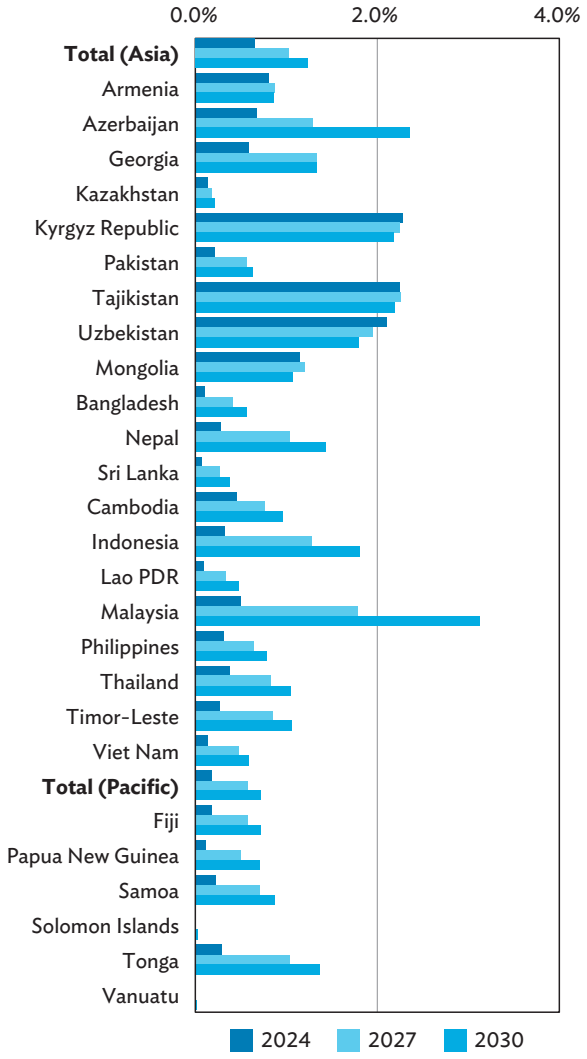


Figures A3.4 and A3.5 show the breakdown of costs for contributory (social insurance) and noncontributory (social assistance) programs. Figure A3.6 shows the social reform packages of the 26 countries by income group.

Figure A3.4: Social Insurance Reform Package (Low Variant)—Additional Expenditure, 2024–2030
(% of GDP)

Total Additional Social Insurance Expenditure

Region	Country	2024	2027	2030
Asia	**Total**	**0.66**	**1.03**	**1.24**
Central and West Asia	Armenia	0.81	0.87	0.87
	Azerbaijan	0.67	1.29	2.36
	Georgia	0.59	1.34	1.34
	Kazakhstan	0.13	0.19	0.21
	Kyrgyz Republic	2.28	2.25	2.18
	Pakistan	0.22	0.57	0.63
	Tajikistan	2.24	2.25	2.20
	Uzbekistan	2.11	1.95	1.80
East Asia	Mongolia	1.15	1.20	1.07
South Asia	Bangladesh	0.10	0.42	0.57
	Nepal	0.28	1.04	1.44
	Sri Lanka	0.07	0.27	0.38
Southeast Asia	Cambodia	0.45	0.76	0.96
	Indonesia	0.32	1.28	1.81
	Lao PDR	0.09	0.33	0.47
	Malaysia	0.49	1.79	3.13
	Philippines	0.31	0.64	0.79
	Thailand	0.38	0.83	1.05
	Timor-Leste	0.27	0.86	1.06
	Viet Nam	0.14	0.47	0.58
Pacific	**Total**	**0.18**	**0.58**	**0.72**
	Fiji	0.18	0.58	0.72
	Papua New Guinea	0.12	0.50	0.71
	Samoa	0.22	0.71	0.87
	Solomon Islands	0.00	0.01	0.02
	Tonga	0.29	1.04	1.37
	Vanuatu	**0.00**	**0.01**	**0.02**

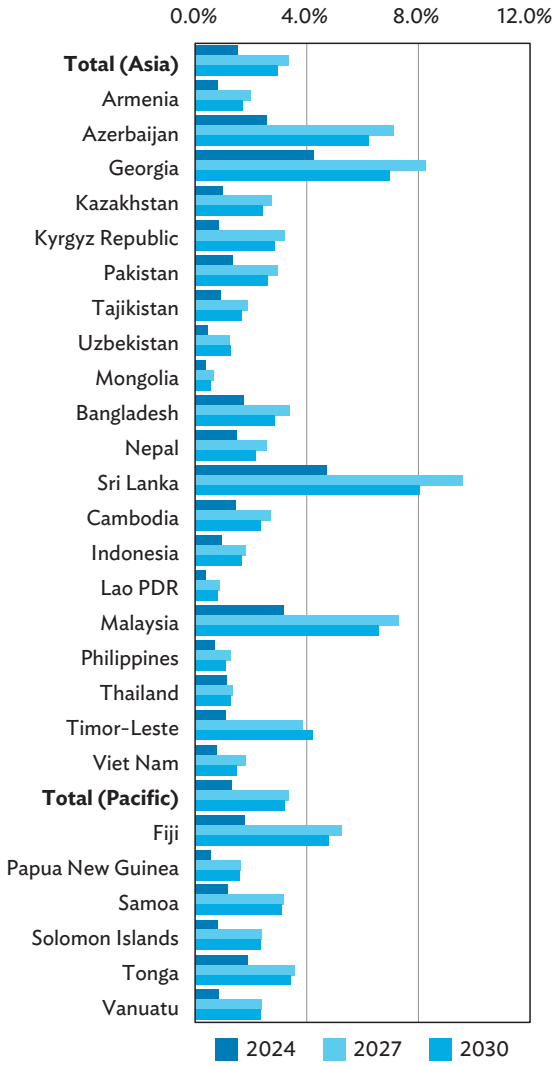


GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.
Source: Authors.

Figure A3.5: Social Assistance Reform Package (Low Variant)—Additional Expenditure, 2024–2030
(% of GDP)

Total Additional Social Assistance Expenditure

Region	Country	2024	2027	2030
Asia	**Total**	**1.51**	**3.33**	**2.95**
Central and West Asia	Armenia	0.79	1.98	1.69
	Azerbaijan	2.55	7.12	6.21
	Georgia	4.23	8.26	6.98
	Kazakhstan	0.97	2.75	2.42
	Kyrgyz Republic	0.84	3.19	2.86
	Pakistan	1.34	2.94	2.61
	Tajikistan	0.92	1.89	1.66
	Uzbekistan	0.46	1.24	1.29
East Asia	Mongolia	0.37	0.65	0.57
South Asia	Bangladesh	1.72	3.38	2.84
	Nepal	1.47	2.56	2.18
	Sri Lanka	4.69	9.57	8.05
Southeast Asia	Cambodia	1.46	2.69	2.35
	Indonesia	0.95	1.82	1.66
	Lao PDR	0.38	0.87	0.82
	Malaysia	3.19	7.30	6.58
	Philippines	0.70	1.25	1.09
	Thailand	1.12	1.36	1.26
	Timor-Leste	1.10	3.85	4.21
	Viet Nam	0.76	1.82	1.49
Pacific	**Total**	**1.30**	**3.33**	**3.20**
	Fiji	1.77	5.26	4.79
	Papua New Guinea	0.55	1.64	1.59
	Samoa	1.17	3.18	3.10
	Solomon Islands	0.79	2.39	2.35
	Tonga	1.89	3.55	3.44
	Vanuatu	0.84	2.36	2.33



GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.
Source: Authors.

Figure A3.6: Social Assistance Reform Package (Low Variant) by Country Income Group, 2024–2030
(% of GDP)

Income Group	Country	2024	2027	2030
Total Upper-Middle-Income		**2.90**	**4.95**	**4.43**
Upper-Middle-Income Countries	Armenia	2.09	3.12	2.68
	Azerbaijan	4.01	8.56	7.57
	Georgia	11.53	14.57	12.40
	Kazakhstan	1.88	3.60	3.21
	Indonesia	1.68	2.46	2.21
	Malaysia	3.25	7.36	6.63
	Thailand	2.20	2.36	2.20
	Fiji	1.77	5.26	4.79
	Samoa	1.17	3.18	3.10
	Tonga	2.33	4.00	3.91
Total Low- and Lower-Middle-Income		**2.01**	**3.42**	**3.11**
Low- and Lower-Middle-Income Countries	Kyrgyz Republic	2.60	4.81	4.33
	Tajikistan	1.36	2.34	2.10
	Uzbekistan	1.09	1.77	1.74
	Mongolia	3.71	3.50	3.03
	Bangladesh	1.72	3.38	2.84
	Nepal	2.13	3.15	2.71
	Pakistan	1.66	3.22	2.87
	Sri Lanka	5.26	10.09	8.53
	Cambodia	1.78	2.97	2.59
	Lao PDR	0.38	0.87	0.82
	Philippines	1.69	2.14	1.87
	Timor-Leste	5.35	7.88	8.19
	Viet Nam	1.18	2.16	1.78
	Papua New Guinea	0.57	1.65	1.61
	Solomon Islands	0.79	2.39	2.35
	Vanuatu	0.84	2.36	2.33

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.
Source: Authors.

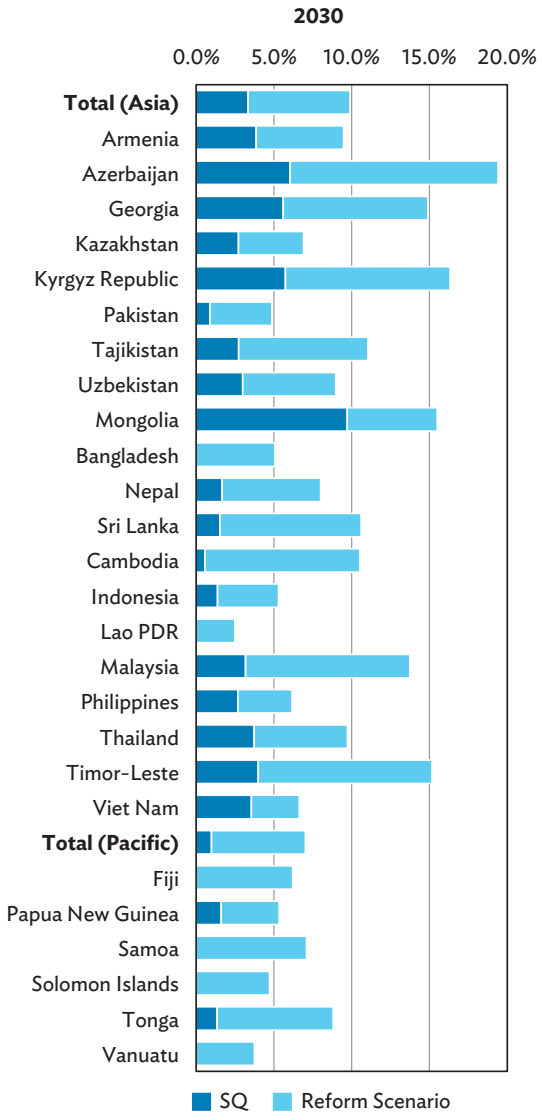
Figure A3.7 shows the overall expenditure for the 26 countries in percentage of GDP resulting from the high variant scenario outlined in Annex 2.

Figure A3.7: Social Protection Floor Package (High Variant), 2024–2030
(% of GDP)

Grand Total Consolidated Expenditure

Region	Country	2024	2027	2030
Asia	**Total**	**8.08**	**10.34**	**9.89**
Central and West Asia	Armenia	9.49	10.59	9.48
	Azerbaijan	13.66	19.53	19.41
	Georgia	13.16	17.07	14.91
	Kazakhstan	6.24	7.68	6.90
	Kyrgyz Republic	15.42	17.59	16.33
	Pakistan	2.85	4.87	4.87
	Tajikistan	10.97	12.11	11.05
	Uzbekistan	10.00	10.12	8.98
East Asia	Mongolia	15.91	17.08	15.50
South Asia	Bangladesh	3.08	5.57	5.06
	Nepal	6.15	8.42	8.01
	Sri Lanka	7.14	12.12	10.61
Southeast Asia	Cambodia	6.88	11.03	10.53
	Indonesia	2.90	4.77	5.30
	Lao PDR	0.86	2.29	2.49
	Malaysia	7.47	13.01	13.74
	Philippines	5.07	6.37	6.16
	Thailand	8.96	9.78	9.73
	Timor-Leste	8.52	14.87	15.16
	Viet Nam	5.90	7.16	6.63
Pacific	**Total**	**2.92**	**6.76**	**7.02**
	Fiji	2.35	6.53	6.20
	Papua New Guinea	2.62	5.01	5.34
	Samoa	2.20	6.37	7.10
	Solomon Islands	1.18	4.28	4.72
	Tonga	4.79	8.43	8.81
	Vanuatu	1.00	3.45	3.75

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, SQ = status quo.
Source: Authors.



Figures A3.8 and A3.9 show the breakdown in contributory schemes (social insurance) and noncontributory programs (social assistance).

Figure A3.8: Social Protection Floor Package (High Variant)—Social Insurance, 2024–2030
(% of GDP)

Total Consolidated Social Insurance Expenditure

Region	Country	2024	2027	2030
Asia	**Total**	**4.64**	**4.84**	**4.90**
Central and West Asia	Armenia	6.94	6.48	5.92
	Azerbaijan	9.13	9.99	10.93
	Georgia	1.32	1.89	1.98
	Kazakhstan	4.22	3.73	3.37
	Kyrgyz Republic	12.18	11.32	10.65
	Pakistan	1.23	1.28	1.26
	Tajikistan	8.78	8.25	7.56
	Uzbekistan	8.79	7.75	6.99
East Asia	Mongolia	11.70	12.67	11.66
South Asia	Bangladesh	0.13	0.45	0.61
	Nepal	1.90	2.52	2.77
	Sri Lanka	1.36	1.47	1.49
Southeast Asia	Cambodia	2.18	2.91	3.28
	Indonesia	1.18	2.11	2.65
	Lao PDR	0.22	0.61	0.83
	Malaysia	4.04	5.07	6.35
	Philippines	2.91	3.26	3.36
	Thailand	4.60	5.24	5.53
	Timor-Leste	0.97	1.92	2.29
	Viet Nam	5.12	5.48	5.57
Pacific	**Total**	**1.22**	**1.63**	**1.78**
	Fiji	0.47	0.93	1.10
	Papua New Guinea	1.77	2.17	2.31
	Samoa	0.68	1.43	1.73
	Solomon Islands	0.00	0.01	0.02
	Tonga	1.56	2.32	2.63
	Vanuatu	0.00	0.01	0.02

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, SQ = status quo.
Source: Authors.

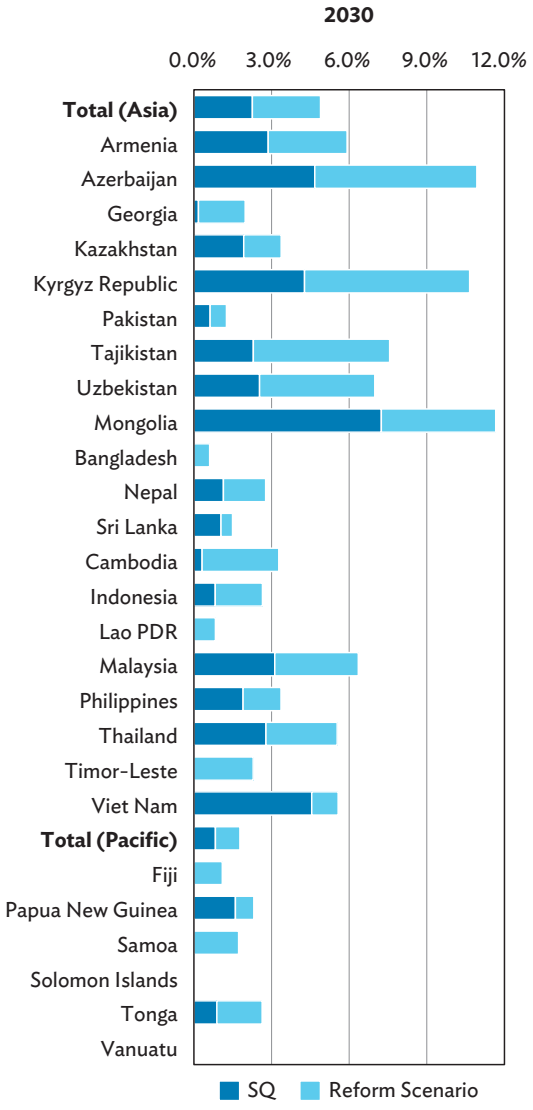
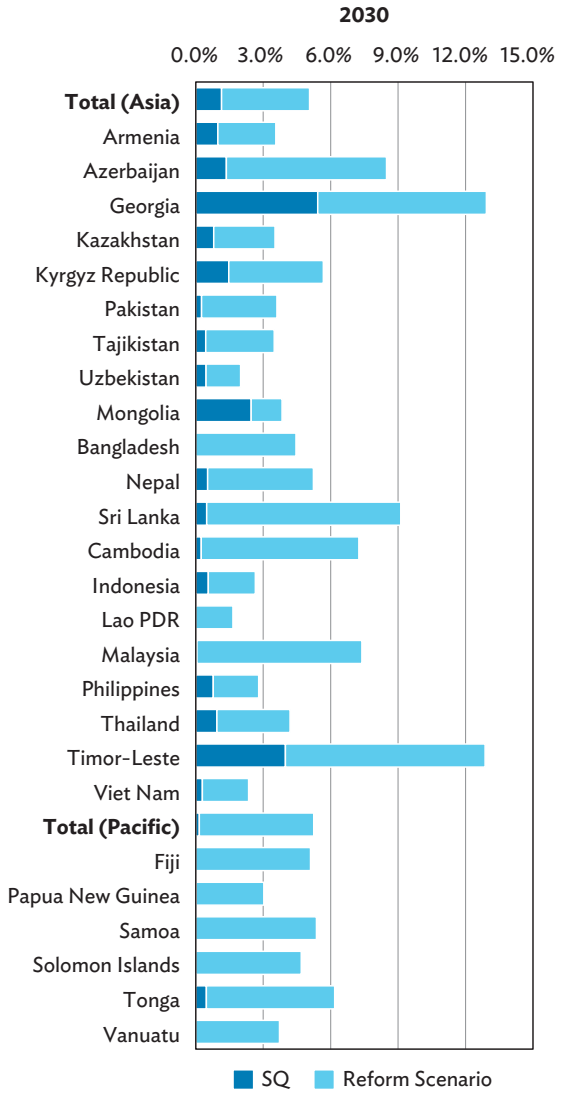


Figure A3.9: Social Protection Floor Package (High Variant)—Social Assistance, 2024–2030
(% of GDP)

Total Consolidated Social Assistance Expenditure

Region	Country	2024	2027	2030
Asia	**Total**	**3.46**	**5.55**	**5.06**
Central and West Asia	Armenia	2.55	4.11	3.56
	Azerbaijan	4.53	9.54	8.48
	Georgia	11.84	15.18	12.93
	Kazakhstan	2.02	3.95	3.53
	Kyrgyz Republic	3.24	6.27	5.68
	Pakistan	1.62	3.59	3.61
	Tajikistan	2.19	3.86	3.49
	Uzbekistan	1.21	2.37	1.99
East Asia	Mongolia	4.21	4.40	3.84
South Asia	Bangladesh	2.94	5.11	4.46
	Nepal	4.25	5.91	5.23
	Sri Lanka	5.77	10.65	9.12
Southeast Asia	Cambodia	4.69	8.12	7.25
	Indonesia	1.72	2.65	2.65
	Lao PDR	0.64	1.68	1.66
	Malaysia	3.43	7.94	7.39
	Philippines	2.16	3.11	2.80
	Thailand	4.36	4.54	4.19
	Timor-Leste	7.55	12.95	12.87
	Viet Nam	1.40	2.69	2.35
Pacific	**Total**	**1.70**	**5.12**	**5.25**
	Fiji	1.88	5.60	5.11
	Papua New Guinea	0.85	2.85	3.03
	Samoa	1.51	4.95	5.37
	Solomon Islands	1.18	4.27	4.69
	Tonga	3.23	6.11	6.18
	Vanuatu	1.00	3.44	3.73

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, SQ = status quo.
Source: Authors.



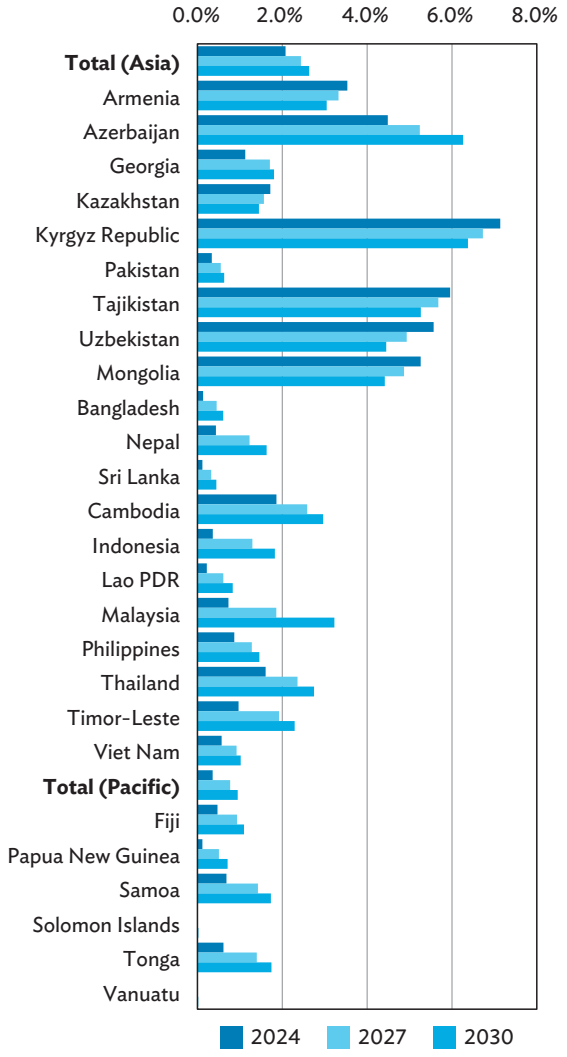
Figures A3.10 and A3.11 show the breakdown of costs for contributory (social insurance) and noncontributory (social assistance) programs.

Figure A3.10: Social Insurance Reform Package (High Variant)—Additional Expenditure, 2024–2030

(% of GDP)

Total Additional Social Insurance Expenditure

Region	Country	2024	2027	2030
Asia	**Total**	**2.08**	**2.44**	**2.64**
Central and West Asia	Armenia	3.53	3.33	3.05
	Azerbaijan	4.49	5.24	6.26
	Georgia	1.13	1.71	1.81
	Kazakhstan	1.72	1.57	1.45
	Kyrgyz Republic	7.14	6.73	6.38
	Pakistan	0.34	0.55	0.63
	Tajikistan	5.96	5.68	5.27
	Uzbekistan	5.57	4.94	4.45
East Asia	Mongolia	5.26	4.87	4.42
South Asia	Bangladesh	0.13	0.45	0.61
	Nepal	0.44	1.23	1.63
	Sri Lanka	0.12	0.33	0.45
Southeast Asia	Cambodia	1.86	2.59	2.96
	Indonesia	0.36	1.29	1.82
	Lao PDR	0.22	0.61	0.83
	Malaysia	0.73	1.86	3.23
	Philippines	0.87	1.28	1.46
	Thailand	1.61	2.36	2.75
	Timor-Leste	0.97	1.92	2.29
	Viet Nam	0.57	0.92	1.02
Pacific	**Total**	**0.36**	**0.77**	**0.95**
	Fiji	0.47	0.93	1.10
	Papua New Guinea	0.12	0.50	0.71
	Samoa	0.68	1.43	1.73
	Solomon Islands	0.00	0.01	0.02
	Tonga	0.61	1.40	1.75
	Vanuatu	0.00	0.01	0.02



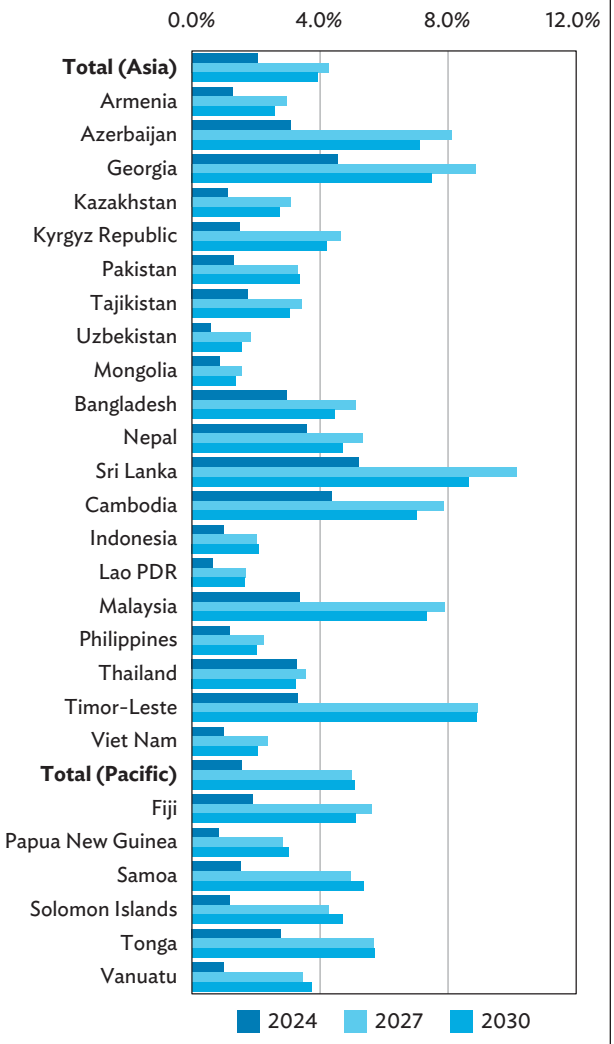
GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.

Source: Authors.

Figure A3.11: Social Assistance Reform Package (High Variant)—Additional Expenditure, 2024–2030
(% of GDP)

Total Additional Social Assistance Expenditure

Region	Country	2024	2027	2030
Asia	**Total**	**2.05**	**4.28**	**3.92**
Central and West Asia	Armenia	1.25	2.97	2.57
	Azerbaijan	3.07	8.10	7.12
	Georgia	4.53	8.87	7.50
	Kazakhstan	1.11	3.10	2.73
	Kyrgyz Republic	1.47	4.65	4.21
	Pakistan	1.31	3.30	3.35
	Tajikistan	1.75	3.41	3.05
	Uzbekistan	0.58	1.84	1.54
East Asia	Mongolia	0.87	1.55	1.37
South Asia	Bangladesh	2.94	5.11	4.46
	Nepal	3.59	5.32	4.70
	Sri Lanka	5.20	10.12	8.63
Southeast Asia	Cambodia	4.37	7.84	7.01
	Indonesia	0.98	2.01	2.09
	Lao PDR	0.64	1.68	1.66
	Malaysia	3.37	7.88	7.34
	Philippines	1.17	2.22	2.02
	Thailand	3.28	3.53	3.25
	Timor-Leste	3.30	8.92	8.88
	Viet Nam	0.99	2.35	2.06
Pacific	**Total**	**1.55**	**4.97**	**5.09**
	Fiji	1.88	5.60	5.11
	Papua New Guinea	0.83	2.83	3.01
	Samoa	1.51	4.95	5.37
	Solomon Islands	1.18	4.27	4.69
	Tonga	2.78	5.66	5.71
	Vanuatu	1.00	3.44	3.73



GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.
Source: Authors.

Figure A3.12 shows the total consolidated government expenditure on noncontributory programs for countries grouped together by income groups.

Figure A3.12: Social Assistance Reform Package (High Variant) by Country Income Group, 2024–2030
(% of GDP)

Income Group	Country	2024	2027	2030
Total Upper-Middle-Income		**3.42**	**6.00**	**5.54**
Upper-Middle-Income Countries	Armenia	2.55	4.11	3.56
	Azerbaijan	4.53	9.54	8.48
	Georgia	11.84	15.18	12.93
	Kazakhstan	2.02	3.95	3.53
	Indonesia	1.72	2.65	2.65
	Malaysia	3.43	7.94	7.39
	Thailand	4.36	4.54	4.19
	Fiji	1.88	5.60	5.11
	Samoa	1.51	4.95	5.37
	Tonga	3.23	6.11	6.18
Total Low- and Lower-Middle-Income		**2.81**	**5.08**	**4.74**
Low- and Lower-Middle-Income Countries	Kyrgyz Republic	3.24	6.27	5.68
	Tajikistan	2.19	3.86	3.49
	Uzbekistan	1.21	2.37	1.99
	Mongolia	4.21	4.40	3.84
	Bangladesh	2.94	5.11	4.46
	Nepal	4.25	5.91	5.23
	Pakistan	1.62	3.59	3.61
	Sri Lanka	5.77	10.65	9.12
	Cambodia	4.69	8.12	7.25
	Lao PDR	0.64	1.68	1.66
	Philippines	2.16	3.11	2.80
	Timor-Leste	7.55	12.95	12.87
	Viet Nam	1.40	2.69	2.35
	Papua New Guinea	0.85	2.85	3.03
	Solomon Islands	1.18	4.27	4.69
	Vanuatu	1.00	3.44	3.73

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic.
Source: Authors.

ANNEX 4: DETAILED FINDINGS FOR PROGRAMS (MEDIUM REFORM SCENARIO)

Table A4.1: Additional Expenditure per Program, Contributory Programs
(% GDP)

Country	SI-OAPI	SI-HI	SI-UI	SI-DI	SI-S	SI-M
Total (Asia)	**1.32**	**0.29**	**0.02**	**0.14**	**0.02**	**0.19**
Armenia	1.69	0.15	0.01	0.01	0.00	0.10
Azerbaijan	2.43	1.69	0.10	0.07	0.01	0.06
Georgia	0.71	0.08	0.04	0.02	0.01	0.81
Kazakhstan	0.73	0.05	0.02	0.13	0.00	0.05
Kyrgyz Republic	2.81	0.38	0.06	0.80	0.01	0.22
Pakistan	0.20	0.10	0.00	0.00	0.00	0.33
Tajikistan	3.15	0.26	0.04	0.09	0.01	0.18
Uzbekistan	2.46	0.13	0.02	0.36	0.01	0.12
Mongolia	1.70	0.00	0.01	0.56	0.28	0.21
Bangladesh	0.49	0.05	0.01	0.02	0.00	0.02
Nepal	1.00	0.29	0.02	0.09	0.02	0.12
Sri Lanka	0.25	0.09	0.01	0.03	0.00	0.02
Cambodia	2.06	0.17	0.00	0.07	0.03	0.09
Indonesia	1.61	0.07	0.01	0.02	0.00	0.11
Lao PDR	0.44	0.07	0.00	0.07	0.02	0.09
Malaysia	0.65	1.90	0.02	0.12	0.01	0.49
Philippines	0.59	0.23	0.02	0.08	0.01	0.13
Thailand	2.01	0.00	0.00	0.05	0.01	0.08
Timor-Leste	0.99	0.03	0.05	0.15	0.02	0.38
Viet Nam	0.50	0.00	0.00	0.04	0.01	0.08
Total (Pacific)	**0.50**	**0.03**	**0.02**	**0.06**	**0.01**	**0.31**
Fiji	0.48	0.04	0.01	0.05	0.01	0.25
Papua New Guinea	0.69	0.02		0.00		
Samoa	0.80	0.02	0.04	0.10	0.01	0.36
Solomon Islands	0.00	0.02				
Tonga	1.04	0.04	0.01	0.10	0.01	0.31
Vanuatu	0.00	0.02				

GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, SI-HI = health insurance, SI-M = maternity insurance, SI-OADI = disability insurance, SI-OAPI = old-age pension insurance, SI-S = sickness insurance, SI-UI = unemployment insurance.
Source: Authors.

Table A4.2: Additional Expenditure per Program, Noncontributory Programs
(% GDP)

Country	SA-OA	SA-HIFW	SA-CB	SA-DB	SA-SAH	SA-FP	SA-ST	ALMP-PW	ALMP-ST
Total (Asia)	**0.44**	**1.34**	**1.03**	**0.10**	**0.27**	**0.10**	**0.02**	**0.27**	**0.10**
Armenia	0.12	0.55	0.48	0.07	0.42	0.13	0.02	0.32	0.08
Azerbaijan	0.02	3.51	2.43	0.09	0.14	0.18	0.04	0.13	0.06
Georgia	0.00	2.47	4.29	0.00	0.18	0.08	0.01	0.19	0.03
Kazakhstan	0.02	1.20	1.01	0.00	0.04	0.07	0.02	0.16	0.09
Kyrgyz Republic	0.00	0.75	1.36	0.00	0.63	0.20	0.06	0.56	0.06
Pakistan	1.45	0.14	0.55	0.16	0.27	0.08	0.02	0.20	0.20
Tajikistan	0.00	0.60	1.09	0.17	0.38	0.10	0.04	0.26	0.05
Uzbekistan	0.00	0.42	0.82	0.00	0.05	0.02	0.01	0.06	0.07
Mongolia	0.00	0.01	0.00	0.14	0.36	0.11	0.03	0.28	0.02
Bangladesh	0.66	1.76	0.65	0.09	0.26	0.09	0.01	0.12	0.11
Nepal	0.57	0.68	1.44	0.14	0.42	0.14	0.03	0.34	0.13
Sri Lanka	0.30	7.59	0.34	0.07				0.09	0.06
Cambodia	0.82	0.92	2.30	0.13	0.23	0.08	0.01	0.63	0.17
Indonesia	1.05	0.32	0.03	0.16	0.09	0.05	0.02	0.05	0.11
Lao PDR	0.35	0.15	0.22	0.08	0.13	0.06	0.01	0.11	0.11
Malaysia	0.60	5.40	0.38	0.10	0.09	0.08	0.01	0.08	0.10
Philippines	0.41	0.05	0.36	0.11	0.20	0.09	0.02	0.17	0.07
Thailand	0.98	0.09	0.41	0.08	0.09	0.13	0.02	0.09	0.32
Timor-Leste	1.09	0.11	1.51	0.40	1.03	0.18	0.03	1.59	0.09
Viet Nam	0.43	0.13	0.85	0.03	0.06	0.08	0.01	0.05	0.06
Total (Pacific)	**1.52**	**0.17**	**1.38**	**0.49**	**0.15**	**0.20**	**0.08**	**0.20**	**0.07**
Fiji	1.93	0.63	1.93	0.15	0.13	0.04	0.01	0.11	
Papua New Guinea	0.72	0.05	0.79	0.25	15	0.15	0.06	0.12	
Samoa	1.82	0.07	1.30	0.36	0.19	0.18	0.11	0.13	0.07
Solomon Islands		0.07	1.54	1.42		0.42	0.12	0.18	
Tonga	1.99	0.12	1.54	0.44			0.13	0.21	0.07
Vanuatu	1.13	0.06	1.19	0.33			0.04	0.42	0.09

ALMP-PW = cash-for-work program, ALMP-ST = skills development and training, GDP = gross domestic product, Lao PDR = Lao People's Democratic Republic, SA-CB = universal child allowance, SA-DB = universal disability allowance, SA-FP = household food support, SA-HIFW = health insurance fee waiver, SA-OA = universal old-age allowance, SA-SAH = household social assistance, SA-ST = student stipend program.
Source: Authors.

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Costing Social Protection Reform for Asia and the Pacific

Strategies for Financing Social Protection to Achieve Sustainable Development Goals in the Developing Member Countries

This working paper presents the findings, in terms of projected costs and estimated coverage (2024–2030), of social protection reform for Asia and the Pacific, with variations in benefit levels, benefit durations, and other parameters of social protection programs as relevant for countries in the region. In addition, to aggregate expenditure, the paper discusses social protection expenditure and coverage with a regional and categorical lens.

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