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Rights-Based Financing for Rights-Based Social Protection in Southeast Asia

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Social protection in the ASEAN region

In 2013, the ASEAN adopted the Declaration on Strengthening Social Protection. The Declaration recognises the key principles that a rights-based social protection (SP) should have (i.e., human rights and social justice, inclusion, gender equality, etc.). However, such principles tend to be watered down when it comes to operationalization and implementation, especially when the budget is taken into account.

Based on the Declaration, one of the strategies to strengthen social protection in the ASEAN region is the "[allocation of] adequate financial resources for social protection in line with national targets and subject to the capacity of the government." In other words, the fundamental human right known as social protection can only be provided depending on what their budgets can afford.

The social protection spending[1] of Southeast Asian countries is very sparse, ranging from 7.24 per cent (Thailand) to as low as 0.96 per cent (Myanmar). In a country like Cambodia with 28 per cent of population living under USD1.25 a day, social protection spending as a percentage of GDP is only 2.23 per cent. Certainly, such amount is not enough to address the vulnerabilities of the poor people of Cambodia.

Even the lower-middle and middle-income countries in the region do not allocate substantial resources for social protection (see Table 1). Likewise, high income does not translate to high social protection spending as Singapore's social protection expenditures account for only 2.83 per cent of its GDP. From these figures, it is clear that social protection does not place high among the priorities of the national governments in Southeast Asia.

Table 1. Public social protection expenditure (including health care expenditure) of Southeast Asian countries as percentage of GDP

Country	Public social protection expenditure (including health care expenditure) as percentage of GDP	Year
Cambodia	2.23	2013
Indonesia	2.63	2010
Lao People's Democratic Republic	1.74	2010
Malaysia	2.99	2012
Myanmar	0.96	2011
Philippines	1.55	2012
Singapore	2.83	2011
Thailand	7.24	2011
Timor Leste	4.24	2013
Vietnam	6.28	2010

Source: International Labour Organization (2014). World Social Protection Report 2014/15: Building economic recovery, inclusive development and social justice. Geneva: International Labour Office.

Financialisation of social protection

The indicator above gives us an idea on how little resources are allocated for social protection. However, it does not show where the minimal resources come from. How are social protection programmes funded?

Most social protection systems in Southeast Asian countries are social insurance or pension schemes, which are contributory in nature. Those who contribute are mostly workers from the formal sector. However, despite their contributions and eligibility to receive benefits, most workers find it difficult to access their entitlements because of the bureaucratic and inefficient processes that they need to go through before getting hold of what they are entitled to.

What is more alarming is that while workers have to painstakingly endure the process of getting their meagre benefits, millions of social protection funds are easily being invested in big corporations that are non-compliant to labour standards, damaging to the environment, and dispossessing the marginalised communities of their resources and livelihood.

Unfortunately, the prevailing framework of financing social protection of the International Labour Organization (ILO) supports this system of investing social protection fund reserves in the speculative financial market. Under the ILO social protection financing framework, the investment of social protection reserves should observe the following principles: (i) ***safety*** *(to maintain the real value of the investment); (ii)* ***yield*** *(to ensure highest returns on investment); and (iii)* ***liquidity*** *(to consider how easily the investments can be converted to cash). It is only when these three principles are satisfied that the* ***social and economic utility*** *of the investments is taken into account.[2]*

This framework reveals the social protection paradox. Conceptually, social protection aims to address the people's risks and vulnerabilities to which they are exposed in the course of their life cycle. However, the financialisation of social protection becomes a process that contributes to the means of production rather than to the welfare of the people. When the workers' social protection contributions are invested in extractive industries that destroy the forests in the Philippines or in corporate agriculture ventures that displace the rural communities in Cambodia, social protection transforms into a mechanism that reinforces the neoliberal economic model that aggravates the vulnerabilities of the marginalised people that social protection is supposed to overcome.

It is very clear that the neoliberal social protection financing model is not rights-based but market-oriented.

Being beholden to the ADB and WB in the name of social protection

Contributory social insurance and pension schemes usually covers the formal sector workers only. The marginalised informal workers and the unemployed are systematically excluded in such schemes. So, how are the marginalised people “protected”? The World Bank (WB) and the Asian Development Bank (ADB) highly recommend social assistance in the form of cash transfers to the poor. Where to get the resources for cash transfers?

In the Philippines, the conditional cash transfer (CCT) programme is a flagship social protection programme of the present government administration. This heavily criticised CCT is financed by the USD400-million loan from ADB under its Social Protection Support Project. It is supplemented by another USD 405-million loan from WB under its Social Welfare and Development Reform Program.

This example from the Philippines shows that the ADB and WB are not only dominating the development discourse on social protection; as a matter of fact, they are becoming more and more involved in setting the social protection agenda of national governments while the poor themselves have no voice to demand the kind of social protection that they want. In return, the national governments become beholden to these international financial institutions (IFIs) in the name of social protection.

Social protection as a primary responsibility of the state

For social protection to be truly rights-based, the manner by which it is financed should also be rights-based. A rights-based financing for rights-based social protection would mean that financing should come primarily from the government funds to counter IFIs' involvement in social protection and the financialisation of social protection funds.[3] This would entail realignment of public funds from defence spending and debt servicing to social protection programmes as well as exit from loan-induced social protection models.

Overall, a rights-based social protection prioritises the needs of the marginalised workers over the capitalist interests. In this regard, the states should ensure that its economic development agenda is people-centred and not biased towards the interests of big capitalists that disregard people's rights, lives, and livelihood.

Endnotes

[1] As a percentage of GDP

[2] Michael Cichon et al. (2004). *Financing social protection (Geneva: International Labour Office).*

[3] Recommendation from the Ecumenical Institute for Labor Education and Research, Philippines.

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