

THE SOCIAL PROTECTION AGENDA OF THE SDGs AND ITS FISCAL CHALLENGE

MAIN FINDINGS FROM A PRELIMINARY STUDY FOR 16 COUNTRIES IN ASIA

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CONTENT

- Rationale/objective
- Methodology/Approach
- Results
- Conclusions and Recommendations



RATIONALE

- Asia went through impressive economic transformation
- this has put pressure on the **social fabrique**
- pre-existing informal social networks are no longer adequate

- social and economic development go hand in hand, there is no such thing as ‘trickle down’!

- this challenges governments throughout Asia to find resources to **finance** social protection programmes
- and this presupposes sound governance, including well-established **mechanisms of budgetary planning**



OBJECTIVE

ADB's mission is to assist member countries to:

- assess the FISCAL CHALLENGES member states face...
- in meeting the SOCIAL PROTECTION related SDG targets

- focus on 16 developing member states (DMCs) with various (heterogeneous) challenges with respect to financing SP.



OBJECTIVE (continued)

- Social Protection related SDGs:
- 17 goals and 169 targets, defining economic, social, environmental and civil rights objectives



- 27 targets were identified as Social Protection related
- .. of these, 14 were **output** targets and 13 **outcome** targets



OBJECTIVE (continued)

- Social Protection is defined in a **broad sense** here, consisting of:
 - cash transfer programmes
 - health services
 - education services
 - other essential goods and services
- demand side and the supply side complement each other
- or: the essential infrastructure of basic services needs to be in place to effectuate entitlements



METHODOLOGY/ APPROACH

- ‘abbreviated **social budget** approach’, applying deterministic scenario projections.
- ‘cost’ or ‘**resource requirement**’ estimates are provided for the period 2015 to 2030, anchored to long-term economic and demographic scenarios.
- ‘the model has been applied to **16 countries**, accounting for 86% of the population of the ADB’s DMCs:



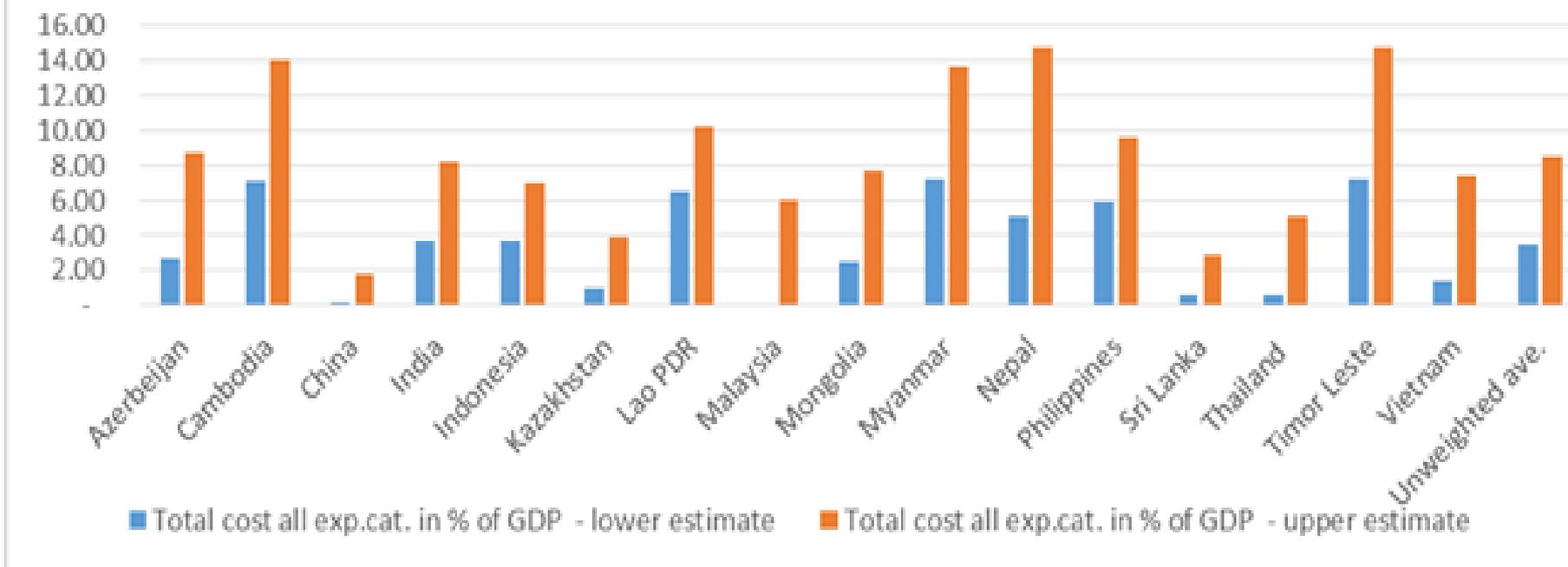
METHODOLOGY (continued)

- First the “resource requirements” in the stationary state in 2030 are calculated.
- a **lower estimate** for the cash transfer part assumes the filling of the protection gaps through a perfectly targeted social assistance scheme
- an **upper estimate** assumes the filling of the gap through universal transfers to children and elderly and an employment guarantee scheme for the population in active age are established for the social transfer targets.
- in education, health and other essential services only one variant is estimated bringing national expenditure up to international benchmarks



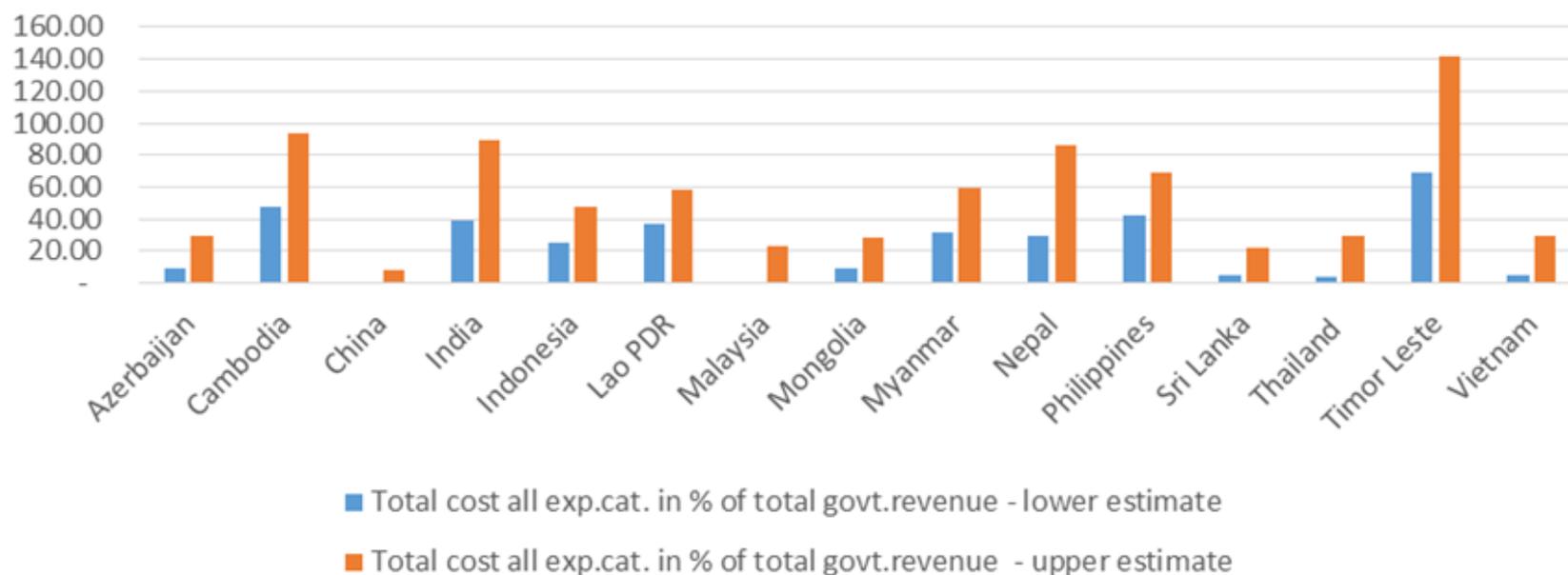
RESULTS: expected resource requirements (1)

Total estimated cost to close the social SDG gap - in % of GDP -
selected Asian countries -
(projections for 2030)



RESULTS: expected resource requirements (2)

Total estimated expenditure to close the social SDG gap in % government revenue - selected Asian countries- (projections for 2030)



CONCLUSIONS / RECOMMENDATIONS

- Major fiscal challenges for Cambodia, Myanmar, Lao PDR and Timor-Leste! These will have to make choices and set priorities. Timor-Leste would face the biggest challenge.
- Other countries will need to open up new fiscal space (India, Indonesia, Kazakhstan, Nepal, Sri Lanka, Philippines) to meet the requirements as specified by the lower estimate.
- In most cases (except Nepal) bringing up their levels of revenues to the regional average will eliminate fiscal stress.



CONCLUSIONS / RECOMMENDATIONS

- Some countries could meet the social protection agenda of the SDGs without a major effort: Azerbaijan, China, Malaysia, Mongolia, Thailand and Vietnam.
- 4 countries could mobilize the resource requirements to complete at least a basic level of social protection, by a combination of a tolerable increase of the deficit and a reallocation of existing resources (Azerbaijan, China, Mongolia and Vietnam).



CONCLUSIONS / RECOMMENDATIONS

- the overall good news comes in two parts.
 - the first is that
 - for 15 out of the 16 countries, progressively achieving the social protection targets set by the SDGs is in reach by their own means. One may require some international assistance.
 - 12 out of these 15 countries can do so with appropriate action to mobilize additional resources.
 - the second part is that except for 4 countries a competition between social cash transfers, education, health and other essential services can be avoided.



CONCLUSIONS / RECOMMENDATIONS

- **financial planning and benefit design for the medium to long-term future has to start NOW!**
- without long-term social budgeting the closing of the resource gaps related to the social protection agenda of the SDGs will not happen



FOLLOW-UP

- following up on these recommendations, ADB has initiated a project that explores more in-depth the **fiscal space** and potential **financing strategies** for achieving the **Social Protection related SDG targets** in three countries:



- Myanmar and Timor-Leste are among the countries where financing challenges are the highest, whereas Indonesia is an example of countries further on their path of transformation – but with that come new challenges

