

## **Budget allocations and expenditure on social protection during the COVID pandemic in the Republic of Bandala**

Bandala is a middle-income country in Asia that was hard hit by the COVID pandemic. As a result of the disruption to economic activity, following measures to contain the pandemic, and a decline in Bandala's exports, the country entered a severe recession, unemployment increased, and large numbers of households suffered a decline in their income. The country's GDP contracted by 4.5%, suddenly ending a period of impressive growth that had averaged 6.1% a year in the decade to 2019. Simulations pointed to a substantial increase in the poverty rate, from 25.4% in 2017 to 31.3% in 2020. Children were particularly affected as household income declined and schools closed for nine months.

Bandala had been strengthening its social protection system in the years preceding the COVID crisis, under its 10-year National Social Protection Strategy (NSPS) for 2014-2023. Apart from the contributory pension schemes for public and private sector employees (Public Sector Pension Fund and National Social Security Fund respectively), key components of the system include a universal social pension for old people over 65, introduced in 2015, and the Needy Families Support Programme (NFSP), which provides monthly transfers to households below the poverty line, with a supplement for children. Other notable programmes include a subsidy for persons with disabilities, the Bandala School Meals Programme (BSMP), and preventive and protective services provided by social workers through the Community Social Action Programme (CSAP). The Government also subsidizes the contributory National Health Insurance Fund (NHIF) to keep premiums affordable and provide exemptions for beneficiaries of the NFSP. The Government has for many years provided subsidies to the National Grain Board to keep prices low for rice and wheat.

When the COVID crisis struck, the Government quickly adopted a COVID Response Strategy, which included social protection measures to help offset the social repercussions of the crisis, in addition to support for the health system and measures to assist businesses and protect jobs. The social protection response included both a 'horizontal' expansion of the NFSP, to widen coverage to households at risk of falling into poverty, and a 'vertical' expansion, meaning a temporary increase in the transfer amounts paid to existing NFSP beneficiaries to offset the decline in their standard of living. However, the challenge of targeting and registering hundreds of thousands of new households, capacity constraints and delays in disbursing funds for the NFSP meant that payments were delayed, and expenditure fell considerably short of the levels planned in the revised budget. Furthermore, expenditure on some social protection programmes contracted due to pandemic restrictions, notably labour-intensive public works and school-based programmes, such as school feeding.

The cost of these and other policy responses to the COVID pandemic had significant implications for government finances, which were under growing strain due to the decline in government revenue arising from the recession. An increase in aid, particularly for the health system and social protection, provided some support, but the Government faced a widening overall deficit, which it financed by increasing its borrowing from both external and domestic lenders. The public debt increased considerably, although Bandala was fortunate to have a fairly low debt/GDP ratio before the crisis, making it possible to scale up expenditure in response to COVID without falling into a situation of debt distress.

Tables 1-3 provide detailed information on social protection expenditure in Bandala during the period 2018-2020, while Table 4 shows the overall evolution of public finances and transfers to households in this period.

**Table 1 Government expenditure on social protection, 2018-2020 (% of GDP)**

	2018		2019		2020		
	Budget	Actual	Budget	Actual	Initial budget	Revised budget	Actual
<b>Ministry of Social Affairs</b>							
Needy Families Support Programme	0.51	0.50	0.53	0.51	0.53	0.95	0.74
Basic old-age pension	0.62	0.62	0.62	0.62	0.62	0.64	0.66
Community Social Action Programme	0.14	0.12	0.14	0.13	0.14	0.15	0.15
Community-Based Rehabilitation Programme	0.07	0.06	0.07	0.06	0.07	0.08	0.08
Orphanages	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Elderly persons' centres	0.01	0.01	0.01	0.01	0.01	0.01	0.01
New-borns' allowance	0.03	0.03	0.04	0.04	0.04	0.05	0.05
Others	0.08	0.06	0.07	0.06	0.07	0.07	0.06
<b>Sub-total, MAS</b>	<b>1.48</b>	<b>1.42</b>	<b>1.50</b>	<b>1.45</b>	<b>1.50</b>	<b>1.97</b>	<b>1.77</b>
<b>Ministry of Education and Human Development</b>							
Bandala School Meals Programme	0.22	0.19	0.22	0.20	0.22	0.22	0.09
Secondary school girls' scholarships	0.21	0.18	0.21	0.19	0.21	0.21	0.17
School uniform allowance	0.06	0.06	0.06	0.05	0.06	0.06	0.06
School kits for disadvantaged children	0.05	0.05	0.05	0.04	0.06	0.06	0.06
<b>Sub-total, MEHD</b>	<b>0.54</b>	<b>0.48</b>	<b>0.54</b>	<b>0.48</b>	<b>0.55</b>	<b>0.55</b>	<b>0.38</b>
<b>Ministry of Agriculture and Rural Development</b>							
Input subsidies for smallholder farmers	0.34	0.29	0.35	0.31	0.41	0.43	0.39
<b>Sub-total, MARD</b>	<b>0.34</b>	<b>0.29</b>	<b>0.35</b>	<b>0.31</b>	<b>0.41</b>	<b>0.43</b>	<b>0.39</b>
<b>Ministry of Finance</b>							
Government employer contributions to PSPF	0.92	0.92	0.93	0.93	0.94	0.96	0.97
Price subsidy for wheat and rice (National Grain Board)	1.23	1.19	1.15	1.14	1.10	1.02	1.09
<b>Sub-total, MoF</b>	<b>2.15</b>	<b>2.11</b>	<b>2.08</b>	<b>2.07</b>	<b>2.04</b>	<b>1.98</b>	<b>2.06</b>
<b>Ministry of Health</b>							
Subsidy to NHIF	0.98	0.76	0.96	0.75	0.97	1.07	0.96
<b>Sub-total, MoH</b>	<b>0.98</b>	<b>0.76</b>	<b>0.96</b>	<b>0.75</b>	<b>0.97</b>	<b>1.07</b>	<b>0.96</b>
<b>Ministry of Labour and Social Security</b>							
Labour-intensive public works	0.23	0.19	0.25	0.20	0.26	0.24	0.14
Subsidy to NSSF for informal workers' pension scheme	0.12	0.12	0.14	0.14	0.15	0.16	0.17
Others	0.08	0.06	0.08	0.07	0.08	0.12	0.11
<b>Sub-total, MLSS</b>	<b>0.43</b>	<b>0.37</b>	<b>0.47</b>	<b>0.41</b>	<b>0.49</b>	<b>0.52</b>	<b>0.42</b>
<b>Total</b>	<b>5.92</b>	<b>5.43</b>	<b>5.90</b>	<b>5.47</b>	<b>5.96</b>	<b>6.52</b>	<b>5.98</b>

**Table 2 Budget execution rates, by programme (%)**

	2018	2019	2020
<b>Ministry of Social Affairs</b>			
Needy Families Support Programme (NFSP)	98.6	97.3	76.6
Basic old-age pension	100.6	101.1	101.4
Community Social Action Programme (CSAP)	86.2	93.8	98.3
Community-Based Rehabilitation Programme	86.2	86.6	98.3
Orphanages	100.6	101.1	98.3
Elderly persons' centres	100.6	101.1	98.3
New-borns' allowance	100.6	101.1	98.3
Others	75.5	86.6	84.3
<b>Sub-total, MAS</b>	<b>96.5</b>	<b>97.7</b>	<b>88.3</b>
<b>Ministry of Education and Human Development</b>			
Bandala School Meals Programme	86.9	91.9	40.2
Secondary school girls scholarships	86.2	91.4	79.6
School uniform allowance	100.6	84.2	98.3
School kits for disadvantaged children	100.6	80.9	98.3
<b>Sub-total, MEHD</b>	<b>89.4</b>	<b>89.8</b>	<b>67.9</b>
<b>Ministry of Agriculture and Rural Development</b>			
Input subsidies for small-holder farmers	85.8	89.5	89.2
<b>Sub-total, MARD</b>	<b>85.8</b>	<b>89.5</b>	<b>89.2</b>
<b>Ministry of Finance</b>			
Government employer contributions to PSPF	100.6	101.1	99.3
Price subsidy for wheat and rice (National Grain Board)	97.3	100.2	105.1
<b>Sub-total, MoF</b>	<b>98.7</b>	<b>100.6</b>	<b>102.3</b>
<b>Ministry of Health</b>			
Subsidy to NHIF	78.0	79.0	88.2
<b>Sub-total, MoH</b>	<b>78.0</b>	<b>79.0</b>	<b>88.2</b>
<b>Ministry of Labour and Social Security</b>			
Labour Intensive Public Works Programme	83.1	80.9	57.3
Subsidy to NSSF for informal workers' pension scheme	100.6	101.1	104.4
Others	75.5	88.4	90.1
<b>Sub-total, MLSS</b>	<b>86.6</b>	<b>88.2</b>	<b>79.4</b>
<b>Total</b>	<b>92.3</b>	<b>93.7</b>	<b>90.2</b>

**Table 3 Cost-efficiency of main programmes of Ministry of Social Affairs, 2018-2020**

	2018	2019	2020
<b>Needy Families Support Programme (NFSP)</b>			
Transfers cost (million Bandala \$)	4.2	4.8	6.3
Administrative costs (million Bandala \$)	0.8	0.8	1.5
CTR (admin costs as % of transfer costs)	18.5	16.2	23.5
<b>Basic old-age pension</b>			
Transfers cost (million Bandala \$)	5.8	5.9	6.4
Administrative costs (million Bandala \$)	0.3	0.3	0.3
CTR	5.0	4.8	4.6

**Table 4 Republic of Bandala, Government finances, 2018-2020 (% of GDP)**

	2018		2019		2020		
	Budget	Actual	Budget	Actual	Initial budget	Revised budget	Actual
Revenue and grants	18.32	18.25	18.51	18.40	18.64	17.88	17.53
Revenue	17.87	17.82	17.99	17.92	18.13	17.14	16.29
Grants	0.45	0.43	0.52	0.48	0.51	0.74	1.24
Expenditure	19.88	19.56	19.90	19.65	19.80	23.35	23.10
Recurrent expenditure	18.40	18.14	18.51	18.37	18.39	22.00	21.89
Personnel remuneration	9.30	9.34	9.39	9.41	9.40	10.29	10.47
Salaries	8.56	8.59	8.64	8.66	8.65	9.47	9.63
Social security contributions	0.74	0.75	0.75	0.75	0.75	0.82	0.84
Goods and services	3.49	3.41	3.24	3.27	3.24	3.18	3.17
Transfers and subsidies	5.61	5.39	5.88	5.69	5.75	8.53	8.25
Social benefits, incl. NHIF	2.75	2.44	2.77	2.47	2.84	3.41	3.03
Price subsidies	1.23	1.19	1.15	1.14	1.10	1.02	1.09
Subsidies to enterprises	1.43	1.26	1.56	1.48	1.61	3.45	3.43
Capital expenditure	1.48	1.42	1.39	1.28	1.41	1.35	1.21
Overall balance	-1.56	-1.31	-1.39	-1.25	-1.16	-5.47	-5.57
Financing (net)	1.56	1.31	1.39	1.25	1.16	5.47	5.57
Domestic	0.92	0.85	0.86	0.90	0.89	2.14	2.11
External	0.64	0.46	0.53	0.35	0.27	3.33	3.46
<i>Memorandum items</i>							
Real GDP growth rate (%)	6.0	6.1	6.0	6.2	6.1	-4.0	-4.5
Nominal GDP (mn Bandala \$)	989	995	1,078	1,090	1,175	1,073	1,055
Public debt (% of GDP)	46.6	46.3	47.7	47.6	48.7	53.0	53.1