



Center for Social Development

GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

POLICY BRIEF

| JANUARY 2007 | CSD PUBLICATION NO. 07-33 |

Asset-based Policy in Taiwan: Demonstrations and Policy Progress

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Summary

Asset building is emerging across Taiwan as a central socioeconomic policy theme. Momentum has built since the success of the Taipei City government's three-year "Taipei Family Development Account" (TFDA) pilot program in 2000. The TFDA experience demonstrated that low-income families in Taipei can accumulate assets for the future and that institutionalized incentives play an important role in long-term saving and investment plans of the poor. Experience with Individual Development Accounts (IDAs) in the United States has informed implementation of the pilot TFDA program.

Other city governments in Taiwan have started implementing asset-based programs to assist low-income households. For example, a matched savings program for youths is running in three major cities in Taiwan, and an interest-free loan program to assist low-income households with small business start-up is underway in Taipei.

Since the initial operation of TFDAs in 2000, discussions about asset-based policy have grown

in government circles. These discussions and the TFDA program have generated considerable attention from media and government. The central government has modified welfare policy to allow greater accumulation of assets among welfare recipients. A growing body of scholarship on asset building is appearing in academic publications.

Pilot Program Success

Savings of 100 out of 184 enrolled low-income households in the TFDA pilot program were matched at 1:1 rate by the financial partner, Polaris Securities Group. By June 30, 2003, 69 households completed the entire three-year program, with total savings of NT\$19,735,311 (US\$1=NT\$33) and an average of NT\$286,019 per account. A total of 65 out of 69 households had used their savings to purchase their intended assets. By February 28, 2006, 12 savers had purchased their first homes, with a total asset value of NT\$55.42 million and an average of NT\$4.61 million per house. Twelve savers became small business owners, eight became corporate



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shareholders, and two savers started taxi rental services. A total of 31 savers sent 25 children to college and 5 children to graduate school. These investments were significant considering that all participants were welfare recipients who relied on public assistance for basic subsistence maintenance.

Additional Positive Impacts of Pilot Program

Many TFDA participants reported that the 1:1 matched saving mechanism was very attractive and that the financial education component was beneficial. Participants also complimented the program for the social networking and information sharing opportunities it afforded. Participants were pleased to see families work together as a team to save for future investments, and children were motivated to study harder for higher education.

The TFDA program was innovative and progressive from the perspective of social integration, providing an alternative approach to social equality by including low-income families into mainstream society through social and economic development.

Recent Policy Developments

Inspired by the successful TFDA program, 15 local governments are in the process of initiating programs targeting low-income families. Several city governments in Taiwan have initiated youth-oriented asset building programs. Examples are the Taipei City government's "Youth Development Account" program with a 1:1 match rate (in partnership with Fubon Bank), Taipei County's "Sunshine Career Development Account" program, and Kao-Shiung City's "Hope Project for the Second Generation."

In addition, Taipei City government has launched an interest-free loan program, named "Dream Come True Program," to assist low-income households interested in starting small businesses. Each participating household is eligible to receive a loan of up to NT\$1,000,000. By June 30,

2006, the Taipei City government had matched business consultants with 14 participants to provide necessary guidance and training, and 6 participants had started their own businesses, ranging from small restaurants to Internet shops.

Also, non-profit organizations, such as the Taiwan Fund for Children and Families and the Sunshine Fund for Facially-Injured Persons, have developed a range of asset-based programs with over 1,000 matched savings accounts.

Policy Legislation

In the newly-revised Social Assistance Act of 2005, the concept of asset building was included as an innovative way to foster economic security for low-income families in Taiwan. The revised act entitles every low-income family to continue to receive welfare benefits until it reaches an income level that is 50% above the official poverty line.

Caveats, Concerns, Challenges

(1) Governments in Taiwan at all levels have been struggling since the 1990s with constrained financial budgets as a result of economic recession. Some government officials view public assistance programs as waste of resources.

(2) The heated debate over unification with mainland China versus acclaiming independence has distracted government officials. (3) Although the experience of TFDA is widely noted as a successful example of economic development, a comprehensive asset-based welfare policy has yet to be developed.

Publications

A body of scholarship on asset building has been generated in Taiwan following the successful TFDA program. Several Taiwan scholars are writing articles in this area. These include the following:

Li-Chen C. (2003). Developing family development accounts in Taipei: Policy innovation from income to assets. *Social Development Issues*, 25, 106-117. (in English)

Duu-Chiang W. (2001). Workfare vs. asset-based policy: An introduction to anti-poverty policy. *Community Development Quarterly*, 95, 85-95. (in Chinese)

Li-Chen C. (1999). Assets accumulation and intergenerational transmission among female headed families. *NTU Social Work Review*, 1, 113-143. (in Chinese)

Potential

The incentive mechanism and orientation towards the future associated with TFDAs is attractive in the Taiwanese context. Asset-based savings accounts can create a structure for aid that encourages households to save for future investment. With growing numbers of asset-based programs, there is an exceptional opportunity to inform and influence an inclusive policy for all of Taiwan.

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