



Task Force 04

TRADE AND INVESTMENT FOR SUSTAINABLE AND INCLUSIVE GROWTH

Advocating for Adaptive Social Protection in The Asia Pacific

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Abstract

The Asia Pacific region grapples with challenges in sustaining poverty alleviation efforts amidst covariate shocks such as pandemics, economic crises, and frequent disasters. Such a challenge is exacerbated through significant gaps in its social protection landscape, characterized by low coverage and limited adaptiveness in social protection programming. Only 44.1% of the region's population is covered by at least one social protection benefit. Further, social protection programs in Asia Pacific countries exhibit limited adaptiveness, with very few programs able to respond to shocks. Such a condition allows for disasters to put those impacted further into poverty, as crucial social assistance buffers and recovery programs are inadequate. In response to these challenges, the concept of Adaptive Social Protection (ASP) has emerged as an approach to strengthen social protection systems towards resilience. Implementing ASP involves establishing a legal basis, evaluating and strengthening social protection programs, improving data systems, and ensuring adequate and timely financing disbursement. Developing ASP is a significant undertaking, of which policymakers in the Asia Pacific will require adequate support. G20 countries should actively provide financial and technical support in this endeavor through joint-multilateral funding or directly through G20 countries' development agencies working in international development. Further, in developing ASP, policymakers will require concrete examples to draw from, examples from relevant countries such as Indonesia, Fiji, Brazil, Turkey, Chile, and others have been outlined in the recommendations.

Keywords: Adaptive Social Protection (ASP), Asia Pacific, Covariate Shocks, Poverty Alleviation, Financing, Resilience



Covariate Shocks Threaten Asia Pacific's Ability to Sustain Efforts in Alleviating Poverty

Covariate shocks, such as pandemics, economic crises, disasters, and climate change impacts, have significantly hindered the Asia Pacific region's development outcomes. An estimated 155.2 million people in the Asia Pacific live in extreme poverty, which is 67.8 million greater than it would have been without the pandemic and the increased cost of living (ADB 2023). Regardless, the region has recovered better than expected, showing lower inflation and higher growth realizations in 2022 (IMF 2024).

However, the Asia Pacific region is still noted as the most disaster-prone region. In 2022, over 140 disasters caused over 7,500 deaths, over 64 million victims, and economic losses amounting to US\$57 billion. Within subregions, through 2015-2020, the Small Island Developing States (SIDS) and South and South-West Asia subregions have lost an average of 9% and 7% GDP annually (UN ESCAP 2023).

The Case for Adaptive Social Protection and Continuing Past G20 Agendas

The aforementioned covariate shocks hinder efforts to sustain development outcomes. Covariate shocks could cause families to fall into poverty through losing assets and livelihoods (Bowen et al. 2020a) The impacts of covariate shocks are amplified by the interplay with idiosyncratic shocks - individual events specific to an individual or family, such as illness, injury, job loss, or death, which can be caused by covariate shocks (Pradhan 2016). To protect against these shocks, a social protection system that is adaptive and covers a large portion of society is necessary (Bowen et al., 2020b). For example, when a disaster occurs, families without sufficient social safety nets may resort to harmful coping strategies such as selling assets cheaply, depleting savings, taking on unproductive loans, and withdrawing children from schools, deepening their poverty.

TABLE 1. Key features of social protection, disaster risk management, and climate change adaptation

	Social protection	Disaster Risk Management	Climate Change Adaptation
Key Goal	Preventing and protecting all people against poverty, vulnerability, and social exclusion across the life cycle	Prevent new disaster risks, reduce existing disaster risks, and manage residual risks	Enhancing adaptive capacity, strengthening resilience, and reducing vulnerability to climate change
Core disciplinary grounding	Development and welfare economics	Physical and (increasingly) social sciences	Social development and physical/climate sciences
Dominant focus	Implementation of measures to manage risks across the life cycle	Prevention and management of risk of disasters	Enabling processes of climate change adaptation
Main shocks & stress addressed	Multiple (e.g. sickness, unemployment, food insecurity)	Natural hazard-induced disasters	Climate-related
International coordination and key global agendas	Social Protection Interagency Coordination Board (SPIAC-B), ILO Social Protection Floors (SPF), Universal Social Protection (USP) 2030, Sustainable Development Goals (Goal 1.3)	UNDRR, Sendai Framework for DRR	UNFCCC, Nairobi Work program, Paris Agreement

Source: Sett et al., 2022 (adapted from Davies et al., 2008)

The concept of ASP was introduced in 2008 as a strengthened social protection system that can respond to covariate shocks by integrating social protection with disaster risk management (DRM) and climate change adaptation (CCA) (Davies et al. 2008). More concrete examples include programs in climate insurance, cash transfers, and family-focused poverty reduction (Davies et al. 2013) Previous agendas held by G20 presidencies advocated the importance of ASP in the context of disaster and climate change. The declarations had key aims to increase coverage, inclusivity, and adequacy of social protection benefits. G20 Indonesia focused more on ASP, while G20 India focused more on Shock-Responsive Social Protection (SRSP) (G20 DRR Working Group 2023)

Gaps within Asia Pacific’s Social Protection Landscape

Despite being a global economic powerhouse, Asia-Pacific's social protection policies lag behind, with only 44.1% of the population accessing at least one benefit (ILO 2022a). Specifically, the total legal coverage benefits have not reached the 50% coverage mark, as seen in **Figure 1**. Furthermore, the Asia Pacific region’s social protection expenditure is low compared to the 12.9% all countries spend on average (ILO 2022b).

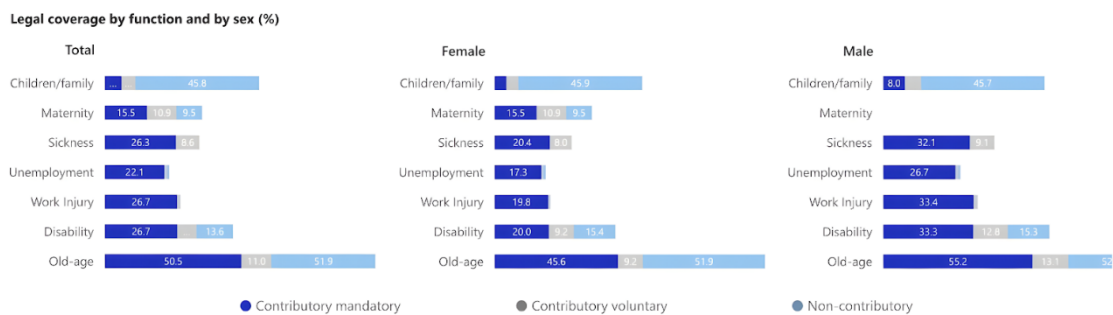


FIGURE 1. Social protection coverage in Asia and the Pacific

Source: ILO, 2022

Furthermore, very few Asia Pacific countries are utilizing social protection systems to build resilience. Pacific island countries, except Fiji and Cook Island, have no comprehensive social protection system to respond to shocks despite being highly vulnerable. Southeast Asian countries' social protection measures still lack disbursement speed (UNICEF 2023).



Recommendations

To solve gaps within the social protection gaps within Asia Pacific countries, it is imperative that policymakers in the region adopt ASP. In developing ASP, policymakers need to establish a legal basis for ASP, which should include the embedding of ASP development in strategic plans and a formulation of institutional arrangements for ASP. Second, evaluate and strengthen social protection programs through program integration, piggybacking, vertical expansions, and horizontal expansions. Third, improve data and information systems to inform ASP delivery, through socio-economic registries. Fourth, ensure adequate and timely financing through public financial management and leveraging “Disaster Risk Financing and Insurance”. Establishing the aforementioned building blocks is a significant undertaking, of which policymakers will require support and concrete examples of ASP implementation.

1. Further support from G20 countries on assistance in strengthening social protection

Strengthening social protection systems in accordance with ASP is an undertaking that most governments in the Asia-Pacific may not have the capacity to implement alone. Indonesia, a country currently reforming its social protection system, has received various support from UN Agencies, and Development Partners (GIZ, DFAT, etc). Similarly, Fiji has received substantial support to develop the country’s social protection strengthening against COVID-19 and disasters (World Bank 2021). Similar support is required for other Asia Pacific countries, through dedicated financial and technical support. Such support can be provided through the UN via the Joint-SDGs Fund, and through G20 countries’ development agencies working. Priority countries include India, Thailand, Pakistan,

Bangladesh, Malaysia, Maldives, and Pacific Island countries, such as Vanuatu, Tonga, Solomon Islands, the Federated States of Micronesia (FSM), the Republic of Marshall Islands (RMI), Cook Islands, and Niue.

2. Establishing a legal basis and implementation framework for ASP

Indonesia has shown strong political will in implementing ASP, as shown in the Indonesian President's initiative to pursue a "Social Protection Reform" in 2021 (Cabinet Secretariat of Indonesia 2024). Strong support for the initiative was kickstarted due to Indonesia's increased poverty rates as a result of COVID-19; difficult to achieve pre-COVID-19 levels since then. To respond to COVID-19, the President instructed the "National Economic Recovery Program" by expanding program benefits and scope, increasing financing amounts annually, improving disbursement speed, and involving multilevel governance, all key principles of implementing ASP. Currently, ASP is still one of the priorities of the upcoming national medium-term development plan 2025-2029 (Bappenas 2023) and the government is preparing a Presidential Regulation that outlines the roadmap for social protection reform, with parts of the roadmap already included in future development plans or already implemented, such as the National Socio-Economic Registry, as the integrated database for social protection needs.

3. Ensuring a robust end-to-end socio-economic registry for social protection beneficiaries

A socio-economic registry is needed to implement a comprehensive ASP approach. Most developing countries have multiple databases for social protection, which may increase blindspots in delivery and beneficiaries. However, governments may learn from Chile and Turkey, which have employed Integrated Social Protection Information

Systems (ISPIS); an integrated gateway for the inclusion of social protection programs and monitoring evaluation to avoid duplications (Leite et al 2017). Furthermore, an interoperable system with clear institutional arrangements is required - either through a central coordinator or separate coordinators that communicate clearly on data collection and accumulation. Lastly, a socio-economic registry system should also have a dynamic inclusion to allow new eligible participants - disaster victims to be included as beneficiaries.

4. Establishing “adaptive” programs

Programs deemed as adaptive are usually programs encompassing a large number of beneficiaries and are highly scalable in terms of benefits (vertical expansion) and coverage (horizontal). In Brazil, the ASP considers the coverage and the effects that the Bolsa Família program has demonstrated since the start of implementation. Since 2003, the program, which guarantees a minimum allowance to low-income families that fulfill certain conditions related to health and education, has been decreasing socioeconomic vulnerabilities across the country (Pereira 2015). In the last decade, a new set of policies has emerged that embed emergency actions into the program. Cash transfer, school feeding, and other Food and Basic Social Needs (FBSN) programs in Bolsa Família have been directly improving many of the socio-economic indicators related to social vulnerability (Cireno et al 2013), and indirectly being possible providers of increased adaptive capacity to climate change. Indonesia also offers a program called the Sembako program - a food allowance program for poor families. During COVID-19, this program increased the beneficiary amounts and benefits, from 15.2 million to 18.8 million beneficiaries, and a 33% increase in benefit amounts (TNP2K 2020)



5. Upscaling investment and financing capacity with dedicated budgets and innovative financing

In terms of financing, the goal is to ensure that there is an adequate and timely disbursement upon shock occurrence and that there are sustainable sources of financing for social protection programs. While not explicitly termed ASP, government and private entities have employed various innovative financing mechanisms. Governments have established trust funds, such as Brazil's Sistema Único de Assistência Social (SUAS), operating on a co-financing model involving federal, state, and municipal governments (UNICEF 2024), and initiatives such as the Sahel Adaptive Social Protection Trust Fund (SASPP) (Kreidler et al 2021), supported by multiple international donors. In the realm of insurance, Fiji has implemented ASP through parametric micro-insurance for recipients of unconditional cash transfers in cyclone-prone areas, initiated by the Government of Fiji in 2021 (Parekhelashvili 2023). This program subsidizes insurance premiums and promotes mobile wallet payments for expedited payouts. Furthermore, the untapped potential exists in public-private partnerships, such as Social Impact Bonds. Examples include social bonds issued by Unédic in France to bolster unemployment insurance (ADB 2021), and by East Nippon Express Co., Ltd in Japan to finance seismic resilience.



Impact of In-Action: Loss of Poverty Alleviation Progress and Failure to Reach Higher Income Status in Asia Pacific

The absence of a strengthened social protection system through ASP in the Asia-Pacific region, coupled with its vulnerability as the most disaster-prone area and its insufficient social protection coverage, will result in a significant setback in poverty alleviation progress. This setback ensures difficulty in attaining higher income status - especially for those countries struggling to escape the middle-income gap. This gap in social protection implementations intensifies the plight of vulnerable communities following each disaster, plunging them deeper into poverty without the essential buffers to cope or the relevant support needed to reconstruct their lives and livelihoods.

Impact of Action: Building resilience towards shocks and ensuring poverty alleviation gains

ASP plays a crucial role in poverty reduction in the Asia Pacific by safeguarding individuals' livelihoods and assets amidst covariate shocks and eventually addressing the adverse interplay between covariate and idiosyncratic shocks. By offering financial assistance and social services, ASP mitigates the risk of individuals being trapped in poverty, falling into poverty, or exacerbating existing economic hardships while empowering the communities to build resilience. Moreover, ASP expedites community recovery post-disasters by alleviating long-term economic losses through the timely provision of aid. Furthermore, adopting ASP in Asia Pacific countries should ensure the fulfillment of basic needs during environmental and economic crises, thereby averting detrimental coping strategies.



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