Comments on: Jousten, Alain (2008), "Social Pensions and Public Finances"

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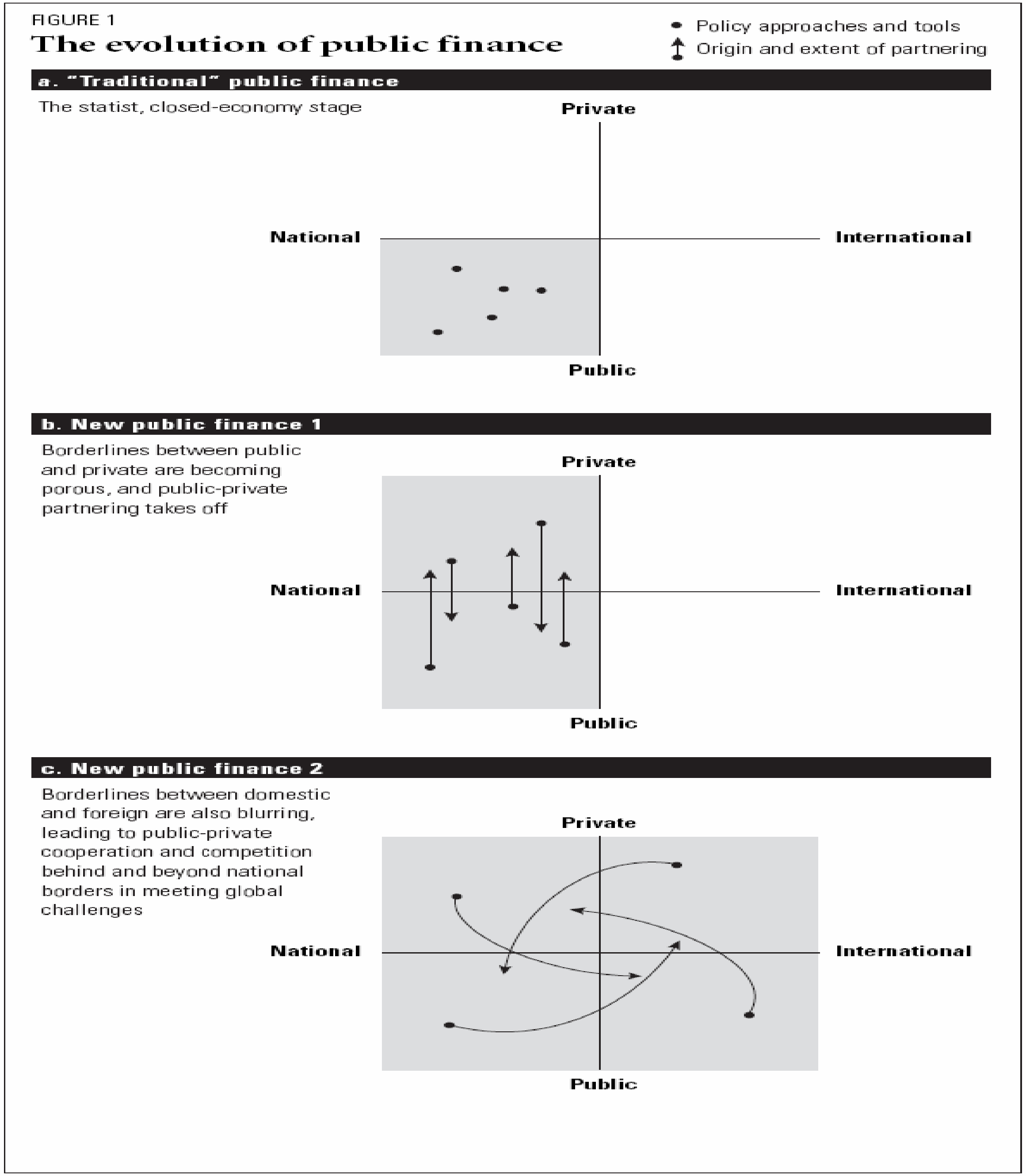
- I agree with the basic thrust of the presentation that social pensions (defined as non-contributory cash income given to older persons) can be very heterogeneous, and can have widely differing impacts.

- The paper's topic is the relationship between social pensions and public finances. I will therefore confine myself to only this relationship.

- The paper however is based on the premise of conventional public finance notions, with tax revenue being the primary revenue source.
- While this may be the case in the OECD countries, many low and middle income countries, if they are competent and strategic, can take advantage of new public finance (Figure 1) to organize the functions of social pensions through public-private partnership involving domestic and international agencies.



Source: Kaul, Inge and Conceicao, Pedro (2006), http://www.thenewpublicfinance.org

- The paper appears to also assume essentially unitary form of fiscal institutions.

- In many countries, it may be feasible to organize functions of social pensions using different levels of government.

- Thus, federal/central government can provide a certain amount for social pensions to be matched by the provinces/states according to their fiscal capacities and political commitment.

- Conditions imposed by the higher levels of government, and service delivery efficiency backed by adequate relevant database, could further the scope for social pensions.

- In my view, not too much should be made of the positive correlation between longevity and income in many developing countries in designing social pensions, provided the amounts are moderate to ensure large degree of self-selection.

- There will be opportunity costs of social pensions but the fact is that currently in many developing countries, the needs of large proportion of the elderly are simply not being adequately met, and socio-economic and attitudinal dynamics are reducing the extent to which family support is forthcoming.

- To provide social pensions, the formal systems of provident and pension funds need to be reformed.

- In many developing countries for example civil servants and some sections of the private sector have substantial protection, sometimes on non-contributory basis.

- Reforming these systems could potentially release resources which could be used for social pensions.

- New public finance (Kaul and Conceicao, 2006) suggests that non-tax revenue sources should also be explored for financing social pensions (Asher, 2005).

References:

- Asher. M.G. (2005), "Mobilizing non-conventional budgetary resources in Asia in the 21st century", *The Journal of Asian Economics*, 16, pp.947-955.

- Kaul, I. and Conceicao, P. (2006), The New Public Finance: Responding to Global Challenges, New York: Oxford University Press.