

MODULE 10

Converting recommendations into policy options

Duration: 1.5 hours

Prerequisites: Modules 2, 3, 4, 6, 7, 8



Key questions:

1. How do we select recommendations that can be translated into scenarios?
2. How do we design scenarios?
3. What are low and high scenarios?
4. What assumptions can be made and when do we need to make them?



Objectives:

The recommendations identified in the assessment matrix have to be converted into specific policy options – known as scenarios – so that the cost of implementing each option can be estimated and stakeholders can subsequently decide whether to move ahead with the implementation. The objective of this module is to design practical scenarios.



Overview:

This module includes a presentation on converting recommendations into policy options and designing scenarios, as well as a practice session where participants are asked to develop scenarios based on the case study.

How do we select recommendations that can be translated into scenarios?

The second step of the ABND process involves converting recommendations into policy options or scenarios and estimating the cost of implementing the scenarios using the costing tool called the Rapid Assessment Protocol. Recommendations may be of two types:

First type – recommendations related to the expansion of the social protection floor:

- cover more people;
- increase levels of benefits of existing non-contributory schemes;
- introduce new non-contributory benefits or programmes.

The cost of implementing such recommendations can be assessed using the ILO RAP model

Second type – other recommendations:

- new or expanded mandatory or voluntary social insurance (e.g. establish an unemployment insurance system);
- recommendations related to the operations and coordination between schemes (e.g. improve targeting mechanisms);
- qualitative recommendations (e.g. improve the education system).

The cost of implementing such recommendations requires in-depth studies (beyond the ABND exercise)

The ILO RAP model is only suitable to assess the cost of introducing the recommendations of the first type. This module therefore focuses on the first type of recommendations.

Recommendations may be selected for converting into scenarios based on several conditions. Some recommendations may be selected because they are in line with the government's current priorities for the country or because they are strongly advocated by representatives of the persons concerned. Some recommendations may be chosen based on whether data is available for the cost estimation exercise. When data is not available, the people conducting the ABND process need to formulate reasonable assumptions to make up for the unavailable data. Common sources of data are line ministries, national statistics offices, and research institutes.

How do we design scenarios?

The designing of scenarios is best explained through practical examples. For instance, in Indonesia, the following recommendations were made for the “children” guarantee:

1. expand the Conditional Cash Transfer (CCT) programme to more areas and more households;
2. explore merging the CCT and scholarship programmes;
3. explore and calculate the cost of a universal child allowance programme; and
4. improve management and efficiency of the Raskin Food Programme.

Out of these, the costs of the first and third recommendations can be estimated using the RAP model. The second and fourth recommendations are qualitative in nature and would need further studies. They would possibly incorporate changing administrative structures and processes, modifying regulatory frameworks, and arranging training programmes for staff.

Broad policy recommendations are then translated into specific policy options or scenarios. For instance, to calculate the cost of establishing a child support grant in Thailand, it was necessary to choose a number of parameters, such as:

- Is it a universal or targeted child support grant?
- Will it target poor children, very poor children, or other specific groups?
- Which age groups are eligible (0–3 years of age, 0–6, or 6–11)?
- What is the monthly amount of the grant (total amount in the case of introducing a new benefit or additional amount in the case of increasing an existing benefit)?
- Is the grant limited to a number of children per household?

- What is the indexation method applied to determine the level of benefits in future years?
- Other considerations.

Further, one recommendation may be converted into more than one scenario with different target groups and different benefit levels. This can be done to check the cost of each scenario and better help the government decide on which scenario they want to focus or implement.

In Thailand, the recommendation to introduce a child support grant was translated into several scenarios and the cost of each calculated for consideration by the government:

- Scenario 1: THB400 per month to all children aged 0–3 years;
- Scenario 2: THB400 per month to all children aged 0–6 years;
- Scenario 3: THB400 per month to all children aged 0–12 years;
- Scenario 4: THB500 per month to all children aged 0–6 years;
- Scenario 5: THB500 per month to all children aged 0–12 years; and
- Scenario 6: THB400 per month targeted at poor children aged 0–14 years.

What are low and high scenarios?

Low and high scenarios may be defined as a combination of scenarios which provide a minimum and maximum amount of benefits, respectively. To consider an example, a recommendation might be “to extend HIV testing and treatment to all”. This may be converted into the following scenarios:

1. HIV testing for the high-risk population, regular check-ups for people with HIV, and treatment for those who require it. As this is the minimum package that can be extended to the people, this scenario may be termed as a low scenario.
2. HIV testing for the reproductive age group (15–49 years), regular check-ups for people with HIV, and treatment for those who require it. Since this package covers most of the tests and treatments for HIV, this scenario may be termed as a high scenario. This scenario will have higher cost implications.

Participants may also design additional scenarios that fall between the low and high scenarios.

At the end of the costing exercise two or more scenarios may have to be combined to form a comprehensive package providing access to health care, income security for children, income security for the working age, and income security for the elderly. Low and high combined scenarios may be proposed providing an idea of the minimum and maximum financial requirements for completing the national floor of social protection in the respective country. Proposing low and high cost options also allows flexibility for schemes to be progressively scaled up as greater fiscal space becomes available.

What assumptions can be made and when do we need to make them?

In the process of designing scenarios, collecting information and making assumptions for cost calculation is done in consultation with specialists of the technical area and actuaries. For instance, the HIV scenarios in Indonesia were developed in close consultation with UNAIDs and the Ministry of Health. The scenarios on the child support grant in Thailand were developed in close consultation with the United Nations Children’s Fund (UNICEF).

While making assumptions, benefits levels may be reasonably linked to the poverty line, national average wage, and other factors. For instance, the cost of the health care packages in Indonesia was indexed on the average wage increase instead of consumer price index (CPI). The reason was that the share of wages in the structure of health care costs is predominant.

Coverage and take-up rates may be rationally decided based on existing provisions and administrative structures. Other costs, such as administrative costs, may be assumed to be in proportion to the costs for similar existing schemes.

For instance, if the number of pregnant women in an age group is unknown, it may be assumed at a reasonable fixed percentage. To determine the amount of transportation allowances to be included in health care packages, it may be assumed that people make a fixed number of visits every year to the hospital (such as two visits on average). The transportation expenditure for each visit may be assumed according to average transport prices and distances in the country.

Designing scenarios in groups

The presentation is followed by a practice session. The groups use the recommendations in their assessment matrices which they have identified based on the case study session. Each group is asked to convert these recommendations into three scenarios. In this process, the group is assisted by a facilitator. Participants are provided with A3-sized chart paper to write the scenarios. The groups are also advised to identify the low and high scenarios for their respective guarantees. Discussions may be based on why certain recommendations are selected or prioritized for the cost estimation exercise.



Takeaway message:

Some recommendations are related to the expansion of the SPF and are quantitative in nature, such as introducing new benefits, increasing benefit levels, and expanding coverage. These are converted into scenarios for the cost estimation using the RAP model. A recommendation may be converted into more than one scenario in order to help policy-makers choose among different options. Low and high scenarios define the minimum and maximum level of benefits which can be extended. The process of designing scenarios and making assumptions is done through consultations with technical specialists and actuaries and by making reasonable and logical assumptions.



textbook



e-box

Resources:

	Master module 10 – Converting recommendations into policy options	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Presentation – Converting recommendations into policy options		<input checked="" type="checkbox"/>
	Self-learning tutorial – Converting recommendations into scenarios		<input checked="" type="checkbox"/>
	Video of the presentation		
	Part 1 – Selecting recommendations to cost		<input checked="" type="checkbox"/>
	Part 2 – Translating recommendations into scenarios		<input checked="" type="checkbox"/>
	Part 3 – Questions and opinions		<input checked="" type="checkbox"/>
	Instruction sheet for the group activity – Converting social protection recommendations into scenarios		<input checked="" type="checkbox"/>
	Video of the group activity		<input checked="" type="checkbox"/>
	Sample solution scenarios		<input checked="" type="checkbox"/>

e-box available at: <http://www.social-protection.org/gimi/pages/abnd/>