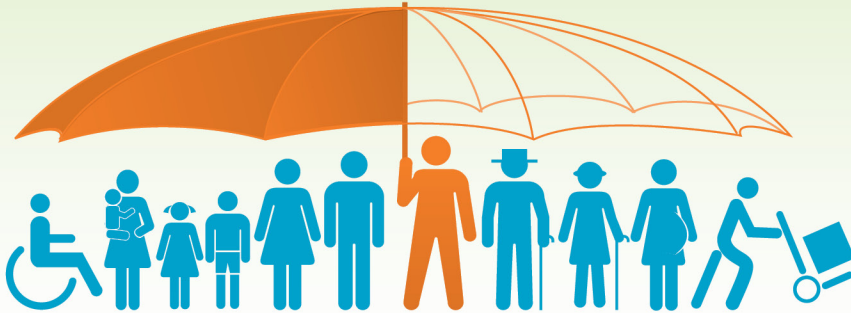


ADB



ASIA-PACIFIC
SOCIAL PROTECTION WEEK 2023
Social Protection in a Changing World

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Social Protection in post-pandemic EAP

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WORLD BANK GROUP

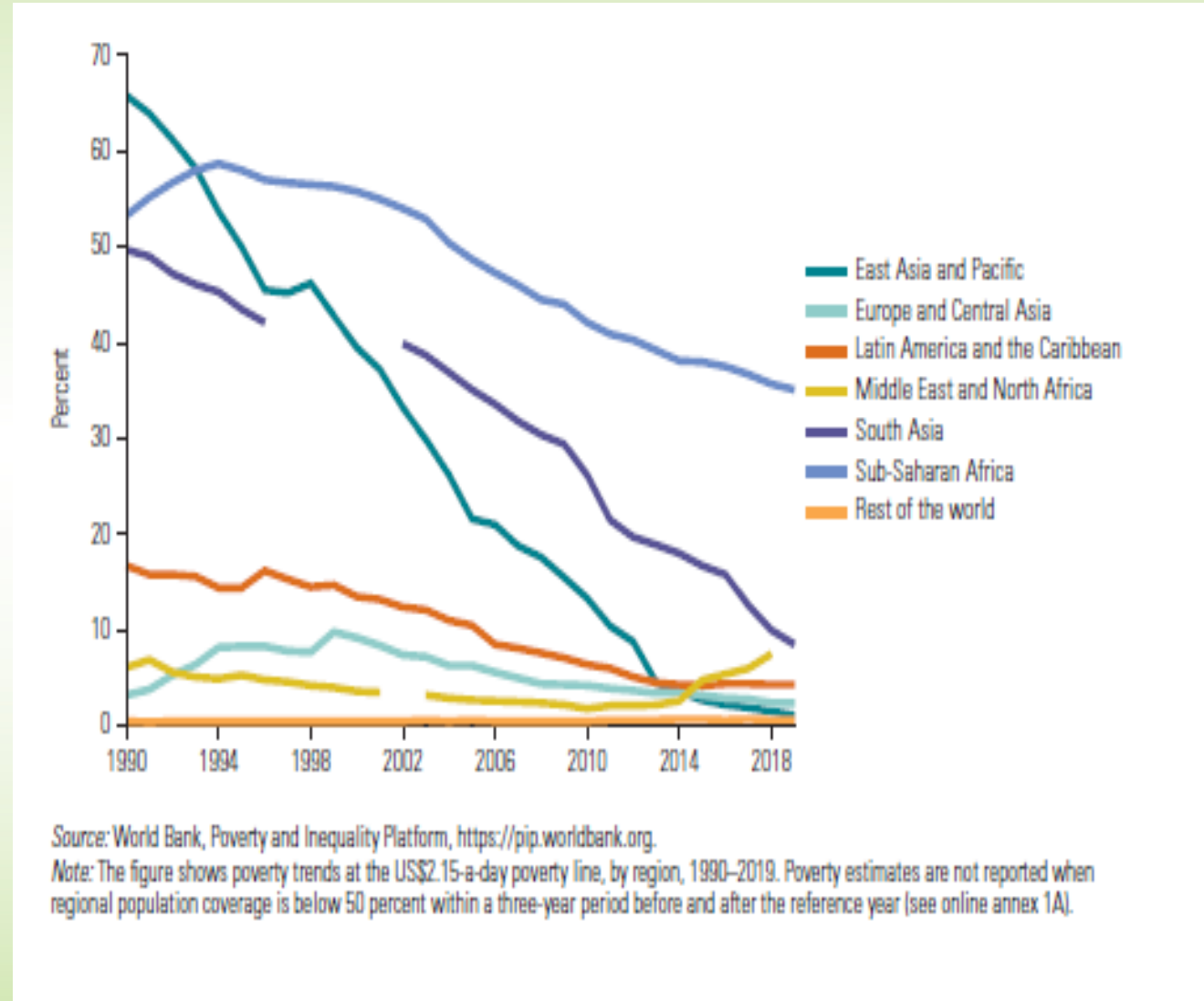
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Outline

- In most of the region, the role of Social Protection was gradually expanding before the pandemic
- Social assistance was expanding for two groups in particular, the elderly and poor families with children (through CCTs)
- Social insurance coverage was expanding very slowly through new schemes and incentives for informal sector participation (but modest for non-HI)
- Delivery systems were immature in most countries
- The COVID-19 response in the region was among the largest and highlighted the need to include non-poor, informal sector workers and to upgrade delivery systems to be more nimble and adaptive (ASP).

Prior to the pandemic, strong growth helped reduce poverty rates in most of EAP

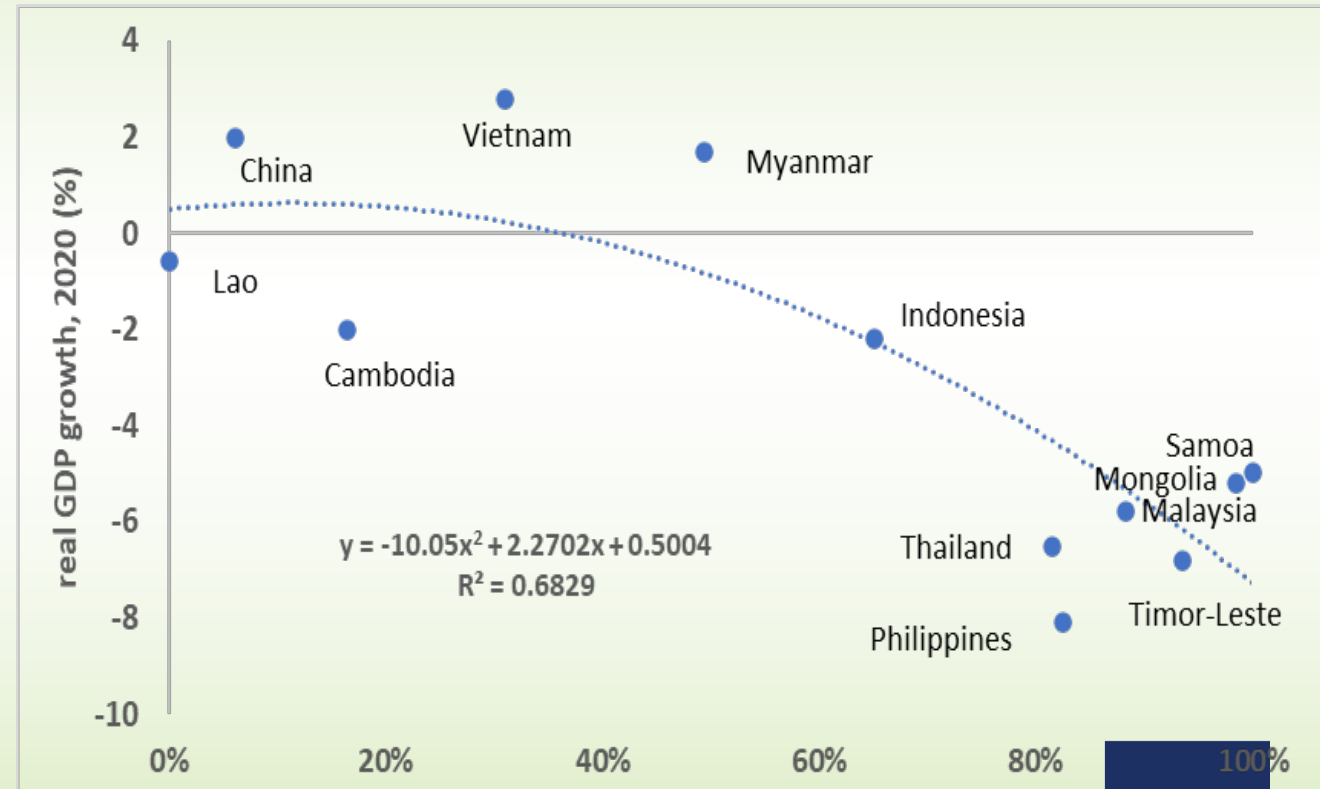
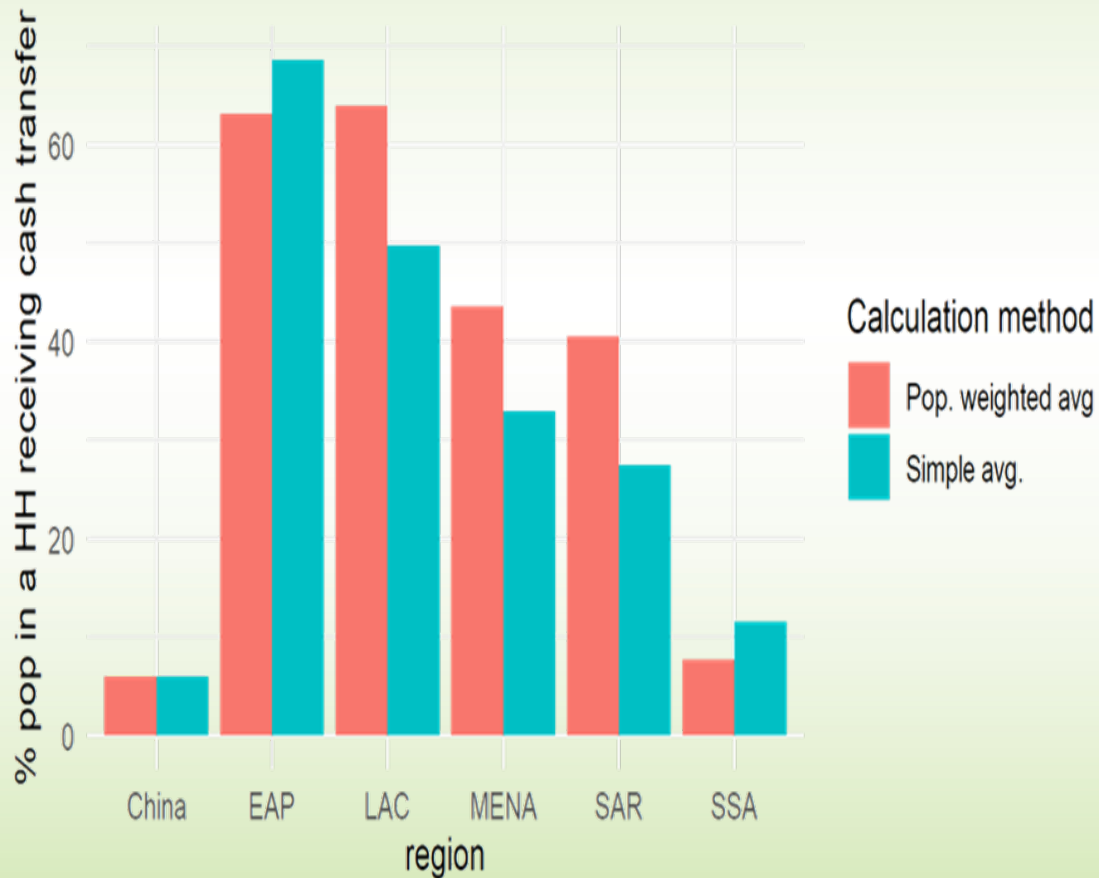
- The region has been known for its high and stable growth, rapid poverty reduction, and in the last decade declining inequality
 - The EAP region experienced a dramatic reduction in the poverty rate from 65% in 1990 to 1.2% in 2019 (based on \$2.15/day 2017 PPP) due to rapid growth.
 - Large middle income EAP countries (e.g., China, Indonesia, Thailand, Philippines) have shown a downward trend in Gini index since 2010 indicating declining inequality prior to the pandemic.
- It is entering into an unprecedented phase of **slowing growth combined with a risk of rising inequality.**



SP in EAP was expanding gradually before the pandemic

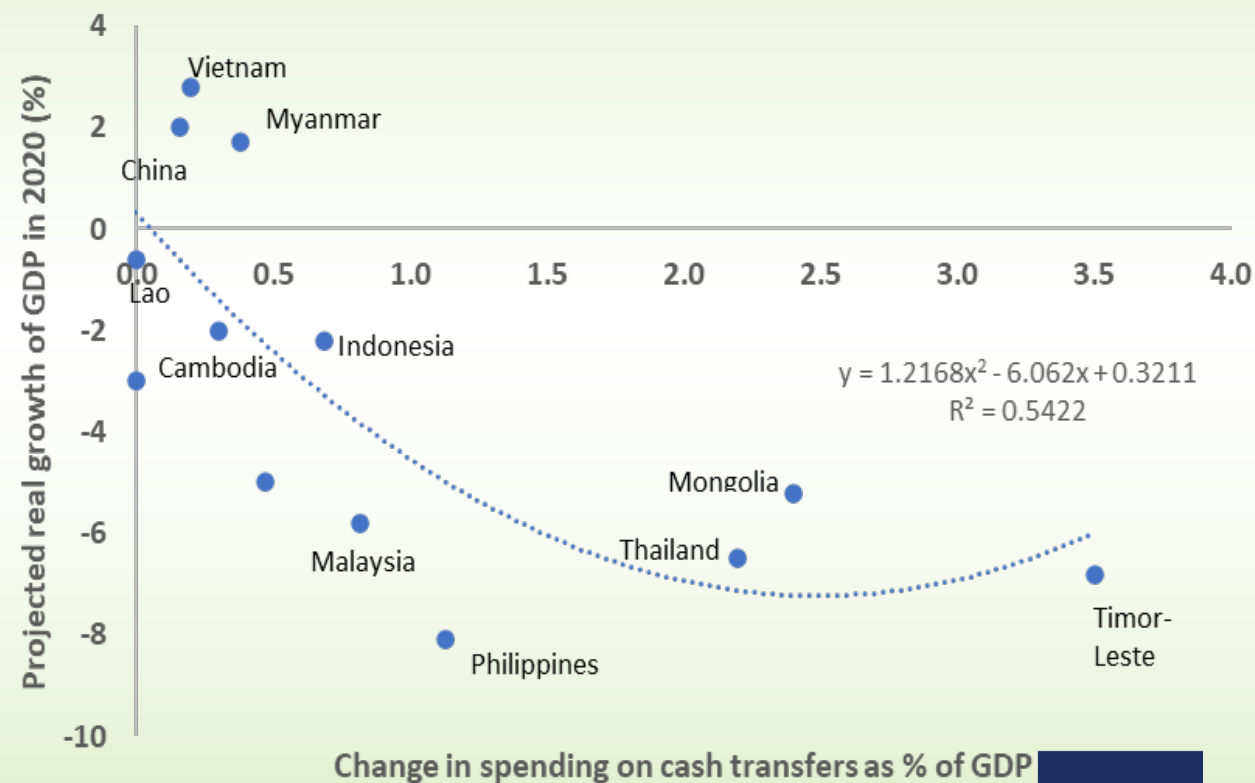
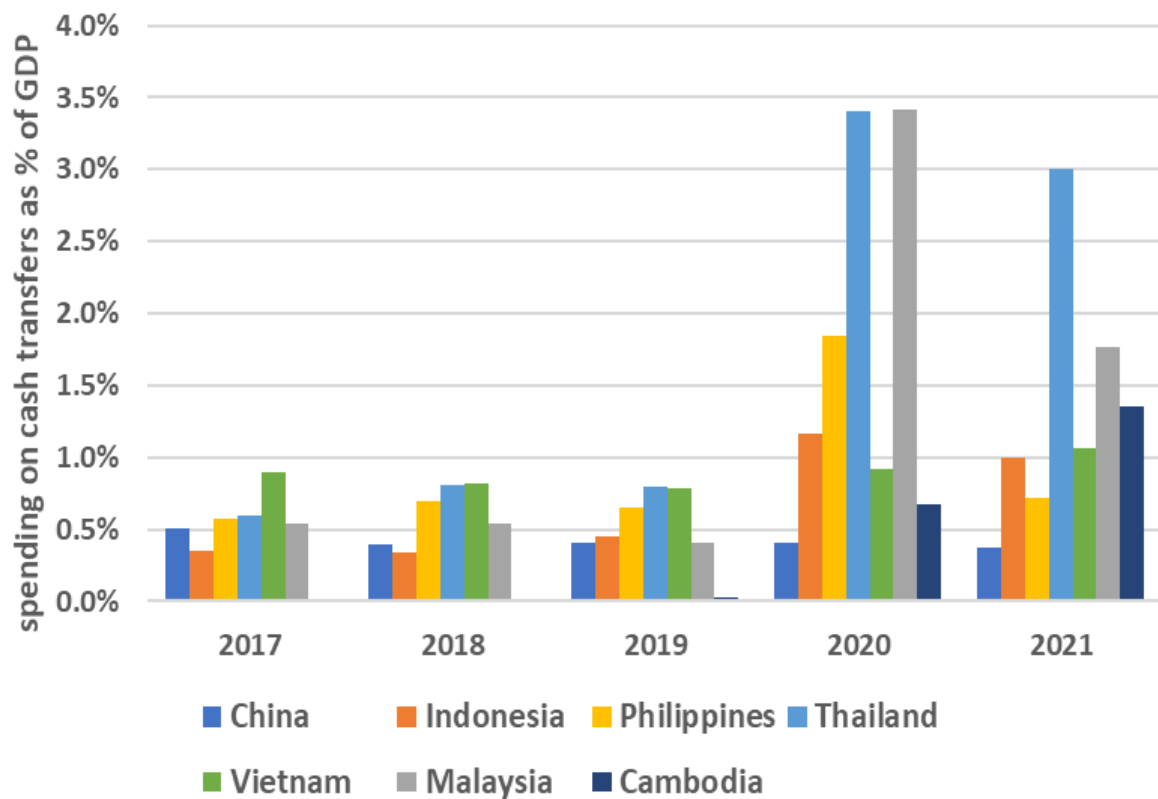
- **Social assistance**
 - Pioneer flagship CCT programs launched 15 years ago were expanded over time in Indonesia (from 6 to 10 million between 2016 and 2019) and the Philippines and now cover 20 percent of the population
 - Cambodia, Lao and Myanmar introduced CCTs aimed at pregnant mothers and young children just before the pandemic
 - Rapidly aging countries China, Thailand and Vietnam expanded social pensions to cover most of the elderly during the 2010s (following the Korean example from the previous decade)
- **Social insurance**
 - Cambodia introduces pension scheme for private sector workers in 2019
 - China, Thailand and Vietnam introduce voluntary pension schemes for informal sector workers
 - Indonesia and Philippines add unemployment insurance
- **Delivery systems**
 - Traditional census-sweep based social registries in Indonesia, Philippines do not leverage interoperability
 - Payments are mostly in cash or into special accounts without choice of provider
 - Thailand's SWC an exception with end-to-end digital processes for registration, eligibility and payment

The EAP SP COVID-19 response was large, especially in the worst hit countries - coverage



Percentage of population receiving a cash transfer in 2020

The EAP SP COVID-19 response was large, especially in the worst hit countries - spending

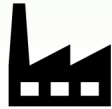


The lesson was that SP systems have to reach the non-poor informal sector workers

(for both idiosyncratic and covariate shocks)

Three population groups

Formal sector workers
(including government)



Non-poor, informal sector workers



Social assistance recipients

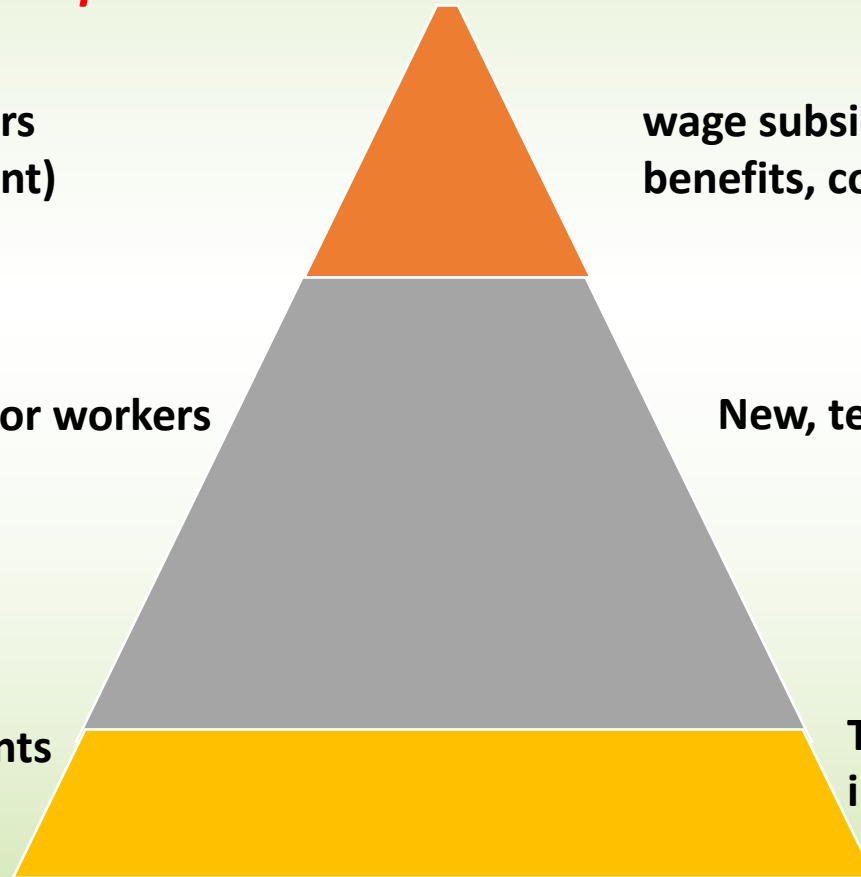


Three COVID-19 SPJ responses

wage subsidies, unemployment
benefits, contribution waivers

New, temporary cash transfers

Temporary benefit
increase



Overlapping shocks, mega-trends, and structural issues increase uncertainties in the region regarding future growth, poverty reduction, and inequality

- **Overlapping shocks**

- The pandemic, food and fuel price crises due to Russia's invasion of Ukraine, and complex geopolitics particularly related to US-China frictions (and potential decoupling) as well as China's slower than expected post pandemic economic recovery
- Significant learning losses, labor market scarring, and rising food insecurity undermining human capital

- **Mega-trends**

- The demographic transition—rapid population aging with the shrinking working age population and pressures on pension systems on one end and skills challenges for youth to become more productive
- Increasing climate change risks, with increased frequency and intensity of shocks
- Disruptive technologies boosted during the pandemic (could be equalizing or deepen inequality)

- **Structural issues**

- Persistent informality in part explaining weak revenue mobilization and limited fiscal resources
- Slowing structural transformation
- Limited progressive redistribution policies

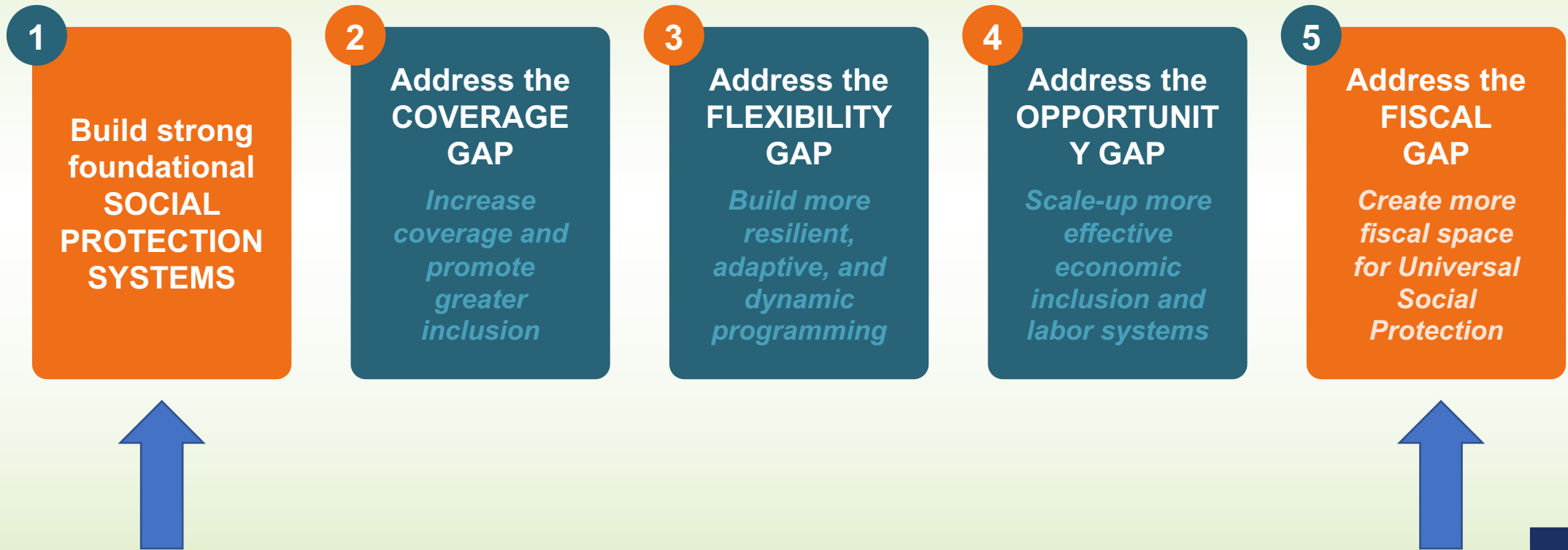


Universal SP is needed more than ever

- A vision of **universal social protection** is critical to **ensure that all people have the support they need** and that no individuals or groups are left behind. It is the cornerstone of inclusive social policy.
- It implies that **people will need access to different programs at different points in the life cycle** and as their circumstances change. Not all people will need all programs at all times.
- It is understood that in most cases this will be achieved over time; through **progressive expansion of coverage**.
- **How countries achieve this will also vary based on their unique circumstances**; thus, the mix of programs in each country context will evolve differently.



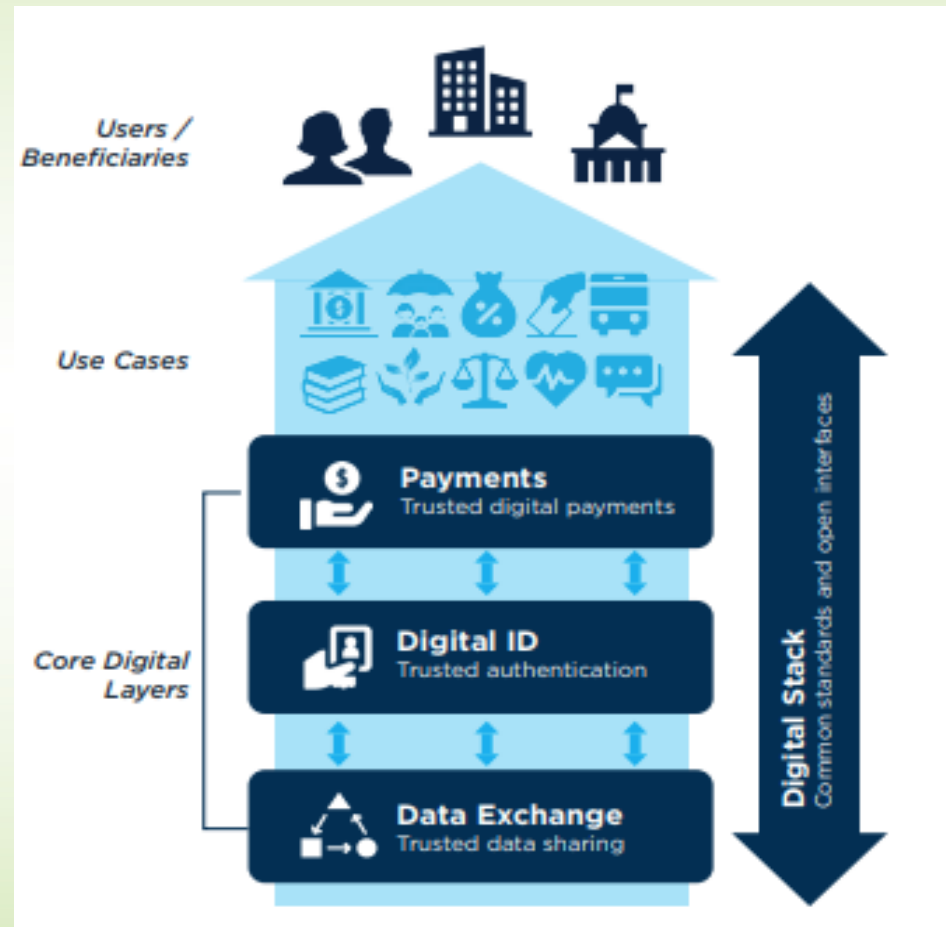
Strategic and operational priorities going forward (from COMPASS)



Building robust delivery systems (especially digital systems) can improve fiscal efficiency

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Build strong foundational **SOCIAL PROTECTION SYSTEMS**



- **Registration**

- Ability to identify (potential) beneficiaries

- **Enrollment**

- Ability to assess eligibility criteria

- **Payments**

- Ability to pay citizens (G2P payments)
- Ability to mobilize resources (P2G payments such as taxes, social insurance contribution)

- **Management**

- Ability to attend to beneficiary needs

Post-pandemic SP – delivery systems for expansion, ASP

- Cambodia
 - developing its Integrated Social Protection System (with support of ADB)
 - Moving to digital payments (with support of WB)
- Indonesia
 - The advanced delivery system for the Prakerja program demonstrates end to end digitalization potential
- Philippines
 - Traditional social registry (Listahanan) could not be used, to be replaced
 - Priority given to roll out of national ID and use for cross-referencing databases, registration
 - Move to G2P payments of social assistance into transactional accounts
- Thailand
 - No-one-left-behind (NOLB) cash transfer demonstrates 4.0 delivery system
 - SWC program data sharing to be consolidated and beneficiary list to be updated
 - Payments are mostly in cash or into special accounts without choice of provider
- Vietnam
 - Roll out of national ID and integration with all SP programs
 - Introduction of on-line updates of eligible SA beneficiaries
 - Gradual shift to digital payments for social assistance



Fiscal constraints require more attention in EAP

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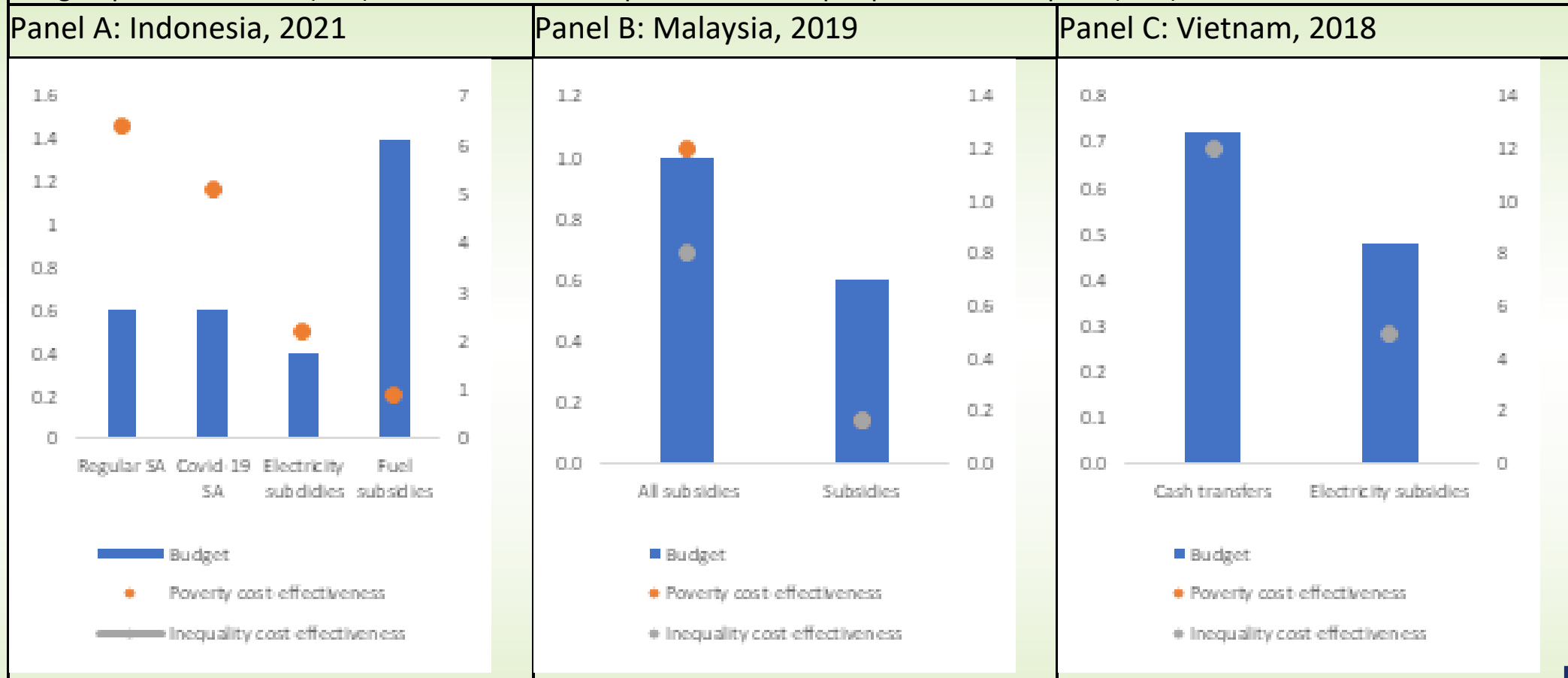
Address the **FISCAL GAP**

*Create more
fiscal space for
Universal Social
Protection*

- **Strengthen financing** through appropriate tax reform and domestic resource mobilization as well as pension reform
 - Increasing indirect taxes while compensating for the loss among the poor (through direct transfers)
 - Ensuring the fiscal health of pension programs (pension funds)
- **Utilizing more efficient and high value SP instruments**
 - Strengthening poverty targeting for progressive universalism
 - Removing regressive subsidies -> redirecting resources to more progressive direct transfers
 - Employing high value policies that support growth including through strengthening human capital accumulation, protection and utilization

Figure YY. Social assistance spending is 3-6 times more cost-effective at reducing poverty and inequality than subsidy spending, with fuel subsidies the least cost-effective

Budget, percent of GDP (LHS); cost-effectiveness, point reduction per point of GDP spent (RHS)



Conclusions

- While Social Protection was expanding gradually in EAP in the years prior to the pandemic, overall fiscal policy has had little impact on poverty and income distribution in most of the region
- The significant COVID-19 response in most EAP countries mitigated the impact on poverty but also highlighted the limitations of existing delivery systems
- It also highlighted the need to reach the non-poor, informal sector and increasingly blurring the line between SA and SI
- Demographic aging, climate change induced shocks and other risks associated with geopolitical turmoil suggest an increasing role for SP
- Moving towards USP is possible through a combination of reallocation of existing spending (subsidies, exemptions) and increasing revenues combined with targeted transfers

