Data Collection Survey on Social Security Sector in Asia
Final Report
Summary

July 2012

Japan International Cooperation Agency (JICA)

Mitsubishi UFJ Research and Consulting Co.Ltd.

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Abbreviation

【Common】

ADB	Asian Development Bank
CCT	Conditional Cash Transfer
DRG	Diagnosis Related Group
UC	Universal Coverage
FFS	Fee For Service
WHO	World Health Organization
GIZ	
ILO	International Labour Organization
MOU	Memorandum of Understanding
NGO	Non Governmental Organization
WB	World Bank
AusAID	Australian Government Overseas Aid Program
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
JETRO	Japan External Trade Organization

【the Philippines】

4P	Pantawid Pamilyang Pilipino Program
AHA	Aquino Health Agenda
AMC	Average Monthly Compensation
BMP	Basic Monthly Pension
CYS	Credited Years of Service
DepEd	Department of Education of the Philippines
DILG	Department of the Interior and Local Government
DOH	Department of Health
DOLE	Department of Labor and Employment
DSWD	Department of Social Welfare and Development
ECOP	Employers Confederation of the Philippines
F1	FOURmula One for Health
GSIS	Government Service Insurance System
HSRA	Health Sector Reform Agenda
IRA	Internal Revenue Allotment
KALAHI-CIDSS	Kapit-bisig Laban sa Kahirapan –Comprehensive and Integrated Delivery of Social Services
KaSAPI	Kalusugang Sigurado at Abot-Kaya sa PhlHealth Insurance
LGU	Local Government Unit
NAPC	Nationa Anti-Poverty Commission
NEDA	National Economic Development Authority
NHIP	National Health Insurance Program
NHTS-PR	National Household Targeting System for Poverty Reduction
OSCA	Office of Senior Citizens' Affairs
Pag-IBIG/ HDMF	Home Development Mutual Fund

【Indonesia】

AAJI	Indonesia's Life Insurance Association
AAJI	Indonesia's Life Insurance Association
ASKESOS	Social Welfare Insurance
BAPEPAM-LK	The Capital Market and Financial Institution Supervisory Agency
BAPPENAS	Indonesian National Development Planning Agency
BLT	Bantuan Langsung Tunai
BPJS	Social Security and Administrating Bodies
BPS	Central Agency on Statistics
DJSN	National Social Security Council
JAMKESDA	Public Health Security System by Local Governments
JAMKESMAS	Public Health Security System for Low-Income Population
JAMSOSTEK	Jaminan Sosial Tenaga Kerja
JHT	Corporate Old-Age Savings
JK	Life Insurance Program for Employees
JKK	Workers Compensation Insurance
JPK	Employee health security
JSLU	Social Cash Transfer for Elderly
JSPACA	Social Cash Transfer for Severely Disabled
MOF	Ministry of Finance
MOH	Ministry of Health
MoMT	Ministry of Manpower and Transmigration
MoSA	Ministry of Social Affairs
MOSE s	Ministry of State-Owned Enterprises
PBI	Penerima Bantuan Iuran
PKH	Program Keluarga Harapan
PKSA	Social Cash Transfer for Disadvantaged Children
PNPM Mandiri	Program Nasional Pemberdayaan Masyarakat Mandiri
PODES	Village Potential Statistics
PPLS	Data Collection for Targeting Social Protection Programs
PSE	Socio-economic Population Survey
RASKIN	Beras Miskin
SJSN	National Social Security System
SUSENAS	National Socio-Economic Survey
THT	Old-Age Savings Program for Government Officers
TKLHK	Social Insurance Program for Workers in Informal Sectors
TNP2K	The National Team for the Acceleration of Poverty Reduction

【Laos】

AGL	Allianze General Laos
CBHI	Community Based Health Insurance
CRC	Convention on the Rights of the Child

DDF	District Development Fund
DO	District Field Office of Finance
DOS	Department of Statistics
HEF	Health Equity Fund
LECS	Lao Expenditure and Consumption Survey
MOF	Ministry of Finance
MOH	Ministry of Health
MOHA	Ministry of Home Affairs
MOLSW	Ministry of Labor and Social Security
MPI	Ministry of Planning and Investment
NGPES	National Growth and Poverty Eradication Strategy
NSEDP	National Socio-Economic Development Plan
PO	Provincial Field Office of Finance
PRF	Poverty Reduction Fund
SASS	State Authority of Social Security
SSO	Social Security Office
VAT	Value Added Tax

【Malaysia】

CWC	Central Welfare Council, Peninsular Malaysia / MAJIS PUSAT KEBAJIKAN SEMENANJUNG MALAYSIA
E-Kasih	E-Kashih
EPF/ KWSP	Employee Provident Fund／ Kumpulan Wang Simpanan Pekerja
ICU	Implementation Coordination Unit／ Unit Penyelarasan Pelaksanaan
JPA	Public service department of Malaysia／Jabatan Perkhidmatan Awam Malaysia
KPWKM	Ministry of Women, Family & Community Development ／ Kementerian Pembangunan Wanita, Keluarga dan Masyarakat
LIAM	Life Insurance Association of Malayisa ／ Persatuan Insurans Hayat Malaysia
MOH	Ministry of Public Health ／ Kementerian Kesihatan Malaysia
MOHR	Minister of Human Resource
NIAM	National Insurance Association of Malaysia / Persatuan Insurance Kebangsaan Malaysia
1 Malaysia	One Malaysia ／ Satu Malaysia
SOCSO/ PERKESO	Social Security Organization ／ Pertubuhan Keselammatan Sosial
Wawasan 2020	Vison 2020 ／ Wawasan 2020

【Vietnam】

DOLISA	Department of Labour, Invalids and Social Affairs
DRG	Diagnosis Related Groups
DSS	District Social Security
GIZ	Gesellschaft fur Internationale Zusammenarbeit
HSPI	Health Strategy and Policy Institute
ILSSA	Institute of Labour Science and Social Affairs
ISSS	Insititute for Social Security Science
MOF	Ministry of Finance
MOH	Ministry of Health
MOLISA	Ministry of Labour, Invalids and Social Affairs
PPC	Provincial People's Committee
PSS	Provincial Social Security
VASS	Vietnam Academy of Social Science
VGCL	Vietnam General Confederation of Labour
VSS	Vietnam Social Security

【Thailand】

BAAC	**Bank of Agriculture and Agricultural Cooperation**
BMN	Household Basic Minimum Needs
CGD	Comptroller General's Department
CSMBS	Civil Servant Medical Benefit Scheme
CTOP	The Project on the Development of a Community Based Integrated Health Care and Social Welfare Services Model for Older Persons in the Kingdom of Thailand
CUP	Contract Unit for Primary Care
DHO	Dirtrict Health Office
GPF	Government Pension Fund
GSB	Government Saving Bank
HSRI	Health System Research Institute
IHPP	International Health Policy Program
MOF	Ministry of Finance
MOL	Ministry of Labour
MOPH	Ministry of Public Health
MSDHS	Ministry of Social Development and Human Security
NHSO	National Health Security Office
NSF	National Savings Fund
NSFO	National Saving Fund Office
OPP	Office of Welfare Promotion, Protection and Empowerment of Vulnerable Groups
PCU	Primary Care Unit
PHO	Provincial Health Office
RMF	Retirement Mutual Fund
SEC	Securities and Exchange Commission Thailand
SRM	Strategic Route Map

SSF	Social Security Fund
SSO	Social Security Office
SSS	Social Security Scheme
TAO	Tambon Administration Organization
THIF	Tambon Health Insurance Fund
THPF	Thai Health Promotion Fund
TPF	Thailand Provident Fund
UC	Universal (health) Coverage
WCF	Workman's Compensation Fund

【Cambodia】

CABDIC	Capacity Building of people with Disabilities in the Community
CARD	Council for Agricultural and Rural Development
CBHI	Community Based Health Insurance
CCT	Conditional Cash Transfer
CPA	Complementary Package of Activities
C/SDP	Commune/Sangkat Development Plan
C/SF	Commune/Sangkat Fund
C/SIP	Commune/Sangkat Investment Program
DFT	District Facilitation Team
DPLA	Department of Local Administration
ESSP	Education Sector Support Project
HCP	Health Coverage Plan
HEF	Health Equity Fund
HEFI	Health Equity Fund Implementer
HEFO	Health Equity Fund Operator
HP	Health Post
HSP	Health Strategic Plan
HSR	Health Sector Review
HSSP	Health Sector Support Project
JFPR	Japan Fund for Poverty Reduction
JPA	Joint Partnership Arrangement
JPIG	JPA Development Partner Interface Group
MOEF	Ministry of Economic and Finance
MOH	Ministry of Health
MOI	Ministry of Interior
MOLVT	Ministry of Labour and Vocational Training
MOP	Ministry of Planning
MOSAVY	Ministry of Social Affairs, Veterans and Youth Rehabilitation
MPA	Minimum Package of Activities
MPSP	Ministry of Planning Strategic Plan
NFV	The National Fund for Veterans
NSDP	National Strategic Development Plan
NSPS	National Social Protection Strategy
NSSF	National Social Security Fund

NSSF-C	National Social Security Fund for Civil Servants
OD	Operational District
ODO	Operational District Office
PBCRG	Planning and Budgeting Committee Representative Group
PFT	Provincial Facilitation Team
PRC	Physical Rehabilitation Center
SFHF	Strategic Framework for Health Financing
SUBO	Subsidy Operator
SWiM	Sector Wide Management
VRG	Village Representative Group

Chapter I. Brief Summary of the Field Study

1. Background of the field study

There is a growing need for social security systems and for review of existing social security systems in Asian countries because of the regional and worldwide economic crisis, such as Asian Financial Crisis in 1997 and Lehman's fall in 2008. In Asian countries, situations of the social security system including universal health insurance coverage, unemployment insurance among others are quite different due to the development stage. Even when a system has been successfully introduced, there are often cases where actual implementation lacks sustainability and efficiency.

As for the great necessity of advice to tackle with these problems in Asian countries, JICA developed "Strategy for Social Security" in 2006 and also the Rolling Plan for each county. However, the Strategy for Social Security has merely remained to suggest a comprehensive cooperation policy, and the Rolling Plan for each country has inclined to focus on related information on the past development projects. Therefore, in order to examine the further cooperation of this field, more specific information from broader perspective is highly required.

Facing such situation, this research project was planed to collect and analyze basic information and structural background in the field of social security in the Asian countries (especially for the ASEAN members), and are expected to utilize as a reference for the future projects in this field.

2. Study objectives

Aiming for the improvement of knowledge, strategy and quality of the JICA's cooperation in the filed of social security sector, we organize the current situation of social security of each country and analyze obstacles and tasks on implementing projects and the points to be improved in each country. Based on this study, we suggest a recommendation for the JICA's cooperation in the social security.

3. Contents of the study

We have visited ministries, institutions, international donors and research institutes which related to the social security in the Philippines, Indonesia, Laos, Malaysia, Vietnam, and Thailand. We conducted interviews and collected data for the subjects below. As for Cambodia, we summarize the repot based on the desk research.

1. The basic structure of a social security system in each country.

2. Overview of the health insurance system: overview, coverage, medical benefit, and status of the private health insurance market

3. Overview of the income security system for workers: overview, basic information of contribution rate, and the situation of the fund management

4. Overview of the social welfare system: Benefit package for low-income families

5. Overview of the policy for the elderly: Benefits and facilities for the elderly

6. Possibility of the cooperation and today's challenges in the social security system

4. Schedule

Please refer to the annex for the field research schedule in the Philippines, Indonesia, Laos, Malaysia, Vietnam, and Thailand.

5. Study Team Members

The study team consists of the members below;

In Charge	Name	Country	Affiliation
Team Leader/ General analysis for Social Security	Reisuke IWANA (Mr.)	Thailand	Mitsubishi UFJ Research & Consulting Co., Ltd.
Analysis for Social Security 1	Izumi TAKEI (Ms.)	Laos/Thailand	
Analysis for Social Security 2	Takuya AKIYAMA (Mr.)	Philippines	
Analysis for Social Security 3	Yasuko HASHIMOTO (Ms.)	Indonesia	
Analysis for Social Security 4	Suie MORISHITA (Ms.)	Malaysia	
Analysis for Social Security 5	Kazutoshi TADA (Mr.)	Vietnam	
Coordinator/ Research assistant	Toshiyuki SUZUKI (Mr.)	Cambodia	

6. Study Summary

6.1. Philippines

In the Philippines, public health insurance is centralized under the Philippine Health Insurance Corporation (PhilHealt/ PHIC). On the other hand, with respect to income security, Social Security System (SSS) covers income security for private employees and Government Service Insurance System (GSIS) covers income security for public officers.

To achieve universal coverage is one of the most prioritized objectives in the Philippine social security sector, however, it is necessary to overcome two challenges, i.e. expansion of coverage and reduction of out-of-pocket rate, to achieve that objective.

Though the coverage of PhilHealth exceeds 80% according to the official announcement of PhilHealth, even PhilHealth recognizes that this figure does not reflect the actual coverage and some researchers estimate the coverage is only 30 to 40%. Out-of-pocket ratio is extremely high in the Philippines, 82.5% in 2008, because PhilHealth have restrained the benefit due to “pension mind.”

The notable event in recent years is the development of National Household Targeting System for Poverty Reduction (NHTS-PR) by the Department of Social Welfare and Development (DSWD).

Since the enactment of Local Government Code in 1991, as much of the authority regarding social security policy has been transferred to local government, central government has had to rely on local government to identify the beneficiaries of its social welfare policy. However, through the development of NHTS-PR, central government is able to identify the beneficiary household without relying on local government. NHTS-PR is utilized in the identification of beneficiary household of conditional cash transfer(CCT) scheme, it is expected that it will contribute to more effective and efficient implementation of CCT.

6.2. Indonesia

The unification of social security systems has been in progress in Indonesia, and the "Law No.40 of 2004 on National Social Security System" (SJSN Law: National Social Security System Law) was enacted in October 2004. Efforts have been made to achieve universal coverage in 2014 (to unify pension programs in 2029) in Indonesia.

The existing four health security programs are: 1) ASKES, health insurance for government officers; 2) JAMSOSTEK, employee health security; 3) JAMKESMAS, public health security system for low-income population; and 4) JAMKESDA, public health security system by local governments. Currently, a lot of workers in informal sectors remain uninsured. In the times ahead, efforts to unify different programs are required, and expanding coverage in informal sectors is important issues to be solved.

Existing income security programs are: 1) TASPEN's income security programs (pension program for government officers (TASPEN) and old-age savings program for government officers (THT)); 2) JAMSOSTEK's income security programs (corporate old-age savings (JHT) , workers compensation insurance (JKK) and life insurance program for employees (JK)); 3) TKLHK, Social insurance program for workers in informal sectors (TKLHK); and 4) ASKESOS, Social welfare insurance. Among these programs, only pension program for government officers(TAPSEN) provides monthly pension on lifetime basis. Corporate old-age savings (JHT) providing lump sum payment functions practically as unemployment insurance. The coverage of employee income security is currently low, not only in informal sectors but also in formal sectors.

After the cut in fuel subsidy in 2005 as a result of the appreciation of oil prices, the government introduced various poverty reduction programs in order to mitigate impact on the low-income classes, assisted by international donors. It is predicted

that population continues to age in Indonesia, however, appropriate countermeasures have yet to be taken against the issue. In the times ahead, to grasp potential needs and to support human resource development in elderly welfare sector are priority issues.

6.3. Laos

The current health security system consists of the following four schemes: (1) Civil Servants' Scheme（CSS）for Civil Servants, (2) Social Security Scheme (SSS) which is a compulsory employee social security scheme for the employees of the formal sector (employers having at least 10 employees), (3) Community Based Health Insurance (CBHI) which is a voluntary health insurance scheme for the informal sector, and (4) Health Equity Fund (HEF), a free health care service system for low-income persons. There are two income security systems, CSS and SSS for the formal sector, but there is no income In Laos, integration of CSS and SSS by 2013 and integration of CBHI and HEF will be implemented toward Universal coverage (hereafter UC) by 2020. However, it might be premature to promote UC under the situation where each scheme covers only few percent of the target population. And also most of the budget for social security depends on external resources. Rather to promote UC scheme (of course it is surely important), it would be much important to improve the quality and quantity of medical services (increase of the number of doctors, nurses, beds and so forth) first in Laos and it is also crucial for us to continue to support for expanding and enhancement of medical insurance system.

6.4. Malaysia

In the area of health security, universal coverage has been achieved with public medical institutions providing health care services for free or for a small amount of out-of-pocket. However, given the disparity between public and private medical institutions and the financial limitation of the current universal coverage, arguments have begun concerning the introduction of a social insurance system. As for income security, Malaysia does not have any unemployment insurance system, and the Employee Provident Fund (EPF) and Social Security Organization (SOCSO) play a supplementary role. When employees of private companies retired, they withdraw reserve fund by EPF for the cost of living. For government officers, health security and income security are available under the Government Pension (GP) scheme.

In the area of social assistance, an integrated database called E-KASIH was built for the purpose of grasping and managing accurate information on low-income households and for providing appropriate assistance with the goal of reducing those

in poverty. The current situation where the welfare for elderly heavily relies on the volunteer activities of NPOs and the community presents an issue for the future.

6.5. Vietnam

Characteristic of the social security system of Vietnam is that the medical security and income security are integrated. In addition, it is also characteristic point there is no distinction in treatment on the social security system between public officials and private sector employees. In the medical security, people have been divided into groups of 25 by the attributes of the occupation and age, and people will pay the insurance premium according to that divided groups by joining method and financial obligations. Challenges in health care, in the scenario that is expected to enter a period of aging within the next 10 years, is that the drastic reform of the medical fee payment system in order to maintain fundamental financial health. Income security is divided into short-term insurance and long-term insurance by the benefit contents. Income security issues are that the coverage is lower than that of health care coverage and is also difficult to maintain financial. With respect to public assistance there are many national poverty reduction project has been carried out. However, the problem with public assistance is that it does not capture all of the circumstances of the poorest expected to account for 1.3% of the total population. In addition, recipients can not escape from poverty due to small amounts of benefits per capita in small public assistance budget. Characteristics of elderly care in Vietnam are that the elderly association is running a leading role in collaboration with the government. Currently, the Vietnamese government is the policy of family and community support to care for the elderly. However, when aging progresses, it is expected that only family and community can not cope, so it becomes also requires training of professional caregivers. So it is urgent matter that Vietnam must develop human resources who can respond to issues of aging in each ministry.

6.6. Thailand

For health security, Thailand has achieved universal health coverage by establishing tax based “UC scheme”, for all nations who are not covered by existing schemes; SSS (Social Security Scheme) for private employees and CSMBS (Civil Servant Medical Benefit Scheme). Currently the harmonization of benefit package and financing mechanism is a main issue. In particular, cost containment for CSMBS is critical issue.

Income security in Thailand mainly consists of GPF (Government Pension Fund) for civil servants, SSS and TPF (Thailand Provident Fund) for private employees.

NSF (National Savings Fund) for informal sector was implemented from May 2012. Furthermore SSS expanded its coverage to informal sector. Although several schemes have been developed, each scheme covers only some part of target group, which leave a large number of uncovered people. In particular the coverage for informal sector is late, because of difficulties of gripping income level and continuous contribution from informal sector.

Furthermore, in Thailand, the aging society is expected to come more rapidly than Japan has experienced. It is urgent issue to develop specialists for long term care.

6.7. Cambodia

There is no nationwide comprehensive health security system in Cambodia, but individual initiatives (Health Equity Fund (HEF) and Community Based Health Insurance (CBHI)) by the government and NGOs are taken for the poverty. The income security system for the private formal sector and civil servants is included in the NSSF and the NSSF-C respectively. The income security system for veterans, etc. is the NFV.

However, in particular about a health security system, it's a problem to be high in the dependence to external fund in the present conditions. Moreover, it is in the situation where the quality and quantity of the health service (e.g., the number of doctors or the equipment level of health facilities) are behind as compared with neighboring nations. It can be said that it is the greatest problem that the base for well-developed social security such as people, materials and money is vulnerable.

Annex: Schedule of the Field Study

1. The Philippines (5 to 14 February 2012)

Date	Time	Place to visit		Interviewee
		Iwana	Akiyama	
5, Feb 2012	11:55	Arrival at Manila (TG620)		
6, Feb 2012		Report writing		
7, Feb 2012	13:35		Arrival at Manila (JL741)	
	15:30	JICA office in Manila		Mr. Kurisu、Senior Representative Ms. Chrisitna Santiago, Senior Program Officer
8, Feb 2012	11:00	ILO		Ms. Hilda Veronica Tidalgo, Senior Programme Assitant Ms. Lourdes Kathleen Santos, Programme Assistant
	14:00	SSS		Mr. Daniel L. Edralin, Commissioner Ms. Nora Mercado, Department Manager Mr. Miguel E. Roca Jr., Senior Vice President Ms. Van Rene M. Orpilla, Department Manager Ms. Agnes E. San Jose, Vice President
	16:30	Pag-IBIG		Ms. Darlene Marie B. Berberabe, President/Chief Executive Officer
	19:00	Philippines Institute for Development Studies		Mr. Oscar Picasso Mr. Val Ulep
9, Feb 2012	10:00	Private Insurance Company		Ms. Sarah Belle Somera, Accredited Independent Agent
	13:00	Ministry of Health		Ms. Nobuko Yamaguchi
	15:00	GSIS		Mr. Mario Mayong J. Aguja, Trustee
	17:30	ADB		Ms. Patricia Moser, Lead Health Specialist
10,Feb 2012	13:00	PhilHealth		Mr. Alexander A. Padilla, Chief Operating Officer Ms. Leizel P. Lagrada, Head Executive Staff
	18:00	Department of Social Welfare and Development		Ms. Alicia R. Bala, Undersecretary Ms. Lynnette Y. Bautista, Director IV Ms. Rodora T. Babaran, Deputy Project Manager Mr. Vincent Andrew T. Leyson, Director III Mr. Edgar G. Pato, Director III
11, Feb 2012		Departure from Manila (SQ917)		
12, Feb 2012			Report writing	
13, Feb 2012	7:30		Department of Education	Ms. Riwena L. Dela Cruz Mr. Juan R. Araojo Jr., Office of the Assistant Director
	10:30		WHO	Ms. Ke Xu, Health Care Financing Team Leader Mr. Chris D. James, Technical Officer
14, Feb 2012			Departure from Manila (JL746)	

2. Indonesia (12 to 20 February 2012)

Date	Time	Place to visit		Interviewee
		Iwana	Hashimoto	
12, Feb 2012	19:25	Arrival at Jakarta（SQ966）		
13, Feb 2012	13:00	Ministry of Health		Mr.Kamal Zaman Mr.Usman Sumantri, Head of Community healthcare Financing, Center for Health Financing and Health Insurance
	16:00	P.T.Avrist Assurance		Mr.YasuoSato,VicePresident Mr.Akira Ishihara,Vice President Mr.Tatsuo Sasaki,Manager
14, Feb 2012	13:30	JAMSOSTEK		Dr.Rifai Siregar, JPK Service Ms.Helen Mey Linda P. Siboro, JPK Service Dr. Mas'ud Muhammad,Head of Services Division Health Insurance
15, Feb 2012	9:00	Ministry of Manpower and Transmigration		Ms.Etik Sugiyarti, Deputy Director of Social Security Workers, Employment Relations Mr.Achmad Djunnaidi, Head of deputy director of TKLHK(Informal Sector Workers)
	11:15	JICA Indonesia Office		
	12:30	TNP2K		Mr. Prastuti Soewondo, Chair of Health Working Group
	14:00	Ministry of Social Affairs		Ms.Utami Dewi, Deputy Director for Social Security Ms.Tarmi,SST, Staff of Deputy Director for Social Security Cooperation
16, Feb 2012	08:30	Ministry of Finance		Mr. Isa Rachmatarwata, Head of Insurance Bureau
	14:00	JAMKESDA		Dr. Enny Ekasari, Department of Helth
17, Feb 2012	10:00	Ministry for People's Welfare		Dr. Ir. Sujana Royat, Deputy to the Minister for Poverty Alleviation and Community Empowerment Ms.Fatimah Sari Nasution, Policy Coordinator Consultant
	17:30	JICA Indonesia Office		
18, Feb 2012	13:05	Departure from Jakarta（TG434）		
19, Feb 2012			Report writing	
20, Feb 2012	16:00		AAJI／InHealth	Mr.Benny Waworuntu, Excecutive Director（AAJI） Dr.Rosa Ch Ginting,Chief ExcecutiveOfficer（Inhealth）
	20:25		Departure from Jakarta（SQ967）	

3. Laos (19 to 23 February 2012)

Date	Time	Place to visit		Interviewee
		Iwana	Takei	
19, Feb 2012		Arrival at Vientiane（TG574）		
20, Feb 2012	14:00	State Authority of Social Security		Ms. Vanxay
21, Feb 2012	8:30	SSO		Mr. Padeumphone
	10:00	Ministry of Health		Dr. Kitsada Dr. Bouaphat, CBHI Div, Department of Planning and Finance
	16:00	WHO		Ms. Vareria
22, Feb 2012	8:30	Social Security Department, Ministry of Labour and Social Welfare		Dr. Yangkou Yangluesai
	10:00	ADB		Ms. Barbara Lochmann, Senior Social Sector Specialist
	14:00	Lao/Swiss Red Cross		Mr. Buram
	15:30	UNDP		Ms. Phanchinda Lengsavad
23, Feb 2012	8:30	Welfare Department, Ministry of Labour and Social Welfare		Mr. Pashit
	10:00	Ministry of Health		Dr. Viengsay, Health Equity Fund Div., Department of Planning and Finance
	14:00	JICA Laos Office		
	16:00	Alianz General Insurance		Mr. Khamsaeng, Health Insurance Division
	21:50	Departure from Vientiane（TG575）		

4. Malaysia (4 to 10 March 2012)

Date	Time	Place to visit		Interviewee
		Iwana	Morishiata	
4, Mar, 2012	18:30	Arrival at Kuala Lumpur（JL723）		
5, Mar, 2012	10:30	Central Welfare Council		Mr. Datuk Hjh. Maskita Junaidah bt Haji Husin, President
	13:00	Ministry of Health		Mr. Datuk Dr. nor Hashim b Abdullah, Deputy Director General of Health
	16:00	CARDAS		Ms. Mandy
6, Mar, 2012	8:30	National Insurance Association Malaysia		Mr. C. Kumaran, Chairman
	14:30	Ministry of Finance		Dr. Sundaran Annamalai, Head of Economy Analysis and International Division Mr. Lim Seng Gim, Head, Macro Economic Section
	17:00	Social Security Organization		Mr. Datuk K. Selvarajah, CEO
7, Mar, 2012	9:00	Ministry of Women, Family and Community Development		Mr. Hadzir bin Md Zain, Director General of Social Welfare Department
	16:00	Ministry of Human Resources		Mr. Jai Kumar, Pegawai Perhubungan Perusahaan
8, Mar, 2012	11:30	Ministry of Health		Dr. Rozita Halina bt Tun Hussein, Deputy Director, National Health Financing Unit, Planning and Development Division
	14:00	Ministry of Women, Familiy and Community Development, Department of Social Welfare, Senior Citizen and Family Division		Pn. Ruhainni, Senior Principal Assistant Director, Division of Senior Citizen and Family
	15:00	JICA Malaysia Office		
9, Mar, 2012	9:30	Employees provident Fund		Mr. A. Huzaime Abdul Hamid, Head of Department, Strategic Operation Department
	12:00	Prime Minister's Office, Department of Public Service		Mr. Dato Yeow Chin Kiong, Director of Post-Servie Division, Pension Division
	14:30	Implementation and Coordination Unit, Prime Minister's Department		Mr. Dato Rosni Abdul Malek, Pengarah Bahagian Technology dan Maklumat, IT Director ICU
	22:50		Departure from Kuala Lumpur（JL724）	
10, Mar, 2012	9:45	Departure from Kuala Lumpur（MH752）		

5. Vietnam (10 to 17 March 2012)

Date	Time	Place to visit		Interviewee
		Iwana	Tada	
10, Mar, 2012	12:10	Arrival at Hanoi（MH752）		
11, Mar, 2012	22:25		Arrival at Hanoi（JL751）	
12, Mar, 2012	10:00	Prevoir Vietnam Life Insurance Company Limited		Hoang Hoai Giang
	14:00	Centre of Nurturing Old People and Children		Do Duc Hoan, Director
13, Mar, 2012	8:30	Department of Social Insurance, MOLISA		Tran Thi Thuy Nga, Director General
	14:00	Department of Social Protection, MOLISA		Dang Kim Chung, Deputy Director General Nguyen Van Hoi, Deputy Director
	14:40	Department in charge of elderly care, MOLISA		Dang Kim Chung, Deputy Director General Nguyen Van Hoi, Deputy Director
	15:20	Department in charge of social worker development, MOLISA		Dang Kim Chung, Deputy Director General Nguyen Van Hoi, Deputy Director
	16:30	JICA Vietnam Office		Ms. Miura Ai
14, Mar, 2012	10:00	Department of Planning and Finance , Ministry of Health		Nguyen Loang Long, Vice Director
	14:00	Vietnam Association of the Elderly		Pham Ngoc Tran Dang Tai Tinit
15, Mar, 2012	7:30	Department of Health Insurance, Ministry of Health		Nguyen Hoang Long, Vice Director
	9:30	Ministry of Finance		Thuy
	14:00	Provincial People's Committee		
16, Mar, 2012	0:30		Departure from Hanoi（JL5944）	
17, Mar, 2012	10:40	Departure from Hanoi（TG561）		

6. Thailand (17 to 24 March 2012)

Date	Time	Place to visit		Interviewee
		Iwana	Takei	
17, Mar, 2012	12:30	Arrival at Bangkok（TG620）		
	17:00	MOPH		Dr. Viroj Tangcharoensathien, International Health Policy Program
18, Mar, 2012			Arrival at Bangkok（JL033）	
19, Mar, 2012	9:30	MOPH		Mr. Takebayashi, JICA Advisor
	11:30	MOPH		Mr. Charnvit Tharathep, Senior Adviser
	15:30	NHSO		Dr. Weerawat, Deputy Secretary General
20, Mar, 2012	8:30	Health System Research Institute		Dr. Tthaworn Sakunphanit
	10:00	MOPH		Dr. Nantasak Thamanavat, Department of Medical Service
	14:00	Ministry of Finance		
21, Mar, 2012	9:00	SSO		
	14:00	MOPH		Mr. Ekachai, Elderly Care
22, Mar, 2012	10:00	Ministry of Social Development and Human Security		Ms. Swan, Public Assistance and Elderly Care Infrastructure
23, Mar, 2012	8:30	The General Insurance Association		Mr. Rutchai
	10:00	Ministry of Interior		Mr. Hirayama
	13:00	JICA Thai Office		
	22:20		Departure from Bangkok（JL034）	
24, Mar, 2012		Departure from Bangkok		

Chapter II. The State and Challenges of Social Security in ASEAN

1. Overview of Social Security Systems

1.1. Historical context of the development of social security

Social security system in the European countries has developed for a century in the variety of context such as reproduction of labour, improvement of industrial efficiency, or social governance. In Germany, in the late 19th century of the era of Bismark, the worker's compensation insurance was introduced as a means of social governance. In the UK in early 20th century, the development of social security was promoted from the viewpoint of maintenance of great state's power (military and labour) in order to uphold the colonial policy.

After several decades, Japan has competed with European countries by the rapid industrialization and modernization, and developed their own social security system be referring to European countries as models. In Japan, social security systems has developed in the context of response to socialist movement or motivating national commitment to the war.

ASEAN countries also developed reallocation system, that is social security system, in order to mitigate the regional disparities and income inequality caused by economic growth, especially since the 1990s. Asian currency crisis in 1997 and Lehman Brothers shock in 2008 motivated the governments of ASEAN countries to develop social safety net. In the leading countries on the social security development such as Malaysia, Thailand, and Philippine, social security development is getting to have more attention as an election issue, which means it has become social integration or governance issue. In addition, the understanding that the healthy development of children with good public health and education could contribute to the development of future national wealth, has been strongly conscious than ever before among health officials, which is similar to developed countries.

One the other hand, the pace of increasing the elderly population is so rapid in several ASEAN countries. Unlike in the European countries, taking several generations to tackle the elderly issue, ASEAN countries have to manage this issue in the next 2 decades. Furthermore, it is common view that ASEAN countries are unlike to enjoy rapid economic growth which they experienced in 1990s, in the forthcoming 2 decades. Therefore, it is a common issue for ASEAN countries, how to develop social security system with low cost and to tackle the aging society in this low economic development, which is a new challenge that has not been seen in the past European countries.

The uniqueness of structure of industry is also pointed out. In ASEAN countries majority of people still live in the agricultural society even after achieving economic growth. The people living exclusively on cash economy are minority in their community. For the development of sustainable social security system as a reallocation mechanism of income, whether the arrangement for contribution collection could be built in the system or not is a

key issue. It is a big challenge as to how to design the sustainable system in the society where majority of people live outside cash economy.

1.1.2. The direction of policies in terms of centralization and decentralization

An important aspect for examining the structure of a social security system is the centralization or decentralization of its administration. Income security schemes are generally operated under a uniform national standard by a single operational body, and are unlikely affected by decentralization. In most of the countries studied in this report, administrative work within the schemes, such as the management of pension records or the collection of contributions, are undertaken by local branch offices of the central government or the local bureaus of a national organization for social security, leaving no room for local authorities' involvement.

Health security schemes, in contrast, are tightly connected with health care delivery systems particular to each region, as well as to the state of local finance, and this occasionally leads to regional disparity in the level of security coverage.

Indonesia and the Philippines have each covered their formal-sector employees with a single nationwide system, but those in the low-income group and informal sector are placed under varying schemes according to the region of residence. Such variety is not necessarily an advantage when working to expand social security systems in an efficient, effective, and appropriate manner, which is why both countries are steering toward a policy to reduce the variety among schemes.

Indonesia is considering the integration of JAMKESDA into JAMKESMAS, the latter being the uniform national system covering the poor and near-poor, with the former being the supplementary program operated by local administrations under different local standards. The Philippines runs all health security schemes under PhilHealth with improved equity in the level of security coverage, yet some challenges remain. Programs aimed at the poor were funded by local government budgets, and the benefits were not always reaching the right person due to political reasons. To address these problems, in 2011 the country launched a new information management system to identify the low-income population using a single nationwide standard, which is being employed in health security programs targeting the poor, and the financing burden for programs that have completed the identification of eligible beneficiaries was returned from the local government to the central government[1].

Meanwhile, Malaysia and Vietnam have historically been building a centralized social security system under which schemes are shaped in unity by the authority of the central government. Malaysia, in particular, is characterized by the universal coverage of its health security system—a tax-financed system, not a social insurance program—achieved in its

[1] Local governments are allowed to continue on their own initiative to identify targets and deliver health services under a program for the poor.

early days. Vietnam is unique among ASEAN countries in that it operates both health security and income security schemes under a unified organization, and that the integration of schemes for government officers and private employees has been completed.

The social security system in Thailand was built originally with a centralized structure, but following the Decentralization Act of 1999, the budget held by the Ministry of Public Health was mostly transferred to local governments, and the administration of health care delivery was decentralized accordingly. However, the central government still exercises considerable power over health care finance, as it introduced a centralized system for budget distribution in parallel with health care decentralization.

2. Health Security

2.1. Definition of universal health coverage

The process leading to the achievement of universal health coverage in the past two decades has been among the most prominent goals for social security in ASEAN. The path toward this goal typically goes through several stages in terms of completion. Dr. Sanguan Nitayarumphong, the first secretary general of Thailand's National Health Security Office and a crucial figure in the establishment of the country's universal coverage scheme, defined universal coverage as "a situation where the entire population of a country has access to good quality services (core health services) according to needs and preferences, regardless of income level, social status, or residency."[2]

Overview of health security in the countries studied

	Japan	Malaysia	Thailand	Indonesia
Population	120 million	28 million	65.5 million	240 million
Out of pocket rate to health expenditure	14.3%	34.2%	13.9%	38.3%
Universal Coverage [Achieved or target year]	Yes 1961	Yes	Yes 2002	No [expected in 2014]
Health Security for Civil Servants	Government official mutual association Local Government official mutual association	Tax based health service provision	CSMBS	ASKES
Contrributory ／ Non-Contrributory	Contrributory	Non-Contrributory	Non-Contrributory	Contributory
Beneficiaries	9 million	—	5.9 million	16.5 million
Health Security for private employees	Society Managed Health Insurance Association Managed Health Insurance	Tax based health service provision	SSS	JAMSOSTEK
Contrributory ／ Non-Contrributory	Contrributory	Non-Contrributory	Contrributory	Contrributory
Beneficiaries	30 mil/35mil	—	9 million	5 million
Health Security for informal sector and others	National Health Insurance/ Medical System for Aged 75 and over	Tax based health service provision	UC SSS(voluntary)	JAMKESDA JAMKESMAS
Contrributory ／ Non-Contrributory	Contrributory	Non-Contrributory	Non-Contrributory Contrributory	Non-Contrributory Non-Contrributory
Beneficiaries	39 mil/14mil	—	47 million 1.65 million	50 million 76 million
Entire Coverage	Almost 100%	100%	Almost 100%	65%
Service Provision Private:Public *1	Mainly Private 75 : 25	Mainly Private *5 62 : 38	Mainly Public n.a.	Mainly Public 40 : 60

[2] Nitayarumphong, Sanguan (1998), *Achieving Universal Coverage of Health Care*. The WHO defines universal coverage (UC), or universal health coverage (UHC), as "ensuring that all people have access to necessary promotive, preventive, curative, and rehabilitative health services, of sufficient quality to be effective, while also ensuring that the use of these services does not expose the user to financial hardship."

	Philippine	Vietnam	Laos	Cambodia
Population	94 million	87 million	6.2 million	14 million
Out of pocket rate to health expenditure	54.0%	57.6%	51.2%	40.4%
Universal Coverage [Achieved or target year]	No	No Target year is not set *6	No 2020	No
Health Security for civil servants	PhilHealth (Paying program)	SHI	SASS	NSSF-C (Planning)
Contrributory ／ Non-Contrributory	Contrributory	Contrributory	Contrributory	—
Beneficiaries	5.94 million	2.3 million	0.45 million	—
Health Security for Employees	PhilHealth (Paying program)	SHI	SSS	NSS (Planning)
Contrributory ／ Non-Contrributory	Contrributory	Contrributory	Contrributory	—
Beneficiaries	17.79 million	6.6 million	0.12 million	—
Health Security for informal sector	PhilHealth (Sponcered program)	SHI	CHBI HEF	CHBI HEF
Contrributory ／ Non-Contrributory	Non-Contrributory	Contrributory	Contrributory Non-Contrributory	Contrributory Non-Contrributory
Beneficiaries	38.94 million	46 million	0.14 million 0.50 million	0.14 million 3.3 million
Entire Coverage	82 or 50%*7	63.71%	19.5%	24.6%
Service Provision Private:Public *1	Mainly Private*8 60:40	Mainly Public n.a	Mainly Public n.a.	Mainly Public n.a.

*1 Ratio of the number of hospitals
*2 The enrollment figures for each scheme do not add up to the total population due to the rounding of figures.
*3 The enrollment figures are the actual number including dependents and other beneficiaries (except JAMSOSTEK).
*4 The total coverage figures are actual numbers, in principle.
*5 There are more private hospitals than public ones, but 75% of all patients seek services at public hospitals (Malaysia).
*6 A target of 73% is set for 2015 (Vietnam).
*7 The official figure of 82% was reportedly calculated by multiplying the number of insured by the average number of household members, and PhilHealth, who published this figure, admits this figure to be questionable. Some researchers suggest the coverage to be around 50%.
*8 Compared by the number of beds, however, the proportion of public hospitals is higher, at 60:40 (the Philippines).
Source: Compiled by Mitsubishi UFJ Research & Consulting based on data from various sources

The content of "core health services," however, varies according to the development level of the health services in each country. In some countries, although universal coverage is provided for under the law, access to services is in effect not guaranteed to all of the population due to the country's lack of fiscal capacity and the inability to operate and implement the system, etc.[3]

This report views universal health coverage as a stage where a framework is in place, legally or institutionally, to provide all people access to health services, and is currently operative in offering basic and vital health services, albeit with difference among schemes

[3] It is true that even developed countries, globally recognized to have achieved universal coverage, have a small minority who have not been covered by a health system targeting the low-income group and who are thus left totally uninsured and unsecured. The Philippines set their threshold for universal coverage at 80% of the population. The concept and interpretation of the universal coverage, in a precise sense, is thus broad and varied.

and programs in the quality of service provided. Among the countries studied, Malaysia and Thailand are deemed to have come close to this stage.

2.2. Expansion of coverage

The expansion of a health security system and the achievement of universal coverage are challenges faced by all the countries surveyed. In Malaysia—the only country among those surveyed that basically has a tax-financed health security system—the wealthy are choosing to enroll in private health insurance. Discussions are being held to find a way out of this dual scheme situation surrounding private insurance holders and those only covered by the public health insurance program, including a possible changeover to a social insurance system. Such conversion, if opted, will force Malaysia to face the challenge of expanding coverage particularly to the low-income bracket who have difficulty affording insurance contributions—the same challenge that confronted other ASEAN countries.

Thailand, Indonesia, the Philippines, Vietnam, and Lao PDR are more or less working to cover their entire populations with a single health security system built around a social insurance system, providing non-contributory plans for those who cannot afford to pay. All of these countries are adopting a social security method for the scheme covering the private-formal sector. Social security coverage in these countries is expected to grow over time, in tandem with economic development and the accompanying expansion of the formal sector.

Meanwhile, for the coverage of low-income groups, non-contributory plans are usually applied due to the difficulty in collecting contributions. In countries where the coverage under existing schemes is estimated to have exceeded 50%, such as Indonesia, the Philippines, and Vietnam, further growth in coverage can be expected if the targeting of eligible low-income groups is appropriately carried out and if the sustainability of financial resources is secured. As for Lao PDR and Cambodia, the securing of financial independence comes before the expansion of coverage in priority.

2.3. Improvement and expansion of benefit levels

Another essential viewpoint in discussing coverage is the proportion of benefits in the total medical expenses. The lowering of the self-pay ratio has vital significance from the standpoint of beneficiaries. Another equally important viewpoint is the extent to which the scope of health security benefits—the types of medical treatments, operations, medicine, and diseases, etc., covered—is meeting the routine medical needs of the patients.

Thailand's health security system has an edge in that its real self-pay ratio for the low-income groups is the lowest among all ASEAN countries[4]. In addition, the system boasts a high benefit level, with the costs for renal replacement therapy, antiretroviral agents, and

[4] The self-pay ratio of medical expenses is 13.9%, which is lower than Japan's 14.3%.

other expensive treatments and medicines covered, although partially.

Despite a high coverage of nearly 60%, Filipinos are said to be very unhappy with their health security system because of the high self-pay ratio; over 80% of the country's health expenditure is paid for out of the patients' pockets.

Another problem concerns the level of health care delivery, which is often limited to primary care because of limited medical resources. In Lao PDR, Cambodia, and other countries that are using capitation and other global budget methods for their health care system (a global budget method is adopted in practically all systems), health services are being held down at an unsatisfactory level due to a shortage of budgetary funds, medical institutions, and doctors. The benefit-expense ratio, though it may be difficult to calculate it objectively, will provide an essential viewpoint when conducting a detailed evaluation of health security systems in these countries.

2.4. Development of medical resources

For a social security system to be effective in securing people's lives, having a health care system as a financial mechanism is not enough—the medical resources of a certain level need to be in place as a prerequisite. This level concerns not only sufficiency in quantity but whether the resources are distributed as evenly as possible among regions and according to need.

In Thailand, for example, while the number of doctors may be small, its medical resources are allocated with minimal regional unevenness and with emphasis on primary care, through health centers and community hospitals located throughout the country. In contrast, the level of medical resources in the Philippines is not necessarily high despite the large number of doctors and nurses, as many of these professionals are working abroad and the number of beds is limited. The number of doctors, nurses, and beds are all at a low level in Cambodia, Lao PDR, and Indonesia, where the development of medical resources needs to be advanced in parallel with that of the health security system, which is another priority.

2.5. Harmonization of systems

Each country studied excluding Cambodia already has a set of health security systems that covers its entire population, and they now face the challenges of improving the benefits provided by each scheme and expanding the actual number of the insured.

Once a system grows beyond a certain level, however, the harmonization of (or the narrowing of gaps among) schemes emerges as a new challenge. Schemes targeting government officers generally offer privileged benefit payment conditions for their members, while those targeting low-income groups often have many conditions and restrictions. This gap initially goes unnoticed, but as the system grows and matures, it gradually becomes an administrative burden on medical institutions and a bottleneck in the development of a consistent and comprehensive health policy. Moreover, such a gap would not be tolerated by

either those insured or the taxpayers.

Thailand has been working to eliminate such disparity among schemes in the past decade since 2002, but the progress so far has not been easy. Indonesia, in the run-up to the establishment of the BPJS in 2013, will face the challenge of closing the gaps among health security schemes. Malaysia's problem concerns the gap between its public health program and the coverage under private health insurance. The country already has in place a tax-based health security system, but the inadequacy of public health services is giving room for a growing private health insurance market. The introduction of a unified health insurance system based on social insurance methods is currently being studied, but harmonizing the new system with the existing ones will be a prohibitively difficult task. Lao PDR has also started working to unify its health systems. How this unification turns out—conducted at a time when priority should be given to the improvement and expansion of health care services and the expansion of program coverage—will need to be closely watched.

2.6. Management of health expenditure

One of the most perplexing factors in the harmonization of systems is the handling of fiscal systems and health expenditure management. In fact, the most salient problems that arise during the harmonization process are those regarding medical fee payments; the difference in financing or payment methods between the systems will likely translate into a difference in individual medical treatments and, eventually, disparity in the quality of medical care given. Many countries are inclined to regard health and social security systems as an emblem of social integration or "one nation," and such disparity in medical care, viewed in this light, figures as an issue that is necessary to be solved.

In most cases, however, solving such problems will take some time, due in part to the vested interests of those currently insured under each system. The sharing of opinions toward this from a global perspective is required of the foreign supporters—in the form of academic research and analysis or a forum for the exchange of ideas rather than direct advice.

ASEAN countries are working to expand the coverage of their health security systems despite financial constraints, thus these systems generally adopt payment methods that focus on cost control. For outpatients, a combination of the capitation method, in which the total budget is prefixed, with a referral system is often used. Under this method, the number of the insured (patients enrolled in the scheme) in each territory is multiplied by the annual budget per patient, in order to calculate the total budget distributed to each territory. Capitation is used in Thailand, Indonesia, the Philippines, and Lao PDR, while Vietnam is currently considering introducing the method with assistance from Thailand.

Regarding inpatients, the diagnosis-related group (DRG) method is adopted or envisaged in general. To date, Malaysia, Thailand, and Indonesia have already introduced the scheme, while the Philippines, Lao PDR, and Vietnam are considering it.

2.7. Fiscal independence of health security

Lao PDR and Cambodia are the poorest among the countries studied. Lao PDR is ahead of Cambodia in that it has set up social security systems for formal-sector workers, namely, the scheme run by the SASS targeting government officers and the SSS aimed at private businesses. In terms of the coverage of the informal sector, the two countries share the same issues and characteristics.

Both countries operate health security schemes targeting the informal sector, namely, the Community Based Health Insurance (CBHI) and the Health Equity Fund (HEF). The CBHI (a social insurance system, in form) and the HEF (a tax-based system) both provide health services for the poorest demographic group, though neither are financially self-supporting. The HEP in Lao PDR is supported by funds from the ADB, the World Bank, and Luxembourg, while the Cambodian HEP has shifted a part of its programs to non-aid financial resources but still remains dependent on donor funds.

Social security systems should be built in principle as a permanent mechanism for income redistribution financed by the country's own tax revenue or social insurance contributions. Dependence on outside financial sources means the dependence of the country's people and their subsistence on foreign donors. It is largely unclear whether these systems can be maintained after the donors terminate assistance.

Meanwhile, those schemes targeting the informal sector should not only be viewed as a means to ensure access to health services but should also be recognized for their educational role in spreading knowledge on how to use health services or the understanding of social insurance as a safeguard against future risk among the low-income group in rural areas—where medical resources are scarce[5].

2.8. Relationships with the private health insurance sector

In countries where the public health security system is underdeveloped, the private health insurance markets serve the health security needs of the wealthy class[6]. In Japan, where universal coverage is achieved through public health insurance systems and where the balance billing of combined insured and uninsured treatments (*kongo shinryo*) is banned in principle, the market is considered small compared to the population and the economic scale, due also to the many regulations on the types of insurance products available.

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[6] The market for private health insurance in Japan (where universal coverage is achieved through public health insurance systems and where the balance billing of combined insured and uninsured treatments [*kongo shinryo*] is banned in principle) is considered small compared to the population and the economic scale, due also to the many regulations on the types of insurance products available.

Private health insurance still plays a much larger role in Thailand, Malaysia, and other emerging middle-income countries where universal coverage has technically been achieved. A majority of wealthy Thais hold private health insurance while also being covered by public health insurance. In Malaysia, the rich seldom seek free public health services. Furthermore, the wealthy in Lao PDR, where the capital city is showing rapid economic growth, are purchasing private health insurance to receive cross-border health care in neighboring Thailand—a cause for concern over the future development of medical resources in Lao PDR.

The Malaysian government is exploring the development of a unified social insurance system to dispel the image that the "public health system is for the low-income groups," as created by the increasing use of private health insurance by the rich. Meanwhile, Indonesia is struggling with the treatment of existing health insurance schemes and medical institutions directly managed by private companies in the discussions toward unifying social security systems.

In a country where universal health coverage is envisaged exclusively through public systems covering all of its people (such as in Japan), private insurance companies may be forced to change the structure of their products (from comprehensive packages to a type that allows purchasers to choose and top-up the optional coverage that they need). In Indonesia and Vietnam, where universal coverage is featured as a national strategic goal, private health insurance firms are carefully discussing ways to respond to the drastic changes expected in the market.

For private health insurance providers, the universal coverage of the public health system poses both challenges and opportunities; they must accommodate themselves to the public scheme, but will be rewarded a chance to extend the market.

On the other hand, in a developing country where the concept of "insurance" is not fully understood, the government efforts to expand public health insurance coverage virtually work as an educational and promotional campaign led on the private insurers' behalf. For this reason, some private insurance firms welcome the trend toward universal coverage as a golden opportunity to expand potential markets. Some even anticipate that the supposedly low benefits offered under the universal public health insurance will give rise to a demand for additional security, given that a public health insurance system in these countries would not be able to meet all of the health expenditures due to financial limitations.

3. Pension and other income security scheme

3.1. Coverage of employee income security

The term “employee income security” is used in this report to mean a scheme that provides income security mainly to the productive age population of all sectors, whether government officers, private-sector employees, or workers in the informal sector.

Old-age income security forms the centerpiece, with additional coverage such as workers’ compensation, sickness benefits (cash benefit), maternal benefits, survivor pension, disability pension, and unemployment benefits, etc., depending on the scheme. Unemployment insurance benefits are offered in Thailand and Vietnam, while workers’ compensation and old-age income security insurance are available in all the countries surveyed excluding Cambodia, where the system is currently being developed.

Overview of employee income security in the countries studied

	Japan	Malaysia	Thailand	Indonesia
Labour force	6,567 万人(2012.03)	1,274 万人(2012.02)	3,931 万人（2011.Q4）	11,737 万人(2011.8)
Coverage *5 (against labor force Population)	Approx.95% *2	Approx.55% *3	Approx.35%	Approx.10%
UC	Yes 1961	No	No	No （Target:2014～29）
Income Security for Civil servants	Government official mutual association Local Government official mutual association	GP	GPF GP	TASPEN （TASPEN、THT）
Type of old age benefit	DB	DB	DC DB	DB
Tax input	Yes	Yes	Yes	Yes
Beneficiaries	4.4 milllion	0.53 million	1.17 million 1.72 million	4.29 million
Income Security for Employees	Employee Pension Private school Mutual	SOCSO EPF	SSS	JAMSOSTEK（JHT）
Type of old age benefit	DB	Fund	DB	Fund
Tax input	Yes	No	Yes	No
Beneficiaries	38.8 million	SOCSO 5.51 million EPF 6.26 million*4	9 million	9 million
Other pension schmes	Employee Pension Fund Approved Pension Scheme etc	No	TPF RMF	No
Income security for informal and others	National Pension	EPF (voluntary)	NSF SSS(voluntary)	ASKESOS TKLHK
Type of old age benefit	DB	Fund	Fund Fund	Fund
Tax input	Yes	No	Yes Yes	Yes No *4
Beneficiaries	19 million	0.048 million	n.a. 1.65 million	0.28 million 0.14 million

	Philippine	Vietnam	Laos	Cambodia
Labour force	57.39mil(2012.1)	52.20mill（2012.Q1）	2.78mil(2005)	6.54mil(2011)
Coverage *5 (against labor force Population)	Approx.60%	Approx.20%	Approx.20%	Approx.10%
UC	No	No	No	No
Income Security for Civil servant	GSIS	Social Insurance	SASS	NSSF-C NFV
Type of old age benefit	DC	DB	DC	Unknown
Tax input	Yes	Yes	Yes	Yes
Beneficiaries	1.5 million	9.40 million *6	0.45million	0.18million
Income security for Employees	SSS	Social Insurance	SSS	NSSF
Type of old age benefit	DC	DB	DC	Unknown
Tax input	No	Yes	No	No
Beneficiaries	30 million	9.4 million*6	0.12 million	0.48 million
Other Pension Schemes	No	No	No	No
Income Securiy for informal sector and others	SSS (Voluntary)	Social Insurance	No *7	No
Type of old age benefit	DC	DB	—	—
Tax input	No	Yes	—	—
Beneficiaries	3.3 million	0.05 million	—	—

*1 The definition of "coverage" differs by country due to a discrepancy in the definition of the working population (the denominator in this fraction). The working population was compiled using data from the census for Lao PDR and a workforce survey for other countries: *Labour Force Survey* (2012) for Japan; *Monthly Principal Statistics of the Labour Force* (February 2012) for Malaysia; *Labor Force Survey* of the National Statistics Office (January 2012) for the Philippines; and the working population of age 10 and above (2011) for Cambodia. For Lao PDR, the "economically active population" (2005) from the population census was used, premised on the total population of 5.62 million.

*2 The number of Japan's pension scheme members does not include the 10.05 million "Category III" insured persons.

*3 Coverage was calculated based on the number of persons paying EPF contributions.

*4 It was deemed as "no" tax funding, as government support is provided only for the first eight months after enrollment—not permanently.

*5 Enrollment figures are the number of actual contributing members, not the number of account holders.

*6 The insured persons of the formal sector, comprising government officers and business employees, total 9.4 million.

*7 Voluntary enrollment in the SSS is accepted, but a negligible few actually enroll.

Source: Compiled by Mitsubishi UFJ Research & Consulting based on data from various sources

The structure of pension schemes, similar to health security systems, are mostly classified by target groups, namely government officers and private-company employees, with the rest categorized as informal-sector workers.[7] Among them, the schemes targeting government officers have the longest history in most countries, in marked contrast to the schemes for private-company employees, which have been developed only in the past two decades or so. In most countries, the pension schemes targeting government officers have a long history of

[7] Among the countries studied in this report, only Vietnam has a uniform pension scheme for government officers and private-company employees.

development as a fringe benefit program, whereas income security for private-company employees has been rapidly developed over the past two decades or so. The development of income security for the informal sector has been underway for the past several years, but it will take some time for the systems to grow into full scale.

3.2. The restructuring of pension schemes for government officers—toward a less privileged system

Pension schemes are classified by financing methods. Schemes for government officers are usually defined benefit schemes, while those targeting other categories are mostly defined contribution pension schemes. Regarding the financing base, the schemes for government officers have been financed by the pay-as-you-go system for many years, as opposed to the rest being largely financed through the funding system.

However, the approach toward old-age pensions for government officers is starting to change in Malaysia, Thailand, and other countries where the coverage of employee social security systems is gradually growing.

Old-age pensions for government officers have traditionally been operated as part of the government personnel system—more as a fringe benefit scheme rather than a social security system. However, in view of an expected further rise in tax-funded spending on social security, a non-contributory scheme of old-age benefits for government officers would in time reach its limit. Moreover, with private business employees increasingly joining contributory old-age benefit schemes modeled on social insurance, governments are becoming unable to secure fairness between the schemes.

This changing environment is forcing governments to consider switching government officer pension schemes to a defined benefit scheme, or change the financing base to the funding system. This trend has not yet surfaced in countries where the coverage of private-sector and informal-sector workers is at a low level, such as in Lao PDR and Vietnam, but it is just a matter of time before the growth in pension schemes for non-government sectors gives rise to the question of equity and threatens the sustainability of the system as a whole (from the viewpoint of the fair and even distribution of limited tax spending).

3.3. Extension of coverage to the informal sector

Income security systems for government officers and private-company employees can be developed and operated relatively easily, as these workers are receiving salaries from which insurance contributions can be deducted. By contrast, setting up a social security system targeting informal-sector workers, modeling that for the formal sector, would be problematic—even more than establishing a health security system—since a majority of those targeted are the self-employed, seasonal workers, and others with irregular income, as well as those not living on employment income. Therefore, it is difficult to assess their income amount.

One thing that all the surveyed countries have in common is the preference of a defined contribution-funded model. Many countries run a retirement provident fund, in which individual accounts are set up, the contribution payment into the account can be other than on a monthly basis, and the amount of contribution can be decided by each member. This system allows continuous enrollment even when a member becomes temporarily unable to pay contributions due to income changes, and can accommodate members other than employment income earners.

On the other hand, such a system largely requires the self-responsibility of members, and since it is not a defined benefit system, it does not promise that the amount of old-age benefits a member receives after retirement will be enough to maintain a living. Moreover, the provident funds are not received as a pension but as a lump sum retirement allowance, which may easily be used up within a certain period after retirement.

Meanwhile, the idea of making a person's living entirely through public social security is not necessarily regarded as a prerequisite in Asia; such a concept undeniably belongs to Japan and the Western countries that became developed in the 20th century. It is highly possible that Asian countries will seek policy measures against population ageing befitting a society premised on mutual assistance among community residents and family ties.

3.4. Fiscal investments utilizing financial assets

The operation of provident funds can bring financial benefits to governments. This is particularly true of the emerging middle-income countries, where an effective infrastructure development would create a platform for increased tax revenue and a growing financial market, among others. The opportunities are there for fiscal investments and public projects, including for infrastructure development. The fact that most provident funds are supervised by the finance ministry and relevant agencies suggests that the ministries have a view of eventually making fiscal investments using the financial assets of these funds.[8] Considering that any drastic growth in personal income tax revenue is unlikely, fiscal investments using provident funds should be an effective and workable option.

The less-developed countries are highly likely to follow in their footsteps, as economic situations improve, in setting up funds with a vision to positioning the reserve as a source for fiscal investments.

As discussed earlier, these funds are sources for the retirement life of contributors. Japan has a wealth of experience to offer—both in success and failure—regarding the management of such funds, which is something that the developing countries may find useful.

3. 5 ASEAN integration and social security

Supposing ASEAN integration is achieved as scheduled by 2015, the region is expected to

[8] Positive comments were heard regarding these views in the interviews with finance ministry officials in Thailand and Indonesia.

see a greater intraregional movement of workers. Consequently, the basic labor issues such as labor standards and industrial relations will need to be addressed in preparation for the integration.

Meanwhile, short-term insurance such as health security and workers' compensation can remain applicable under existing schemes, as the difference in nationality does not matter as far as employees are concerned. Pensions and other long-term insurance are generally dealt with under social security agreements between countries, thus no particular problem is foreseen. It is, however, considered premature to discuss the institutional integration of social security systems within the ASEAN region.

4. Social Welfare

4.1 Social welfare benefits as a means to supplement the shortfall of pensions

Realizing income security for informal-sector workers in their old age, as touched on earlier, requires overcoming many challenges. Having to ask those in poverty to pay contributions in order to prepare for their old age is actually a very difficult method. Supposing that universal pension coverage is achieved, it would take decades before the insured started receiving a sufficient amount of benefits.

This is why most old-age benefits are offered as a tax-financed social welfare benefit. The same is true of disability pensions; tax-based welfare benefits are currently being provided to the elderly, PWD, and other dependent needy persons, due to the difficulty in making all applicable persons pay the contributions. These measures have the function of supplementing the income security system as social insurance.

Outline of measures related to social welfare in the countries studied

	Japan	Malaysia	Thailand	Indonesia
Implementation of CCT	No	No	No	PKH
Community based welfare activity	No	CWC	SML project NHIF	PNPM
Database for poverty reduction	No	E-Kasih	BMN	PBI
Public assistance	Public Assistance	Cash benefit scheme for needy dependent	Cash benefit scheme for needy dependent	JSPACA, JSLU, PKSA
Cash benefit for elderly except pension scheme	Social Welfare Pension	No	Elderly allowance	JSLU

	Philippine	Vietnam	Laos	Cambodia
Implementation of CCT	4P	No	No	JFPR・ESSP
Community based welfare activity	KALAHI-CIDSS	National program of poverty production	No	No
Database for poverty reduction	NHTS-PR	NTPPR（National Targeted Program for Poverty Reduction）	No*1	ID-Poor
Public assistance	No	Cash benefit scheme for needy dependent	No	No
Cash benefit for elderly except pension scheme	No	Welfare allowance for the elderly Social Welfare allowance	No	No

*1 Identification of the poor is covered in the household budget survey, expenditure survey, the census, and other surveys, but the results are not compiled as a database.

Meanwhile, none of the countries surveyed had any public assistance schemes that serve as a minimum income security scheme, as seen in developed countries. A minimum income security scheme is generally understood to be a system that supplements the gap between a recipient's income and the state-set income amount, based on a means test. For a country to

implement such system, several conditions must be met, such as: that the majority of its people are paid workers; that there is a certain social consensus regarding the adequate standard of living; and that the eligible persons are legally entitled to receive the benefits equally and indiscriminately, etc.

Since none of the countries studied meet these conditions, it would be some time before these countries have established a public assistance scheme as a system for minimum income security.

4.2. Social assistance benefits and the need for a database development

Since social welfare benefits are tax-based, the question of "who should be paid" always lingers. It is particularly hard to objectively identify eligible households in developing countries, as the livelihood of the low-income bracket is not based on a pure monetary economy.

In addition, at a stage where public assistance for the poor is not systematically structured, ministries would set up different cash benefit projects—each as part of their poverty measures and within the limit of their allocated budget—resulting in the targeted persons receiving overlapping benefits.

To make the appropriate payment of benefits out of limited resources, it is essential to clearly identify the eligible low-income group and to establish a methodology to regularly update the data. Among the countries surveyed, the Philippines, Indonesia, and Malaysia are actively working to develop a database to identify low-income persons. With assistance from the World Bank, the Philippines has developed a logic for income assessment using statistical methods in order to cope with the difficulty in calculating the amount of income. Meanwhile, Malaysia developed a database to avoid overlapping benefits, named "e-Kasih," which is shared by relevant ministries and agencies.

A common feature regarding these databases is that the government first collects basic information through a large-scale survey and then updates the database at the time when a payment of conditional cash transfer (CCT) or other social welfare benefits is made (or was made). Another commonality is that the management of a database is undertaken by a specified ministry but with actual users spread across government bodies. During this type of survey, it was once pointed out that a technique required for a successful CCT program is the appropriate identification of targets.[9]

The identification of targets is expected to remain a the central pillar in the governments' efforts to effectively and efficiently reduce poverty using limited resources.

4.3. Community-based social welfare activities

Region-based community activities and supportive activities are thriving in developing

[9] In an interview with an ADB (Lao PDR) officer

countries. Indonesia's PNPM, a pioneering project in southeast Asia, is conducted nationwide. In addition, the KALAHI-CIDSS project of the Philippines, modelled on the PNPM, and the SML project of Thailand also have many similarities with the PNPM.

These projects are implemented autonomously—from the identification of issues to their solutions—and jointly by the resident or community organizations of a designated regional unit. The central government provides necessary expenses directly to the project implementers, wherever possible, without going through local governments.

In terms of public finances, the countries cannot afford a generous dishing out of benefits at a time when rapid economic growth seems unlikely. All of the countries are currently promoting decentralization, although to various extents and through various methods. With this in view, the community-based autonomous activities for the betterment of regions is expected to continue as an effective way to utilize tax resources.

Another point found in common with projects in the surveyed countries is that they adopt a mechanism for delivering funds directly to the community or resident organizations close to the project implementers, where possible, in order to avoid the misuse of funds—rife in the developing world—and to ensure the appropriate expenditure of project funds. To this end, projects are structured to avoid fund usage decisions being made by a single entity, and they require the inclusion of external consultants and moderators or the participation of two or more organizations in the decision-making process.

The "Project on the Development of a Community-based Integrated Health Care and Social Welfare Services Model for Thai Older Persons," implemented by JICA in Thailand between 2007 and 2011, is another example of a project characterized by its emphasis on community-based autonomy and the decision-making process involving multiple organizations.

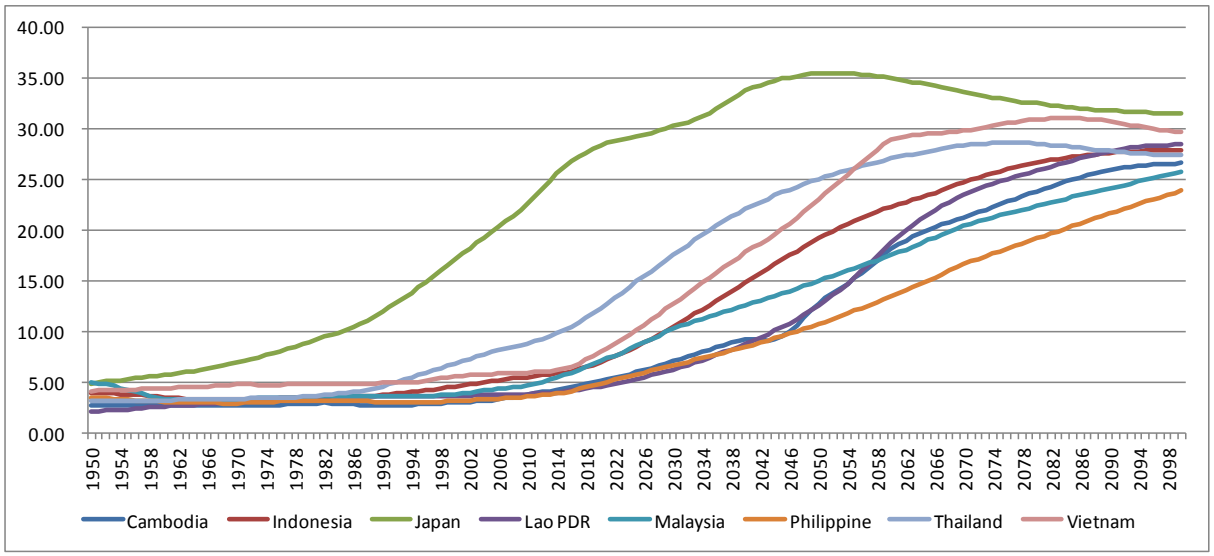
5. Welfare for the Elderly (Elderly Care)

5.1. Aging of the population

The pace and extent of aging varies among ASEAN countries. Thailand is predicted to become an aged society (with the proportion of the aged population exceeding 14% of the total population) ahead of other countries studied, with the percentage of the aged population (aging rate) increasing from below 10% today to over 14% in 2024. The number of years it takes for Thailand to shift from an aging society (with the proportion of an aged population at 7%) to an aged society (14%), or the doubling time, is estimated to be only 23 years, which is shorter than it was for Japan (25 years), and thus the preparation of relevant measures is an urgent task. Vietnam will enter an aged society in 2033, which is later than Thailand but after a shorter doubling time of 15 years—the shortest among the countries studied—requiring an even swifter response.

The aging rate in Thailand is about 10% today, the same stage that Japan went through in around 1985. In 1989, four years after the rate reached 10%, Japan launched the "Gold Plan (the Ten-year Strategy to Promote Health Care and Welfare for the Aged)," under which special nursing homes, day cares, short-stays, in-home help, and other core services of Japan's nursing care system have been developed. The fact that, as of 1985, Japan already had over 20,000 paid home helpers and more than 1,600 special nursing homes urges the ASEAN countries facing the rapid aging of their populations such as Thailand and Vietnam to take necessary measures without delay.

Proportion of the aged population (aging rate) in ASEAN



Source: Compiled by Mitsubishi UFJ Research and Consulting based on data from the United Nations' *World Population Prospects*, the 2010 revision

Number of years required for the proportion of the aged population to double (doubling time)

	Old age rate: 7% Aging society	Old age rate: 14% Aged society	Doubling time Number of years required for the proportion of the aged population from 7% to 14%	Old age rate: 21% Super Aged society
Japan	1970	1995	25	2008
Thailand	2001	2024	23	2038
Vietnam	2018	2033	15	2047
Indonesia	2021	2038	27	2056
Malaysia	2020	2046	26	2073
Laos	2034	2053	19	2065
Cambodia	2030	2053	23	2068
Philippine	2032	2062	30	2088

Note: Japanese statistics generally state the doubling time as 24 years, using 1994 as the year that the rate reached 14.0%, whereas the UN statistics showed that the rate was 14.39% in 1995. This table shows the doubling time as 25 years, for comparability.
Source: Compiled by Mitsubishi UFJ Research and Consulting based on data from the United Nations' *World Population Prospects*, the 2010 revision

5.2. Basic direction—Emphasis on community and family

All of the countries surveyed have already embarked on cross-ministerial efforts in this field and on the development of national policy plans or strategies for the elderly, but none of the countries have reached the stage where concrete policy measures or projects are announced as of now.

In addressing the issue of elderly care, the ASEAN countries seem likely to adopt a basic policy of promoting problem-solving on a community level, by appreciating the traditional bonds of community and family and by tapping into the utility of mutual assistance. This contrasts with the approach taken by Japan, which aimed to release family members from the burden of nursing under the principle of the "socialization of elderly care."[10]

5.3. Polarization of facility development

In most countries surveyed, the need has emerged for the establishment of a certain number of elderly facilities to shelter the elderly who are poor or without family—but little progress has been made to date. A problem in the development of elderly facilities is the polarization of targets. The government is developing facilities targeting the lowest income group, in a relatively small quantity, while the private businesses are building expensive paid nursing homes targeting the wealthy. In view of the limited supply at present, the polarization between public and private facilities is inevitable.

Particularly in the emerging middle-income countries of Malaysia and Thailand, where income disparity is growing, private businesses are playing a large role in social sector

[10] It should be noted that the recognition of the situation in Japan at the time and in ASEAN today is entirely different; Japan's traditional communal society had already become weak, and care burden had been weighing down all of society when the long-term care insurance system was created.

development such as in building medical institutions, and the government is encouraging this trend by offering tax incentives to the development of facilities for the elderly.

5.4. Improvement of community-based home care

Assuming the basic direction of nursing care policy in Asia to be as stated above, the establishment of a community-based home care system will be essential in the medium to long term. In view of financial constraints, it is deemed not viable for developing countries to organize a system fully staffed by professionals, as in developed countries. The first step for most countries will probably be to build a care system in the community that centers around resident volunteers and NGOs, with technical support from a certain number of professionals such as nurses and social workers.

In Malaysia, an NGO of a relatively large scale received a government subsidy to design and develop care services and is currently providing services to a limited scope of eligible persons. The Vietnam Association of the Elderly organizes the elderly across the country, has its own broadcasting media, and holds the human resources needed to carry out measures for the elderly. Thailand has trained nearly 900,000 health care volunteers over the years, and the nurturing of elderly care volunteers is concurrently underway at a fast pace.

The above social resources are expected to play an important role in carrying out measures for the elderly in developing countries that suffer financial constraints, but putting these social resources into effective use as nursing care providers will require further improvement in nursing care skills and the development of capacity in the planning and operation of elderly policies, among others. The need for such medium- to long-term accumulation of capability is fully recognized by persons in charge of elderly care in the countries surveyed.

However, in the developing countries, the number of elderly persons requiring nursing care is small, and the opportunity to acquire expert knowledge is limited at present. The countries are deemed to be at a stage where technical assistance is indispensable in coping with the mounting challenges posed by a growing elderly population and rising life expectancy, such as dementia care, due to the constraints they face—such as the scarcity of opportunities for hands-on experience. Whether volunteers and other human resources can be effectively utilized depends on how these abundant communities and human resources can be refined and upgraded.

6. Potential for Japan's cooperation

6.1. Direction of Japan's cooperation in health security

Since ASEAN countries already have in place, at least in form, health security systems that cover people in all sectors, the need for cooperation regarding basic institutional design should be low. The possible and important forms of cooperation targeting ASEAN's health security may not directly transfer Japanese systems, but may include continuing academic exchange themed on highly specific issues, such as the improvement of health expenditure management or payment methods.

Malaysia, for example, faces a major challenge in reforming its health security system, but international organizations are cutting aid to Malaysia because of its economic development toward middle-income status. The problems faced by a country where the health security system has already been developed to a certain extent are becoming increasingly complex and require even more sophisticated knowledge concerning a solution. In this regard, the value of opportunities to obtain information from abroad or the visits of invited experts are becoming greater than ever. Such opportunities, however, are said to be diminishing, with the country's development into a middle-income country.

Given that there are differences between Japan and ASEAN in the systems and environments concerning medical resources, the management of medical expenses is nevertheless an international common issue, and the sharing of information and insights among Japan and ASEAN countries on concrete policy measures for the better management of medical expenses would be valuable in itself—as well as in terms of securing Japan's presence in ASEAN. Another important theme would be the reform of accounting systems in medical institutions. Accuracy in the balance and cost structure of medical institutions is crucial to the appropriate management of medical expenses and the structuring of adequate medical fee schedule systems. Japan has been dealing with these issues in recent years, through which know-how and human resources have been accumulated. The exchange of views among government officers in charge of relevant policies or academics at seminars and symposiums should be actively promoted.

When thinking about actual technical assistance work in the field of health security, Thailand's presence cannot be ignored. Vietnam and Lao PDR are developing their own medical fee schedule systems with support from Thailand, with a view to introducing capitation and DRG systems as payment mechanisms. Thailand has also started offering support to China and India regarding universal health coverage. For Thailand's neighbors, who share more in common with Thailand than with Japan in terms of the state of medical resource development or the attitude toward health care finance, Thailand will most likely be the preferred source of technical cooperation.

In Cambodia and Lao PDR, priority will be given to securing financial resources for the

CBHI and HEF—the health security systems targeting the poor. To ensure the effectiveness of health security systems, continued assistance in developing human resources in primary care and raising the basic level of services, both in quality and quantity, will remain important for all countries.

6.2. Direction of Japan's cooperation in employee income security

Regarding employee income security systems, countries have already completed the basic design phase, as with health security. The present challenges for developing countries include the expansion of coverage targets, collection of contributions, and evaluation of—and measures to ensure—the sustainability of old-age benefits and other schemes.

The sustainability of schemes is not sufficiently studied in Vietnam, Lao PDR, and Cambodia, where the schemes are only recently established and are based on pay-as-you-go systems. These countries are at a stage where pension actuaries and other experts need to be trained, thus training and technical cooperation programs are highly desired. However, the ILO is providing extensive assistance to these countries, including the dispatch of experts. The need for Japan to actively offer cooperation is therefore not high.

Some employee income security schemes provide unemployment insurance benefits as part of their benefits. Among the countries surveyed, only Thailand and Vietnam have a scheme for unemployment insurance benefits. In Malaysia and the Philippines, discussions are underway targeting the actual introduction of the scheme, and JICA is providing training opportunities to Malaysia. The potential for cooperation lies not only in institutional designs but in practical operational know-how.

6.3. Direction of Japan's cooperation in social welfare

In economic assistance programs for the low-income bracket in the countries surveyed—be it CCT or social assistance—an efficient and effective redistribution of limited resources is required. Against this backdrop, governments in the Philippines, Indonesia, and Malaysia have been working to develop, in cooperation with the World Bank and others, a targeting system that identifies the poor—for use not only in social assistance schemes but across ministries. Since the World Bank and other donors have an edge and know-how regarding such systems, it is deemed not adequate for Japan to deal directly with this field.

ASEAN countries are actively promoting projects for community residents to autonomously solve poverty and social welfare issues in the local region. The PNPM in Indonesia and the KALAHI-CIDSS in the Philippines are typical examples. These projects are contributing to encourage the autonomous solution of local issues by community residents while preventing subsidies from being siphoned off by local governments.

Meanwhile, all countries promoting these projects are facing the shortage of on-site social workers. As social workers are the fundamental human resources in promoting social welfare targeting the poor and social minorities, and will remain in high demand, there is potential for

cooperation in this regard.

6.4. Direction of Japan's cooperation in elderly care

Among the countries surveyed, Thailand, Vietnam, and Indonesia are the countries where the issue of an aging population is recognized as a most pressing issue. These three countries will become an aged society within a lead time as short as that experienced by Japan, which was said to have been aging at the fastest pace among the developed countries. The population in Malaysia is aging at a relatively moderate pace, but the need for public and private nursing care services among those with high purchasing power is expected to rise as its economy grows to the level of a middle-income country.

The following observations apply to the above four countries: 1) family and community ties are traditionally strong; 2) due to financial constraints, a care service delivery system consisting of volunteers will likely be aimed at, rather than going straight to building a Japanese model of long-term care insurance; 3) although a certain number of health professionals are posted in these regions, the opportunity to acquire expert knowledge on nursing care is limited, and the concept of nursing care itself was only recently introduced; and 4) for these reasons, the laying of a foundation for nursing care policies and services is at an immature level—unlike those for health and income securities—which is a cause for readiness to accept external assistance.

Possible options for Japan's cooperation include the provision of knowledge and information in the field of nursing care, training courses in Japan, and assistance in the development of a community-based nursing care service model and in the actual delivery of services, among others. Japan has a wealth of knowledge to offer, such as curriculums for the training of certified care workers, care managers, and other specialists, a system for the certification of long-term care needs, methodologies for care management and assessment, and care for persons with dementia—and these are an advantage in providing assistance. With extensive human resources in nursing care, Japan's cooperation in this field can be backed by a range of specialists.

The scope of cooperation may be broadened—rather than confined to the direct provision of elderly care—to include the fields of infrastructure and employment, such as the promotion of barrier-free environments in public facilities and transportations, the "Silver Human Resources Centers," and other employment schemes for the elderly, etc.

As for the Philippines, Lao PDR, and Cambodia, the need for cooperation in this field is deemed not urgent, as the aging processes in these countries still have a long way to go.

Annex 1 Tax System

1. **Philippines**

1.1. Tax system

1.1.1. Government revenue

Breakdown of government revenue is as follows. Income tax and general sales tax/VAT account for approximately 77% of government revenue.

Figures Annex 1-1 Government revenue

(In millionPHP)

		2010	2011	2012 (Est.)
Tax revnue		1,093,643	1,273,241	1,445,498
	Taxes on net income and profits	489,222	569,517	647,336
	Taxes on property	1,980	2,256	2,608
	Taxes on domestic	521,546	621,972	700,891
	General sales, turnover or VAT	329,713	415,309	474,566
	Selected excises on goods	86,799	87,185	91,468
	Selected taxes on services	44,917	51,353	59,056
	Taxes on the use of goods or porperty or permission to perform activities	9,957	11,272	12,448
	other	50,159	56,853	63,353
	Taxes on international trade and trancations	80,896	79,495	94,664
Non-tax revenues		114,283	138,063	123,002
	Fee and charges	58,648	63,096	69,446
	BTr(Bureau of Treasury) income	54,315	68,967	51,556
	Government services	1,152	865	916
	Interest on NG deposit	2,224	2,708	1,956
	Interest on advances to government corporation	159	681	521
	Income from investments	23,816	23,963	25,658
	Interest on bond holdings	12	-	-
	Guarantee fee	2,389	3,079	3,400
	Gain on Foreign Exchange	1,112	1,910	1,500
	NG income collected by BTr	23,451	35,761	17,605
	Dividends on Stocks	12,013	23,799	5,500
	NG share from Airport Terminal Fee	476	300	455
	NG share from PAGCOR(Philippines Amusement and Gaming Corporation） income	10,343	10,940	11,100
	NG share from （MIAA : Manila International Airport Authority） profit	619	722	550
	Privatization	914	6,000	2,000
	Foreign Grants	406	-	-
Total Revenues		1,207,926	1,411,304	1,568,500

※1PHP=1.903 JPY(JICA transaction rate as of May 2012 as reference）

Source : Department of Budget and Management,

http://www.dbm.gov.ph/?page_id=799 (as of May 15, 2012)

1.1.2. Tax system

National Internal Revenue Code of 1997 stipulates every national tax except for customs. Enactment of Local Government Code of 1991 enables the LGUs to impose tax. Before that, LGUs are prohibited to impose their own tax.

Taxes in the Philippines are as follows.

National tax
Income tax (corporation and individual)
Estate and donor's taxes
VAT
Percentage tax
Excise tax
Stamp tax
Capital gain tax
Local tax
Province tax
Tax on transfer of real property
Tax on business of printing and publication
Franchise tax
Tax on sand, gravel and other quarry resources
Professional tax
Amusement tax
other taxes
Municipalities tax
Business tax
Real property tax
other taxes

Source : Tohmatsu(2011). *Tax laws in Asian Countries(7th edition)*pp.630-631.

Those who are required to pay individual income tax are resident citizens with income sources within or outside the Philippines[1]. Non-resident aliens who stay more than 180 days and have the income source within the Philippines have to pay income tax based on their net income. On the other hand, non-resident aliens who stay less than 180 days are required to pay income tax based on gross income from sources within the Philippines. Taxation rate of individual income tax is as follows.

[1] Tohmatsu(2011). Tax laws in Asian Countries(7th edition), pp.633-635.

Figures Annex 1-2 Taxation rate of individual income tax

taxable income		rate of taxation
less than 10,000PHP		5%
10,000PHP-30,000PHP	500PHP plus over 10,000PHP	10%
30,000PHP-70,000PHP	2,500PHP plus over 30,000PHP	15%
70,000PHP-140,000PHP	8,500PHP plus over 70,000PHP	20%
140,000PHP-250,000PHP	22,500PHP plus over 140,000PHP	25%
250,000PHP-500,000PHP	50,000PHP plus over 250,000PHP	30%
500,000PHP or more	125,000PHP plus over 500,000PHP	32%

※1PHP=1.903 JPY(JICA transaction rate as of May 2012 as reference)
Source : Tohmatsu (2011). Tax laws in Asian Countries(7th edition)』 p.640.

Rate of individual income tax has changed significantly since the introduction of the tax. In 1960s, since government was conscious of vertical equity, maximum tax rate of 1968 amendment is set at 70%. However, since the 1982 amendment, tax rate has declined and become less progressive, and maximum tax rate is 32% after the amendment in 1998.

Figures Annex 1-3 Change of taxation rate of individual income tax

year	individual income tax	
	earned income	business income
1939	1-45%	
1946	3-60%	
1950	5-60%（22 tiers）	
1959	3-60%（23 tiers）	
1968	3-70%（37 tiers）	
1982	0-35%（10 tiers）	5-60%（5 tiers）
1986	0-35%（10 tiers）	
1992	0-35%（10 tiers）	3-30%（5 tiers）
1998	5-32%（7 tiers）	

Source : Inserted from Yurika Suzuki (2010). ―Challenges of Tax System in Philippines," in Chie Kashiwabara. Developing Countries and Finance : Challenges of Revenue and Expenditure, Debt, and Governance," Institute of Developing Economies, p.31.

VAT was introduced in 1988. VAT is kind of sales tax and its rate is 12%. From the viewpoint of social considerations and equity, when tax was introduced, agricultural and fisheries products, and from the view point of social consideration and fairness, agricultural and fishery products for food, fertilizer and agricultural chemicals for agricultural production, medical and education services, small scale enterprises and so on were tax exempt. However, as tax base has been extended after several amendments, agricultural

chemicals, medical services etc. are included in taxable objects[2].

1.2. Subsidies and tax allocations to local government

Due to the establishment of Local Government Code of 1991, since much of the authority of the central government, including health and social welfare services, has been transferred to LGUs, provinces, municipalities, and barangays become providers of those services. However, not all local government does hold sufficient financial resources to conduct those services.

In order to cover financial deficit, the Internal Revenue Allotment (IRA) is provided to LGUs from central government as subsidies. While it is stipulated that 20% of the IRA is Local Development Fund and required to be spent on development purpose, in actual operation, IRA is used for purposes other than development. It can be said that IRA is virtually general subsidies and often fails to improve the service provision capacity of local government

The table below shows, there is a table showing the income and expenditure of LGU in 2010, looking at this, LGU is highly dependent on the IRA that is understood. Looking at the entire LGUs, dependent on the IRA to 64.8% of revenue, in the town level is dependent on the IRA to 76.4% of revenue in particular really.

Figure below is about the revenue and expenditure of LGUs in 2010, and shows LGUs depends on IRA significantly. IRA accounts for 64.8% of revenue of LGUs, especially high in municipalities. They depend 76.4% of their revenue on IRA[3].

[2] Suzuki(2010), pp.38-43.
[3] World Bank (2011), 2011 Philippines Development Report: Generating Inclusive Growth to Uplift the Poor, pp.85-86.

Figures Annex 1-4 Revenue and Expenditure of LGU(2010)

(billion PHP)

	Total	Provinces	Cities	Municipalities
Revenue	amount	amount	amount	amount
Local tax	70.9	61	53.5	11.2
General income				
Internal Revnue Allotment(IRA)	205.0	60.6	60.3	84.1
Permits and licenses	4.9	0.1	3.2	1.5
Service income	6.1	1.5	3.1	1.5
Business income	12.3	3.2	5.1	4.0
Other income	17.2	4.4	5.0	7.8
Total operating income	316.2	75.9	130.2	110.0
Expenses				
Personal services	11.9	25.9	39.9	46.1
Maintenace & other operating expenses	121.8	25.1	54.5	42.1
Financial Expenses	5.8	1.6	2.6	1.6
Subsidies, Donations and extraordinary items	16.7	7.8	4.9	4.0
Extraordinary items	0.9	0.0	0.9	0.0
Net income	60.9	15.5	29.3	16.2

※1PHP=1.903 JPY(JICA transaction rate as of May 2012 as reference)

Source : Inserted from Commission on Audit (2011). *2010 Annual Financial Report: Local Government* (vol.3), p.14.

2. Indonesia

2.1. Tax system

Tax that are currently managed under the Indonesian Tax Authority at MOF include corporate income tax, personal income tax, value-added tax, sales tax on luxury goods, land and building tax, acquisition tax on land and buildings, and stamp tax.

2.1.1. Sources of government revenue in Indonesia

Sources of government revenue in Indonesia are as follows.

Figures Annex 1-5 Governmental revenue in Indonesia

(IDR in trillions)

	2010		2011	
	trillion IDR	composition rate (%)	trillion IDR	composition rate (%)
state revenue and grants	993	100	1,105	100
taxation revenue	743	75	850	77
income tax	362	36	421	38
value added tax	263	26	312	28
land and building tax	25	3	28	3
other tax	93	9	90	8
non-taxable state revenue	249	25	254	23
natural resource revenues	165	17	162	15
profit part of SOEs	30	3	28	2
other tax	55	6	64	6

※1IDR＝0.00885 JPY(JICA transaction rate as of May 2012 as reference)
Source: MOF (2011) The Indonesian Budget Review

2.1.1.1. Personal income tax

Payers of personal income tax include residents and non-residents (those who remain in the country for more than 183 days per year are considered to be residents), and residents are required to pay tax on their worldwide income while the non-residents are required on their domestic income. The amount of basic deduction is 15,840,000 IDR.

Figures Annex 1-6 Personal income tax rate

Tax rate	bellow 50 million IDR : 5% greater than 50 million IDR but less than or equal to 250 million IDR : 15% greater than 250 million IDR but less than or equal to 500 million IDR : 25% greater than 500 million IDR : 30%

Source: Shinjo Nakajima (2009), The Zeidai Journal

2.1.1.2. Corporate income tax

Payers of corporate income tax include corporations and business entities (including both domestic and foreign corporations) and the permanent facilities of foreign corporations functioning as their business locations. Domestic corporations are required to pay tax based on their worldwide income, while the permanent facilities of foreign corporations are

required to pay tax on income directly belonging to the facilities as well as income from similar business activities carried out in Indonesia by the headquarters of the foreign corporations—as such is also considered to be the income of the permanent facilities.[4] The tax rate was reduced from 28% to 25% in accordance with Law No. 36 in the third revision of the Income Tax Law that was enacted on September 23, 2008. Furthermore, Government Decree No. 36 was also enacted on September 23, 2008, and the tax rate for listed companies was reduced by an additional 5%. Under this order, the tax rate on income up to 4.8 billion IDR was halved for small-scale companies with annual sales of 50 billion IDR or less.[5]

2.1.1.3 Value-added tax

Payers of the value-added tax include business entities that import or deliver taxable goods or services. However, small-scale business entities (with annual sales of taxable goods at 600 million IDR or less or with annual sales of taxable services at 300 million IDR or less) are exempted from the tax liability.

The rate of the value-added tax is 10%, but not all goods and services are taxable. Goods and services that are exempted from value-added tax include crude oil, gas, and terrestrial heat directly taken from the source, as well as excavated substances (those directly taken through mining and drilling activities), basic necessities for the majority of the population (such as rice, corn, soy beans, salt, meat, eggs, milk, fruits, and vegetables, etc.), hotel accommodations, restaurant and canteen meals, food and drinks purchased from a stand, currencies, gold, security transactions, medical and health services, orphanages and facilities for the elderly, fire and emergency rescues, social services such as rehabilitation support, financial and insurance services, religious services, educational services, and artistic and recreational services, etc.[6]

2.1.1.4. Other national taxes[7]

Other national taxes include sales tax on luxury goods (home electric appliances, cars, perfumes, lether and artificial leather, high-end houses, jewelry, etc.), land and building tax, acquisition tax on land and buildings, and stamp tax. The sales tax on luxury goods is levied upon the sales of luxury goods specified by the finance minister, and the importer or the manufacturer of the luxury goods is required to pay the tax, the rate of which varies from 10–75% depending on the type of goods.

The land and building tax is levied on owners of land and buildings, and the tax rate is 0.1% (0.2% in the case of a fixed rate) of the assessed value of the real estate property owned.

The acquisition tax on land and buildings is levied on those who acquired the ownership of

[4] Shinjo Nakajima (2009), The Zeidai Journal
[5] JETRO (2012), http://www.jetro.go.jp/world/asia/idn/invest_04/
[6] JETRO (2012), http://www.jetro.go.jp/world/asia/idn/invest_04/

land or a building, and the tax rate is 5% of the higher value between the actual acquisition cost and the assessed value of the real estate property used for the land and building tax.

The amount of the stamp tax is either 6,000 IDR or 3,000 IDR depending on the type of drafted documents and the subsidy.

There are no taxes equivalent to the Japanese inheritance tax, and donation tax in Indonesia as an inheritance or donation are tax exempt.

2.1.2. Sources of local government revenue

2.1.2.1. Sources of local government revenue

Sources of local government revenue in Indonesia are defined in Article 5 of the "Law No.33 of 2004 on Fiscal Balance between Central and Local Governments" (hereinafter referred to as the "Financial Balance Law"), which regulates financial relations between the central and local governments. According to the article, the sources of the revenue that local governments obtain for administrative management are "regional revenue" and "fiscal equalization." The regional revenue consists of: (1) regional original revenue (such as regional tax, local beneficiaries' contributions, gains from investment management, interest earnings, and exchange gains, etc.), (2) balancing funds (the equivalent of the Japanese tax allocation grant; see the following section for details), and (3) other legitimate revenue (such as from a special autonomy fund, equalization fund, grant assistance from abroad, or an emergency fund, etc.).[8]

2.1.2.2. Regional tax[9]

Regional tax consists of provincial taxes that include automobile tax and shipping tax as well as city taxes, which include hotel tax and restaurant tax. There is no equivalent of the Japanese business tax and resident tax.

2.2. Tax allocation grants and other subsidies[10]

In Indonesia, local government revenue consists mainly of transferred funds from the central government, and regional tax currently accounts for less than 10% of local government revenue.[11]

The balancing fund plays the main role in Indonesia's fiscal equalization system, and it is allocated from the national budget as financial support necessary to carry out governmental functions. The balancing fund is classified into: (1) a general allocation fund, (2) revenue sharing, and (3) a special allocation fund. Among the three, revenue sharing is the equivalent

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[7] Shinjo Nakajima (2009), The Zeidai Journal
[8] Council of Local Authorities for International Relations (2008), Local Government in Indonesia
[9] Shinjo Nakajima (2009), The Zeidai Journal
[10] Council of Local Authorities for International Relations (2008), Local Government in Indonesia
[11] Hiroshi Ikawa (2009), Decentralization and Local Finance in Indonesia: Report (3) at the Symposium on Decentralization and Local Finance

of the Japanese local transfer tax, while the general allocation fund is equivalent to the Japanese tax allocation grant. The special allocation fund is the equivalent of a Japanese government subsidy.

Other than the balancing fund, there is revenue that is classified as "other revenue from the central government" under "other revenue."

Figures Annex 1-7 Breakdown of the sources of local government revenue

regional original revenue	
	regional tax
	local beneficiaries
	gains from investment management, interest earnings
	exchange gains
balancing funds	
	general allocation fund
	revenue sharing
	special allocation fund
	revenue sharing from provincial government (districts' case)
other legitimate revenue	
	other revenue form government
	other funds, grants

Source: compiled by Mitsubishi UFJ Research & Consulting based on Council of Local Authorities for International Relations (2008), Local Government in Indonesia

Although it is often pointed out that local governments require more revenue transferred from the central government, the fiscal surplus of local governments in Indonesia reached a total of 40 trillion IDR in FY2007 (the total revenue of local governments in Indonesia was 280 trillion IDR in FY2006), disproving the above statement. This is due to the fact that debates last long in local assemblies, and as a result, budget approval is delayed by three to four months from January when a new fiscal year starts, further delaying the allocation of revenue sharing from the central government and leaving no time for local governments to expend. Under such circumstances, there is a problem in which local governments are unable to provide better services for the residents while maintaining a fiscal surplus.[12]

2.2.1. Balancing fund

2.2.1.1. General allocation fund (equivalent of the Japanese tax allocation grant)[13]

The general allocation fund is the most important fund transferred from the central governments in the fiscal equalization system. It is based on an Indonesian local tax allocation system in which part of the national revenue is distributed to local governments

[12] Hiroshi Ikawa (2009), Decentralization and Local Finance in Indonesia: Report (3) at the Symposium on Decentralization and Local Finance
[13] Council of Local Authorities for International Relations (2008), Local Government in Indonesia

according to their potential economic capability, area, geographical conditions, population, and the income level of the population, in order to narrow the financial gap among local governments by securing revenue sources necessary to carry out local administrative functions. The fund is distributed as a general fund, and the use of the fund after allocation is not specified. According to Article 27 of the Financial Balance Law, the total amount of the general allocation fund must be at least 26% of the domestic income in the national budget.

2.2.1.2. Revenue sharing (equivalent of the Japanese local transfer tax)

Revenue sharing is the second largest source of transferred funds after the general allocation fund. In this scheme, funds are transferred from the national tax collected throughout Indonesia as well as from the national revenue gained from the natural resources produced in the country. Such revenue is first stored in the national treasury by the central government, a certain proportion of which is allocated to local governments. Revenue sharing is the equivalent of the Japanese local transfer tax. It is distributed as a general fund, and the use of the fund is not specified except for the portion from the green fund established for the purpose of reforestation and the portion from the revenue in the petroleum mining sector allocated for the purpose of educational promotion.[14]

Figures Annex 1-8 Details of revenue sharing

Revenue sharing	・land and building tax ・Tax on Acquisition of Land and Building (BPHTB) ・Income tax under the Income Tax Law Article 21, 25 and 29
Natural resource revenue sharing	・Forestry sector revenue ・General mining sector revenue ・Fishery sector revenue ・Petroleum mining sector revenue ・Natural gas mining sector revenue ・Geothermal sector revenue

Source: compiled by Mitsubishi UFJ Research & Consulting based on Council of Local Authorities for International Relations (2008), Local Government in Indonesia

2.2.1.3. Special allocation fund (equivalent of the Japanese government subsidy)[15]

The special allocation fund refers to a national subsidy system in which a certain amount of funds are allocated to local governments in order to assist specific projects in specific regions. The special allocation fund is provided specifically as necessary expenses to invest in long-term development and the reinforcement/improvement of infrastructure. It is therefore basically impossible to use the fund as business expenses, research expenses, training expenses, travel and transportation expenses, or for other general administrative expenses. Details of the use of the special allocation fund are not specified in the law, and the standard for projects and local governments eligible for the allocation is determined by a finance

[14] Council of Local Authorities for International Relations (2008), Local Government in Indonesia
[15] Council of Local Authorities for International Relations (2008), Local Government in Indonesia

ministerial order every year. In order to carry out a project with the special allocation fund, local governments are, in principle, required to internally prepare at least 10% of the expenses (local contribution known as "*hojoura*" in Japanese) for the project subsidized by the special allocation fund unless there is a particular fiscal reason not to.

2.2.2. Other sources of revenue (special autonomy fund and equalization fund)[16]

The special autonomy fund and the equalization fund are classified as "other revenue from the central government" under the category of "other revenue" in regional revenue. The special autonomy fund is provided as expenses for special local governance for Aceh Province and Papua Province where special autonomy laws are applicable. The use of the equalization fund is different every year depending on the national budget. In FY2008, the fund was provided to take measures to develop infrastructure in under-developed areas as well as to mitigate the financial impact in case of a significant change in the amount of the general allocation fund.

[16] Council of Local Authorities for International Relations (2008), Local Government in Indonesia

3. Laos

3.1. Tax system

In Laos, while the Tax Department Director Board in the Revenue Department of the MOF is a central body in charge of direct taxes, indirect taxes are under the control of the Customs Department. In addition to local tax bodies, including 17 of the Provincial Field Offices of Finance (PO) under the Finance Service of the Provincial Government and 142 of the District Field Offices of Finance (DO), over 10,000 village chiefs are authorized to encourage people to pay taxes, whereby local governments are responsible for assessing and collecting taxes in local areas. As for national tax revenues, each PO will remit the balance of the collected tax amount against its expenditure amount to the MOF. On the other hand, the MOF will compensate a deficit in any PO[17].

The major tax items in Laos include value added tax (VAT), individual excise tax, business profit tax, personal income tax and land ownership tax[18].

A person who has the income not less than 1.5 million LAK is subject to a progressive tax rate under Article 60, Table 2 of the Tax Law No. 4.

Changes in tax revenues in Laos are as shown below. It is increasing year by year along with economic growth.

Figures Annex1-9 Changes in tax revenues and expenditures in Laos (Unit: 1 billion LAK)

	1999/2000	2001/2002	2003/2004	2005/2006	2007/2008	2009/2010
Revenue/Grant	2,167	2,568	3,105	4,962	7,134	8,907
Current revenue	1,691	2,327	2,822	4,266	6,439	7,825
Tax revenue	1,367	1,879	2,329	3,641	5,627	6,989
Non-tax revenue	324	449	494	625	812	836
Grant	475	240	283	696	695	1,081
Expenditure	2,513	3,161	3,754	5,938	8,368	10,105
Current expenditure	808	1,376	2,092	3,124	4,576	5,915
Capital expenditure/lending	1,783	1,643	1,777	2,465	3,227	3,540
Others	n.a.	n.a.	n.a.	348	566	650
Total Revenue	n.a.	n.a.	n.a.	-976	-1,234	-1,198
Resource Revenue	346	594	649	976	1,234	1,198
Domestic(net)	-294	17	-274	-415	-129	243
Foreign(net)	640	577	923	1,390	1,363	956

Source: Ministry of Finance, Lao PDR

3.2. Tax allocation grants and other subsidies

Laos has no system or framework equivalent to tax allocation grant and other subsidies.

[17] Tamakawa, Suzuki, Sakai (2006), "Tax system and administration in Laos ~ Based on the Lao tax and administrative practice training", 'Finance' April 2006, p.21.

[18] Tamakawa, Suzuki, Sakai (2006), "Tax system and administration in Laos ~ Based on the Lao tax and administrative practice training", 'Finance' April 2006, p.19-20. (The transaction tax used to be implemented before the introduction of VAT in 2009.)

4. Malaysia

4.1. Public finance and tax system

4.1.1. Federal government finance

The scale of the budget of the federal government is considerably larger than that of states and autonomous bodies. Nearly 90% of the revenue and expenditures of government bodies belong to the federal government.

Revenue of federal government consists of revenue from direct tax, such as income tax revenue, and non-tax revenue. Tax revenue is comprised of direct tax, such as corporate income tax, export and import duties, and sales tax. Non-tax revenue includes fees for licensing, administrative service, and others such as fines and interest. Regarding expenditure of federal government, there is operation cost such as labor costs and development costs such as infrastructure construction expenses.

Figures Annex1-10 Main revenue for Federal government

Name of tax	Outline	Tax rate
Corporate income tax	Tax imposed on income derived from Malaysia and income transferred within Malaysia. Income includes profits from commerce or professional or business, profits arising from employment, dividends and interest, rent, royalty etc.	25% （20%for SME）
Personal income tax	Tax imposed on a resident individual. For non-resident individuals, tax rate is 26%. But who work in Malaysia less than or equal to 60 days from calendar year are exempted.	Progressive taxation system (Max rate is 26%)
Sales tax （※2）	Tax imposed on taxable goods which are manufactured in Malaysia or imported from abroad. Companies have to obtain a license to collect sales tax or to manufacture taxable products. (except companies whose revenue are less than 100thoudand MYR per annual)	10% (Some specific food and tobacco, alcohol, building materials are taxed 5%)
Excise Duty （※2）	Excise tax is levied on particular products which are manufactured in Malaysia. However, the scope of taxation has been expanded to new items, such as import vehicles, beer and liquor, trump, etc.	Depends on target items
Service Tax	Service tax is applicable to specific goods or services. Taxable person and services are as follows, lawyers, consultancy services, restaurants, hotels, hospitals, and, auto repair services etc.	6% on service fee or insurance cost. （revised January,2011）

※1 : However, there is now foreign-source income individuals and companies in Malaysia has received has been the subject of tax-exempt.
※2 : The Malaysian government announced its intention to implement the sales tax and excise duty to the –Goods and Services Tax (GST)" in the 2005. But it have not implementated as of March 2012.
Source: Compiled based on JETRO's *Investment system in Malaysia* (Japanese)

4.1.2. States government finance

Major revenue sources of state governments are their own revenue sources such as revenue from land, mines and forests (tax revenue), and subsidies from the federal government. The states of Sabah and Sarawak are allowed to have broader revenue sources than the states in the Malay Peninsula. The state's expenditures are mainly consist of operating expenditures such as labor costs for providing administrative services and development expenditure such as maintenance costs for public facilities. The excess of expenditures is made up for with borrowing from the federal government[19].

The Figures Annex1-11 shows the changes in the financial condition of all the 13 states of Malaysia. Looking at the revenue in the past 7 years, the states' own resources occupy around 80% and the subsidies from the federal government have been hovering around 20%. In 2011, the states' own resources reached about 89%. On the expenditures, 50–60% is occupied by ordinary expenses with the remaining 40–50% occupied by development expenses. The development expenses are mainly used for the construction of infrastructure. The deficit is financed by borrowing from the federal government.

The revenues of the state governments of Malaysia mainly come from three sources[20].

First is the states' own revenue sources, which account (for the most part) of revenue. The revenue sources specified in Schedule 10 of the constitutions and the royalties on the products, mineral, etc., in the state are approved (Article 110 of the Federal Constitution).
Second, subsidies are granted by the federal government to the state governments. These subsidies consist of a capitation grant and a state road subsidy, and both are granted once a year. The former is a grant calculated by multiplying the population by the unit amount. The unit amount is different for the first 100,000 persons and for the population exceeding 100,000. The latter is a subsidy for the management of state roads, which is granted only to the states in the Malay Peninsula. The amount is calculated by multiplying miles by the unit amount, which is based on the average management cost. In addition, a development-related subsidy is also granted.In addition, there are subsidies targeted to Sabah and Sarawak

4.1.3. Subsidies for individuals

The Malaysian government provides subsidies for foods (rice, sugar, cooking oil, flour, etc.) petroleum products (propane gas for cooking, diesel etc.), electricity rates in order to reduce the burden on taxpayers. In the first half of 2012, government provides "1 Malaysia People's Aid(BR1M) ", lump sum benefit of 500MYR for low-income families whose

[19] Local Autonomy in Malaysia, (Japanese) Council of Local Authorities for International Relations (Singapore Office)
[20] Motoko Kawano (2010) Local Administration and Local Governments in Malaysia, Institute of Developing Economies Comparative Studies on the Governance of the Local Governments in Southeast Asia (Japanese)
(http://www.ide.go.jp/Japanese/Publish/Download/Report/2009/pdf/2009_433_08.pdf)

households monthly income is below 3,000 MYR[21].

Figures Annex1-11 Changes in the revenues and expenditures of state governments in Malaysia

(Unit: Million MYR)

	2005	2006	2007	2008	2009	2010	2011
Revenue	**11,969**	**12,742**	**13,948**	**17,152**	**15,233**	**21,362**	**18,864**
Own sources	9,264	9,494	10,378	13,867	11,845	17,683	16,626
Federal grants	2,642	3,145	3,064	3,250	3,311	3,593	2,055
federal reimbursements	63	103	56	36	78	86	183
Expenditure	**10,491**	**11,568**	**13,389**	**15,177**	**14,671**	**15,297**	**17,259**
Operating expenditure	6,144	6,673	7,253	8,204	8,046	8,947	9,513
Development expenditure	4,347	4,895	6,136	6,973	6,625	6,350	7,746
Overall balance	1,478	1,174	109	1,976	563	6,065	1,605
Federal loans	1,642	1,094	1,141	2,000	1,243	2,257	474

Source: Compiled based on the MOF's *Malaysia Economic Report* for each year; the figures for 2011 are the estimates for the modified version.

Figures Annex1-12 Changes in the revenues of the federal government of Malaysia (Unit: Million MYR)

Taxes		2009	2010	2011	2012
Direct tax	Companies income tax	30,199	36,266	43,970	47,470
Direct tax	Individuals income tax	15,590	17,805	19,696	21,347
Direct tax	Petroleum tax	27,231	18,713	25,993	26,182
Direct tax	Cooperatives and others	1,897	1,667	1,715	1,800
Direct tax	Others（includes revenue from stamp duties）	3,458	4,558	5,083	5,300
Indirect tax	Export duties	1,152	1,810	2,038	2,114
Indirect tax	Import duties	2,114	1,966	1,976	1,985
Indirect tax	Excise tax	10,069	11,770	11,783	11,881
Indirect tax	Sales tax	8,603	8,171	8,605	8,965
Indirect tax	Service Tax	3,344	3,926	4,968	5,385
Indirect tax	Other indirect taxes	2,847	2,863	3,355	3,189
Revenue other than that from taxes [22]		52,135	50,138	54,193	51,288
Total revenue		158,639	159,653	183,375	186,906

Source: Compiled based on the MOF's *Economic Report 2010/2011*; the figures for 2012 are predictions.

4.2. Approaches to regional development

In March 2006, the Malaysian government announced the five-year Ninth Malaysia Plan

[21] In October 2011, the government announced to provide "BR1M"as a temporary benefit. Though payment period is not sure, accepting applications until January 2012, and it has been assigned to the government's budget in March.According to reports (Http://www.malaysia-navi.jp/news/120608075900.html) in June 2012, the government has shown the possibility to implement the second time in August as an election ploy.

[22] Revenue other than that from taxes includes interest, profit from investment management, public service fees, road tax, various kinds of fines, donations from foreign governments and international organizations, and oil royalties, etc.

(9MP), which includes a policy for implementing large-scale regional development in several areas (corridor) all over the nation as a measure to redress regional disparities. The table below shows the current large-scale and long-term development plans. In each corridor, incentives such as reduction and exemption from investment tax and corporate income tax are provided on the condition that the projects in the priority industries are carried out in the specified areas.

Figures Annex1-13 Large-scale and long-term development areas in Malaysia

Name	Target areas	Objective	Priority Industries
Iskandar Malaysia （IDR/IM）	Southern part of Johor. 2,216 k ㎡ 【2006-2025】	To evolve into a metropolitan area and make strength relations with Singapore	Education, Finance, Healthcare, Information and communication technology and Creative, Logistics, Tourism industries
Northern corridor economic Region (NCER）	Across 4 regions : North of Penang, Kedah, Perlis and Perak 17,816 k ㎡ 【2007-2025】	・To improved agricultural,manufacturing and service technology ・Human resource development, etc.	Agriculture, Manufacturing, Tourism, logistics industries
East cost Economic region （ECER）	Covering the states of Kelantan, Terengganu, Pahang and the Northeast part of Johor. 66,736 k ㎡ 【2007-2020】	・Increased income of the eastern region has been delayed development, poverty reduction ・Population of target area : 3.9million ・Ethnic composition: Bumiputra 87%）	Agriculture, Education, Manufacturing, Petroleum, Gas, Chemical, Tourism industries
Sabah development Corridor （SDC）	Entire Sabah 73,997 k ㎡ 【2008-2025】	・Strengthening of existing industries and development of new industries ・Improvement of infrastructure	Agriculture, Manufacturing, Tourism・Logistics industries
Sarawak Corridor of renewable energy （SCORE）	Tanjung Manis (south of Sarawak), Mukah (centre of Sarawak) and Similajau (north of Sarawak). 70,708 k ㎡ 【2008-2030】	・To develop the central district as a power supply spot. ・To develop heavy industry in the northern district and t o develop the industrial and port city in the south. ・334 billion MYR investment is expected for the corridor.	Aluminum, Glass, Steel, Marine Engineering, Oil-based Industry, Timber-based Industry, Livestock ・Fishing & Aquaculture, Palm Oil ,Tourism Industies

Source: Excerpts from JETRO's *Outlook of Malaysia* (Japanese)

5. Vietnam

5.1. Tax system[23, 24]

Until 2003, Vietnam's tax policies were formulated primarily by Vietnam's General Department of Taxation (GDT), and the other departments of the Ministry of Finance merely reviewed or commented on the measures proposed by GDT. However, in July 2003, the Ministry of Finance underwent structural reforms that enabled the Tax Policy Department, which had previously been under the department responsible for fiscal policies, to plan and formulate all tax measures. GDT, which had previously been in charge of formulating tax policies, was relegated to tax administration, including tax collection.

Prior to the tax reforms of October 1990, individuals were exempt from paying taxes, and enterprises were the only source of tax revenue in Vietnam. However, in conjunction with the aforementioned tax reforms, individuals became obligated to pay taxes. Various tax reforms were carried out during "Phase I of the Tax Reforms" (1991-1995), "Phase II of the Tax Reforms" (1996-2000) and "Phase III of the Tax Reforms" (2001-2005), and in 2006, the "Law on Tax Administration" was promulgated. The enactment of the law was intended to give momentum to the codification of tax administration, but the nation is still plagued by a myriad of problems, including a blatant disregard for the tax payment obligation on the actual tax administration level, increasing tax collection costs and corruption (Hanai, 2012b).

As shown in Figure 14, Vietnam's tax revenue in annual revenue can be broken down in the order of significance into value added tax (31.1%), corporate income tax (27.9%), Imp-Exp. taxes, special cons. tax on import (10.9%) , special cons. Tax on domestic goods and services (6.4%) and individual income tax (6.3%).

[23] International Division, Tokyo Certified Public Tax Accountants' Association (2005), Vietnam tax inspection report 2005.
[24] Hanai (2012) Taxation and Governance in Developing Countries -Remaining issues of tax reform in Vietnam-, Developing countries and Financial governance reform, Institute of Developing Economies, Japan External Trade Organization, pp127-165.

Figures Annex 1-14 Tax revenue in Vietnam's Budget plan for year 2012

Items	Budget (Billion VND※1)	Proportion of the budget (%)
Total revenues and grants	740,500	100.0
Ⅰ Taxes	674,920	91.1
Corporate income tax	206,362	27.9
Individual income tax	46,333	6.3
Land and housing tax	1,323	0.2
Business tax	1,458	0.2
Tax on transfer of properties	15,970	2.2
Value added tax	230,358	31.1
Special cons. Tax on domestic goods and services	47,365	6.4
Natural resources tax	32,016	4.3
Agricultural land – use tax	36	0.0
Imp-Exp. Taxes, special cons. Tax on imports	80,500	10.9
Environmental protection tax	13,200	1.8
Ⅱ Fees, charges and non-tax	22,963	3.1
Ⅲ Capital revenues	37,617	5.1
Ⅳ Grants	5,000	0.7

※1 1VND＝0.0038yen
Source: MOF website –Budget Plan for year 2012"

5.1.1. Personal income taxes[25, 26]

In the wake of the tax reforms, Vietnam began levying personal income taxes from April 1991 but not necessarily on all Vietnamese citizens. Instead, only high-income earners with monthly salaries of at least VND 5 million were subject to withholding taxes.

In the tax reforms carried out in 2009, the tax brackets, which had been different for foreigners and Vietnamese nationals, were unified. In addition, the tax base, which had been VND 8 million per month for foreigners and VND 5 million for Vietnamese nationals, was lowered to VND 4 million through the 2009 tax reforms, and an exemption for dependents was introduced in which a monthly exemption of VND 1.6 million is allowed for each dependent.

Personal income taxes are applicable to (1) Vietnamese nationals who have earned income regardless of whether they reside in Vietnam or not; (2) Individuals without Vietnamese citizenship but who permanently reside in Vietnam and have earned income; and (3) Foreign nationals who have earned income in Vietnam. Non-residents are subject to a flat rate of 25% on income earned in Vietnam, while residents are subject to a 10-50% progressive tax on regular income. In terms of irregular income, income from technology transfers is subject to a 5% tax and income from lottery winnings is subject to a 10% tax.

[25] International Division, Tokyo Certified Public Tax Accountants' Association (2005),
[26] Hanai (2012) Taxation and Governance in Developing Countries -Remaining issues of tax reform in Vietnam-, Developing countries and Financial governance reform, Institute of Developing Economies, Japan External Trade Organization, pp127-165.

5.1.2. Inheritance tax[27]

Overseas asset holders and domestic enterprises are subject to a capital transfer tax on gains received from the transfer of ownership.

5.1.3. Taxes imposed on individuals including resident taxes and city planning taxes[28]

As a result of Phase I of the Tax Reforms, property taxes were introduced in August 1992, and taxes on the transfer of land-use rights were introduced in June 1994. In addition, during Phase II of the Tax Reforms, taxes on the transfer of land-use rights were revised in 1999 in response to the changes in the real estate market. Although Vietnam currently imposes property taxes and taxes on the transfer of land-use rights as land-related taxes, in light of the current situation in which the transfer, sale and purchase, and circulation of assets are becoming more active, the possibility of integrating such taxes into a new land-use tax for the purpose of increasing tax revenue is being considered.

5.1.4. Value-added tax[29]

As a result of Phase I the Tax Reforms, a special sales tax on liquor and luxury items was introduced in October 1990. As a result of Phase II of the Tax Reforms, the Value-added Tax Law was enacted in 1997 and a new value-added tax was introduced. In May 2003, both the special sales tax and the value-added tax were revised. In addition, discussions are currently taking place on increasing tax revenue by increasing the scope of the value-added tax to include imports and adding more items to the list of items subject to the special sales tax as a means of acquiring a stable source of revenue.

Value-added taxes are imposed on the value that is added in the course of providing the goods or services. Value-added tax rates comprise the standard tax rates of 10%, 5% on necessities and necessary services and 0% on imported items and imported services.

Special sales taxes are imposed on items such as cigarettes and liquor and services such as massages, karaoke and the use of golf courses.

5.1.5. Local taxes[30, 31]

In Vietnam, public finances used to be centrally managed, and annual government revenue was secured by dividing the tax revenue collected from national taxes between the central and regional governments. In terms of the management of revenue sources between

[27] International Division, Tokyo Certified Public Tax Accountants' Association (2005), Vietnam tax inspection report 2005.
[28] International Division, Tokyo Certified Public Tax Accountants' Association (2005), Vietnam tax inspection report 2005.
[29] International Division, Tokyo Certified Public Tax Accountants' Association (2005), Vietnam tax inspection report 2005.
[30] Hanai (2012) Revenue allocation between the government and the market economy in Vietnam, Developing countries and Financial governance reform, Institute of Developing Economies, Japan External Trade Organization, pp53-77.
[31] International Division, Tokyo Certified Public Tax Accountants' Association (2005), Vietnam tax inspection report 2005.

the governments, the State Budget Law was enacted in 1996, which specified the rules for assigning the revenue sources to the central and local governments and marked the first step in transitioning from a centralized, planned economy to a decentralized, market economy. The State Budget Law was subsequently amended in 1998 and 2002, and an even greater degree of decentralization was realized between the central and regional governments.

The assignment of revenue sources between the central and regional governments is shown in figure.15. All revenue from import and export taxes, corporate income taxes (nationwide enterprises) and crude oil taxes are assigned to the central government; revenue from value-added taxes and corporate income taxes (regional enterprises) and personal income taxes are shared by the central and regional governments; and all revenue from property taxes and agricultural land-use taxes are assigned to the regional governments.

Figures Annex 1-15 Assignment of tax revenues to the central and local budgets under the 2002 State Budget Law

	Central budget	Local budget
Unshared revenue sources	1. Value added tax on imported goods 2. Export/import duty 3. Excise tax on imported goods 4. Corporate income tax (nationwide business activities) 5. Tax and other revenue from crude oil 6. Proceeds collected from Government lending and capital contributions 7. Non-refundable aids for Central Government 8. Fees and charges 9. Unused revenue of previous fiscal years 10.Others	1. Housing and land tax 2. Natural resources tax (except that on crude oil) 3. License tax 4. Land transfer tax 5. Agricultural land use tax 6. Land use fees 7. Rental of land 8. Proceeds from sale and lease of the State owned house and building 9. Registration fees 10.Proceeds from lottery activity 11.Proceeds collected from Government lending and capital contributions 12.Grants for local governments 13.Fees and charges 14.Proceeds from utilization of public lands 15.Proceeds mobilized from businesses and individuals in accordance with regulations 16.Unused revenue of previous fiscal years 17.Supplemented from central budget 18.Contributions from local people for construction of infrastructure in accordance with regulations 19.Voluntary contributions
Shared revenue sources	1. Value added tax (except that on imported goods) 2. Corporate income tax (except that of nationwide business activity) 3. Income tax on high income earners 4. Profit remittent tax (abolished in January 2004) 5. Excise tax on domestic goods and service 6. Petroleum fees	

Source: Materials from the Vietnam Ministry of Finance

5.2. Tax allocation grants and other subsidies

11.2.1. Method of allocating local budgets and alleviating regional disparities through the allocation of development / social security budgets[32], [33]

Provincial budgets are determined each year by the government using complex methods. With respect to the budget of each province that has been determined using these methods, should the national taxes collected by the province on behalf of the government be insufficient, the government will make up the deficit. On the other hand, should there be a surplus, the government will siphon off that amount. In the case of Hanoi, 60% of the national taxes collected by the City are taken by the government as surplus while 40% are allocated to the City budget. In 2011, 12 provinces handed over the surplus portion of national taxes collected on behalf of the government while the remaining 51 provinces were compensated by the government for their budget deficits[34].

In addition, a system is in place where provinces, such as the City of Hanoi, with ample budgets cover the costs of constructing welfare facilities with their own budgets while provinces with insufficient budgets receive subsidies from MOF[35].

The figure below has been compiled using data from the website of Vietnam's Ministry of Finance and illustrates the revenue composition of local budgets. The components of the local budget can be roughly divided into local budget revenue and revenue from outside of the balanced budget. The former is revenue that is allocated to the local budget as a result of negotiations between the central and local governments, and the latter is revenue received by the local governments that has been generated from sources other than taxes, such government contributions toward the construction of infrastructure, tuition, hospital fees, etc..

Local budget revenue consists of two major components: decentralized tax revenue and transfers from the central budget. As mentioned on Local Taxes, decentralized tax revenue comprises the portion of national taxes that is assigned to the local budget and the portion that is shared by both the national government and the local governments. There are two types of transfers from the central budget: equalization transfers and program transfers. Equalization transfers refer to transfers of funds from the central budget to the local budget that are required for the implementation of social or developmental projects while program

[32] Hanai (2008) Allocation problem of government revenue in countries with economies in transition -A Case Study of Vietnam-, Developing countries and financial problems Research Report, Institute of Developing Economies, Japan External Trade Organization, pp.55-85.
[33] Hanai (2012) Revenue allocation between the government and the market economy in Vietnam, Developing countries and Financial governance reform, Institute of Developing Economies, Japan External Trade Organization, pp53-77.
[34] Based on interviews with MOF
[35] Based on interviews with elderly facilities

transfers are conditional grants that support social and economic development for purposes such as reducing poverty and developing specific areas and industries.

The figure below shows the revenue composition of Hanoi City and Ho Chi Minh City, which have the highest per capita GDPs in Vietnam, and of Lai Chau Province, which has the lowest per capita GDP. Revenues in the two cities with the high GDPs depend largely on tax revenue. On the other hand, in the province with the lowest GDP, tax revenue only accounts for 6.3% of the total revenue, and the greater part of the budget is dependent on transfers from the central budget (local allocation tax). Considering the populations of these provinces: approximately 6.5 million (2009) and approximately 7.4 million (2010) residents in Hanoi and Ho Chi Minh, respectively, and approximately 310,000 (2004) in Lai Chau Province, it can be said that regional disparities in per capita local budget revenues are being alleviated through transfers from the central budget. In particular, conditional grants, which are given for the express purpose of reducing poverty, accounted for 55.3% of the budget revenue in Lai Chau Province. Therefore, program transfers can be said to be functioning effectively as a means of alleviating the wealth disparity between the regions.

Figures Annex 1-16 2006 Fiscal Data (Components of the Local Budget Revenues)

		Hanoi		hochiminh		Laichau	
		Million VND	%	Million VND	%	Million VND	%
I	Local budget	13,844,807	100.0	25,066,286	100.0	1,561,601	100.0
1	Decentralized revenue	9,223,750	66.6	14,168,473	56.5	99,112	6.3
	The tax revenues assigned 100% to the local government	5,055,287	36.5	6,389,724	25.5	93,876	6.0
	Shared taxes between the central and provincial governments	4,168,463	30.1	7,778,749	31.0	5,236	0.3
2	Transfers from central budgets	1,143,015	8.3	271,286	1.1	1,153,279	73.9
	equalization grants	0	0.0	0	0.0	290,209	18.6
	conditional grants	1,143,015	8.3	271,286	1.1	863,070	55.3
3	Budget surplus income	906,220	6.5	2,105,617	8.4	154,219	9.9
4	Investment fund based on the national Budget Low	500,000	3.6	2,650,000	10.6	20,000	1.3
5	Amount carried forward	2,071,822	15.0	2,216,869	8.8	115,517	7.4
6	Borrow in the domestic market	0	0.0	0	0.0	0	0.0
7	Subsidy	0	0.0	232,331	0.9	0	0.0
II	Local income	0	0.0	3,421,710	13.7	19,474	1.2

Source: Materials from the Vietnam Ministry of Finance

5.2.1. Tax incentives

The poorest segments of the population are exempt from land-use taxes (which are similar to property taxes in Japan). The tax exemption is implemented pursuant to the Land Law (1991) and the Law on Non-Agricultural Land Use Tax (2011).

5.3. Administrative aspects[36]

The tax affairs system that supports the taxation system in Vietnam comprises the Tax

[36] International Division, Tokyo Certified Public Tax Accountants' Association (2005), Vietnam tax

Policy Department, which draws up tax policies; the General Department of Taxation (GDT), which conducts tax administration including tax filing administration and collection; and the Department of International Cooperation, which is in charge of managing customs, tax treaties and transfer pricing systems.

The Vietnamese taxation system is an official assessment system rather than a self-assessment system. Every year, tax returns must be filed and payments made for corporate taxes, value-added taxes, personal income taxes, special sales taxes and foreign contractor withholding taxes. However, such returns are not necessarily final, and returns are finalized only after a tax inspection, which is held every three years.

Tax inspections are conducted on enterprises by the local tax bureaus and on individuals and SMEs by the tax offices.

In 2004, efforts were made to simplify the tax payment process by such means as computerizing tax administration and developing a tax administration website that provides information on tax-related documents and an electronic filing system for taxpayers. However, the tax authorities have yet to formulate a system to exhaustively monitor all taxpayers, and the current system of taxpayer management and tax inspections is by no means effective.

Issues surrounding the taxation system include the incompetence of staff in charge of formulating taxation policy and executing tax administration, a disregard for compliance and ambiguous administrative procedures. As a result, training is required to enhance the capability of the staff. Ethical training is also required as there has been a recent spate of incidents where tax personnel have been bribed to look away from tax payers' violations as well as an involvement in embezzlement.

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inspection report 2005.

6. **Thailand**

6.1 Decentralization and local administration and finance

Although the administrative and financial system in Thailand has historically featured as centralized, since municipalities were established in 1990's, the decentralization has been promoted. The decentralization was also stated as the nation's policy in the constitution in 1997. Since the enactment of decentralization act in 1999, the financial mechanism of the local government has been enhanced, and financial resources have been expanded year by year. Currently, the government has set a target to rise up to 35% of the ratio of local government revenue to the national revenue. Since fiscal year 2007 budget, it is not allowed legally to set the ratio to less than 25 percent. The ratio of l local government revenue to national revenue in fiscal year 2012 is 26.77%.

6.2 Tax for the central government

Approximately 70% of the revenue of the central government is composed of value-added tax (VAT), corporate tax, personal income tax, which is collected by the Revenue Department, the Ministry of Finance. Excise tax, which accounted for approximately 17% of all revenue, consists of car taxes, oil tax and tobacco tax.

Revenue of the central government by agency

Tax Agency	CY2011	Ratio to Gross (%)
Revenue Department	1,532,526.67	68.90
Personal income taxes	242,435.42	10.90
Corporation taxes	572,144.42	25.72
Petroleum income taxes	81,186.11	3.65
Value added taxes	590,192.19	26.53
Specific business taxes	36,032.89	1.62
Stamp duties	10,260.64	0.46
Others	275.00	0.01
Excise Department	371,133.24	16.68
Oil taxes	93,971.95	4.22
Tobacco taxes	57,788.05	2.60
Liquor taxes	49,754.71	2.24
Beer taxes	61,177.81	2.75
Car taxes	86,827.20	3.90
Beverage taxes	15,100.05	0.68

Tax Agency	CY2011	Ratio to Gross (%)
Electronic appliance taxes	858.71	0.04
Motorcycle taxes	2,071.43	0.09
Battery taxes	2,110.42	0.09
Others taxes	1,065.75	0.05
Miscellaneous	407.16	0.02
Customs Department	104,712.03	4.71
Import duties	102,021.70	4.59
Export duties	298.93	0.01
Miscellaneous	2,391.40	0.11
Other	216,025.49	9.71
Other gov. agents	104,347.00	4.69
Treasury Department	3,587.49	0.16
State Enterprises	108,091.00	4.86
Total (Gross)	2,224,397.43	100.00

Source: MOF

Personal income tax rate is 0% to 37% based on progressive taxation. The income of the person with 15 million THB per year or less are exempt from levy. In Thailand, many small businesses or unauthorized businesses, including street vendors, so-called economies outside the formal system, has been estimated to be approximately 40% of the GDP. It is a major issue as to how to apply the appropriate taxation to them.

Corporation tax, has been set to 30%. The application of reduced tax rate is set for small

and medium-sized enterprises and listed companies.

VAT is accounted for the highest ratio in government revenue. In principle, the tax rate is set as 10%, but currently for the temporary measures, as 7%; of which 6.3% is national tax, and 0.7% is allocated to local governments as local tax. Small businesses of less than 180 million baht of annual sales are exempt from VAT. In addition, sales of agricultural products, newspapers, magazines, education, health, art, cultural services, service provision based on the contract of employment, real estate leasing transactions and other services and goods specified by the law are exempted.

6.3 Local government revenue[37]

Local government revenue can be classified into four types. First category is taxes and fees which can be collected by the authority of local government other than the provincial governments. These taxes are "Land and Building Tax", "Land Development Tax", "Signboard Tax" and "Slaughter Tax. In addition, as non-tax revenue, there are a variety of commission charges, permission fees, fines, property revenue, and income from public enterprises. It should be noted that the provincial government has power to levy local maintenance tax (petrol stations tax, hotel tax, and tobacco tax), because most of the power to levy taxes was devolved to municipalities (Tambon / Tessaban).

Local government revenue

	2011		2012	
	Amount	Ratio	Amount	Ratio
Revenue collected by local government	38,745.96	8.98%	7,783.76	8.78%
Surcharge Tax	148,109.04	34.34%	27,348.24	33.11%
Revenue Sharing	70,500.00	16.35%	16,400.00	16.40%
Grant	173,900.00	40.32%	47,191.79	41.72%
Total amount of Local government revenue	431,255.00	100.00%	98,723.79	100.00%
Ratio of local government revenue to total revenue of the government	26.14		26.77	

Source: Ministry of Finance

The second is taxes which the central government to collect on behalf of the local government. There are "Surcharge tax" "Revenue transfer" and "Revenue sharing".

The Surcharge tax is composed of value-added tax (VAT), special business tax, consumption tax, liquor tax, gambling tax, permission fee for gambling, selling liquor permission fee. The surcharge tax is collected by the central government with an amount for local government. The central government deduct a certain amount of administrative fee

[37] For more detail on local administrative and financial system in Thailand, see Nagai Fumio, and Funazu (2009) "Intergovernmental financial relation in Thailand", Decentralization and Development, IDE-JETRO (in Japanese). This section is based on the interview with MOF.

from total amount of tax and allocate a certain amount to the local government. In principle, surcharge tax will be allocated to local governments based on the size of population except gambling related taxes. Since most of the amount of VAT come from Bangkok metropolitan and other major city with extensive commercial accumulations, the allocation of VAT as surcharge tax to local governments could be considered to have a function to mitigate the financial disparity between the central and local governments[38].

In addition, care tax and vehicle tax is collected by the central government on behalf of local government and transferred to local government without any deduction of administrative fee, which is called as Revenue Transfer[39]

Revenue Sharing shall be applied to VAT, specific business tax, and fee for property registration. It would be similar to surcharge tax in that some part of collected tax is allocated to local government. However for the VAT allocation, each province will receive a certain proportion of the total amount of tax collected in the corresponding area.

Thirdly, there is grants from the central government. Grants are classified into general subsidy and specific subsidy. For the execution of the general subsidy, there is little discretion for the local government because the usage of the grant is defined clearly in advance. On the other hand, specific grant can be used for the selected specific municipalities on the development planning, for example. Therefore once the development plan is approved, the local government could receive a huge amount of grant, which could be source of political power at the local level. These grants are allocated through the Department of the Interior. Currently the subsidy accounted for about 40% of the local government revenue, which is important source of finance for the local government. 74.40 percent of the subsidies to the local government is allocated as a general subsidy which is not required to make a report on expenditures, and 14.26% as specific grant which requires expenditure reports.

[38] Based on the interview with MOF

[39] However, it is not unexplained which category the revenue transfer belongs to in the figure "Local government revenue"

7. Cambodia

7.1. Tax system

7.1.1. Tax system

The Cambodia's administrative system is rather centralized. Provinces, municipalities, districts and khans are positioned as local offices of the central government, rather than local authorities, and are not authorized to impose taxes. The budgets are fully allocated by the central government. Meanwhile, some initiatives for decentralization are recently addressed, including the establishment of councils (which used to be allowed at communes and sangkats) at provinces, municipalities, districts and khans, and the introduction of member election[40]. Communes and sangkats have the taxing right, and their main self-sponsored financial resources are land tax, immovable asset tax, lease tax, public service fee and investment profits from public assets. However, collection of these taxes and fees do not function effectively, due to lack of a land system[41].

The major tax items are corporate income tax, minimum tax, withholding tax, salary tax and value added tax. These taxes are collected mainly from the formal sector, due to lack of a final tax filing system by individuals. It is thus understood that taxes collected mainly from the formal sector are redistributed to the informal sector in local areas.

Figure Annex-1 Tax system of Cambodia

Tax	Tax rates
Profit Tax：Articles 1 to 23 of Chapter 1	
● For legal person	20%（It is excluded, when 9% or 0% of tax rates are applied as investment preferential treatment）
● An oil or natural gas production sharing contract and the exploitation of natural resources including timber, ore, gold, and precious stones.	30%
Minimum Tax：Articles 24 of Chapter 1	
● Subject to the real regime system（But QIP during tax holiday is excluded） ● Profit tax pays only profit tax to the case beyond 1% of the sales per year.	The rate of 1 % of the annual turnover inclusive
Withholding tax：Articles 25 to 28 of Chapter 1	
● Income received by a physical person from the performance of services including management, consulting, and similar services. ● Royalties for intangibles and interests in minerals, oil or natural gas.	15%

[40] Yutaka Oinuma, "New local administrative system of the Kingdom of Cambodia", State-owned enterprises (2009.11).
[41] "Local authorities in Cambodia", Councils of Local Authorities for International Relations".

Tax	Tax rates
● Interest paid（Physical person or an enterprise except interest paid to a domestic bank or savings institution）	
● The income from the rental of movable and immovable property.	10%
● Interest paid by a domestic bank to a resident physical person having a fixed term savings account.	6%
● Interest paid by a domestic bank to a resident physical person having a non-fixed term savings account.	4%
● Payments to Non-Resident persons：（Interest, Royalties, rent and other income connected with the use of property, Dividends, Compensation for management or technical services that shall be determined）	14%
Tax on Salary：Articles 40 to 54 of Chapter 2	
● Withheld by the employer	
・From 0 to 5,00,000 KHR（about 125 US $ or less）	0%
・From 5,00,01 to 1,250,000 KHR（about 125 US $ to about 312.5 US $）	5%
・From 1,250,001 to 8,500,000 KHR（about 312.5 US $ to about 2,215 US $）	10%
・From 8,500,000 to 120,500,000 KHR（about 2,215 US $ to about 3,125 US $）	15%
・Over 120, 500,000 KHR（about 3,125 US $）	20%
・Fringe Benefits	20%（of fair market value）
・Non-Resident	20%（Single rate）
Value Added tax:VAT：Articles 55 to 84 of Chapter 3	
● The taxable person：The person subject to the real regime system ● Registration：All companies must perform VAT registration before duties start. It is necessary to perform VAT registration within 30 days, if taxable income (the total of 3 months) exceeds the following amount of money. ・Sale of goods ：125 million KHR ・Service provision：60 million KHR ● Taxable supply： ・The supply of goods or services by a taxable person in Cambodia ・The appropriation of goods for his own use by the taxable person ・The making of a gift or supply at below cost of goods or services by the taxable person ・The import of goods into the customs territory of Cambodia. ● Standard tax rate ● The goods exported from Cambodia, and a service rendered outside. ● Shall become a tax credit deductible against the VAT. ● The monthly filing：The request must be filed in a period of 20 days after the close of such month.	10% 0%

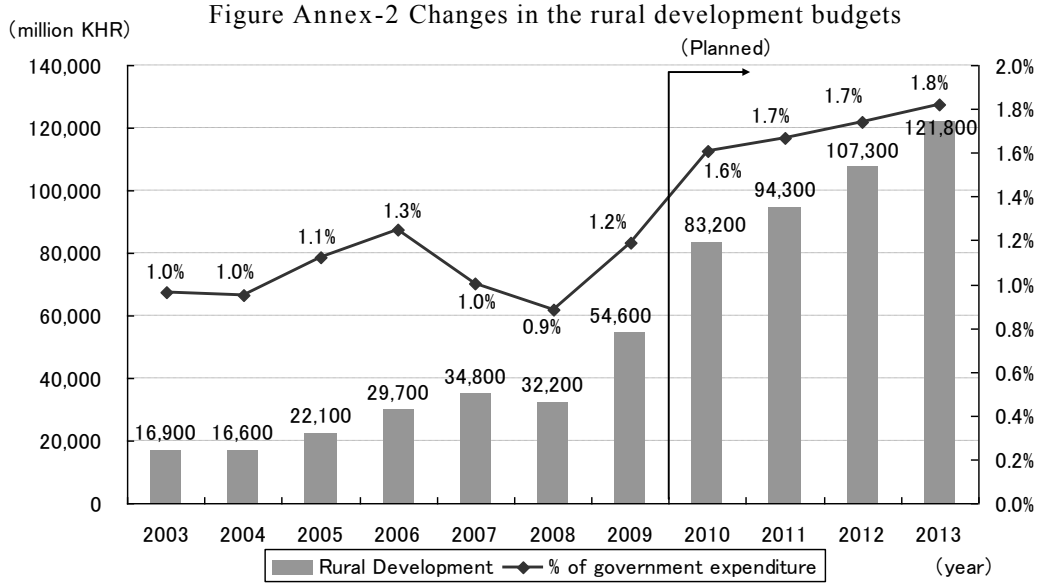
※1RIEL(KHR)=0.020JPY
Source：Guide for investment in Cambodia（2010.3）, ASEAN-Japan Centre (ASEAN Promotion Centre on Trade, Investment and Tourism)

7.1.2. Rural development budgets

Figure Annex-2 shows changes in the rural development budgets. These rural development budgets are increasing year by year, by which the ratio to the total government budget increased from 0.8% in 2003 to 1.2% in 2009. It plans to increase to 1.8% in 2013. The increase rate is also increasing year by year. Taking into consideration that the great portion

of tax revenues are collected from the formal sector as a national tax, the increase in the rate of the rural development budget in the government means the enhancement of redistribution function from higher income brackets to a low income group or from urban areas to rural areas.

Figure Annex-2 Changes in the rural development budgets



※1RIEL(KHR)=0.020JPY
Source: MOP, National Institute of Statistics, "Statistical Yearbook 2008", Table19.8 (2003 to 2008), RGC (2010), National Strategic Development Plan UPDATE 2009-2013 (2009 onwards)

7.2. Tax allocation grants and other subsidies[42]

Due to limited self-sponsored financial resources, communes and sangkat need to be dependent on subsidies by the state. However, the central government has also financial difficulties. Therefore, the fact is that the Commune/Sangkai Fund (C/SF) was established with subsidies by the government and financial supports by international aid organizations, by which various projects are implemented.

The Commune/Sangkat Councile is to prepare a five-year plan called "Commune/Sangkat Development Plan (C/SDP)" for local development and infrastructure building according to local people's needs, based on which it requests the government to allocate the budgets. Separately, the "Commune/Sangkat Investment Program (C/SIP)" is prepared based on the C/SDP each year.

Based on these plans, communes and sangkats implement projects for transportation, education, water supply, etc. by using the funds of the C/SF (communes and sangkat may collect the contribution from local people who may enjoy benefits from a project[43]).

[42] http://www.nlcs.org.kh/en/ (Accessed in March 2012)
[43] "Local authorities in Cambodia", Councils of Local Authorities for International Relations"

Annex 2 Basic Economic and Social Indicators

This section deals with basic economic and social indicators of seven countries covered in this study. For the purpose of making a comparison of seven countries, the data of ASEAN countries not covered in this study, some ASEM countries, and BRICS countries is included (see Figure 1).

Figures Annex 2-1 Countries covered in data analysis

(A)	Countries in this study	Philippines, Indonesia, Laos, Malaysia, Vietnam, Thailand, Cambodia
(B)	ASEAN (Except A)	Brunei, Singapore, Myanmar
(C)	ASEM (Asia except A, and B)	Japan, Korea, China, India, Mongolia Pakistan
(D)	BRICS (Except C)	Russia, Brazil, South Africa

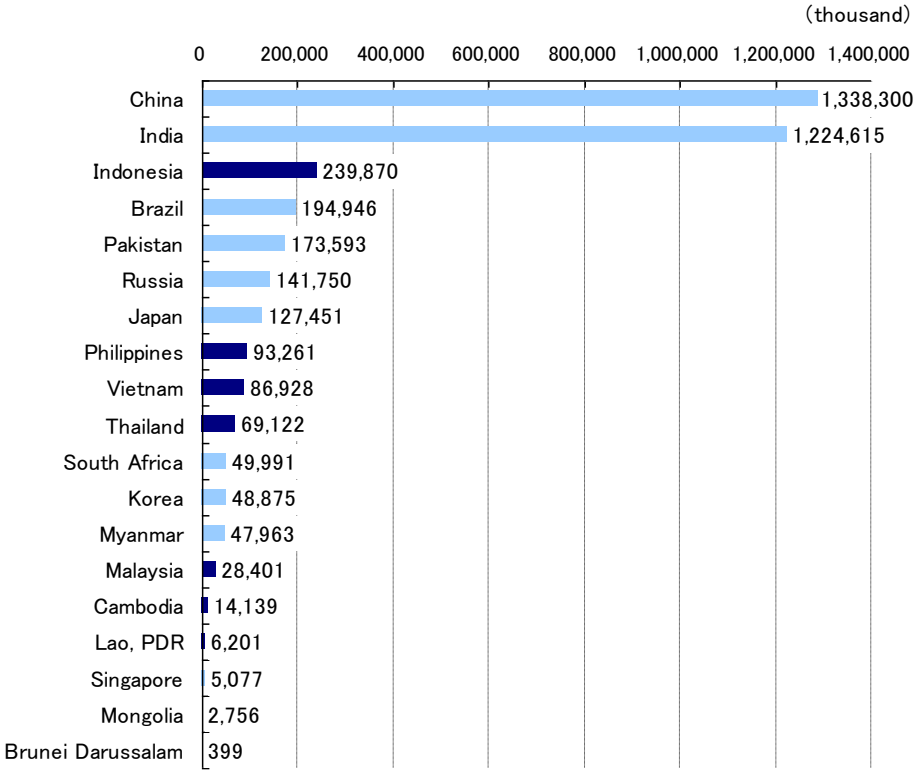
1. Population structure

1.1. Total population and population growth rate

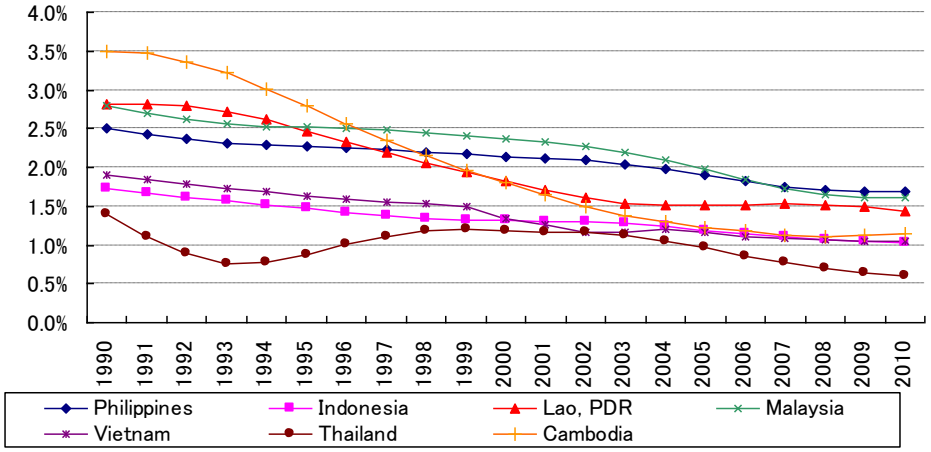
With respect to total population in 2010, population in China and India exceeds 1 billion, 1.34 billion and 1.22 billion respectively, significantly larger than other countries listed in figure 2. The most populated country covered in this study is Indonesia (4th most populated country in the world following China, India, and the United States), followed by the Philippines, Vietnam, and Thailand. Though the Philippines is the second most populated country in seven countries covered in this study, population of the Philippines is less than 40% of that of Indonesia. Population in Laos is 6.2 million almost same as that in Chiba prefecture in Japan. The least populated country listed in figure 2 is Brunei, 0.399 million.

With respect to population growth rate since 1990, though its rate has declined in almost every country since 2000, it continues to be above zero. As of 2010, the population growth rate in the Philippines is the highest, followed by Malaysia, Laos. On the other hand, population growth rate in Thailand is the lowest, 0.6%.

Figures Annex 2-2　Population, total（2010）



Figures Annex2-3　Population growth rate (annual)



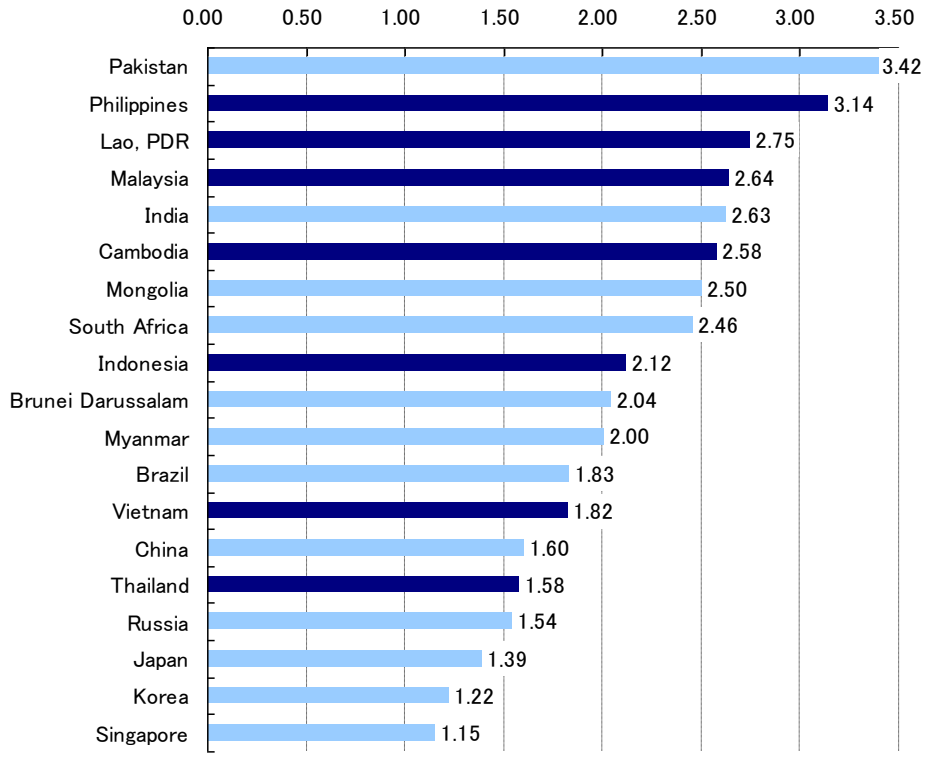
Source: WB , World Development Indicators & Global Development Finance

1.2. Total Fertility Rate

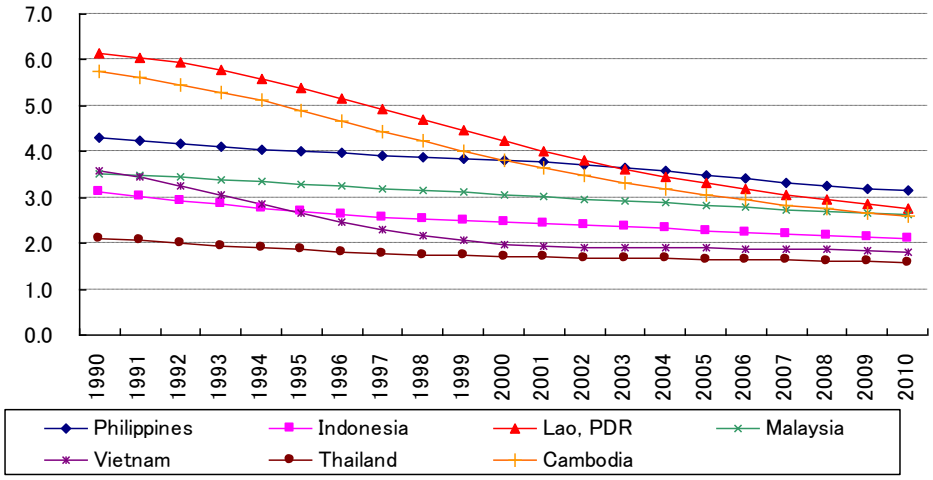
With respect to total fertility rate, its rate in Pakistan is the highest. 3.42, followed by the Philippines, Laos, and Malaysia. Same as the population growth rate, total fertility rate of the Philippines is the highest and its rate of Thailand is the lowest among the seven countries

covered in this study. After the 1990s, its rate has declined in every country, especially in Laos and Cambodia.

Figures Annex 2-4　Fertility rate, total(2010)



Figures Annex 2-5　Changes in the Fertility rate, total

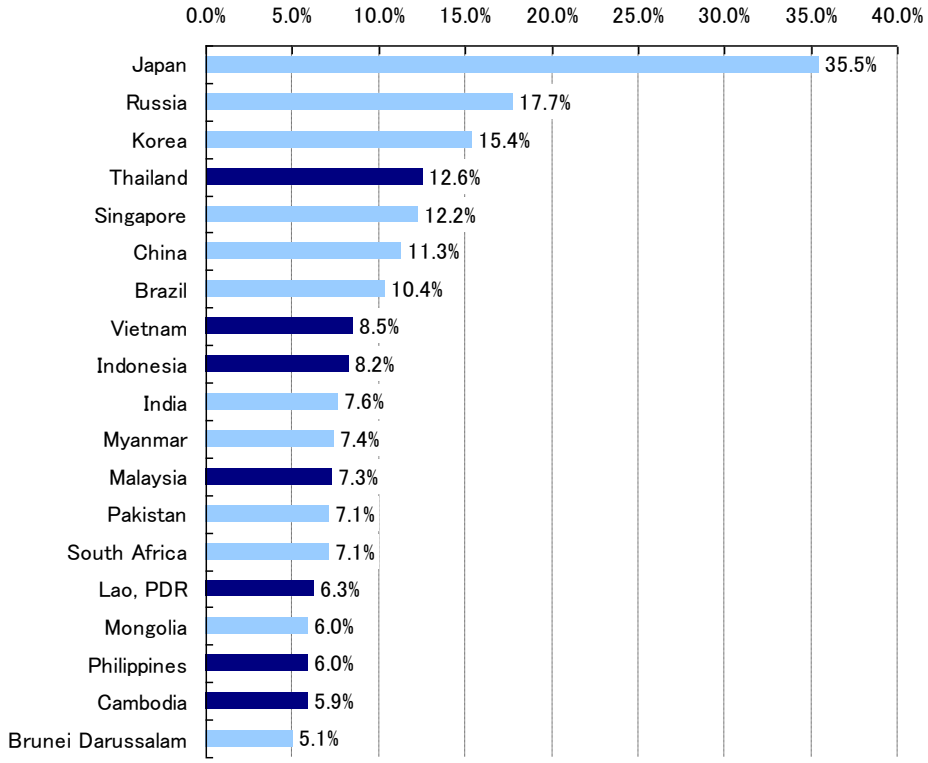


Source: WB , World Development Indicators & Global Development Finance

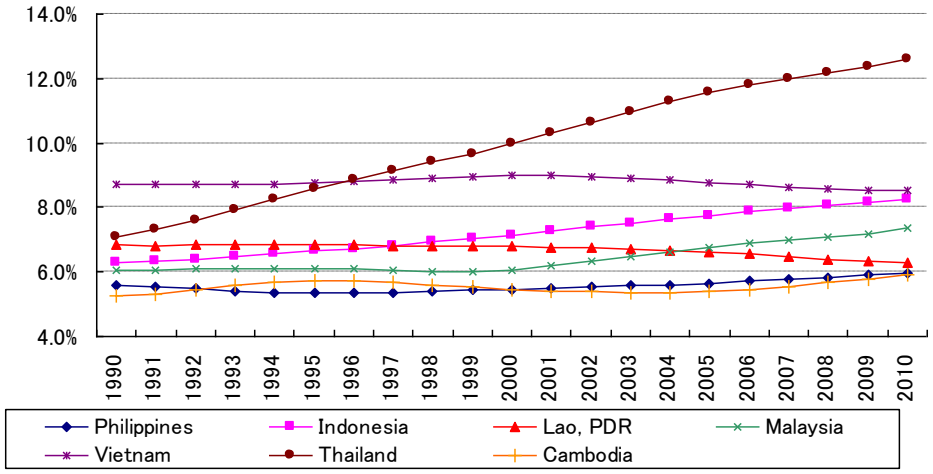
1.3. Aging population /Productive-age population ratio

With respect to the ratio of aging population to productive age population, its ratio of Japan is remarkably high, 35.5%. Its ratio of Thailand is the highest in seven countries covered in this study, 12.6%, whereas approximately 6.0-9.0% in other countries, 5.9% in Cambodia followed by the Philippines, Laos, and Malaysia. On the other hand, in Vietnam and Laos, its ratio has declined since 2000.

Figures Annex 2-6 The ratio of Aging population to Productive age population(2010)



Figures Annex 2-7　Changes in the ratio of Aging population to Productive age population

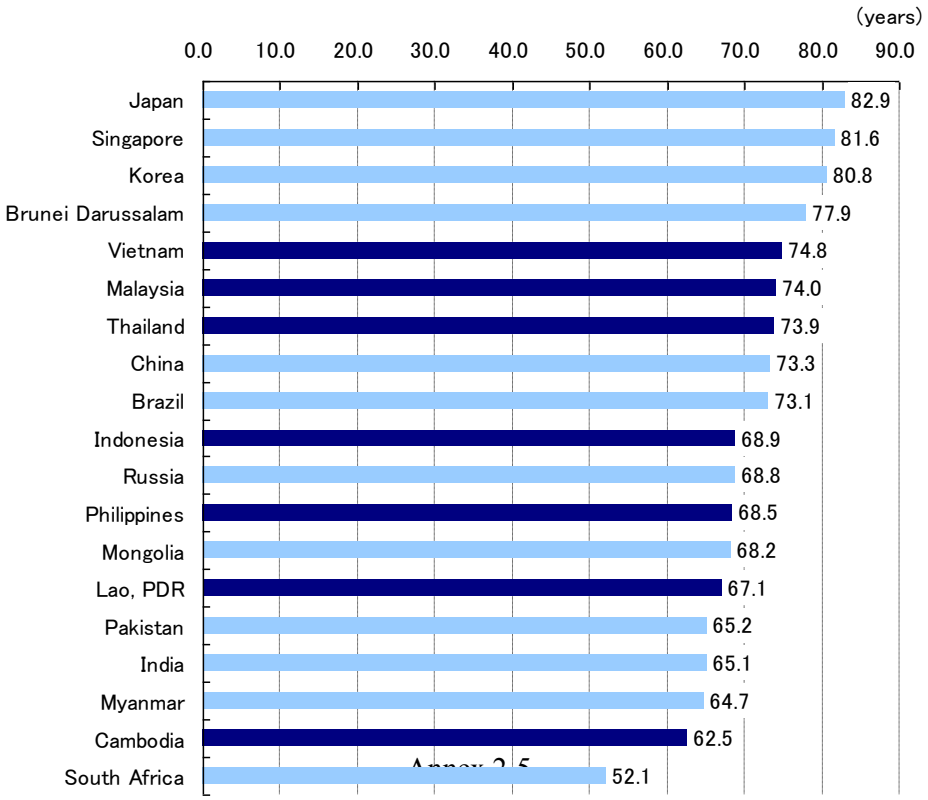


Source: WB , World Development Indicators & Global Development Finance

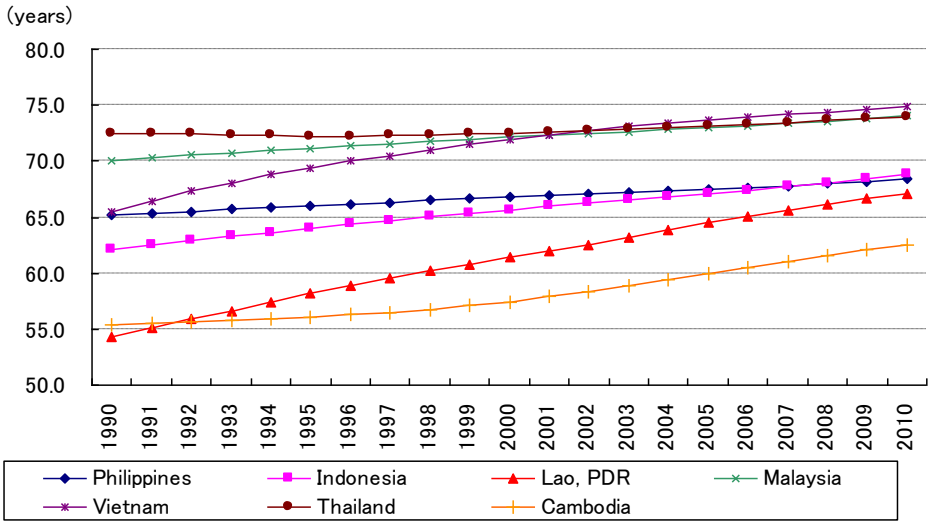
1.4. Life Expectancy at Birth

With respect to life expectancy at birth, that in Japan, Singapore, and Korea exceeds 80, whereas that in seven countries covered in this study is slightly lower than that in the developed countries. The life expectancy in Vietnam is the highest among seven countries, 74.8. Life expectancy in Cambodia and Laos have increased significantly from 1990 to 2009, 55.4 to 62.5 and 54.3 to 67.1 respectively.

Figures Annex 2-8　Life expectancy at birth, total(2010)



Figures Annex 2-9　Changes in the Life expectancy at birth,total

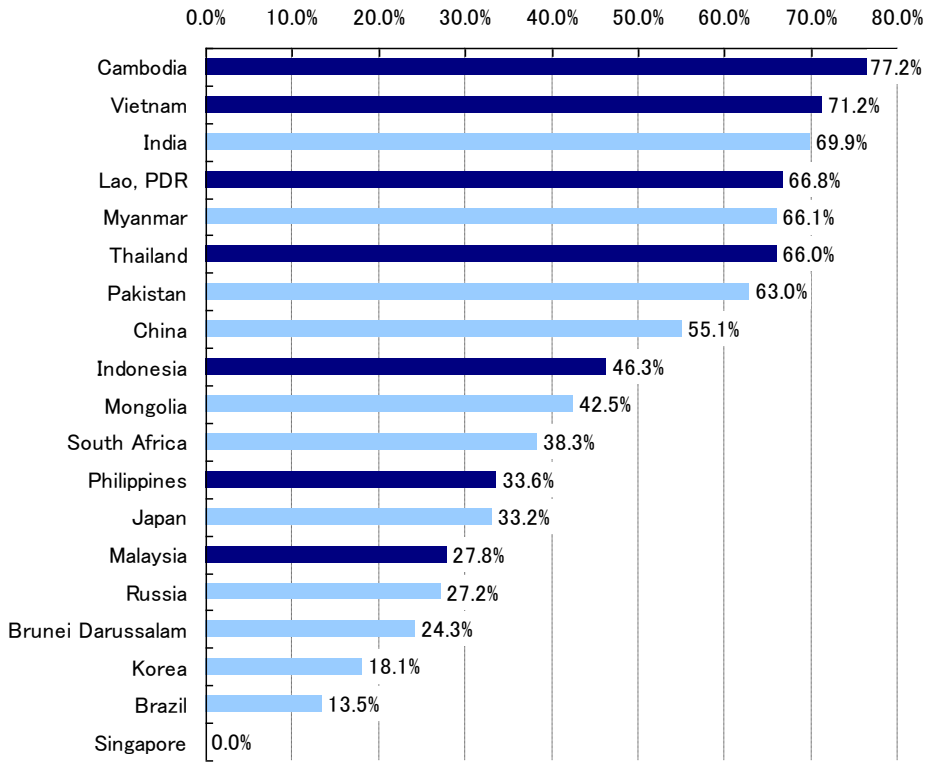


Source: WB , World Development Indicators & Global Development Finance

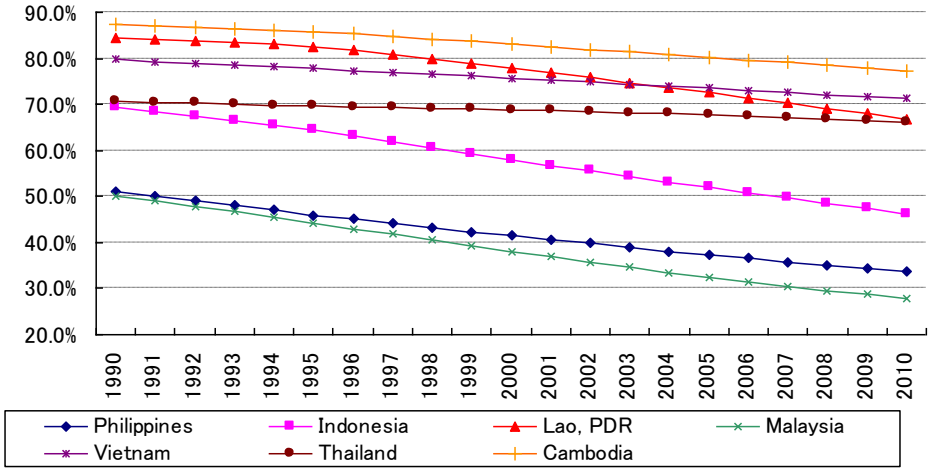
1.5. Rural Population Rate (Percent of Total Population)

With respect to rural population rate, its rate in Cambodia and Vietnam exceeds as high as 70%, much higher than its rate in Malaysia, 27.8%. As the figure below shows, its rate have declined in seven countries since 1990, especially in Indonesia, Malaysia, and the Philippines. On the other hand, rural population rate in Thailand has declined slightly from 1990 to 2010, just 8.6% decline in 20 years.

Figures Annex 2-10 Rural population(Percent of total population)



Figures Annex 2-11 Changes in the Rural population(Percent of total population)



Source: WB , World Development Indicators & Global Development Finance

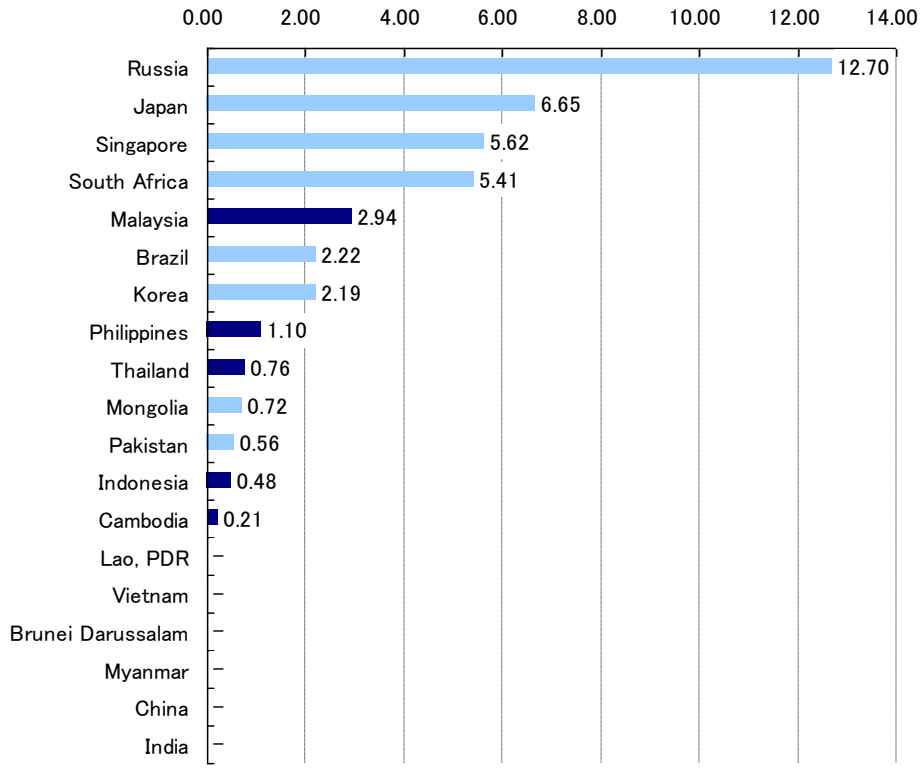
1.6. The Ratio of Formal to Informal Sector Population[1]

With respect to the ratio of formal to informal sector population, its ratio of Malaysia is the highest among seven countries covered in this study, 2.94%. Regarding the countries

[1] The rate is obtained by dividing (A)wage and salaried workers, total by (B) Self-employed, total

without 2008 data, its ratio of Laos in 1995 is 0.11% and that of Vietnam in 2004 is 0.34.

Figures Annex 2-12　The ratio of Formal to Informal sector population（2008）



Source: WB , World Development Indicators & Global Development Finance

2. Economic Figure

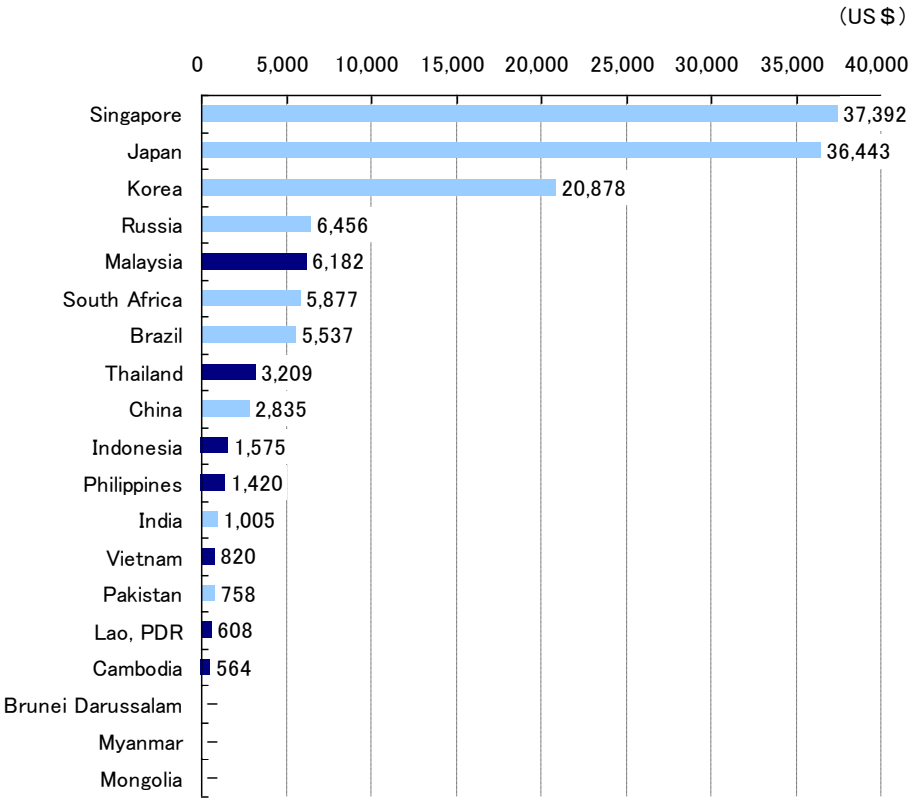
2.1. Real GDP per capita

With respect to GDP per capita, figure below shows that that of Malaysia is the highest among seven countries covered in this study, 6,182 USD, whereas it is approximately 17% of that of Singapore. Thailand's GDP per capita is the second highest in seven countries, half of that of Malaysia.

With respect to total real GDP, Indonesia's total real GDP is highest, 377.283 million USD, followed by Malaysia (171,556 million USD), Philippines (131,045 million USD), Vietnam (74,287 million USD), Cambodia (8,700 million US$), and Laos (4,007 million USD) [2].

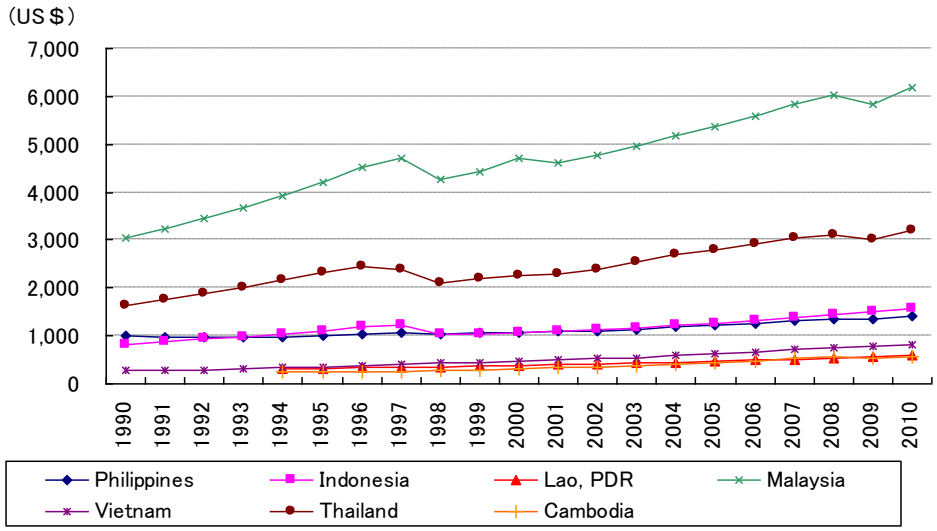
[2] WB , Global Economic Prospects

Figures Annex 2-13　Real GDP per capita (real 2005 US＄)（2010）



Source: WB , Global Economic Prospects

Figures Annex 2-14　Changes in the Real GDP per capita(real 2005 US＄)



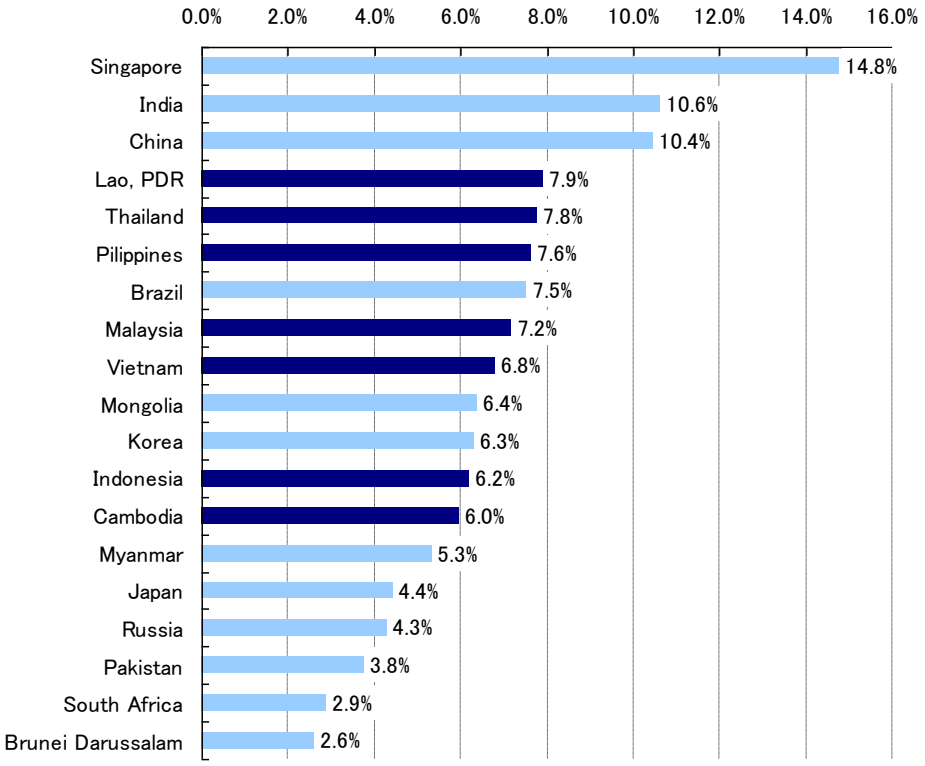
Source: WB , Global Economic Prospect

2.2. Economic Growth Rate

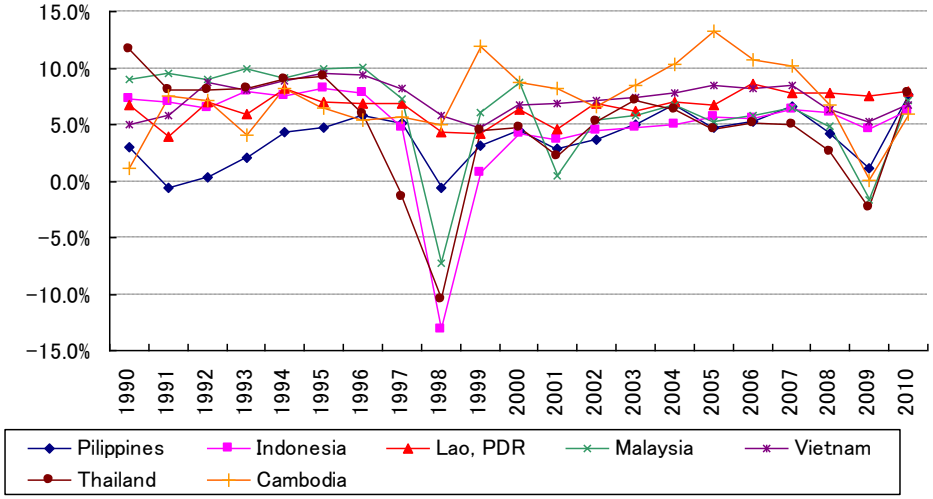
With respect to economic growth rate in 2010(Figure 15), Singapore's economic growth rate is 14.8%, the highest in 19 countries. Laos's economy grew at 7.9% in 2010, the highest economic growth rate among seven countries covered in this study, whereas the growth rate of other countries is around 6%-8%.

With respect to change of GDP growth (Figure 16), while GDP growth has fallen remarkably in 1998 and 2009 due to Asian Currency Crisis and Lehman shock, every country has maintained 5% - 10% GDP growth rate after 2000 (except for 2009).

Figures Annex 2-15 GDP growth (annual)(2010)



Figures Annex 2-16　Changes in the GDP growth(annual)

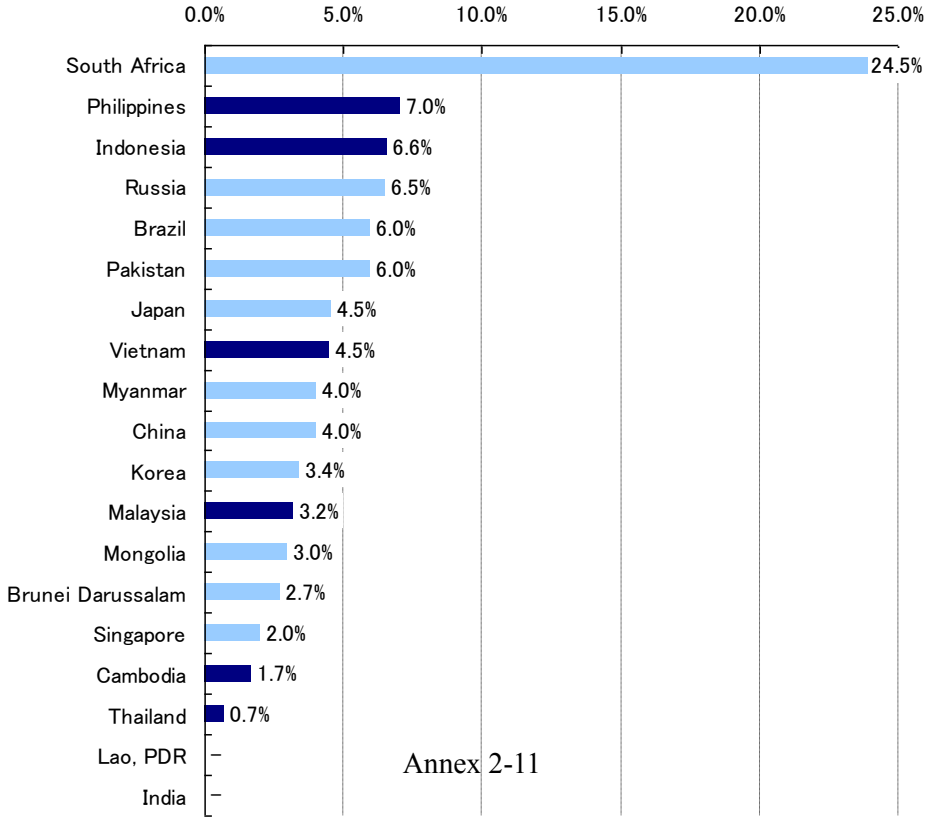


Source: IMF , World Economic Outlook Database, April 2012

2.3. Unemployment Rate

. With respect to unemployment rate (Figure 17), South Africa's unemployment rate is 24.5%, the highest among 19 countries. The Philippines unemployment rate is 7.0%, the highest unemployment rate among seven countries covered in this study, and country with the lowest unemployment rate is Thailand at 0.7%.

Figures Annex 2-17　Unemployment, total(Percent of total labor force)（2011）

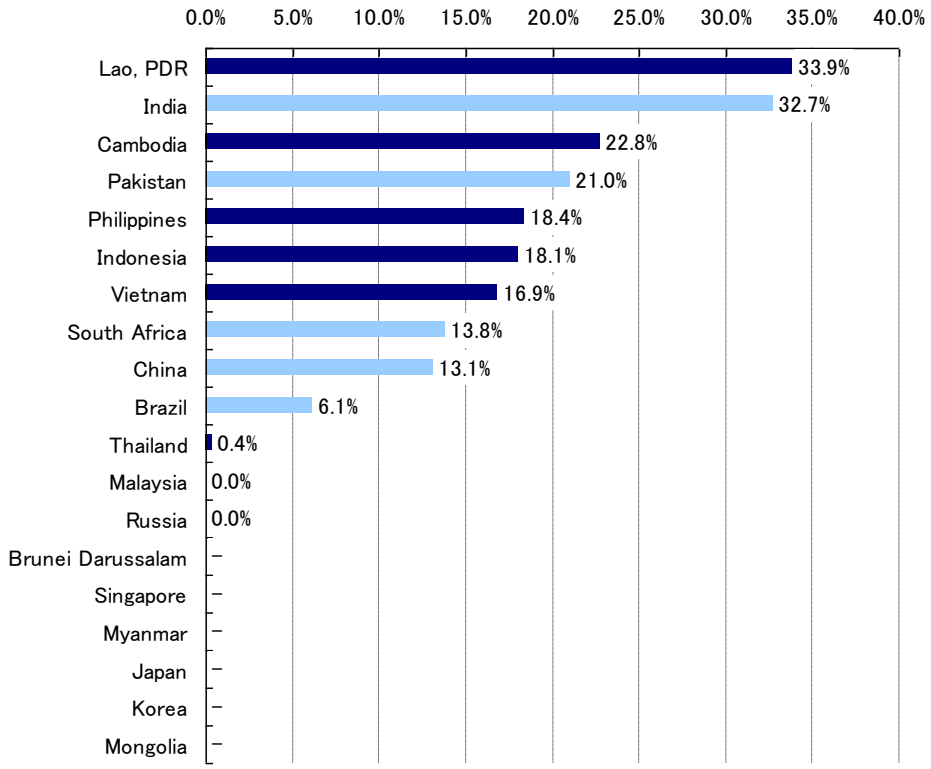


※The data of Cambodia is that of 2008.
Source : IMF , World Economic Outlook Database, April 2012

2.4. Poverty headcount ratio[3]

With respect to poverty headcount ratio (エラー! 参照元が見つかりません。), Laos's poverty headcount ratio is 33.9%, the highest among 19 countries, followed by India (22.8%), and Cambodia (22.8%). The poverty headcount ratio in Malaysia is at 0.0%, the lowest among seven countries covered in this study, followed by Thailand at 0.4%.

Figures Annex 2-18　Poverty headcount ratio



The data of Laos, Cambodia, Pakistan, Vietnam, and China is as of 2008.
The data of Philippines, South Africa, Brazil, Thailand, Malaysia, and Russia is as of 2009, the data of India and Indonesia is as of 2010.
Source : WB , World Development Indicators & Global Development Finance

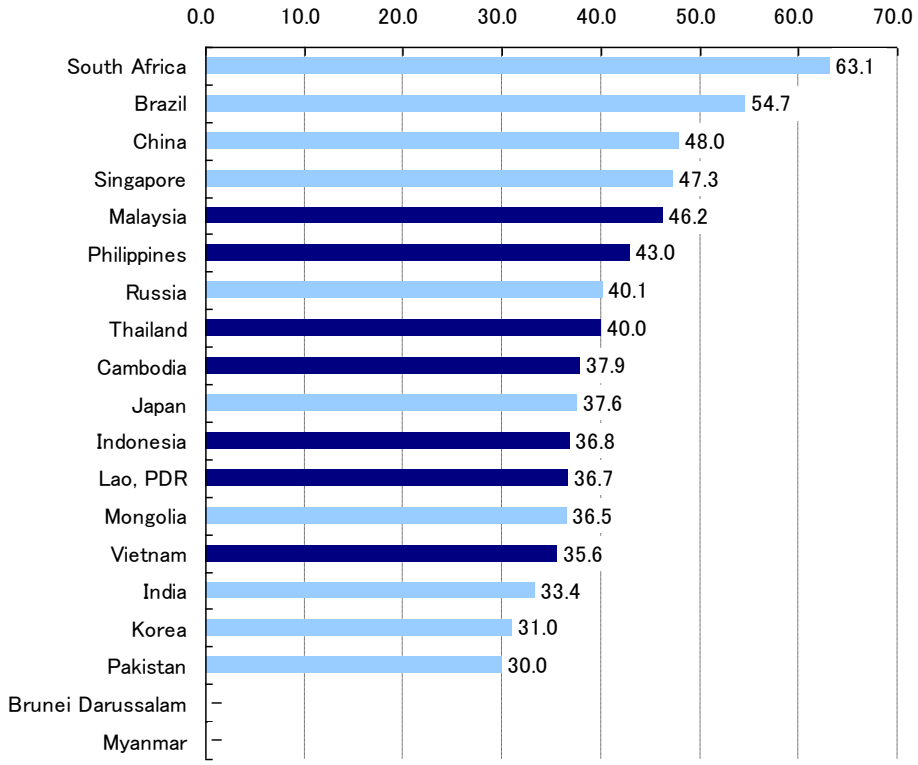
2.5. GINI index

. With respect to GINI index (エラー! 参照元が見つかりません。), South Africa's

[3] ただし、Poverty headcount ratio at $1.25 a day (PPP) (% of population)
It has to be noted :Poverty headcount ratio at $1.25 a day (PPP) (% of population)

GINI index is 63.1, the highest among 19 countries, followed by Brazil (54.7), and China (48.0). Malaysia's GINI index is 46.2, the highest GINI index among seven countries covered in this study. While Malaysia's real GDP per capita is the highest among seven countries (seeエラー! 参照元が見つかりません。), it is possible that the gap between the rich and the poor is growing in Malaysia. The GINI index of Thailand and the Philippines are also high, more than 40 respectively.

Figures Annex 2-19　GINI index



※The data of India is as of 2005, the data of Cambodia, Japan, Laos, Mongolia, Vietnam and Pakistan is as of 2008, the data of Korea is as of 2010, the data of Singapore is as 2011, the data of other countries is as of 2009.
Source : WB , World Development Indicators & Global Development Finance,CIA , The World Factbook

3. Government Revenue

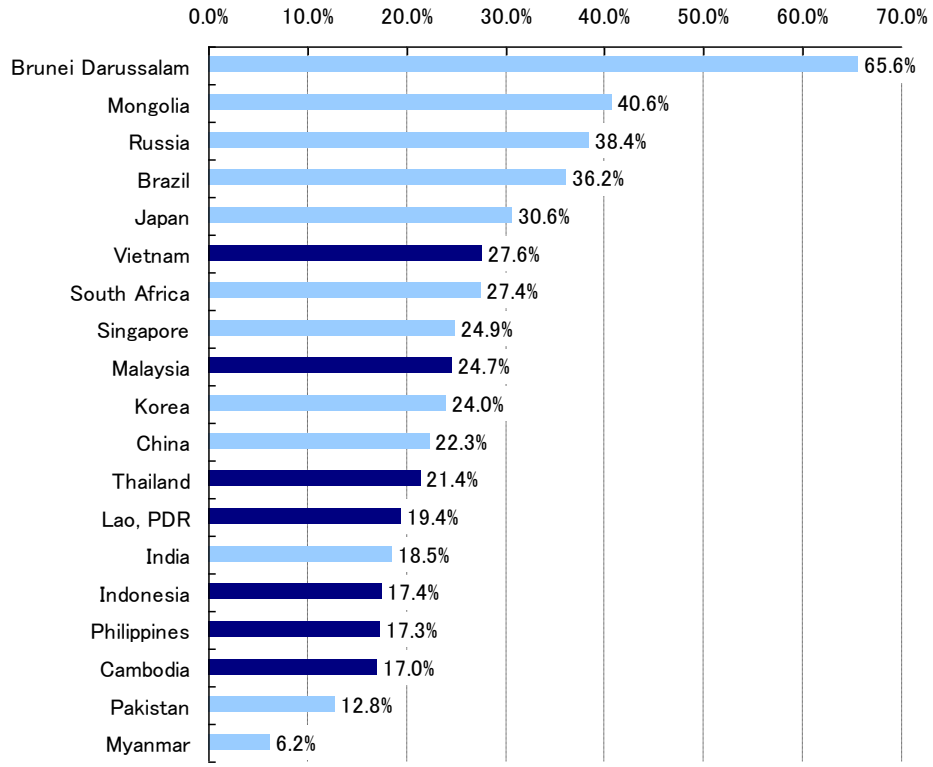
3.1. Revenue and expenditure

With respect to general government revenue ratio to GDPエラー! 参照元が見つかりません。), Brunei's revenue ratio is 65.6%, the highest among 19 countries. Vietnam's revenue ratio is 27.6%, the highest among seven countries covered in this study, followed by Malaysia (24.7%) and Thailand (21.4%). On the other hand, general government revenue to GDP of Indonesia, the Philippines, and Cambodia is as low as around 17%.

エラー! 参照元が見つかりません。 is about government revenue excluding grant. Figure shows that government revenue ratio of Laos, the Philippines, and Cambodia is lower compared to those inエラー! 参照元が見つかりません。. This indicates that grants from donor countries and international organizations account for certain amount of national revenue.

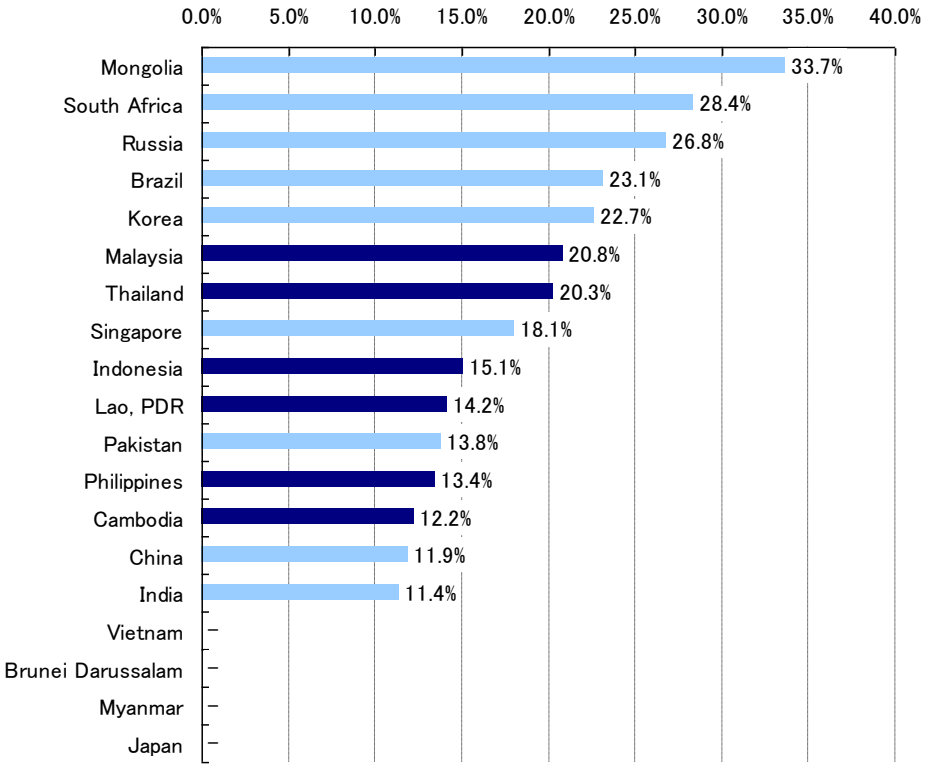
With respect to general government total expenditure ratio to GDP among seven countries (エラー! 参照元が見つかりません。), Vietnam's ratio is 30.3%, the highest, followed by Malaysia (29.7%). The lowest is 18.1% for the Philippines.

Figures Annex 2-20　General government revenue(Percent of GDP)(2011)



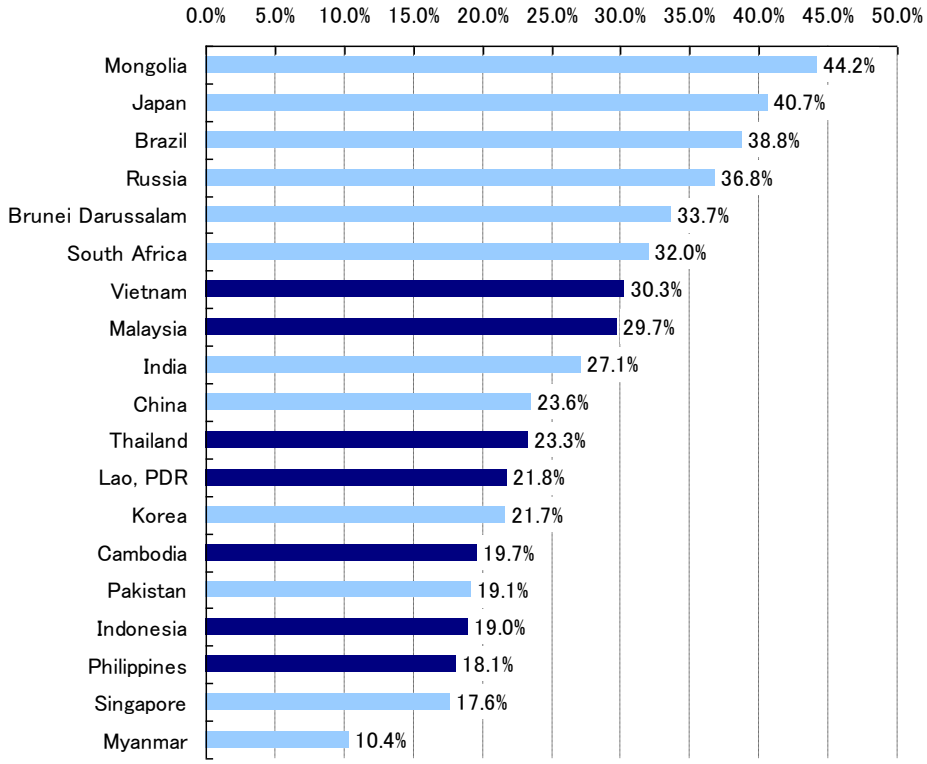
Source: IMF , World Economic Outlook Database, April 2012

Figures Annex 2-21　Revenue, excluding grants(Percent of GDP)(2010)



Source: WB , World Development Indicators & Global Development Finance

Figures Annex 2-22　General government total expenditure(Percent of GDP)(2011)

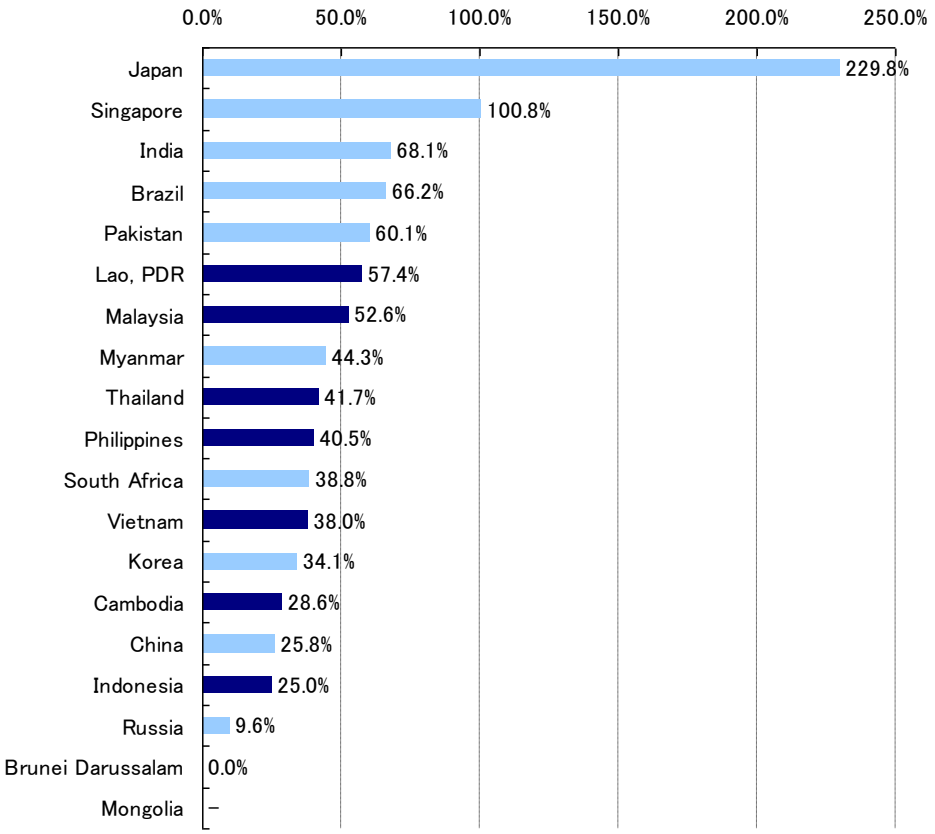


Source: IMF , World Economic Outlook Database, April 2012

3.2. Debt

With respect to general government gross debt ratio to GDP (**エラー! 参照元が見つかりません。**), Japan's ratio is 229.8%, the highest among countries listed in **エラー! 参照元が見つかりません。**. The highest ratio among the seven countries covered in this study is that of Laos, 57.4%, followed by Malaysia (52.6%), and Thailand (41.7%), whereas the lowest ratio is 25.0% for Indonesia.

Figures Annex 2-23　General government gross debt(Percent of GDP)(2011)



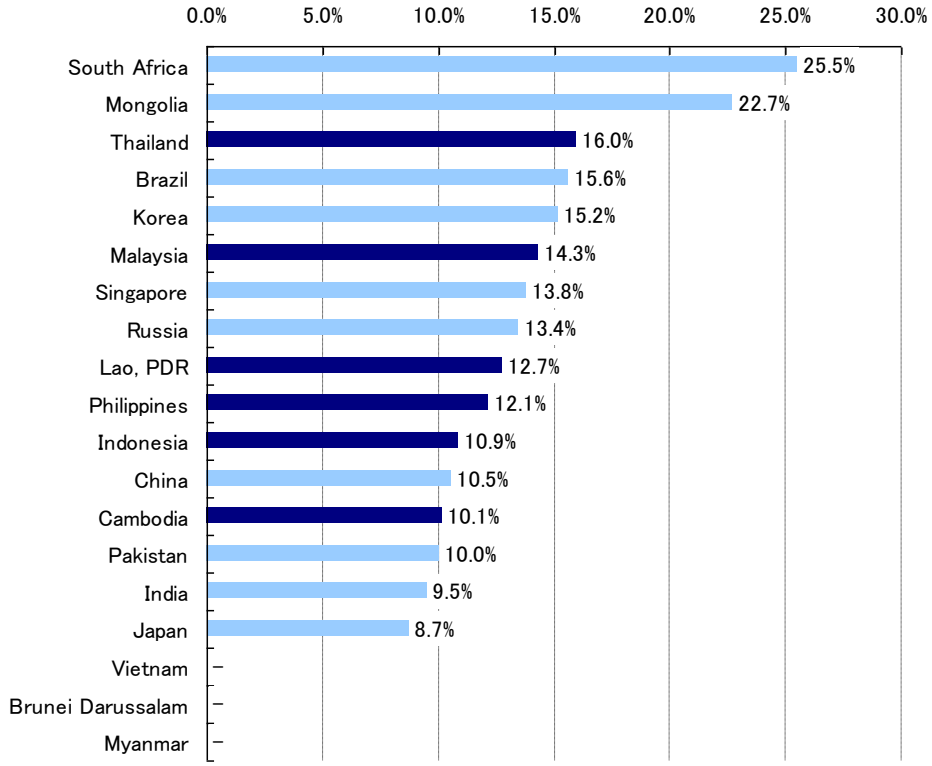
Source: IMF , World Economic Outlook Database, April 2012

3.3. Tax revenue

With respect to tax revenue to GDP ratio (エラー! 参照元が見つかりません。), South Africa's tax revenue to GDP ratio is 25.5%, the highest among 19 countries listed in エラー! 参照元が見つかりません。, followed by Mongolia (22.7%). Malaysia's tax revenue ratio is 14.3%, the highest tax revenue to GDP ratio among the seven countries covered in this study followed by Laos (12.7%), whereas the lowest is 10.1% for Cambodia.

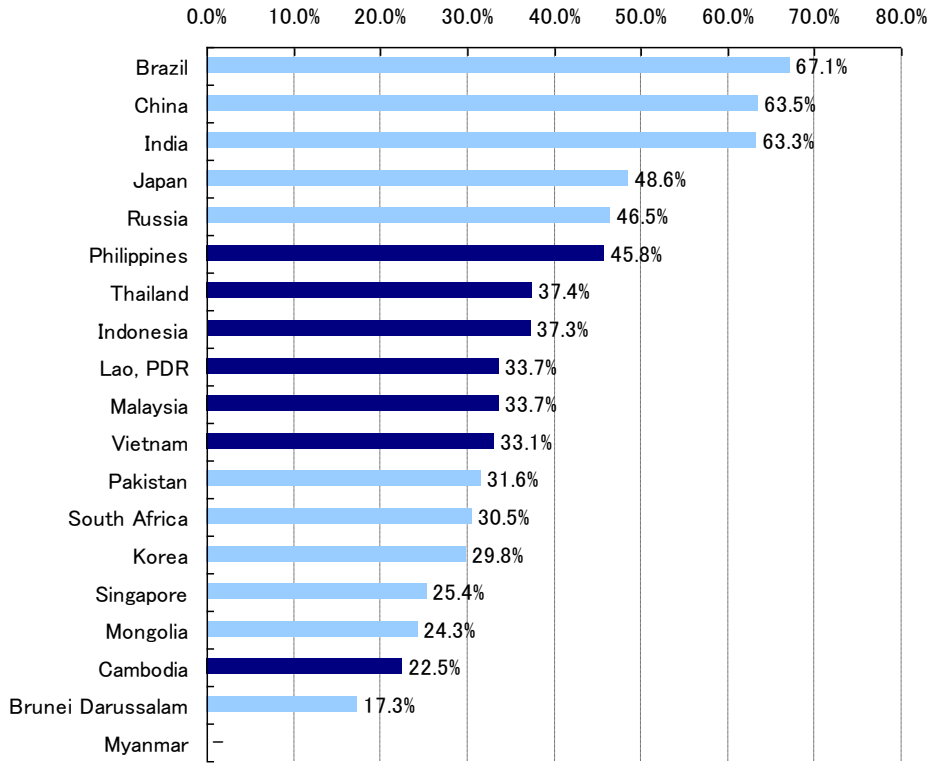
エラー! 参照元が見つかりません。 is about total tax rate to commercial profit. It exceeds 60% in Brazil, China, and India. The Philippines's total tax rate is 45.8%, the highest total tax rate to commercial profit among seven countries covered in this study, followed by Thailand, Laos, Indonesia, from 30 to 40% respectively, whereas it is relatively low in Cambodia, 22.5%.

Figures Annex 2-24　Tax revenue(Percent of GDP)(2010)



Source: WB , World Development Indicators & Global Development Finance

Figures Annex 2-25　Total tax rate (Percent of commercial profits)(2010)



Source: WB , World Development Indicators & Global Development Finance

4. Social security expenditure

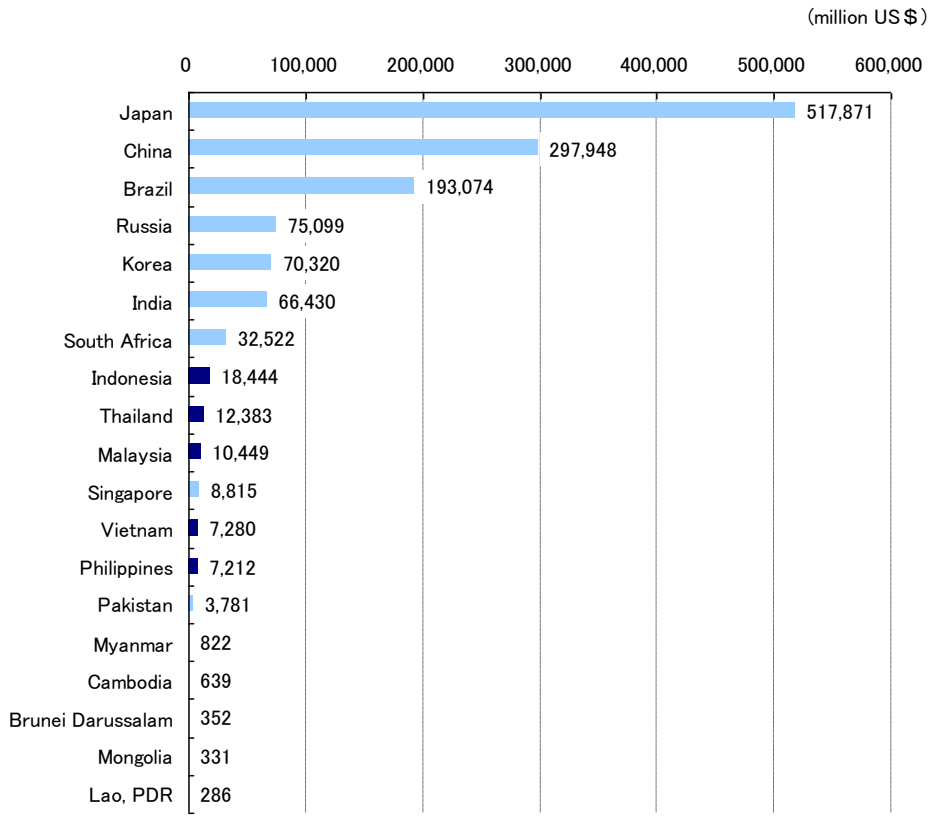
4.1. Health expenditure

With respect to social security expenditure (エラー! 参照元が見つかりません。), Japan's health expenditure is approximately 517.9 billion USD, highest among 19 countries listed in エラー! 参照元が見つかりません。, followed by China (297.9 billion USD) and Brazil (193.1 billion USD). The highest health expenditure among seven countries in this study is that of Indonesia, 18.4 billion USD. The lowest health expenditure is at 0.3 billion USD for Laos.

Regarding health expenditure per capita (エラー! 参照元が見つかりません。), Japan's health expenditure per capita is 4,065 USD, the highest among 19 countries. Health expenditure per capita in Malaysia is 328 USD, the highest health expenditure per capita among seven countries covered in this study, which is more than twice as high as that in Thailand(179 USD), the second highest among seven countries. Health expenditure in Laos and Cambodia is relatively low, 46 USD for Laos and 45 USD for Cambodia.

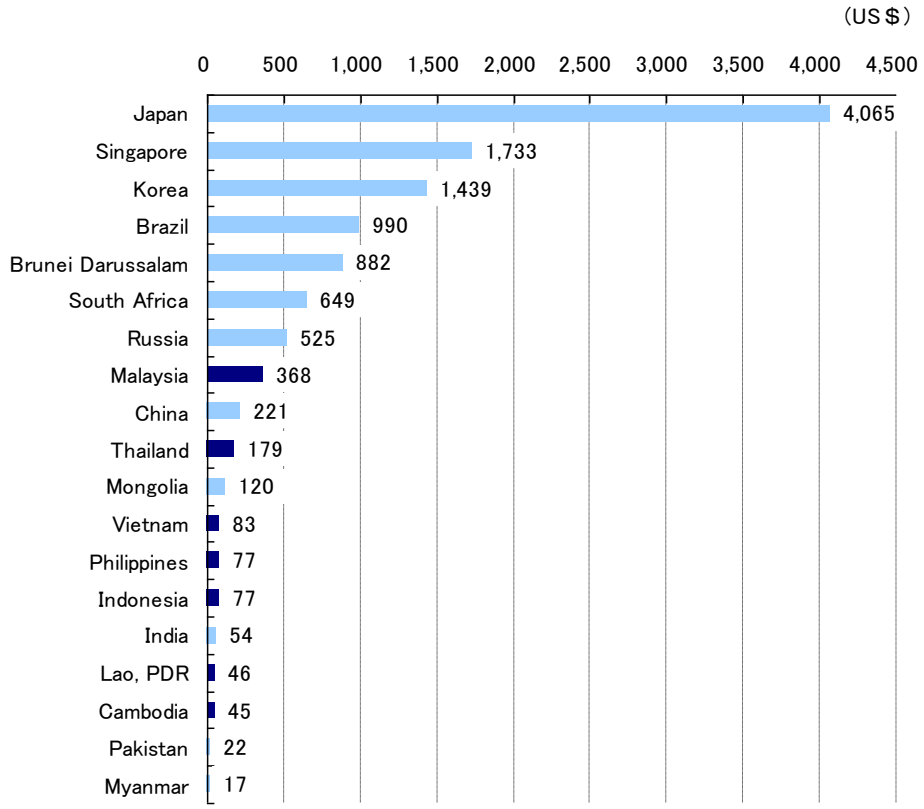
Figure 28 is about annual changes of the health expenditure per capita, which shows that health expenditure in every country has continued to rise, especially in Malaysia and Thailand.

Figures Annex 2-26　Health expenditure, total (current US$) (2010)

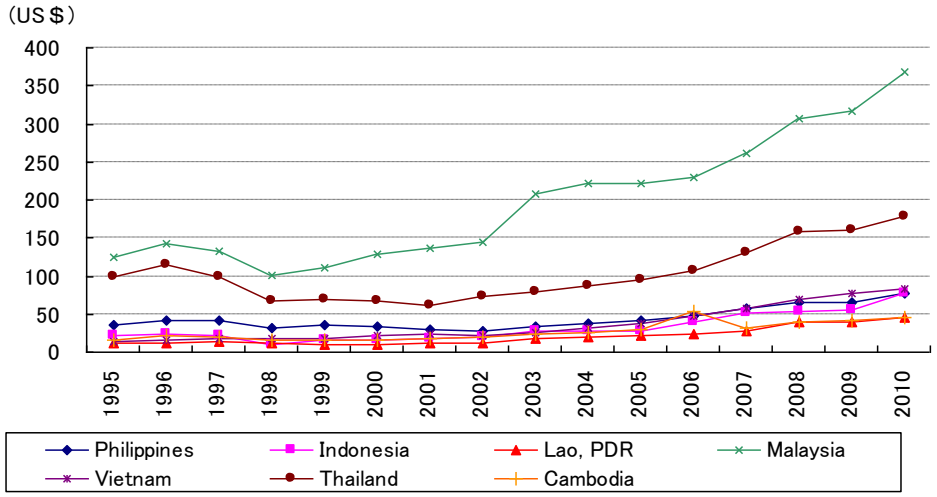


Source: WB , Health Nutrition and Population Statistics

Figures Annex 2-27　Health expenditure per capita (current US$)（2010）



Figures Annex 2-28　Changes in the Health expenditure per capita (current US$)



Source: WB, Health Nutrition and Population Statistics

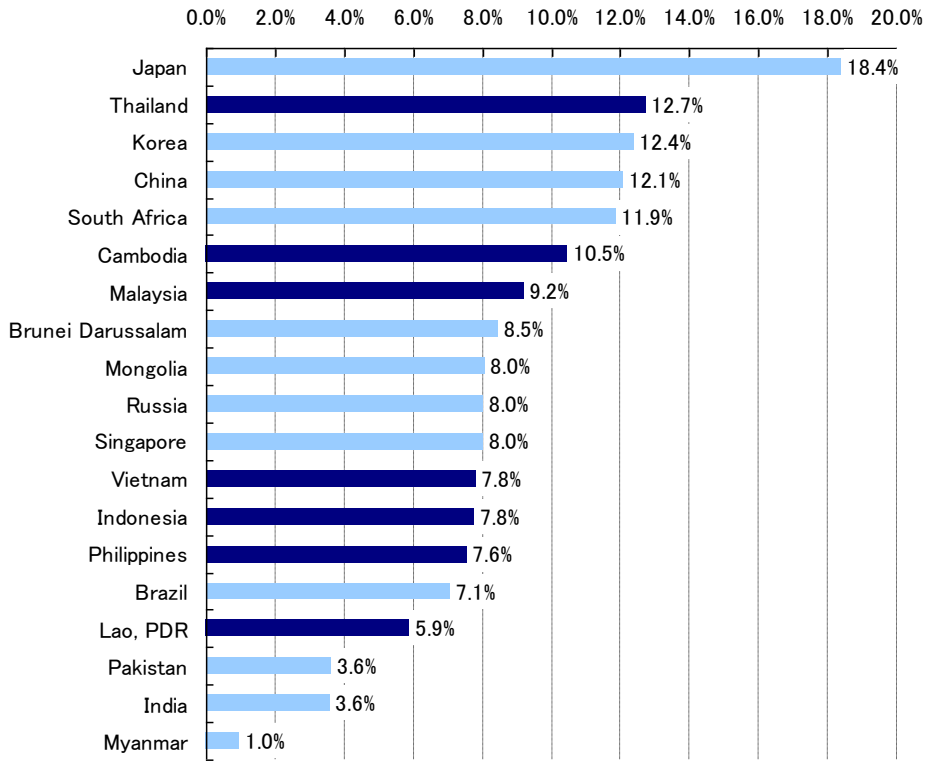
4.2. Public health expenditure as a percent of government expenditure

With respect to public health expenditure ratio to government expenditure (エラー！参照元

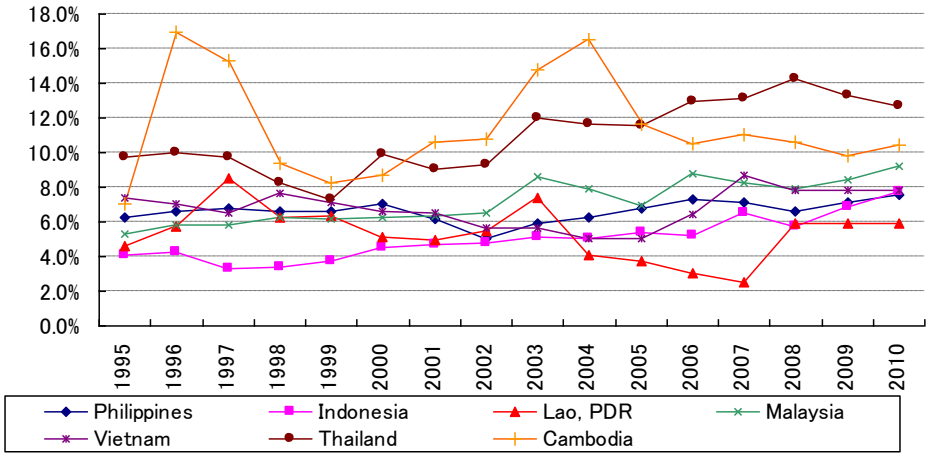
が見つかりません。), Japan's ratio is 18.4%, the highest among 19 countries. Public government expenditure ratio in Thailand is 12.7%, the highest among seven countries covered in this survey, the second highest next to Japan in 19 countries listed in エラー! 参照元が見つかりません。. Cambodia's ratio is the third highest, approximately 10.5%, followed by Malaysia (9.2%), the lowest ratio among seven countries is that of Laos, 5.9%.

Regarding changes in the public health expenditure ratio to government expenditure, while the ratio in Thailand, Vietnam, and Malaysia is on the increase, range of annual change is very large, especially in countries, such as Cambodia and Laos where health expenditure per capita is small.

Figures Annex 2-29　Health expenditure, public(Percent of government expenditure)(2010)



Figures Annex 2-30 Changes in the Health expenditure, public(Percent of government expenditure)



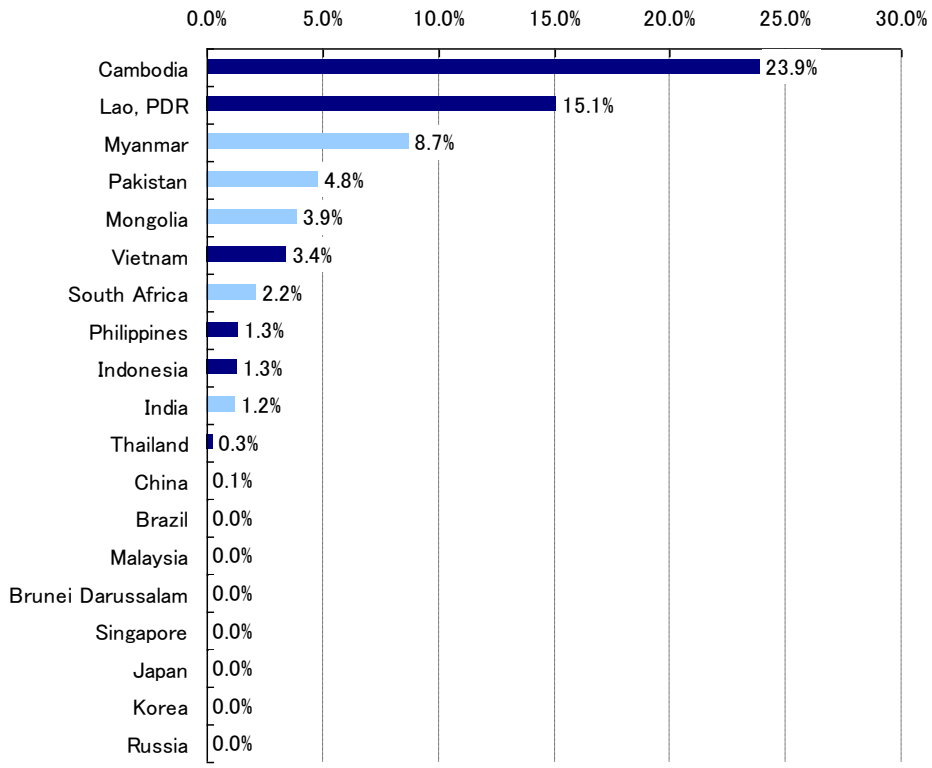
Source: WB , Health Nutrition and Population Statistics

4.3. External resources as a percent of total expenditure on health

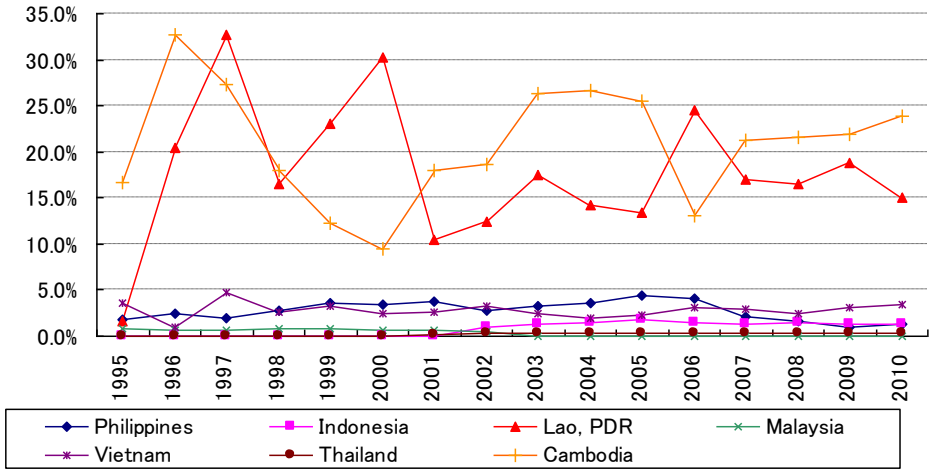
With respect to external resources ratio to total expenditure on health, Cambodia's ratio is 23.9%, the highest among seven countries followed by Laos, 15.1%. External resources ratio in Thailand and Malaysia is low, 0.3% and 0.0% respectively.

Regarding the change of external resources ratio, that of Cambodia and Laos is consistently high since 1995.

Figures Annex 2-31 External resources(Percent of total expenditure on health)(2010)



Figures Annex 2-32 Changes in the External resources (Percent of total expenditure on health)



Source: WB , Health Nutrition and Population Statistics

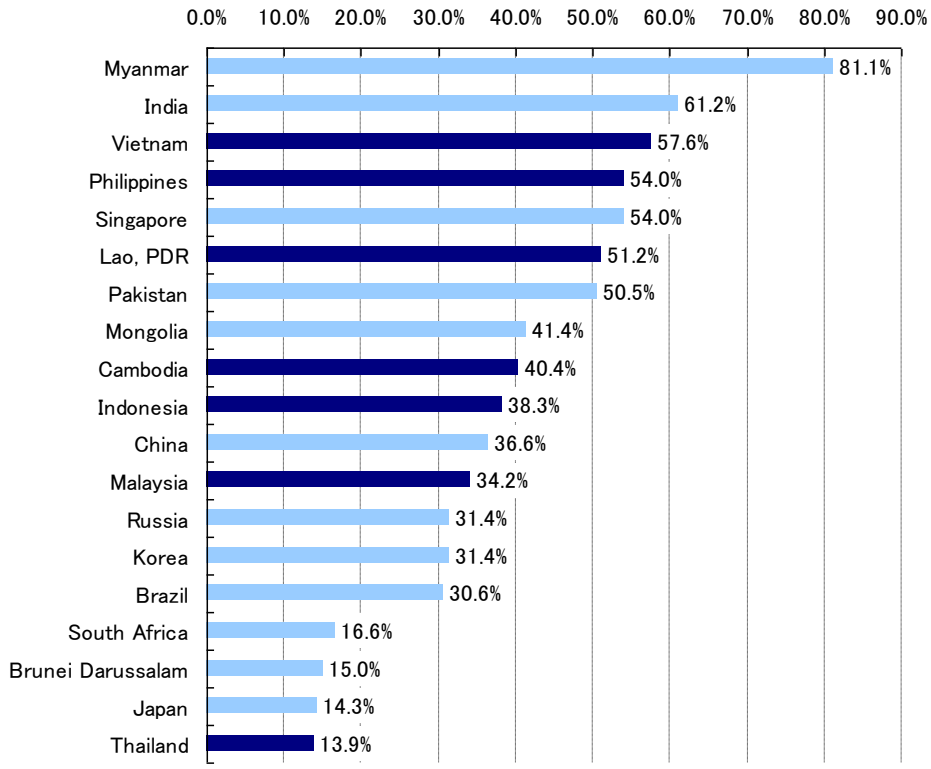
4.4. Out-of-pocket medical cost of patient

With respect to out-of-pocket ratio to total health expenditure, Myanmar's ratio is 81.1%, the highest among 19 countries. Out-of-pocket ratio in Vietnam is 57.6%, the highest out-of-pocket ratio among seven countries, followed by the Philippines (54.0%). The

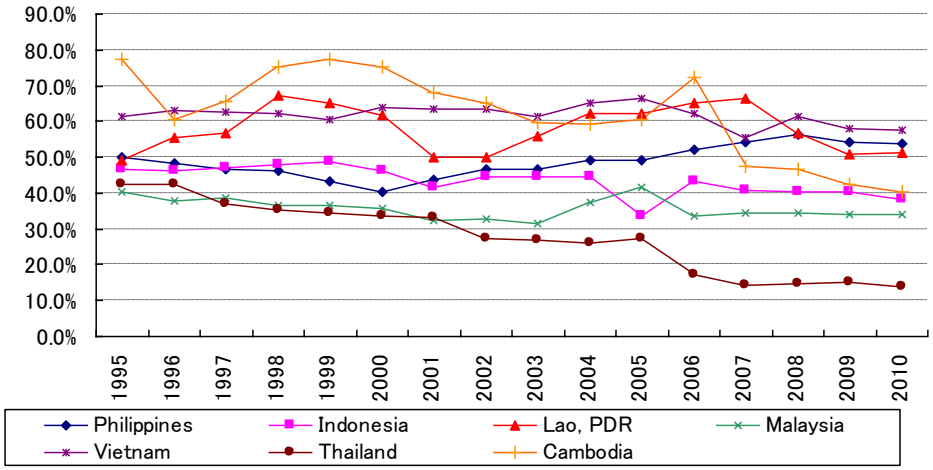
out-of-pocket ratio in Thailand is the lowest among the seven countries, 13.9%.

Regarding the change of out-of-pocket ratio, there are different trend among seven countries. On the one hand, out-of-pocket ratio in Thailand has dropped significantly, on the other hand, that in the Philippines has increased gradually. It can be inferred that introduction of "30 Baht Health Scheme" in 2002 and the universal coverage (UC) scheme in 2006 contributes to the reduction of out-of-pocket health expenditure of informal sector in Thailand.

Figures Annex 2-33　Out-of-pocket (Percent of total expenditure on health)(2010)



Figures Annex 2-34　Changes in the Out-of-pocket (Percent of total expenditure on health)



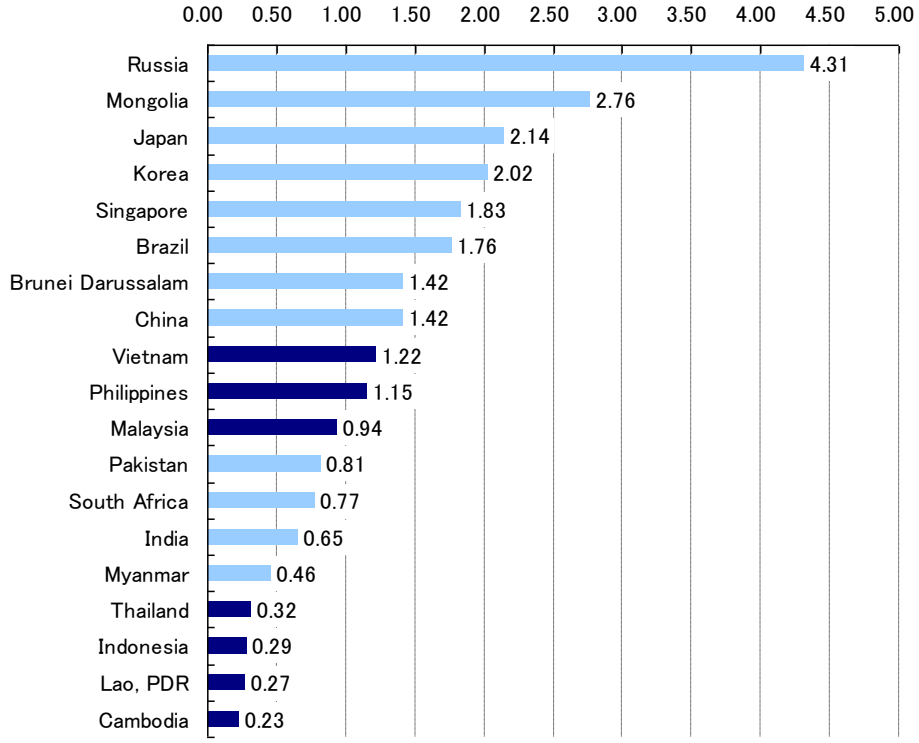
Source: WB , Health Nutrition and Population Statistics

5. Medical resources

5.1. The number of physicians per 1000 people

With respect to physicians per 1000 people (**エラー! 参照元が見つかりません。**), the country with most physicians per 1000 people is Russia, approximately 4.31 per 1000, followed by Mongolia (2.76) and Japan (2.14). The country with most physicians among seven countries is Vietnam, 1.22, however, the number of physicians per 1000 people in Indonesia, Laos, and Cambodia is less than 0.30 respectively, significantly low compared with other countries.

Figures Annex 2-35　Physicians(per 1,000 people)



※The data of Korea, Thailand, and Cambodia is as of 2010. Singapore, China, Pakistan, and India are as of 2009. Indonesia is 2007. Russia is as of 2006, Laos is as of 2005, the Philippines and South Africa are 2004, the others are all as of 2008.

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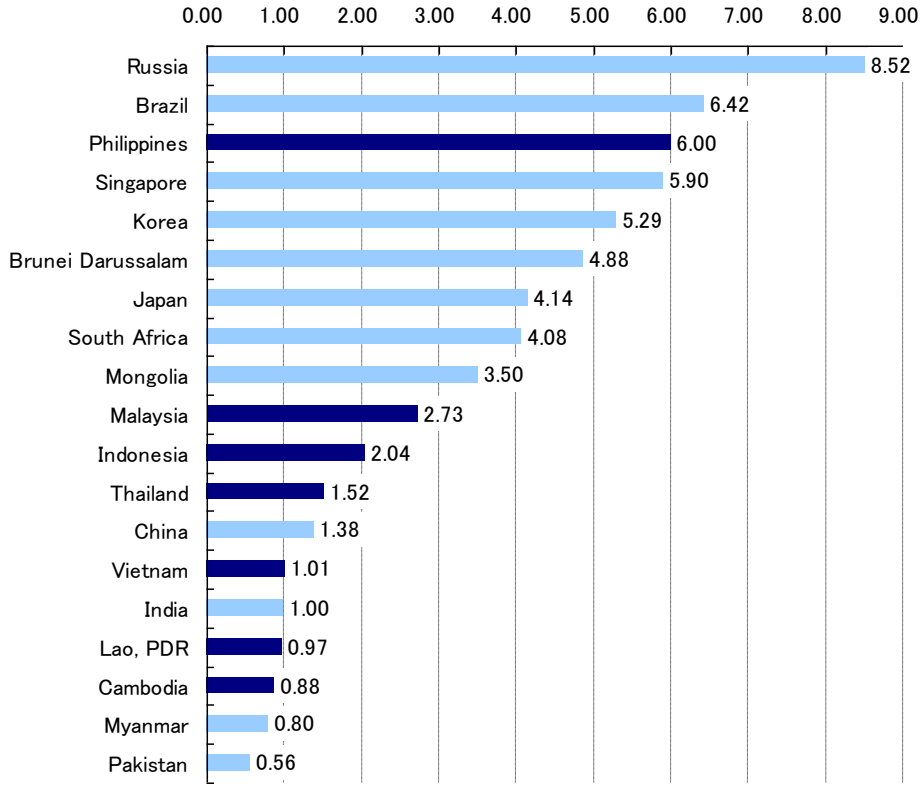
5.2. The number of nurses and midwives per 1000 people

With respect to nurses and midwives per 1000 people, the country with most nurses and midwives is Russia, approximately 8.52, followed by Brazil, 6.42. The country with most nurses and midwives among seven countries is the Philippines, 6.00. Among countries with scarce physicians, Indonesia, Laos, and Cambodia, nurses and midwives in Indonesia is relatively high, 2.04 per 1000, however, that of Laos and Cambodia is also low, less than 1.00 respectively.

Figures Annex 2-36　Nurses and midwives (per 1,000 people)

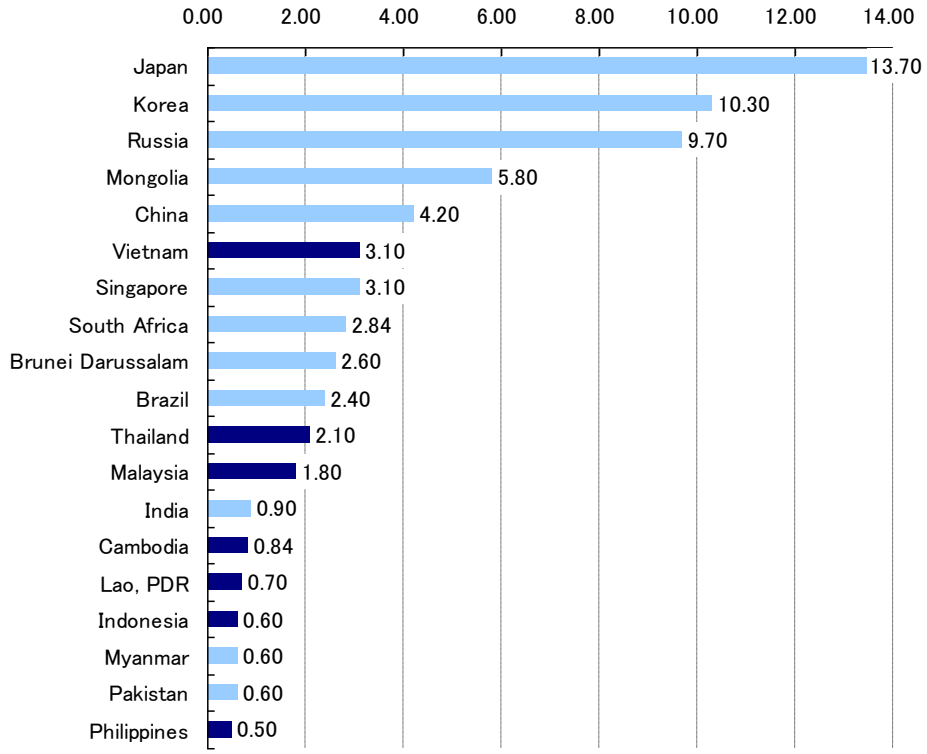


※　The data of Cambodia is of 2010, Singapore, China, and Pakistan are as of 2009, Japan and Indonesia are as of 2007, Russia is as of 2006, Laos is as of 2005, the Philippines, South Africa, and Thailand are as of 2004, the others are as of 2008.

5.3. The number of Hospital beds per 1000 people

With respect to hospital beds per 1000 people, the country with most beds is Japan, approximately 13.70 per 1000, followed by South Korea, 10.30. The country with most beds covered in this study is Vietnam, 3.10. However, beds per 1000 in other covered countries are relatively scarce, especially Indonesia, Laos, and Cambodia, less than 1.00 beds per 1000 people respectively. The Philippines, which has most physicians, nurses and midwives in seven countries, has the least beds in countries covered in this study, 0.50 per 1000 people.

Figures Annex 2-37　Hospital beds (per 1,000 people)



※　The data of Japan, Korea, China, Brunei, and the Philippines is of 2009, Singapore is 2008, Russia and Myanmar are 2006, South Africa and India are 2005.
Source: WB , World Development Indicators & Global Development Finance
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