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*Research on Strengthening APEC SSN
Activities*

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Executive Summary

Introduction

In the first meeting of the Ad-hoc Task Force on Strengthening APEC Social Safety Nets (February 2001 in Beijing, China), member economies agreed on the usefulness of conducting preliminary research to take stock of social safety net activities in APEC and investigate options for cooperative endeavors among APEC members.

The Second Meeting of the Task Force was held on 28 May 2001 in Shenzhen, China. Korea and Thailand presented an overview of the draft preliminary research paper. One of the key findings of the preliminary research with which all members of the Task Force agreed was that capacity building in the area of social safety net was an area where APEC could make a major contribution.

As found in the preliminary research of the APEC SSN Task Force and the research reports submitted to APEC, the SSN system can be strengthened when the capacity for poverty monitoring, targeting and SSN system management etc. is augmented. Additionally, efforts to strengthen SSNs in the APEC region will likely require the committed involvement of numerous parties, hence the need for effective coordination and evaluation of these efforts to ensure success.

APEC and Social Safety Nets

APEC aims to achieve sustained growth and prosperity for the welfare of all people in the APEC region through trade and investment liberalization and economic and technical cooperation. However, the 1997 economic crisis provided a chance to reconsider the impact of globalisation and liberalisation.

AS Nobel laureate Amartya Sen said, globalisation can be a major force for prosperity only if it is backed by adequate national policies in a conducive social and economic environment, and one of the reasons for people suffering in Indonesia was that it had no social safety net when the financial crisis hit, though the country had done well on human development and growth rate.

Currently, the economic level of APEC member economies is quite diverse, from the most advanced economies, newly industrialized economies to developing economies. Due to the diversity in economic status of each member economy, the strengthening of social safety nets is absolutely essential in trade and investment liberalization, and thus, APEC has a responsibility of achieving the liberalization and the process towards it.

This will be APEC's value-add; also, social safety nets enable the member economy to perform structural adjustment. This, in the end, will not only strengthen the financial power of an enterprise, but also shorten the time to reach full-fledged trade liberalization.

SSN Task Force and Social Safety Nets

The value-added for the Task Force can be found in directing greater attention to the need to coordinate the current

work being undertaken throughout APEC with respect to social safety nets. Also, the rationale for APEC's involvement in the area of social safety nets can be found in providing a better basis for demonstrating the ways in which social safety nets can complement APEC's broader agenda.

APEC SSN Activities

Although APEC has conducted a series of activities intended to strengthen social safety nets, and numerous recommendations have been made, there has not been a concerted effort made within APEC to implement these recommendations, or incorporate the findings of SSN reports into actionable plans. Two efforts stand out in current APEC practice where an SSN need has been filled by coordinated effort: The Australian-Thai Social Protection Facility (SPF) and the Asia Recovery Information Center (ARIC). These efforts recognize the need to take more concrete measures to strengthen APEC SSNs.

In addition, APEC has accepted the finding of several critical research papers by member economies. The two reports closest to the preliminary research of the APEC SSN Ad-hoc Task Force are: *Social Safety Nets in Response to Crisis: Lessons and Guidelines from Asia and Latin America*, submitted to the APEC Finance Ministers Meeting (Feb. 2001) and *The Poor at the Risk: Surviving the Economic Crisis in Southeast Asia* submitted at the 12th APEC Ministerial Meeting (Brunei Darussalam 12-13 November 2000):

The findings of these reports agree on many points with the research conducted as part of the stocktaking report produced for the Ad-hoc Task Force on Strengthening Social Safety Nets. Those reports conclude that SSNs in APEC can be substantially improved by building the capacity of SSN-related officials, and

SSN-CB has been discussed in the following session.

SSN-related Capacity Building

As indicated in a draft of preliminary research on social safety nets, capacity building is the most effective solution to overcome such shortfalls. In this context, capacity building programs proposed by the Ad-hoc Task Force on Social Safety Nets should focus on developing appropriate solutions to this particular problem.

Major deficits of social safety nets in APEC member economies hit by the 1997 economic crisis result from mis-targeting or exclusion of the poor, lack of poverty monitoring systems and program evaluation systems, governance, low capacity of management, fund misallocation, inefficient welfare delivery system, etc. So, an APEC SSN institutional home should prioritize the programs of SSN-related capacity building as follows: targeting, monitoring, program evaluation, SSN-related management.

Currently, a number of member economies independently operate social safety net related capacity building projects such as AusAid; also, a number of international financial organizations including the World Bank, ADB, ADBI contribute to these projects. However, this may lead to unforeseen duplicated investment and hence an institutional home for social safety net-related capacity building which coordinates effective use of resources and which can act as a clearinghouse is needed.

Strategic Recommendations

1. Establishment of an APEC SSN Ministerial Meeting

- This proposal is to address ways in which SSN arrangements can better serve the pursuit of globalization, trade liberalization and free investment and improve the welfare of APEC citizens.
- The populations of many APEC Member Economies are impoverished, yet as they grow toward political autonomy and their voices are heard they may feel growing animosity towards the goals of globalization and thus endanger the fiber of APEC.
- The Meeting could address which types of social programs are most effective in combating the negative effects of trade liberalization and globalization, and coordinating SSN efforts with IFIs, multilateral and bilateral organizations to help secure the proper expertise and services to address the problems.

2. Establishment of SSN-Capacity Building Network

- Currently, APEC does not have any institution to track, coordinate and perform SSN capacity building. Therefore, establishment of such body serves to coordinate and monitor the SSN capacity building activities independently performed by member economies such as AusAid, as well as the World Bank, ADB and ADBI within the APEC region.
- The institutional home functions to ensure the effective allotment of resources and then regularly reports the results to APEC.

- As the HRDWG has already undertaken extensive capacity building efforts in economic, training and technological areas, extending that expertise to SSN issues is appropriate and feasible.

3. International Conference for Strengthening APEC SSN Activity

- This proposal reflects the need to bring together experts in the field of SSNs to discuss and exchange information on current initiatives and practices in the APEC region and internationally in order that continuing SSN efforts conform to international best practice.
- The international conference would focus on SSN experience sharing between APEC Member Economies, IFIs, SSN policymakers, academics and others, and ultimately draw a comprehensive APEC SSN model.
- In addition this conference can help to provide a basis for cooperation in disaster relief schemes.

4. Study for Development of a Social Insurance Model Customized to Member Economies Needs

- Development of pension and health insurance policies to suit the unique economic needs of developing APEC member economies has yet to be carried out.
- The Finance Ministers' Process has undertaken research aimed at developing appropriate social insurance models and could further be tasked to assist in development of a transferable social insurance model for application in Member Economies.

5. Social Safety Net Issues and Gender Study

- In light of data from APEC-sponsored research into the delivery of APEC region SSNs, it has been determined that SSN programs often under-serve women.
- To ensure that women receive equal benefits under SSN programs, studies should be undertaken to examine this problem and suggest ways of counteracting it.
- Also, existing studies, like those underway in the Advisory Group on Gender Integration (AGGI) could be used to support improvement in SSN delivery to women.

I. Introduction

The Twelfth APEC Ministerial Meeting held on 12-13 November 2000 endorsed the proposal on the *Revitalization of Social Safety Net Activities in APEC* by Korea and Thailand. Furthermore, the Eighth APEC Economic Leaders Meeting held in Brunei on 16 November 2000 welcomed the proposal to strengthen social safety net activities in APEC to address economic disparities. The Korea-Thai proposal contains the establishment of an *Ad-hoc Task Force on Strengthening APEC Social Safety Nets* "for reviewing APEC's activities on social safety and forward recommendations to Ministers in 2001". The Task Force was established and held the first meeting last February 2001 in Beijing, China.

In the first meeting, member economies agreed that it should be a creative contribution to avoid duplication with undertakings in other fora such as the Finance Ministers Process and the Human Resources Development Working Group. Therefore, the meeting agreed on the usefulness of conducting preliminary research to take stock of social safety net activities in APEC and investigate options for cooperative endeavors among APEC members.

The Second Meeting of the Task Force was held on 28 May 2001 in Shenzhen, the People's Republic of China. Korea and

Thailand presented an overview of the draft preliminary research paper which takes stock of social safety nets (SSN) programs in APEC member economies hit by the 1997 economic crisis, and existing SSN activities undertaken by international financial institutions, as well as by APEC member economies. A first draft of this preliminary research paper was discussed at the second meeting of the Task Force in Shenzhen. One of the key findings of the preliminary research with which all members of the Task Force agreed was that capacity building in the area of social safety net governance and management was an area where APEC could make a major contribution.

In order to galvanize discussions on ways for APEC to contribute effectively to strengthening social safety nets, the first draft of this preliminary research paper presented seven strategic options to be used as discussion points for brainstorming: establishment of APEC Social Safety Net Capacity Building Center, pension and social insurance study, social safety nets and labor mobility, social safety net issues and gender, establishment of a Social Safety Net Policy Network, social and welfare indicators, a catalogue of social safety net funds and facilities.

Korea and Thailand emphasized the preliminary nature of the above-mentioned discussion points to be used for finding the directions for APEC work in this area. In the ensuing discussions, member economies underscored the importance of capacity-building in the area of governance and management of safety net programs.

This report consists of 5 sections as follows. Section 2 emphasizes the reasons why APEC should address strengthening SSNs to improve free trade and investment in the area following the Asian financial crisis. That is, the relation of SSNs, the economic crisis and globalisation has been discussed to provide a clearer value added role of APEC in SSN activities. In Section 3,

APEC SSN activities have been reviewed in terms of the follow-up of decisions in APEC fora and Ministerial meetings. In Section 4 the background and programs of SSN-capacity building have been dealt with. In Section 5, strategic recommendations are proposed to strengthen APEC SSN activities mainly through capacity building.

As found in the preliminary research of the APEC SSN Task Force and the research reports submitted to APEC, the SSN system can be strengthened when the capacity for poverty monitoring, targeting and SSN system management etc. is augmented. Additionally, efforts to strengthen SSNs in the APEC region will likely require the committed involvement of numerous parties, hence the need for effective coordination and evaluation of these efforts to ensure success.

II. How APEC can add value

1. APEC and Social Safety Nets

APEC is the largest and most important economic forum in the Asia-Pacific region. It aims to advance trade and investment liberalization and facilitation and economic and technical cooperation. Through liberalization and cooperation APEC aims to spread the fruits of globalization among its members.

In particular, strengthening of social safety nets will be indispensable for reaching the Bogor Goals of free trade and investments by 2010 and 2020. Further liberalization will raise interdependence among and comparative advantage of member economies. Above all it will heighten competition. The ultimate aim is to achieve sustained growth and prosperity for the welfare of all people in the APEC region.

The 1997 economic crisis provided a chance to reconsider the impact of globalisation and liberalisation. In particular, it exposed the social dimension of the economic crises. Although there may be differences over assessing the causes and significance of the economic crisis, there is full agreement that reform and liberalization cannot proceed without the establishment of adequate social safety nets.

Box 1. Globalisation sans social welfare is counter-productive

Nobel laureate Amartya Sen said that globalisation could be a major force for prosperity only if it was backed by adequate national policies in a conducive social and economic environment. He stressed that countries threatened by globalisation were those where human development was very low. There are major gains to be made in globalisation, but if a country has globalisation at the highest possible speed and pays no attention to lack of social opportunity, it was creating problems for itself. In that case, the blame lies not with globalisation but with concomitant policies with which it was being married. Globalisation needs to be put in a broader context of social and economic policies. He suggested a social safety net to take care of the people when things go wrong for one reason or another. He said "The problems arise when people in the countries enjoying protective environment are suddenly pushed into a highly-competitive situation, and when they opened economies suddenly, there were a lot of people who were not in a position to compete in a global world". One of the reasons for people suffering in Indonesia was that it had no social safety net when financial crisis hit, though the country had done well on human development and growth rate, Prof Sen added. (Times of India, 16th October, 1998, New York)

Furthermore, the economic crisis exposed that social safety net programs in many APEC economies were inadequate. Above all, the crisis caught many economies off guard in their ability to administer and manage social safety net programs effectively under duress. A fundamental analysis on the relationship between social safety nets and APEC's TILF is therefore necessary.

The liberalization of trade and investment should create equal benefits to all member economies. However, the inception of trade and investment liberalization often brings about unexpected financial downturn for those businesses lacking preparedness. The main reason for such negative outcomes is the relatively lower

productivity of domestic businesses compared to that of foreign businesses. In the international market, among equally priced products, a product of lower quality will not achieve market competitiveness. Thus, businesses with lower international competitiveness due to lower productivity are making efforts to build competitiveness through technological innovation. But more frequently, these businesses attempt to boost their productivity through structural adjustment. This situation should be explored from the standpoint of businesses and employees respectively.

First of all, from the corporate standpoint, those economies in this kind of situation tend to have a certain limitation or difficulty in performing structural adjustment in most cases. The main reason being that employees are strongly opposed to accepting the legitimacy of structural adjustment and the hardships that often accompany it. When the society is not well equipped with social safety nets for its people, corporate structural adjustment becomes a very controversial issue and suffers setbacks due to reactions from labor unions and those most vulnerable to the layoffs. Meanwhile, when a society has a strong social safety net for its people in which specific SSN programs, including employee insurance and public assistance, can provide durable livelihood protection, employees tend to have less apprehension concerning their own rights, and the company can execute comparatively easy structural adjustment. In the past, massive employee layoffs in the advanced economies, and a lack of accompanying protest, demonstrate this logic.

Even in situations where structural adjustment may be difficult, a partial structural adjustment might take place making some laborers unemployed. Moreover, the quality of life may deteriorate because of business bankruptcies or a decline of income due to an economic slump. In both cases, the purchasing power of insufficiently competitive economies with poor social

safety nets takes a plunge, affecting trading partners negatively. At the same time, a sharp increase in unemployment and poverty brings a deepening of social anxiety and later hinders the sustainable relationship with investment partners in foreign countries.

Continued studies and experience have reached a concerted conclusion that globalization is an inevitable and necessary process for the benefit of the world as a whole. In spite of this, recently there have been a number of anti-globalization demonstrations led by international NGOs at international organizations' general assembly meetings such as the IMF and WTO. Demonstrators assert that globalization has the opposite function in which it would widen the gap between rich and poor countries.

On this issue, OECD has recently published a paper stating that globalization would bring benefits to some countries and suffering to others. Thus, generalizing the effect of globalization is difficult, but the fact that a certain country or certain stratum within a country suffers from globalization should be realized.

Hence, any investor economies that benefit from the liberalization of trade and investment should pay special attention to strengthen social safety nets in partner economies. The simple reason is that any efforts seeking only short-term interests without focusing on strengthening social safety nets will generate much more negative responses to the process of globalization than the recent reaction of NGOs.

Currently, the economic level of APEC member economies is quite diverse, from the most advanced economies, newly industrialized economies to developing economies. Due to the diversity in economic status of each member economy, the strengthening of social safety nets is absolutely essential in trade and investment liberalization, and thus, APEC has a responsibility

of achieving the liberalization and the process towards it.

This will be APEC's value-add; also, social safety nets enable the member economy to perform structural adjustment. This, in the end, will not only strengthen the financial power of an enterprise, but also shorten the time to reach full-fledged trade liberalization.

2. SSN Task Force and Social Safety Nets

The Asian economic crisis in 1997 has demonstrated the inability of many APEC developing member economies, especially in South East Asia, to deal with external shock as well as the weak domestic social infrastructure's inability to cushion against the impact of the shock. Many of the economies had limited experience with such shocks, and therefore were unable to carry out rapid response to the crisis, let alone conducting adequate impact assessment and monitoring. Thus, when the crisis emerged they were caught unprepared and external assistance including collective effort was necessitated.

The first collective initiative on the social safety nets in APEC Economic Leaders Meeting was launched in November 1998. Since then, a number of initiatives and proposals in this regard have taken place in various fora within APEC as well as collectively with other regional and international organizations. Although there seem to be various APEC collective activities in response to the social impact of the crisis, most of these efforts do not, however, seem to have produced tangible outcomes so far. A variety of activities on social safety nets is being pursued by various bodies in APEC, but it is unclear how these efforts are being integrated. Thus, there is no single concrete APEC-wide program that tackles the problem in a comprehensive way.²⁾

The value-added for the Task Force can be found in directing greater attention to the need to coordinate the current work being undertaken throughout APEC with respect to social safety nets. Also, the rationale for APEC's involvement in the area of social safety nets can be found in providing a better basis for demonstrating the ways in which social safety nets can complement APEC's broader agenda.

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- 2) APEC, A proposal for Revitalisation of APEC Social Safety Net Activities by the Republic of Korea and Thailand, Twelfth APEC Ministerial Meeting, 2000/ANM/019, 2000

III. Review of APEC SSN Activities

APEC Economic Leaders first launched their collective initiative on social safety nets in November 1998 by instructing the Ministers to work with the World Bank and, where appropriate, public and private institutions to formulate strategies of concrete actions aimed at strengthening social safety nets. A year later in Manila in November 1999, a Multi-institutional workshop organized by the World Bank Institute was integrated in the Manila Social Forum. The donor community under the leadership of the World Bank, the UN system, APEC, Australia, and the Asian Development Bank are conducting a series of conferences and meetings on the social impact of the Asian crisis and the implications for social policy in Asia. As part of this effort the Asian Development Bank hosted a Forum on Social Policy Issues in Manila from 9 to 12 November 1999. This Forum was jointly organized by the World Bank, the World Bank Institute (WBI), the Asian Development Bank (ADB) and the Asian Development Bank Institute (ADBI). The forum brought together high-level policy makers, operational experts and external partners. The Manila Social Forum served as a forward-looking platform to exchange operationally relevant views on social policy challenges and opportunities facing Asia at the dawn of the new century.

In November 2000, the APEC Economic Leaders' Meeting in Bandar Seri Begawan further instructed the Ministers to include ways to look after those disadvantaged by economic change including continued work on social safety nets. APEC Ministers also reiterated the importance of supporting the poor and vulnerable segments of the communities that were affected by the crisis and by the process of economic restructuring. They noted the further work by various APEC fora to strengthen social safety nets and to reduce the adverse impacts of the Asian crisis. Thailand proposed that the Social Protection Facility of 5 million Australian Dollars, to be donated by the Australian government, be used as seed money. The Australian government commissioned a study on the impacts of the crisis on children and associated issues in social safety nets in selected Asian APEC economies, namely, Indonesia, Thailand and the Philippines. To address some of the issues highlighted in the study, the Australian Prime Minister announced at the APEC Economic Leaders Meeting in Auckland in 1999 a three-year, \$5 million Social Protection Facility for East Asia. The facility, which will be implemented between 2000-2002, will assist developing economies in East Asia to improve social policy and programs. At present, the Institute for Population and Social Research, Mahidol University, in Thailand has been chosen as a training institution to provide technical capacity building for key government agencies in the social policy and program delivery area. It is expected that the training course for the officials from Thailand, Vietnam, the Philippines and Indonesia will commence in August 2001.

The Sixth APEC Finance Ministerial Meeting in Langkawi, Malaysia, in May 1999 was the first to make a statement about APEC's collective activities on social safety nets. Ministers welcomed the country-specific assistance, both technical and financial, being provided by the World Bank and the Asian

Development Bank to promote sound design and adequate internal financing of national social safety nets, taking into account the cultural, economic, institutional and social situation of the individual economies. In addition, they agreed that this collaborative work could build on the findings of the Regional Meeting on Social Issues Arising from the East Asian Crisis (Bangkok, 21-22 January 1999) and the Ministerial Meeting of Development Cooperation (Sydney, 5 March 1999). In this regard, they have endorsed a work program for the Finance Ministers' process to form a working group, including the World Bank, the ADB and the IMF, to explore ways to strengthen social safety nets in a framework integrated with poverty reduction into growth-orientated macro policies. The effort on this issue continued in the meeting held at Bandar Seri Begawan in September 2000. The Ministers recognized that the experiences in administering social safety nets of the APEC economies are the subject of an on-going study and agreed to develop a set of guidelines for responsive and fiscally manageable social safety nets to present to the APEC Leaders' Meeting in November 2000.

Since early 1999, the Economic Committee (EC) has been active in addressing the analytical examination of the social impact of the crisis. It had initiated a two-year research project on *"APEC Economies Beyond the Asian Crisis"* that included a strong analytical component dealing with the social impacts of the crisis. The result of the study was revealed in its report titled *Building the Future of APEC Economies: Move Forward on the New Economy and Entrepreneurship* in November 2000. The report begins with an examination of the impact of the financial crisis on the budgets of the affected economies, particularly that for the social sectors. The report found that while a squeeze on basic social expenditure was inevitable, affected economies tried to maintain the level of developmental expenditures (including

education, health, social security and welfare, housing and community amenities and economic services) by cutting back on expenditures for defense and other budget areas. (See Table in Annex for details concerning different fora activities and reports.)

The Task Force on Social Safety Nets was established in 1999 as a result of the Thai and U.S. initiative to strengthen social safety net activities in the affected economies of APEC. However, the work of this Task Force was conducted by virtual means such as e-mail communications, and aimed at sharing policy experiences of the member economies in four areas of social safety net, namely: food stamp distribution, health care, vocational training, and employment. At the same time, Australia has taken initiative to establish the Asia Recovery Information Center (ARIC) at the Asian Development Bank to support the work of the Task Force through the exchange of information. The Task Force was also urged to cooperate with other international organizations such as the World Bank and the Asia Development Bank.

In May 1999, the HRD Working Group organized a seminar on human resource management strategies to minimize the effects of job retrenchments. Some of these programs flowed from the work of the group's Task Force on the Human Resource and Social Impacts of the Financial Crisis, which recommended new or expanded projects in key areas of crisis response. Also in July 1999, an APEC Forum on Human Resources Development was held in Japan focusing on the short-term vocational training needs of workers affected by the crisis, as well as longer-term policies on vocational training to cope with globalization. In 2000, the LSPN heard the results of a key HRDWG project "The Poor at Risk: Surviving the Economic Crisis in Southeast Asia," which examined the workings of social safety net projects in five Southeast Asian economies hit hardest by the Asian financial

crisis: Thailand Indonesia, Malaysia, the Philippines and Vietnam. The project examined, inter alia, the role of the public sector in poverty alleviation at the time of the crisis, the social impact of the crisis, and the challenges in providing social protection at the time of crisis. The project also included recommendations on how economies could better prepare and inure themselves to future economic and social crises.

In 2000, the HRDWG underwent a restructuring to better reflect the current priorities of Leaders and Ministers in the area of HRD, and also to ensure more effective management by reducing its size from five to three networks: the Capacity Building Network (CBN); the Education Network (EDNET); and the Labour and Social Protection Network (LSPN). The Capacity Building Network (CBN) promotes human capacity building but oriented to strengthening markets. The Labor and Social Protection Network's (LSPN) mission is to foster human capacity building, social integration, and strong and flexible labor markets through the development of useful labor market information and policy, improved workplace conditions and practices, and strong social safety nets. In 2000, the 9th APEC HRD, Labor and Social Protection Network (LSPN) International Workshop: "International Migration and Structural Change in the APEC Member Economies" was held in Taipei on October 19-20, 2000. Sixteen member economies presented country reports and regional overviews of international migration and structural changes in the APEC region. The purpose of the project was to investigate the relationship between international migration and structural changes in the APEC member economies. The Workshop was oriented to labour issues, but did not deal with the issue of social protection or social safety nets.

A consensus was formed among the member economies at the Vancouver Leaders' Meeting in November 1997 that joint

actions need to be taken to prevent and to counter emergency situations such as the forest fire in Indonesia and the damage caused by smoke. At SOM I in Penang in February 1998, it was agreed that joint actions and work should be reviewed and proceed in cooperation with other international organizations. At the Ministerial Meeting in 1998, Canada tabled the APEC Framework of Principles for Building Initiatives on Emergency Preparedness, in which the elements of cooperation such as assessment of effects of disasters and building emergency-coping capability through economic and technical cooperation has been addressed. The Framework approved by Ministers also addressed ways to promote trade of the emergency provisions and services and to strengthen cooperation between the private and the government sectors. At the Tenth APEC Ministerial Meeting in Kuala Lumpur, Malaysia, 14-15 November, 1998, Ministers endorsed the APEC Framework For Capacity Building Initiatives On Emergency Preparedness, which aims to strengthen joint cooperative efforts to enhance capacities of APEC member economies to respond to natural disasters and emergencies, and look forward to initiatives to improve preventive and responsive measures

Although APEC has conducted a series of activities intended to strengthen social safety nets, and numerous recommendations have been made, there has not been a concerted effort made within APEC to implement these recommendations, or incorporate the findings of SSN reports into actionable plans. Two efforts stand out in current APEC practice where an SSN need has been filled by coordinated effort: the Australian-Thai Social Protection Facility (SPF) and the Asia Recovery Information Center (ARIC).

The Australian-Thai Social Protection Facility (SPF) is an Australian-funded joint effort by AusAid and Thailand's Mahidol University to improve SSN planning and delivery by providing

capacity-building to those parties concerned with SSN services in a number of South East Asian Economies.

For the purpose of increasing awareness of social conditions in the wake of the economic crisis, and to assist in coordination of efforts to combat the negative effects of the crisis, the Asian Recovery Information Center was established. The concept of the Asia Recovery Information Center (ARIC) first emerged at the Meeting on Development Cooperation: Responding to the Asia Crisis held in Sydney on 5 March 1999. Acting on a proposal by the Australian Government, the meeting agreed that an Internet-based facility would provide the most efficient means of gathering, collating, and disseminating this information.

In addition, APEC has accepted the finding of several critical research papers by member economies. The two reports closest to the preliminary research of APEC SSN Ad Hoc Task Force are: *"Social Safety Nets in Response to Crisis: Lessons and Guidelines from Asia and Latin America"*, and *"The Poor at the Risk: Surviving the Economic Crisis in Southeast Asia"*. The first one is a paper submitted to the APEC Finance Ministers Meeting (Feb. 2001). From this research, the following major lessons have emerged: a) The availability of timely and reliable information on poor and vulnerable groups is critical for the design and implementation of SSN programs; b) Pre-crisis planning can contribute to the design of effective SSNs; c) It is essential that the programs are targeted and provide adequate protection to the poor; d) SSN should build on existing public programs and mechanisms for targeting and delivery; e) Transparency and accountability in the design and implementation of programs and in the use of resources are critical to the effectiveness of SSN programs; g) SSN programs should be coordinated across implementing ministries and departments as well as different government levels to avoid inefficient overlap and administrative

waste; h) The building of adequate administrative capacity at the local level should precede decentralization.

The second one is a key HRDWG project submitted at the 12th APEC Ministerial Meeting (Brunei Darussalam 12-13 November 2000): *"The Poor at the Risk: Surviving the Economic Crisis in Southeast Asia"*. The research recommends that the governments should establish some form of SSN policy unit, which would be charged with developing a) better systems of quick data collection on the social impact of the crisis on the poor, b) quick response programs for alleviating social impact on the poor, c) systems of more effectively targeting the most severely impacted groups, d) the most methods of implementation and e) systems of effective monitoring of the programs.

The findings of these reports agree on many points with the research conducted as part of the stocktaking report produced for the Ad-hoc Task Force on Strengthening Social Safety Nets. Those reports conclude that SSNs in APEC can be substantially improved by building the capacity of SSN-related officials, and SSN-CB has been discussed in the following session.

IV. SSN-related Capacity Building

In the Second Meeting of the SOM Ad Hoc Task Force on the Strengthening of Social Safety Nets (28 May 2001 in Shenzhen, the People's Republic of China), Korea and Thailand presented an overview of the draft preliminary research paper which takes stock of social safety nets (SSN) programs in APEC member economies hit by the 1997 economic crisis, and existing SSN activities undertaken by international financial institutions, as well as by APEC member economies. The research aims at identifying gaps and missing links between collective APEC social safety net-related activities and similar undertakings elsewhere and to suggest possible areas where APEC can contribute to strengthening social safety nets. The conclusion of the research is that capacity building is the area where APEC can make a major contribution.³⁾ As a measure to mitigate the external changes for

3) There was a similar project "APEC Economies beyond the Asian Crisis" which was a two-year project started from the beginning of 1999. This project focused on long-term prospects of the APEC economies beyond the Asian crisis, highlighting key issues awaiting the APEC economies in the next few decades. This project was carried out as a collaborative task led by four lead economies: Japan (growth potentials and project coordination), Korea (trade and investment), Chinese Taipei (SMEs), and the Philippines (social policy). The report emphasized the importance of capacity building

the member economies' domestic areas, a series of APEC reports has already outlined the importance of strengthening social safety nets. Also, as the best way to strengthen social safety nets, capacity building has been repeatedly proposed as a key measure. APEC SSN-related capacity building can then provide assistance to strengthen economies' resilience to socio-economic impacts of external shocks.

APEC member economies' social safety nets have been studied and some problems have been found. As indicated in a draft of preliminary research on social safety nets, capacity building is the most effective solution to overcome such shortfalls. In this context, capacity building programs proposed by the Ad-hoc Task Force on Social Safety Nets should focus on developing appropriate solutions to this particular problem.

Major deficits of social safety nets in APEC member economies hit by the 1997 economic crisis result from mis-targeting or exclusion of the poor, lack of poverty monitoring systems and program evaluation systems, governance, low capacity of management, fund misallocation, inefficient welfare delivery system, etc. So, an APEC SSN institutional home should prioritize the programs of SSN-related capacity building as follows: targeting, monitoring, program evaluation, SSN-related management.

In the 2nd Task Force Meeting, member economies agreed on the importance of social safety net capacity building. Currently, a number of member economies independently operate social safety net related capacity building projects such as

in APEC economies to meet the challenges of future growth posed by the Asian crisis and the new economy. Priority areas of cooperation identified in the report that APEC needs to focus on included: strengthening markets, e-commerce and technology cooperation, entrepreneurship and SME development, education and life-long learning, and social safety nets.

AusAid; also, a number of international financial organizations including the World Bank, ADB, ADBI contribute to these projects. However, this may lead to unforeseen duplicated investment and hence an institutional home for social safety net-related capacity building which coordinates effective use of resources and which can act as a clearinghouse is needed.

Box 2 Definition of Capacity Building and Its Path

Capacity building is described as an idea which is used frequently in the world of development, but rarely given clear definition. Training is not capacity building, although it certainly is a component of it. Capacity building seeks to strengthen the self-adaptive capabilities of people and organizations, in order that they can respond to a changing environment, on an ongoing basis. Capacity building is a process and not a product. In particular, capacity building is a multi-level learning process, which links ideas to action. Capacity building, in this view, can be defined as actionable learning. As actionable learning, capacity building encompasses a number of linked learning processes, the cumulative impact of which enhance the prospects for individuals and organizations to continuously adapt to change.¹⁾

Capacity building can be developed through the path as follows: i) establish clear goals for change, ii) assess the knowledge, skill and organizational demands implied in change, iii) assess current state of readiness to meet the knowledge and skill demands of change, iv) determine knowledge, structural and skill gaps between current and goal state, v) actionable learning strategies, vi) monitor movement toward or away from change goals, vii) anticipate and be prepared to change the change strategies.

V. Strategic Recommendations Including Institutional Arrangement and Action Plan

1. Establishment of an APEC SSN Ministerial Meeting

A. Proposal

- This proposal is to suggest establishment of an APEC SSN Ministerial Meeting to address ways in which SSN arrangements can better serve the pursuit of globalization, trade liberalization and free investment and improve the welfare of APEC citizens.
- This Meeting might address current resistance to globalization as evinced most strongly by the WTO protests in Seattle, but now echoed at nearly every meeting of multilateral organizations, and how increased and coordinated social protection measures in APEC can address the legitimate concerns of these groups.
- The Meeting would evaluate ways in which these groups could be engaged in productive dialogue, and further, could

suggest remedies for some of the adverse effects of globalization.

B. Background

- Resistance to the effects of globalization reached a violent level during the protests against the WTO meeting in Seattle in 1999.
- Grass-roots organizations represent a very real community within each nation, and internationally, who feel that globalization often has negative effects on livelihood, culture, environment, economy, family, welfare and rights.
- The philosophy of globalization and prosperity is widely accepted, but leaders tend toward pragmatism: Although free and open trade are the goals of globalization, regional groups like NAFTA and the EU have sprung up with some protectionist intent.
- Advanced countries may withhold membership in multilateral organizations from weaker non-members to force their compliance with a list of regulations and laws, thus hindering development.
- Countries not receiving a share of the benefits of globalization in some cases experience a worsening of domestic conditions.
- As APEC's influence in opening markets in the region continues to grow, APEC may find itself the subject of intense scrutiny and possible resistance.

C. Rationale

- APEC, as an organization including NAFTA, ASEAN and ASEM nations, is in a strong position to provide a leadership

role in addressing the potential threats from structural adjustment and globalization.

- APEC's own policies may produce feelings of disenfranchisement in Member and non-member economies; APEC has a responsibility to address these issues to maintain its mandate and good reputation.
- APEC would do well to evaluate strategies for increasing co-prosperity and peaceful co-existence in the region as part of its own Human Development pillar.
- The populations of many APEC Member Economies are impoverished, yet as they grow toward political autonomy and their voices are heard they may feel growing animosity towards the goals of globalization and thus endanger the fiber of APEC.

D. Meeting Agenda

To address the growing criticisms of globalization, and also to help empower APEC Member Economies to address the following issues domestically, APEC might discuss the following strategies:

- The design and implementation of active unemployment policies that seek to retrain and increase the skill sets of the unemployed so that they may contribute positively to modernization of the economy. In addition to the unemployed, these training opportunities should be extended to vulnerable populations to enlarge their employment options.
- Create social sector jobs for vulnerable populations (women, disabled, elderly, etc), thereby increasing their contribution to the overall welfare of society, for example:
 - ① providing support for the hospitalized

- ② providing environmental maintenance
 - ③ providing education
 - ④ providing social welfare services
 - ⑤ forest fire/forest management
 - ⑥ river/flood management
 - ⑦ cultural services/guides
- This effort may include privatization of services formerly provided by government agencies.
 - Provide more organization and expertise for disaster preparedness and management.
 - Evaluate ways in which SSN programs can be improved to better serve the needs of women and children, in light of APEC research that has demonstrated that these populations tend to be under-served by existing efforts.
 - Evaluate the opportunity *to build an APEC regional SSN model*. This effort will include assessment of each Member Economy's SSN situation and needs, in addition, a review of existing APEC SSN research should be conducted
 - Provide SSN capacity building to developing economies; after an economy-by-economy examination of the challenges facing SSN delivery is completed, each economy might pursue domestic capacity building exercises, or, alternately, take advantage of such facilities as the Australian-established Social Protection Facility at Mahidol University in Bangkok, Thailand.
 - Analyze and share the experience of bilateral and multi-lateral organizations with respect to social safety nets, and use these experiences and best practices to improve delivery and planning of social services in Member Economies.

E. Action Plan

- Stage One: The Meeting might seek to define and catalog the various negative outcomes to globalization and trade liberalization in Member Economies; this could be achieved through research, survey and holding meetings with concerned NGOs and citizens in affected Economies.
- Stage Two: The Meeting could address, based on previous APEC research and SSN work, which types of social programs are most effective in combating the negative effects of trade liberalization and globalization.
- Stage Three: The Meeting could prioritize the negative aspects of globalization and establish a plan highlighting the best strategies for addressing and solving these problems.
- Stage Four: The Meeting can address coordinating SSN efforts with IFIs, multilateral and bilateral organizations to help secure the proper expertise and services to address the problems.
- Stage Five: The Meeting should direct careful evaluation of APEC efforts to improve SSNs by gathering and assessing output indicators, and various other social indicators.

2. Establishment of SSN–Capacity Building Network

A. Proposal

- This proposal is for establishment of a network of specialist to exchange views and information on SSN capacity building in APEC. Currently, APEC does not have any institution to track, coordinate and perform SSN capacity building.

Therefore, establishment of such body serves to coordinate and monitor the SSN capacity building activities independently performed by member economies such as AusAid, as well as the World Bank, ADB and ADBI within the APEC region. The institutional home functions to ensure the effective allotment of resources and then regularly reports the results to APEC.

B. Background

- As a result of the preliminary research of the APEC SSN Task Force, it is generally accepted that capacity building is the most effective way to strengthen social safety nets as APEC Member Economies recover from the 1997 economic crisis and provide against its recurrence.
- An online network of experts and officials could be established in the APEC Knowledge Clearing House to be launched in 2002.

C. Institutional Arrangement

- As the HRDWG has already undertaken extensive capacity building efforts in economic, training and technological areas, extending that expertise to SSN issues is appropriate and feasible.

D. Action Plan

- Capacity building programs are provided on the basis on the major deficits of social safety nets in APEC member economies hit by the 1997 economic crisis. According to the preliminary research of APEC SSN Task Force, the programs should focus on i) identifying the poor (targeting), ii)

monitoring, iii) evaluation, iv) designing social safety net programs and v) management of SSN system.

3. International Conference for Strengthening APEC SSN Activity

A. Proposal

- This proposal reflects the need to bring together experts in the field of SSNs to discuss and exchange information on current initiatives and practices in the APEC region and internationally in order that continuing SSN efforts conform to international best practice. The international conference would focus on SSN experience sharing between APEC Member Economies, International Financial Institutions, SSN policymakers, academics and others.
- In addition this conference can help to provide a basis for cooperation in disaster relief schemes.

B. Background

- Although much effort has put forth in APEC to strengthen social safety nets since the 1997 financial crisis, the assessment of the effectiveness of these activities have been minimal. In particular, the importance of sharing experience and evaluating the effectiveness of the bilateral contributions made among APEC member economies and IFIs has not been realized.

C. Institutional Arrangement

- Any Member economy might be invited to act as Lead Economy with respect to the Conference. APEC HRDWG, Finance Ministers' Process and Ecotech would all be encouraged to participate as they are involved in SSN issues in APEC.

D. Action Plan

- The lead economy of the APEC SSN Task Force will host the international conference, and HRDWG, Ecotech and Finance Ministers' Process will participate and contribute.
- The lead economy will responsible for the conference-related expense, and also for preparing a report on the conference results including *A Catalogue of Social Safety Net Funds and Facilities*, and making it available to member economies. Member economies can use this report as a reference in the social safety net policy formulation

4. Study for Development of a Social Insurance Model Customized to Member Economies Needs

A. Proposal

- Development of pension and medical insurance policies to suit the unique economic needs of developing APEC member economies has yet to be carried out. The Finance Ministers' Process has undertaken research aimed at developing appropriate social insurance models and could further be tasked to assist in development of a transferable social insurance model for application in Member Economies.

B. Background

- In the case of developing Member Economies, management of the pension and medical insurance systems covering all people is inevitable, due to the comparatively low proportion of wage earners.
- These member economies need to develop a new pension and medical insurance model in order to ensure the provision of welfare to citizens below median income levels.

C. Institutional Arrangement

- As the Finance Ministers' Process has already undertaken extensive research in the area of social insurance, they might best be tasked with developing a model for use by developing Member Economies.

D. Action Plan

- Utilizing the existing pension projects carried out by the Finance Minister Process, the pension and medical insurance model to suit the unique economic needs of developing APEC member economies is to be directed.

5. Social Safety Net Issues and Gender Study

A. Proposal

- In light of data from APEC-sponsored research into the delivery of APEC region SSNs, it has been determined that SSN programs often under-serve women. To ensure that women receive equal benefits under SSN programs, studies

should be undertaken to examine this problem and suggest ways of counteracting it. Also, existing studies, like those underway in the Advisory Group on Gender Integration (AGGI) could be used to support improvement in SSN delivery to women.

B. Background

- According to the statistical data, a common phenomenon experienced by economies that suffered during the 1997 financial crisis was that unemployment and poverty rate skyrocketed, and married female workers and temporary workers were among the hardest hit.
- In the case of Korea, the number of households headed by unemployed females was 40,000 in 1997, but it reached 76,000 in 2000. The seriousness of this problem is compounded by the fact that 67.5% of women are employed on a temporary or daily-basis, a proportion considerably higher than 38.2% for men.
- Therefore, more detailed and active strategies to strengthen social safety nets for women are necessary.

C. Institutional Arrangement

- As the Advisory Group on Gender Integration (AGGI) has already undertaken extensive collection with regard to sex-aggregated data, the AGGI could be readily tasked to fulfill this role.

D. Action Plan

- The AGGI could be tasked to highlight the social safety net

dimension in its work project on sex-aggregated data and collection of best practices.

- Employment education for women could be enhanced in order to educate unemployed women and female minors who are the head of the households, back to work force providing them with practical curriculums such as IT, that be applied effectively when employed.
- Detailed policies and system introduction regarding child-care are to be established. These will substantially support and encourage women's financial activities bringing an increase in income.

[ANNEX]

Review of APEC SSN-related Activities

	Action Taken and Measures Adopted	Current Status of Effort	Next Steps
Virtual Task Force on the Social Impact of the Asian Economic Crisis	Proposed by the US.		
Report: Impact of the Asia Crisis on Children: Issues for Social Safety Nets	In 1999, Australia is giving effect to an APEC Leaders' decision, highlighted at their 1998 meeting, to increase APEC's attention to social safety net issues. As part of this initiative, Australia commissioned a team of experts to undertake a survey on the impact of the Asia Crisis on children and its implications, for the design and implementation of social safety nets. It provides a stock take of responses to the social impacts of the crisis undertaken in each country and identifies areas where further work would be most beneficial. The report was presented at the APEC meetings held 7-13 September 1999 in Auckland.	To address the major issues identified in the report, Australia announced a three-year, A\$5 million Social Protection Facility for East Asia. The facility will assist APEC developing economies in East Asia to cope with the crisis by providing a flexible mechanism to assist in the development of social policy and delivery programs.	See establishment of Social Protection Facility with Thailand.
Australia Social Protection Facility	Created with the cooperation of the Thai and Australian governments and Mahidol University. Australia provided A\$5 million for creation of the facility. The Social Infrastructure Facility first proposed by Thailand was adopted by Australia and evolved into the Social Protection Facility.	When implemented, the facility will provide capacity building for civil servants, policy makers and service delivery people in Southeast Asia.	
APEC Leaders Meeting Kuala Lumpur 1998	In their 1998 Kuala Lumpur Meeting, Leaders directed that "as a matter of high priority, APEC should intensify efforts to address the social impacts of the crisis" and "work with the World Bank, the ADB, the Inter-American Development Bank and, where appropriate, public and private institutions to formulate strategies of concrete actions aimed at strengthening social safety nets."	Status: Several programs have been initiated to meet those goals. The United States has established the APEC Virtual Task Force on the Social Impact of the Financial Crisis to exchange inventories and information on available technical assistance and social safety net programs through the Internet. The Finance Ministers' work program includes examining the social impact of the crisis and lessons learned to help build and strengthen social safety nets, as well as the institutional capacity to adjust programs	

	Action Taken and Measures Adopted	Current Status of Effort	Next Steps
		flexibly in times of crisis. The World Bank will be providing a paper on principles and good practices in social policies at the September IMF and World Bank annual meetings, which will be relevant to APEC work. The U.S. has funded the Accelerating Economic Recovery in Asia (AERA) Program focusing on Thailand, Indonesia, and the Philippines. This program provides \$35 million in FY1999 -- and \$53 million in FY2000 -- to assist in the financial restructuring of corporations and banks; improve transparency and accountability in banks, businesses and governments; and establish more effective mechanisms to alleviate the social impact associated with economic adjustments.	
APEC Forum on Human Resources Development, July, 1999, Japan	Forum addressed short-term vocational training needs as well as longer-term policies on vocational training to cope with globalization		
Third APEC Human Resources Development Ministers Meeting, Washington, D.C., United States, July 28-29, 1999	We recognize that the formulation of policies on labor, employment, training, social safety nets and workplace practices are the responsibilities of individual economies. At the same time, we recognize that lasting improvements in these areas require sustainable economic growth, which may be enhanced by regional cooperation in the increasingly integrated global economy.	To be implemented by the HRD Working Group: The HRD Working Group will develop a program of work for capacity building and exchange of information in the areas of labor market systems, social safety nets, and building the workplace of the 21st century. Issues for work on social safety nets should include: 1. unemployment or social insurance; 2. pensions; 3. income support systems for people not covered by formal plans; and 4. programs to enhance employability, empower individuals, and mitigate social assistance dependency.	We call for deepening the discussion between these groups and the HRD Working Group as a component of the labor market policy and social safety net framework in accordance with APEC guidelines on non-member participation. The Working Group is encouraged to promote dialogue with private sector stakeholders to receive their input.

	Action Taken and Measures Adopted	Current Status of Effort	Next Steps
The Second APEC Senior Officials Meeting For the Twelfth Ministerial Meeting Bandar Seri Begawan, 1st 3rd June 2000	Korea introduced a joint paper produced with Thailand entitled Revitalisation of Social Safety Net Activities in APEC. The proposal aimed to regroup APEC economies around a more practical set of activities of common interest. The ultimate goal would be the establishment of a social safety net facility for effective execution of funding-related activities in APEC. Korea, Thailand and other interested economies would submit a more developed paper for consideration at SOM III, and based on consensus, would propose that it be considered by Ministers and Leaders.	Australia informed the Meeting that the \$5 million social infrastructure facility was now underway. The facility would focus on capacity building in developing economies and cover issues such as budget management. A design mission was currently underway to work out the modalities for implementation, to be carried out in partnership with Thailand.	
Meeting on the Social Issues Arising from the East Asia Economic Crisis and Policy Implications for the Future, The World Bank Group, January 21-22, 1999, United Nations Conference Center, Bangkok, Thailand	The purpose of the gathering was to facilitate an on-going dialogue among various constituents within the international community about what is happening in the affected countries, short-term responses to the urgent problems that arise, and about the broader and longer term policy implications of these issues.	This program focused on three major themes: 1 Common understanding of the social situation in the region as a result of the economic crisis; 2 New initiatives to advance social development; 3 Operational coordination and partnerships; The Meeting was the first of a series of meetings which will occur on a regular basis, to take stock and advance the common agenda.	
Seventh APEC Finance Ministers Meeting 9-10 September 2000 Bandar Seri Begawan, Brunei Darussalam	Improving social safety nets: The on-going review of administration of social safety nets in the APEC region has developed three main themes: (1) the need for adequate pre-crisis safety net planning; (2) the importance of accurate and timely information on poor and vulnerable groups; and (3) the need to have a range of instruments to ensure adequate targeting and coverage.	The Ministers undertook to develop a set of guidelines for responsive and fiscally manageable social safety nets to present to APEC Leaders. The objective of this initiative is to establish a set of guidelines to be endorsed by Finance Ministers regarding the use of social safety net policies and programs and presented to APEC Economic Leaders in November 2000. The final report, Social Safety Nets in Response to Crisis: Lessons and Guidelines from Asia and Latin America, was presented to the Finance Deputies in May 2001.	They encouraged greater coordination of activities among APEC fora including by the Human Resource Development Working Group and the Economic Committee. The World Bank is currently examining options for disseminating the SSN guidelines more widely and helping economies benefit from the lessons learned.

	Action Taken and Measures Adopted	Current Status of Effort	Next Steps
Asia Recovery Information Center (ARIC)	Web resource hosted by the ADB and initially proposed by Australia.	Is an in-depth storehouse of information related to the Asian Economic Crisis, including impacts, policies, strategies, statistics, etc.	
Eleventh APEC Ministerial Meeting 9-10 September 1999, Auckland, New Zealand	Ministers also agreed to establish an Ecotech Clearing House to enhance information flows between the identification of Ecotech needs and the capacity to provide appropriate expertise to meet those needs. The Clearing House will be implemented from January 2000;		
Ninth APEC Ministerial Meeting Joint Statement Vancouver, November 21-22, 1997 Economic and Technical Cooperation	Emergency preparedness for disasters: Ministers noted that APEC should define its value-added role in formulating emergency preparedness and disaster recovery measures. Ministers called for strengthening cooperative efforts to ensure an effective and integrated approach to deal with this key issue. Ministers tasked Senior Officials to explore measures for joint action, taking into account the programs of other regional and international bodies, and to provide an inter-sessional report by June 1, 1998.	"APEC Framework for Capacity Building Initiatives on Emergency Preparedness", reported to Minister's Meeting.	See Tenth Ministerial Meeting.
Tenth APEC Ministerial Meeting Kuala Lumpur, Malaysia 14-15 November, 1998	Ministers endorsed the APEC Framework For Capacity Building Initiatives On Emergency Preparedness, which aims to strengthen joint cooperative efforts to enhance capacities of APEC member economies to respond to natural disasters and emergencies, and look forward to initiatives to improve preventive and responsive measures through information-sharing and capacity building.	Ministers endorsed the APEC Framework For Capacity Building Initiatives On Emergency Preparedness.	
APEC Virtual Task Force on Emergency Preparedness	Established an information sharing website: APEC Emergency Preparedness Website		