



Addressing Inconsistent Expenditure Issues: A Momentous Step Toward Resilient Social Protection in ASEAN

EXECUTIVE SUMMARY

- Pinned development issues that are hindering ASEAN socioeconomic development include the COVID-19 pandemic, inflation, and pre-pandemic issues, related to the vast number of informal workforce in the region.
- Significance of a resilient social protection system for ASEAN socioeconomic development is vital. Small coverage for social protection in ASEAN is not a new issue, yet it is still timely and relevant because progress toward realizing resilient social protection could be hindered by it.
- It is necessary that the ASEAN Member States take the pandemic as a wake-up call and model to maintain the momentum and expand social protection coverage based on the successful implementation of social protection to support the vulnerable groups of both unexpected shocks and pre-existing issues.

By Pen Socheata

Introduction

The COVID-19 pandemic is an unprecedented global shock that has spurred significant impacts on socioeconomic development throughout the world. Governments' responses or containment measures to mitigate the COVID-19 spread including lockdowns, social distancing and travel restrictions distribute negative impacts on Asian economies and households.ⁱ Sectors that are heavily impacted in the Association of Southeast Asian Nations (ASEAN) Member States (AMS) are tourism, services and small and medium enterprises (SMEs).ⁱⁱ The consequences of those impacted sectors on AMS households resulted in reduction of working hours, job loss, income loss for household business, movement restriction, food inflation and extra unpaid care work. Poor and vulnerable groups are highly impacted by the consequences, and they are those of the extreme poor, older persons, children, disabled persons, women and girls, and other excluded groups including informal workers.ⁱⁱⁱ

Other current global issues including inflation due to higher energy and rising food prices also further undermine socioeconomic welfare in Southeast Asia in addition to the impact of the pandemic. The average inflation rate is 5.2 percent in September 2022 which is a 1.3 percent increase from April 2022.^{iv} This further hinders the economic growth and socioeconomic development among AMS. However, pre-existing issues prior to the pandemic should not be neglected as well. ASEAN is home to 244 million informal workers who are invisible, unprotected and not entitled to social benefits.^v

The pandemic, high energy and food prices, and vast informal workforce in ASEAN generate significant socioeconomic impacts which affect the welfare of the whole economy and households. Therefore, social protection plays crucial roles and is highly needed in mitigating these specific impacts in the ASEAN region. According to ASEAN, Social Protection is the policy and programme interventions that aim to promote and enhance welfare, well-being, and the livelihood of people's life cycle. The core programmes include: (i) social welfare/social assistance, (ii) social insurance, (iii) labor market interventions and (iv) social safety nets. ASEAN enabled the regional framework and action plan to implement ASEAN Declaration on Strengthening Social Protection as a roadmap to move toward sustainable, resilient and inclusive social protection.^{vi} However, any loopholes in implementing the action plans especially prevent ASEAN from reaching the goal.

Hence, assessing the progress of the specific action plan is essential to help AMS stay afloat to effectively mitigate negative shocks including the pandemic and inflation as well as pre-existing issues related to the vast informal workforce in the region.

Methodology

This policy brief is conducted using secondary data sets and findings from relevant sources including ILOStats and the Asian Development Bank database. The compiled documents are reports, working papers and policy briefs of the

stakeholders and development partners that engage directly and extensively on social protection with ASEAN Member States (AMS) including ASEAN, Asian Development Bank (ADB), United Nations Development Programme (UNDP), European Civil Protection and Humanitarian Aid Operations (ECHO) and International Labour Organization (ILO).

The Regional Framework and Action Plan to Implement the ASEAN Declaration on Strengthening Social Protection serves as the major analysis framework. The specific component of the action plan for progress assessment is presented in Table 1.

The progress assessment is conducted using the compiled panel data with time series from 2009, 2015, 2019 and 2021. The data set is the overall social protection expenditure (percentage of GDP) from each country in ASEAN. The year of 2009 is set for the baseline. There are two different scenarios for the progress assessment through comparative analysis. For the pre-pandemic scenario, the social protection expenditure in 2019 is compared with the baseline. As for the pandemic condition, data from 2021 is used to compare with the baseline. Progress assessment for social protection expenditure is the only focus for this policy brief.

Table 1. Analysis framework for progress assessment

Section	Key strategy	Specific action plan to be assessed
Institutionalization and sustainability	Resource mobilisation	Article 15: Allocate adequate financial resources for social protection in line with national targets and subject to the capacity of each government

Source: *Regional Framework and Action Plan to Implement the ASEAN Declaration on Strengthening Social Protection*

Findings and discussion

i. Article 15: Promote adequate expenditure on social protection

Based on the Regional Framework and Action Plan to Implement the ASEAN Declaration on Strengthening Social Protection, one of the key strategies is resource mobilization which is emphasized under Article 15. The article aims to allocate sufficient or adequate financial resources for social protection which is aligned with each governments' national targets and capacities.^{vii} For the article's objective to be realized, the progress in promoting adequate financial allocation in ASEAN is deemed crucial for analysis.

As for Asia and the Pacific, the latest average percentage of GDP for social protection is only 7.5 percent. Narrowing to Southeast Asia, the average percentage is 2.3 percent depicting small expenditure on social protection in the regional context.^{viii} Specifically, in AMS, the

expenditure on social protection prior to the pandemic was remarkably low. Based on the findings in Table 2, there has not been any significant size of increase for social protection expenditure in AMS. The highest increase is only 0.5 percent for the case of the Philippines. On the other hand, Singapore is reported to have the largest decrease of social protection expenditure at -3.2 percent. Therefore, the findings indicated that the increased size of expenditure for social protection in ASEAN countries from 2009 to 2019 was relatively small. In the case of Singapore, the expenditure was decreased. Small investment on social protection is a hindrance to the investment in resilient social protection in ASEAN because the development issues such as those of the pandemic, inflation and other pre-existing issues require a sufficient amount of social protection coverage for their effects to be mitigated.

Table 2. Expenditure on social protection (% of GDP, excluding health care) in 2009, 2015 and 2019 (pre-pandemic era)

COUNTRY/REGION	2009	2015	2019	PERCENTAGE POINTS INCREASE
BRUNEI	x	x	0.2	–
CAMBODIA	0.5	0.6	0.9	0.4
INDONESIA	1.4	2.1	1.3	-0.1
LAO PDR	0.6	0.8	0.7	0.1
MALAYSIA	3.9	4.4	4.2	0.3
MYANMAR	x	x	0.8	–
PHILIPPINES	2.1	2.6	2.6	0.5
SINGAPORE	4.2	6.2	1	-3.2
THAILAND	3	2.2	3	0
VIETNAM	3.9	4.1	4.3	0.4

Source: Compiled by the author using data sets from ADB, *The Social Protection Indicator for Asia: Assessing the Progress 2019*^{ix} and from UNDP Strategy, Policy and Partnerships (SPP), *Reducing Inequality in the Decade of Action to Achieve the SDGs and Accelerate Post-pandemic Recovery 2022*^x

Note: x = not available, _ = unmeasurable

However, owing to UNDP's policy brief on reducing inequality, AMS have responded to COVID-19 by distributing large fiscal stimulus packages through different programmes and measures with different prioritized sectors. Indonesia distributed the largest stimulus package, as of May 2021, at USD 258.367

billion on social assistance schemes, health care, cash transfer, electricity subsidies, and unemployment benefits. Brunei had the smallest stimulus package at USD 0.313 billion on tax relief measures for SMEs and self-employed groups in hospitality, tourism, and transport (see Table 3).

Table 3. Fiscal stimulus packages among ASEAN Member States to mitigate COVID-19 impacts, May 2021

Country	Fiscal stimulus size (billion USD)
<i>Brunei Darussalam</i>	0.313
<i>Cambodia</i>	3.1
<i>Indonesia</i>	258.367
<i>Lao PDR</i>	10.003
<i>Malaysia</i>	97.89
<i>Myanmar</i>	0.613
<i>Philippines</i>	142.534
<i>Singapore</i>	92.967
<i>Thailand</i>	106.407
<i>Vietnam</i>	19.832

Source: Data compilation by [ISEAS](#) through IMF, ILO, ADB, media outlets, finance ministries/departments (as of May 2021)

The extensive increase of social protection in ASEAN countries to mitigate COVID-19 impacts is also evident when compared to the baseline in 2009 (see Table 4). The largest increase in expenditure is 26.3 percent in the case of Singapore followed by 26.2 percent in the case of Malaysia. Even in the low-income countries like Cambodia, which has a small

increase for social protection expenditure before the pandemic era, there is a significant increase at 7.9 percent for its response in stimulus packages. Therefore, the findings confirm that one of the other responses toward COVID-19 by most of the ASEAN countries is through enlarging their social protection expenditure.

Table 4. Expenditure on social protection (% of GDP, excluding health care) in 2009, 2015, 2019 and 2021 (pandemic era)

COUNTRY/REGION	2009	2015	2019	COVID-19 (2021)	PERCENTAGE POINTS INCREASE
BRUNEI	x	x	0.2	2.7	–
CAMBODIA	0.5	0.6	0.9	8.4	7.9
INDONESIA	1.4	2.1	1.3	11.4	10
LAO PDR	0.6	0.8	0.7	0.2	-0.4
MALAYSIA	3.9	4.4	4.2	30.1	26.2
MYANMAR	x	x	0.8	0.1	–
PHILIPPINES	2.1	2.6	2.6	8.6	6.5
SINGAPORE	4.2	6.2	1	30.5	26.3
THAILAND	3	2.2	3	19.4	16.4
VIETNAM	3.9	4.1	4.3	7.9	4

Source: Compiled by the author using data sets from ADB, *The Social Protection Indicator for Asia: Assessing the Progress 2019 and from UNDP Strategy, Policy and Partnerships (SPP), Reducing Inequality in the Decade of Action to Achieve the SDGs and Accelerate Postpandemic Recovery 2022*

Note: x = not available, _ = unmeasurable

While there seems to be great progress, the findings present two important loopholes for the progress of Article 15. Firstly, the percentage of expenditure for social protection among AMS is small during the pre-pandemic period. Varieties of expenditure size point out the gap in investment toward the social protection systems by each ASEAN country. The increase is evidently small since 2009. Secondly, the pandemic triggered huge investment in social protection programs among AMS. Therefore, Article 15 of the action plan, which aims to enable adequate financial expenditure for social protection in AMS, faces inconsistency for its bumpy progress. The implication is that without the pandemic, AMS would not consider expanding the stimulus package to cover social protection while there are other shocks and pre-pandemic issues that need to be addressed such as inflation and a vast number of informal workers in the region.

Policy recommendations

In conclusion, besides the pandemic, there are other unexpected shocks and pre-existing issues which require social protection to be more resilient. For this goal to be achieved, AMS must solve the small expenditure issue pointed out by the findings presented in this policy brief as one of the the loopholes to Article 15. Another loophole is that AMS only enlarges the social protection coverage when there is an unexpected negative shock like the pandemic. For social welfare to be lifted up in ASEAN, the recommendations to address the loopholes are as follows:

- Firstly, continuing to acknowledge the social protection as part of national priorities is crucial for social protection to be resilient against unexpected shocks and pre-existing issues. AMS could conduct a continuous practical assessment to balance the cost of social

protection with sovereign debts to ensure that increasing the social protection expenditure would not lead to another risk.

- Secondly, AMS should establish momentum in investing in social protection. Social protection in ASEAN and elsewhere should not only be shock triggered but a resilient one that supports and protects lives from various expected and unexpected development issues.
- Finally, AMS should continue the successful practices in social protection implementation in each country during the pandemic, expand and improve the coverage as well as strengthen other supporting factors including coordination strategies.

Ms. Pen Socheata is a Junior Research Fellow at the Center for Southeast Asian Studies (CSEAS), and a Lecturer at the Institute for International Studies and Public Policy, Royal University of Phnom Penh. The opinions expressed are those of the author and do not represent the views of her affiliations.

ⁱ Asian Development Bank. 2022. *Impacts of COVID-19 on Households in ASEAN Countries and Their Implications for Human Capital Development: Medium-Run Impacts and the Role of Government Support*. ADBI Working Paper No: 1312. <https://www.adb.org/publications/impacts-of-covid-19-on-households-in-asean-countries-and-their-implications-for-human-capital-development-medium-run-impacts-and-the-role-of-government-support>. [Access date: September 30, 2022]

ⁱⁱ European Civil Protection and Humanitarian Aid Operations (ECHO). 2021. *Developing Shock Responsive Social Protection systems to mitigate the impact of COVID-19, enable speedy recovery and strengthen the resilience of vulnerable people in ASEAN*. Policy Brief: Joint FAO, WFP, UNICEF and GRC project. <https://asean.org/wp-content/uploads/2021/08/201216-FAO-Policy-brief-V2.pdf>. [Access date: September 27, 2022]

ⁱⁱⁱ Ibid

^{iv} Asian Development Bank. September, 2022. Asian Development Outlook (ADO) 2022 Update: Key Messages. Economic Forecasts. <https://www.adb.org/outlook>. [Access date: September 30, 2022]

^v Mega Irena. 2022. *INFORMAL WORKERS: Why Their Inclusion and Protection are Crucial to the Future of Work*. The ASEAN Magazine: Promoting Decent Work and Protecting Informal Workers. Issue 21.

<https://asean.org/wp-content/uploads/2022/05/The-ASEAN-Magazine-Issue-21-2022-Informal-Economy.pdf>. [Access date: September 30, 2022]

^{vi} ASEAN. 2016. Regional Framework and Action Plan to Implement the ASEAN Declaration on Strengthening Social Protection. ASEAN Declaration on Strengthening Social Protection. https://nspc.gov.kh/Images/ASEAN%20Declaration%20on%20Strengthening%20Social%20Protection_2019_10_28_11_59_13.pdf. [Access date: September 30, 2022]

^{vii} Ibid

^{viii} International Labour Organization. 2022. World Social Protection Data Dashboards. <https://www.social-protection.org/gimi/WSPDB.action?id=32>. [Access date: September 30, 2022]

^{ix} ADB. 2019. The Social Protection Indicator for Asia: Assessing the Progress. <https://www.adb.org/publications/social-protection-indicator-pacific-assessing-progress>. [Access date: September 30, 2022]

^x United Nations Development Programme. 2022. Reducing Inequality in the Decade of Action to Achieve the SDGs and Accelerate Postpandemic Recovery. <https://asean.org/wp-content/uploads/2022/08/FINAL-Policy-Brief-on-Reducing-Inequality.pdf>. [Access date: September 30, 2022]