OECD Development Policy Tools

Social Protection System Review

A TOOLKIT

OECD dev
DEVELOPMENT CENTRE

OECD Development Policy Tools

Social Protection System Review

A TOOLKIT

OECD dev
DEVELOPMENT CENTRE

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the member countries of the OECD or its Development Centre.

This document, as well as any data and any map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Please cite this publication as:
OECD (2018), *Social Protection System Review: A Toolkit*, OECD Development Policy Tools, OECD Publishing, Paris.
https://doi.org/10.1787/9789264310070-en

ISBN 978-92-64-31004-9 (print)
ISBN 978-92-64-31007-0 (pdf)

Series: OECD Development Policy Tools
ISSN 2518-6248 (print)
ISSN 2518-3702 (online)

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Photo credits: Cover design © Aida Buendía (OECD Development Centre).

Corrigenda to OECD publications may be found on line at: *www.oecd.org/publishing/corrigenda*.

© OECD 2018

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgement of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to *rights@oecd.org*. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at *info@copyright.com* or the Centre français d'exploitation du droit de copie (CFC) at *contact@cfcopies.com*.

Foreword

Social protection lies at the heart of inclusive development and holds the key to unlocking a number of the Sustainable Development Goals (SDGs), in particular SDG 1: The end of poverty in all its forms, everywhere. It is also increasingly recognised as an essential human right and a prerequisite for sustainable societies. The importance of social protection is reflected in the large number of countries at all income levels that are establishing social protection programmes, often with the support of the international development community.

Abundant evidence of social protection's positive impact exists, not only through a reduction in poverty and inequality but also through improved access to basic services, particularly health and education, that make such a difference to a country's long-term development. However, these benefits do not materialise automatically. To harness their full potential, social protection programmes need to reflect a country's needs and risks, both today and in the future. Individuals at every stage of their lives should be covered by a form of social protection appropriate to their situation, be it tax-financed transfers and social welfare, contributory social insurance schemes, or labour market programmes. These programmes need to provide adequate benefits as well as achieve broad and equitable coverage, and they need to be sustainable over the long term.

Moreover, social protection programmes need to work together, both with each other and with other public policies, to extend coverage, generate synergies and enhance value for money. Recognition is increasing on the importance of a systems approach to social protection, predicated upon coherence between programmes, co-ordination between institutions, shared administrative systems, and efficient allocation of financial resources based on robust monitoring and evaluation processes as well as long-term planning.

The Social Protection System Review is amongst a small number of tools for analysing how effective countries are in establishing a social protection system that responds to the needs of their people today and into the future. The toolkit presented here can be implemented in any country, at any income level, by any institution and is intended to generate policy recommendations actionable through national systems. Our experience in countries where this tool has been implemented thus far has been extremely positive, and we hope that this toolkit will prove instrumental in further promoting the critical impact of social protection.

Mario Pezzini

Director, OECD Development Centre and
Special Advisor to the OECD Secretary-General on Development

Acknowledgements

The Social Protection System Review: A Toolkit was prepared by the Social Cohesion Unit of the OECD Development Centre as part of the European Union Social Protection Systems (EU-SPS) Programme, The team was led by Alexandre Kolev, Head of the Social Cohesion Unit, and Ji-Yeun Rim, Co-ordinator of the EU-SPS Programme, under the guidance of Mario Pezzini, Director of the OECD Development Centre and Special Advisor to the OECD Secretary-General on Development and Naoko Ueda, Deputy Director of the OECD Development Centre. The report was drafted by Alexander Pick and Caroline Tassot. Justina La provided assistance at every stage.

The report benefited from valuable inputs and comments by Jüergen Hohmann from the European Commission, Alicia Spengler from GIZ, Juan de Laiglesia from the OECD Development Centre, as well as Monika Queisser and Willem Adema from the OECD Employment, Labour and Social Affairs Directorate. The methodology was also presented at the Southern African Social Protection Experts Network International Conference in October 2016.

The methodology in the toolkit was refined through its implementation in Cambodia, Kyrgyzstan and Indonesia. The EU-SPS team would especially like to thank the focal points in each country for their support in this process: Dr Vathana Sann (Council for Agricultural and Rural Development in Cambodia); Zhypara Rysbekova (Kyrgyzstan's Ministry of Labour and Social Development) and Pak Maliki (BAPPENAS in Indonesia). The toolkit benefits from concrete examples from these reviews.

The OECD Development Centre's publication team, led by Delphine Grandrieux and Elizabeth Nash, published the report. The cover was designed by Aida Buendía. The European Union Social Protection Systems Programme is co-financed by the European Union, the OECD and the Government of Finland.

The contents of this publication are the sole responsibility of the OECD and can in no way be taken to reflect the views of the European Union or the Government of Finland.

Table of contents

Abbreviations and acronyms **11**

Executive summary **13**

Chapter 1. Introduction **15**

What is a social protection system? 15
What is an SPSR? 16
What is the definition of social protection in the SPSR? 16
What are the objectives of the SPSR? 16
How is the SPSR implemented? 17
Which countries can benefit from an SPSR? 18
What information is necessary to conduct an SPSR? 18
Who is the audience for the SPSR? 18
How is this toolkit to be used? 18
How does the SPSR link with other tools? 19
References 19

Chapter 2. Assessment of needs (Module 1) **21**

Analytical dimensions 22
Indicators and data sources 22
Methodology 23
References 31

Chapter 3. Assessment of coverage (Module 2) **35**

Analytical dimensions 36
Indicators and data sources 36
Methodology 37
References 40

Chapter 4. Assessment of effectiveness (Module 3) **41**

Analytical dimensions 42
Indicators and data sources 42
Methodology 43
References 49

Chapter 5. Assessment of sustainability (Module 4) **51**

Analytical dimensions 52
Indicators and data sources 53
Methodology 53
References 57

Chapter 6. A systems analysis of social protection (Module 5) 59

Analytical dimensions 60
Indicators and data sources 61
Methodology 61
References 62

Tables

Table 2.1. Main indicators and data sources for Module 1 23
Table 3.1. Main indicators and data sources for Module 2 37
Table 3.2. Inventory of social protection programmes 38
Table 4.1. Main indicators and data sources for Module 3 43
Table 4.2. Indicators computed for Module 3 43
Table 4.3. PBI premiums are low in Indonesia 45
Table 4.4. PKH is the most efficient poverty alleviation programme in Indonesia 48

Figures

Figure 2.1. While the poverty headcount has decreased, vulnerability remains high in Cambodia 24
Figure 2.2. Around 40% of the population remains vulnerable in Indonesia 24
Figure 2.3. Most indicators of deprivation are improving in Cambodia 25
Figure 2.4. Monetary poverty has fallen, but multi-dimensional poverty persists in Cambodia 26
Figure 2.5. Basic protection throughout the lifecycle 27
Figure 2.6. National poverty in Kyrgyzstan is far below 2000 levels 28
Figure 2.7. Despite progress in poverty reduction in Kyrgyzstan, a growing share of individuals remain vulnerable to poverty 29
Figure 2.8. While absolute poverty has decreased in Cambodia, poverty persists among rural, youth and elderly populations 31
Figure 3.1. Kyrgyzstan's social protection spending is high relative to the benchmark countries 37
Figure 3.2. MBPF benefits have risen but coverage has declined in Kyrgyzstan 38
Figure 4.1. Rastra food subsidy coverage is declining in Indonesia 44
Figure 4.2. Official figures show a decline in MBPF coverage in Kyrgyzstan 44
Figure 4.3. Kyrgyzstan's Monthly Social Benefit (MSB) levels could be better balanced across populations in-need 45
Figure 4.4. Beneficiary incidence of health insurance subsidies for the poor and near-poor (PBI) in Indonesia 46
Figure 4.5. PBI beneficiary distribution in Indonesia 47
Figure 4.6. PBI benefits distribution in Indonesia 47
Figure 5.1. Social spending in Kyrgyzstan accounts for half of total public spending 53
Figure 5.2. Growth in social protection spending in Kyrgyzstan is largely driven by pension payments (2011-15) 54
Figure 5.3. Kyrgyzstan's contributory system is heavily subsidised by tax revenues 55
Figure 5.4. Official Development Assistance (ODA) to Ethiopia has declined dramatically as a percentage of GDP 56
Figure 5.5. The impact of taxes and transfers on poverty in Kyrgyzstan is close to neutral 56

Boxes

Box 2.1. Statistical basis of latent class analysis (LCA) 30
Box 3.1. Data availability and gaps 39
Box 3.2. Understanding the dynamics of informality: The KIIbIH database 40

Follow OECD Publications on:

http://twitter.com/OECD_Pubs

http://www.facebook.com/OECDPublications

http://www.linkedin.com/groups/OECD-Publications-4645871

http://www.youtube.com/oecdilibrary

http://www.oecd.org/oecddirect/

Abbreviations and acronyms

GDP	Gross domestic product
ISPA	Inter-Agency Social Protection Assessments
LCA	Latent class analysis
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
NGO	Non-governmental organisation
SPSR	Social Protection System Review

Executive summary

The proliferation of social protection schemes has prompted a number of countries to attempt to weave individual schemes into comprehensive and coherent social protection systems. This approach is in line with Target 1.3 of the Sustainable Development Goals: 'To implement nationally appropriate social protection systems and measures for all'. The systems-building process usually begins with the formulation of a social protection policy, which lays out a vision for integrating different schemes and achieving better coverage. While there is variation across countries, the term social protection system usually refers to a framework whereby the three pillars of social protection – *social assistance*, *social insurance* and *labour market programmes* – are integrated or (at a minimum) co-ordinated. Integration usually involves creating linkages between different programmes under each pillar of the social protection system, for example, combining different food security transfers within the social assistance pillar.

The benefits of a social protection system are manifold. Establishing an integrated system facilitates provision of a social protection floor, whereby individuals are appropriately protected throughout the life cycle. This is achieved not only by making sure there is a sufficient range of programmes to cover a population's risk profile but also by sharing information on different individuals to ensure they are linked to an appropriate programme. Systems also minimise costs, both from the government's side (by sharing infrastructure and achieving economies of scale) and at an individual level, by reducing the transaction costs associated with applying for different social protection programmes.

The *Social Protection System Review* (SPSR) is an analytical tool intended to inform developing countries' efforts to extend and reform their social protection systems. The SPSR views a country's social protection system holistically and within a country's broader policy context. The SPSR takes a forward-looking approach, providing not only a diagnostic of the current state of the social protection system but also highlighting future challenges and options for addressing them. This will include an analysis of the country's demographics, poverty dynamics, labour market trends and revenue base in so far as these have implications for the social protection system. The analysis will also examine how social protection expenditure is currently financed and its sustainability over the long term.

The SPSR places a strong emphasis on the extent to which a social protection system provides effective and equitable coverage for the poor and those who are vulnerable to poverty. It analyses whether the system has contributed to reducing poverty, vulnerability and inequality as well as examining the extent to which it has fostered more inclusive growth, defined as an improvement of living standards and the sharing of the benefits of increased prosperity more evenly across social groups. The analysis will include non-monetary dimensions that matter for well-being, such as employment prospects, health outcomes, educational opportunities or vulnerability to adverse environmental factors.

The SPSR will examine five dimensions of a country's social protection system:

1. Need: Forward-looking analysis of risks and vulnerabilities across the life-cycle to determine the need for social protection.
2. Coverage: Identification of existing social protection schemes and gaps in coverage.
3. Effectiveness: Assessment of the adequacy, equity and efficiency of social protection provision.
4. Sustainability: Assessment of fiscal policy and the financing of social protection.
5. Coherence: Assessment of the institutions and political processes for social protection and their alignment with other policies.

Taken together, these five dimensions provide a diagnostic of the main challenges for a country's social protection system and identify potential avenues for its extension and reform over the long term. The toolkit therefore consists of five modules to analyse these dimensions:

- Module 1 focuses on a country's current social protection needs now and into the future. It identifies and analyses the risks and vulnerabilities that confront individuals at various points in their lives and assesses how these might evolve over time. It also highlights broader risks and vulnerabilities confronting particular groups, regions or the country as a whole.
- Module 2 catalogues existing social protection provision and assesses the extent to which it responds to a country's present and future needs. It uses a three-stage methodology: analysing the institutional, political and legislative context for social protection; mapping existing programmes; and identifying gaps in the system relative to the drivers of demand for social protection identified in Module 1.
- Module 3 analyses the effectiveness of a country's social protection system, based on the adequacy, efficiency and equity of the key programmes identified in Module 2. These dimensions determine the extent to which existing social protection instruments alleviate poverty, reduce inequality and address risk and vulnerability, given the resources currently allocated to the sector.
- Module 4 assesses how social protection is financed, answering four critical questions: Are resources allocated appropriately across the sector? Are social protection programmes sustainable over the long term? Does potential exist to expand existing schemes or introduce new ones? Are the mechanisms used to finance social protection spending consistent with the objectives of the programmes they are financing?
- Module 5 builds upon the evidence presented in the first four modules to identify key policy responses and explores their potential implementation to create a foundation for a robust social protection system. The objective is to enhance the extent to which social protection is comprehensive in terms of its various instruments, institutions and information-sharing platforms. This module also presents a political economy analysis, exploring the relationship between the government ministry tasked with implementing social protection and other relevant actors.

Chapter 1. Introduction

What is a social protection system?

Amid a global proliferation of social protection schemes in the 21st century, a number of countries are attempting to weave individual schemes into comprehensive and coherent systems. This approach is in line with Sustainable Development Goals Target 1.3 to "implement nationally appropriate social protection systems and measures for all". The systems-building process usually begins with formulating a social protection policy, which lays out a vision for integrating various schemes and achieving better coverage. As of 2015, 77 developing countries had a social protection policy or strategy in place, while 31 countries were planning or formulating one (Honorati, Gentilini and Yemtsov, 2015[1]).

While there is variation across countries, the term social protection system usually refers to a framework whereby the three pillars of social protection – social assistance, social insurance and labour market programmes – are integrated or, at a minimum, co-ordinated. Integration usually involves creating links among various programmes within each pillar of the social protection system, for example, combining various food security transfers within social assistance.

Integration can also occur across pillars. For example, at an administrative level, various social protection schemes can share data and monitoring systems, which will ideally be linked to other civilian registries. At an operational level, social protection schemes often share enrolment and delivery systems, while at an institutional level, a single institution might be empowered to co-ordinate social protection activities across sectors and ministries.

Health system policies and mechanisms designed to support universal health coverage can be considered both to cut across the three pillars of social protection and to represent a fourth pillar of a social protection system. Conceptually, universal health coverage is convergent with the objectives of poverty and vulnerability reduction, since it ensures access to health services and that no one suffers undue financial burden from health payments. Operationally, however, universal health coverage and other social protection policies are often implemented under separate governance and administrative set-ups. However, linkages are being developed, for example, in the use of social assistance targeting mechanisms for social health insurance schemes or, as in the case of Cambodia, integration of universal health coverage within a national social protection policy.

The benefits of an integrated social protection system are manifold. It facilitates provision of a social protection floor, whereby individuals are appropriately protected throughout the lifecycle. This is achieved not only by ensuring a sufficient range of programmes to cover a population's risk profile but also by sharing information on individuals to ensure they are linked to appropriate programmes. Systems also minimise costs, both from the government side (by sharing infrastructure and achieving economies of scale) and at an

individual level (by reducing the transaction costs associated with applying for various social protection programmes).

What is an SPSR?

A Social Protection System Review (SPSR) is an analytical tool intended to inform countries' efforts to introduce, extend and reform their social protection systems. The SPSR views a country's social protection system holistically and within a country's broader policy context. It also takes a forward-looking approach, providing not only a diagnostic of the current state of the system but also highlighting future challenges and options for addressing them. This includes an analysis of the country's demographics, poverty dynamics, labour market trends and revenue base in so far as these have implications for social protection. It also examines how social protection expenditure is financed and its sustainability over the long term.

The SPSR puts also great importance on the process of the review. The review team ensures involvement of policy makers, national researchers and international development partners during all phases of the review. The final output is therefore a holistic diagnostic and policy recommendations generated through a collaborative process that serve as a basis for reforms.

What is the definition of social protection in the SPSR?

Social protection is subject to numerous definitions that vary not only among countries but also among international organisations. As the International Labour Organization (ILO) acknowledges, "[differing] cultures, values, traditions and institutional and political structures affect definitions of social protection as well as the choice of how protection should be provided" (Bonilla García and Gruat, 2003[2]). The SPSR therefore uses the country definitions of social protection to guide the scope of the analysis.

Nonetheless, the ILO definition of social protection provides a useful reference:

> *The set of public measures that a society provides for its members to protect them against economic and social distress that would be caused by the absence or a substantial reduction of income from work as a result of various contingencies (sickness, maternity, employment injury, unemployment, invalidity, old age, and death of the breadwinner); the provision of health care; and, the provision of benefits for families with children.*

What are the objectives of the SPSR?

The SPSR places a strong emphasis on the extent to which a social protection system provides effective and equitable coverage for the poor and those vulnerable to poverty. It analyses whether the system has contributed to reducing poverty, vulnerability and inequality, and the extent to which it has fostered more inclusive growth (defined as improved living standards and more even sharing of benefits of increased prosperity across social groups). The analysis includes a number of non-monetary dimensions that matter for well-being, such as employment prospects, health outcomes, educational opportunities and vulnerability to adverse environmental factors. Additionally, benchmarking with a set of countries chosen by the government allows for international comparisons.

The SPSR examines five dimensions of a country's social protection system:

1. Needs: forward-looking analysis of risks and vulnerabilities across the lifecycle to determine the need for social protection.
2. Coverage: identification of existing social protection schemes and gaps in coverage.
3. Effectiveness: assessment of the adequacy, equity and efficiency of social protection provision.
4. Sustainability: assessment of the financing of social protection and fiscal policy more broadly.
5. Coherence: assessment of the institutions and political processes for social protection and their alignment with other policies.

Together, the five dimensions provide a diagnostic of the main challenges for a country's social protection system and identify potential avenues for its extension and reform over the long term.

How is the SPSR implemented?

The SPSR implementation, while varying by country context, is envisaged as a four-step process:

1. The inception phase involves interviews with social protection stakeholders, including officials in ministries which have either direct impact on social protection policy (Ministry of Social Affairs, Ministry of Health, Ministry of Finance, Ministry of Labour) or indirect impact (Ministry of Education, Ministry of Agriculture); experts from academia or think tanks; labour unions; civil society representatives; and statistical institutes. The aim is to collect information – both data, and legal framework and programme implementation information – as well as qualitative inputs on challenges and opportunities in the current social protection system.
2. The analytical phase involves desk work to conduct relevant empirical analyses and write the assessment. Stakeholders are consulted throughout to verify and fill any information gaps.
3. The consultation phase involves gathering stakeholders' feedback on the draft assessment, through a workshop including a presentation of the findings. This phase identifies and addresses any inaccuracies or gaps in the analysis.
4. The recommendation phase includes online exchanges of the complete draft SPSR for final comments followed by a workshop with stakeholders to discuss the draft policy recommendations. Stakeholders' inputs are integrated into the final report for publication.

The Cambodia, Indonesia and Kyrgyzstan SPSRs provide examples throughout this toolkit.

The Kyrgyzstan SPSR, for example, coincided with the development of a new national social protection strategy and the initiation of a major social assistance programme reform, both of which the SPSR was able to support. Three team missions between March and November 2016 combined interviews with a diverse range of social protection

stakeholders and workshops supporting the development of the SPSR. Initial SPSR findings were discussed at a November 2016 policy workshop in Bishkek; various stakeholders within and outside government identified possible policy responses to challenges identified in the review and brainstormed mechanisms for promoting the systematisation of social protection. These discussions were instrumental in identifying the focus once drafting of the report began. The SPSR team maintained close links with stakeholders and, as a result, could provide analysis of the major social assistance reform in 2017 and 2018. A recommendations workshop was held in March 2018 and the report was launched in English and Russian in June 2018.

Which countries can benefit from an SPSR?

The SPSR is a flexible tool, both in method of application and focus of assessment, and can be applied in any country. It is tailored to each country context, following discussions with key stakeholders and the analytical focus varies according to the social protection system's level of development, government priorities and data availability. Countries with limited systems may focus on building them, while countries with more advanced systems may focus on improving the integration of multiple programmes. Countries may have a specific interest in financing or modelling new programmes. While this toolkit provides a broad analytical framework, specific methodologies can be adapted to the country context. Similarly, its application is flexible, with additional workshops or interim reports providing evidence for ongoing policy processes when needed. As a general rule, the review team is in close contact with the government staff and national researchers to ensure relevance of the analytical scope as well as learning about the SPSR methodology.

What information is necessary to conduct an SPSR?

Household survey data are crucial to study the vulnerability and the needs profile of the population. Administrative data are needed to analyse programme efficiency and financing, which also relies on macroeconomic indicators. This toolkit provides an overview of indicators needed for an SPSR and potential data sources for each module of the analysis.

Who is the audience for the SPSR?

The primary audience for the SPSR is national policy makers. Given its multi-dimensional and forward-looking approach, the report can also interest the broader social and economic policy community in partner countries, such as local researchers, social partners and non-governmental organisations (NGOs), and international stakeholders active in the field of social protection, such as the United Nations, the European Union, international and regional development banks, bilateral donors and international NGOs.

How is this toolkit to be used?

The SPSR toolkit allows analysts to conduct an SPSR by guiding both the implementation process and content of the review. In particular, it focuses on the five dimensions of the SPSR: needs, coverage, effectiveness, sustainability and coherence. Each dimension is analysed using a specific methodology or module. The

modules are illustrated with concrete examples from the Cambodia, Indonesia and Kyrgyzstan SPSRs.

How does the SPSR link with other tools?

The SPSR serves as a stand-alone tool for analysis of a country's social protection system but will draw on existing social protection assessment methodologies. These have, for the most part, been developed by agencies of the Social Protection Inter-Agency Cooperation Board and its work stream, the Inter-Agency Social Protection Assessments (ISPA) Tools. These assessment methodologies focus either on a social protection system as a whole, particular types of social protection programmes or aspects of the system.

Two ISPA tools are especially pertinent as a result of their systems focus: the Core Diagnostic Instrument and the Social Protection Policy Options Tool. The SPSR differs by providing in-depth assessment of needs for social protection and forward-looking scenarios of future challenges, as well as benchmarking exercises and extensive social protection financing analyses.

Specialised tools, such as the Social Protection Expenditure and Performance Review, the Assessment-Based National Dialogue and the Rapid Assessment Tool, can also support the SPSR. The report also draws on work conducted by the Organisation for Economic Co-operation and Development (OECD), including the frameworks of *Society at a Glance* (OECD, 2014[3]), *OECD Pensions at Glance* (OECD, 2015[4]), *OECD Pensions Outlook* (OECD, 2014[5]), *OECD Reviews of Labour Market and Social Policies* (OECD, 2011[6]) and *Ageing and Employment Policies* (OECD, 2015[7]), as well as the Social Protection Index developed by the Asian Development Bank (2013[8]).

The SPSR thus not only expands the knowledge base on social protection, but also integrates and builds on existing tools to provide a framework for a holistic systems-level diagnostic.

References

ADB (2013), *Social Protection Index*, Asian Development Bank, Manila, http://hdl.handle.net/11540/79. [8]

Bonilla García, A. and J. Gruat (2003), *Social Protection: A Life Cycle Continuum Investment for Social Justice, Poverty Reduction and Sustainable Development*, International Labour Organization, Geneva, https://www.ilo.org/public/english/protection/download/lifecycl/lifecycle.pdf (accessed on 17 September 2018). [2]

Honorati, M., U. Gentilini and R. Yemtsov (2015), *The State of Social Safety Nets 2015*, World Bank, Washington, DC, http://dx.doi.org/10.1596/978-1-4648-0543-1. [1]

OECD (2015), *Ageing and Employment Policies: Poland 2015*, Ageing and Employment Policies, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264227279-en. [7]

OECD (2015), *Pensions at a Glance 2015: OECD and G20 Indicators*, OECD Publishing, Paris, http://dx.doi.org/10.1787/pension_glance-2015-en. [4]

OECD (2014), *OECD Pensions Outlook 2014*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264222687-en. [5]

OECD (2014), *Society at a Glance 2014: OECD Social Indicators*, OECD Publishing, Paris, http://dx.doi.org/10.1787/soc_glance-2014-en. [3]

OECD (2011), *OECD Reviews of Labour Market and Social Policies: Russian Federation 2011*, OECD Reviews of Labour Market and Social Policies, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264118720-en. [6]

Chapter 2. Assessment of needs (Module 1)

This chapter describes the module to assess the risks and vulnerabilities faced by individuals throughout their lives. It presents objective and subjective vulnerability indicators, and their potential data sources, which could be used to analyse present and future social protection needs. The methodology employs a life cycle approach, recognising the linkages between life stages and the need to address basic protection coverage gaps. The module includes multi-dimensional and dynamic poverty analysis, and a latent class analysis that maps out poverty and vulnerability profiles.

Analytical dimensions

Module 1 of a Social Protection System Review (SPSR) focuses on a country's current social protection needs now and into the future. It identifies and analyses the risks and vulnerabilities that confront individuals at various points in their lives and assesses how these might evolve over time. It also highlights broader risks and vulnerabilities confronting particular groups, regions or the country as a whole. This process is crucial in assisting policy makers to design appropriate interventions, identify synergies across instruments, achieve sustainable progress in alleviating poverty and protect individuals against risks (OECD, 2007[1]).

Individual-level risks are analysed through a lifecycle framework. Risks and vulnerabilities over the lifecycle may be related. For instance, many challenges later addressed by social protection have roots in childhood, underscoring the need to take into account all life stages in developing social protection systems (Bonilla García and Gruat, 2003[2]; Cain, 2009[3]). Individuals are characterised as vulnerable when they face high exposure to certain risks and lack the ability to protect themselves against them or cope with the consequences. Risks can also emerge from covariate shocks affecting large groups of individuals simultaneously, such as natural disasters, health epidemics, political crises or economic instability (Bonilla García and Gruat, 2003[2]). Within countries, some regions are better developed than others, resulting in major disparities in income poverty and broader measures of deprivation. Understanding the macro-fiscal and socio-economic contexts of a country's social protection provision is therefore important.

Sustainable and appropriately designed social protection interventions also require forward-looking analysis that identifies future risks and vulnerabilities. This allows policy makers to incorporate into long-term planning the key drivers of demand for social protection subject to change in the future, such as demographics, urbanisation, migration and climate change (Devereux, Roelen and Ulrichs, 2015[4]).

Indicators and data sources

Module 1 provides a diagnostic of multi-dimensional risks and vulnerabilities to map out poverty and vulnerability profiles. Harmonised and comparable indicators should be used whenever possible to allow for benchmarking across a sample of countries. These profiles include new or emerging risks, such as demographic or climate change. Table 2.1 summarises the module's core indicators.

Thus, in addition to objective vulnerability indicators, subjective indicators, such as life evaluations, can also be included in the analysis, based on the Gallup World Poll or, whenever available, nationally representative household surveys. Subjective indicators may include additional indicators, such as evaluations of economic conditions or standards of living, as well as opinions on the availability of social services.

Table 2.1. Main indicators and data sources for Module 1

Indicators	Potential data sources
Child labour, excessive work hours, informality, labour force participation, labour productivity, NEET, unemployment	Household survey, International Labour Organization, national statistical office
Dependency ratio, population growth, population pyramids, urbanisation	Demographic and Health Survey, United Nations Department of Economic and Social Affairs
Education (enrolment rate)	Household survey, national statistical office, United Nations Educational Scientific and Cultural Organisation, World Development Indicators
Employment, GDP, inflation, sectoral value added	International Monetary Fund's World Economic Outlook, national statistical office, World Development Indicators
Gini, income growth, low pay	Household survey, national statistical office
Health (disability rates, disease burden, fertility rate, immunisation rate, infant mortality, maternal care, maternal mortality, need for medical assistance, stunting, underage pregnancy, unmet need for contraception, wasting)	Demographic and Health Survey, household survey, Institute for Health Metrics and Evaluation, United Nations Development Programme, United Nations Population Fund, World Development Indicators, World Health Organization
Migration	Household survey, national statistical office
Multi-dimensional poverty	Demographic and Health Survey, Oxford Poverty & Human Development Initiative, Global Multi-dimensional Poverty Index, United Nations Development Programme, Human Development Index
Natural emergencies	National statistical office
Poverty rates	Household survey, national statistical office, World Development Indicators
Subjective well-being	Gallup, household survey

Methodology

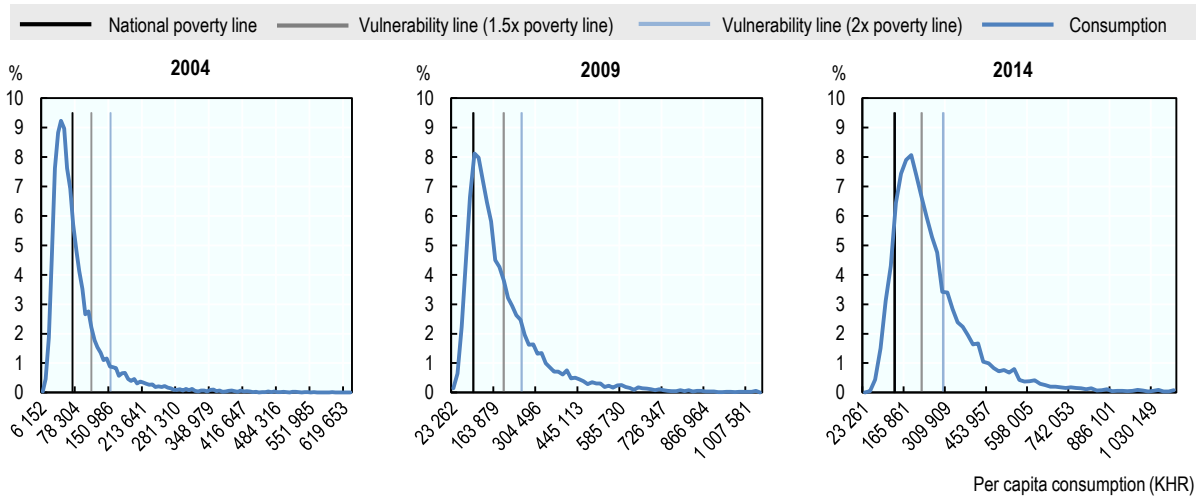
Poverty measurements

Module 1 analysis of vulnerabilities aims to provide a fuller picture of poverty than broad indicators, such as the poverty rate. This can be accomplished in two ways: through sensitivity analysis of monetary poverty and through inclusion of multi-dimensional poverty indicators.

Sensitivity analysis sheds light on the proportion of households or individuals at risk of falling into poverty by categorising poverty as extreme poverty (or food poverty), poverty and vulnerability. Households with incomes (or consumption) below 1.5 times the poverty rate are typically considered vulnerable, although this threshold can be adjusted to produce various estimates. Figure 2.1 shows significant levels of vulnerability in Cambodia at 1.5 and 2 times the poverty line, despite a decrease in the poverty headcount ratio.

Figure 2.1. While the poverty headcount has decreased, vulnerability remains high in Cambodia

Cumulative distribution of household consumption (2004-14)

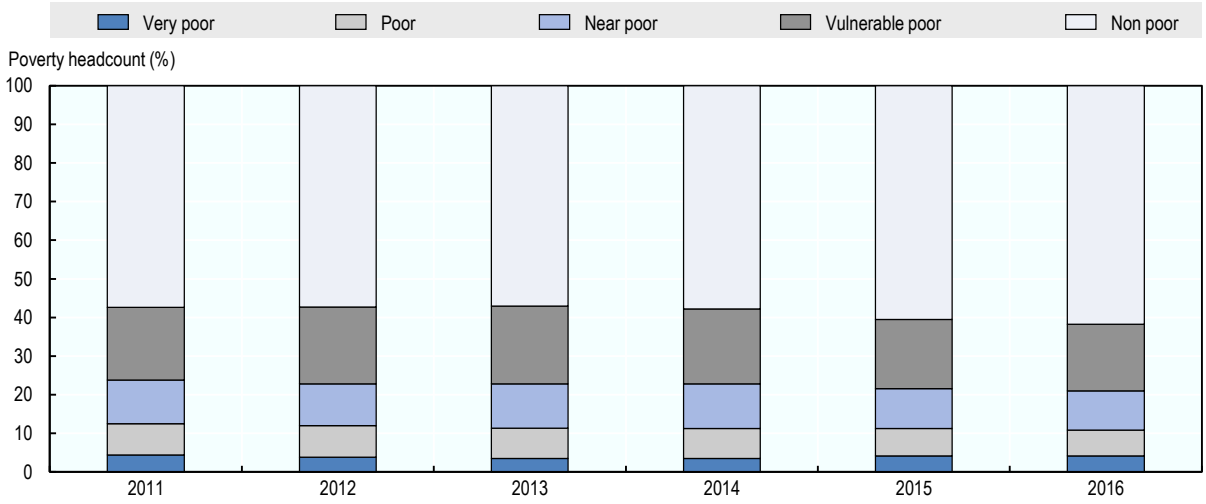


KHR = Cambodian Riel.
Sources: OECD (2017[5]), *Social Protection System Review of Cambodia*, http://dx.doi.org/10.1787/9789264282285-en, based on NIS (2004[6]; 2009[7]; 2014[8]), *Cambodia Socio-Economic Surveys 2004, 2009 and 2014*, https://www.nis.gov.kh (accessed September 2018).

Indonesia similarly showed a steady level of vulnerability in the last few years (Figure 2.2).

Figure 2.2. Around 40% of the population remains vulnerable in Indonesia

Poverty status (2011-16)

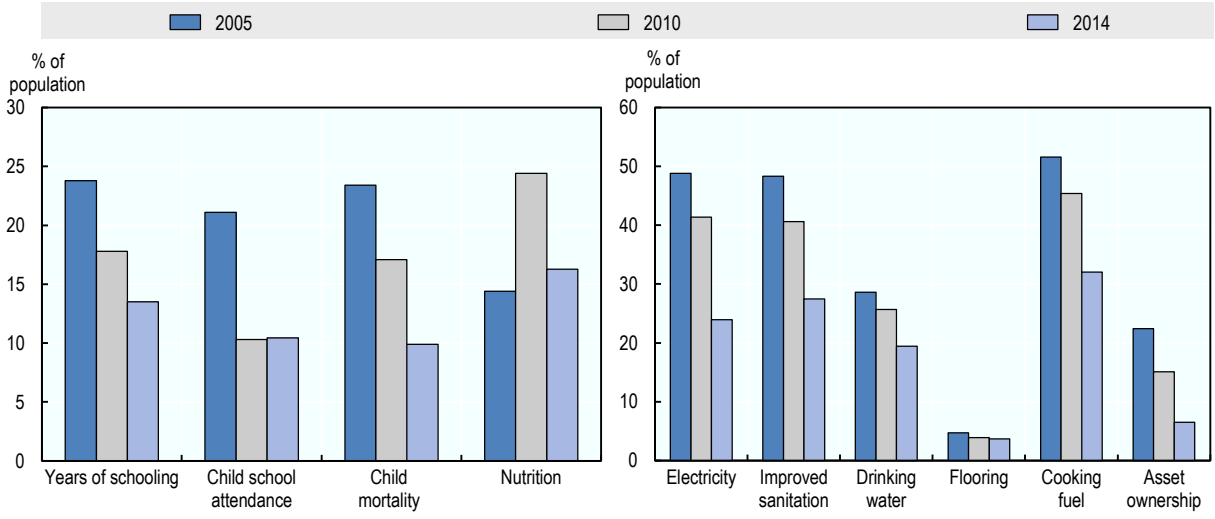


Sources: OECD (forthcoming[9]), *Social Protection System Review of Indonesia*, OECD Development Pathways, OECD Publishing, Paris, based on Statistics Indonesia (2016[10]), *Survei Sosial Ekonomi Nasional 2016 Maret (KOR)*, https://microdata.bps.go.id/mikrodata/index.php/catalog/769 (accessed on 22 June 2018).

Multi-dimensional poverty indicators are useful, as they shed light on vulnerabilities beyond monetary poverty. Indicators for non-monetary poverty can be based on separate deprivation indicators created from household surveys or official statistics (Figure 2.3). Alternatively, several organisations provide multi-dimensional poverty indicators (Table 2.1), such as composite indexes reflecting health, education and living standards, which can used to compare monetary and non-monetary poverty indicators, through heat maps, for example (Figure 2.4).

Figure 2.3. Most indicators of deprivation are improving in Cambodia

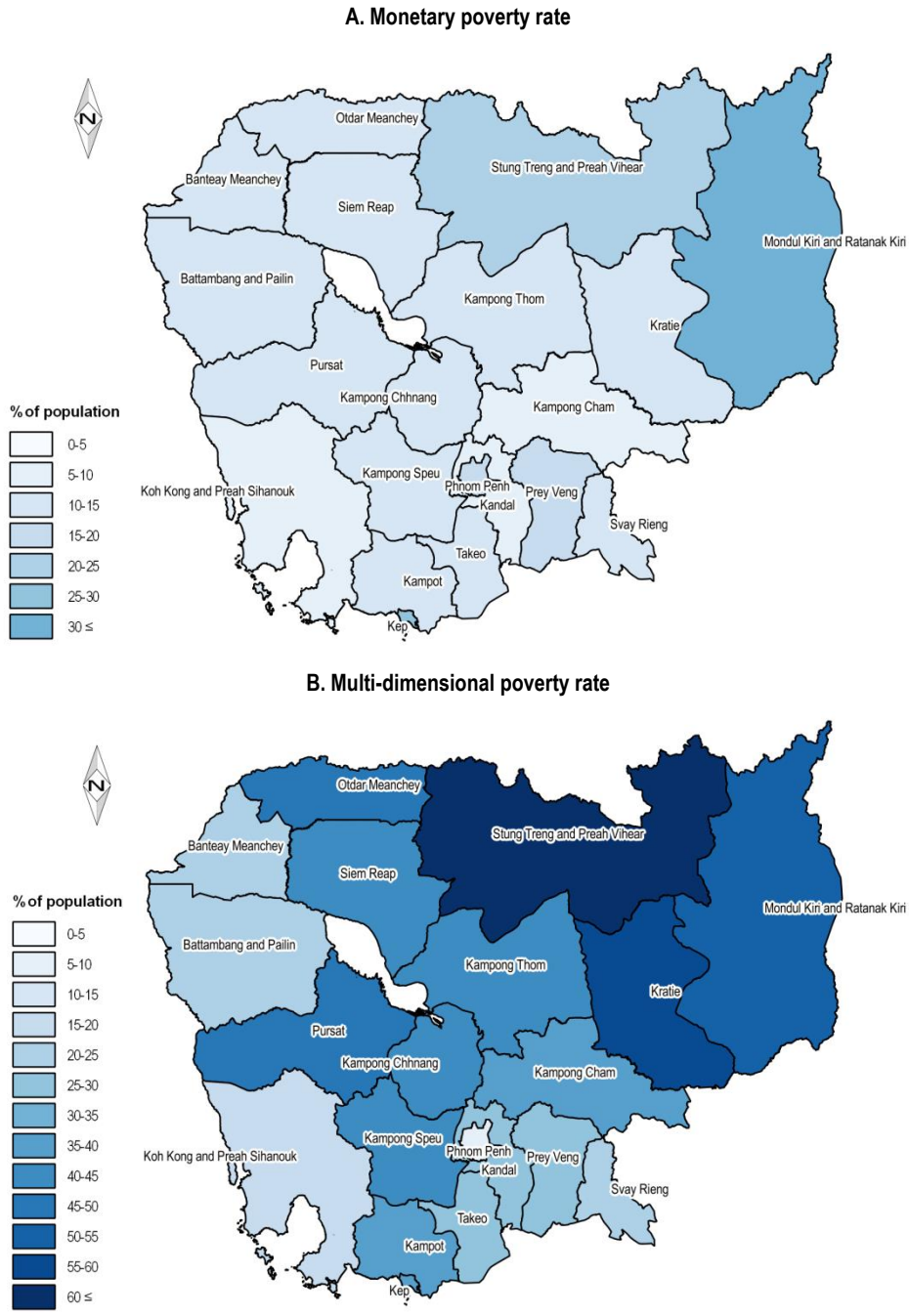
Multi-dimensional poverty deprivations (2005-14)



Sources: OECD (2017[5]), *Social Protection System Review of Cambodia*, http://dx.doi.org/10.1787/9789264282285-en, based on authors' own calculations, based on NIS, MoH and ICF International (2015[11]), *Cambodia Demographic Health Survey 2014*, dhsprogram.com/publications/publication-fr312-dhs-final-reports.cfm; NIS, MoH and ICF Macro (2011[12]), *Cambodia Demographic Health Survey 2010*, dhsprogram.com/publications/publication-FR249-DHS-Final-Reports.cfm; and NIPH, NIS and Opinion Research Company Macro (2006[13]), *Cambodia Demographic Health Survey 2005*, dhsprogram.com/publications/publication-FR185-DHS-Final-Reports.cfm.

Figure 2.4. Monetary poverty has fallen, but multi-dimensional poverty persists in Cambodia

Monetary and multi-dimensional headcount poverty rates by region (2014)

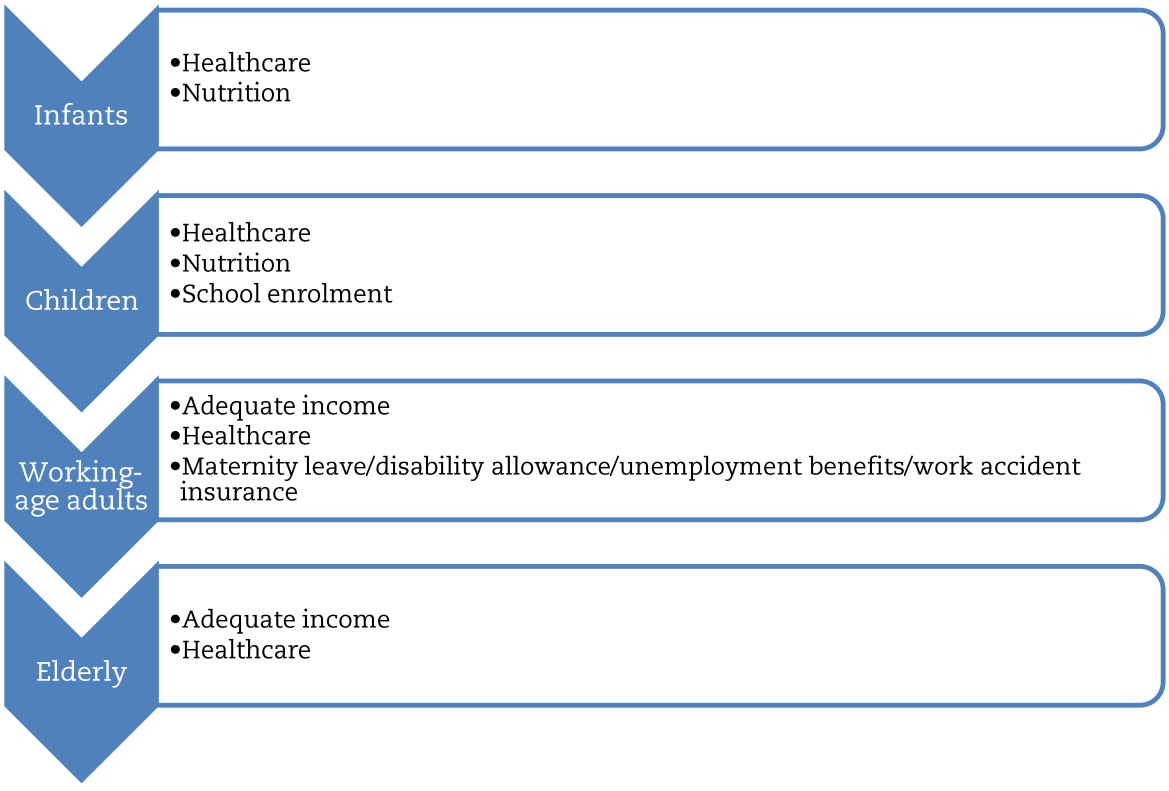


Sources: OECD (2017[5]), *Social Protection System Review of Cambodia*, http://dx.doi.org/10.1787/9789264282285-en, based on authors' own calculations, based on NIS, MoH and ICF International (2015[11]), *Cambodia Demographic Health Survey 2014*, https://dhsprogram.com/pubs/pdf/fr312/fr312.pdf; and OPHI (2016[14]), *Multidimensional Poverty Index (MPI): Cambodia 2016*, https://ophi.org.uk/multidimensional-poverty-index.

Lifecycle risks

The SPSR takes a lifecycle approach to the assessment of vulnerabilities, i.e. to identify vulnerabilities within the population along the lifecycle and assess the system's adequacy in addressing them. This involves evaluating risks to basic protection posed at various life stages (Figure 2.5). The lifecycle approach is crucial to ensure programmes within a social protection system are complementary, thereby increasing effectiveness by reducing coverage gaps and ultimately decreasing poverty. It also recognises linkages among life stages, for instance, stressing the importance of adequate infant and child nutrition to ensure physical growth and healthy lives. The effects of undernutrition can span generations, given maternal nutrition status affects children (The Lancet, 2014[15]).

Figure 2.5. Basic protection throughout the lifecycle

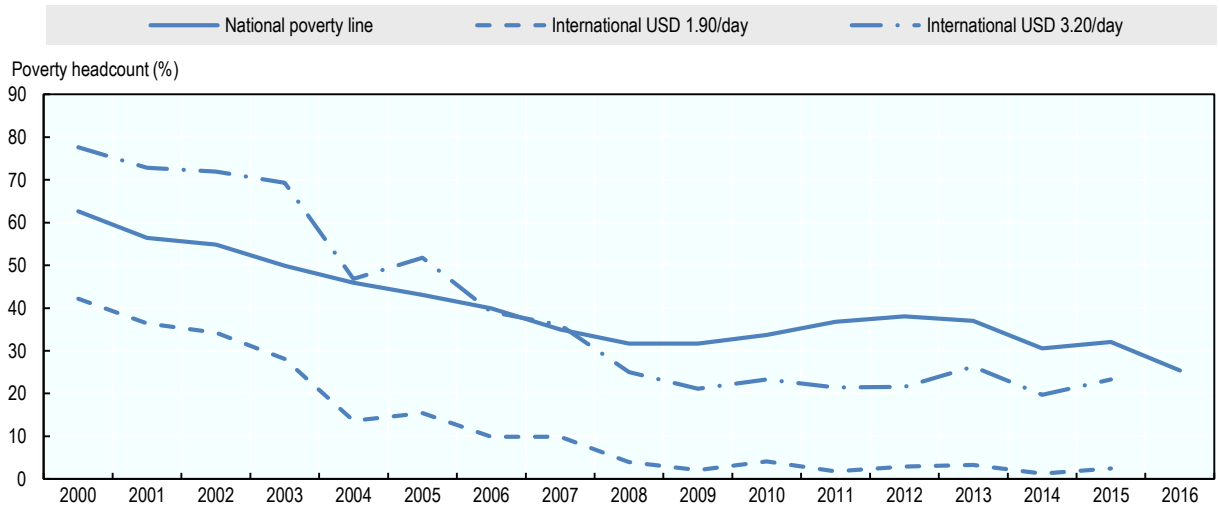


Dynamic poverty analyses

Dynamic poverty analysis is a key characteristic of Module 1, allowing insights into vulnerability trends beyond static levels for various dimensions. This type of analysis can be performed with time series of statistics, panel household survey data or repeated cross-sectional household surveys. For example, it is useful to visualise the evolution of poverty to understand trends. A look at national poverty indicators in Kyrgyzstan reveals poverty decline stalled after 2008 but resumed in 2016 (Figure 2.6).

Figure 2.6. National poverty in Kyrgyzstan is far below 2000 levels

Poverty headcount ratio (2000-16)



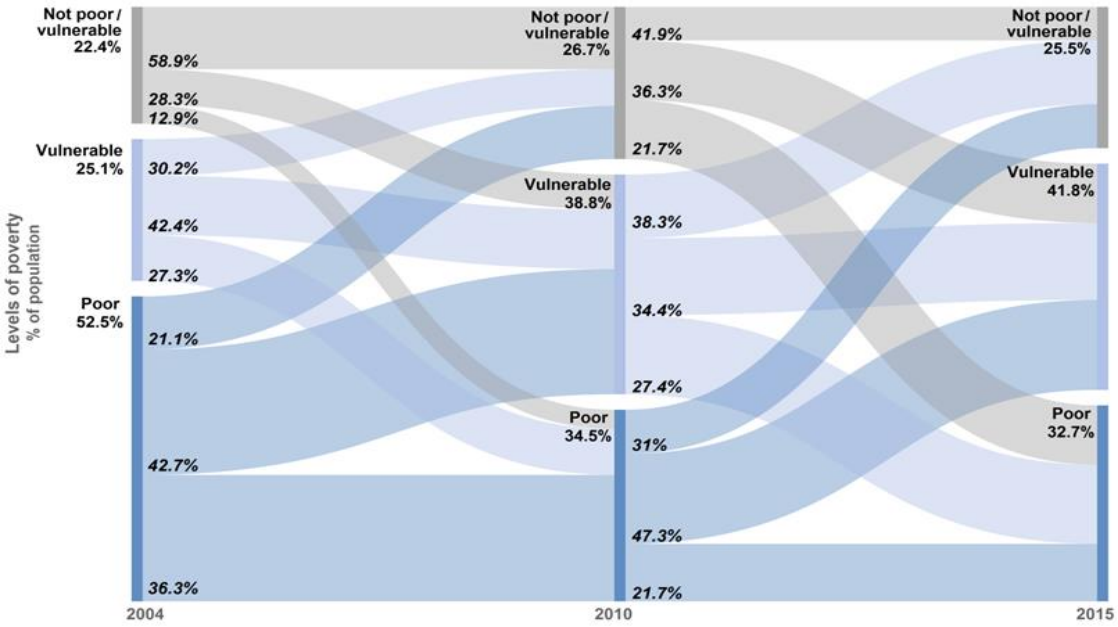
Source: OECD (2018[16]), *Social Protection System Review of Kyrgyzstan*, http://dx.doi.org/10.1787/9789264302273-en, based on NSC (2017[17]), "Poverty rate", stat.kg/en/statistics/uroven-zhizni-naseleniya (accessed January 2018).

Panel household survey data allow for a broader range of analyses, for instance, of changes within the population. Better understanding transitions into and out of poverty or informality can be particularly useful to measure vulnerabilities not captured by overall statistics, such as the risk of falling into (deeper) poverty and the overall frequency of transitions.

Figure 2.7 shows such transitions and mobility among groups, based on household-level data on Kyrgyzstan. The Sankey diagram shows greater movement among income groups in 2010-15 than in 2004-10, even though the poverty rate did not change nearly as much over the latter period.

Figure 2.7. Despite progress in poverty reduction in Kyrgyzstan, a growing share of individuals remain vulnerable to poverty

Poverty transitions in Kyrgyzstan (2004-15)



Source: OECD (2018[16]), *Social Protection System Review of Kyrgyzstan*, http://dx.doi.org/10.1787/9789264302273-en, based on (2004[18]; 2014[19]; 2015[20]), *Kyrgyz Integrated Household Survey 2004, 2010 and 2015*, http://stat.kg/en (accessed June 2017).

At the macroeconomic level, this module includes analysis of income inequality and inclusive growth, based on the Gini index, and income distributions and growth incidence curves. It also analyses the current economy and prospects for economic growth, based on sectoral contributions to output and employment, and includes analysis of specific sectors, such as health or education, reflecting the importance of social protection in improving outcomes. However, household surveys are the cornerstone of lifecycle risks analysis, especially valuable when long time series are available.

Vulnerability profiles

The SPSR also employs latent class analysis (LCA) to assist policy makers to understand the determinants of poverty and vulnerability. LCA can be used to group poor and vulnerable households into clusters based on pre-defined characteristics (Box 2.1), allowing social protection planners to improve intervention design or targeting.

Box 2.1. Statistical basis of latent class analysis (LCA)

The main purpose of LCA is to identify an organising principle for a complex array of variables. This model uses "categorical observed variables, representing characteristics, behaviors, symptoms, or the like as the basis for organizing people into two or more meaningful homogeneous subgroups" (Collins and Lanza, 2010[21]). Formally, LCA enables characterisation of a categorical latent (unobserved) variable, starting from an analysis of the relationships among several observed variables (indicators) using a maximum likelihood estimation method. The LCA method also includes covariates, which are "variables that may be used to describe or predict (rather than to define or measure) the latent classes and if active, to reduce classification error" (Vermunt and Magidson, 2005[22]).

LCA scores individuals according to the likelihood of belonging to each of the computed latent classes and then assigns them to the class to which they have the highest posterior probability of belonging (modal assignment), given their observed characteristics.

Statistics, such as the Bayesian Indicator Criterion, are used to identify the most appropriate number of classes, i.e. the model that has, on average, the highest likelihood of predicting class membership for all individuals in the given sample. A fundamental assumption underlying LCA is that of local independence, which implies that each of the chosen indicator variables is related to the others uniquely through the latent class membership, and a random error. Advanced computational techniques allow detecting and, in part, controlling for the correlation between the residuals of selected indicators, thus enabling the use of the available information to construct categories.

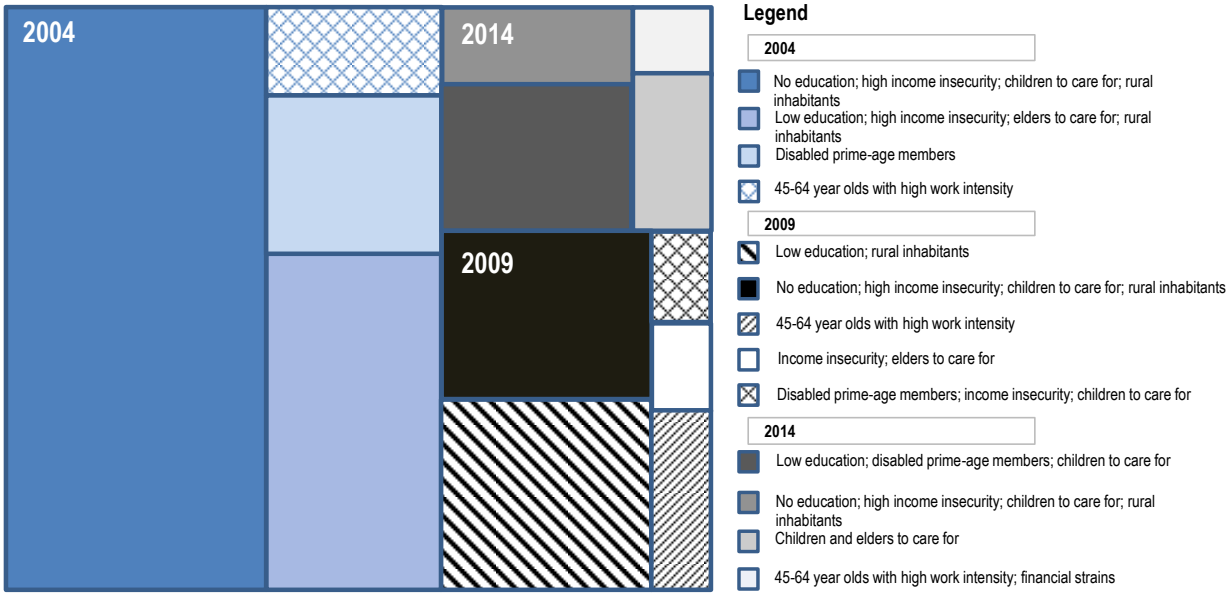
Source: Sundaram, R. et al. (2014[23]), *Portraits of Labor Market Exclusion*, https://openknowledge.worldbank.org/handle/10986/29618 .

LCA can be applied for a single year or over time to show how the characteristics of poverty change, as was carried out for Cambodia (Figure 2.8). The shrinking size of the three outlined squares for 2004, 2009 and 2014 indicates the decline in overall poverty, while the smaller squares shows how poverty affected various groups over this period.

Figure 2.8, from the Cambodia SPSR (OECD, 2017[5]), provides a vulnerability profile for 2014, showing that youth and elderly cohorts faced elevated risks relative to the rest of the population. These risks can stem from individual characteristics, such as gender or ethnicity; place of residence; change in marital status or household structure (e.g. divorce, widowhood); work status (e.g. loss of employment, loss of income); or health (e.g. illness, childbirth, absence of access to services or to financial risk protection).

Figure 2.8. While absolute poverty has decreased in Cambodia, poverty persists among rural, youth and elderly populations

Latent class analysis of poor populations (2004-14)



Sources: Authors' calculations, based on NIS (2004[6]; 2009[7]; 2014[8]), *Cambodia Socio-Economic Surveys 2004, 2009 and 2014*, https://www.nis.gov.kh (accessed September 2018).

References

Bonilla García, A. and J. Gruat (2003), *Social Protection: A Life Cycle Continuum Investment for Social Justice, Poverty Reduction and Sustainable Development*, International Labour Organization, Geneva, https://www.ilo.org/public/english/protection/download/lifecycl/lifecycle.pdf (accessed on 17 September 2018). [2]

Cain, E. (2009), "Social Protection and Vulnerability, Risk and Exclusion Across the Life-Cycle", HelpAge International, London, http://www.oecd.org/development/povertyreduction/43280790.pdf (accessed on 17 September 2018). [3]

Collins, L. and S. Lanza (2010), *Latent Class and Latent Transition Analysis: With Applications in the Social Behavioral, and Health Sciences*, Wiley, https://www.wiley.com/en-fr/Latent+Class+and+Latent+Transition+Analysis:+With+Applications+in+the+Social,+Behavioral,+and+Health+Sciences-p-9780470228395 (accessed on 18 September 2018). [21]

Devereux, S., K. Roelen and M. Ulrichs (2015), "Where next for social protection?", *Policy Anticipation, Response and Evaluation*, No. 124, Institute of Development Studies (IDS), Brighton, https://opendocs.ids.ac.uk/opendocs/ds2/stream/?#/documents/25296/page/1 (accessed on 17 September 2018). [4]

National Institute of Statistics, Ministry of Health of Cambodia (MoH) and ICF International (2015), *Cambodia Demographic and Health Survey (DHS) 2014*, USAID, Phnom Penh, https://dhsprogram.com/publications/publication-fr312-dhs-final-reports.cfm (accessed on 18 September 2018). [11]

NIPH, NIS and ORC Macro (2006), *Cambodia Demographic and Health Survey (DHS) 2005*, USAID, Phnom Penh, https://dhsprogram.com/publications/publication-FR185-DHS-Final-Reports.cfm (accessed on 18 September 2018). [13]

NIS (2014), *Cambodia Socio-Economic Survey 2014*, National Institute of Statistics, Royal Government of Cambodia, https://www.nis.gov.kh/index.php/en/14-cses/12-cambodia-socio-economic-survey-reports (accessed on 18 September 2018). [8]

NIS (2009), *Cambodia Socio-Economic Survey 2009*, National Institute of Statistics, Royal Government of Cambodia, https://www.nis.gov.kh/index.php/en/14-cses/12-cambodia-socio-economic-survey-reports (accessed on 18 September 2018). [7]

NIS (2004), *Cambodia Socio-Economic Survey 2004*, National Institute of Statistics, Royal Government of Cambodia, https://www.nis.gov.kh/index.php/en/14-cses/12-cambodia-socio-economic-survey-reports (accessed on 18 September 2018). [6]

NIS, Ministry of Health of Cambodia (MoH) and ICF Macro (2011), *Cambodia Demographic and Health Survey (DHS) 2010*, USAID, Phnom Penh, https://dhsprogram.com/publications/publication-FR249-DHS-Final-Reports.cfm (accessed on 18 September 2018). [12]

NSC (2017), *Poverty Rate*, National Statistics Committee of the Kyrgyz Republic, Bishkek, http://stat.kg/en/statistics/uroven-zhizni-naseleniya. [17]

NSC (2015), *Kyrgyz Integrated Household Survey*, National Statistics Committee of the Kyrgyz Republic, Bishkek, https://www.nis.gov.kh (accessed on 01 June 2017). [20]

NSC (2014), *Kyrgyz Integrated Household Survey*, National Statistics Committee of the Kyrgyz Republic, Bishkek, https://www.nis.gov.kh (accessed on 01 June 2017). [19]

NSC (2004), *Kyrgyz Integrated Household Survey*, National Statistics Committee of the Kyrgyz Republic, Bishkek, https://www.nis.gov.kh (accessed on 01 June 2017). [18]

OECD (2018), *Social Protection System Review of Kyrgyzstan*, OECD Development Pathways, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264302273-en. [16]

OECD (2017), *Social Protection System Review of Cambodia*, OECD Development Pathways, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264282285-en. [5]

OECD (2007), *Promoting Pro-poor Growth*, OECD Publishing, Paris. [1]

OECD (forthcoming), *Social Protection System Review of Indonesia*, OECD Development Pathways, OECD Publishing, Paris. [9]

OPHI (2016), *Multidimensional Poverty Index (MPI): Cambodia 2016*, Oxford Poverty and Human Development Initiative (OPHI), Oxford. [14]

Statistics Indonesia (2016), *Survei Sosial Ekonomi Nasional 2016 Maret (KOR)*, https://microdata.bps.go.id/mikrodata/index.php/catalog/769 (accessed on 22 June 2018). [10]

Sundaram, R. et al. (2014), *Portraits of Labor Market Exclusion*, World Bank, Washington, DC, https://openknowledge.worldbank.org/handle/10986/29618 (accessed on 14 November 2018). [23]

The Lancet (2014), "Executive summary", *The Lancet series on Maternal and Child Undernutrition*, The Lancet, http://www.who.int/nutrition/publications/lancetseries_maternal_and_childundernutrition/en/ (accessed on 17 September 2018). [15]

Vermunt, J. and J. Magidson (2005), "Factor analysis with categorical indicators", in van der Ark, A., M. Croon and K. Sijtsma (eds.), *New Developments in Categorical data Analysis for the Social and Behavioral Sciences*, Erlbaum, Mahwah, https://pure.uvt.nl/portal/en/publications/factor-analysis-with-categorical-indicators(34883493-72df-419a-86e5-c771b0809461).html (accessed on 18 September 2018). [22]

Chapter 3. Assessment of coverage (Module 2)

This chapter provides guidelines to evaluate the adequacy and appropriateness of the existing social protection programmes in relation to risks and vulnerabilities identified in Module 1. It proposes a three-stage analysis, starting with an assessment of the institutional, political, and legislative context for social protection, followed by mapping the social protection system through a detailed inventory of current programmes; and finally overlaying existing provisions with the demand for social protection in order to identify coverage gaps.

Analytical dimensions

Module 2 catalogues existing social protection provision and assesses the extent to which it responds to a country's present and future needs. It uses a three-stage methodology: analysing the institutional, political and legislative context for social protection; mapping existing programmes; and identifying gaps in the system relative to the drivers of demand for social protection identified in Module 1.

Analysing the legal, institutional and policy context for social protection indicates the extent to which the enabling environment exists for establishing a social protection system. Ideally, a country would have in place an overarching strategy for the sector that contains a firm policy commitment to establish a social protection system before embarking on the long-term project of doing so. A robust legislative framework for social protection – usually based in the individual's rights enshrined in the Constitution – is also required to give effect to such a strategy.

Mapping various social protection instruments is often a complex task. In the absence of a well-defined system, social protection provision is typically implemented by many government institutions according to various legislative and policy imperatives, without taking into account possible gaps or overlaps among programmes. Schemes evolve at various points in time in response to various needs, with minimal co-ordination or information sharing. A government needs to understand the basic characteristics of all existing programmes that can or will form the basis for a new social protection system.

Once the mapping exercise is complete, the SPSR overlays existing provision with the demand for social protection identified in Module 1. In so doing, it identifies which groups are protected and which are not, and to what extent various risks are covered. With this information, a government can decide whether existing programmes need to be reformed or new programmes introduced (see Box 3.2 on understanding coverage within informality at individual and household levels).

Indicators and data sources

This module requires an in-depth desk review of legislative and strategic documents, which should be readily available. Consultations with policy makers and officials responsible for social protection design and implementation are crucial to ensure the full breadth of documents is included in the review and to understand discrepancies in implementation and legislative frameworks. Additionally, an assessment of data availability and gaps is carried out at this time to ensure that a full analysis can be conducted (Box 3.1). Overall, social protection performance indicators can be obtained from regional institutions, such as the Asian Development Bank, as well as global institutions, in particular the International Labour Organization (ILO) and the World Bank (Table 3.1).

Table 3.1. Main indicators and data sources for Module 2

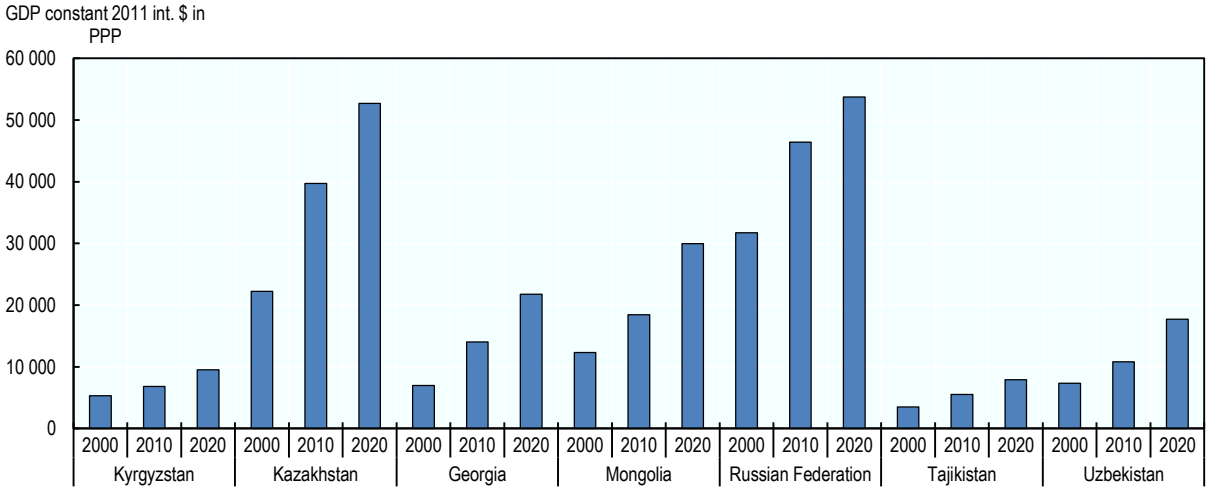
Indicators	Potential data sources
Legal framework	Constitution, laws, policies, regulations
Strategy	Government
Spending	Asian Development Bank (ADB), International Monetary Fund (IMF), World Bank's World Development Indicators
Benefit levels, objectives, target populations	Ministries, social protection programme administration/agencies
Overall system performance	Social Protection Index (ADB), ASPIRE (World Bank), International Labour Organization (ILO)

Methodology

A first step in assessing the current state of social protection provision is to analyse social protection policies and strategies, as well as recent reforms and the legal basis for social protection. This high-level analysis will also include national statistics and data gathered by international organisations to provide an overview of the system's performance and generate international comparisons with the benchmark countries identified in Module 1, for instance, on overall spending (Figure 3.1).

Figure 3.1. Kyrgyzstan's social protection spending is high relative to the benchmark countries

Spending on social protection across the benchmark countries (2011-13)



Sources: OECD (2018[1]), *Social Protection System Review of Kyrgyzstan*, http://dx.doi.org/10.1787/9789264302273-en, based on ADB (2013[2]), *Social Protection Index* (database), hdl.handle.net/11540/79 (accessed December 2017).

The next step is a detailed inventory of social protection programmes and their characteristics for each pillar of the social protection system. This will include the basic information about programmes, such as their basis in law, type of transfer, eligibility criteria, coverage, and agency or institution responsible for implementation. The inventory can then be included as an annex in the format presented in Table 3.2.

Table 3.2. Inventory of social protection programmes

Example of format for the Module 2 social protection programme inventory

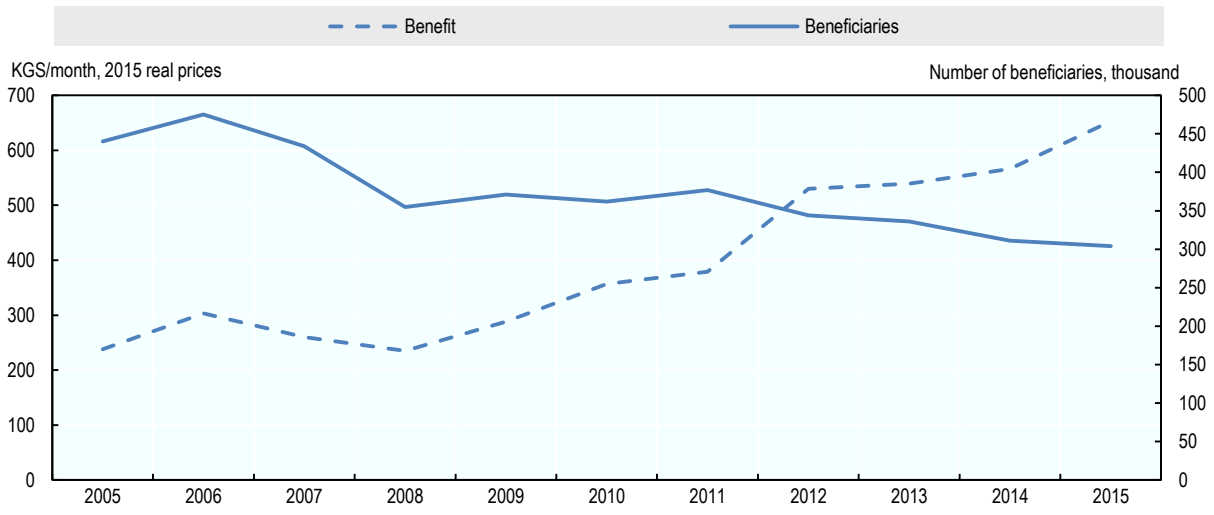
Programme	Type of transfer	Eligibility criteria	Coverage (# and % of population)	Responsible ministry/agency	Legal basis

It is important here to distinguish between the *de jure* and *de facto* coverage indicators whenever available: *de jure* coverage reflects the coverage established by virtue of laws, regulations or contracts, whereas *de facto* coverage reflects administrative practice. Discrepancies between these types of coverage can result from lack of implementation of laws or regulations, or inappropriate implementation, whether due to corruption, low take-up or other reasons.

Gathering data on various years is also of interest to analyse trends in the evolution of social protection programmes. For instance, in Kyrgyzstan, an analysis of the Monthly Benefit for Poor Families (MBPF) over time revealed a decrease in beneficiaries but an increase in benefit levels (Figure 3.2).

Figure 3.2. MBPF benefits have risen but coverage has declined in Kyrgyzstan

Number of MBPF beneficiaries and MBPF benefit levels (2005-15)



KGS = Kyrgyz Som.
Source: OECD (2018[1]), *Social Protection System Review of Kyrgyzstan*, http://dx.doi.org/10.1787/9789264302273-en, based on NSC (2015[3]), *Kyrgyz Integrated Household Survey* (database), http://stat.kg/en (accessed June 2017).

The third step is to review the adequacy and appropriateness of existing social protection provision in relation to the previously identified risks and vulnerabilities. This analysis will reveal, for example, whether certain vulnerable groups are excluded from social protection, whether certain social protection schemes do not correspond to the country's risk and vulnerability profile, or whether resource allocation within the social protection

sector is optimal. This involves a cross-analysis with the vulnerable groups identified in Module 1.

Box 3.1. Data availability and gaps

Data availability and gaps are additional components covered in Module 2. In particular, the assessment should provide information on the identification mechanisms used at the operational level, for example, through single registries or social registries. The analysis should identify any gaps in the information system, in particular looking at various functions of intake and registration, assessment of needs and conditions, enrolment decisions, benefit levels or service package, and active case management (monitoring, grievance redress, etc.). It is key to assess the extent to which information is shared across agencies and ministries administering social protection programmes, which can be crucial in building or developing a social protection system.

Additionally, the SPSR often relies on microsimulations and descriptive statistics, based on household survey data. Unfortunately, household surveys may not include much information on social protection programmes (in particular, affiliation to, contributions or benefits), and the data may not be collected as frequently as necessary, thus offering an outdated and incomplete picture of the social protection system. It is important to circumvent these limitations, through two main channels:

1. Find other survey data that may provide information about social protection programmes. It is important, for example, to study labour force surveys or Demographic and Health Survey modules that may be relevant for the SPSR. In Cambodia, the SPSR team co-ordinated with the Ministry of Planning to access several waves of the IDPoor – the social registry database used to target and enrol beneficiaries in the Health Equity Fund – to analyse targeting accuracy and household transitions into and out of poverty. In Kyrgyzstan, the team complemented the Kyrgyzstan Integrated Household Survey with information from the Life in Kyrgyzstan panel.
2. Model missing information whenever possible, for example, by simulating a proxy means test or imputing data. In Indonesia, the Survei Sosial Ekonomi Nasional (SUSENAS), did not adequately capture household enrolment in the conditional cash transfer programme, Program Keluarga Harapan (PKH), underestimating coverage by about half. For this purpose, a probit regression was run using receipt of the grant as a dependent variable and a series of grant receipt determinants as predictors. The determinants, including household characteristics, receipt of other grants, and demographic and economic variables, were selected to maximise the regression's explanatory power and goodness-of-fit. A probability threshold above which households are assumed to be PKH beneficiaries was then selected and was calibrated to reach the government-reported total beneficiary number. For additional robustness, the poverty rate (both regular and extreme or food poverty) among actual receiving households and those determined based on the probit were compared.

Box 3.2. Understanding the dynamics of informality: The KIIbIH database

The Key Indicators of Informality based on Individuals and their Household (KIIbIH) database builds upon household surveys from 27 countries to provide comparable indicators and harmonised data on informal employment at individual and household levels across countries.

By focusing on both individuals and their households, and by covering a wide range of issues in the informal economy, such as employment, demographics, vulnerability and social protection, the database captures the heterogeneity of informal economy workers and takes into account their broader contexts, allowing comprehensive monitoring.

Unlike other publicly available harmonised statistics on informality, the KIIbIH is not based on labour force surveys. As such, it has a broader scope and provides a much wider information set related to workers' households and socio-demographic and economic status. Consequently, it provides information on the degree of informality and enables classification of households as completely informal, completely formal or mixed. It thus allows monitoring of how workers' vulnerability in the informal economy is transferred to other segments of the population and enriches the analysis and understanding of the various channels through which social protection can reach informal workers.

Overall, the database provides useful information for policy makers when designing and evaluating social protection systems. For instance, it facilitates estimating the number of individuals who may benefit from social insurance programmes as dependents in a household with at least one formally employed worker. This information can be further disaggregated to identify the number of children, working-age adults and/or elderly living in each type of household. Additionally, it provides detailed information on household consumption and income patterns, which serves as a useful basis to evaluate the contributory capacity of various types of households and to identify the profiles of workers who may be able to contribute, based on their location, household composition, and employment type and sector.

References

ADB (2013), *Social Protection Index*, Asian Development Bank, Manila, http://hdl.handle.net/11540/79. [2]

NSC (2015), *Kyrgyz Integrated Household Survey (database)*, National Statistics Committee of the Kyrgyz Republic, Bishkek, http://stat.kg/en (accessed on 01 June 2017). [3]

OECD (2018), *Social Protection System Review of Kyrgyzstan*, OECD Development Pathways, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264302273-en. [1]

Chapter 4. Assessment of effectiveness (Module 3)

This chapter presents tools for carrying out analysis on the adequacy, efficiency and equity of key social protection programmes. Policy makers are often challenged by the lack of information on the most cost-effective interventions to reduce vulnerability and alleviate poverty. Evaluating the extent to which individual programmes are effective in protecting individuals from poverty and risk is key to developing a comprehensive social protection system.

Analytical dimensions

Module 3 analyses the effectiveness of a country's social protection system, based on the adequacy, efficiency and equity of the key programmes identified in Module 2. These dimensions determine the extent to which existing social protection instruments alleviate poverty, reduce inequality and address risk and vulnerability, given the resources currently allocated to the sector:

- Adequacy is assessed by looking both at selected supply-side indicators, such as benefit levels (relative to national and/or international poverty lines) and overall allocation to public social protection spending, and demand-side indicators, such as coverage.
- Equity is measured in terms of incidence of coverage, incidence of benefits, incidence of beneficiaries by consumption quintile and reduction in income inequality resulting from social protection transfers.
- Efficiency is analysed according to the gains in well-being or reductions in poverty and vulnerability associated with social protection schemes. Also examined are errors of inclusion/exclusion, the benefit-cost ratio and multiplier effects of cash transfers, as well as issues of take-up.

Analysing a social protection system's performance in reducing vulnerability and alleviating poverty adopts a holistic approach that considers social protection programmes and their interactions. Adequacy, efficiency and equity are studied according to three principal dimensions:

1. by programme type, requiring evaluation of the relative performance of social assistance, social insurance, labour market programmes and health coverage mechanisms
2. by target population, either by lifecycle stage or vulnerability (e.g. unemployment, sickness and disability, or widowhood)
3. by coverage inequalities, for example, between rural and urban areas, informal and formal workers, and men and women.

This analysis can be applied to existing or new programmes, for example, when a government is considering new schemes. Concerning new programmes, the Social Protection System Review (SPSR) provides simulations that take into account implementation challenges, based on both the country's experience and similar programmes in comparable countries.

Indicators and data sources

This module is data-driven and based on empirical analyses of each social protection programme. Data are gathered from the legislative framework to understand programme design (e.g. target group, benefit package) (Table 4.1). Disbursement and beneficiaries data from programme administrators, and household survey data, complement the information.

Table 4.1. Main indicators and data sources for Module 3

Indicators	Potential data sources
Benefit distribution	Household survey data, legislative framework, programme administration (ministry or agency)
Beneficiary incidence	
Beneficiary distribution	
Total number of beneficiaries	
Total disbursement	
Reduction in the poor population	
Reduction in the poverty rate	
Benefit amount	
Adequacy	
Coverage	

Methodology

The basis of this analysis is microsimulations of programmes, based on household surveys and detailed implementation data. These simulations rely on a number of assumptions made explicit in the review and whose impact should be tested through various scenarios. Table 4.2 provides a list of the indicators and their definitions.

Table 4.2. Indicators computed for Module 3

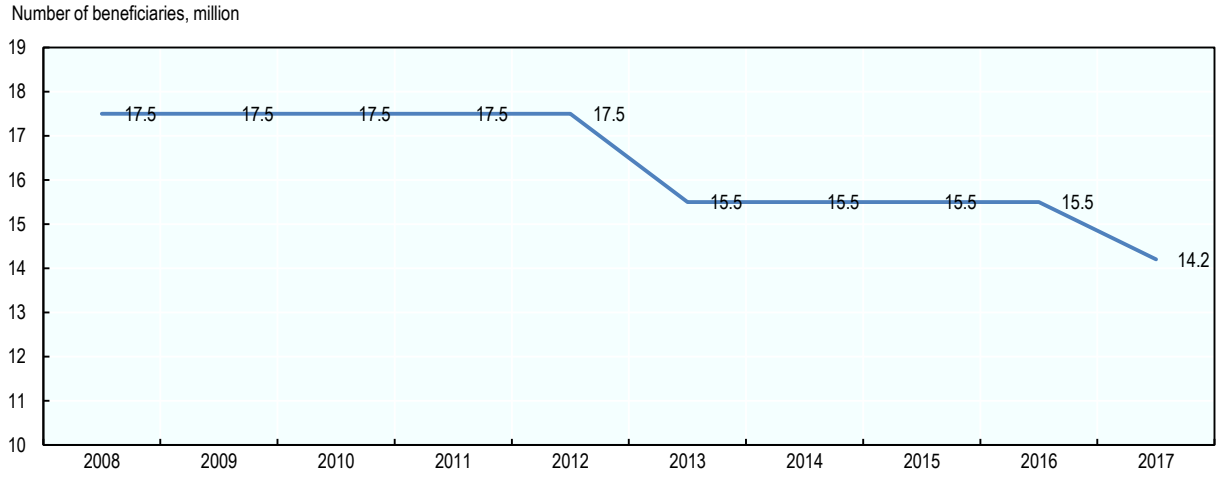
Indicators	Definition	Visualisation
Benefit distribution	Reflects the share of the total benefits of a social protection programme allocated to each decile of consumption/income	100% stacked bar chart
Beneficiary incidence	Reflects the share of the population benefiting from a social protection programme in each decile of consumption/income	Histogram
Beneficiary distribution	Reflects the share of total beneficiaries of a social protection programme in each decile of consumption/income	100% stacked bar chart
Total number of beneficiaries	Absolute number of beneficiaries, if possible at both the household and individual level	
Total disbursement	Spending on social protection programme reported by the administrative agency	
Reduction in the poor population	Reflects the reduction in the poverty headcount as a percentage	
Reduction in the poverty rate	Reflects the decrease in the poverty rate following receipt of social protection programme benefits	
Benefit amount	Can be based on official statistics from the administrative agency or derived from household survey data	
Adequacy	Can be expressed as a share of the poverty line and share of the extreme or food poverty line	
Coverage	Should reflect the share of the target population covered by a social protection programme, as well as the overall share of the population covered by the programme	

Coverage

Coverage should be the starting point of analysis of programme effectiveness. Ideally, a time series of coverage should be used to identify a trend (Figure 4.1). Alternatively, coverage can be shown as a percentage of the target population; Figure 4.2 reflects the proportion of children under age 18 covered through Kyrgyzstan's Monthly Benefit for Poor Families (MBPF), specifically targeted to children.

Figure 4.1. Rastra food subsidy coverage is declining in Indonesia

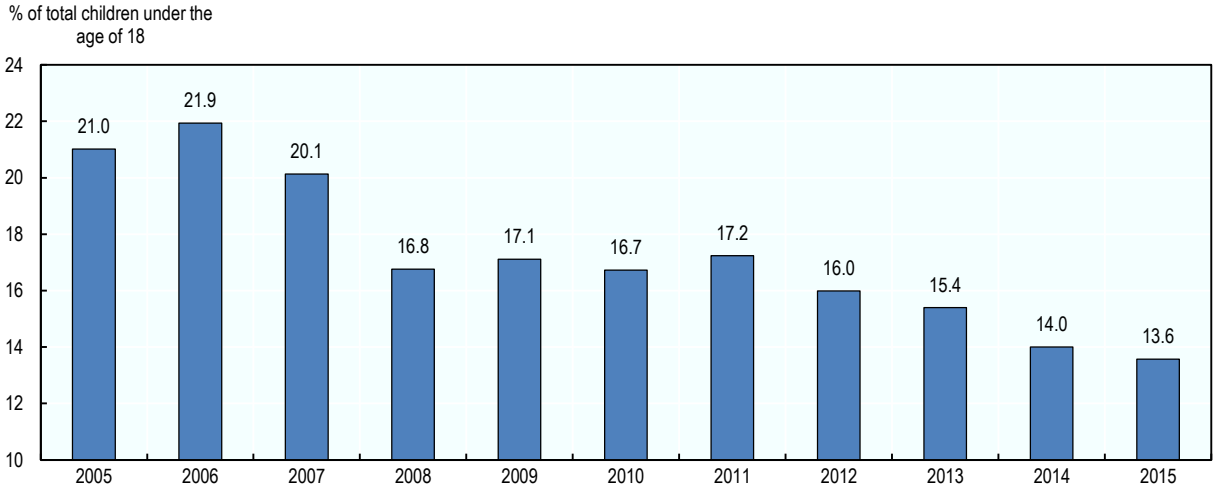
Coverage of Rastra beneficiaries (2008-17)



Sources: OECD (forthcoming[1]), *Social Protection System Review of Indonesia*, OECD Development Pathways, OECD Publishing, Paris; authors' calculations based on Statistics Indonesia (2016[2]), *Survei Sosial Ekonomi Nasional 2016 Maret (KOR)*, https://microdata.bps.go.id/mikrodata/index.php/catalog/769 (accessed on 22 June 2018).

Figure 4.2. Official figures show a decline in MBPF coverage in Kyrgyzstan

Coverage rate of children under age 18 through the MBPF (2005-15)



Sources: OECD (2018[3]), *Social Protection System Review of Kyrgyzstan*, http://dx.doi.org/10.1787/9789264302273-en, based on MoLSD, NSC (2015[4]), *Kyrgyz Integrated Household Survey*, National Statistics Committee of the Kyrgyz Republic, Bishkek.

Adequacy

The adequacy of benefits can then be computed in terms of the proportion of the poverty line or other relevant living standards thresholds it represents. This can be captured in a table displaying trends over time (see for example, Table 4.1) or in a chart, a good option when evaluating several benefit packages under one social protection programme. Figure 4.3 shows changes in the value of various components of Kyrgyzstan's Monthly Social Benefit (MSB) relative to the overall poverty line in 2010 and 2015, becoming more or less generous for some categories of beneficiaries.

Table 4.3. PBI premiums are low in Indonesia

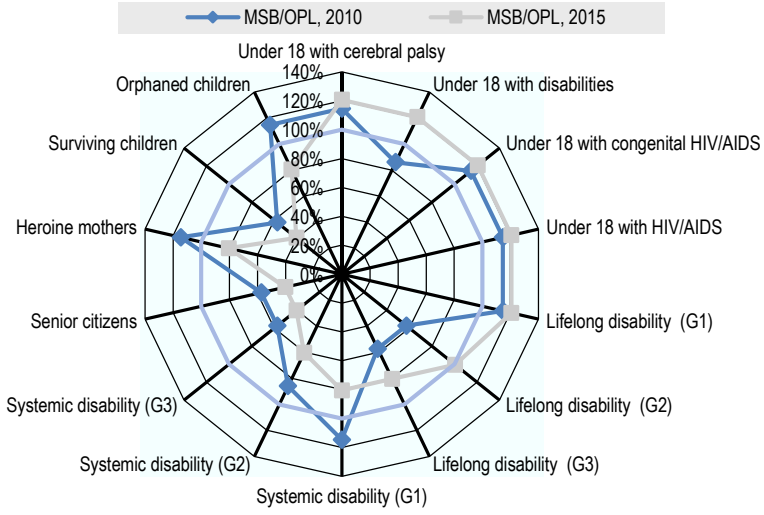
PBI premium as share of selected living standards indicators (2014-16)

Year	PBI benefits per capita relative to the extreme poverty line (%)	PBI benefits per capita relative to the overall poverty line (%)	PBI benefits per capita relative to the average household consumption per capita (%)
2014	7.9	6.4	2.5
2015	7.3	5.8	2.2
2016	8.1	6.5	2.4

Sources: OECD (forthcoming[1]), *Social Protection System Review of Indonesia*, OECD Development Pathways, OECD Publishing, Paris; authors' calculations based on Statistics Indonesia (2016[2]), *Survei Sosial Ekonomi Nasional 2016 Maret (KOR)*, https://microdata.bps.go.id/mikrodata/index.php/catalog/769 (accessed on 22 June 2018).

Figure 4.3. Kyrgyzstan's Monthly Social Benefit (MSB) levels could be better balanced across populations in-need

Ratio of Kyrgyzstan's MSB to the overall poverty line (OPL) (2010, 2015)



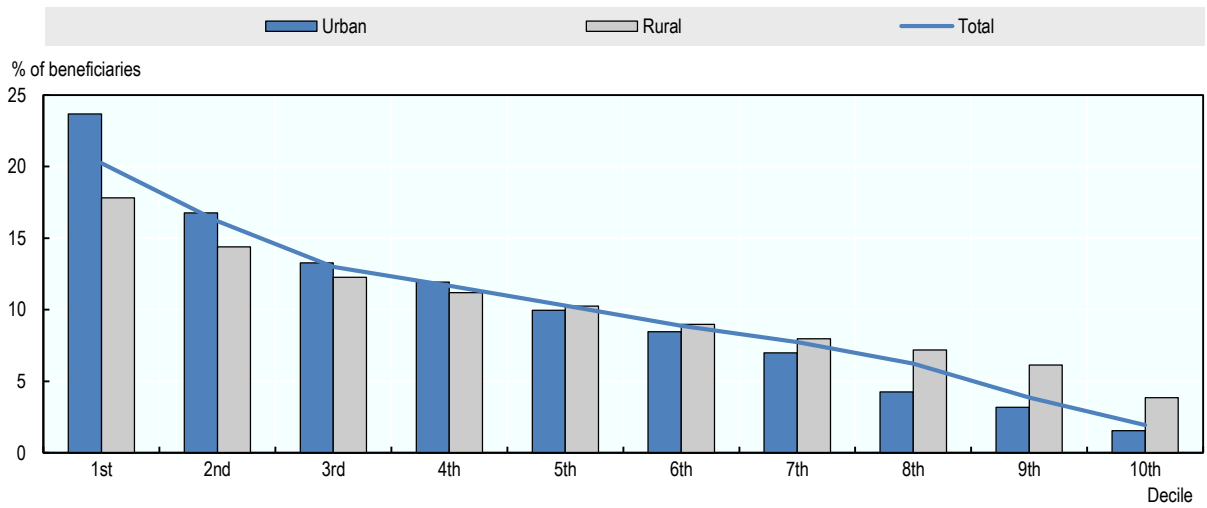
Sources: OECD (2018[3]), *Social Protection System Review of Kyrgyzstan*, http://dx.doi.org/10.1787/9789264302273-en, based on MoLSD, NSC (2015[4]), *Kyrgyz Integrated Household Survey*, National Statistics Committee of the Kyrgyz Republic, Bishkek.

Equity

The module also identifies the distributional impact of social protection programmes by examining the incidence of benefits and beneficiaries. The beneficiary incidence displays the share of each decile (based on consumption or income, depending on the survey data available) benefiting from the programme, and can be further disaggregated into categories, such as urban or rural populations. Figure 4.4 shows that nearly half (44%) of those in the poorest decile in Indonesia received a fee waiver for health insurance through the Penerima Bantuan Iuran (PBI) programme, while 35% in the second decile reported receiving such benefits. Although the beneficiary incidence steadily reduces for richer deciles, almost one-quarter (22%) of those in the 5th decile also claimed PBI benefits.

Figure 4.4. Beneficiary incidence of health insurance subsidies for the poor and near-poor (PBI) in Indonesia

Share of each consumption decile covered by PBI (2016)

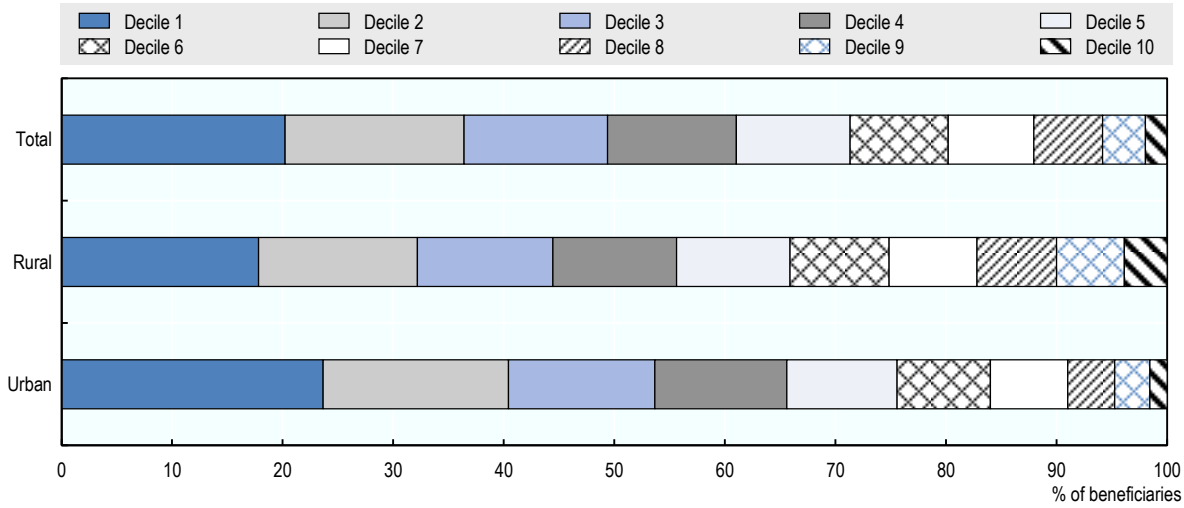


Sources: OECD (forthcoming[1]), *Social Protection System Review of Indonesia*, OECD Development Pathways, OECD Publishing, Paris; authors' calculations based on Statistics Indonesia (2016[2]), *Survei Sosial Ekonomi Nasional 2016 Maret (KOR)*, https://microdata.bps.go.id/mikrodata/index.php/catalog/769 (accessed on 22 June 2018).

To complement the beneficiary incidence analysis, a beneficiary distributional analysis should be conducted to indicate the proportion of total beneficiaries belonging to each consumption or income decile. This is best shown in a stacked bar chart and can be disaggregated by location (urban or rural). Figure 4.5 shows that urban PBI targeting is more pro-poor than rural targeting.

Figure 4.5. PBI beneficiary distribution in Indonesia

Share of total beneficiaries by consumption decile (2016)

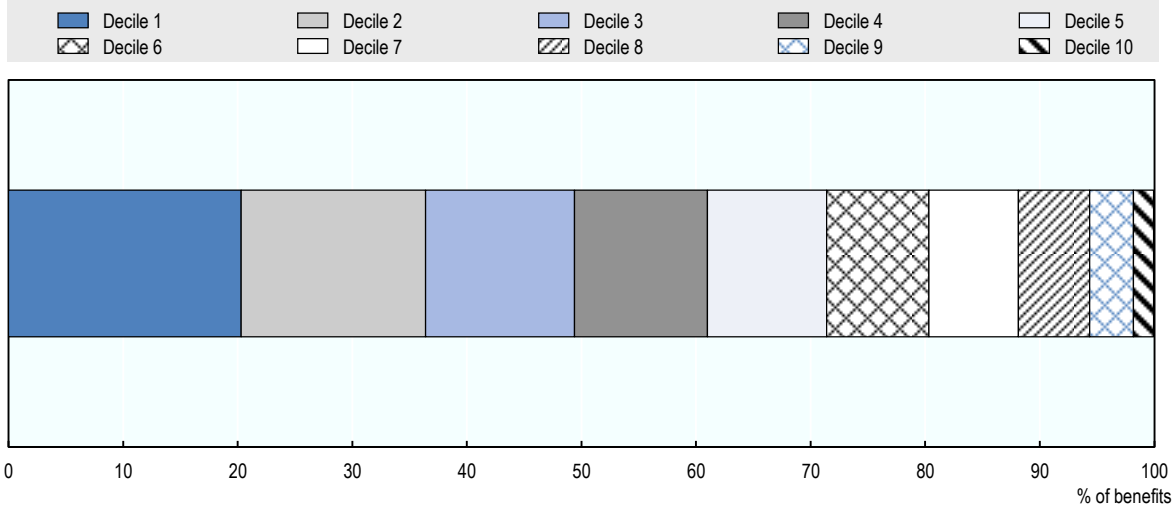


Sources: OECD (forthcoming[1]), *Social Protection System Review of Indonesia*, OECD Development Pathways, OECD Publishing, Paris; authors' calculations based on Statistics Indonesia (2016[2]), *Survei Sosial Ekonomi Nasional 2016 Maret (KOR)*, https://microdata.bps.go.id/mikrodata/index.php/catalog/769 (accessed on 22 June 2018).

A similar distributional analysis can be conducted with the total amount of benefits. Figure 4.6 illustrates that, in 2016, households in the bottom 2 consumption deciles receive 36% of PBI benefits, while households in the richest decile received 2% of PBI benefits.

Figure 4.6. PBI benefits distribution in Indonesia

Share of total benefits by consumption decile (2016)



Source: OECD (forthcoming[1]), *Social Protection System Review of Indonesia*, OECD Development Pathways, OECD Publishing, Paris; authors' calculations based on Statistics Indonesia (2016[2]), *Survei Sosial Ekonomi Nasional 2016 Maret (KOR)*, https://microdata.bps.go.id/mikrodata/index.php/catalog/769 (accessed on 22 June 2018).

Efficiency

The efficiency of social protection programmes is determined by calculating the reductions in poverty achieved as a proportion of cost. As an example, Table 4.4 evaluates Indonesia's conditional cash transfer programme, Program Keluarga Harapan (PKH), in terms of total amount disbursed (Column 1), reduction in the poverty headcount and extreme poverty headcount (Columns 2 and 3) and reduction in the poverty gap and extreme poverty gap (Columns 4 and 5).

Table 4.4. PKH is the most efficient poverty alleviation programme in Indonesia

Cost and poverty impact of PKH benefits

	Disbursed amount (IDR trillion)	Poverty headcount reduction	Extreme poverty headcount reduction	Poverty gap reduction (IDR million)	Extreme poverty gap reduction (IDR thousand)
Absolute number	5.35	1 806 063.00	2 069 845.00	2 362 689.69	979 580.90
Percentage of GDP	0.05	5.71	25.91	11.92	30.94

IDR = Indonesian Rupiah.
GDP = gross domestic product.
Notes: The analysis of PKH equity, coverage and efficiency was conducted using the *2014 Survei Sosial Ekonomi Nasional* (SUSENAS), as more recent surveys do not capture grant receipt.
Sources: OECD (forthcoming[1]), *Social Protection System Review of Indonesia*, OECD Development Pathways, OECD Publishing, Paris; authors' calculations based on Statistics Indonesia (2016[2]), *Survei Sosial Ekonomi Nasional 2016 Maret (KOR)*, https://microdata.bps.go.id/mikrodata/index.php/catalog/769 (accessed on 22 June 2018).

Poverty-reducing efficiency is computed as the ratio of the reduction in the poverty gap to the cost of the programme, presented in percentages:

$$Poverty\text{-}reducing\ efficiency = \frac{Reduction\ in\ poverty}{Cost\ of\ programme} * 100$$

PKH's poverty-reducing efficiency, as measured by the change in the poverty gap for every IDR 100 spent on the programme, is 44.2%, while its extreme poverty-reducing efficiency is 18.31%. Results can be compared across social protection programmes.

This calculation is complemented by a review of the composition of social expenditures when available, for instance, by identifying the proportion allocated to programme administrative costs, which may be high due to the costs of targeting mechanisms or benefits delivery.

Efficiency analysis also identifies leakage of social protection programmes, by which inappropriate targeting mechanisms lead to transfers to households not targeted. This analysis can be used to compare a targeted measure with a universal programme.

References

NSC (2015), *Kyrgyz Integrated Household Survey*, National Statistics Committee of the Kyrgyz Republic, Bishkek. [4]

OECD (2018), *Social Protection System Review of Kyrgyzstan*, OECD Development Pathways, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264302273-en. [3]

OECD (forthcoming), *Social Protection System Review of Indonesia*, OECD Development Pathways, OECD Publishing, Paris. [1]

Statistics Indonesia (2016), *Survei Sosial Ekonomi Nasional 2016 Maret (KOR)*, https://microdata.bps.go.id/mikrodata/index.php/catalog/769 (accessed on 22 June 2018). [2]

Chapter 5. Assessment of sustainability (Module 4)

This chapter presents tools to analyse the long term financial sustainability of the social protection system. It gives guidelines for a dual analysis that takes into account both the expenditure and revenue side, focusing on the spending dynamics of social protection sector and its constituent programmes for the former and on resources available and how these are generated for the latter. The last part of the module suggests fiscal incidence analysis to combine the revenue and expenditure sides, and to calculate the impact of the existing system of taxes and transfers on equality and poverty.

Analytical dimensions

Module 4 assesses how social protection is financed, answering 4 critical questions:

1. Are resources are allocated appropriately across the sector?
2. Are social protection programmes sustainable over the long term?
3. Does potential exist to expand existing schemes or introduce new ones?
4. Are the mechanisms used to finance social protection spending consistent with the objectives of the programmes they are financing?

This analysis is based on a whole-of-government approach. It recognises that social protection is just one area of public spending, competing with many other priorities a government must finance. It also reflects the fact that many sources of financing for social protection also fund other areas of expenditure. Social protection is not viewed in isolation but in the context of a government's overall fiscal framework. Expenditure and revenues are given equal prominence.

On the expenditure side, this module analyses the spending dynamics of the social protection sector as a whole and of constituent programmes. Through detailed trend analysis, it identifies programmes likely to require greater resources in the future, which can be financed through reprioritisation, either from another social protection programme or from another area of government spending. This analysis incorporates information about the effectiveness of various programmes to ensure optimal allocation of resources across the sector. From a system perspective, this analysis also identifies potential economies of scale that can be achieved through greater administrative or institutional coherence.

On the revenue side, the module examines not only the quantum of resources available to the government but also how these resources are generated, since this can have an important bearing on both the sustainability of this financing and the overall effectiveness of social protection spending. It examines the level, composition and trends of tax revenues and other sources of finance, such as social security contributions, natural resource revenues or official development assistance (ODA). It also examines the sustainability of the current structure of public finances, with reference to the fiscal balance, debt levels and the composition of debt.

These revenues are assessed for their suitability as instruments for financing social protection. For example, many of the new social protection programmes that have emerged in recent years are reliant on ODA, but this source of funding is not appropriate over the long term, since it can fluctuate and donors will look to reduce assistance as countries transition to higher income groups. Similarly, revenues from natural resources can be highly volatile and are often based on finite resources; they thus represent an unstable (and often pro-cyclical) source of financing for programmes that require steady, long-term and (often) counter-cyclical financing.

The module also analyses whether the taxes on which the government relies to finance spending support the objectives of social protection, specifically a reduction of poverty and inequality. If progressive public spending is financed through a regressive tax system, then the overall distributional effect is neutral. Likewise, if higher-income earners accrue greater benefits from a social protection intervention – as is often the case with subsidies, for example – then such spending is not pro-poor and should be reallocated. By calculating the overall impact of taxes and transfers, the module not only provides

guidance for tax policy today but also informs the debate about how future revenues required by a social protection system might be raised.

Indicators and data sources

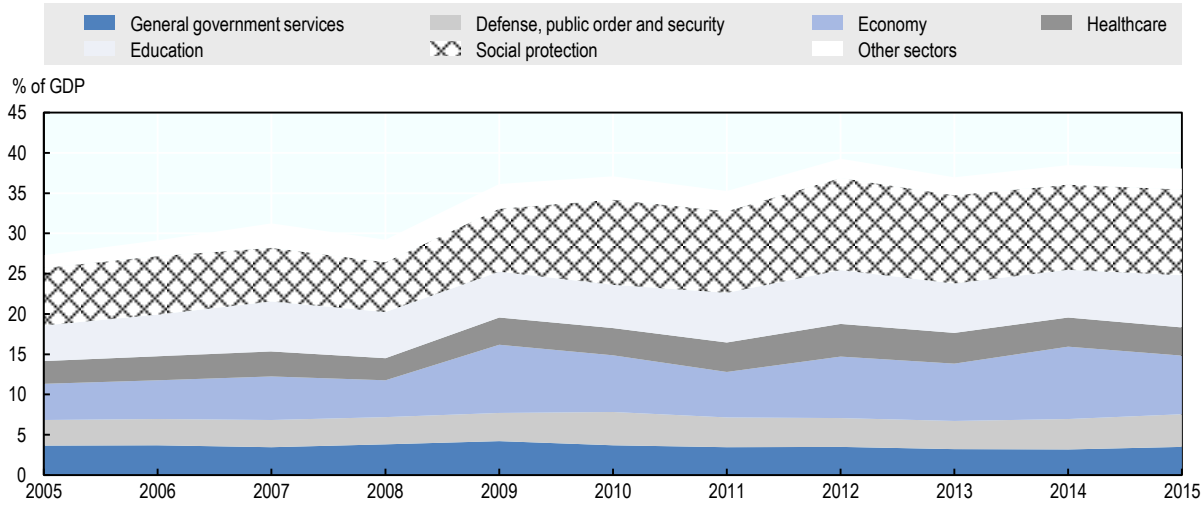
This module relies heavily on administrative data, most of which come from the Ministry of Finance and serve as input to the budget process. Such data might be publicly available online, although programme-level data are not, in which case it is necessary to contact the line ministries responsible. Spending and financing data are often presented as a percentage of gross domestic product (GDP); for the purposes of this module, total public expenditure is a more insightful denominator for spending, while GDP remains a key benchmark for macro-indicators, such as total spending, total revenues or debt measures. Household survey data are required for fiscal incidence analysis.

Methodology

This module analyses social protection spending on various levels, starting with the functional level, which establishes broad spending categories for various activities. Social protection spending is calculated as a proportion of total spending and compared with other spending areas to demonstrate its importance to public spending and identify how its spending trends compare with those of other areas of expenditure. Figure 5.1 shows spending by function in Kyrgyzstan between 2005 and 2015; social protection accounts for almost 30% of public spending, more than spending on health and education combined.

Figure 5.1. Social spending in Kyrgyzstan accounts for half of total public spending

Spending by function group as a percentage of GDP (2005-15)



Source: NSC (2016[1]), *Government budget expenditures*, http://stat.kg/en (accessed June 2017).

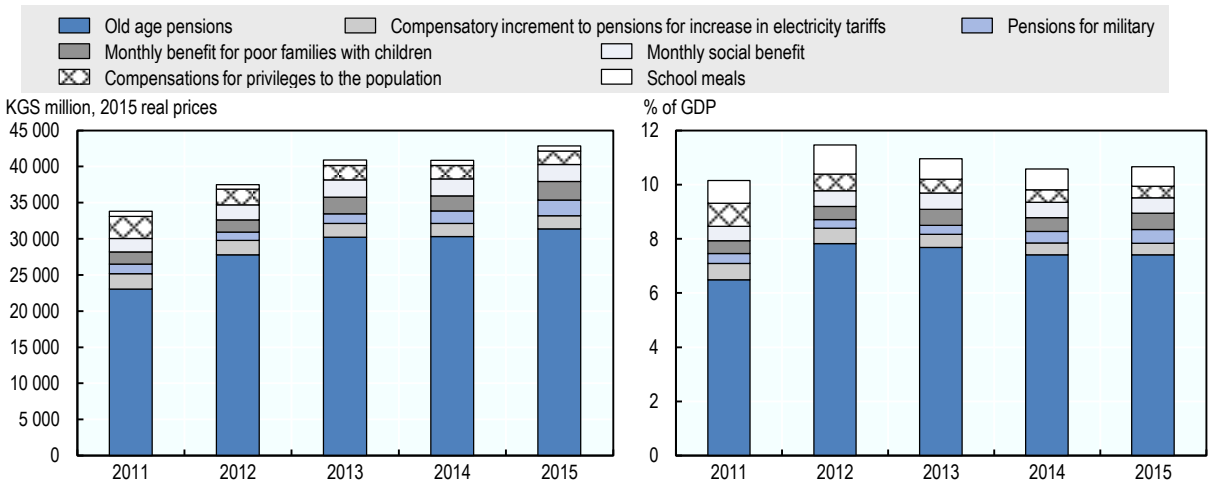
The module analyses the economic classification of spending to identify how much the government spends, for example, on transfers, capital projects or civil servant wages. Governments need to achieve a balance among various types of spending – in particular

between short-term (current) spending and longer-term public investment – which can influence a government's long-term finances and the development of the economy.

The module then maps spending on the programmes that comprise social protection. These might not be included within the social protection function group, either because they are not part of the main budget (as is sometimes the case with social security arrangements), they are linked to other areas of spending (such as public works programmes), or they are implemented by donors or non-governmental organisations (NGOs). Social protection spending at a subnational government level might also not be included. After this mapping, aggregate spending on these programmes is generated and its dynamics analysed.

Figure 5.2 shows social protection spending in Kyrgyzstan both in real terms and as a proportion of GDP over 2011-15 by the largest components. It confirms that social protection spending grew by both measures, driven largely by pension payments (including military pensions).

Figure 5.2. Growth in social protection spending in Kyrgyzstan is largely driven by pension payments (2011-15)



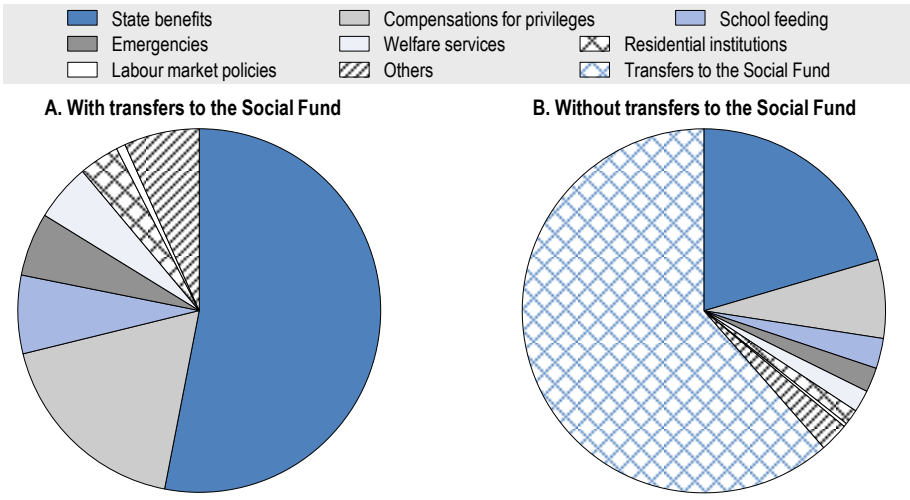
KGS = Kyrgyz Som.
Source: NSC (2016[1]), *Government budget expenditures*, http://stat.kg/en (accessed June 2017).

The module then analyses the spending dynamics of individual programmes. This multi-level approach assesses the long-term sustainability of the various schemes and the extent to which the system can be expanded in response to the shortcomings or future demands identified elsewhere in the Social Protection System Review (SPSR).

This mapping of social protection expenditure is then overlaid with a mapping of financing. It includes both non-contributory (financed by general revenues) and contributory schemes (funded by individuals, usually workers, and employers) and can reveal how the financing flows can blur these distinctions (Figure 5.3). Kyrgyzstan's contributory pension system is heavily subsidised by tax revenues, which finance the basic pension component, as well as pension top-ups and military pensions. These subsidies account for considerably more than total spending on social assistance.

Figure 5.3. Kyrgyzstan's contributory system is heavily subsidised by tax revenues

Tax-financed social protection spending (2015)



Source: NSC (2016[1]), *Government budget expenditures*, http://stat.kg/en (accessed June 2017).

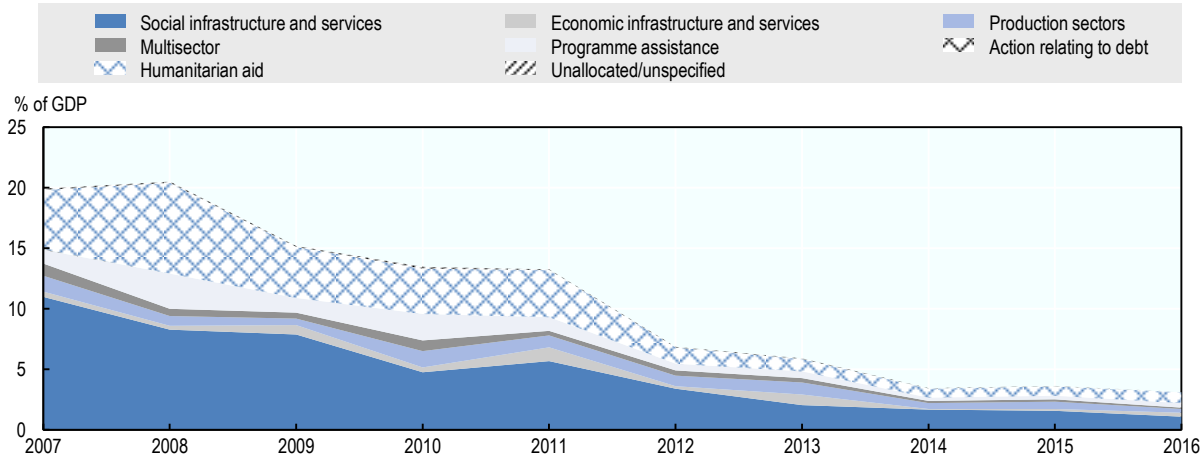
Various revenue sources are then analysed, including tax (disaggregated by instrument) and non-tax revenues (such as natural resource royalties or ODA). The trajectory of these revenues indicates the robustness of a government's long-term finances, while broader macroeconomic indicators, such as the fiscal balance and the debt-to-GDP ratio, are analysed to indicate a government's short- and long-term manoeuvrability. Also analysed are the strength of the revenue-collection system, including compliance rates and tax buoyancy, and the degree of decentralisation.

Figure 5.4 shows ODA flows to Ethiopia between 2007 and 2016 as a percentage of GDP. Ethiopia's social protection system, in particular the Productive Safety Net Programme, has relied heavily on support from development partners. This support is equivalent to an ever-smaller proportion of GDP, in part reflecting the growth of the Ethiopian economy over the period. However, Ethiopia's tax revenues have not increased as a percentage of GDP, meaning that public resources have not filled the gap. Ethiopia's National Social Protection Strategy envisages continued decline in donor support for social protection and highlights the importance of planning for a social protection system financed solely from domestic sources.

Last, the module combines revenue and expenditure analyses through a fiscal incidence analysis that calculates the distributional impact of the existing system of taxes and transfers, as well as its effect on poverty. Figure 5.5 shows how the combined impact of Kyrgyzstan's extensive system of taxes and transfers is close to neutral: the poverty rate is as high when the population neither pays taxes nor receives benefits as when both are in place, although this does not include in-kind transfers, such as public health or education services.

Figure 5.4. Official Development Assistance (ODA) to Ethiopia has declined dramatically as a percentage of GDP

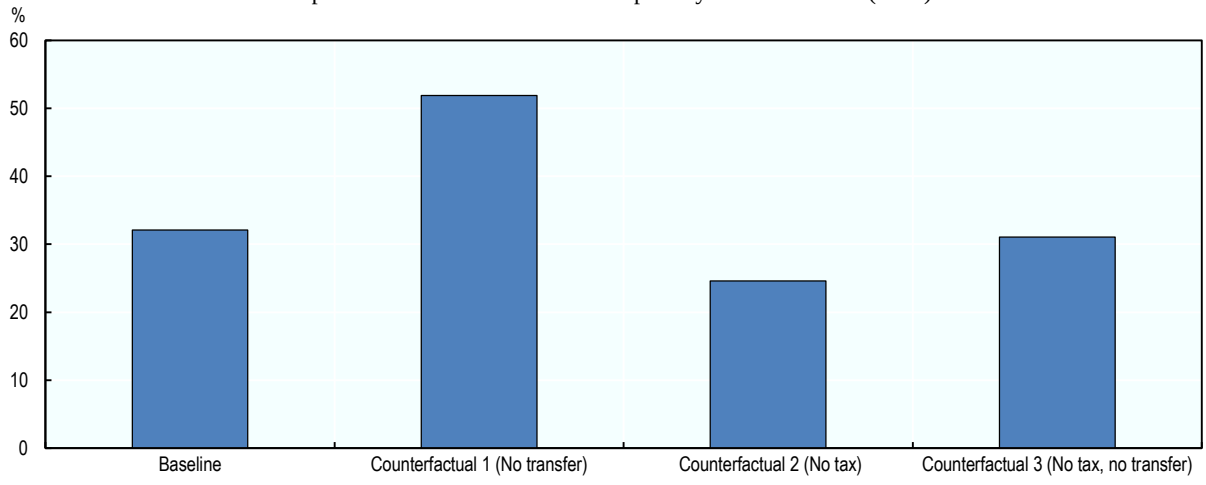
ODA flows to Ethiopia from Development Assistance Committee (DAC) countries (2007-16)



Source: OECD (2016[2]), "Spending from members from the Development Assistance Committee", *OECD.Stat* (database), https://stats.oecd.org (accessed June 2017).

Figure 5.5. The impact of taxes and transfers on poverty in Kyrgyzstan is close to neutral

Impact of taxes and transfers on the poverty headcount ratio (2015)



Source: Authors' calculations, based on NSC (2015[3]), *Kyrgyz Integrated Household Survey* (database), http://stat.kg/en (accessed June 2017).

This final analysis provides crucial guidance in developing recommendations for the most effective or appropriate revenue or expenditure instruments to address inequality or reduce poverty. It builds on methodologies employed in Organisation for Economic Co-operation and Development publications – *Social Cohesion Policy Review of Viet Nam* (2014[4]); *Divided We Stand* (2011[5]); and *Growing Unequal?* (2008[6]) – as well as the methodology devised by the Commitment to Equity Institute (2017[7]). While the analysis in this chapter relies primarily on administrative data, fiscal incidence analysis combines administrative data with survey information on household or individual income and expenditure.

References

Nora Lustig (ed.) (2017), *Commitment to Equity Handbook: Estimating the Impact of Fiscal Policy on Inequality and Poverty*, Brookings Institution Press and Commitment to Equity (CEQ) Institute, New Orleans. [7]

NSC (2016), *Government Budget Expenditures*, Finance Statistics Webpage, Bishkek, http://stat.kg/en (accessed on 01 June 2017). [1]

NSC (2015), *Kyrgyz Integrated Household Survey*, National Statistics Committee of the Kyrgyz Republic, Bishkek, http://stat.kg/en (accessed on 01 June 2017). [3]

OECD (2016), *OECD.Stat*, OECD Publishing, http://data.oecd.org (accessed on 01 June 2017). [2]

OECD (2014), *Social Cohesion Policy Review of Viet Nam*, Development Centre Studies, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264196155-en. [4]

OECD (2011), *Divided We Stand: Why Inequality Keeps Rising - OECD*, OECD Publishing, Paris, http://www.oecd.org/els/soc/dividedwestandwhyinequalitykeepsrising.htm (accessed on 06 December 2018). [5]

OECD (2008), *Growing Unequal? Income Distribution and Poverty in OECD Countries - OECD*, OECD Publishing, Paris, http://www.oecd.org/els/soc/growingunequalincomedistributionandpovertyinoecdcountries.htm (accessed on 06 December 2018). [6]

Chapter 6. A systems analysis of social protection (Module 5)

Building upon the findings of the assessment of needs, coverage, effectiveness and sustainability, this section looks at the potential for social protection systematisation. It provides the methodology for in-depth analysis of the sector's degree and modalities of systematisation across several dimensions and from several stakeholder perspectives. Based on this analysis, and on evidence from previous modules and other countries' experiences, recommendations for the enhancement of the social protection system can be made.

Analytical dimensions

Module 5 builds upon the evidence presented in the first 4 modules to identify key policy responses and explores their potential implementation to create a foundation for a robust social protection system. The objective is to enhance the extent to which social protection is comprehensive in terms of its various instruments, institutions and information-sharing platforms. This module also presents a political economy analysis, exploring the relationship between the government ministry tasked with implementing social protection and other relevant actors.

In many countries, fragmentation of social protection provision is a major challenge for policy makers and a critical impediment to establishing a social protection system that can be sustained in, and adapt to, changing social, demographic, economic and political conditions. Where social protection is implemented in a comprehensive manner, it can increase coverage while reducing duplication, link individuals to appropriate instruments and significantly increase efficiency using common information systems. Where it is integrated into the government's overall policy agenda, it can complement a country's development and reinforce its socio-economic gains.

Achieving this integration is not straightforward. Social protection instruments are usually established across a number of ministries or departments, by numerous pieces of legislation and over a long timeframe. This evolution reflects the typical social, economic and political transformation of countries as they develop, which often leads to a fragmented set of instruments and institutions that lack a co-ordination mechanism, do not form part of a coherent system and are not always responsive to changing national conditions. Lack of horizontal or vertical co-operation and co-ordination among actors at various stages of the policy cycle can negatively impact policy outcomes (Dayton-Johnson, Londoño and Nieto-Parra, 2011[1]). It is also important to look beyond domestic actors involved in policy-making, and to understand and utilise the contribution of international agencies and donors in this context.

Social protection is increasingly important in countries' development strategies. Governments are beginning to establish mechanisms to enhance co-ordination across institutions, ministries and functions. Sharing data about beneficiaries or at-risk groups is an essential component of this process. Many countries are developing management information systems and social registries to be used across the government, with the aim of ensuring that individuals are accessing appropriate programmes as well as of gathering information about the demand and impacts of different schemes.

Social protection outcomes, such as reductions in poverty and improved access to basic services, cannot be attributed to any one sector; the coherence of social protection with other policies needs to be assessed to identify coverage gaps, overlaps, synergies and trade-offs. The example of conditional cash transfers is instructive: requiring that beneficiaries use health and education services might reinforce the potential of cash transfers to enhance human capital development, but only if these services are accessible, adequate and equipped for the associated administrative work.

Last, there is growing recognition that reforms to build inclusive social protection systems, however well informed and well designed, are unlikely to be sustainable or even implemented without full country ownership and a national consensus. Assessing the domestic political factors influencing social protection policy is needed to gauge the political feasibility of social protection extensions and identify pathways for social protection development under various scenarios.

Indicators and data sources

Data for this module are largely qualitative. Organigrams for the social protection sector and key ministries are very valuable if available. For political economy insights, media searches are often productive.

Methodology

This module conducts in-depth analysis of the degree and modalities of systematisation in the social protection sector across various dimensions and from various stakeholder perspectives. It also proposes ways in which the social protection sector, and systematisation in particular, can be enhanced, based on evidence from earlier modules of the SPSR and other countries' experiences.

Systematisation at an institutional level is analysed with reference to a country's social protection policy-making processes and the coherence and co-ordination that exist within and among ministries, between different levels of government and other actors in the sector. It identifies the existence of co-ordinating bodies and their effectiveness, not only in promoting coherence across the sector but also in aligning social protection with a government's broader policy framework, such as a development plan and sectoral strategies for education, health, employment, agriculture or economic development.

This analysis also identifies the extent and effectiveness of programme-level co-ordination and coherence across social assistance, social insurance, labour market programmes and health coverage mechanisms, assessing the extent to which these pillars complement each other, are appropriately resourced and provide continuous coverage across population groups to ensure that they serve as the basis for comprehensive coverage. The potential for individuals to move among pillars according to their needs is an important aspect of this.

This module assesses information sharing across the social protection sector through management information systems, as well as linkages between social protection registries and other databases, such as civil registries or census data. It also examines the registration process for various programmes and the mechanisms used to target interventions at various groups, and evaluates monitoring and evaluation systems.

The module then examines the political economy around social protection, referring to previous reform processes and the broader political context. This analysis considers the attitudes of government, other national stakeholders and development partners involved in social protection to assess the alignment of their viewpoints. It also identifies the existence of, or demand for, other reform processes, such as health service provision, tax changes, subsidy reductions or fiscal decentralisation, which could affect social protection reforms positively or negatively.

The module concludes with specific options for enhancing the systematisation of social protection. It makes broad policy recommendations that respond to the evidence of the previous four modules, such as options for scaling up or reforming particular programmes, establishing new interventions to meet needs not addressed by existing social protection provision, and reprioritising sector resources to ensure the system's sustainability and optimise spending.

References

Dayton-Johnson, J., J. Londoño and S. Nieto-Parra (2011), *The Process of Reform in Latin America: A Review Essay*, OECD Publishing, Paris, https://www.oecd-ilibrary.org/docserver/5kg3mkvfcjxv-en.pdf?expires=1537186326&id=id&accname=ocid84004878&checksum=138D7D795A61113F7995CA3D19BEA0F2 (accessed on 17 September 2018). [1]

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The European Union takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

OECD DEVELOPMENT CENTRE

The OECD Development Centre was established in 1962 as an independent platform for knowledge sharing and policy dialogue between OECD member countries and developing economies, allowing these countries to interact on an equal footing. Today, 27 OECD countries and 25 non-OECD countries are members of the Centre. The Centre draws attention to emerging systemic issues likely to have an impact on global development and more specific development challenges faced by today's developing and emerging economies. It uses evidence-based analysis and strategic partnerships to help countries formulate innovative policy solutions to the global challenges of development.

For more information on the Centre and its members, please see *www.oecd.org/dev*.

OECD PUBLISHING, 2, rue André-Pascal, 75775 PARIS CEDEX 16
(41 2018 31 1 P) ISBN 978-92-64-31004-9 – 2018

OECD Development Policy Tools

Social Protection System Review

A TOOLKIT

The positive impacts of social protection on reducing poverty and inequality and contributing to development are well evidenced. Establishing an integrated system facilitates the provision of a social protection floor, whereby individuals are appropriately protected throughout the life cycle. This is achieved not only by making sure there is a sufficient range of programmes to cover a population's risk profile but also by sharing information on different individuals to ensure they are linked to an appropriate programme.

The *Social Protection System Review* is one of a small number of tools that serve to analyse how effective a country is in establishing a social protection system that responds to the needs of its people both today and in the future. The toolkit presents methodologies which can be implemented in any country, at any income level and by any institution. It is intended to generate policy recommendations that are actionable through national systems.

Consult this publication on line at ***http://dx.doi.org/10.1787/9789264310070-en***

This work is published on the OECD iLibrary, which gathers all OECD books, periodicals and statistical databases.

Visit ***www.oecd-ilibrary.org*** for more information.

OECD publishing

www.oecd.org/publishing

This project is co-funded by the European Union

ISBN 978-92-64-31004-9

41 2018 31 1 P 1