

Fiscal Management of Social Protection Systems in selected ASEAN+3 economies

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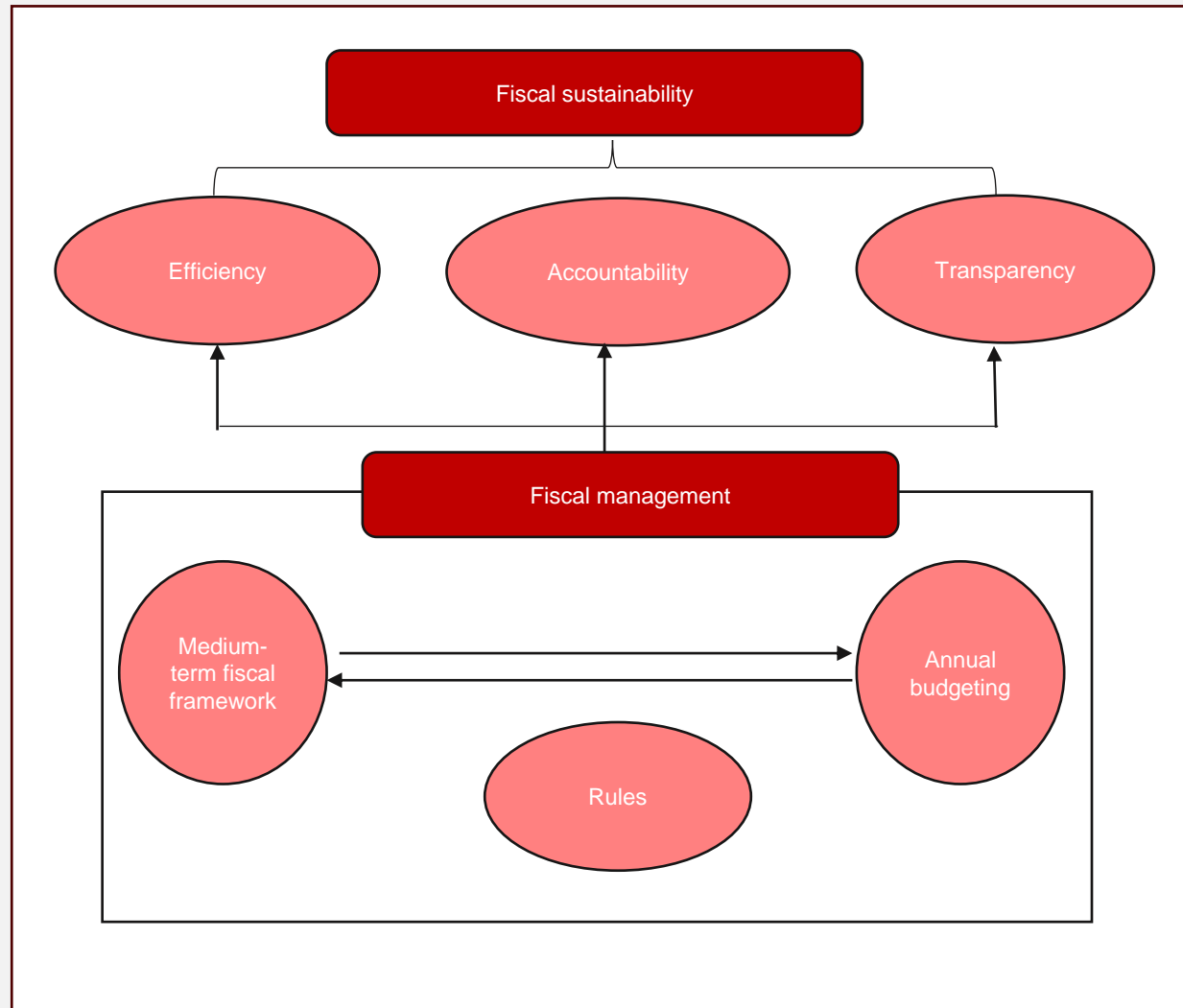
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I. Fiscal Management

Fiscal management and fiscal sustainability



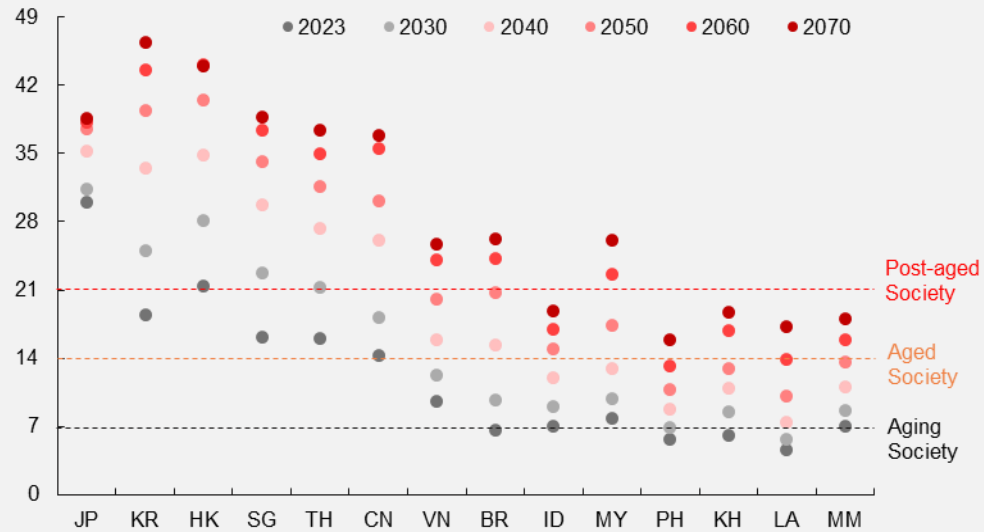
- *Fiscal management refers to the mechanism of how public finance is being managed.*
- *Effective fiscal management system can help achieve fiscal sustainability through addressing the spending bias of fiscal policy resulting from common pool **problem**.*
- *Key questions:*
 - *Are the institutional arrangements robust to ensure government decision making **properly considers** affordability and sustainability of program as well as overall fiscal sustainability?*

I. Motivation: Fiscal management and social protection

Demographic transition and rising fiscal costs in ASEAN+3

- Amid population aging, significant fiscal resources are needed to develop systems that facilitate income smoothing over a lifetime, tackle old-age poverty, and provide **adequate** healthcare and long-term care services.

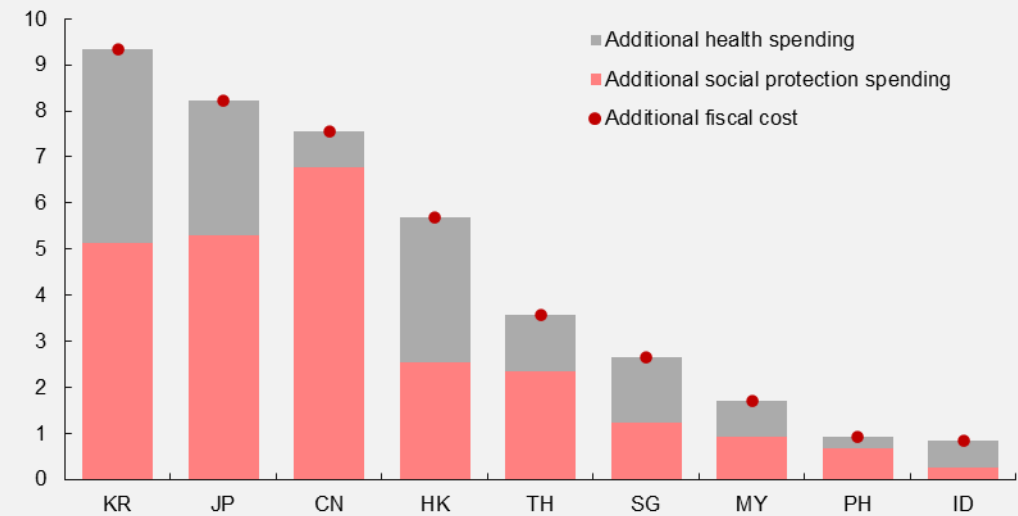
Old-age Ratio (percent)



Source: UN via Haver Analytics

Note: Old-age population refers to people aged 65 and above. An economy is classified as an aging society if the share of the old-age population in the total population is above 7 percent, an aged society if the share is above 14 percent, and a post-aged (or super-aged) society if the share is above 21 percent.

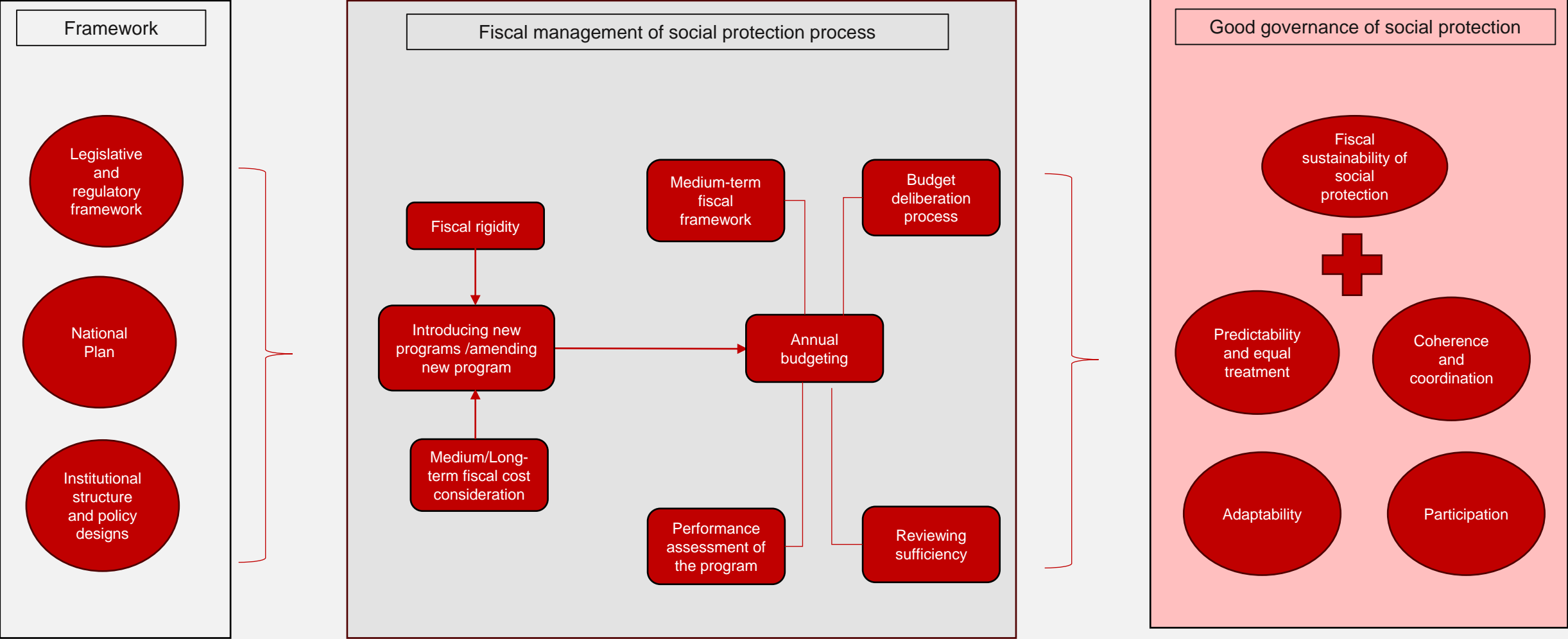
Additional Fiscal Costs from Social Protection and Health Expenditure (percent of GDP)



Source: AMRO staff estimates

Note: Additional fiscal costs in 2050 are computed by subtracting social protection and health expenditures in percent of GDP in 2019 from those in 2050.

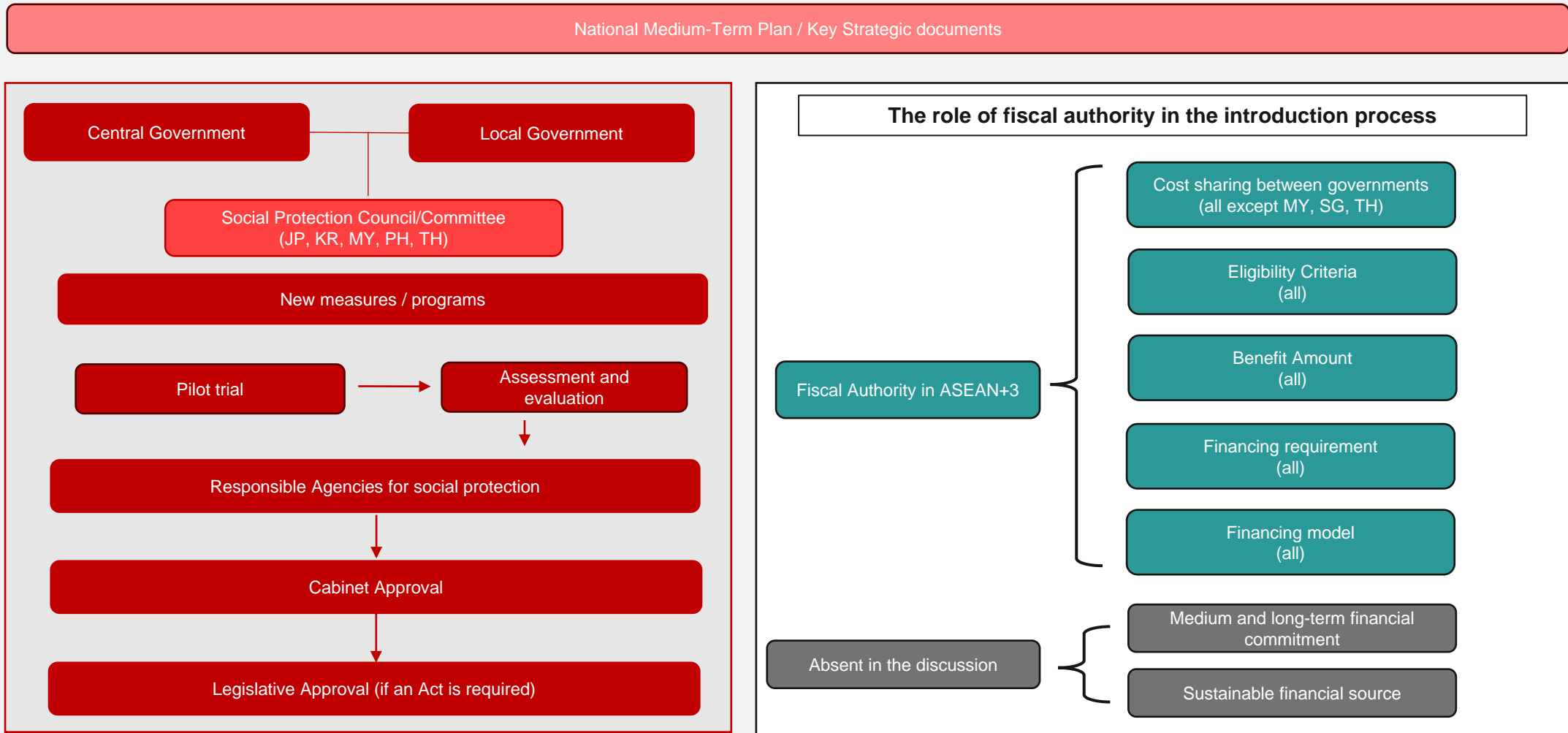
Interaction between social protection and fiscal management



Source: author's illustration and [UN \(2021\)](#) Global research on governance and social protection

II. Findings

Procedures to introduce/modify social protection program



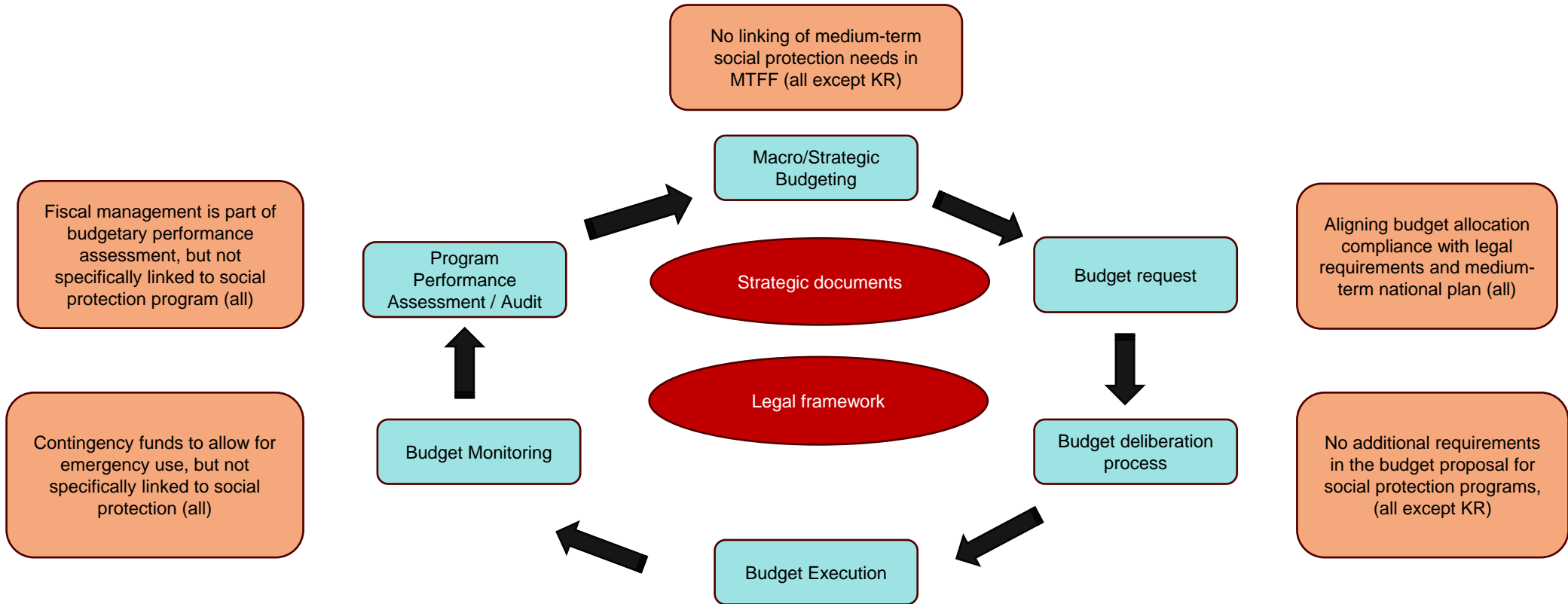
Source: Author's illustration

Note: CN China; ID: Indonesia; JP: Japan; KR: Korea; MY: Malaysia; PH: Philippines; TH: Thailand; SG: Singapore. All refer to the ASEAN-5, China, Japan and Korea

Budget cycle for social protection program

None of the eight countries has a separate procedure for the annual budgeting of social protection program and they follow the same process as other budgetary programs.

Budget Cycle of Social Protection Systems in ASEAN+3



Source; author's compilation and illustration

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Medium-to-long term fiscal needs of social protection

	Mechanism to assess medium/long-term social protection needs	Medium-term strategic social protection documents (1)	Medium-term fiscal documents (2)	How is (1) linked to (2)	Mechanism to long-term sustainability of social protection
China	Ad-hoc joint ministry (finance, civil affairs, human resources and social security, medical security ministry)	14 th Five Year Plan for National Economic and Social Development and the Vision of 2035 (十四五规划和2035年远景)	No	No formal mechanism	Actuarial assessment for certain social insurance schemes but no other regular platforms to discuss the long-term resource needs of social protection
Indonesia	Ad-hoc joint ministry (social affairs, health, education, Bappenas, Women and child protection)	Medium-Term National Development Plan (RPJMN)	Medium-term fiscal framework	Law 25, 20024, Article 4 mandating the linkage between national strategy, medium-term fiscal plan, and annual budgeting.	Actuarial assessment for certain social insurance schemes but no other regular platforms to discuss the long-term resource needs of social protection
Japan	Social Security Council (社会保障審議会)	Reform Agenda by the Headquarters for Social Security System Oriented to All Generations 全世代型社会保障構築会議	Economic and Fiscal Projections for Medium to Long Term Analysis	No formal mechanism.	Actuarial assessment for certain some social insurance schemes but no other regular platforms to discuss the long-term resource needs of social protection
Korea	Social Security Committee	Basic Plan for Social Services (every five years)	Medium-Term Expenditure Framework (National Fiscal Management Plan)	The development of the national fiscal management plan is led by KMOEF and submitted to National Assembly's Planning and Finance Committee as mandated by Framework Act on Social Security.	The Basic Plan must include medium- and long-term fiscal projections based on the National Finance Act. A long-term fiscal projection for a period exceeding 40 fiscal years every five years must be undertaken by KMOEF.
Malaysia	Malaysia Social Protection Council (MySPC)	12 th Malaysia Plan	Medium-term fiscal framework	No formal mechanism.	Actuarial assessment for certain social insurance schemes but no other regular platforms to discuss the long-term resource needs of social protection
Philippines	Social Development Committee (SDC), subcommittee on Social Protection	Philippine Development Plan (PDP) 2023-2028, and the Social Protection Plan 2023-2028	Medium-term fiscal program (Forward estimates)	Executive order 232 requiring Development Budget Coordination Committee (DBCC) to formulate MTFF in line with PDP targets.	Actuarial assessment for certain social insurance schemes but no other regular platforms to discuss the long-term resource needs of social protection
Singapore	Ad-hoc joint ministry (finance social and family development)	Forward SG	Medium-term expenditure framework (Occasional Paper on Medium-Term Fiscal Projections)	No formal mechanism.	Actuarial assessment for certain social insurance schemes but no other regular platforms to discuss the long-term resource needs of social protection
Thailand	National Committee of Social Welfare Promotion	National Strategy (2018-2037) and 13th National Economic and Social Development Plan	Medium-term fiscal framework	Annual budgeting guideline and budgetary process stipulates the need to formulate budget based on the medium-term framework which is based on the national strategy .	Actuarial assessment for certain social insurance schemes but no other regular platforms to discuss long-term resource needs of social protection

Source; author's compilation and illustration

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Thank you

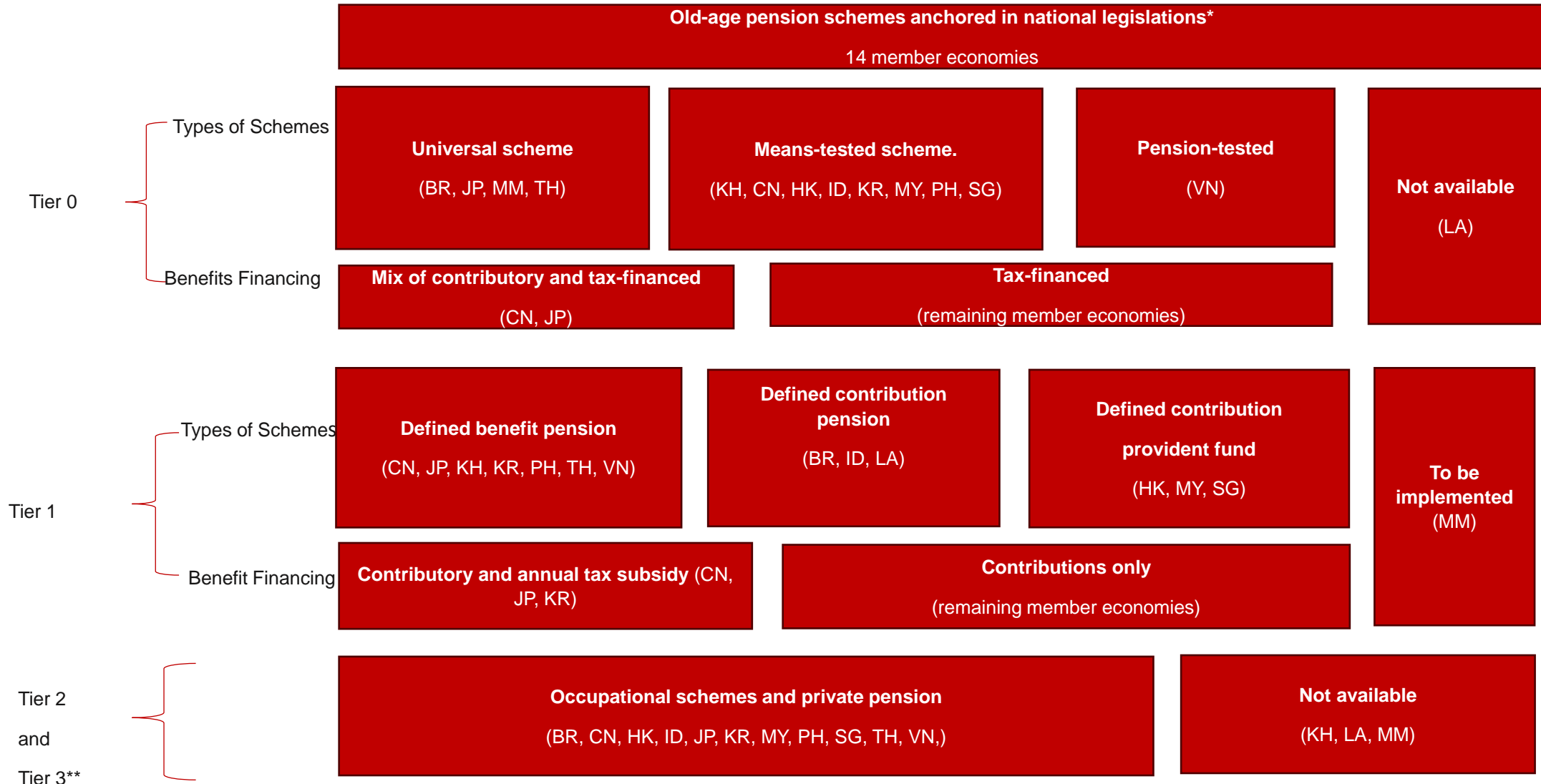


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Appendix

Old-age pension institutional arrangement in ASEAN+3



Legal framework of Old-Age Social Protection Program in ASEAN+3

Member economies	Existence of Legal Framework for Old-Age Social Protection Program		
	Old-age pension	Universal Health Coverage (UHC)	Long-term care Insurance
Brunei Darussalam	✓	✓	None
Cambodia	✓	✓	None
China	✓	○	◇
Hong Kong, China	✓	○	None
Indonesia	✓	○	None
Japan	✓	✓	✓
Korea	✓	✓	✓
Lao PDR	✓	○	None
Malaysia	✓	○	None
Myanmar	■	○	None
Philippines	✓	✓	None
Singapore	✓	✓	✓
Thailand	✓	✓	None
Viet Nam	✓	○	None

Note:

✓: Program is anchored in national legislation.

■: Program is yet to be fully implemented.

○: Backed by a national plan instead of legislation.

◇: Program is under pilot trial.

*: Existence of a UHC law.

None: No statutory programme is anchored in national legislation

Types and legal foundation of fiscal rules in ASEAN+3

Table D.1. Types and Legal Foundation of Fiscal Rules in Selected ASEAN+3

	Types and legal foundation of fiscal rules, 2024			
	<i>Budget balance (deficit/surplus)</i>	<i>Debt</i>	<i>Expenditure</i>	<i>Revenue</i>
Cambodia		P		
Hong Kong	C			
Indonesia	L	L	C	
Japan	L			
Korea	(L)	(L)	L	
Malaysia	L	L	L	
Philippines	P	P		
Singapore	C		C	
Thailand		L	L	
Vietnam	P	P	P	P
ASEAN+3 Total	7	6	6	1

C: constitution

L: primary/secondary legislation

P: medium-term (fiscal) plan/ political commitment

(L): to be implemented