Discussion Paper

Third International Conference on Financing for Development

Addis Ababa, Ethiopia
13-16 July 2015

Financing the Social Sector: Regional Challenges and Opportunities

WP/15/06
July 2015

UNITED NATIONS
ESCAP
Economic and Social Commission for Asia and the Pacific

Working Paper Series
Macroeconomic Policy and Development Division

FINANCING THE SOCIAL SECTOR: REGIONAL CHALLENGES AND OPPORTUNITIES

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Please cite this paper as:
ESCAP/SDD (2015). Financing the Social Sector: Regional Challenges and Opportunities. MPDD Working Paper WP/15/06. Available from www.unescap.org/our-work/macroeconomic-policy-development/financing-development.

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1. INTRODUCTION

To achieve the ambitious soon-to-be adopted Sustainable Development Goals (SDGs), countries in Asia and the Pacific need to align financing for development strategies with the principles of shared prosperity, social equity and environmental sustainability. One important measure that policymakers and other stakeholders can take to achieve this objective is to ensure that investments in the social sector are commensurate with investments in other priority areas, including infrastructure, and science and technology.

The Asia-Pacific region has experienced impressive economic growth and noticeable poverty reduction in recent years. However, the financing arrangements and mechanisms that have dominated the development agenda since the 1980s have not closed the gap between rich and poor, nor mitigated unequal social opportunities, which disproportionately affect women and the most vulnerable members of society, including the poor, youth, persons with disabilities, older persons and migrants. These inequalities are undercutting inclusive and equitable growth, undermining social cohesion and integration, and generating unsustainable production and consumption patterns.

Just as the scope of sustainable development cannot be reduced to market-led growth, financing for development must effectively encompass social, economic and environmental domains. The financing of energy, telecommunications and transportation, for example, is no more important than ensuring health care, education and income security for all. Striking such a balance will ensure that people are at the centre of development and that no one is left behind.

This paper is divided into two parts. The first part addresses the need for a financing framework that is consistent with the aspirations of the prospective post-2015 development Agenda. The second part of the paper focuses on the importance of financing the social sector. Conceptualized, for the purposes of this paper, as social protection, this section of the paper elucidates relevant regional trends that demonstrate the positive contributions social protection has on individuals, households and society, alongside coverage gaps. Finally, the paper explores some promising country experiences and policy options vis-à-vis enhancing social sector investments.

2. ACHIEVING A FINANCING FRAMEWORK CONSISTENT WITH POST-2015 ASPIRATIONS

To develop a framework consistent with post-2015 aspirations, efforts to increase the effectiveness of financing for development need to be based on a set of principles including, the right to development; primacy of the regulatory State; alignment of private incentives and public goals; balance of growth and equality; country ownership; financial inclusion; participation and social dialogue; and transparency and accountability.[1]

2.1. Right to development

Anchoring the financing for development framework in a rights-based approach ensures that individuals are treated as the ends and not the means of development.[2] "The right to development is an inalienable human right by virtue of which every human person and all peoples are entitled to participate in, contribute to, and enjoy economic, social, cultural and political development, in which all human rights and fundamental freedoms can be fully realized."[3]

The scope of the right to development, then, goes beyond civil and political entitlements, such as freedom of conscience, speech, assembly and movement, and includes social and economic entitlements such as the right to education, health, work and an adequate standard of living.[4] As the United Nations Secretary-General recently maintained, "We should work to ensure investment policies that are in line with the United Nations Guiding Principles on Business and Human Rights, the core labour standards of the International Labour Organization and United Nations environmental standards."[5]

2.2. Primacy of the regulatory state

It is important for the public sector to set a clear direction as guarantor of human rights and the collective good. This implies that the State regulates to secure the competitive, coordinated and social conditions needed for matching financing flows with appropriate needs and uses. The State is also responsible for maximizing the impact of international public finance; mainstreaming sustainable development criteria in national financing strategies; and exploiting synergies across the economic, environmental and social dimensions of sustainable development.[6]

2.3. Alignment of private incentives and public goals

Private financing is profit-oriented, while the State needs to ensure the quality and sustainability of investments. "There continues to be a dearth of domestic long-term

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[1] Synthesis Report of the Secretary-General on the Post-2015 Sustainable Development Agenda, *The Road to Dignity by 2030: Ending Poverty, Transforming All Lives and Protecting the Planet* (A/69/700) (New York: United Nations, 2014); *Report of the Intergovernmental Committee of Experts on Sustainable Development Financing*.

[2] Amartya Sen, "What's the point of a development strategy?," Development Economics Research Programme (DERP) Paper, No. 3 (London, London School of Economics, April 1997).

[3] "Declaration on the Right to Development" (A/RES/41/128), 97th Plenary Meeting of the United Nations General Assembly, New York, 4 December 1986, Article 1.

[4] Isaiah Berlin, "Two concepts of liberty", in *Four Essays on Liberty* (London, Oxford University Press, 1969), pp. 118-172.

[5] Synthesis Report of the Secretary-General on the Post-2015 Sustainable Development Agenda, *The Road to Dignity by 2030,* p. 24.

[6] John Braithwaite, "Neoliberalism or regulatory capitalism," RegNet Occasional Paper No. 5 (Canberra, Australian National University, October 2005); *Report of the Intergovernmental Committee of Experts on Sustainable Development Financing.*

investment necessary for sustainable development, even while there is a growing understanding among the private sector that commercial interest and public policy goals can be realized at the same time."[7]

Consistent with its regulatory role, the State needs to develop policies to incentivize long-term investment in sustainable development. A stable domestic enabling environment is fundamental for reducing risks and encouraging private investment. In this context, the State can also work toward developing local capital markets and financial systems for long-term investment.[8]

2.4. Balance of growth and equality

The policy framework that dominated the last two decades of the 20th century worked under the assumption of a "big trade-off" between efficiency and equity.[9] This manifested itself as a contradiction between the market and the State and between economic growth and redistribution. Such an approach has been proven defunct.[10] The growing view in the last decade is that there is no automatic trade-off between growth and equality; that the efficiency of the market is not enough to achieve sustainable development and that redistribution has a positive impact on the economy. It is in this context that a financing for development framework needs to be constructed and developed. Moreover, it is imperative that financing for development in Asia and the Pacific attempts to realize 'value for money', as defined by the '4Es' of economy, efficiency, effectiveness and equity.

2.5. Country ownership

In an age of globalization and increasing regional connectivity, a financing for development framework should uphold the principles of international law, including sovereignty over national territory and domestic affairs. This holds especially for the Asia-Pacific region's least developed countries (LDCs), landlocked developing countries (LLDC), and small island developing states (SIDS).

Donor countries, international agencies, civil society organizations and multinational corporations should strive to create enabling environments that, supported by strengthened global and regional partnerships, are consistent with the principle of country ownership. For example, official development assistance (ODA) and foreign direct investment (FDI) should not undermine the policy space of recipient countries.

Moreover, as the United Nations Secretary-General emphasizes, "All countries are encouraged to adopt their own national sustainable development financing strategies. Such strategies should review and strengthen the domestic policy, the legal and institutional environment and the policy coherence for sustainable development. All

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[7] Ibid, p. 24.

[8] World Bank, "Rethinking the role of the State in finance", *Global Financial Development Report*, (Washington, D.C., 2013).

[9] Arthur M. Okun, *Equality and Efficiency: The Big Tradeoff* (Washington, D.C., the Brookings Institute, 1975).

[10] Jonathan D. Ostry and others, "Redistribution, inequality, and growth", Staff Discussion Note, SDN/14/02 (Washington, D.C., IMF, 2014); Anthony G. Berg and Jonathan D. Ostry, "Inequality and unsustainable growth: two sides of the same coin?", Staff Discussion Note, SDN/11/08 (Washington, D.C., IMF, 20011).

financing flows, including climate finance, should build stronger country ownership and lead to greater use of country strategies and systems."[11]

2.6. Financial inclusion

Universal access to financial services plays a critical role in achieving shared prosperity and social integration. Countries need to focus on expanding access to affordable financial products and services to all populations, including women and individuals living in remote and rural areas.[12]
Inclusive financial mechanisms can provide individuals, households and firms with greater access to resources to meet their financial needs, such as investing in human capital, saving for retirement, seizing business opportunities, and grappling with economic shocks and natural disasters. To achieve greater financial inclusion, alongside ensuring a legislative environment devoid of discrimination, policymakers and stakeholders can marshal a wide range of financial products, including insurance, credit, savings and payments, as well as different delivery channels, such as microfinance institutions, credit unions, cooperatives, traditional banks, and, increasingly, mobile phone companies or mobile network operators.[13]

2.7. Participation and social dialogue

Financing arrangements should facilitate the participation of all stakeholders. Consultations with civil society, business actors and international organizations, will enable policymakers to better appreciate the diverse needs and concerns of all people, in particular vulnerable populations and women, in the formulation and implementation of financing arrangements and mechanisms at all levels.

Grounded in participatory processes, social dialogue can build public support and foster political will for achieving the foreseen Sustainable Development Goals. Social dialogue implies that government policymakers, civil society, business actors, workers' organizations, international organizations, research and academia all actively contribute to the conversation and decisions about financing for development. Such a multi-stakeholder approach ensures ownership and support, fosters new monitoring and evaluation mechanisms, and explores innovative sources of financing.

3. TRANSPARENCY AND ACCOUNTABILITY

As the two principal pillars of "good governance," transparency and accountability must be at the heart of the post-2015 financing strategy,[14] given that both are essential for tracking resources and monitoring results.[15]

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[11] Synthesis Report of the Secretary-General on the Post-2015 Sustainable Development Agenda, *The Road to Dignity by 2030,* p. 23.
[12] World Bank, *Financial Inclusion: Global Financial Development Report 2014* (Washington, D.C., 2014).
[13] United Nations Department of Economic and Social Affairs (DESA) and the United Nations Capital Development Fund (UNCDF), *Building Inclusive Financial Sectors for Development* (New York, United Nations, 2006).
[14] David Hulme and others, "Governance as a global development goal? Setting, measuring and monitoring the post-2015 development agenda", Effective States and Inclusive Development Research Centre (ESID) Working Paper, No. 32 (University of Manchester, March 2014).

Transparent and accessible data are a prerequisite for informed and meaningful participation and social dialogue concerning the design, implementation and monitoring of decisions about how different financial resources will be mobilized and used.

Accountability requires that all relevant actors be answerable for their actions and results. This should entail, as a minimum, oversight by review boards, the judicial system and human rights institutions, as appropriate. An accountability mechanism that has had considerable traction is gender-responsive budgeting (GRB).

GRB is government planning, programming and budgeting that contributes to the advancement of gender equality. Contributing to both gender equality and good governance, GRB is both a political and technical undertaking wherein the desired outcome is equitable collection from, and distribution of resources to women and men, in accordance with their differential needs and aspirations. GRB encompasses both the revenue and expenditure side of financing. Specifically in terms of revenue, GRB may manifest as a broad gender-aware economic policy framework or as the more targeted sex-disaggregated tax incidence analysis, examining the gender dimensions of direct and indirect taxes.

The Intergovernmental Committee of Experts on Sustainable Development Financing (Intergovernmental Committee) has underscored that importance of transparency and accountability in the context of the post-2015 Development Agenda: "Government providers of assistance and partner countries should strive for a more harmonized and coherent mutual accountability, with improved data collection and strengthened monitoring, while ensuring country ownership. Private financial flows should be monitored more effectively and made more transparent."[16]

4. PRIORITIZING THE FINANCING OF THE SOCIAL SECTOR

The importance of investing in the social sector has been approached from different perspectives. One perspective has focused on the importance of *soft infrastructure*, which includes the rules and regulations that govern the use and functioning of physical infrastructure, as well as institutions such as the judicial system and governance mechanisms. "Soft infrastructure," it has been argued, "supports the development and functioning of infrastructure services by providing an environment conducive to their efficient delivery"; and, therefore, "strengthens the positive effects of infrastructure in promoting inclusive growth and reducing poverty."[17]

Another perspective has framed investments in the social sector in terms of *intangible infrastructure*, defined as those political, legal or socioeconomic factors that develop human capability and create an enabling environment for the efficient growth of business activity, including, chiefly, education and health care. The claim is that

[15] "Transparency & accountability: integral to financing for development", note prepared by the United Nations, New York, n.d. Available from www.un.org.

[16] *Report of the Intergovernmental Committee of Experts on Sustainable Development Financing,* p. 17.

[17] Asian Development Bank (ADB), *Infrastructure for Supporting Inclusive Growth and Poverty Reduction in Asia* (Manila, ADB, 2012), p. xiii.

"while developing countries can achieve a record of high growth through physical investment (i.e. physical infrastructure), they need to cultivate intangible infrastructure in order to achieve a high and sustained level of growth and human development."[18]

To be consistent with the principles enumerated above, this paper defines the social sector as analogous to *social protection*, and specifically in the sense of the *Social Protection Floor*.[19] That is, financing the social sector includes the following four components:

a) Meeting the nutritional, health and educational needs of children;
b) Ensuring income security for the working-age population;
c) Providing old-age pensions for all; and
d) Achieving universal health care coverage.

4.1. Why invest in the social sector?

Social protection is anchored in the universal right to social security, and to a standard of living adequate for the health and well-being of individuals and their families.[20] These rights are prescribed in Articles 22 and 25 of the Universal Declaration of Human Rights (1948). Social protection is also anchored in articles 9, 11, 12 and 13 of the International Covenant on Economic, Social and Cultural Rights (1979). The core premise is that no one should live below a certain income level, and everyone should at least have access to basic social services.

In addition to fulfilling basic social and economic rights, social protection has a developmental and transformative role in that it contributes to long-term well-being and to broader societal goals of equity, social justice and empowerment. From this perspective, investments in the social sector augment human capital and expand human capabilities.[21]

In terms of the aforementioned four components, the main socioeconomic benefits of social protection include:

a) Social investments in children that include education, nutrition and health objectives which enhance human capital, break intergenerational poverty and foster sustainable development;
b) Ensuring decent work and protection against unemployment so as to foster inclusive economic growth by increasing the productivity of labour and the enhancement of productive assets;

[18] Stefano Natella and Michael O'Sullivan, *The Success of Small Countries* (Zurich, Credit Suisse Research Institute, 2014), p. 12.
[19] International Labour Organization (ILO), "Social Protection Floors Recommendation No. 202", 101st Session of the International Labour Conference, Geneva, 14 June 2012.
[20] ILO, *World Social Security Report 2010/11: Providing Coverage in Times of Crisis and Beyond* (Geneva, ILO, 2010).
[21] Amartya Sen, "Editorial: human capital and human capability", *World Development* 25, No. 12 (1997), pp. 1959-1961.

c) Providing income security for older persons so as to support inclusive growth, drive demand and promote economic empowerment, in particular, for older women; and
d) Investments in affordable and accessible health care that increase productive activity and foster economic security at the household level and job-led growth at the national level.

Investments in the social sector have proven to be an effective means of achieving sustainable development by fostering inclusive growth, increasing social cohesion and promoting environmental governance. Indeed, as the Intergovernmental Committee noted: "In addition to offering protection against risks, social protection can contribute to equitable growth by reducing poverty and inequality, raising labour productivity, and enhancing social stability."[22] For these reasons, "countries should consider policies to strengthen 'social protection floors.'"[23]

4.2. Regional trends in financing the social sector

A majority of Governments in the region recognize the importance of financing the social sector. This is evident from the increase in government investments in this area during the last two decades. Some 23 out of the 27 developing Asia-Pacific countries for which data are available increased social protection spending as a share of total government expenditures between 1996 and 2013.[24]

Though countries have increased their investments in social protection, further progress needs to be made. Relatively low investments result in poor availability and quality of public social services and low levels of social protection benefits. With the exception of Armenia and Mongolia, the large majority of developing countries in the region spend less than 20 per cent of total government expenditures on social protection. On average, developing Asia-Pacific countries spend a little over 17 per cent, a third of the OECD average of 47 per cent.[25]

While the investment requirements for a basic social protection package may not be insignificant, they are feasible, even for low-income countries.[26] The issue of finding fiscal space and prioritizing social protection is poignantly illustrated by comparing the share of government expenditures that countries spend on the military and on social protection.

In 1996, 12 out of the 28 countries for which data existed, spent more on the military than on social protection. In 2013, this number had decreased by half,[27] showing greater priority being accorded to social protection. At the same time, there is still scope for improvement. Finding the fiscal space for social protection can be understood, therefore, as one of political will.

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[22] *Report of the Intergovernmental Committee of Experts on Sustainable Development Financing*, p. 22.
[23] Ibid.
[24] ESCAP, based on ADB, Key Indicators for Asia and the Pacific 2014, Country Profiles.
[25] Ibid.
[26] ESCAP, *Economic and Social Survey of Asia and the Pacific 2013* (Bangkok, ESCAP, 2013); ILO, *World Social Protection Report 2014/15: Building Economic Recovery, Inclusive Development and Social Justice* (Geneva, ILO, 2014).
[27] ESCAP, based on ADB, Key Indicators for Asia and the Pacific 2014, Country Profiles.

The social sector in Asia and the Pacific has been traditionally financed through government tax revenues, with important support from Overseas Development Assistance (ODA).[28] Allocating adequate domestic public resources to the social sector as the ambitious post-2015 Development Agenda takes form was underscored by the United Nations Secretary-General who recently stated: "Responsibility for raising the domestic public revenues necessary for the core economic and social functions, for example to ensure a social protection floor and to remedy exclusion, rests primarily with each national Government."[29]

Yet, at least three factors are constraining the ability of countries in the region to finance the social sector through public resources alone.

a) A relatively narrow tax base, created by high labour market informality, as well as weak tax administration and collection, which compromises the sustainability of the public financing social protection.
b) The region is experiencing population ageing at an unprecedented pace. This demographic transition will strain already weak social protection systems, and, in particular, old-age pension schemes.
c) Rapid economic growth and population expansion over the coming decades, along with the impacts of climate change, will increase the exposure and vulnerability of the region to disasters. This increasing susceptibility to natural disasters implies that greater social protection investments are needed.

In this context, innovative financing schemes are critical to financing social protection. Drawing on market-based incentives, innovative financing initiatives incorporate the increasing sway of private actors from both the business sector and civil society. Over the past decade, private actors and philanthropic organizations have engaged in sustainable development through an increasingly diverse role, acting not only as funders, but also as designers and implementers of programmes and active contributors to public policy and high-level development fora on the global development agenda. Echoing the strategic importance of private actors for the financing of the SDGs, the United Nations Secretary-General has stated that, "Urgent action is needed to mobilize, redirect, and unlock the transformative power of trillions of dollars of private resources to deliver on sustainable development objectives."[30]

In what follows, promising country experiences from the region and policy options for financing the social sector are elucidated according to financing streams that have been proposed by the Intergovernmental Committee: namely, domestic public, domestic private, international public and international private finance.[31]

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[28] ESCAP, "Sustainable development financing: perspectives from Asia and the Pacific", background paper prepared for the Asia-Pacific Outreach Meeting on Sustainable Development Financing, Jakarta, 10-11 June 2014.
[29] Synthesis Report of the Secretary-General on the Post-2015 Sustainable Development Agenda,
[30] Synthesis Report of the Secretary-General on the Post-2015 Sustainable Development Agenda, *The Road to Dignity by 2030,* p. 22.
[31] *Report of the Intergovernmental Committee of Experts on Sustainable Development Financing*.

5. DOMESTIC PUBLIC FINANCE

Investments in the social sector need to be solidly grounded in domestic public financing. This is because it is incumbent on the State to set a clear direction, not only in terms of ensuring the right to development and generating solidarity, but also in terms of establishing the long-term sustainable development horizon against which the social and economic benefits of a solidly funded social sector become evident.

The key to more effective domestic resource mobilization is tax reform grounded in the principles of equity and solidarity. The development of innovative earmarked taxes are also promising, especially for the health sector. Political will needs to be demonstrated by reprioritizing already existing public revenue in favour of the social sector. The issue of subsidies and revenues from extractive industries are in this regard fundamental. Last but not least, gender-responsive budgeting (GRB) remains essential for freeing public financing from the yoke of patriarchal structures.

Increasing general tax revenues

As stated above, the social sector in the region has been largely financed through general government taxes. Some countries, like Kyrgyzstan, the Philippines and Sri Lanka, have developed tax-financed social protection programmes for children with specific nutritional, health and educational objectives. Most countries are also providing some kind of tax-financed income support schemes to selected vulnerable groups, such as persons with disabilities and people living in extreme poverty.

Several countries, including the Maldives, Nepal, Samoa and Viet Nam, are providing tax-financed non-contributory pensions that aim to cover all older persons. Tax revenues have also been essential to finance non-contributory health-care services. Examples of such initiatives are China's Urban Residents Basic Medical Insurance, Bhutan's Primary Health-Care system and Thailand's Universal Health Coverage scheme.

Despite such initiatives, tax revenues, as a ratio of GDP, in the region remain relatively low. In Asia-Pacific developing countries, tax revenues averaged 14.8 per cent of GDP in 2011, compared with 34.1 per cent for OECD countries, 17.1 per cent in Latin America and the Caribbean, and 16.3 per cent in sub-Saharan Africa.[32] Tax revenues are particularly low in South and South-West Asia, with a tax-to-GDP ratio of less than 10 per cent in Bangladesh, Bhutan the Islamic Republic of Iran and Pakistan. There is hence scope for improving tax revenues in the region by expanding the tax base, improving tax administration and collection, and strengthening compliance frameworks.

Prevailing tax systems typically rely on relatively regressive consumption taxes, such as the value-added tax (VAT) or a general sales tax. For example, in Bangladesh, VAT formed about 35 per cent of tax revenue in the fiscal year 2012-13;[33] in India, the general sales tax and the service tax together formed bout 33 per cent of tax revenue in 2013-

[32] ESCAP, *Economic and Social Survey of Asia and the Pacific 2014* (Bangkok, ESCAP, 2014).
[33] Bangadesh, Ministry of Finance, "Year-end report on fiscal position. fiscal year 2012-13". Available from www.mof.gov.bd/en/budget/year_end_fiscal/year_end_report_2012_13.pdf (accessed 23 February 2015).

14,[34] in Thailand 30 per cent in 2014,[35] and in the Russian Federation about 35 per cent in 2013.[36] The potential of corporate tax, which has large revenue potential and would contribute to making tax systems more pro-poor, typically remains underused. However, current revenues derived from corporate taxes are relatively low. In Thailand, corporate taxes only contribute 10 per cent to the country's total tax revenue. In India, corporate taxes contribute 20 per cent, second to the general sales tax.[37]

Tax systems can perpetuate existing inequalities or can contribute to addressing them. Accordingly, a progressive tax system with clear redistributive aims is an important tool to reduce income inequalities, including inequalities between women and men, and between rural and urban populations. Progressive "pro-poor" taxation systems grounded in the concept of solidarity thus emphasize taxing personal income and capital gains, rather than relying on taxing consumption. Broad taxation of consumption is usually regressive and anti-poor, as often flat rates or only a small number of different rates are applied, and the consumption share of low-income groups is typically higher than that of higher income groups. As women are more likely to be found in lower income groups, taxing consumption and applying flat rates is also more likely to perpetuate gender inequalities.[38] Moreover, for personal income taxation to be equitable and gender-responsive: (a) tax rates, allowances and exemptions should apply equally to women and men, regardless of their marital status; (b) filing should be individual-based, and thus not the joint, family or household-based filing of tax returns; and (c) income derived from ownership of assets, such as property and shares, should be reported against the owner, and not attributed to a husband or head of household. Joint filing negates the existence of the secondary income earner (typically, and historically, women), and has involved, in some jurisdictions, the secondary income earner being taxed at a higher marginal rate (which can be a disincentive to engage in the labour market if there is little or no financial gain).

Earmarked taxes

Earmarked (dedicated or hypothecated) taxes, especially for tobacco, have been an effective means to finance health care in the region. Earmarking tobacco taxes aims to correct the negative externality of tobacco use for the non-smoking members of society (i.e., the effects of "second-hand smoke") and reduce consumption of these products, while generating additional revenue for health, especially for health promotion, including prevention of non-communicable diseases (NDCs).[39]

The main argument against earmarking is that it introduces rigidities in the budgetary process, constraining the optimal allocation of resources and thus potentially reducing aggregate social welfare. The main argument in favour of earmarking is that it is an effective way of prioritizing a particular social good by stabilizing, and even increasing,

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[34] India, "Indian public finance statistics 2013-14", April 2014

[35] Thailand, Ministry of Finance, "Government revenue" (n.d.). Available from http://dwfoc.mof.go.th/foc_eng/menu2.htm.

[36] Federal Tax Service of Russia, "Tax statistics" (n.d.). Available from http://analytic.nalog.ru/portal/index.en-GB.htm

[37] India, "Indian public finance statistics 2013-14", April 2014. Thailand, Ministry of Finance, "Government revenue" (n.d.). Available from: http://dwfoc.mof.go.th/foc_eng/menu2.htm.

[38] Irene Van Staveren, "Gender biases in finance," *Gender & Development* 9, No. 1 (2001), pp. 9-17.

[39] WHO, *Tobacco Taxation and Innovative Health-care Financing* (New Delhi, WHO Regional Office for South-East Asia, 2012).

financial resources for investing in the prioritized sector. A study conducted by the World Health Organization in 22 low-income countries found that a 50 per cent increase in tobacco taxes would be associated with an increase in government health expenditure of 25 to 50 per cent.[40]

Asia-Pacific countries that have recently earmarked tobacco tax revenues for health care include Australia, India, Mongolia, the Philippines, Nepal, Republic of Korea and Thailand.[41]

Some countries in the region have also successfully introduced hypothecated taxes to finance social development more broadly. For example, in 1982, the Republic of Korea introduced a tax on alcohol, tobacco, interest and dividend income, as well as the banking and insurance industry, which was earmarked for education purposes. Five years after its introduction, the earmarked tax accounted for 15 per cent of the Ministry of Education's budget.[42]

Another option that is being explored across the region is taxing carbonated beverages with a high content of sugar and foods with a high content of salt. Several Pacific Island countries have introduced a tax on carbonated sugar beverages and on sugar in general, as part of efforts to address high rates of obesity and diet-related chronic diseases. For instance, Fiji, French Polynesia and Samoa have introduced a tax on carbonated sugar beverages; while Nauru introduced a "sugar levy" of 30 per cent on imported sugar, confectionery, carbonated soft drinks and drink mixes. In French Polynesia, the tax was earmarked for a health prevention fund. In Nauru, French Polynesia and Samoa, the tax has been associated with an increase in government revenue.[43]

Reallocating current public expenditures

Increasing public revenues through tax reform is essential for financing the social sector. Yet, countries in the region also need to marshal the political will to reprioritize public spending in favour of social investments.

For example, as intimated above, a significant number of countries, most notably, China, Republic of Korea, Thailand and Timor-Leste, have reduced military expenditures in favour of increased spending in the social sector.

One area of expenditure with great potential in creating fiscal space is subsidies.[44] Countries in the region spend considerable resources on subsidies. In South-East Asia alone, energy subsidies amounted to USD51 billion in 2012.[45] In Bangladesh,

[40] Karin Stenberg and others, "Responding to the challenge of resource mobilization: mechanisms for raising additional resources for health", World Health Report (2010), Background Paper No. 13.
[41] WHO, *Tobacco Taxation and Innovative Health-care Financing*.
[42] Enrique Delamonica and Santosh Mehrotra. "How can financing of social services be pro-poor?"
[43] Anne-Marie Thow and others, "Taxing soft drinks in the Pacific: implementation lessons for improving health," *Health Promotion International* 26, No. 1 (2011), pp. 55-64.
[44] ILO, *World Social Protection Report 2014/15: Building Economic Recovery, Inclusive Development and Social Justice* (Geneva, ILO, 2014).
[45] ESCAP, "Sustainable Development Financing: Perspectives from Asia and the Pacific," Background paper prepared for the Asia-Pacific Outreach Meeting on Sustainable Development Financing, Jakarta, 10-11 June 2014. All references to dollars (USD) are to United States dollars, unless otherwise indicated.

Kyrgyzstan and Pakistan, energy subsidies represented between one quarter to half of total government revenues. These energy subsidies are often regressive and incentivize fuel-intensive production, with environmental consequences. Furthermore, they have had little impact on reducing poverty or enhancing inclusive growth.

Savings from these subsidies would be sufficient to finance income security for all older persons and all persons with disabilities in the region as well as provide universal access to health and education in Indonesia, Malaysia, the Philippines and Thailand.[46]

Mobilizing revenues from extractive industries

A number of the resource-rich Asia-Pacific countries, including, Mongolia, Myanmar, Papua New Guinea and Timor-Leste, are afflicted by the so-called "resource curse" or the "paradox of the plenty."[47] Though they have an abundance of natural resources, these countries tend to experience lower economic growth and poor social development outcomes, relative to their less resource-rich neighbours. Small resource-rich countries must confront a set of challenges unique to mineral-led development, such as managing the effects of Dutch disease (that is, inflationary pressures and a propensity toward the overvaluation of the exchange rate); price volatility in the commodity sector; a lack of productive diversification; weak social protection; and rent-seeking behaviour.

Research has demonstrated that the State has played a central role in those mineral-rich countries that have performed more successfully, both in terms of shared prosperity and social inclusion. "These countries used economic policies to provide incentives for productive investment and diversification while safeguarding macroeconomic stability; they showed a willingness and capacity to negotiate and establish consensus between different actors and social groups; and they invested in comprehensive social policies."[48]

Focusing on one of the components of the Social Protection Floor, UNICEF and UNRISD noted that "Emphasizing children, and consequently those who constitute our future societies, in national strategies of mineral-led development brings in a long-term consideration to what is ultimately a finite source of national wealth. In this sense, it contributes to inter-generational justice and long-term growth prospects."[49]

Gender-responsive budgeting

With GRB, the emphasis is on equity and equality of outcome, wherein consideration is

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[46] ESCAP, *2014 Year-end Update: Economic and Social Survey of Asia and the Pacific* (Bangkok).
[47] Naazneen H. Barma, "The rentier State at work: comparative experiences of the resource curse in East Asia and the Pacific," *Asia & the Pacific Policy Studies* 1, No. 2 (2014), pp. 257-272.
[48] Katja Hujo, "Mineral rents and the financing of social policy: options and constraints", Research and Policy Brief, 16 (Geneva, UNRISD, December 2012), p. 2.
[49] Terms of Reference for the UNRISD-UNICEF research project, "Mobilizing Revenues from Extractive Industries: Protecting and Promoting Children's Rights and Well-Being in Resource-Rich Countries," available from: www.unrisd.org.

given to (a) the different needs, interests and priorities of women and men, girls and boys, and (b) the differential impacts of financial expenditure on the lives of women, men, girls and boys. In this respect, GRB initiatives have been shown to contribute to gender parity in education; ensure that health care services meet the specific needs of different sectors of the population; and make certain that cash transfer programmes are purged of gender biases.[50]

In Indonesia, the 2010-2014 National Medium-Term Development Plan (RPJMN) for the first time integrated gender mainstreaming policies into the planning and budgeting processes, which include gender-disaggregated indicators and targets. The Gender Budgeting policy of the Philippines requires government agencies to allocate five per cent of annual budgets to gender and development (GAD) initiatives.[51]

In Pakistan, a promising GRB pilot that applies gender-sensitive benefit analysis has been undertaken in the areas of education and health.[52] Toward this end, unit costs of the public services provisions were estimated. These unit costs were then imputed to users of the public services and aggregated figures of benefit incidence were estimated and categorized by household income levels and provinces.

Cambodia's 2003 public expenditure review (PER) – a diagnostic study that helps establish effective and transparent mechanisms to allocate and use available public resources – included a gender-disaggregated benefit incidence analysis.[53] The results of this exercise, supplemented by household survey data, allowed the Government to invest public revenues in gender-responsive ways. In the area of education, for instance, scholarships for girls were introduced together with the building of sanitary facilities for them.

6. DOMESTIC PRIVATE FINANCE

Due to the possibility of greater long-term returns, private financing has tended to focus on investments in hard infrastructure – transportation, telecommunications, and the like – more than in "soft" infrastructure. Yet, business actors in particular have increasingly begun to recognize the importance of financing the social sector. This is in part due to the growing evidence that exists on social protection as an investment in human capital which increases labour productivity.[54] Corporate social responsibility has also contributed to the increasing role of business actors in financing education, health care and social welfare initiatives.

Local or grassroots social movements and civil society organizations have also played a significant role in the financing of the social sector. The participatory practices of these private actors have functioned as key accountability mechanisms, unmasking

[50] Nicola Jones and Maria Stavropoulou, *Resilience for All? Towards Gender Responsive Social Protection in South-East Asia* (Bangkok, UN Women, 2013).
[51] Ibid.
[52] Reina Ichii, "Gender responsive budgeting in education."
[53] Fatou Aminata Lo and Nisreen Alami, "Budgeting to End Gender Inequalities in the Education Sector," National Planning and Budgeting Cluster, UN Women, New York, October 2011.
[54] ILO, "Social Protection as a Productive Factor," Committee on Employment and Social Policy (GB.294/ESP/4, 294th Session), Geneva, 2005.

the "democratic deficit" of the State vis-à-vis the provision of benefits and access to social services.

In short, ample social investment opportunities are available in this vibrant domestic private context. Sovereign wealth funds are proving to be an important mechanism for investing public revenues and financing the social sector. Micro-insurance schemes grounded in notions of equality of access and opportunity could provide a double dividend in terms of contributing to inclusive finance and building social resilience. Impact investing, health equity funds and venture philanthropy are also proving to be important sources of finance.

Sovereign wealth funds

Given the volatility of commodity prices and the uncertainty of the resource horizon, one of the key challenges of channelling revenues from mineral extraction towards economic and social development is ensuring financial sustainability, in the context of good governance. Seeking greater financial sustainability for natural resource revenues, Governments in the region have increasingly turned to sovereign wealth funds (SWFs) – investment funds owned by sovereign States and generally funded by revenues accrued from the export of non-renewable natural resources.[55]

Due to the long-term and relatively stable returns, SWFs have generally been established to build on and improve existing infrastructure, including energy, transportation and telecommunications.[56] However, as countries in the region come to recognize the link between sustainable development and social protection, this financial mechanism is increasingly being used to finance the social sector, and in particular the supply-side of social services, like schools and hospitals.

Khazanah Nasional Berhad, the Government of Malaysia's investment fund, is committed to supporting social and developmental issues including poverty alleviation.[57] Timor-Leste used its Petroleum Fund to support the implementation of a series of cash transfer programmes, the first of which were targeted to older persons and persons with disabilities. These initiatives were followed by a conditional cash transfer scheme, Bolsa da Mãe, which was modelled after Brazil's iconic Bolsa Família, and rolled out in 2008.[58]

Microfinance

The majority of the Asia-Pacific population, especially the poor and vulnerable, is excluded from core financial services including, savings, credit, insurance and remittances. The majority of households and SMEs in the region still lack access to

[55] *Report of the Intergovernmental Committee of Experts on Sustainable Development Financing*, p. 18.
[56] Julia Goodall and others, "Sovereign wealth funds investing in infrastructure", 2014 Preqin Sovereign Wealth Fund Review (New York, Preqin Alternative Assets, November 2013).
[57] World Economic Forum, "From the margins to the mainstream assessment of the impact investment sector and opportunities to engage mainstream investors", report prepared by the World Economic Forum Investors Industries in collaboration with Deloitte Touche Tohmatsup, Davos, September 2013, p. 13.
[58] Pamela Dale and others, "Peace, prosperity and safety nets in Timor-Leste: competing priorities or complementary investments?" *Asia & the Pacific Policy Studies* 1, No. 2 (2014), pp. 287-296.

reliable financial services.[59]

As the Intergovernmental Committee has emphasized, "Expanding the scope and scale of financial services offered to the poor, older persons, women, persons with disabilities, indigenous people and other underserved populations is important to help achieve sustainable development objectives."[60] One important mechanism for achieving greater financial inclusion and also investing in the social sector is microfinance. Since the declaration by the United Nations of 2005 as the International Year of Microcredit, the number of microfinance institutions in developing Asia-Pacific countries has risen considerably.

Microfinance is a financial service – including micro-insurance and micro-credit – available to poor and vulnerable households, entrepreneurs and small business owners who have no collateral and would not otherwise qualify for a standard bank loan or insurance.

Micro-insurance schemes in particular are important tools for reducing vulnerability to natural disasters and economic crises. These schemes offer protection to low-income populations against a variety of shocks, including illness, old age, natural calamities, death of the breadwinner in the family, and theft or damage to their assets or their means of production.[61] Importantly, in addressing vulnerability and providing protection, investment in micro-finance services must coincid with the elimination of discriminatory practices, given that "gender norms that permeate credit allocation decisions of financial institutions as well as gender inequalities in asset ownership that remain unaddressed can seriously impair women's ability to borrow for productive as well as consumption purposes."[62]

One of the principle challenges of micro-insurance is debt management. If households and SMEs make investments when the economy is strong, as in the case of Cambodian villagers who sold farmland during the 2007 boom in land prices, they can become more vulnerable to crises. In order to undertake investments – such as in construction, productive assets, starting small businesses or financing migration of family members to urban areas – they may access additional credit from microfinance institutions.

The 2001 earthquake in Gujarat left over 15,000 people dead and damages of approximately USD3 billion. In the context of limited government financial support, the All India Disaster Mitigation Institute (AIDMI) brought together poor entrepreneurs and stakeholders – including commercial and public insurance companies – to develop Afat Vimo (Gujarati word for "Disaster Insurance"), a micro-insurance mechanism that covers holders against 19 disasters at an annual premium of USD5. In 2007, Afat Vimo had enrolled 5,054 individuals from low-income households, the majority of which

[59] ESCAP, "Sustainable development financing: perspectives from Asia and the Pacific", background paper prepared for the Asia-Pacific Outreach Meeting on Sustainable Development Financing, Jakarta, 10-11 June 2014.

[60] *Report of the Intergovernmental Committee of Experts on Sustainable Development Financing*, p. 24.

[61] Antonis Malagardis, "Demand Study of Microinsurance in the Philippines", (Manila, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), 2009).

[62] Floro, M., N. Cagatay, J. Willoughby and K. Erturk (2004). *Gender Issues and Concerns in Financing for Development* (UN INSTRAW), p. 15.

owned small enterprises in the informal sector having assets worth approximately USD209. Through Afat Vimo, AIDMI is encouraging insurance companies, authorities, donor communities, and non-governmental organizations to strengthen social protection through the integration of micro-finance tools and disaster risk reduction strategies.[63]

Social impact investing

Impact investing refers to an investment that uses the incentives of commercial capital development to generate beneficial social and environmental impacts.

Following an impact investing approach, the Citizens Foundation (TCF) builds and operates schools across all four provinces of Pakistan, which are government certified and follow a national curriculum. At TCF schools, parents contribute on a sliding scale (capped at 5 per cent of household income) that is based on an assessment of household income and the number of children in a family. The average monthly contribution of USD1 per pupil is a small share of the monthly cost of USD11 per pupil to run the school. Corporate and philanthropic donations meet the remaining operational costs, with over 50 per cent of funds raised within Pakistan and the remainder from across the globe. In 2011, 72 per cent of TCF students pursued post-secondary education, compared to the government school average of 40 per cent.[64]

Venture philanthropy

With the Asia-Pacific region acting as the engine of global economic growth and being home to the fastest growing high net worth individual population, the potential for philanthropy to contribute to social sector financing is very substantial. Philanthropy can be a means of promoting social cohesion and civic engagement for improvements at the community level, especially through investments in areas such as education, health and the environment.[65]

Asia-Pacific philanthropists are increasingly contributing to the financing of the social sector. In China, for example, Chen Dongsheng, Chairman and CEO of Taikang Life Insurance has given 12 per cent of his income to charity (mainly education causes) over the past 4 years. Others such as Hui Ka Yan, Founder and Chairman of the Evergrande Real Estate Group, donated USD 62 million in 2012 to poverty relief and education.[66]

In India, almost 80 per cent of donations go to the education sector; the remaining sectors being rural development, health care and environmental protection. Notable Indian philanthropists include Azim Premji, Chairman of Wipro Limited, who donated USD 2 billion, mainly to improve school education, in 2103; and Anil Agarwal, Chairman of Vedanta Resources Plc., who has pledged to donate 75 per cent of his family's wealth

[63] United Nations International Strategy for Disaster Reduction (UNISDR) and the United Nations Development Programme (UNDP), *Building Disaster Resilient Communities: Good Practices and Lessons Learned* (Geneva: UNISDR, 2007).
[64] D. Capital Partners, "Impact investing in education: an overview of the current landscape", Education Support Program (ESP) Working Paper Series, No. 59 (New York, Open Society Foundations, 2013).
[65] Mercy A. Kuo and Angie O. Tang, "Asian philanthropy: strategic social stewardship", *The Diplomat* (3 October 2014). Available from www.thediplomat.com.
[66] "48 Heroes of philanthropy," *Forbes Asia*, 29 May 2013. Available from www.forbes.com.

towards charitable causes.[67] With government policies making it easier to make donations, including through tax mechanisms, the scope for financial ventures to promote social development can be significantly enhanced in the region.

7. INTERNATIONAL PUBLIC FINANCE

International public finance should complement and facilitate national efforts in financing the social sector. International and regional public actors will remain indispensable for providing an enabling environment through strengthened partnerships.

Bilateral and multilateral ODA in particular will remain essential and should be focused where social sector needs are greatest and the capacity to raise resources is weakest.[68] The role of international funds and regional financial institutions will also be paramount in augmenting the transnational flow of financial resources and technical assistance that is needed to invest in expanding and enhancing social protection systems in the Asia-Pacific region.

Official development assistance

ODA remains an important source of external public financing for developing countries, particularly LDCs, LLDCs and SIDS. ODA flows to the Asia-Pacific region reached USD 30 billion in 2012, representing a significant source of development finance.[69] Most of this ODA is directed to the economic and social sectors. While in 1996, 41 per cent of ODA was committed to the economic sector and 25 per cent to the social sector, a decade and a half later these priorities had been inverted. In 2011, 43 per cent of ODA was allocated to the social sector and 25 per cent to the economic sector.[70] Today the social sector receives the greatest share of ODA, primarily education and health care.

ODA is fundamental in providing technical assistance and developing pilot programmes that could later be taken to scale. For instance, in order to alleviate labour shortages in the horticultural industry and secure productive and decent work for migrants, the Australian Government designed the Pacific Seasonal Worker Programme (PSWP). This initiative provides opportunities for workers from eight Pacific Island countries – namely, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu – as well as Timor-Leste, to undertake seasonal work in Australia. The Programme operated as a pilot from 2009 to July 2012, when it was rolled out and became permanent. The PSWP has contributed to skill acquisition by, and enhanced financial security of, the participating workers

Despite the benefits of ODA, as a long-term strategy it may not be sustainable and,

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[67] Dhanya Ann Thoppil, "India's Premji Gives USD2.3 Billion to Charity", *The Wall Street Journal*, 22 February 2013. Available from www.wsj.com.
[68] Synthesis Report of the Secretary-General on the Post-2015 Sustainable Development Agenda, *The Road to Dignity by 2030.*
[69] ESCAP, "Sustainable Development Financing: Perspectives from Asia and the Pacific", p. 47.
[70] OECD, *Development Aid at a Glance: Asia* (Paris, 2014), pp. 10-12.

hence, countries that are recipients of such assistance need to strengthen domestic sources of financing and avoid dependence on external ones.

International funds

Innovative international funds and delivery channels can and do play an important role in financing the social sector. The Global Fund to Fight AIDS, Tuberculosis and Malaria, the Global Alliance for Vaccines and Immunisation (GAVI), and the Global Partnership for Education are examples of initiatives organized around multi-stakeholder partnerships between governments, the private sector, civil society, and traditional and emerging donors.[71]

The Global Fund is by far the single biggest source of external AIDS funding in the region, having steadily increasing its contributions from USD75 million in 2005 to over USD 350 million in 2012. This is twice the amount contributed by the second largest international fund, namely, the U.S. President's Emergency Plan for AIDS Relief (PEPFAR).[72]

The region's persistent development will, however, reduce eligibility for a shrinking pool of international funds for measures addressing HIV and AIDS. The importance of assuring the sustainability of domestic funding is thus evident, particularly given the life-long need for treatment. In this regard, it is encouraging that since 2005 the region has experienced a steady increase in domestic public spending from USD400 million in 2005 to USD1.3 billion in 2012. This accounts for 59 per cent of total AIDS spending, which is higher than the global average of 53 per cent.[73]

Regional financial institutions

International public funds that are less concessional than ODA, such as some loans from the Bretton Woods institutions, are key sources of medium-and long-term finance for Asia-Pacific countries.

The Asian Development Bank (ADB), for example, has supported social protection initiatives in the region since the early 1990s.[74] Between 1996 and 2012, ADB approved 202 stand-alone grants, loans and technical assistance on social protection with a total value of USD 3.3 billion, representing 2.3 per cent of ADB's total portfolio during that period.[75] ADB technical assistance projects have contributed to improving the targeting of social spending and support policy reforms in developing member countries.

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[71] *Report of the Intergovernmental Committee of Experts on Sustainable Development Financing.*
[72] UNAIDS, *Investing for Results: How Asia Pacific Countries Can Invest For Ending AIDS* (Bangalore, 2015), p. 28.
[73] UNAIDS, *Global Report: UNAIDS Report on the Global AIDS Epidemic 2013*.
[74] ADB, *ADB and Social Protection: Challenges and Opportunities* (Manila, 2011).
[75] ADB, "Social protection operational plan 2014-2020" (Manila, December 2013), p. 4.

In 2008, Mongolia experienced high inflation rates which exacerbated the unprecedented food price increases brought about by the global food and fuel crises.[76] While Mongolia was committed to strengthening its investments in the social sector, it lacked the targeting mechanisms and programmes to identify and reach the most poor and vulnerable populations. In this context, ADB provided technical assistance to the Government of Mongolia to identify those who needed help the most and to get that help to them. Specifically, the ADB helped design and implement the National Food Stamp Programme (FSP), which became one of the first of the country's targeted benefit schemes. Under the FSP, food stamps were distributed to eligible households selected through a targeted approach.

8. INTERNATIONAL PRIVATE FINANCE

With globalization and deepening regional integration, on the one hand, and the proliferation of private actors, on the other, international private financing streams are expected to play a significant role in the post-2015 financing for development framework. Foreign direct investments by multinational corporations will be an important source for social investments in the region. Given the centrality of migration in Asia and the Pacific, the role of remittances as a source of development financing will continue to be part of the discussions.

Foreign direct investment

Foreign direct investment (FDI), as is the case with ODA, cannot be the primary means of financing the social sector. The impact of FDI on developing countries, though beneficial in certain instances, can have detrimental effects; such as a reduction in domestic investment, market failures and risks with regard to health and safety, as well as the environment. Nevertheless, when judiciously approached, with an aim of reducing dependence in the long term, FDI can serve as a valuable source of revenue and thus enhance financing of the social sector.[77]

FDI can contribute to technology transfer and capacity development, which in turn can lead to a more effective social protection system. FDI can also finance larger scale infrastructure projects aimed at developing the supply-side of social services. FDI could be used, for instance, for the construction of hospitals and schools as well as for the development of water, electricity and sanitation-related infrastructure. Furthermore, in India, a country which has attracted huge levels of FDI in recent years, the Government has acknowledged the need for private or foreign players to participate in bridging the demand-supply gap in the education sector and has encouraged public-private partnerships in this regard.[78]

A key issue is that such services are made affordable to all segments of society. For this

[76] This case study is based on an input provided by Bartlet W. Édes, Director of ADB's Poverty Reduction, Gender, and Social Development Division, for the ESCAP Interregional Expert Group Meeting on Social Protection, Bangkok, 17-18 October 2013.
[77] OECD, *Foreign Direct Investment for Development: Maximising Benefits, Minimising Costs* (Paris, 2002).
[78] Jyoti Pradhan, "FDI in Indian service sector: a critical analysis of prospective investment milieu in higher education", *Interdisciplinary Review of Economics and Management* 2, No. 1 (2012), pp. 51-65.

to be the case, the State must regulate activities or enter in partnerships with foreign investors. This is the case with all forms of private sector engagement in supporting the provision of social infrastructure and services; wherein regulations exist to ensure adherence to the core financing principles and contribution to the goals of sustainable development. As noted by the Women's Working Group on Financing for Development, "FDI should have performance requirements in order to create decent work, by eliminating the gender pay gap, providing technology transfer and improving skills, promoting links with small and medium enterprises and fostering territorial decentralization."[79]

Remittances

Remittances are a crucial source of income for both families and the State, constituting up to 45 percent of GDP in some countries of the Asia-Pacific region. Remittances have kept current account deficits under control by being an importance source of foreign currency. At household level, they are often used to afford better nutrition, cover for health-care costs and afford better education for children. Remittances have thus contributed to reducing poverty in many countries of the region and, although a private source of income, they often serve as an informal social protection mechanism.[80]

The *Doha Declaration on Financing for Development* recognizes remittances as "significant private financial resources for households", that "[t]he manner of their disposal or deployment is an individual choice" and that remittances cannot replace other sources of finance for development, including public resources.[81]
Economic policies to channel remittances into development financing should work to translate remittance-receivers motivations for food, health and education spending, as well as entrepreneurial activities, into measures that bolster social and economic development, including local and regional production. To enhance the use of remittances, related policies should be linked to broad fiscal, financial and institutional policies, and integrated into national development strategies.

In certain instances, national development banks could act as catalysers to harness public and private interest on remittances and promote remittance investment programmes by scaling-up partnerships with regional and multilateral development institutions.

Some countries, for example, harness the diaspora's potential by issuing bonds, with a reduced interest rate, counting on the solidarity of the diaspora. India, for example, used such bonds as a form of emergency financing. These bonds could be particularly issued for financing social development. However, it should be noted that diaspora bonds are a form of debt financing and should be only invested in projects with adequate returns. For them to be a successful tool of debt financing, a relatively wealthy diaspora abroad is

[79] Women's Working Group on Financing for Development, *Written Input from the Women's Working Group on Financing for Development to the 2nd Round of Substantive Informal Sessions of the Third International Conference on Financing for Development*, 9-12 December 2014, p. 4.
[80] Asia-Pacific RCM Thematic Working Group on International Migration. *Situation Report on International Migration in South and South-West Asia* (Bangkok, United Nations, 2012)
[81] United Nations, The Doha Declaration on Financing for Development. Outcome Document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus (United Nations, 2009). Available from www.un.org/esa/ffd/doha/documents/Doha_Declaration_FFD.pdf.

needed as well as the diaspora's trust in governance and financial sustainability in their country of origin.[82] Yet, as countries develop, the share of remittances in total resource flows falls, with the proportion of domestic and other external resources becoming more substantial. Hence the role of remittances as a source of financing the social sector should not be considered as an effective long-term strategy.[83]

It is worth reiterating that as fundamentally private sources of revenue, remittances do not constitute a substitute for State responsibility in the provision of basic social services, such as health care, education and the other elements of the Social Protection Floor.

9. CONCLUSION

In outlining some of the various sources of public and non-public, domestic and internationally-derived sources of financing for development, this paper has presented options that are available to Asia-Pacific countries for funding the social sector, in particular in the provision of health care, income security and education, based on the Social Protection Floor framework.

With various financing measures available, and noting that reliance on a single revenue source is neither sound nor sufficient, governments may wish to pursue pluralistic and experimentalist funding, drawing upon, and coordinating, a range of options, whether taxation, contributory schemes, international financial assistance, public-private partnerships, development banks, foreign direct investment and/or remittances, for example. Governments may thus capitalize upon the advantages of different financing measures, while compensating for particular shortcomings. This may also enable fulfilment of the core principles of financing, as articulated at the beginning of this paper.

Regardless of the financing strategies pursued, "[r]esponsibility for raising the domestic public revenues necessary for the core economic and social functions – for example to ensure a social protection floor and to remedy exclusion – rests primarily with each national government."[84] In this respect, the State cannot transfer the responsibility for providing such basic services as health care and education to other actors, particularly actors that are not bound by human rights obligations. Furthermore, given the importance of the sustainability of financing streams, as well as the principle of country ownership, Governments may wish to pursue policies that prioritize domestic resource mobilization, while noting the necessity of competent, credible and democratic institutions for efficient and effective administration of financing strategies and of policy execution.

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[82] Suhas Ketkar and Dilip Ratha, "Diaspora bonds: tapping the Diaspora during difficult times", *Journal of International Commerce, Economics and Policy*, vol. 1, No. 2 (2010), pp. 251-263.

[83] Alex Julca, "Can Immigrant Remittances Support Development Finance?" *Panoeconomicus* 3, Special Issue (2013), pp. 365-380.

[84] United Nations Secretary General, *The Road to Dignity by 2030: Ending Poverty, Transforming Lives and Protecting the Planet*, Synthesis Report of the Secretary-General on the Post-2015 Agenda (New York, United Nations, 2014), para. 91.

Other actors, corporations and civil society organizations, can play a complementary role in financing the social sector. Additionally, new "blended" sources of financing may be cultivated, such as financial transactions taxes, a carbon tax and diaspora bonds.[85]

Financing is inextricably linked to, and is one of the fundamental prerequisites for, addressing the global priorities for sustainable development, including transformative change across the economic, social and environmental dimensions "to achieve a life of dignity for all, leaving no one behind,"[86] where there is full realization of human rights, shared prosperity, social equality and protection of the natural environment.

[85] Suhas L. Ketkar and Dilip Ratha, "Diaspora Bonds: Tapping the Diaspora During Difficult Times," *Journal of Intenraitonal Commerce, Economics and Policy* 1, no. 2 (2010), pp. 251-263.
[86] Synthesis Report of the Secretary-General on the Post-2015 Sustainable Development Agenda*, The Road to Dignity by 2030*, p. 34.

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