



Weaving Social Safety Nets



Pacific Studies Series

Weaving Social Safety Nets

Asian Development Bank

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Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Tel +63 2 632 4444
Fax +63 2 636 2444
www.adb.org

For orders, please contact
Department of External Relations
Fax +63 2 636 2648
adbpub@adb.org

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Abbreviations

ADB	–	Asian Development Bank
DMC	–	developing member country
FAP	–	Family Assistance Program (Fiji Islands)
GDP	–	gross domestic product
NGO	–	nongovernment organization

Foreword

The recent economic slowdown, the preceding period of high inflation, and the ever-present risk of natural disasters have highlighted that Pacific island countries and their people are very vulnerable to economic and natural forces beyond their control. This vulnerability is inherent, but it can be managed.

The past decade has also seen a lively discussion about the needs of the most vulnerable people in the region. The Millennium Development Goals (MDGs) provided a “call for action” that has linked discussions in the Pacific about poverty, hardship, and vulnerability to a wider international dialogue. Vulnerability is of rising importance in the policy agenda of countries of this region. In February 2010 in Port Vila, Pacific Island delegates called for greater action to be taken to protect vulnerable groups through targeted social protection measures, in order to continue progress toward the achievement of the MDGs.¹

The challenge is to explore the pressures on the most vulnerable and choose policies that are best suited to address them. Such an exploration of needs is best seen in a broader context of achieving more inclusive economic growth. Scarce public resources need to be directed to outcomes with the highest development payoff.

Evidence is accruing from countries around the world—both rich and poor—of the affordability of more inclusive social safety nets and their benefits. Research conducted throughout Asia and the Pacific by the Asian Development Bank (ADB) in developing the Social Protection Index shows that the ability to provide appropriate social protection to a nation’s citizens is not simply a question of a country’s wealth. Poor countries can also afford basic social protection such as health care, cash transfers to the poor and elderly, and child protection services. In doing so, these countries stand to reap considerable economic and social benefits by stimulating productivity and domestic demand and reducing poverty rates.

In close cooperation with other development partners, ADB is increasing its support for the most vulnerable in the Pacific. A part of the implementation of its new regional strategy, the Pacific Approach 2010–2014, ADB is developing an initiative to extend targeted social protection to vulnerable groups by building on existing informal social support networks and through country-led social protection policy development. ADB is also working with the Pacific island countries hardest hit by the global economic crisis to develop economic recovery programs. This policy brief is intended to build the dialogue on the needs of the most vulnerable and the best ways to meet these needs.

This publication was prepared by the Pacific Department under the supervision of Sungsup Ra, director, Pacific Strategy and Special Operations. Craig Sugden, senior economist, and Allison Woodruff, Young Professional (economics), led the preparation. Consultants Margaret Chung and Siosua Utoikamanu prepared the initial draft. Ma. Priscila del Rosario, Ophie Iriberry, Teri Temple, and Corie Desuasico provided editorial inputs. Cecil Caparas coordinated the publishing.



Robert Wihtol
Director General
Pacific Department

¹ Final Communiqué issued at the conclusion of the *Pacific Conference on the Human Face of the Global Economic Crisis*. Port Vila, Vanuatu, 10–12 February 2010.

Summary

Social safety nets are widely used tools of social protection that help vulnerable households cope with temporary shocks such as a natural disaster or economic downturn. The far-reaching impacts of the current global economic crisis in terms of rising unemployment, lower cash income from crops, and falling remittances, preceded by the episode of high food and oil prices, have highlighted the need to safeguard the welfare of vulnerable groups.

The Pacific has a strong tradition of giving and sharing among extended families and communities. These informal safety net systems are credited with helping households in the region cope in times of stress. However, these traditional coping mechanisms have been subjected to increasing strain and are less suited to the widespread hardship now faced in the region. Over the past decade, there has been much closer analysis of the incidence of hardship and poverty in Pacific island countries, aided by a recent series of household income and expenditure surveys and national poverty reports. Most Pacific island governments acknowledge that growing numbers of households face greater hardship.

Social safety nets can take several forms, including targeted or untargeted, conditional or unconditional cash or in-kind transfers. Examples of commonly used safety nets include conditional cash transfers, child allowances, or non contributory pension programs; food-based programs such as food stamps, food rations, or school feeding programs; food-for-work or labor-intensive public works; assistance to access basic services (such as school fee waivers, scholarships, or health care fee waivers); and more general welfare supports such as agricultural input subsidies (prices or vouchers), energy subsidies, food price subsidies, and housing subsidies. Countries with formal social safety net programs include the Cook Islands, the Fiji Islands, and others with close associations with New Zealand and the United States. Kiribati and Samoa offer universal pensions to the elderly. In other Pacific developing member countries (DMCs), national provident funds or their equivalents exist; however, they are contributory and less suited to assist poorer households. In addition, churches, nongovernment organizations (NGOs), and community groups in most Pacific DMCs provide some welfare services, but their coverage is limited and uneven.

It is often assumed that only wealthy countries can afford social safety nets for their people. The cost of instituting these programs has typically been 1%–2% of gross domestic product (GDP) in developing countries and 2%–4% of GDP in industrial countries. Costs are influenced not only by choices of design but also by matters over which there is little control, namely, demographic and economic trends. It is important to note that the costs of investing in social safety net programs must be weighed against the social and economic costs of not investing in such types of social assistance, in terms of rising inequality, increasing social conflict, and higher numbers of households living in poverty who will be prevented from reaching their full human development potential.

There are many possible social safety net instruments to choose from. What works for one country might not be relevant for another, given very different contexts, vulnerabilities, and capacities. However, there are some common questions, such as which groups should be supported, how much support should be provided, and whether benefits should be universal or targeted. Capacity issues—such as a government’s ability to accurately target and effectively monitor vulnerable households—should also be considered.

It is also important to know what types of social safety net programs to avoid. Hastily implemented programs seldom meet their goals, incur excessive costs, and have other unplanned results. It is important that Pacific DMCs plan well ahead for events that can impose hardship on vulnerable households to allow sufficient time to design appropriate, adequate, equitable, and efficient safety net programs.

Introduction

Social safety nets aim to prevent poor and other vulnerable groups from falling into poverty or being caught in a poverty trap when affected by temporary shocks, such as a natural disaster or economic downturn. They provide temporary help so that households are able to effectively cope during periods of stress. Social safety nets are part of a larger group of social protection mechanisms and policies. The Asian Development Bank (ADB) defines social protection as policies and programs that are designed to reduce poverty and vulnerability by improving the efficiency of labor markets, diminishing people's exposure to risks, and enhancing people's capacity to protect themselves against hazards and the interruption or loss of income.

Negative shocks faced by households can include (i) natural hazards such as floods, cyclones, and drought; (ii) health risks such as sickness, disability, or disease; (iii) life-cycle risks such as child birth and old age; (iv) economic risks such as unemployment or high inflation; and (v) social risks such as civil unrest.

Poorer groups generally have a lower capacity to cope with risks. This is because unlike better-off groups, they generally do not have assets such as savings or access to insurance or credit that can be used to cope with negative shocks. As a result, when affected by adverse events, poorer households may be forced to resort to poverty-entrenching risk-coping mechanisms such as reducing their calorie intake, or taking their children out of school to earn income for the family, which can also keep the next generation in poverty. Households may also reduce their exposure to risks by engaging in low-risk activities with lower returns such as more resilient, low value crops, but this has the consequence of trapping households in poverty.

Over the past decade or so, many developing countries around the world have introduced these types of programs. In fact, following Asian financial crisis of 1997/1998, which imposed significant hardship on region's poor, many Asian countries took steps to implement social safety net programs to protect vulnerable groups during future crises. As a result, countries such as Indonesia and the Philippines were able to quickly scale up existing programs in response to rising poverty during the recent global economic crisis.

Critics of social safety net programs have argued that programs of this type consume scarce public resources, do little to promote long-term development, and could discourage work and investment. Proponents, however, claim that well-designed measures can have an immediate impact on poverty and inequality. There is a growing body of evidence that these programs help families plan for and invest in the future, manage risk and avoid negative coping strategies like taking children out of school or selling assets, help governments foster more inclusive growth, and generally promote economic growth.

The current global economic crisis has focused attention on the role of social protection and social safety nets in this increasingly globalized world. Although the economic crisis developed far from their shores, people in many developing countries have been strongly affected by the downturn in world trade, abrupt changes in food prices and other commodity markets. The people who could least afford these changes—those already poor or nonpoor households

Social safety nets aim to prevent poor and other vulnerable groups from falling into poverty or being caught in a poverty trap when affected by temporary shocks, such as a natural disaster or economic downturn

Leaving vulnerable groups to simply suffer the consequences of change is in no country's best interest. Some households eventually recover but others do not, often for reasons well beyond their control

living just above the poverty line, who are vulnerable to any form of risk—have been hit hardest, being even less able to afford adequate food or decent living conditions, education, or health care.

Even as the current economic crisis begins to show signs of easing, it is unlikely that it marks the end of economic turmoil. There are signs of the reemergence of episodes of economic stress, such as those resulting from rising international oil prices. The ever-present threat of natural disaster will remain and is likely to rise as climate change continues.

It is often assumed that only wealthy countries can afford social safety nets for their people. But there is growing evidence that social safety nets themselves help keep countries wealthy. Rich countries have historically taken action to stabilize their economies in times of economic stress through committed social spending. Developing countries need to be able to act similarly to protect their people from inevitable downturns and crises.

Leaving vulnerable groups to simply suffer the consequences of change is in no country's best interest. Some households eventually recover but others do not, often for reasons well beyond their control. When people are trapped in either short-term or long-term situations that prevent them from fulfilling their potential, it is termed "needless poverty."

Investing in protecting vulnerable groups of people from needless poverty has been proven to be fair, effective, and affordable in many countries around the world, both rich and poor. Over the past decade or so, the design of social protection and social safety nets has improved considerably. The Pacific island region can benefit from these experiences.

This policy brief draws on a more detailed study soon to be released by ADB under the *Pacific Studies Series*. This study discusses key issues about the relevance of social safety nets to Pacific island countries. It draws on lessons from other developing countries about ways to effectively design and implement these systems.¹

1 ADB. 2010. Weaving Social Safety Nets in Pacific Island Countries. *Pacific Studies Series*. Manila. In draft.

What Does a Social Safety Net Look Like?

Social safety nets provide income support or access to basic social services for people who fall upon particularly difficult times. These include events that much of the population faces together, such as economic downturns or natural disasters, or events that households face alone, such as the loss of a livelihood or breadwinner.

These systems can be either formal or informal. Formal social safety nets are provided by governments, nongovernment organizations (NGOs), or donor agencies. Informal safety nets are where family members in different households support each other through hard times with cash, food, or housing. In the Pacific island region, traditional family systems are credited with providing robust safety nets, although holes are evident. Most formal systems—principally national provident funds or their equivalent—are connected to earning power and are contributory in nature. But in societies where poverty is growing and many people do not have paid jobs, such as in this region, the inadequacy of both formal and informal systems is increasingly evident.

Social safety nets can take several forms, they can be untargeted, meaning that programs benefit the entire population, or targeted so that only selected groups can participate in a particular program. Examples of untargeted social safety nets include food price or energy subsidies provided to the general population, or providing fee-free education or health care to all households. On the other hand, targeted programs include food vouchers for low-income households, child allowances, and noncontributory pension programs for the elderly.

While some programs may provide benefits to eligible recipients on an unconditional basis, other programs may have certain conditions associated with them. The latter requires beneficiaries to take certain actions in order to access benefits, such as ensuring children attend school regularly or going for health checkups. These are common conditions associated with popular conditional cash transfer programs. Programs may also require beneficiaries to contribute labor in exchange for food or wages, such as in public works or “workfare” programs.

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Social safety net programs may provide benefits either in cash or in kind. The most common form of in-kind benefit is food, such as food stamps or school feeding programs. Program costs are generally minimized by directly providing cash versus in-kind benefits. In addition, recipients often prefer cash benefits since these offer greater freedom of choice. However, in-kind benefits may be more politically acceptable since they ensure they prevent beneficiaries from engaging in antisocial behavior such as using social assistance to purchase cigarettes and alcohol. In-kind benefits may also be more appropriate in cases as (i) where there are food shortages such as following a cyclone or during a drought, (ii) during episodes of high inflation where the purchasing power of cash benefits can be quickly eroded, (iii) where there are few local markets where basic goods can be purchased, such as in rural areas. However, providing food benefits should be carefully considered since there is a risk that food aid can drive down local prices and harm local food producers.

Appendix 1 summarizes the most common types of social safety net programs and their advantages and disadvantages.

Why the Interest in Social Safety Nets Now?

The global economic crisis galvanized concern over its impact on vulnerable people. But poor people are disproportionately affected by any type of economic disruption, be it caused by global events, natural disasters, or national economic reforms.

In the past decade or so, many Pacific island countries have suffered economic shocks caused either by external forces or national policies. Countries periodically need to realign their economies with global trends to generate or sustain growth, although this can place heavy short-term costs on some households. Public employees, relatively well paid and well protected by their unions, have been less affected, but the large body of unorganized, unprotected, and low-paid workers—in both the formal and informal sectors—has mostly gone uncompensated.²

Whatever the cause of economic disruptions, it makes little, if any, economic, social, or political sense to impose their costs onto the people who can least afford them. The costs of growing hardship have been extensively recorded; the grievances that often accompany this hardship have underlain many episodes of turmoil, conflict, and crime. Given these pernicious risks, social safety nets may offer a cheaper and more equitable approach.

Poverty can strike a household abruptly. Besides sudden economic shifts, the life cycle stage of a household can be associated with temporary or transient poverty—for example, when all the children are young and dependent, or the household head is aged or unwell. A single event such as the death of a breadwinner, the loss of a job, or eviction from their home can have traumatic, long-term effects on the entire household, including people who would otherwise be quite able to contribute to society and the economy.

Vulnerable households may survive bad times by selling their land, livestock, or tools, not sending the children to school, or eating less, but these strategies compromise their capacity to recover. Effective safety nets increase the options of poor households and reduce their need to deplete their assets.³ As well as compensating the households most hurt by economic disruptions, social safety nets widen the range of choices that national policy makers have, and make economic reforms less painful and more acceptable.⁴

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2 Narsey, W. 2006. *Just Wages for Fiji—Lifting Workers out of Poverty*. Suva: Ecumenical Centre for Research Education and Advocacy and Vanuavou Publications.

3 World Bank. 2009b. Social Safety Nets: Lessons from Rich and Poor Countries. <http://newsletters.worldbank.org/newsletters/listarticle.htm?aid=140181>

4 Alderman, H, and J. Hoddinott. 2007. Growth-Promoting Social Safety Nets. *2020 Focus Brief on the World's Poor and Hungry People*. Washington: International Food Policy Research Institute.

How Pertinent Is This to the Pacific?

In a rapidly changing world, Pacific island communities have come under new and intense pressures, as have small and vulnerable societies around the world. The Pacific is not alone in having to manage new social pressures and to look for better ways of dealing with old problems

In the Pacific region, one of the difficulties of including vulnerability or poverty issues in national policies has been the prevalent view that vulnerability somehow represents a failure of local cultures and their traditions of family support. This is a significant misunderstanding. The issue has never been moral or cultural in nature. Rather, in a rapidly changing world, Pacific island communities have come under new and intense pressures, as have small and vulnerable societies around the world. The Pacific is not alone in having to manage new social pressures and to look for better ways of dealing with old problems.⁵

Like all small island states in their susceptibility to economic and environmental shocks beyond their control, Pacific islands are familiar with crises and abrupt changes in fortune. In recent decades, the region has barely emerged from one downturn before becoming mired in the next. These problems have been compounded in some countries by weak governance, corruption, and bouts of political instability or civil violence.

There are both geographical and historical reasons for the Pacific's vulnerability to economic and natural forces that lie beyond its borders. The region is especially vulnerable to natural disasters, both in their frequency and their enormous impact on small communities. The tsunami that struck Samoa and Tonga in 2009, and cyclones that struck Fiji Islands and Cook Islands in early 2010 are examples of recent devastating events in the region. Global climate change is expected to bring rising sea levels and stronger, more frequent storms and droughts.⁶ A regional study of social service delivery in nine Pacific countries noted growing concern about the changing social profile of the Pacific, which reflect slow economic growth and underinvestment in social services and basic infrastructure.⁷

Declining food security and rural inertia underlay the recent surge in food prices. Throughout the region, agriculture has contracted as the services sector has expanded. While this is an expected process of economic change, its impact has been exacerbated by underfunding rural development since at least the early 1990s.⁸ This neglect is ironic, given repeated demonstrations that village subsistence systems are a significant source of economic resilience in hard times.⁹ Landlessness is meanwhile a growing problem because people have moved away from their traditional lands or because of a growing imbalance between traditional land tenure systems and demand for land.

Another aspect of recent history that contributes to the region's high vulnerability to global forces has been the very limited public policy response to this vulnerability. Few, if any, public resources have been directed to the issue beyond contributory pension schemes—often in the form of national provident funds—for those fortunate enough to have formal sector jobs. The focus on this small component of the work force is a leftover from colonial times,

5 ADB. 2008. *Working in Fragile Environments: A Midterm Review of the Pacific Strategy (2005–2009)*. Manila.

6 WHO. 2008. *Sanitation, Hygiene and Drinking Water in the Pacific Island Countries: Converting Commitment Into Action*. Manila: WHO Regional Office for the Western Pacific.

7 World Bank. 2006. *Opportunities to Improve Social Services in the Pacific Islands*. Washington, DC.

8 ADB. 2008b. *Living with High Prices: A Policy Brief*. Manila; and Fleming, E. 2007. Agricultural Productivity Change in Pacific Island Countries. *Pacific Economic Bulletin*. 22 (3).

9 McGregor, A., M. Bourke, M. Manley, S. Tubuna, and R. Deo. 2009. Pacific Island Food Security: Situation, Challenges and Opportunities. *Pacific Economic Bulletin*. 24 (2). pp. 24–42.

which shaped the conditions of the formal work force. In more recent times, it reflects the institutional framework of the international labor union movement.¹⁰ The many people who work in the informal sector miss out on any protection not only because they are more difficult to organize but also because few can or would contribute a significant part of their incomes to social protection benefits that do not meet their immediate needs.¹¹

Countries with other formal social safety nets are the Fiji Islands, in its small Family Assistance Scheme, and those countries in close association with New Zealand or the United States, including the Cook Islands (Appendix 2). In other countries, the churches, NGOs, and community groups provide some welfare services but their coverage is limited and uneven.

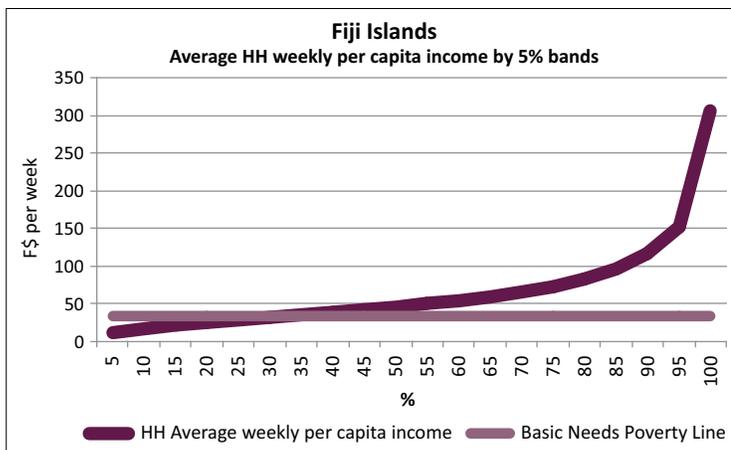
Over the past decade, there has been much closer analysis of the incidence of hardship and poverty in Pacific island countries, aided by a recent series of household income and expenditures surveys and national poverty reports. Most Pacific island governments acknowledge that growing numbers of households face greater hardship.¹²

Economic growth can reduce hardship and poverty. But in all Pacific island countries, except the Cook Islands and Samoa, per capita incomes have grown too slowly over the past 10 years to have any real effect.¹³ Some countries have benefited from high world prices for their commodity exports, but high and rising prices for imported commodities—especially fuel, wheat, and rice—have also reduced the spending power of households, especially the poor.

A lot of effort has gone into calculating poverty lines and identifying the poorest people. Less attention has been given to the generally high level of vulnerability to poverty in the region. Income and expenditure distribution curves in Pacific island countries are generally quite flat around the poverty line. Much of the population lives just above or just below the poverty line (Figure 1). Even a small event can push many households below the poverty threshold, be that an event that impacts a single household or more general hard times. Vulnerable people are not only those who are the most poor now but also those just above the poverty line who risk being poor in the future.

A lot of effort has gone into calculating poverty lines and identifying the poorest people. Less attention has been given to the generally high level of vulnerability to poverty in the region

Figure 1: Income and Expenditure Distributions for Selected Countries



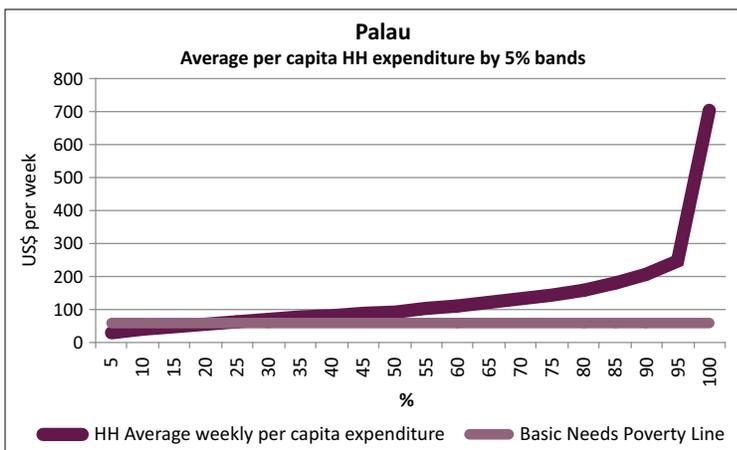
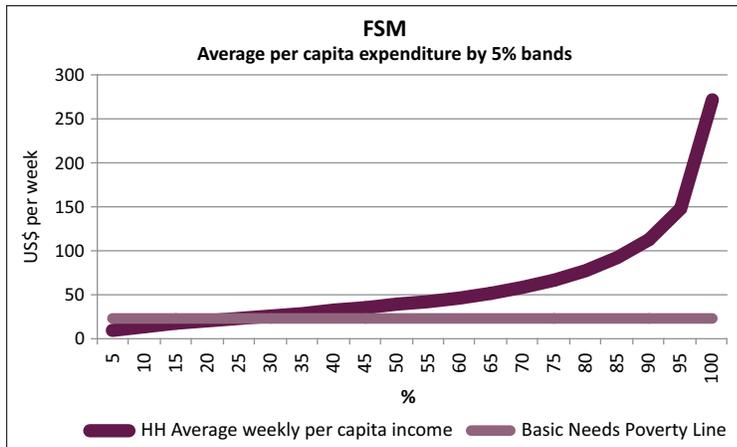
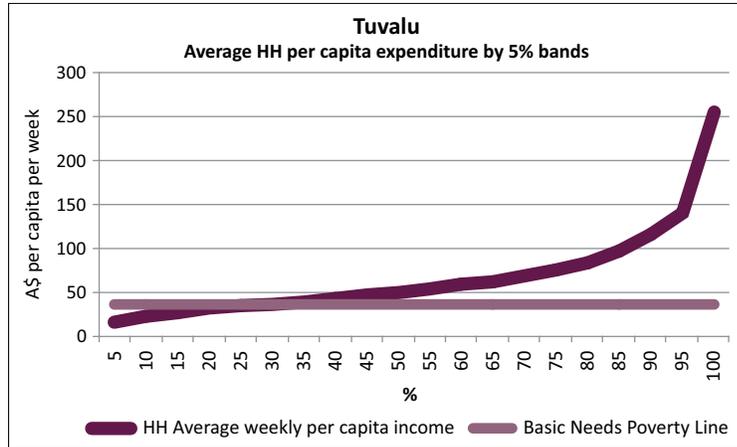
10 Palanivel, T. In draft. Social Protection in Asia and the Pacific. Bangkok: United Nations Economic and Social Commission for Asia and the Pacific

11 ADB website. www.adb.org/SocialProtection

12 Recent household income and expenditure surveys were conducted and analyzed in the Cook Islands (2005–2006), the Fiji Islands (2002–2004), Kiribati (2006), the Federated States of Micronesia (2005), Palau (2006), Samoa (2002), Solomon Islands (2005–2006), Tonga (2000/2001), Tuvalu (2004/2005), and Vanuatu (2006).

13 ADB. 2008. Across the region, growth in real gross domestic product (GDP) averaged 2.6% per year during 2005–2006 and possibly 3.4% annually during 2007–2008, but the region’s relatively high annual population growth rate of 2.1% means that little progress is being made in raising per capita incomes.

Figure 1: Income and Expenditure Distributions for Selected Countries (continued)



A\$ = Australian dollar, F\$ = Fiji dollar, FSM = Federated States of Micronesia, HH = household.
Sources: National household income and expenditure survey reports, various dates.

Do People Really Need This Kind of Help?

Traditions of family sharing are often believed to be sufficient, and that they could be eroded or crowded out by formal systems of social protection. The Pacific does have strong traditions of families and communities looking after each other in difficult times. However, recent information on patterns of poverty suggests that increasingly there are people who have been finding it difficult to meet their basic needs. As people move from rural to urban areas, community ties can weaken. Urban squatters with no access to land require cash to purchase food and other basic necessities. This makes them especially vulnerable to price increases, as shown by the recent episode of high food and fuel prices. As more and more people depend on wage incomes, and not their land, they face the risk of unemployment. They can lose their main sources of livelihood when economies weaken, as many have since the global economic crisis. In addition, there have always been individuals who have been socially excluded, and therefore unable to access support from their families and communities.

International experience suggests that the risk of crowding out traditional supports can be exaggerated.¹⁴ This conclusion appears to be supported by research into poverty and community systems in the Pacific. On one hand, in countries where there is an extensive welfare system (the Cook Islands, Niue, Tokelau) or universal pensions for the elderly (Kiribati, Samoa), people demonstrably retain their family culture and community spirit. On the other hand, in all places, the capacity of poor communities to materially support one another is constrained by their common poverty. Surveys in the Fiji Islands and Vanuatu, for example, found that the poorest households often have little or no family support; cannot maintain their social obligations in terms of contributions to the community, church, etc.; and experience significant degrees of social exclusion.¹⁵ In addition, there is also evidence that access to formal social assistance can help sustain traditional support mechanisms. For example, during the recent global economic crisis, Pacific islanders living in New Zealand who were receiving social welfare benefits were able to continue sending remittances to their relatives back home.

In addition, while traditional support systems tend to have worked well in the past for events that have affected one or a just a few households, such as sickness or death of a family member, they have been less effective in providing protection against events that have affected entire communities such as natural hazard events.

Remittances from Pacific islanders living abroad to their families and communities back home are high by international standards. There has been a great deal of discussion about their significance as informal safety nets and their overall contribution to Pacific island economies.¹⁶ A 2006 World Bank study in the Fiji Islands and Tonga found that the level of remittances, their distribution, and the extent to which they benefit the poorest households vary among countries.¹⁷ As times have become difficult everywhere, there are reports that some remittance flows have reversed, with families at home sending money to families abroad to help them survive.

¹⁴ Footnote 4.

¹⁵ Chung, M., and D. Hill. 2002. *Urban Informal Settlements in Vanuatu: Challenge for Equitable Development*. Suva: Pacific Islands Forum Secretariat and the UN Economic and Social Commission for Asia and the Pacific.

¹⁶ Recent studies include Boland and Dollery (2007); Borovik (2005); Brown and Jimenez (2008); Brown and Mineshima (2007); Connell and Brown (2005); and World Bank (2006b).

¹⁷ World Bank. 2006b.

The Pacific does have strong traditions of families and communities looking after each other in difficult times

The difficulty of providing extra help to the vulnerable when everyone is under added pressure is apparent. In short, the expectation that remittances can support all family members or that family support universally prevents people from living in poverty is no longer realistic.

As noted above, the main institution of social protection in most Pacific island countries is their national provident fund. Instituted in the 1970s and 1980s, these schemes mostly benefit formal sector workers. Although many have not operated as well as they should, their impact on people's lives and on national savings have been profound nonetheless. This raises the question of what the full benefits of other social protection mechanisms supporting a wider band of the population might be.

Can Pacific Island Countries Afford Social Safety Nets?

Spending on social safety nets may appear to compete with spending on “real” development, such as roads or better services for remote communities. But this is a false dichotomy. The lack of social safety nets puts at risk the many households that are vulnerable to poverty, not just the chronically poor; a single event or shift in circumstances can trap these families in long-term poverty. Preventing this is surely as important a development objective as providing services or extending infrastructure.¹⁸ The financial costs of implementing any program need to be weighed against the costs of not doing so. These political, social, and economic risks may be difficult to quantify but are every bit as real. For example, lower investments in human capital development in times of crisis may act as a constraint on economic growth and development in a country.

The cost of instituting universal programs has typically been 1%–2% of GDP in developing countries or 2%–4% of GDP in industrial countries;¹⁹ means-tested programs are usually cheaper. Costs are, of course, related to the level of need in any society, being higher where a large percentage of the population is under the poverty line or where many people are highly vulnerable to poverty. In addition, administration costs rise with greater accuracy of targeting. Costs are influenced not only by choices of design but also by matters over which there is little control, namely, geographic setting and demographic and economic trends. For example, administrative costs of a social safety net program in a country such as the Solomon Islands with large distances, which separate small, isolated rural communities over many islands, can be expected to be significantly higher compared with a similar program in a country such as Nauru which has a small population concentrated on a single island of 21 square kilometer.

Based on demographic and economic projections for Pacific island countries, Figures 2–4 show estimated costs for three schemes: (i) untargeted social pension for all people aged 65 years and older (Figure 2), (ii) a targeted child benefit covering 30% of all children up to age 14 (Figure 3), (iii) and child benefits for the same age group with universal coverage (Figure 4). Administrative costs are assumed to be 5% of the total cost of the program for universal schemes, and 15% of the total cost of the program for targeted schemes. Even the costs of comprehensive systems are relatively low. Of course, these are not the only choices. Similar estimates can be made for any program a government may want to assess.

International experience shows that a basic package of modest pensions and child benefits can reduce the poverty head count by 40% in poor developing countries, at a cost of 3%–4% of GDP in some African nations.²⁰

Many countries have financed their schemes by reallocating funds from less efficient programs, such as untargeted subsidies, or by improving their taxation systems.²¹ Some countries have secured long-term commitments from international donors to partly fund their safety nets.²²

18 Barrett, C., M. Carter, and M. Ikegami. 2007. *Social Protection to Overcome Poverty Traps and Aid Traps*. Cornell University and University of Wisconsin—Madison.

19 Cichon, M. 2008. Building the Case for a Global Social Floor. Commission for Social Development, 46th Session. New York: United Nations. 6–15 February.

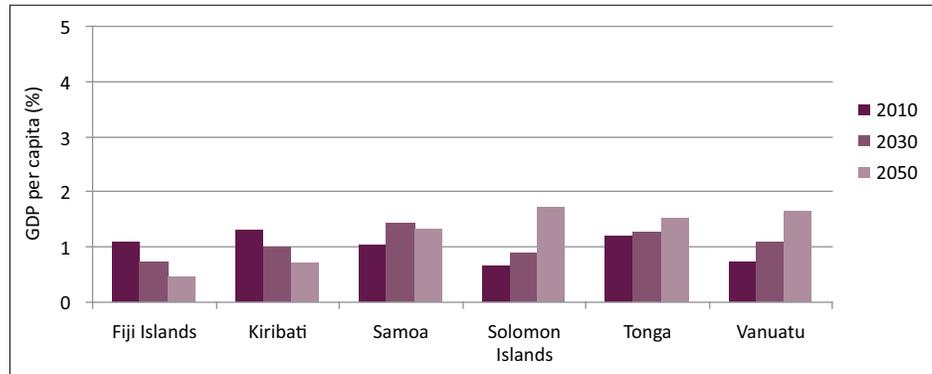
20 Footnote 19.

21 Alderman and Hodinott (2007) cite the example of Brazil, which expanded its *Bolsa Familia* program to cover the bottom quintile of the population at a cost of 0.4% of GDP—certainly a large amount of money, but only a tenth of what the government contributes to federal pension programs, in which half of the benefits accrue to the richest quintile. Many other countries similarly spend large amounts of money on various forms of regressive subsidies.

22 Ortiz (2008). One aspect of the Global Social Floor movement is the promotion of new international financial instruments to help fund social safety nets, such as sector-wide approaches, a Global Welfare Fund, the International Labour Organization's proposed Global Trust, and various systems to provide for and draw upon global tax justice.

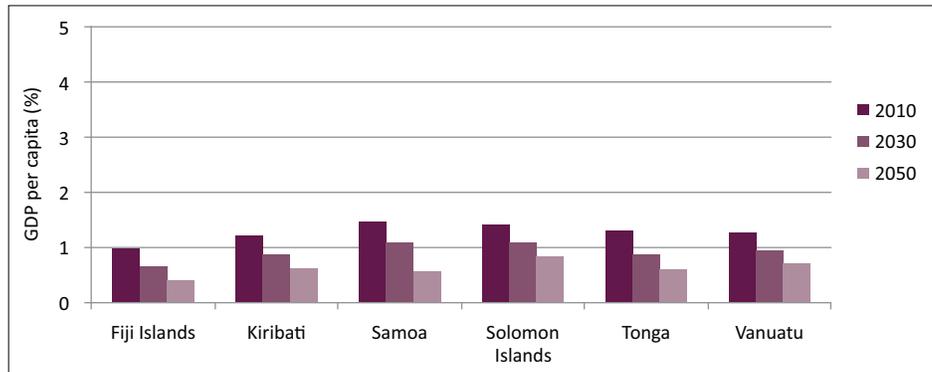
The financial costs of implementing any program need to be weighed against the costs of not doing so. These political, social, and economic risks may be difficult to quantify but are every bit as real

Figure 2: Estimated Costs of a Universal Old Age Benefit, 65 Years and Older, for Selected Pacific Island Countries, 2010–2050 (per capita GDP)



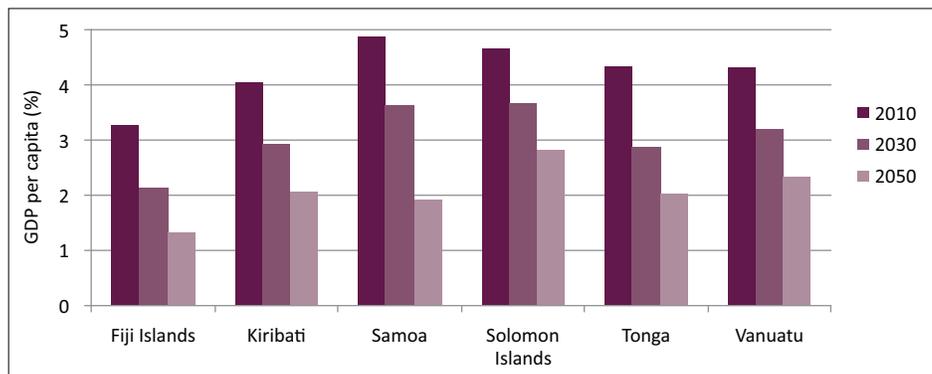
Source: AusAID costing tables, unpublished.

Figure 3: Estimated Costs of a Child Benefit, for 30% of Children between 0–14 Years, for Selected Pacific Island Countries, 2010–2050 (per capita GDP)



Source: AusAID costing tables, unpublished.

Figure 4: Estimated Costs of a Universal Child Benefit, 0–14 Years, for Selected Pacific Island Countries, 2010–2050 (per capita GDP)



Source: AusAID costing tables, unpublished.

Designing Social Safety Nets for Pacific Island Countries

Over the past decade, a lot has been learned about how to make these programs effective and equitable for people in long- or short-term poverty. Pacific island countries can draw on this experience and knowledge. A recent summary of international experience with social safety nets found that to be effective, programs must have the following characteristics:

- Appropriate: reflecting the needs of the beneficiaries;
- Adequate: benefits must be big enough to make a difference to recipients;
- Equitable: providing equal treatment to people with equal needs;
- Cost-effective: keeping administrative costs low while minimizing leakage of benefits to nontarget groups;
- Compatible with incentives: safety nets should support rather than discourage self-sufficiency in recipients;
- Sustainable and affordable given current and forecast public revenues and political support: stop–start implementation has huge costs;
- Adaptable: able to evolve to remain relevant in the face of economic and social change; and
- Have sufficient capacity for accurate monitoring and evaluation.²³

There are many possible instruments to choose from. What works for one country might not be relevant for another, given very different contexts, vulnerabilities, capacities, and so on. Different and complementary pieces need to be brought together, an appropriate mix selected, and the mechanism adapted to the specific situation and targeted groups. Simply copying programs used in other countries is not likely to succeed. In deciding on appropriate systems, however, there are some common questions.

Should everyone or only some people benefit?

A big question faced by policy makers in the design of social safety nets is whether benefits should be universal or targeted to specific disadvantaged people. The idea of a targeted payment might seem the more cost effective: why should governments “waste” money by providing benefits to everyone, even those who do not need it? Also, when targeted, vulnerable groups can receive a larger share of benefits compared with assistance that is spread across the general population.

However, targeting can be difficult and costly to implement in practice. First, relatively good administrative capacity is needed to effectively identify, screen, and monitor program beneficiaries. Means testing is often difficult in the absence of detailed information on household income. As a result, proxy-means testing, which uses easy-to-observe household characteristics such as type of housing material or geographic location, is often preferred to means testing. However, inadequate information can result in (i) errors of inclusion, in which better-

What works for one country might not be relevant for another, given very different contexts, vulnerabilities, capacities, and so on

²³ Grosh, M., C. del Ninno, E. Tesliuc, and A. Ouerghi. 2008. *For Protection and Promotion: The Design and Implementation of Effective Safety Nets*. Washington, DC: The World Bank.

Many programs are designed around benefits that are targeted to a particular disadvantaged group. In these types of programs, there is an important trade-off between cost and accuracy

off groups, who do not require support, are erroneously included in a program; or (ii) errors of exclusion, where groups who are in need of support, are mistakenly excluded from a program. As a result, as the accuracy of targeting increases, so do the costs of administration, so that a well-targeted program can also be quite costly. Universal payments can also be more cost effective and fair than a system that depends on inefficient means testing, as the examples of the Cook Islands and the Fiji Islands in Appendix 2 may suggest.

Even in cases where targeted social safety net programs may be the most appropriate and cost-effective tools for supporting vulnerable groups, they may not be politically or socially acceptable. For example, better-off groups generally have more political clout compared with poorer groups, and therefore it may be difficult to vote through a program that offers benefits only to a small marginalized group. In addition, there may be a large amount of stigma associated with receiving social assistance, and therefore eligible households may be reluctant to come forward to claim benefits. In such cases, a universal system of benefits may be more acceptable.

In parts of the Pacific region, the idea of a universal payment is well accepted, particularly in the Cook Islands, Niue, and Tokelau, countries closely associated with New Zealand, a country once at the forefront of social protection programs. Kiribati and Samoa have chosen to institute universal old-age payments in recognition of the lifetime contributions of all elderly people and their special vulnerability. Public opinion about fairness and social equity, as well as the stigma associated with being labeled as poor or needy, varies in different societies. Whatever the financial cost of a program may be, drawing upon local social values can be the most efficient way to proceed.

How can targeting be made more accurate?

Many programs are designed around benefits that are targeted to a particular disadvantaged group. In these types of programs, there is an important trade-off between cost and accuracy. Poorly targeted benefits can lead to errors in inclusion and exclusion. Common drawbacks of targeted systems are the required time-consuming and expensive interviews, assessments to determine a household's eligibility to receive benefits under a program, and the risks of subjectivity and non-transparency these steps entail. Means-based testing can also set up perverse incentives. The more rigorous the test, the more likely it is to deter people from applying, especially people in real need. It can also discourage people from saving or from contributing to other forms of social protection. Recent innovations in targeting—particularly using proxy means testing—are being promoted as a more efficient way to estimate relative household welfare.²⁴ As yet, however, these techniques remain inaccurate.

Another effective targeting method is self-selection. For example, workfare programs guarantee low-wage work to everyone willing to work. Setting wage rates for workfare programs a little lower than the going market rate helps ensure that only the truly needy will apply, making the system self-targeted in that the nonpoor will rarely want to participate. There could also be a cap on the maximum number of days any person can participate.

Should benefits be unconditional or conditional?

Benefits can be unconditional—that is, paid without restriction—or conditional upon the recipient taking some particular action, such as a child attending school or pregnant women attending prenatal health services, or providing labor inputs. Throughout the world, many programs are designed around conditional payments. In the case of popular conditional cash transfer programs for children in Latin America which are conditional on certain education

²⁴ Proxy means testing is a targeting method that uses easy-to-observe household characteristics such as geographic location or quality of housing to determine household eligibility.

or health-related behavior, the rationale for imposing such conditions is to break inter-generational poverty by building children's human capital.

On the other hand, public works programs, require people to work in exchange for cash or food, have often been politically more acceptable since programs of this type are viewed as creating “jobs” rather than just offering welfare to those in need. Such programs generally enjoy greater public support since they are seen as promoting a “work ethic” and reducing dependency. Programs conditional on labor inputs also offer the benefit of self-targeting by poorer groups since wages paid under public works programs are often below the minimum wage.

On the other hand, imposing conditions on accessing social assistance may increase the private cost of participating in social safety net programs, thereby reducing the overall size of the benefit to the recipient. For example, time spent providing labor inputs as a condition of a public works program means that participants must forgo any other potential income that could have been earned from spending time engaging in alternative activities such as working on household farms and or engaging in other small informal activities.

The choice of whether to make benefits unconditional or conditional upon certain requirements needs to be informed by public opinion about fairness and equity.

How poor do beneficiaries need to be?

It may seem obvious that only people in dire need should be supported. Most models of poverty assume that poor individuals or households are very similar in characteristics or abilities—being either above or below the poverty line. But this is simplistic. There are different groups of poor people and there can be trade-offs in assistance according to their capacities: households who are temporarily poor as a result of a negative event such as sickness of the family breadwinner will manage to move out of poverty over time, and those households who can be described as chronically poor since they tend to live in a constant state of poverty with few assets or opportunities to earn sufficient income to pull themselves out of poverty.

Often, people who fall just short of the poverty line have more capacity to pull themselves out if they receive timely help. As more households do become poor, the focus of assistance tends to move to the chronically poor, reducing funds that would go to the middle group and thereby creating a longer term dependency on social assistance programs. Providing quick assistance to people in short-term need can be a good investment if it prevents them from sinking into a more chronic state.²⁵

The question is whether or not to help the poorest groups in society, but what are most appropriate social protection tools to assist various groups. For example, safety net programs such as temporary cash-for-work may be most appropriate for households facing structural unemployment due to an economic downturn. Safety net programs of this kind are most appropriate in such cases since they catch and protect vulnerable groups before they fall into poverty. On the other hand, such programs may be inappropriate for assisting chronically poor groups who face greater barriers to accessing economic opportunities. In such cases, longer-term poverty reduction programs such as livelihoods development assistance may be more appropriate for safeguarding the welfare of such groups.

Which age group should benefit most?

Kiribati and Samoa are two countries that have implemented universal old-age benefits, and other countries have considered this. Pacific island people evidently see this as fair and appropriate. Old-age transfers have proven very effective in some countries. In South Africa, for example, researchers have found that the universal old-age payment not only narrowed the destitution gap by 45% but also translated into better care and support for young children in recipient households.²⁶

Safety net programs such as temporary cash-for-work may be most appropriate for households facing structural unemployment due to an economic downturn

²⁵ Footnote 18.

²⁶ Cichon. 2008; S. Kidd. 2009.

There are two issues to consider here. First, population projections for the region over the next few decades suggest that the proportion of economically active adults (aged 15–60 years) will remain stable but dependency ratios will increase. Sharp rises in the proportion of elderly people will be partly offset by decreases in the proportion of children. The cost of old age support will therefore rise while the relative cost of child support will fall. Figure 5 shows this for Kiribati.

Second, investing in the capacities of children—such as providing them better access to education and health services—makes a lot of sense. It provides more opportunities for transformative social change. Over time, it can break the intergenerational cycle of poverty by lowering the risk of future generations being poor. The size of transfers to children can be smaller than for the elderly but still be effective.

Figure 5: Projected Costs of Transfers for Children and the Aged, 2010–2050: Kiribati

(i) Children, Age 0–14

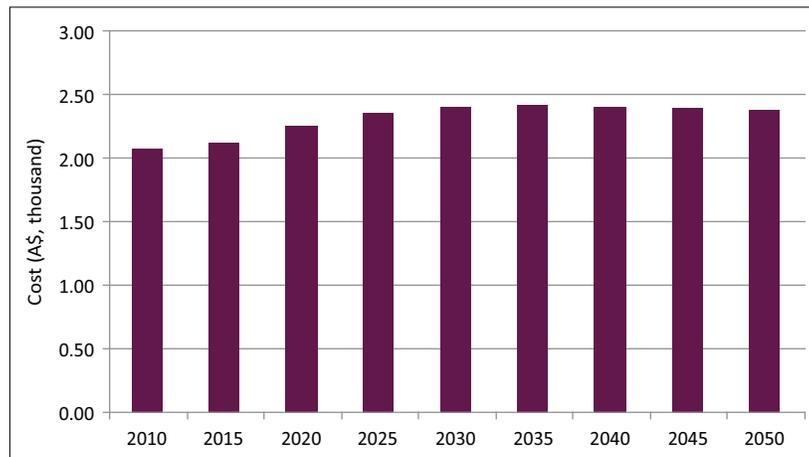
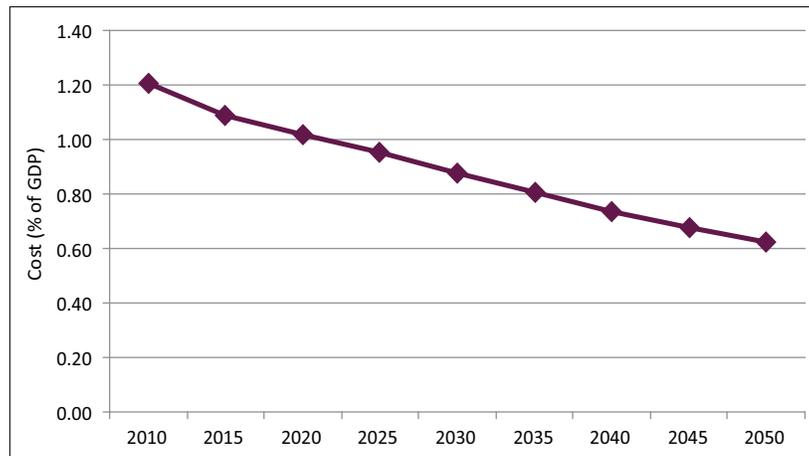
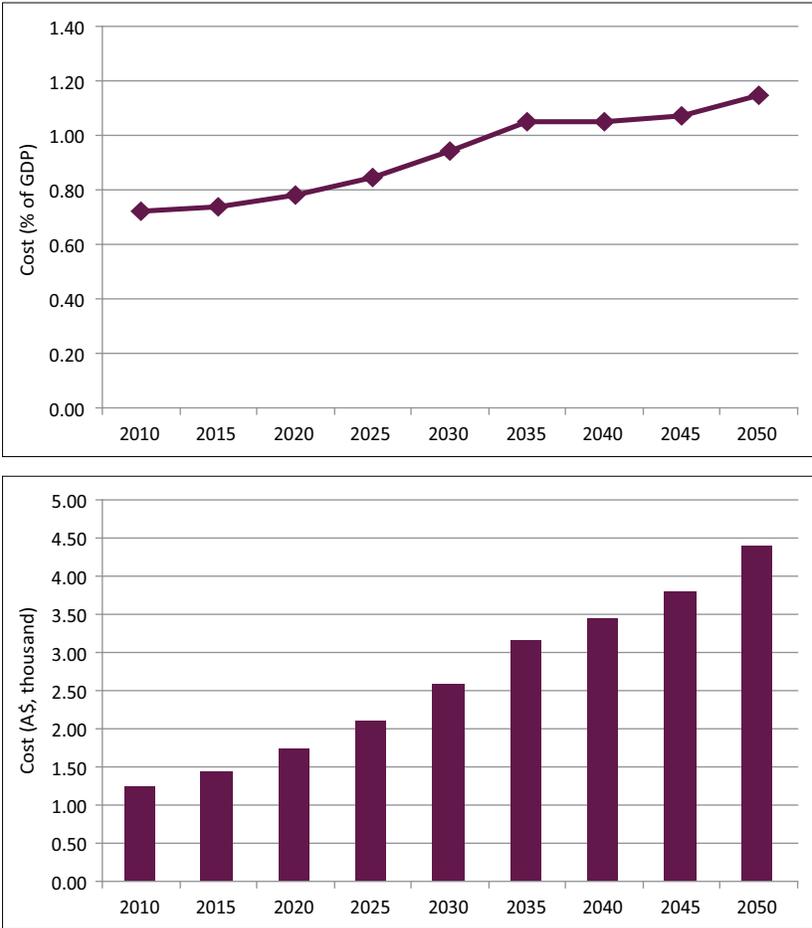


Figure 5: Projected Costs of Transfers for Children and the Aged, 2010–2050: Kiribati
(continued)

(ii) Elderly People, Over Age 65



Note: These graphs are based on hypothetical models; the issue to note is the shape of the graphs, not the specific values.

A\$ = Australian dollar, GDP = gross domestic product.

Source: Knox, C., and S. Kidd. 2009. Projected Costs for Government Transfers in Selected Pacific Island Countries. Unpublished material for AusAID.

There are opportunities to develop innovative management arrangements in the region that can link government and NGO capacities and more directly involve communities

How can social safety nets best be managed?

In most countries, social safety nets and other social protection systems are the responsibility of government. In the Pacific, most social welfare departments are small and have little capacity to manage substantial programs. Most governments are also trying to contain the size of public sector employment. Churches and NGOs have been active in providing social assistance throughout the Pacific. There are opportunities to develop innovative management arrangements in the region that can link government and NGO capacities and more directly involve communities. For example, in Samoa, women’s village representatives act as a critical link between communities across the country and the Ministry of Women, Community and Social Development. These representatives carry out functions such as identifying and monitoring vulnerable groups in their respective villages, and providing vital information to government officials which is used to inform the design of various social assistance programs.

Hastily implemented programs seldom reach their intended target groups, incur excessive costs, and have other unplanned results

What should be avoided?

In response to a crisis, governments often scramble to put social safety net programs in place to protect vulnerable groups. Hastily implemented programs seldom reach their intended target groups, incur excessive costs, and have other unplanned results. This is because governments often lack the information, resources, and institutional capacity to implement such programs rapidly and effectively. Although programs need to provide short-term assistance, with clearly marked entry and exit points, they should be long-term strategies themselves. In other words, social safety net programs should be in place before a crisis hits, and scaled-up when the need for assistance among the population increases.

Poorly designed social safety nets run the risk of setting up perverse incentives. At their worst, they can set up opportunities for fraud, political capture, or poverty traps, or simply waste resources. A number of countries responded to the recent episode of high food and oil prices by introducing price controls or removing taxes on basic food items. For example, import duties in the Fiji Islands were reduced on basic food items to ease the burden of price increases on the poor. In addition, school bus fares were abolished in late 2009 to assist students cope with rising transport costs. The initial scheme had some flaws. Teachers had to hand out exact fares to each child every day, a logistical challenge. In Timor-Leste, a rice subsidy scheme was introduced to protect low-income households from high food prices. However, very limited amounts of subsidized rice available for sale, and reselling of rice on the black market at higher prices, meant that the scheme had a limited impact on reducing food costs for the poor. However, such untargeted subsidy programs can be expensive since they benefit the population as a whole, and may fail to reach a substantial portion of the vulnerable population as a result of poor design. In recent years, both countries have taken steps to strengthen social safety net programs. The Fiji Islands has introduced a targeted food voucher program for households already receiving social assistance benefits. The country is also improving the design of its transport subsidy scheme with plans to introduce an e-ticketing system that will automatically deduct the correct bus fare from electronic bus passes to be eventually issued only to children from low-income families. In Timor-Leste, a conditional cash transfer program has been piloted since March 2008, which provides targeted subsidies to households headed by female on the condition that their children attend school.

Conclusion: Helping Those Most in Need

For most of the Pacific, a stock-take of formal social safety net programs needs to be carried out to determine how existing programs can be better tailored to effectively meet the needs of vulnerable groups in a cost-effective manner. In addition, there is a need to carry out further vulnerability assessments to identify existing program gaps to ensure that all those who need support during times of stress can access some form of temporary assistance to prevent them from falling into poverty, or falling further into destitution. Many developing countries have done this, and there are now many well-documented cases of both good and bad social safety nets from which Pacific island countries can learn. It is nonetheless essential that local values and opinions help guide these designs. The potential benefits go beyond essential support for vulnerable people to stimulating the whole national economy.

Social safety nets are one element of social protection. They work best when there is a comprehensive macroeconomic policy response to vulnerability. Elements of this response would include economic stabilization policies that achieve their objectives with least cost to the most vulnerable people and protect the essential goods and services that poor people use. Every effort needs to be made to maintain the quality of basic health and education services. Targeted subsidies or benefits can then work to reduce dropout rates among the poor. Other public investments that particularly affect the productivity of the poor include sanitation, water, and rural infrastructure.

Institutional capacity constraints need to be addressed, particularly, as most Pacific island governments do not have much experience in social protection. One way of doing this is through NGOs, churches, and other community groups.

For social safety nets or other social protection mechanisms to operate efficiently and meet the needs of the people they are designed for, strong monitoring and evaluation systems must be developed. These systems produce information that helps to both refine the design of safety nets and provide feedback on their impacts. Fostering well-informed public discussion on the issues and impacts of these programs can greatly help maintain public and political support and reduce leakage and corruption.

Forward thinking brings the best results. It is best to set up or reinforce safety nets before a crisis hits. In a short-run crisis situation, the focus should be on programs to deliver the services that the poor need. Existing programs that reach the poor and help them cope can be supported or expanded.

ADB has worked with the Pacific nations most affected by the global economic slowdown to prepare recovery plans. These programs have paid special attention to the needs of the vulnerable, particularly by maintaining expenditures on services used by vulnerable groups.

Forward thinking brings the best results. It is best to set up or reinforce safety nets before a crisis hits

With the support of the Government of Japan, ADB is developing a linked program, Social Protection of the Vulnerable in the Pacific, to provide extra support for vulnerable people in the Cook Islands, Samoa, Solomon Islands, and Tonga. The project will (i) provide block grants to selected communities for health-related activities and to improve food security for the vulnerable, especially pregnant women and infants; (ii) pilot social safety net programs that target vulnerable women; (iii) build the capacity of NGOs and civil society to help manage social safety nets; and (iv) engage in regional dialogue, knowledge dissemination, and project management.

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Appendix 1: Types of Social Safety Nets

Type of Intervention	Definition	Characteristics
Cash transfers	Regular cash payments (or transfers) to eligible recipients	
(a) Universal cash transfers	Transfers that aim to increase the real incomes of the poor (e.g., needs-based social assistance, noncontributory pensions and disability transfers, family/child allowances)	<u>Advantages:</u> (i) operation costs tend to be low; (ii) recipients prefer cash, which provides greater freedom of choice in how to use the benefit to enhance their welfare. <u>Disadvantages:</u> (i) Cash transfers are attractive to local elites and unintended beneficiaries, so are more difficult to target effectively. Good control mechanisms are needed; (ii) in times of high inflation rates, a rapid increase of benefits is required.
(b) Means-tested cash transfers	Payments are conditional on human capital investments for children (school attendance, health checks, prenatal care), with the dual goals of reducing current and future poverty.	<u>Advantages:</u> (i) impacts on consumption and poverty, child labor, school enrollment and attendance, nutrition, and health; (ii) recipients are held responsible and accountable, which can be politically popular; (iii) empowerment effect where benefits are paid to mothers. <u>Disadvantages:</u> (i) complex to design and administer, requiring the interaction of multiple ministries and monitoring compliance; (ii) services of sufficient quality have to be available (health, education); (iii) excludes families without children.
Both universal and means-tested cash transfers can be unconditional or conditional		
(a) Unconditional	Every eligible person in a particular category receives the benefit.	<u>Advantage:</u> Get the same beneficial impacts on health, education, etc., without the added problem of complicated administration. <u>Disadvantage:</u> This may not be politically acceptable, particularly in societies where there is a strong belief that handouts should not be free. This is the reason many countries require beneficiaries to work on public infrastructure projects in exchange for food or cash.
(b) Conditional	Eligible recipients must fulfill some conditions—such as ensuring their child attends school—to continue receiving the benefit.	<u>Advantages:</u> The state can require recipients to comply with other social development policies, such as infant immunization or regular school attendance for children. <u>Disadvantages:</u> (i) the need to monitor compliance, (ii) removal of the benefit can compound the problems of some disadvantaged families.
Food-based programs	Food transfers and other food-based programs aimed at chronic and transient poor (e.g., rations, supplemental feeding and nutrition, school feeding, emergency food distribution)	<u>Advantages:</u> (i) effectively alleviates hunger by increasing food consumption, (ii) can address malnutrition and micronutrient deficiencies through fortified foods, (iii) can increase school attendance, (iv) potential for self-targeting. <u>Disadvantages:</u> (i) organizing efficient transport, storage, and distribution of food is challenging and adds to administrative costs; (ii) on-site feeding (e.g., at schools and health centers) increases administrative costs for programs and transaction costs for participants; (iii) risk of damaging local markets; (iv) reduces people's choices in their diets and food purchases.
Public works programs (workfare)	Labor-intensive infrastructure development under cash or food-for-work programs	<u>Advantages:</u> (i) addresses shortage of infrastructure (rural roads, irrigation) while raising and smoothing incomes of the poor; (ii) low benefit level, self-targeting, lower administrative costs; (iii) politically popular, as beneficiaries are required to work. <u>Challenges:</u> (i) trade-off between objectives of infrastructure vs. poverty reduction; (ii) trade-off between setting the benefit level lower (ensures self-targeting and sustainability) or higher (helps participants out of poverty trap but targeting becomes weaker, and rationing may be required); (iii) doesn't reach the poor who cannot work, such as the elderly, ill, or disabled; (iv) tends not to help people with less labor capacity.
Free education or health services, or fee waivers	Exemption from payment for essential services so the poor can obtain free health care and education even where fees are charged	<u>Advantages:</u> (i) provide support on both supply side and demand side through resources for institutions (to provide services) and for poor people (to access those services), (ii) promote human capital development. <u>Disadvantages:</u> (i) administratively complex; (ii) large errors of exclusion are common, such as the poor not being aware of the waiver system and therefore not seeking out the services; (iii) impact on school attendance is questionable if beneficiaries are not compelled to attend classes.

Sources: Bloom, D., A. Mahal, L. Rosenberg, and J. Sevilla. 2009. Social Protection and Conditional Cash Transfers. ADB Regional Workshop on Social Assistance and Cash Transfers. Manila: ADB. 23–24 July 2009; Grosh, M., C. del Ninno, E. Tesliuc, and A. Ouerghi. 2008. *For Protection & Promotion: The Design and Implementation of Effective Safety Nets*. Washington, DC: The World Bank; Kidd, S. 2009. Equal Pensions, Equal Rights: Achieving Universal Pension Coverage for Older Women and Men in Developing Countries. *Gender & Development*, 17 (3). November.

Appendix 2: Country Experiences with Social Safety Nets

A. The Cook Islands' Experience

The Cook Islands¹ has one of the most extensive social protection systems in all of Asia and the Pacific. It is modeled on New Zealand's system, but with less comprehensive coverage and smaller payments. Benefits for children and the aged are universal and welfare payments contribute to the incomes of most households. The categories of infirm and destitute beneficiaries—the only true “welfare beneficiaries”—are small and eligibility is determined on a case-by-case basis, most being single women with children and no other source of livelihood.² One-off grants equivalent to 1 month's benefit are made to the families of deceased beneficiaries to help pay funeral costs, as well as to mothers of newborn children. Other special assistance is given for improving the residences of disabled people. Power subsidies are also provided to destitute and infirm pensioners. Unlike New Zealand's system, however, there is no unemployment benefit, one of the more urgent forms of short-term need. People who become unemployed can go to New Zealand and get benefits, which many evidently do, including people ill-prepared for employment opportunities there.

As a result, almost three-quarters of all payments are to people who are not poor.³ However, these payments are viewed by policy makers as an essential element of many peoples' livelihoods which help them to stay out of hardship.

In the mid-1990s, the government cut back on public sector jobs, a policy that hit the outer island communities particularly hard. The loss of people, skills, and paid jobs pushed many of them almost below the point where they could sustain themselves. As the outer island communities have shrunk and the population has aged, support systems have attenuated within them. The elderly increasingly find themselves on the remote edge of family networks now centered in Rarotonga or New Zealand. On some islands, the outflow of young adults has been almost replaced by an inflow of young children, sent to their grandparents along with their child benefit payments.

The population of Mitiaro, for example, shrank almost 29% between 1996 and 2001 and had declined another 10% by mid-2006, when there were 204 residents.⁴ Most households consist of older adults who live with their grandchildren or great-grandchildren, whose parents live elsewhere.

Allowances for children and the elderly have become a critical source of cash income in outer island communities, where other income-generating opportunities are scarce. Combined, these payments enable the older people to stay on the island, have some comfort in

1 Halcrow China Ltd. 2007. *Scaling Up of the Social Protection Index for Committed Poverty Reduction. Volume 1 Multi Country Report*. ADB, Manila: (TA 6308-REG). The Cook Islands' Social Protection Index 0.55 is the highest in the Pacific island region and well above many medium developed countries.

2 Social Welfare Division, personal communication, August 2006.

3 Halcrow China Ltd. 2007. In 2004–2005, of the social protection expenditure of around NZ\$2.5 million (\$1.7 million), approximately 27% went to the poor who made up around 10% of the population.

4 The figures are not properly comparable. The 1996 and 2001 numbers come from the census, which is an actual count; the 2006 figures come from the island health center, and are a de jure count.

their lifestyle and meaning in their lives, and support the children well. The inflow of children helps maintain the school rolls and other services and, indeed, keeps the community viable. The children benefit from experiencing an island lifestyle that is increasingly a nostalgic memory for many Cook Islanders, as well as the close attention of their grandparents, which strengthens their language skills and Cook Islands identity and possibly provides them a richer childhood than they might have in Auckland or Sydney with busy working parents. Most children return to Rarotonga or beyond when they finish primary school or when their grandparents die.

Table A2.1: Children and Youth Living on Mitiaro, August 2006

Age in Years	Relationship to the Household Head		Total for Age Group	Percentage of Grandchildren
	Child	Grandchild		
>5	1	14	15	93.3
5–9	14	14	28	50.0
10–14	13	16	29	55.2
15–19	8	4	12	33.3
20–24	0	5	5	100.0

Source: Mitiaro Health Centre records.

Despite the benefits that the current social welfare system provides to the country, some gaps in protection exist. First, despite its wide coverage, funding for various eligible groups is not provided according to strict needs-based definitions. For example, tiny but food-rich Mauke is home to 18% of destitute cases while generally poorer Pukapuka and Penrhyn, together with Manihiki, have only 2% of such cases.

In addition, the cost of the system has been increasing over time, with social welfare spending having increased by 42% over the past decade. For example, in 2008, the value of old-age benefits was increased from NZ\$240 to NZ\$400 per month. In addition, as the cost of the program will increase as proportion of elderly people living in the Cook Islands rises over time. These costs will be significant, since old-age payments currently account for two-thirds of the value of all social welfare payments in the Cook Islands. In addition, the cost of payments also increased in 2006 when the maximum age limit for the child benefit was increased from 10 to 12 years. These growing costs can threaten the sustainability of the country's social welfare system over time.

As a result, the long-term viability of the system has been questioned. The Cook Islands government, with support from ADB, is now looking at ways in which their social protection system can be made more cost-efficient and responsive to the needs of its most vulnerable people.

B. The Fiji Islands' Experience

The Fiji Islands has another of the more extensive social protection systems in the Pacific island region, small and uneven though it is. While it has long been recognized that a degree of destitution exists here, the government spends only a small percentage of its budget on direct social welfare payments, claiming that it cannot afford a welfare state and does not want to create a "handout" mentality.

A range of government services addresses the needs of disadvantaged groups and promotes social equity. The most widespread benefits are free tuition for all school students and heavily subsidized public health services. In 2009, faced with evidence that high transport costs kept some children from attending school, the government provided free school buses. This program was modified in 2010 to cater to low-income families only.

The main form of cash assistance to destitute people is the Family Assistance Program (FAP), administered by the Social Welfare Department. At F\$20 million in 2009, this accounts for nearly half of the government's spending on poverty alleviation.

The FAP has long been criticized as providing only for the poorest of the poor, yet still inadequate to meet their basic needs.⁵ It has been described as “a thin, short lifeline thrown to people when they are already drowning,” a description that remains apt.⁶

Although the level of payment has risen, by the time poor households are eligible for the allowance, poverty pervades their lives. The long waiting list of applicants means that the system can respond only very slowly to a household in crisis. The minimum benefit is now F\$60 per month and the maximum is F\$100, with the average benefit being F\$64.22.⁷ Even if a household receives the maximum—and very few do—they would still remain far below the poverty line.

To be eligible for the FAP, a person must pass a rigorous means test, have no other means of financial support, and fall into one or more of the following categories: a deserted wife, widow, prisoner's dependent, over 60 years of age, physically handicapped, or chronically ill. Beneficiaries are therefore defined by the characteristics of household heads, not those of other household members, such as the number of dependent children.

The distribution of FAP allowances is determined not by the extent of need but by the departmental budget. Government allocations for FAP and the number of recipients have both grown in recent years, yet the number of eligible applicants still exhausts the available funds. The allowance is often reduced so it can be shared more widely. Once a person qualifies for FAP, however, they have easier access to other government and nongovernment services.

The availability of this support is rarely advertised. Many poor people have no idea that they could be eligible for assistance. The eligibility process is far from transparent; everything rests on the assessment of the social welfare officer. This has allowed the involvement of political patronage in the past, with some ministers favoring applicants from their own constituency. While many social welfare officers believe that many nonpoor somehow qualify for benefits and remain on them longer than warranted, a recent World Bank study concluded that targeting errors of exclusion were more evident. Many people who are eligible for and need assistance do not get it.

The World Bank study estimated the relative costs of closing coverage gaps using average beneficiary payment levels for each FAP category (Table 5). The most expensive coverage gap to close is for the national poverty population, which could cost an additional F\$28.2 million per year. Next is the elderly poor coverage gap, with F\$16.8 million. The study, however, noted that the FAP may cover more than the total number of poor households headed by female, suggesting some possible errors of inclusion, and a group of beneficiaries who are not much poorer than the Fiji Islands population as a whole.

⁵ For example, Cameron (1983); Barr (1991).

⁶ Cameron, J. 1983. *The Extent and Structure of Poverty in Fiji and Possible Elements of a Government Anti-Poverty Strategy in the 1980s*. Discussion Paper No. 145. University of East Anglia, Norwich.

⁷ Ministry of Women, Social Welfare and Poverty Monitoring and World Bank. 2009. *Report on Social Assistance in Fiji: Context and Framework for a Technical Assistance Program*. Suva: Ministry of Women, Social Welfare and Poverty Monitoring. Internal Document.

Table A2.2: Closing the Coverage Gaps to Limit Targeting Errors of Exclusion, Fiji Islands, 2004

	Total Population	Population Below BNPL**	FAP Beneficiaries	FAP Beneficiaries/BNPL Population (%)	Coverage Gap Population	Coverage Cost (F\$)
Elderly (> age 60)	62,940	29,582	6,882	23.3	22,700	16,811,864
Disabled (number)	12,582	4,353	3,349	79.2	1,004	781,073
Chronic Illness	NA	NA	7,148	NA	NA	
Female-headed households*	21,634	6,966	8,939	128.0	(1,973)	0
Children (< age 15)	243,121	91,170	NA	NA	NA	
Population BNPL	837,271	289,696	80,778	27.9	208,918	28,245,714
Population FPL	837,271	94,611	80,778	85.3	13,833	1,870,222

BNPL = basic needs poverty line, F\$ = Fiji dollar, FAP = Family Assistance Program, NA = not available, () = negative.
Source: Ministry of Women, Social Welfare and Poverty Monitoring and World Bank. 2009.

The Department of Social Welfare is working with the World Bank to review and reform its systems, especially to improve the targeting of the family assistance and care and protection allowances. The Government of the Fiji Islands is now considering how a more adequate, fair, and affordable welfare system could be developed, and how its benefits could be more fairly distributed. A key question is what level of payment would provide adequate support without discouraging recipients from seeking employment.

Weaving Social Safety Nets

The recent economic slowdown, the preceding period episode of high food and oil prices, and the ever-present risk of natural disasters have highlighted that Pacific island countries and their people are very vulnerable to economic and natural forces beyond their control. Informal support provided by extended families and communities to those in need have been coming under increasing strain and no longer offer sufficient protection to those facing temporary hardship. This policy brief provides an overview of the role of social safety nets in protecting vulnerable groups during times of stress, and outlines key factors that should be considered in the design of such programs. The key response should be to plan ahead and have appropriate policies and programs in place to protect the vulnerable before a crisis hits.

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