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REPORT

REVIEWS OF COUNTRIES'
EMERGENCY RESPONSE POLICIES
DURING COVID-19 PANDEMIC.

**CAMBODIA,
INDONESIA,
PHILIPPINES,
THAILAND**

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PREFACE

Coronavirus disease 2019 (COVID-19) was detected in December 2019 in Wuhan, China. This represented the third outbreak of a human coronavirus, following SARS (severe acute respiratory syndrome) and MERS (Middle East Respiratory Syndrome). The virus spread quickly to 123 countries worldwide, affecting more than 770 million people, with approximately 7 million deaths, of which almost 400,000 were in Southeast Asia. Since its outbreak, COVID-19 has caused catastrophic damage to public health and disruption of social and economic development. The pandemic sent shock waves across the globe, causing massive economic impacts never seen in the last century. Several countries in the region, for example, Indonesia, had their economies shrink drastically in 2020, which increased the poverty rate and resulted in job losses. Consequently, the nation was reclassified as lower-middle income. For the Philippines, the pandemic exposed the vulnerability of the health system, businesses, and communities, resulting in deaths, work losses, and economic downturn. In Cambodia, the repercussions were profound, significantly affecting Cambodia's key economic driver due to business closures, economic activity restrictions, and widespread loss of job. Country's GDP dropped to -3.1% in 2020, further impoverished the most vulnerable. Being one of the major economies in the region, Thailand also experienced overwhelm impact from the Pandemic including sharp decline in GDP, reduce investment, job losses, income decline and increase in the poverty rate.

Vaccination has been the core intervention to reduce transmission, severity and to ease the pressure on healthcare systems in the region from being overwhelmed.



Other interventions include lockdowns, social distancing, mass testing, policy interventions, etc. Different countries introduced policy interventions in response to both magnitude of the pandemic impact and their socioeconomic conditions. Thailand, for example, focuses on its welfare card policy, which is a social protection program that provides financial assistance to low-income citizens. For Indonesia, the vital role of MSMEs for the economy and job provision for people prompted the government to execute the Pemulihan Ekonomi Nasional (PEN) to help the sector.

The Philippines implemented the Emergency Subsidy Program to help low-income households cope with the pandemic's effects. In Cambodia, several policy interventions were deployed, including the cash transfer program, wage subsidy and skill training program, and VAT exemption.

Using the latest available literature, data, and statistics, this review assesses the impact of the implementation of these policy intervention programs, drawing on the experiences of four selected countries in the region: Cambodia, Indonesia, the Philippines, and Thailand. The specific research objectives are to: (1) provide an overview of the current status and implementation of the chosen policy responses during the COVID-19 pandemic; (2) examine the fiscal framework, including the direct and indirect effects of the selected policy responses, particularly in relation to government expenditure and revenue; and (3) identify the overall achievements and challenges associated with the selected policies.

Vaccination has been the core intervention to reduce transmission, severity and to ease the pressure on healthcare systems in the region from being overwhelmed.

This review is the integration of four country briefing notes produced by training participants during a nine-month training course on Fiscal Analysis and Capacity Training to Assess Health Emergency Responses, delivered from March to December 2023. The program, organized by the PCAsia-FACT program with support from the East West Management Institute.

It aimed to enhance the capacity of parliamentary staff to analyze specific response policies during health emergencies and provide a platform for conducting parliamentary briefing notes/country case studies to support the oversight function of parliaments. The training was attended by 11 technical staff, including five from the Cambodia National Assembly and Senate, four from the Indonesian House of Representatives, one from the Philippines, and one from the House of Representatives of Thailand.

The PCAsia-FACT program thanks Stockholm Economics, led by Dr. Gunnar Fors, for their contribution to the training program. Their team delivered a core module on analyzing state budget and policy responses during normal and emergency conditions. They also provided a framework for a case study report on the country's emergency response policy. The courses and research framework are useful guides for participants. The program expresses gratitude to other instructors as well as those from PCAsia for providing related foundation courses. This publication is divided into four main parts, in which the four countries' briefing notes are placed alphabetically. Starting from the first article on Cambodia case, followed by the subsequent articles from Indonesia, the Philippines, and Thailand.

Phnom Penh, Cambodia

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LIST OF ACRONYMS AND ABBREVIATIONS I

4Ps	Pantawid Pamilyang Pilipino Program
4Ps	Pantawid Pamilyang Pilipino Program COA
	Commission on Audit
AMS	ASEAN Member States
BI	Bank Indonesia
BPK	Badan Pemeriksa Keuangan/Supreme Audit Board
BPKP	Badan Pengawasan Keuangan dan Pembangunan/State Development Audit Agency
BPUM	Bantuan Produktif Usaha Mikro/Productive Assistance for Micro Enterprises
COA	Commission on Audit
COVID-19	Corona Virus Disease 2019
CREATE	Corporate Recovery and Tax Incentives for Enterprises
CREATE	Corporate Recovery and Tax Incentives for Enterprises
CSR	Corporate Social Responsibility
CTP	Cash Transfer Program for Poor and Vulnerable Households
DILG	Department of Interior and Local Government
DILG	Department of Interior and Local Government
DSWD	Department of Social Welfare and Development
DSWD	Department of Social Welfare and Development
DTP	Ditanggung Pemerintah/Borne by the Government
EBA	Everything But Arms
ECQ	Enhanced Community Quarantine
ECQ	Enhanced Community Quarantine
EDCs	Electronic payment terminals
GDP	Gross Domestic Product
GDT	General Department of Taxation
GoI	Government of Indonesia/Pemerintah Indonesia
GTF	Garments, textiles, and footwear
IDR	Indonesian Rupiah
IMF	International Monetary Fund
IMF	International Monetary Fund
KUR	Kredit Usaha Rakyat/People's Business Credit
LGU	Local Government Unit
LGU	Local Government Unit
LPDB-KUMKM	Lembaga Pengelola Dana Bergulir Koperasi Usaha Mikro Kecil dan Menengah/Micro, Small and Medium Enterprises Cooperative Revolving Fund Management Institution
MiEs/UMi	Micro Enterprises/Usaha Mikro

LIST OF ACRONYMS AND ABBREVIATIONS II

MLEs	Usaha Menengah Besar/Medium Large Enterprises
MoCSMEs	Ministry of Cooperation and Small, Medium Enterprises/Kementerian Koperasi dan Usaha Menengah, Kecil dan Mikro
MoF	Ministry of Finance/Kementerian Keuangan
MSEs	Usaha Menengah Kecil/Micro and Small Enterprises
MSMEs	Micro, Small, and Medium Enterprises
MSMEs	Micro-, Small and Medium-sized Enterprises
MSMEs	Micro-, Small and Medium-sized Enterprises
NG	National Government
NIDA	National Institute of Development Administration
NIK	Nomor Induk Kependudukan/Citizens Identity Number
NPWP	Nomor Pokok Wajib Pajak/Tax Identification Number
OJK	Otoritas Jasa Keuangan/Financial Services Agency
OTP	One-time password
PEN	Pemulihan Ekonomi Nasional/National Economic Recovery
PERPU	Peraturan Pemerintah Pengganti Undang-Undang/Government Regulation in Lieu of Law
PMK	Peraturan Menteri Keuangan/Ministry of Finance Regulation
RGC	the Royal Government of Cambodia
ROE/BUMD	Regional-Owned Enterprises/Badan Umum Milik Daerah
SAP-ESP	Social Amelioration Program – Emergency Subsidy Program
SAP-ESP	Social Amelioration Program – Emergency Subsidy Program
SOE/BUMN	State-Owned Enterprise/Badan Usaha Milik Negara
SP2020	Sensus Penduduk 2020/Population Census 2020
SRT	State Railway of Thailand
SWS	Social Weather Station
SWS	Social Weather Station
THB	Thai Baht
UBI	Universal Basic Income
UBI	Universal Basic Income
UNDP	United Nations Development Program
VAT	Value Added Tax
WHO	World Health Organization
WHO	World Health Organization

Article I

POLICY RESPONSES DURING HEALTH EMERGENCY:

EXPERIENCES OF CAMBODIA

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1.1. Introduction

Cambodia faced an emergency crisis stemming from the onset of the Covid-19 pandemic in early 2020. The repercussions were profound, significantly affecting Cambodia's key economic driver due to business closure, economic activity restrictions and widespread loss of jobs. consequently, economic growth declined from 7% in 2019 to a negative growth rate of -3.1% in 2020 [1], affecting all population segments in Cambodia, especially the impoverished and the most vulnerable.

The incident necessitated prompt government action across multiple dimensions, encompassing Responses, Recovery, and Resilience. Specifically, the Responses aspect aimed to tackle health, economic, and social effects. This involved implementing various emergency and fiscal responses that had implications for government budget revenue and expenditure.

These measures included the following:

- *The Cash Transfer Program for the poor and vulnerable households was started off on June 25, 2020, where the poor and vulnerable households receive cash transfer according to their family's size and location. As of October 2023, the government has spent approximately 4,850 billion riels (equivalent to US\$1.2 billion), benefiting around 700 thousand households or nearly 2.8 million people.*
- *A wage subsidy and skills training program aimed at providing protection to maintain a stable standard of living, particularly for workers in the garment and tourism sector. The program includes skills training support and wage subsidies from the government of US\$40 per month.*
- *VAT exemption, among other tax deferral measures, is the outstanding governmental support to revitalize the economic sector. The intervention provided exemption from the payment of all types of monthly taxes, including VAT for hotels, guesthouses, restaurants, and travel agencies in specific (tourism attracted) capitals/provinces.*

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As the measures have been implemented, it is essential to study their progress and impact. Therefore, the briefing note will review the three key responses: Cash transfer for the poor and vulnerable households, Work subsidy and skills training for suspended workers, and VAT exemption for tourism-related businesses.

1.1.1 Research Objectives

The briefing note aims to address the following objectives:

- Provide an overview of the current status of the three chosen health emergency responses during the Covid-19 pandemic
- Study the direct and indirect effects of the selected policy responses, particularly in relation to government expenditure and revenue
- Identify the overall achievements and challenges associated with the selected policies

1.1.2 Methodology

The briefing note is based on the review of existing government data and reports, as well as documents from national and international organizations. The study examines the major policy responses, delving into the budgetary considerations on the revenue and expenditure sides to address the research objectives.

The report is organized into six sections. After the introduction in Section1, Section 2 offers an overview of the economic and fiscal impact of the pandemic, followed by three sections focusing on the selected policy responses as case studies. The final section provides the conclusion to the briefing note.

1.2. Economic and Public Budget Impact of the Covid-19 Pandemic

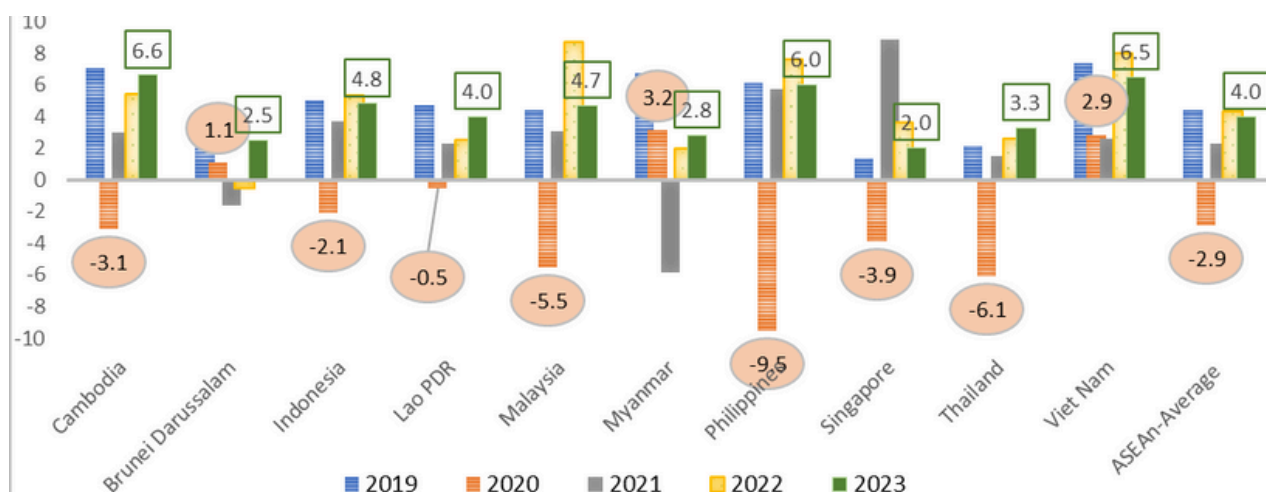
1.2.1. Macroeconomic impact of the pandemic

Cambodia's gross domestic product (GDP) averaged around 7% from 2015 to 2019 before the COVID-19 pandemic [2] [3]. The pandemic has had a significant impact on all sectors of Cambodia's key drivers of growth, with the hardest hit on small and medium enterprises (SMEs) [2] [3] [4]. The health containment measures from limiting movement and mass gatherings to lockdowns led to business closures, decline in demand, job losses and decreased income. As a result, the GDP growth in Cambodia was strongly affected in 2020.

Figure1 shows the GDP growth in Cambodia and other ASEAN Member States (AMS) and the ASEAN-average from 2019 to 2023. Cambodia GDP declined sharply from 7.1% in 2019 to -3.1% in 2020, which is similar to the ASEAN-average rate of -2.9%. However, the decline was lower than that of the Philippines, followed by Thailand and Malaysia. As the economy started to recover, Cambodia's GDP rebounded to 3% in 2021, and was estimated to reach 6.6% in 2023. This estimated rate is relatively high compared to other AMS, with an average rate of 4.0% in the same year.

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Figure 1: GDP growth rate (%) in Cambodia and other AMS, and ASEAN-average 2019-2023



Source : Asian Development Bank (ADB) data library [1] [4] [5]

Table 1 presents Cambodian macroeconomic indicators from 2019 to 2023. Nominal GDP per capita declined by -5.6% in 2020 from a year earlier; however, it rose from USD1,605 in 2020 to USD1,659 in 2021 and is estimated to surpass the pre-pandemic level in 2022 as businesses started to reopen and people returned to their jobs. Inflation raised to 2.9% in 2020 and 2021 and reached a hike rate of 5% in 2022 due to the pro-long impact of the pandemic and the Russia-Ukraine war, leading to an increase in food and fuel prices. Projected inflation rate will decline to 2.5% in 2023 [4] [6].

The Informal workforce increased from 88% to 93% of total employment from 2019 to 2020, respectively. From a survey of 1,400 informal workers conducted by ILO in 2021 [7], one in five respondents (18%) were unemployed in January 2021 up from 14% in October 2020.

Unemployment for women is higher at 22% compared to 13% for men [8].

Vulnerable groups such as women and migrant workers are especially at high risk of losing jobs and income. As of June 2020, 121 out of 706 Garments, textiles, and footwear (GTF) factories had suspended operations, affecting 130,000 workers (14% of the GTF workforce) [9]. Moreover, over 300,000 jobs in service sector were lost due to the closure of 3,429 registered tourism-related businesses. Average monthly food and non-food consumption decreased from USD114 to USD89 among lower-income group experiencing declining income. Table 1 shows that total private consumption decreased from USD 18,819 million in 2019 to USD 17,983 million in 2020 and USD17,571 million in 2021.

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As a significant impact on international trade due to border closure and supply chain disruption, Cambodia's exports of goods and services saw a decrease of about 5% from 2019 to 2020, whereas imports of goods and services declined by 4% in the same period. The slowdown in imports was driven mainly by the decline in global demand and the imports of production input for garment factories in Cambodia. However, the figures for both exports and imports started to pick up in 2021 surpassing the pre-pandemic levels as the country began to reopen its borders and lift restrictions on international travel.



TABLE 1: CAMBODIA MACROECONOMIC INDICATORS, 2019-202

Indicators	2019	2020	2021	2022	2023
GDP per Capita (USD)	1,700	1,605	1,659	1,785	1,924
Inflation (%)	1.8	2.9	2.9	5	2.5
Unemployment rate (%)	1.4	3	3	4	3
Private Consumption (USD million)	18,819	17,983	17,572	19,670	
Import of goods and service (USD million)	16,921	16,160	18,229	25,413	
Export of goods and service (USD million)	16,549	15,793	17,418	23,241	

Source: budget statement and budget law, World Bank, and *International Labour Organization* [1] [4] [10] [11]

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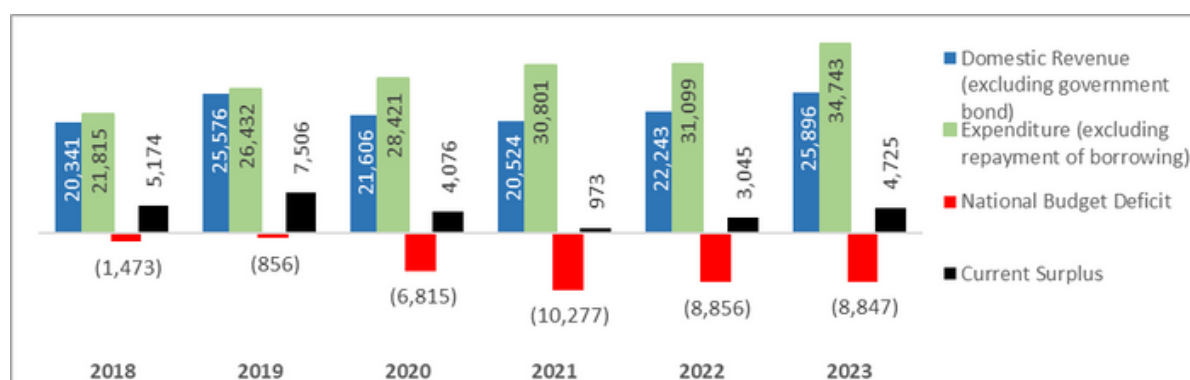
1.2.2. Government budget impact of the pandemic

Domestic revenue had increased gradually until 2019 but experienced a negative growth in 2020 given the slowdown in tax and non-tax revenue collection because of economic and business activity disruptions.

This is coupled with intervention measures to help affected businesses, including the aviation

sector, textile industry, and tourism related sectors through tax breaks and non-tax obligations [12] [13]. As a result, domestic revenue decreased from 25,576 billion Riels in 2019 to 21,606 billion Riels in 2020 and down to 20,243 billion Riels in 2021. The government projected revenue recovery to reach the pre-pandemic level in 2023.

FIGURE 2: CAMBODIA NATIONAL BUDGET BALANCE, 2017-2023 (IN BILLION RIELS)



SOURCE: BUDGET STATEMENT 2017-2021 AND BUDGET LAW 2022-2023 [2] [4]

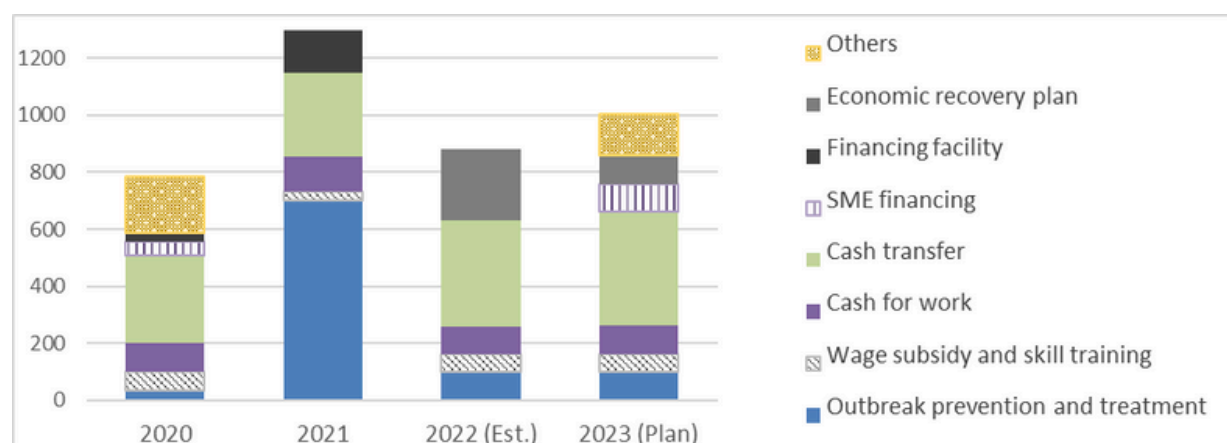


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On the other hand, the national budget expenditures increased significantly during 2020-2021. Total deficit of the national budget widened from 856 billion riels (0.8% of GDP) in 2019 to 6,815 billion riels (-6.6% of GDP) in 2020 and 10,277 billion riels (-9.4% of GDP) in 2021. However, the budget deficit is estimated to narrow in 2022 and 2023.

Budget allocation for key intervention packages covers a wide range of health, economic and social measures, which include Outbreak prevention and treatment, Wage subsidy, Cash for work, Cash transfer to support the poor and vulnerable, Financial support for SMEs and other financing mechanisms, and Economic recovery plan (2022-2023), as shown in Figure 2.3.

FIGURE 2.3: KEY GOVERNMENT'S INTERVENTION PACKAGES, 2020-2023 (USD MILLION)



NOTE: OTHERS IN 2023 INCLUDE: GREEN AND DIGITAL INFRASTRUCTURE DEVELOPMENT, PROMOTING DIVERSIFICATION AND COMPETITIVENESS, AND NEAR-POOR SUBSIDY PACKAGE

SOURCE: MEF (2023) AND MEF (PRESENTATION DOCUMENT, 2022)

1.3. Case Study 1: Value Added Tax Exemption During Health Emergency

1.3.1. Objectives and implementation

As the pandemic started, tourist arrivals were recorded at 1.31 million in 2020, with 1.15 million arriving in the first quarter alone. this marked an 80% decline compared to 2019, which saw 6.6.

million international tourists and 11.3 million domestic visitors [14]. This led to staff layoffs, reduction in business hours, and closure of many tourism related businesses: both officially registered businesses – such as hotels, restaurants, travel agencies, and karaoke bars – and informal entities, such as street vendors and tuk-tuk drivers clustering around tourism areas [15].

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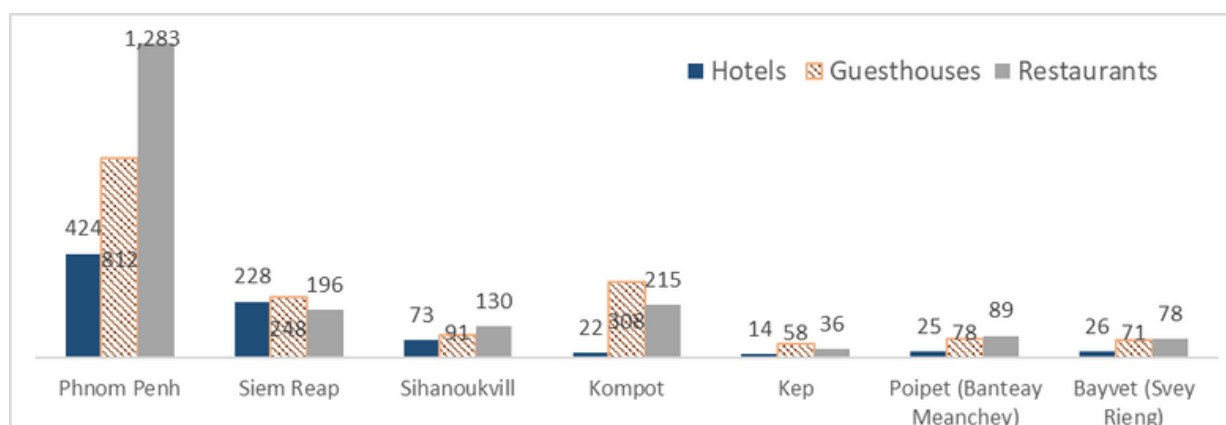
To respond to the sharp decline in tourism sector during the pandemic, the Royal Government of Cambodia (RGC) introduced emergency measures, one of which is the tax exemptions to support tourism related establishments and workers. The Ministry of Economy and Finance, in its letter No. 1313 to No. 2039, has provided exemptions from the payment of all types of monthly taxes including value added tax (VAT) for hotels, guesthouses, restaurants, and travel agencies that are registered with the General Department of Taxation (GDT) and have business in either of the seven locations: Phnom Penh, Siem Reap, Preah Sihanouk, Kep, Kampot, Bavet and Poipet. The VAT exemption was in effect from February 2020 to June 2022 [16], with the prime objective to help tourism-related businesses continue their operations, retain jobs for workers, and become more competitive after the crisis [17].

The General Department of Taxation of the Ministry of Economy and Finance is responsible for implementing and monitoring the tax relief measure and reporting the progress in tax revenue mobilization.

Figure 3.1 shows the total number of hotels, guesthouses and restaurants in the seven capitals/provinces eligible for the VAT relief measure. There was a total of 1,028 hotels, 2,755 guesthouses, and 3,359 restaurants in Cambodia in 2020 [16]. The seven capital/provinces combined accounted for 79% of the total hotels and 60% of both total guesthouses and restaurants in the country.



FIGURE 3.1: TOURISM SUPPLY BY LOCATION IN 2020



SOURCE: B2B CAMBODIA, CAMBODIA'S TOURISM CAPACITY IN 2020 [6]

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Table 3.1 shows that there was a total of 65,879 employees working at hotels, guesthouses, and restaurants located in the seven areas eligible for the tax exemption in 2020. This is equivalent to 82% of total employees working at the three types of businesses in the entire country. Phnom Penh had the highest number, amounting to 36,870 workers, followed by Siem Reap and Preah Sihanouk. The figures in other provinces are relatively lower, ranging from about 1,581 in Bavet to 1,017 in Poipet, and only 817 in Kep during the same period [18].

TABLE 3.1: EMPLOYMENT IN HOTELS, RESTAURANTS AND GUESTHOUSES BY LOCATION IN 2020

Provinces	Phnom Penh	Siem Reap	Sihanouk	Kampot	Kep	Poipet (Banteay Meanchey)	Bavet (Svey Rieng)	Total
Number of workers	36,870	16,344	6,874	2,372	817	1,017	1,585	65,879
Share to total workers in Cambodia	46.0%	20.4%	8.6%	3.0%	1.0%	1.3%	2.0%	82.2%

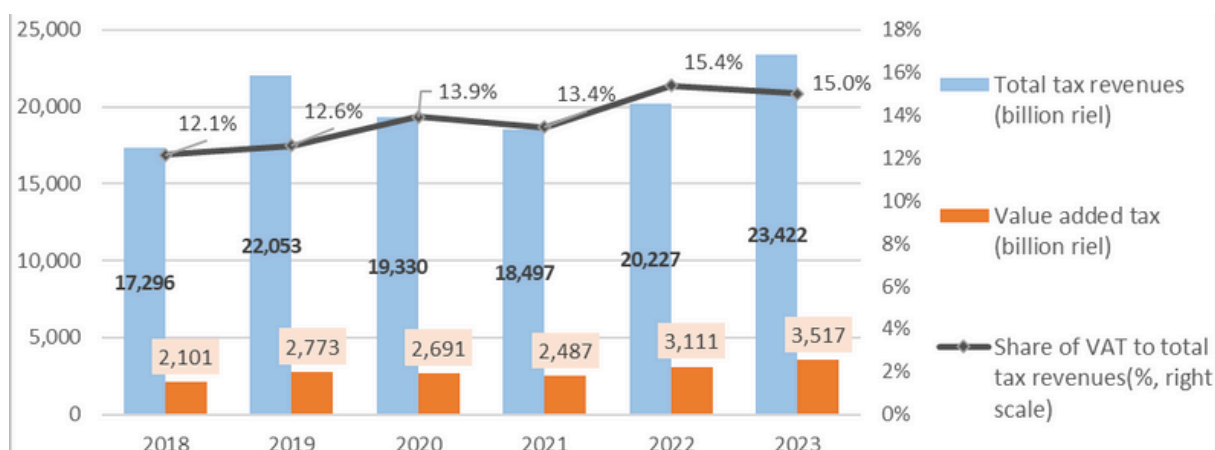
SOURCE: B2B CAMBODIA, CAMBODIA'S TOURISM CAPACITY IN 2020 [6]

1.3.2. Budgetary effects of VAT exemption response measure

Figure 3.2 shows the changes of total tax revenue and VAT revenue before and during the pandemic. The total tax revenue plummeted to 19,330 billion riels in 2020 and continued to decrease in 2021, before rising in 2022. The sharp decline is due mainly to the slowdown in economic and business activity, as well as the tax relief measure during the pandemic [19]. This can be seen in the drop in VAT revenue in 2020 and 2021 as a result of VAT exemption, particularly for tourism-related services. Nevertheless, VAT revenue started to recover, reaching 3,111 billion riels in 2022 and surpassed the pre-pandemic level, contributing around 15% to total tax revenue in 2022 and 2023.



FIGURE 3.2: CHANGING TRENDS OF VAT REVENUE AND TOTAL TAX REVENUES, 2018-2023,



SOURCE: BUDGET SETTLEMENT (2018-2021) AND BUDGET LAW (2022-2023) [2] [4]

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1.3.3. Achievements and challenges of VAT exemption response measure

A. ACHIEVEMENTS

Short term implications

As shown in Figure 3.2, VAT exemption contributed to the reduction in government's budget revenue in 2020 and 2021. However, the tax relief measure has been one of the primary fiscal supports intended to assist enterprises during the crisis as well as during the post-pandemic recovery. The budget revenue is estimated to start to recover in 2022 and rebound to overtake the pre-pandemic level in 2023 (Figure 3.2).

At the time this report is written, there have not been specific studies addressing the main achievement of the VAT exemption in Cambodia against its intended objectives; however, several pieces of literature have discussed tourism responses and coping strategies during the pandemic. For instance, the Centre for Policy Studies (2021) conducted a comprehensive study on the pandemic impacts on tourism service with 997 establishments in July and November 2020, and about 570 establishments in April 2021, both registered and non-registered in the country [20]. According to the study, 56% of those businesses were operating as normal in 2020, and 13% of them had closed due to the pandemic.

The figures, however, had changed in the survey conducted in April 2021: only 22% of businesses remained in operation, while 47% of them have ceased their activities. The same study also revealed that the impacts were equally severe for both registered and non-registered entities in 2021 [20].

As the country started to recover during the late 2021, Cambodia planned to welcome fully vaccinated international visitors with a reduced number of quarantine days but remain cautious regarding health measures to contain potential outbreaks and to optimize economic benefits [21] [22]. Fully vaccinated employees also returned to the industry to prepare for wider re-opening.

Long term implications

Despite the tax exemption measure, tourism-related services experienced gradual decline between 2020 and 2021. However, businesses have demonstrated resilience and shown a quick recovery in 2022. Many hotels, restaurants and travel agencies have reopened, with employees returning to their jobs. 2023 [23].

As part of the follow-up plan, the impact of the pandemic was regularly monitored, which has helped the government to review the response measures and assess the performance of major economic sectors including the tourism-related industry.

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The follow-up mechanism is crucial to provide updates and prepare further necessary measures, aimed at restoring and promoting economic growth under the economic-restoration strategic plan framework during and after the Covid-19 crisis [16].

B. CHALLENGES

The RGC implemented VAT exemption measures to bolster the tourism industry and employment during the COVID-19 crisis. However, several challenges remain [20] :

- According to the study by the Centre for Policy Studies (2021), the initial implementation of the measure in 2020 saw a lack of awareness among businesses. Many entities were unaware of the measure and thus were not able to receive support.
- Information regarding the follow-up measures of the tax exemption responses during the pandemic was not accessible. In addition, the information regarding the effectiveness of the implementation has not been available. This had left a critical gap in the general understanding of its direct impact on the taxpayer behavior in different locations, and overall performance of the beneficiaries in relation to the government assistance. This limited evaluation also hinders the ability to assess the different performances of eligible and non-eligible entities.

- The impacts of the pandemic were equally severe for both registered and non-registered businesses, especially in 2021, due to a substantial decline in sales and revenue. However, the coverage of the tax exemption support was limited to, and targeted only registered enterprises. Consequently, non-registered entities (such as street vendors and Tuk Tuk drivers) did not qualify for the assistance and faced isolation during the pandemic response.

1.3.4. Concluding remarks and policy implications

Monthly tax, including VAT, exemption was launched to support hotels, guesthouses, restaurants, and travel agencies that have been severely impacted due to the slowdown in tourism sector. As a result, VAT exemption contributed to reducing government budget revenue in 2020 and 2021, but the revenue was expected to recover the year after. As the country started to recover, businesses demonstrated resilience and showed a quick recovery in 2022. Many hotels, restaurants and travel agencies had reopened, with employees returning to their jobs. However, the measure faced several challenges, including the lack of awareness among businesses, limited coverage to only registered entities, and limited evaluation during and after the implementation.

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A number of policy implications can be drawn from the discussion of the case study [20] :

- The information of the tax measure could be disseminated widely to raise awareness among potential beneficiaries. A follow-up mechanism could also be carried out, particularly at the local level, to ensure extended and proper access to assistance.
- The performance of the beneficiaries, particularly that of small businesses in the sector could be reviewed to study the impact of the tax responses before, during and after the implementation. The result could also provide a benchmark for the analysis of the differences between eligible and non-eligible entities. The result would be crucial to provide a roadmap for further support during the recovery process.
- The coverage of the measures could be expanded to include informal firms, whereas formalization could be encouraged through simplifying the registration process and providing proper incentives/benefits to attract registration.
- Given the prolonged impact of the pandemic, in addition to the tax deferral, small and micro enterprises could benefit from further support and direction to enable them to adjust to the “new normal” and diversify their products and markets during the recovery. Adoption of digitalization is also a crucial support for business to prepare and respond to the next unexpected event(s).



1.4. Case Study 2: Cash Transfer Program for Poor and Vulnerable Households

The case study introduces the program implementation and its evaluation alongside lessons learnt and policy implications, preparing for the next unexpected health emergency.

1.4.1. Objectives and implementation

The governments' COVID-19 Cash Transfer Program for Poor and Vulnerable Households (CTP), initiated in June 2020 [24], was a crucial supporting step in helping families struggling to make end meet during the pandemic as the program has helped to relief some of the financial burdens during these challenging times.

*CTP has reached around
700,000 households
2.79 million individuals
(equivalent to around
16.5% of the total
population)*

The implementation of the CTP was launched following the Sub-decree released in June 2020 and is in progress at the time the report is written, benefiting around 700,000 households [25], with about 2.79 million individuals (equivalent to around 16.5% of the total population). To be eligible for the program, the poor and vulnerable household must meet the following criteria: 1) holding a valid ID-poor (Equity) card as identified based on poverty level, and 2) having been verified for eligibility to the program at any commune Sangkat council.

With its introduction just in time of the pandemic (2020), CTP can be considered as an “active policy”. The development and implementation of the program requires effective coordination among key stakeholders at the national and local levels. At the national level, the National Social Protection Council, the Ministry of Economy and Finance, the Ministry of Interior, the Ministry of Planning, and the Ministry of Social Affairs, Veterans and Youth Rehabilitation have been working together to develop and implement the program. At the local level, provincial and commune authorities have been assisting in identifying the poor and vulnerable households in their communities. [26] The National Social Protection Council, on the other hand, is responsible for monitoring and evaluation of the CTP during and after the implementation of the program.

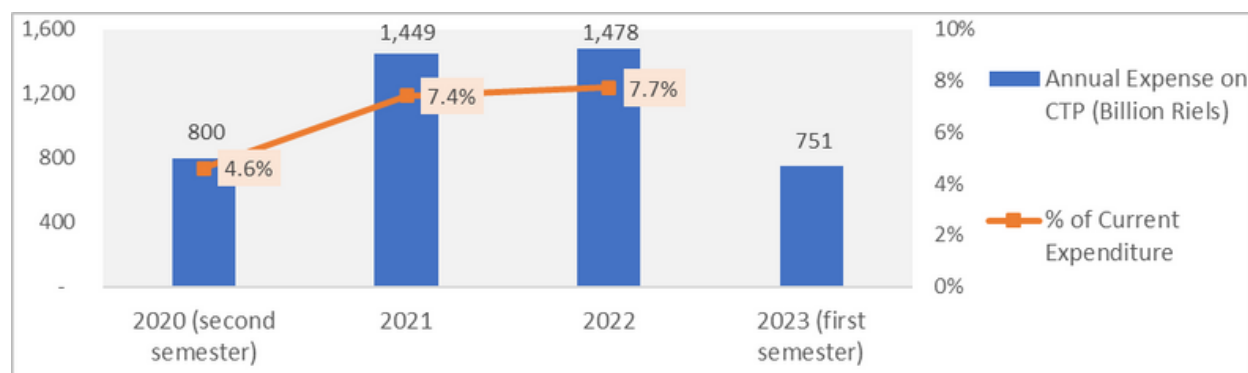
1.4.2. Budgetary effect

The Cambodian government had allocated \$837.05 million through a Covid-19 relief scheme since June 2020 [24], aiming to support the vulnerable households. By October 2022, the scheme had reached a total of 10-rounds of cash releases. As of October 2023, total spending on the CTP program reached 4,851 billion riels (equivalent to USD1.2 billion), according to the National Social Protection Council [27]. Figure 4.1 shows the progress of CTP spending, from the second semester of 2020 to the first semester of 2023.

It is noteworthy that CTP spending remained high in 2022 while considering that the year experienced improved relief from the pandemic. To clarify, the incidence was linked to the consideration that the pandemic could have had a prolonged impact on the socio-economic dimension of people's livelihoods, thereby requiring continued support for an extended period.

CTP Budget reach almost 1,450 billion riels in 2021

FIGURE 4.1: GOVERNMENT EXPENDITURE ON CTP, 2020 - 1ST SEMESTER 2023 (IN BILLION RIEL)



SOURCE: MEF, REPORT ON THE IMPLEMENTATION OF THE CAMBODIA SOCIAL PROTECTION SYSTEM (2023, UNPUBLISHED)

The figure shows that the budget allocated for CTP reached almost 1,450 billion riels, equivalent to 7.4% of the national current expenditure in 2021, which was a significant increase from 4.6% in 2020 (second semester when the scheme kicked off). The figure rose slightly in 2022 and was estimated to remain quite stable in 2023 (with the figure available as of the first semester).

Table 4.1 shows CTP expenditures from 2020 to 2023 (first semester), with the number of households and population, as well as the monthly expenditure and allocation per household.

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TABLE 4.1: NUMBER OF CTP HOUSEHOLDS AND POPULATION, AND AVERAGE MONTHLY EXPENSES, 2020-2023

Year	Households (maximum)	Population (maximum)	Average Monthly Expense (Billion Riels)	Per Household-Monthly average (Riels)	Per Household-Monthly average (USD) ¹
2020 (second semester)	685,447	2,720,345	114.31	166,765	40.9
2021	693,333	2,750,501	120.73	174,127	42.7
2022	706,652	2,788,065	123.16	174,290	42.8
2023 (first semester)	705,716	2,787,283	125.13	177,311	43.5

SOURCE: MINISTRY OF ECONOMY AND FINANCE (2023, UNPUBLISHED)

NOTE: 1) EXCHANGE RATE (RIELS/USD): 4,076 (2020-2023- 4 YEAR-AVERAGE, SOURCE: MEF, 2023)

The table highlights an increasing number of beneficiaries each year, consistently hovering around 700,000 households, which aligns with the general increase in expenditure discussed in Figure 4.1. However, the number of CTP households slightly decreased in 2023, which could be attributed to the data that covers only the first semester of the year. Each household received around USD43 or 177 thousand riels per month, costing the government an average expense of approximately 125 billion riels monthly.

1.4.3. Achievements and challenges of the Cash Transfer Program

A. ACHIEVEMENTS

The Cash Transfer Program (CTP) has reached its 3-year span, benefiting almost 2.8 million Cambodian population. The scheme's intent has been a positive reflection of three prominent aspects:

1) impact on the macroeconomy, 2) beneficiaries' satisfaction, and 3) coverage of recipients; all of which reflect positively on the intended objective even beyond expectations.

Impact on the macroeconomy, unemployment and poverty rates

According to a study conducted by the United Nations Development Program (UNDP) in 2022, the current CTP not only prevented impoverished families from experiencing food insecurity, debt, or the sale of family assets, but also supported healthcare and children's education [28]. At the macroeconomic level, the study by UNDP (2022) estimated that this program contributed to an increase of economic growth by 0.55% in 2020 and 0.45% in 2021, as listed in Table 4.2 [28]. It has also led to a decrease in unemployment rate by 0.57% and poverty rate by approximately 2.7% in 2020, and further down to 0.62% and 3.4% in 2021 for unemployment and poverty rate, respectively [29].

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TABLE 4.2: ESTIMATED IMPACT OF CTP ON MACROECONOMY, 2020-2021

Impact of CTP	2020	2021
Contribute to GDP growth	0.55%	0.45%
Reduce Unemployment rate	0.57%	0.62%
Reduce Poverty rate	2.7%	3.4%

SOURCE: UNDP (2022): SOCIO-ECONOMIC IMPACTS OF THE COVID-19 CASH TRANSFER PROGRAMME IN CAMBODIA: MACRO AND MICRO-LEVEL EVALUATIONS, RETRIEVED FROM: ECONOMIC REPORT JULY 2022_RIGHT COVER.PDF (UNDP.ORG)

Beneficiaries' satisfaction

UNDP (2022) conducted a survey with 600 respondents who have benefited from the CTP, and the result suggested that approximately 99% of the total respondents expressed satisfaction with the current cash transfer mechanism [28]. The recipients reported to be more likely to have enough food and cash savings, compared with non-recipients (sample of 400 interviewees). In addition, beneficiaries were less likely to take out additional loans or discontinue their children's education. When given a choice, 92% of the respondents preferred cash over other forms of support, such as farm inputs, agricultural training, and vocational training.

Expansion of the beneficiaries

The total number of people eligible for the program had reached 2.8 million in 2022 [30]. This is an increase from the previous estimates of 2.3 million in June 2020 [31], 2.6 million in August 2020 [32], and 2.7 million people in April 2021 [33]. The figures imply that the program has not only reached its targeted recipients (of 2.3 million people) but also expanded to a broader scale of beneficiaries (2.8 million).

The increasing number of the recipients could signal a positive indication that more households are being recognized as eligible for assistance, as this may help to alleviate some of the financial difficulties faced by low-income families in Cambodia. This may also reflect the effectiveness of the poor household's identification through the 'on-demand' mechanism. The "on-demand" approach refers to the procedures that continuously add and update poor households with real-time information through commune Sangkat Councils, so that the new-at-risk households would not be left behind.

B. CHALLENGES

Despite the achievements, the CTP has faced constraints and challenges, as identified throughout the program's implementation.

Extensive coverage of CTP in Cambodia

According to a report by Asian Development Bank, the CTP was the first cash transfer of its kind implemented nationwide and thus presented a challenge in the design and implementation, including cash distribution, defining poverty categories, and assessing transparency.

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Prior to CTP launching, 15.3% of total households in Cambodia (550,000 out of 3.58 million households) were deemed eligible for the program [28]. The figure has since increased, reaching about 700,000 households as of 2023, as claimed by the National Social Protection Council in Cambodia. The extensive coverage may lead to a question of transparency as reflected in the study by Youth Council of Cambodia [34] on the concern of a lack of transparency in the Covid-19 relief program delivery [34].

Out-of-date IDPoor database and limited existing social protection mechanism

The IDPoor program in Cambodia began in 2006 to identify and support impoverished households. Poverty thresholds were used to identify poor households in eight to nine provinces per year, expanding to urban areas in 2016 [35]. As the CTP was launched quickly after the pandemic, identification of the vulnerable households was entirely based on the 2016 IDPoor database. However, the system was not continuously updated, leaving behind new at-risk households or households that have subsequently fallen into poverty. In addition, as social protection in Cambodia is being developed during the recent years, the limited existing mechanism made it difficult for the country to implement a large-scale policy response.

The Ministry of Planning piloted a new "on-demand" mechanism in 2017 including digital data collection in selected communes, and subsequently decided to fully employ this mechanism in August 2020 to enable a speedier and more flexible IDPoor registration [36]. Nevertheless, the [34] report found irregularities on the application of data registration. [34].

Constraints in coordination

Large-scale programs often face challenges in communication and coordination, as seen in the CTP that required collaboration between national and local stakeholders. Effective communication and coordination were crucial for identifying underprivileged households. However, given the large scope of the program, the process posed challenges in preventing mistakes.

At the local level [26], for instance, CTP requires effective coordination among the key stakeholders, ranging from national government, including the National Social Protection Council, the Ministry of Economy and Finance, the Ministry of Interior, the Ministry of Planning, and the Ministry of Social Affairs, Veterans and Youth Rehabilitation, to local government at the provincial and commune levels to implement the program and to identify the poor and vulnerable households [26].

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These stakeholders must act to ensure efficiency, transparency, equity, and equality [33] as effective coordination and communication were critical for the success of the project.

Nevertheless, it was challenging to ensure that mistakes did not occur due to the sheer scale of operations and the need for coordination between various authorities involved [26]. The absence of monitoring and evaluation mechanisms on the program was also reported [34].

Security risks in terms of cash transfer digital transaction

Transferring cash to a large number of beneficiaries poses significant security risks. Initially, less than 20% of the population had an account with a financial institution or mobile money provider [37], making transferring cash digitally challenging. In addition, low financial literacy was also a constraint. Therefore, it is crucial that the authorities mitigate the security risks of cash transfer by using secure digital tools, working with financial institutions and mobile money providers, and increasing financial literacy levels [38].

1.4.4. Concluding remarks and policy implications

CTP was initiated to provide financial assistance to struggling families, benefiting around 700,000 households, equivalent to around 16.5% of the total population who meet the eligibility criteria. The implementation of the program requires effective coordination among key stakeholders at the national and local levels, with the National Social Protection Council responsible for monitoring and evaluation. As of October 2023, the government has spent \$1.2 billion for this program.

The CTP was estimated to have positive impacts on the macroeconomy, unemployment, and poverty rates [39]. The program prevented impoverished families from experiencing food insecurity, debt, or the sale of family assets, while also supporting healthcare. The program also received high satisfaction rates among beneficiaries, with 99% expressing satisfaction. The total number of people eligible for the program has increased to 2.8 million in 2023, indicating that the program has been expanding to a broader scale of beneficiaries.

Nevertheless, CTP has faced challenges. The program was the first of its kind introduced nationwide, and thus this extensive coverage presented challenges in its design

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and implementation, such as cash distribution, defining poverty categories, and assessing transparency. Also, the program relied on an out-of-date IDPoor database to identify poor and vulnerable households, which left behind new at-risk households or those that have fallen into poverty during the pandemic. Issues also presented regarding coordination and communication among stakeholders. Finally, transferring cash to a large number of beneficiaries posed significant security risks.

"With the challenges discussed, several policy implications could be drawn as suggested issues for further examination."

•Extensive Coverage of CTP:

Improving cash distribution: To ensure that cash transfers reach the intended beneficiaries and reduce the risk of fraud, different cash distribution methods could be explored, such as mobile money and e-wallets with one-time password (OTP) code.

Enhancing transparency: an independent monitoring and evaluation system could be developed to track the progress of the program outcomes and address issues in a timely manner, thereby increasing transparency and accountability. The mechanism could also include the measure the program effectiveness and in what ways it has reached its intended objectives, risk assessment, regular audits, and establishment of a hotline for timely assistance.

Increasing awareness: awareness campaigns could be held on a periodical basis. This would keep households well-informed about the eligibility criteria and the benefits of the program.

•Out-of-date IDPoor Database:

Employing more resources and strengthening 'on-demand' mechanisms to ensure that information on the IDPoor database is regularly updated and monitored. This could expand to improve efficiency and reliability of digital systems and data collection process.



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•Constraint in coordination among stakeholders

Developing a harmonized coordination framework: which can help in identifying areas where coordination is lacking and where fraud is likely to occur. A primary coordinating institution could be responsible for facilitating communication and information sharing among the stakeholders.

Utilizing technology: to improve communication and coordination. For instance, a centralized database can be created where all stakeholders can access the same information and report issues on the program.

•Security risk in digital cash transfer:

Use encryption: two-factor authentication, or biometric authentication can provide an extra layer of security and ensure that only authorized users can access the payment systems. This could include regular security audits and implementing fraud detection systems.

Increasing Financial Literacy Levels: by providing training on safe digital payment practices. This could include information on how to avoid phishing scams, how to create strong passwords, and how to identify suspicious activity.

While the pandemic continues to affect people's lives, it is reassuring to know that the government has been taking steps to support those who are in need. The Covid-19 relief scheme, via the CTP, is an example of the government's commitment to helping the most vulnerable households. With continued support and assistance, the drawbacks can be kept as learnt lessons for proactive approach for future emergency responses so that Cambodia can build its readiness for any unprecedented instances. With the lessons learnt, social protection could be strengthened even after the pandemic to ensure inclusive and sustainable access to the system so that the most vulnerable can be protected from falling into further poverty during unexpected shocks. This could be an experience for other assistance programs should the government wish to pursue any even after the pandemic recovery period.

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1.5. Case Study 3: Wage Subsidy and Skills Training Program for Suspended Workers

1.5.1. Objectives and implementation

The COVID-19 pandemic impacted many aspects of economic activities in Cambodia, with the garment manufacturing and tourism service facing the hardest hit due to their high dependence on external markets [40]. In June 2020, 450 garment factories requested to temporarily suspend operations and 83 had completely closed, leaving about 13,000 workers jobless because of the lack of production input, decline in external demand, coupled with a partial removal of Everything But Arms (EBA)[1] initiative [41] [16].

The figure seems to increase as of 2022, 490 factories were closed or suspended, affecting about 40,000 workers [40]. Sever impact has also been observed in tourism-related businesses where employers were compelled to cease operations and initiate layoffs [42]. Approximately 800,000 jobs were suspended in both garment and tourism sectors during the pandemic [43].

In response to the job suspensions, the RGC has introduced a new intervention known as the “wage subsidy and skills training” program to provide support to the affected workers. This active measure was initiated in May 2020 [44].

The wage subsidy measure aims to support livelihood stabilization and promote skills training for the suspended workers, both male and female, in two sectors: 1) garment, footwear and travel goods manufacturing; and 2) tourism-related businesses—hotels, guesthouses, restaurants, and travel agencies.

To be illegible for this support, the beneficiaries must be in the establishments registered in the Ministry of Labor and Vocational Training, the Ministry of Commerce, the Ministry of Tourism, and the General Department of Taxation of the Ministry of Economy and Finance and have obtained the permit of the employment contract suspension from the Ministry of Labor and Vocational Training [42]. The latter is responsible for implementing this measure.

The temporary wage subsidy has been implemented as follows [16]:

- *USD40 per month is provided by the government, and USD 30 per month is paid by the employers for each suspended worker in garment, footwear or travel goods factory, (each worker received a total of USD70 per month)*
- *USD40 per month is provided by the government for each suspended worker in tourism-related entities: hotel, guesthouse, restaurant, and travel agency. Employers can contribute additional support on a voluntary basis based on the reality of the businesses.*

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According to notification of the Ministry of Economy and Finance, eligibility for the temporary wage allowance is contingent upon participation in short-term training organized by the Ministry of Labor and Vocational Training and/or the Ministry of tourism.

1.5.2. Budgetary effects

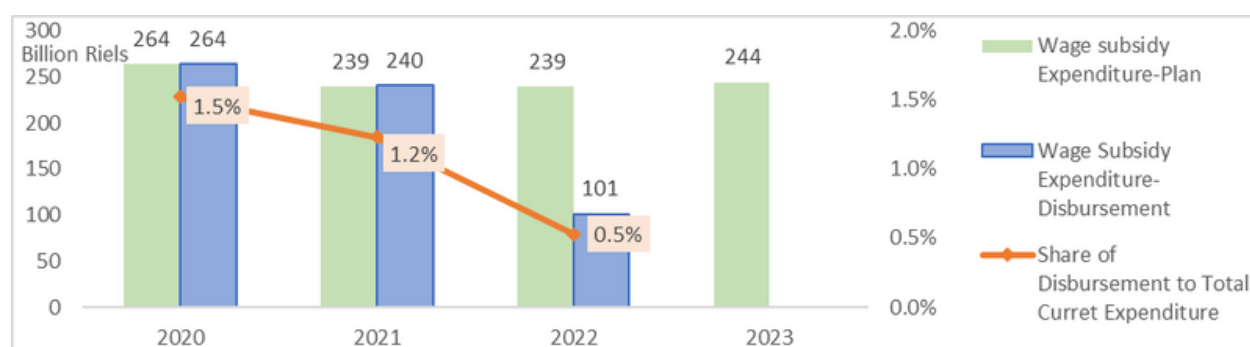
Figure 1 shows the amount of the budget expenditure on wage subsidy and skills training measure from 2020 to 2023. The government spent almost 264 billion riels (or USD64 million) in 2020, which is equivalent to 1.5% of the total current expenditure. The disbursement decreased slightly to 240 billion riels in 2021, and further down to 101 billion riels in 2022, which was equivalent to only 42% of the budgeted amount. This sharp decline could be due mainly to the reopening of the

garment factories as some workers returned to their jobs after the lockdowns.

However, the planned budget remained high for this program for 2023 and was estimated to reach 244 billion riels at the end of the year.

Table 5.1 lists the number of workers in both sectors receiving the wage subsidy as announced by the Ministry of Labor and Vocational Training. The effected enterprises and suspended workers remained relatively high from 2020 to 2021. However, the number declined in 2022 as employers started to return to their jobs. It should be noted that the subsidy for suspended factory workers concluded in January 2022, while for tourism service workers it concluded in June 2022, except for those in hotel businesses in Siem Reap which lasted until February 2023.

FIGURE 5.1: WAGE SUBSIDY PLAN AND DISBURSEMENT, 2020-2023
(BILLION RIELS AND % TO CURRENT EXPENDITURE)



SOURCE: MEF (2023, NOT PUBLISHED)

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TABLE 5.1: NUMBER OF ENTERPRISES AND EMPLOYEES RECEIVING THE WAGE SUBSIDY, 2020-2023

EMPLOYEES IN GARMENT, FOOTWEAR AND TRAVEL GOODS FACTORIES AND IN TOURISM-RELATED SERVICES

ANNOUNCEMENT DATE	NUMBER OF BUSINESSES	NUMBER OF EMPLOYEES
26 May 2020	111	33,231
29 Dec 2020	28	4,838
23 June 2021	91	11,286
23 Dec 2021	46	3,409
21 Jan 2022	8	14,142

EMPLOYEES IN TOURISM-RELATED SERVICES ONLY

ANNOUNCEMENT DATE	NUMBER OF BUSINESSES	NUMBER OF EMPLOYEES
24 Jun 2022	35	3,848
10 Oct 2022	19	1,751
22 Feb 2023	3	129

NOTE: 1: WAGE SUBSIDY FOR EMPLOYEES IN GARMENT, FOOTWEAR AND TRAVELS GOODS FACTORIES CONCLUDED IN JANUARY 2022. 2: WAGE SUBSIDY FOR EMPLOYEES IN TOURISM-RELATED SERVICES CONCLUDED IN JUNE 2022, EXCEPT FOR SUSPENDED WORKERS OF HOTEL BUSINESSES IN SIEM REAP. 3: FINAL PAYMENT DURING THE COVID-19 PANDEMIC WAS CONCLUDED FROM JANUARY 2023. IN MARCH 2023, THE GOVERNMENT LAUNCHED A NEW PHASE OF WAGE SUBSIDY FOR SUSPENDED GARMENT, FOOTWEAR AND TRAVELS GOODS WORKERS AFFECTED BY GLOBAL ECONOMIC CRISIS.
SOURCE: MINISTRY OF LABOR AND VOCATIONAL TRAINING (2022-2023, ANNOUNCEMENT) [44]

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1.5.3. Achievements and challenges of the wage subsidy and skill training program

A. ACHIEVEMENTS

As of April 2021, wage subsidies reached 520,916 suspended workers in the garment, textile and footwear sector (81% were female) [40]. To explore how affected workers can be supported during the pandemic, Center for Policy Studies (2021) conducted a survey with a sample of 1,525 respondents from the approximately 125,000 workers in manufacturing industries (garment, footwear and travel goods) and related tourism services (hotels and guesthouses and other tourism businesses) in August 2020 [45]. The results from the study suggested that a high number of respondents in the garment, footwear and travel goods sector have received the allowance from the government as listed in Table 5.2, while the number was relatively fewer among tourism related service workers, and even lower when referring to receiving the co-support from employers.

This is also evident in the study by Reach (2021) with a sample of 203 garment workers in November-December 2020, showing that around 80% of the respondents have received full subsidies from both the government and employers [40]. However, her second survey with 155 workers in March-April 2021 suggested that the number declined to 16% since some workers were being called back to resume their work, while others have not been registered as suspended workers with the Ministry of Labor and Vocational Training in a timely manner.

Nevertheless, the wage subsidy measure has been perceived as a great support during the hard time. The respondents reported that the allowance has provided support for their survival in the short-term period with daily spending, mainly on food consumption, rent and bills (water supply and electricity). In addition, workers perceived the allowance during the February 2021- lockdown as support to alleviate their financial hardship during that time [40].

TABLE 5.2: RESPONDENTS AND COVERAGE OF WAGE SUBSIDY MEASURE (% OF 1,525 SURVEY RESPONDENTS)

Survey of wage subsidy program	Garment	Footwear/ Travel Goods	Hotel/ Guesthouse	Other Tourism Services
Sample respondents (1,525)	38%	26%	20%	16%
women among sample respondents	80%	80%	40%	51%
Survey workers receiving suspension allowance from government (\$40/month)	97%	95%	91%	71%
Survey workers receiving suspension allowance from employers (\$30/month)	93%	87%	24%	35%

SOURCE: NGO., ET AL – CENTRE FOR POLICY STUDIES (2021) [45] [6]

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B. CHALLENGES

Despite the achievement in supporting workers during difficult times, the wage subsidy program has encountered a few challenges, mostly in money distribution and retrieval of either partial or full payment of the subsidy. The challenges can be summarized as follows [40]:

- **Workers' misunderstanding:** there could be a lack of understanding of the workers' role in registering and claiming the allowance, lack of administrative documents and their availability to be contacted (losing or changing phone numbers).
- **Employers' commitment:** the regulations may not have been strictly followed, causing delays in registering the suspended workers with the Ministry of Labor and Vocational Training, and in paying the co-support subsidy.
- **Operational procedure:** respondents reported the complicated process in receiving the payment, and only a short span of time was allowed for withdrawal, making it harder for those residing farther from the withdrawal location to access the allowance [45].

Some other challenges commonly encountered among workers, particularly in the hotel and guesthouse services, include wrong ID cards and phone numbers, loss of money transfer/withdrawal code, late payment, and miscommunication, as listed in Table 5.3.

In addition, the study by Reach (2021) suggested that the measure was not effective enough in the way that the amount provided was well below the minimum wage (US\$190 in 2019), and thus far too little for workers to access basic needs to support their livelihood [40]. For example, an average monthly individual food expenditure alone was estimated at US\$69, indicating that the subsidy can barely meet this necessity. On the other hand, concerns have been raised around food price inflation due to rising food demand during the pandemic. Moreover, concerns of loan repayment have been intensified as many workers carried debt from prior to the pandemic. This had led to the tradeoff between allocating the allowance for loan repayments and meeting living costs.



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TABLE 5.3: CHALLENGES IN RECEIVING THE SUBSIDY (% OF 1,525 SURVEY RESPONDENTS)

Types of challenges	Garment	Footwear/ Travel Goods	Hotel/ Guesthouse	Other Tourism service	Overall
Wrong ID/Phone number	23	50	20	46	31
Loss of money transfer code	38	31	27	15	30
Late payment	15	8	15	0	11
Miscommunication	12	12	12	0	10
Poor customer service at withdrawal counter	4	4	10	23	9
Other	8	15	15	23	14

SOURCE: NGO., ET AL – CENTRE FOR POLICY STUDIES (2021)

1.5.4. Concluding remarks and policy implications

The temporary wage subsidy and skills training program was launched to support livelihood stabilization and promote skills training for the suspended workers. The beneficiaries have reported satisfaction as the subsidy has provided financial relief for their daily consumption during the short-term period. However, the implementation has encountered some challenges, mostly in money distribution procedures and in understanding of the regulations. Other challenges include workers' having wrong IDs card and phone numbers, late payment, miscommunication and loss of transfer code to withdraw the allowance at mobile money transfer counters. Furthermore, a previous study showed that the active measure was not sufficiently effective as the amount provided is well below the minimum wage and therefore not adequate for workers to meet their necessities [40] .

Given the challenges, a set of policy implications from the study by Reach (2021) could be drawn as follows [40] [46]:

- **Re-examining the existing wage subsidy** using research grounded as evidence. The research could pinpoint revised subsidy amounts that effectively and inclusively meet the basic needs for daily consumption while mitigating the financial burden of the suspended workers.
- **Promoting information dissemination and reviewing challenges faced by unmet beneficiaries:** the action and benefits can be two-fold: 1) it is crucial to enhance communication with relevant stakeholders to increase awareness among eligible workers, taking into account their limited access to information, high levels of illiteracy and lack of access to mobile devices. 2) Simultaneously, barriers could be identified to address the challenges hindering unmet beneficiaries from participating in the program. This can be done by providing clear information to implementers as well as potential recipients to close the gaps and ensure effective support for workers before returning to full-time jobs.

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- **Considering expansion of the duration and coverage, especially to include informal workers:** This pertains not only to individuals with a work contract but also to other workers who are currently not entitled to a work contract or any form of social protection.
- **Enhancing a robust cash distribution and monitoring mechanism to ensure accessibility and effectiveness:** reporting mechanisms could be reinforced with accountability and transparency among involved government agencies, employers, payment agents, and other relevant stakeholders. This can be achieved by establishing focal points to ensure timely reporting of program implementation and results, thereby providing a guideline for the next emergency preparedness and response.



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1.6. Conclusion

Cambodia has undertaken various fiscal responses during the health emergency as evident by the impact on the public budget, particularly during 2020 and 2021. An example is the temporary tax exemption which contributed to the reduction in the budget revenue. Likewise, wage subsidies and cash transfer programs are some of the key measures from the government expenditure. While the responses have been widely implemented, the achievements and challenges varied among different policies and should be discussed. The current briefing note reviewed the three key response policies, with the discussion on their challenges and implications as lessons learnt for future emergency preparedness and responses.

The VAT exemption measure contributed to reducing the budget revenue in the short-term period but was an essential support for tourism-related enterprises. In the long term, businesses demonstrated resilience and quick recovery in the reopening process. However, challenges remain including the limited awareness among businesses and the limited coverage of the tax exemption support that left non-registered entities isolated. Therefore, a more comprehensive evaluation could ensure that all businesses receive the necessary support within an appropriate duration to overcome the ongoing challenges.

It is also important to refine the targets by including informal entities and offering guidance and technical assistance to help businesses adjust to the "new normal." With these measures in place, the tourism-service providers can continue to recover and flourish in the post-pandemic era.

The achievement of the Cash Transfer Program for Covid-19 emergency response has been pronounced in supporting the most vulnerable households, whereas the number of beneficiaries has reached beyond the initial target. In response to the issues surrounding the design and implementation regarding the identification of poor households and coordination bottlenecks, several options have been proposed. These include allocating more resources toward timely updating and maintaining of the ID-poor database, enhancing independent monitoring and evaluation to increase transparency and accountability, utilizing technology to coordinate large-scale programs, and mitigate security risks in digital cash transfers through training on safe payment practices and financial literacy.

Wage subsidy and skills training program provided support to suspended workers, particularly for daily consumption. However, improving the scheme requires a comprehensive approach that addresses the limited coverage and accessibility of the beneficiaries.

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This can be achieved by reviewing the coverage and subsidy amount of the current program, strengthening monitoring mechanisms, assessing challenges, promoting the distribution of information, and broadening eligibility criteria. Taking the implications into consideration, the program can better serve workers and ensure that they receive the support they need to maintain their livelihood and return to their jobs.

In summary, the emergency response to Covid-19 in Cambodia (with the three case studies) has seen a wide range of measures put in place to support businesses and households during the crisis.

While these measures have been successful in many ways, there are still challenges that need to be addressed. These include issues with the effectiveness and inclusive coverage of policies, as well as concerns around transparency and accountability. To ensure sustainable recovery, it would be important for Cambodia to continue to evaluate and refine the support mechanisms, while also exploring new approaches that can better meet the needs of those who have been most affected by the crisis. Ultimately, by working together and taking a comprehensive approach, Cambodia can emerge from this challenging period stronger and more resilient than ever before.



ARTICLE I

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Article II

**INDONESIA'S
EMERGENCY
RESPONSE POLICIES
FOR MSMEs DURING
COVID-19 PANDEMIC:**

SUCCESSES AND
IMPEDIMENTS

MARIHOT NASUTION,
ACHMAD YUGO PIDHEGSO,
VENTY EKA SATYA,
NUR AZIZAH

Indonesia's Emergency Response Policies for MSMEs During COVID-19 Pandemic: Successes and Impediments

2.1. Introduction

COVID-19 has significantly impacted Indonesia's health, economy, social, and finance sectors, leading to a deep economic recession with negative GDP growth and income drops [1]. MSMEs, which dominate Indonesia's economy and business, have been severely affected, with two-thirds experiencing decreased revenue, lower profit margins, and decreased asset value. Female-owned MSMEs were particularly affected [5]. In 2020, the Indonesian government implemented the MSMEs' PEN programs to support micro, small, medium, and large enterprises (MSEs), MLEs, and ultra-micro businesses [2,3]. The program, which aimed to mitigate the pandemic's effects, allocated funds up to IDR116,3 trillion [6]. It provided total support through tax incentives, installment payment leeway, and credit interest subsidy programs, with the government-borne final tax income serving as a revenue pillar.

This briefing note analyzes the emergency response's effects on MSMEs during the COVID-19 pandemic, focusing on successes and challenges. It aims to support parliament's oversight function by addressing questions about the achievements and challenges faced, highlighting the importance of understanding the situation. The review addresses the following research questions:

- *What was the condition of Indonesia's macroeconomic situation prior to and following the COVID-19 pandemic?*
- *What are the objectives of the spending and revenue sides of the emergency responses?*
- *What is the impact of emergency responses on the pre- and post-COVID-19 fiscal framework?*
- *What was the overall impact of the emergency response?*
- *What challenges and achievements have the government had in putting each policy into practice? And what kind of ex-post evaluations and follow-up actions were done to measure each policy's success?*



Indonesia's Emergency Response Policies for MSMEs During COVID-19 Pandemic: Successes and Impediments



This study uses secondary data from various Indonesian ministries and agencies, including the Ministry of Finance and Supreme Audit Board, and reviews publications from the World Bank, Asian Development Bank, and UNDP. It covers six sections: introduction, macroeconomic structure before and after the pandemic, emergency response for MSMEs, budgetary and indirect effects, success and impediments of the response, and conclusion.

2.2. Macroeconomic Situation Before and After the Pandemic

Indonesia experienced a 5.4% annual economic growth from 2010 to 2019. Poverty ratio was around 9% with 5.28% unemployment rate, and 55.72% informal workforce [7]. The COVID-19 pandemic significantly impacted Indonesia's economy, leading to job losses and increased poverty rates.

The formal sector lost over 1.7 million jobs in Q2 2020, with 81% shifting to the informal sector and -5.32 GDP contraction. Poverty rate increased to 9.78% poverty rate [11] while unemployment rate reached 7.07% (Figure 1). As a result, the country was reclassified as a lower-middle-income country [11].

65.5 million Micro-small enterprises, accounted for 99.99% of all businesses, 96.92% of jobs, 60.03% of all investment, 15.68% of country exports

Indonesia's economy is largely reliant on Micro-Small Enterprises (MSMEs), which accounted for around 65.5 million in number in 2019.

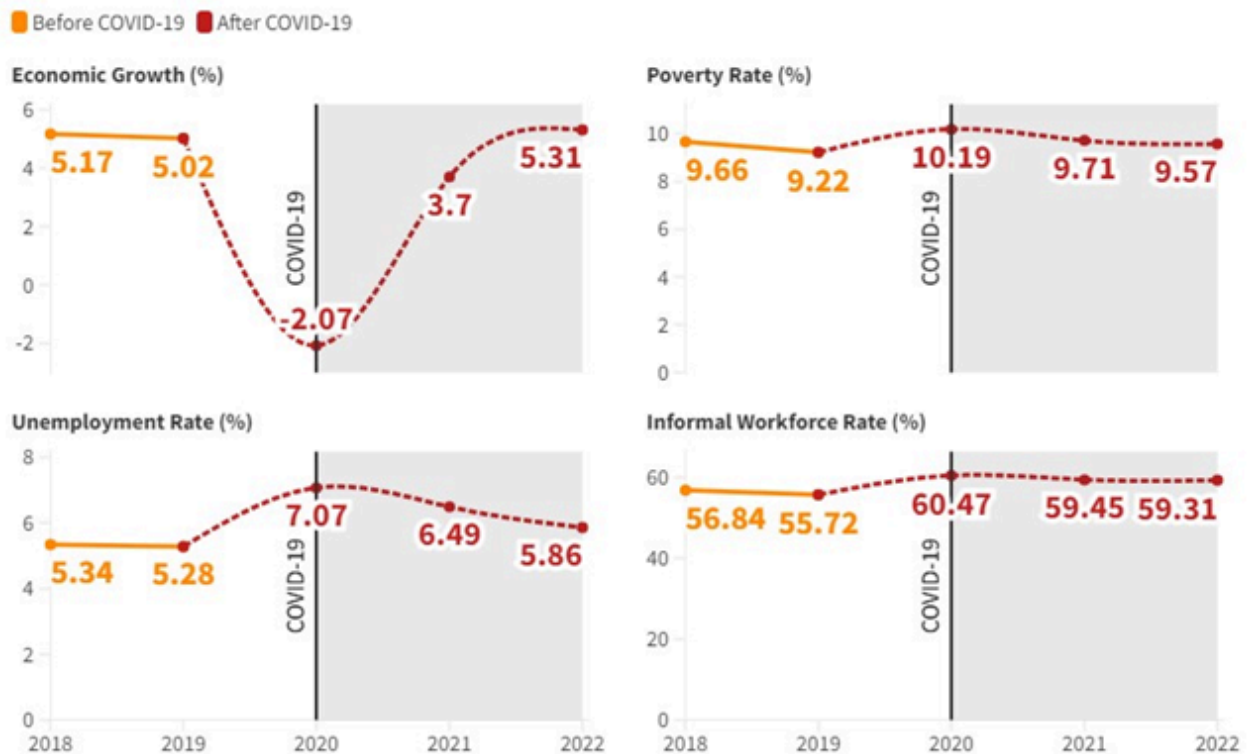
Indonesia's Emergency Response Policies for MSMEs During COVID-19 Pandemic: Successes and Impediments

These businesses, which comprise 98.68% of all firms, accounted for 99.99% of all businesses, 96.92% of jobs, 60.03% of all investment, representing 15.68% of country exports [1] and share 60.61% to the GDP [3]. More than half of MSMEs are informal and receiving no government support, making them vulnerable to crisis or closure [9]. MSMEs are often the last resort for employment and income, but their employment is often unstable and low-paying, with informal workers earning lower average monthly net incomes than formal workers.

The pandemic has significantly impacted the demand and activity of MSMEs, leading to many closures, a significant drop in profits, and a decrease in asset value [2,5,9,12]. Supply shocks affected 47% of MSMEs, while 88% reported declining demand. Distribution difficulties affected 81% of the business. Around 60% reported a 20-60% workforce drop, impacting the country's labor market [13]. The sector also faced new economic challenges, including liquidity issues and supply chain disruptions, making it more vulnerable [9].

FIGURE 1. INDONESIA'S MACROECONOMIC INDICATORS DURING THE COVID-19 PANDEMIC

Population prior to 2020: 266,911,900 people; the 2020 Population Census: 270,203,917 people



Source: Statistics Indonesia, 2023

INDONESIAN MSMEs ARE VITAL FOR PROVIDING BASIC NECESSITIES TO THE POPULATION, BUT THEIR INTEGRATION INTO GLOBAL SUPPLY CHAINS IS WEAK, ACCOUNTING FOR ONLY 15% OF TOTAL EXPORTS, INDICATING A LACK OF COMPETITIVENESS COMPARED TO SINGAPORE (41%) AND CHINA (60%) [8].

Indonesia's Emergency Response Policies for MSMEs During COVID-19 Pandemic: Successes and Impediments

2.3. Emergency Responses for MSMEs During the Pandemic




In 2020, the government allocated IDR116.3 trillion (16.7% of 2020 PEN program funds) to MSMEs nationwide to mitigate the pandemic's impact and business recovery [14]. The responses affected both the expenditure and revenue sides of the state budget. Table 1 provides specifications of MSMEs under PEN program in 2020-2021.

On the expenditure side, the government has implemented active policy measures to assist MSMEs during the COVID-19 pandemic, including (i) interest subsidies for MSMEs' loans and (ii) Bantuan Produktif Usaha Mikro (BPUM).

i The interest subsidy:

aims to help MSMEs maintain their ability to fulfill their credit obligations, retain employees, and avoid bankruptcy.

TABLE 1. PEN PROGRAMS SPECIFICATIONS FOR MSMEs IN 2020-2021

Programs	Classification	Policy Category	Objectives	Target Beneficiaries 2020	Target Beneficiaries 2021	Departement in Charge	Budget (trillion IDR)
Tax incentives for MSMEs	Revenue	Active	MSMEs' taxpayers who have a certain gross turnover and are subject to final income tax.	245.650 thousand taxpayers	124.209 thousand taxpayers	MoF	
Interest subsidy for MSMEs' loans	Expenditure	Active	Interest subsidies for MSME customers, finance companies, UMI, Mekaar, procurement, and LPDB	22.18 million debtors	6.37 million debtors	MoF	
Productive presidential aid for micro business actors (BPUM)	Expenditure	Active	Capital aid for micro or ultra-micro businesses.	12 million microbusiness actors	12.71 million microbusiness actors	MoF	

SOURCE: MOF [14], PROCESSED DATA.

The government has implemented an active policy on tax relief program for MSMEs from April to September 2020, offering tax incentives for final income tax [15]. Businesses were not required to pay these taxes, and taxpayers can claim refunds by the end of the year. These measures alleviated the burden on MSMEs and ensured their operations amidst the crisis.

It provides interest relief and postponement of principal credit installments for up to six months for affected businesses. The program targets 22.18 million borrowers from banks, finance companies, state-owned enterprises, and cooperatives, with a funding allocation of i.IDR12.93 trillion [1].

Indonesia's Emergency Response Policies for MSMEs During COVID-19 Pandemic: Successes and Impediments

Eligible borrowers must have a loan ceiling of IDR10 billion, an active outstanding loan as of February 29, 2020, and a good collectability status

ii. BPUM:

is a presidential aid program that provides working capital grants of IDR2.4 million per business actor, with a total budget of IDR28.8 trillion. By 2021, the program targeted 12.8 million affected microbusiness actors [1], who must be Indonesian citizens, have a microbusiness, not be civil servants, armed forces, police corps, or SOE/ROE employees, and not currently receive banking credit or financing.

The government is implementing other active policies to support MSMEs through state budget financing, including credit guarantees, investments, and bank deposits, with the aim of protecting, maintaining, and improving their economic ability amidst the pandemic [1]. The policies include state fund placement in general banking, working capital credit guarantees for MSMEs to reduce credit risk, and investment financing for cooperatives through LPDB-KUMKM [1], primarily available to companies with substantial assets or bank accounts [9,16].

The state used a regular planning process, including a five-year medium-term and 25-year long-term plan, to design and implement the annual budget.

The Ministry of Finance (MoF) proposed the budget in 2019, which was later approved by Parliament. The 2020 fiscal deficit was planned to be 1.76% of GDP [17]. The MoF revised the budget twice between March and June 2020 to ensure quick reallocation and adjustment without lengthy parliamentary approval. This marked a significant advancement in fiscal and monetary policy coordination [17]. The budget changes (Appendix 1), which began as a presidential decree and later received government regulation in lieu of law (PERPU), provided the fiscal authority with flexibility to address the pandemic's impact, including the PEN program for pandemic management, social protection, and assistance for micro and small enterprises. Budget preparation has become more normal since 2021 [18], with the government taking COVID-19 into account and enacting the budget without making any additional adjustments [19]. [20,21].

The PEN program, governed by Government Regulation PP No. 23/2020[1], aims to support state financial policies, mitigate business decline, and lower layoffs by offering credit interest subsidies to small and medium-sized businesses.

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The Committee for Handling COVID-19 and National Economic Recovery (KPCPEN) was established to coordinate efforts to tackle pandemic-related economic problems [1].

2.4. Budgetary and Indirect Effects of the Emergency Response

2.4.1. Budgetary Effects

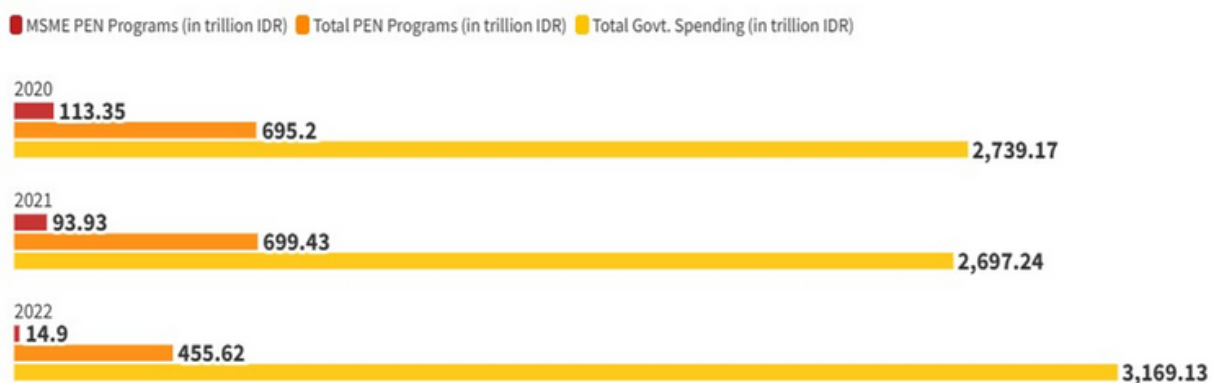
The pandemic brought up several budgetary effects. The 2020 government budget adjustment to accommodate health, social safety net, and MSMEs and corporation programs led to a reduction in revenue and increased expenditure, resulting in a budget deficit (Figure 2). The planned revenue was IDR2,233.2 trillion, but it was reduced to IDR1,647.78 trillion. The expenditure was IDR2,540.4 trillion, but increased to IDR2,595.48 trillion, resulting in a deficit of 6.14% of GDP [17].

During the COVID-19 pandemic, the government allocated IDR222.18 trillion for MSMEs in the state budget, representing 16.3% of the total PEN program budget in 2020, 13.43% in 2021 [22], and 3.27% in 2022, with MSMEs accounting for around 2.7% of the total budgeted government spending or 0.45% of GDP.

The final tax incentive policy, despite larger tax cuts, does not impact revenue as the government pays taxes. Despite this, it places pressure on budget spending and results in foregone revenue but increased tax expenditure [25][26].

Tax revenue and income revenue increased despite the pandemic (Figure 3), with tax incentives rising by IDR0.67 trillion from IDR1.08 trillion in 2020 (Figure 3-Panel E).

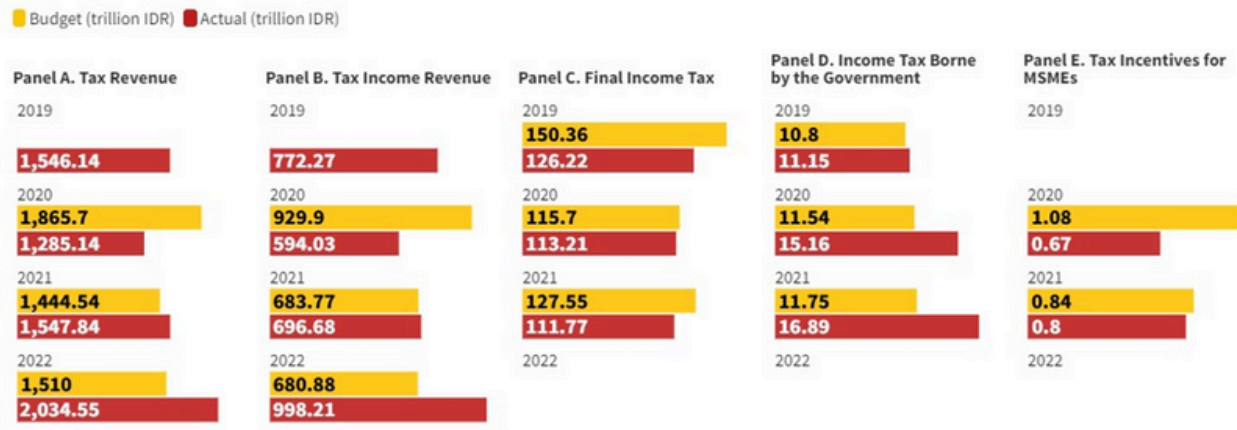
FIGURE 2. COMPARISON OF MSMEs PEN PROGRAMS TO TOTAL PEN PROGRAMS AND GOVERNMENT SPENDING IN 2020-2022



SOURCE: MOF [6,23,24], PROCESSED DATA.

Indonesia's Emergency Response Policies for MSMEs During COVID-19 Pandemic: Successes and Impediments

FIGURE 3. INDONESIA'S TAX REVENUES AND TAX INCENTIVE PROGRAMS DURING THE COVID-19 PANDEMIC



SOURCE: DJP [27], PROCESSED DATA.

The BPUM Program and Interest Subsidy Program for MSMEs increased spending on economic functions, reaching IDR399.93 trillion in 2020 and IDR461.42 trillion in 2021, primarily for interest subsidies for MSMEs and BPUM. However, COVID-19 responses and social protection policies have led to reduced or delayed other economic activities, particularly infrastructure development [28].

Non-energy subsidy spending for MSMEs increased by 34.60% between 2019-2020 and was IDR101.69trillion in 2021. MoCSME expenditure was also scaled up correspondingly, reaching IDR29.26trillion in 2020. The government continued the BPUM program given its effectiveness and success, allocating IDR15.36trillion in 2021, with another IDR16.1trillion allocated for MoCSMEs (44.98% year-on-year reduction) (Figure 4) [28].



Indonesia's Emergency Response Policies for MSMEs During COVID-19 Pandemic: Successes and Impediments

FIGURE 4. INDONESIA'S PARTIAL EXPENDITURES AND COVID-19 EXPENDITURE PROGRAMS

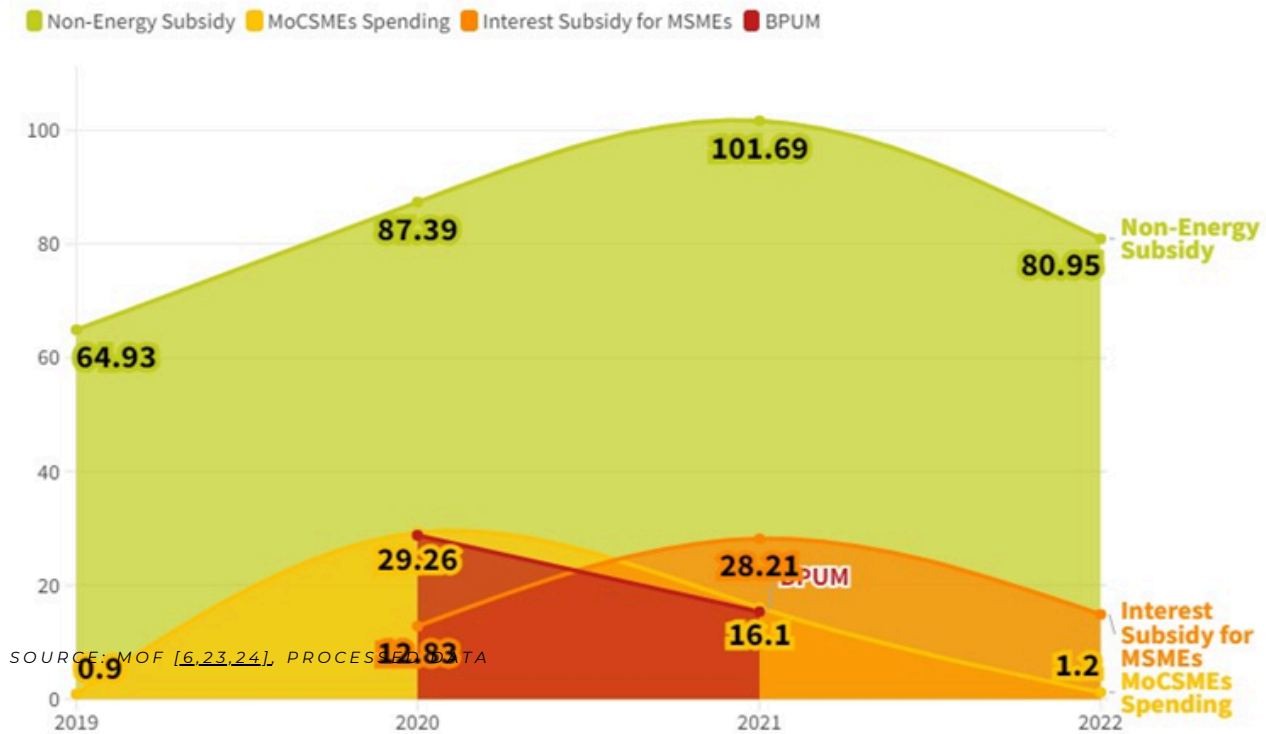
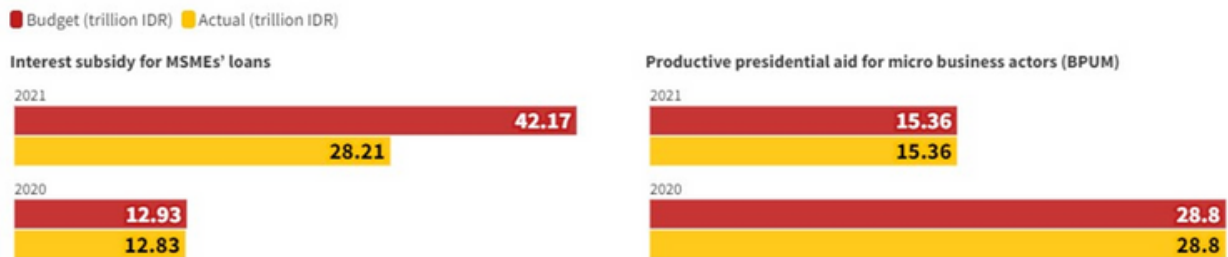


FIGURE 5. INDONESIA'S PEN PROGRAMS EXPENDITURES POLICIES FOR MSMEs



The budget allocated for interest subsidies for MSMEs' loans reached 99.2% and 67% of the allotted budget for 2020 and 2021, respectively (Figure 5). This was due to a decline in loan demand among small enterprises, with credit-related assistance likely going to larger enterprises [9][12].

BPUM achieved 100% realization in both years [6,23,24].

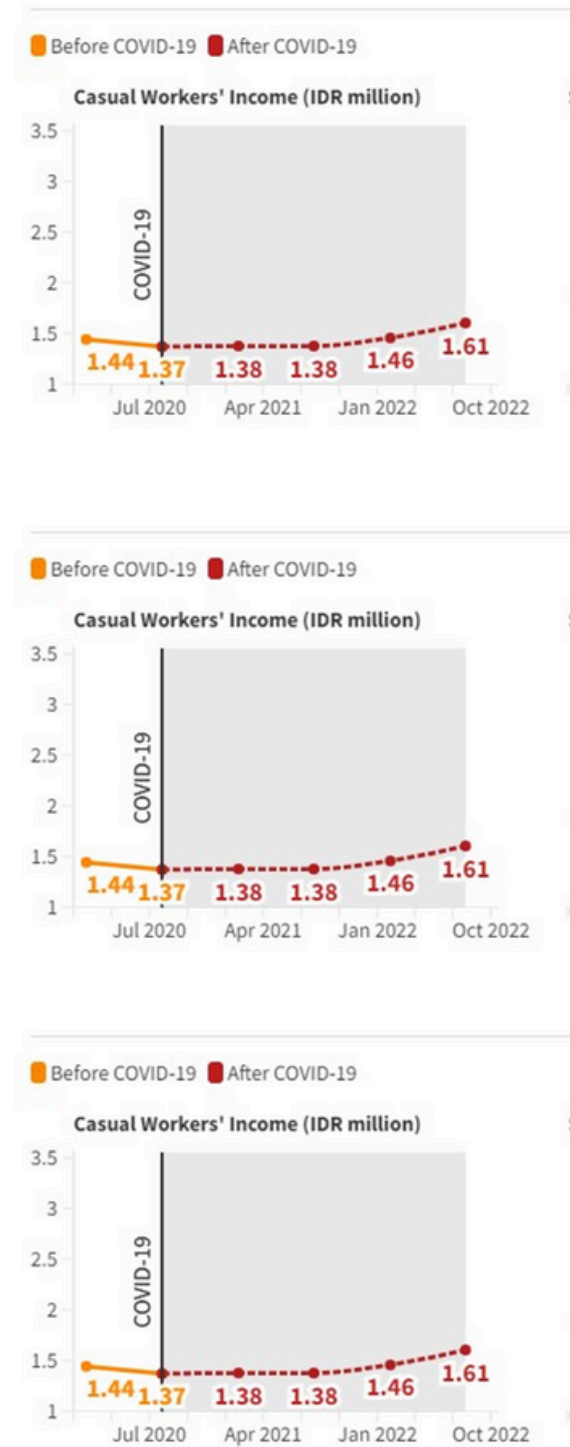
Indonesia's Emergency Response Policies for MSMEs During COVID-19 Pandemic: Successes and Impediments

2.4.2. Indirect Effects

Indonesia's socio-economic development has been positively impacted by supporting interventions in the MSMEs sector through PEN programs given the predominant share of the sector in GDP [1],[3]. In 2022, economic growth exceeded pre-pandemic levels, and the unemployment rate declined from 7.07% to 5.86% [7]. These programs have helped maintain or create jobs, keeping the informal workforce rate at 50% despite reaching 60.47% of the total workforce during COVID-19 (Figure 1). Given the support from the government, the monthly net income of informal workers working in the MSMEs started to recovered from IDR1.44 million to IDR1.89 million between 2020-2022, compared to the increase of IDR1.61 million to IDR1.97 million for self-employed worker and IDR2.92 million to IDR3.07 million among formal workers (Figure 6). However, the more specific quantitative evaluation of PEN on MSMEs recovery remains largely undetermined due to the limitations of longitudinal data [9,12].

The interest subsidy program significantly impacts MSMEs' credit performance, leading to increased loan amounts. Despite a drop in 2020, the figure recovered to IDR1,222.43 trillion in 2021 (Panel A, Figure 7), reflecting the government's favorable credit environment through the PEN [29]. Non-performing loans (NPLs) rose from 3.61% before the pandemic to 3.85% in 2020 then dropped to 3.82 in 2021 (Panel D, Figure 7).

FIGURE 6. WORKERS' INCOME ACCORDING TO EMPLOYMENT STATUS



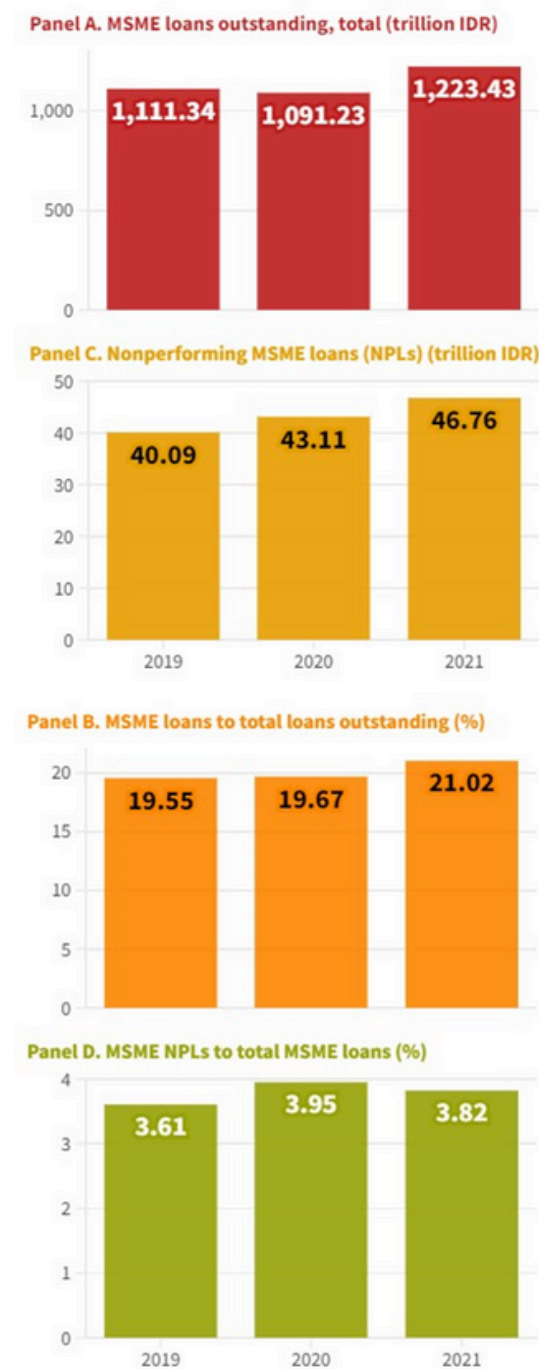
SOURCE: STATISTICS INDONESIA [2], PROCESSED DATA

Indonesia's Emergency Response Policies for MSMEs During COVID-19 Pandemic: Successes and Impediments

2.5. Success and Impediments of the Emergency Response

The PEN programs for MSMEs have successfully distributed their intended objectives to target recipients. Table 2 shows the planned and realized number of beneficiaries in 2020-2021. During the pandemic, the expected number of beneficiaries reached 100% for interest subsidy and BPUM programs. However, in 2020, only 233.1 thousand taxpayers received the tax incentives program, while in 2021, the actual beneficiaries exceeded the target, reaching 134.9 thousand taxpayers, with over 100% of intended recipients receiving the programs. Despite these achievements, the governments face challenges in delivering MSMEs PEN programs due to lack of data, hindering optimal execution and affecting planning, distribution, and acceptance by recipients. Despite these achievements, the governments face challenges in delivering MSMEs PEN programs due to lack of data, hindering optimal execution and affecting planning, distribution, and acceptance by recipients.

FIGURE 7. MSME LOANS DURING THE COVID-19 PANDEMIC



SOURCE: ADB [29], PROCESSED DATA.



Indonesia's Emergency Response Policies for MSMEs During COVID-19 Pandemic: Successes and Impediments

TABLE 2. PEN PROGRAMMES FOR MSMEs IN 2020-2021,
BY THE END OF THE YEAR

Programs	Classification	Target Beneficiaries 2020	Actual No. of Beneficiaries 2020	Target Beneficiaries 2021	Actual No. of Beneficiaries 2021
Tax incentives for MSMEs	Revenue	245.65 thousand taxpayers	233.1 thousand taxpayers	124.21 thousand taxpayers	134.9 thousand taxpayers
Interest subsidy for MSMEs' loans	Expenditure	22.18 million debtors	22.18 million debtors	6.37 million debtors	7.44 million debtors
Productive presidential aid for micro business actors (BPUM)	Expenditure	12 million microbusiness actors	12 million microbusiness actors	12.71 million microbusiness actors	12.8 million microbusiness actors

SOURCE: MOF [6,23], PROCESSED DATA.

The Indonesian government's program planning appears inadequate in addressing the crisis, with a low number of recipients for medium and small enterprises (MSMEs), due to the small size of the stimulus package [30]. MSMEs make up 65.5 million enterprises but half of which have gone bankrupt since the pandemic [3]. [31]. This highlighting the need for more targeted and comprehensive program planning to address the crisis effectively.

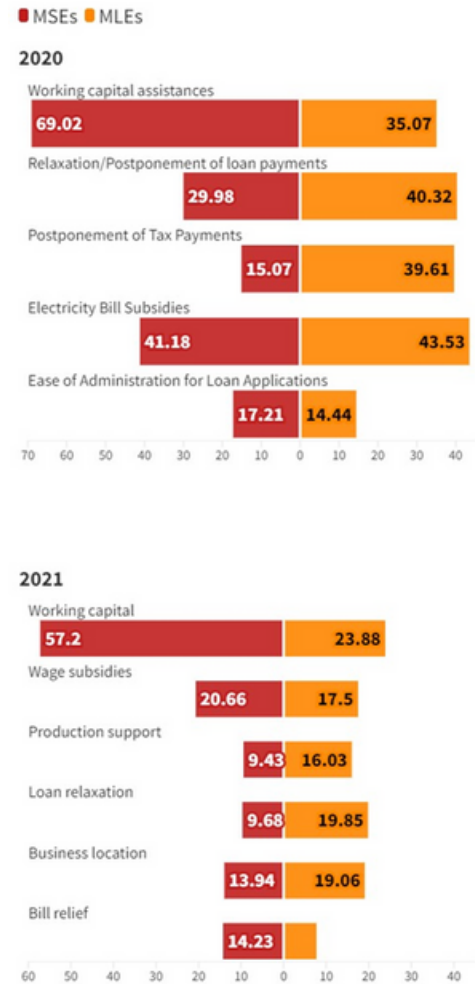
The distribution of MSMEs PEN programs has been slow and low, with less than half of the allocated budget disbursed by October 2020 [32]. However, disbursements accelerated in September, particularly for social protection programs and support packages, with realization rates of 78% and 73%, respectively. This slow disbursement is attributed to bureaucratic red tape and government decentralization,

resulting in vulnerable groups missing out on essential assistance [30]. In addition, the government's lack of socialization with beneficiaries led to unequal access to information and participation in PEN programs [9,12]. MSME awareness varied by size and region, with microenterprises mostly aware of postponement of principal and interest installments but low participation due to lack of banking services [9,12].

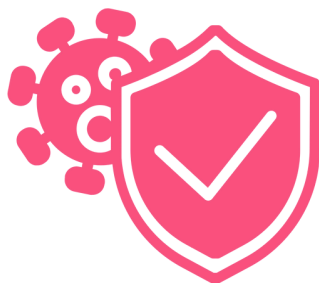
Small and medium enterprises were mostly aware of all programs, with MSMEs in Jawa-Bali being more informed [9].

Indonesia's Emergency Response Policies for MSMEs During COVID-19 Pandemic: Successes and Impediments

FIGURE 8. DIVERSITY OF MSMEs' ASSISTANCE NEEDS



SOURCE: STATISTICS INDONESIA [34,35], PROCESSED DATA.



MSME PEN programs often have low approval rates, with many failing due to bank risk assessments [5,9,12,33]. Additionally, 13.3% of small enterprises subject to government income tax are unable to benefit from tax incentives due to lack of support documents and complicated application procedures, affecting their ability to access government-funded income tax benefits [5]. [9]. Other hinderances for the PEN program for MSMEs implementation are: a) the lack of an accurate and up-to-date national database of MSMEs; b) the diversity of problems faced by MSMEs; and c) the lack of outreach to non-formal MSMEs [12,33].

The PEN assistance program is not fully aligned with the needs of enterprises, as the requirements vary by size. Micro and small enterprises (MSEs), for instance, need working capital assistance and electricity subsidies, while medium-large enterprises (MLEs) required electricity subsidies (Figure 8). Both types of enterprises requested a temporary electricity subsidy which was not available [34,35]. Many MSMEs are informal and lack legal business permits, preventing them from receiving tax incentives [5,9,12]. A 2020 survey found that only 16% of MSEs and 17% of MLEs needed business capital assistance, and 42.25% and 47.23% of MSEs and MLEs were eligible for tax relief, respectively [34,35].

Indonesia's Emergency Response Policies for MSMEs During COVID-19 Pandemic: Successes and Impediments

Considering the above challenges, the government could consider improving the programs through the following options:

a. Planning and Allocation.

The government could allocate a larger portion of the stimulus package to MSMEs, considering the crisis's magnitude and the number of recipients for each program.

b. Distribution.

The application process of the PEN program was complicated and had a lack of flexibility, resulting in slow disbursement and left many MSMEs behind. This highlights the need for the government to simplify the MSME firm entitlement process that is less bureaucratic, ensuring quick disbursement.

c. Accessibility and Awareness.

The government could increase outreach and communication efforts to MSMEs about PEN programs, particularly in remote areas and for those without internet or formal financial institutions, as many are unaware or unable to access them. This will help improve their access and eligibility.

d. inclusivity.

The lack of up-to-date data on MSMEs hinders the government's ability to properly identify eligible ones, causing some to be left behind and the program not addressing specific needs. Improving data records of MSMEs and expanding eligibility criteria to include informal businesses are necessary.

e. Tailoring Support.

The PEN programs' uniform approach failed to address the varied requirements of MSMEs, owing to variations in their sizes, sectors, and locations. These are essential components that the program design needs to take into account in order to properly address the unique requirements of the businesses. The program should provide a range of responses, including marketing, technical, and financial support, in order to be more effective. Smaller enterprises should receive priority assistance in order to ensure their survival.

f. Monitoring and Evaluation

Monitoring and Evaluation of the effectiveness of programs is crucial for improvement. Feedback from MSMEs should be used to assess the impact of the programs and adjust accordingly, ensuring they meet their needs and have a positive impact on their businesses.

The government's program evaluations often focus on budget realization without official follow-up [13]. The success of these programs led to a prolonged implementation period without any improvements. A survey by MoCSMEs and TNP2K found that 1,261 microbusinesses received BPUM assistance, which helped mitigate the pandemic impact [34,35]. Most respondents were aware of the program and used it to purchase raw materials, production tools, and consumables. Despite further assessments, no improvement in program implementation was reported [5,9,12,33,36].

Indonesia's Emergency Response Policies for MSMEs During COVID-19 Pandemic: Successes and Impediments

The Supreme Audit Board conducted an ex-post evaluation in 2020, examining the results of each program's audits or performances. These audits are the only official follow-up measures by the government's independent bodies. However, due to data unreliability, some useful statistics in several PEN-MSMEs programs are inaccurate in terms of recipients and inclusion and exclusion errors [37–39]. (see detail in Appendix 2).

2.6. Conclusion

The country's health, financial, and economic sectors have all been significantly impacted by the pandemic. Among the severely affected are MSMEs. The government implemented the MSMEs' PEN program to reduce the impact on the sector because of its significant influence on the nation's economy. The initiative cost IDR116.3 trillion, which had an impact on both the state budget's revenue and expenditure lines. The BPUM and interest subsidy programs for MSMEs had an impact on the overall budget spending, but the tax incentive policy did not have a substantial effect on revenue. Instead, it changed tax expenditures.

By shielding MSMEs from the detrimental effects of the pandemic and fostering their expansion and recovery, the PEN programs have improved the socioeconomic development of the nation.

Although the intended beneficiaries of Indonesia's PEN program for MSMEs were successfully reached, the program's total number of beneficiaries was insignificant given the size of MSMEs in the nation's economy. This could be the result of the stimulus package's inadequacy in addressing the scope of the crisis. MSMEs now have easier access to credit thanks to the credit interest subsidy program, albeit the proportion of non-performing loans has been increasing. Still, the number of jobs in the informal sector—including MSMEs—has not surpassed the number prior to the epidemic.

Aside from that, the following reasons contributed to the subpar implementation of the PEN program for MSMEs: a) the absence of a current and accurate national database of MSMEs; b) the variety of issues that MSMEs encounter; and c) the absence of outreach to non-formal MSMEs. The government could consider improving the way that program participants are targeted and how these initiatives are publicized. To increase their efficacy, it is also necessary to address the lack of follow-up programs.



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Article III

ASSESSMENT OF THE EMERGENCY SUBSIDY PROGRAM IN THE PHILIPPINES:

LESSONS LEARNED
AND IMPROVING
RESPONSE IN HEALTH
EMERGENCIES

JOHN PAUL S. QUIETA

Assessment of the Emergency Subsidy Program in the Philippines: Lessons Learned and Improving Response in Health Emergencies

3.1. Introduction

The Philippines reported its first COVID-19 case on 30 January 2020, and the first local transmission occurred on 7 March. The government implemented guidelines and protocols, including contact tracing and strict community isolation in Metro Manila and Luzon[1]. The Enhanced Community Quarantine (ECQ)[2] imposed by the WHO severely limited economic activity, leading to income and livelihood loss for Filipinos[3]. The government's actions aimed to detect and isolate those with close contacts with carriers.

The COVID-19 pandemic led to the enactment of Republic Act No. 11469, which granted the President emergency powers to address the pandemic's impact on social protection, economic response, and recovery[4]. However, the pandemic exposed the vulnerability of the health system, businesses, and communities, resulting in deaths, work loss, and economic downturn. To help poorer households, the government implemented the Social Amelioration Program's Emergency Subsidy Program (SAP-ESP) under Bayanihan 1, covering income loss due to work disruptions during quarantine and ensuring compliance with the stay-at-home health protocol.

The paper assesses the SAP-ESP's effectiveness in providing temporary relief to pandemic-vulnerable individuals, drawing lessons and challenges from the Philippines' experience with an emergency subsidy program for low-income households. It proposes policy options for the government to consider in delivering assistance packages for future outbreaks. This briefing note applied a desk review method to gather data from secondary sources, including local research articles and documents, and international publications, to evaluate the impact of COVID-19 on welfare effects in the Philippines.

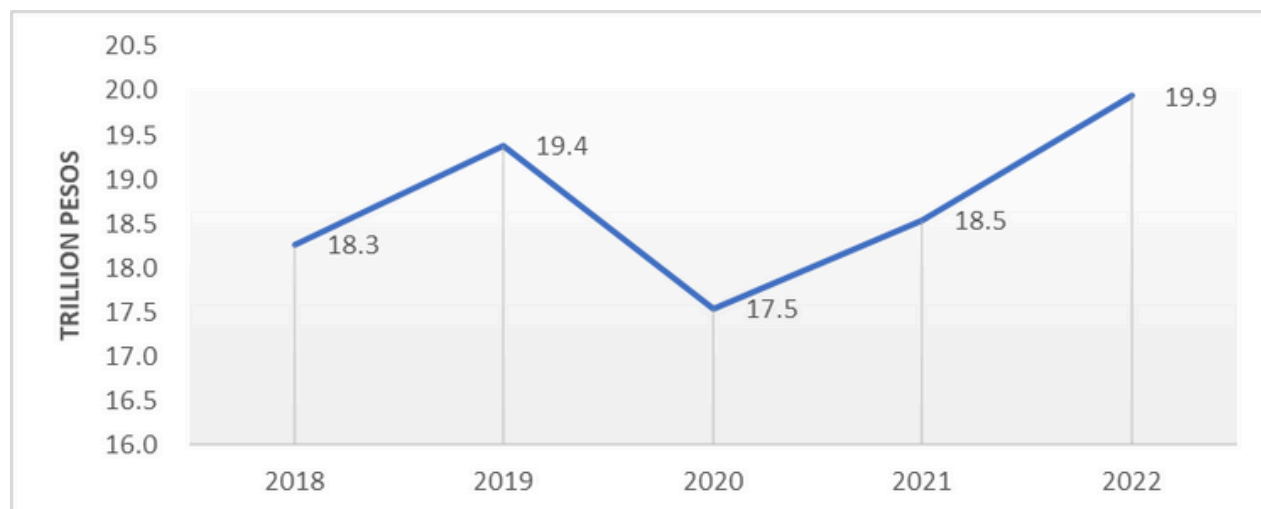
3.2. Macroeconomic Trends

The COVID-19 pandemic significantly impacted the global economy, leading to increased inequality, particularly in developing countries. In the Asian region, GDP contracted by 0.4% in 2020 due to declines in domestic demand and tourism, and global spillovers.[5] In the Philippines, GDP declined by 9.5% from 2019 to 2020. However, growth rates rebounded in 2021 and 2022 (see Figure 1), with an expected 6-7% inflation rate in 2023. This recovery is attributed to the gradual reopening of economic activities, increased domestic demand, and strong remittance inflows.

[1] ECQ refers to the implementation of temporary measures imposing stringent limitations on movement and transportation of people, strict regulation of operating industries, provision of goods and essential services, and heightened presence of uniformed personnel to enforce community quarantine protocols.

Assessment of the Emergency Subsidy Program in the Philippines: Lessons Learned and Improving Response in Health Emergencies

FIGURE 1. REAL GROSS DOMESTIC PRODUCT, 2018 – 2022
(IN TRILLION PESOS)



SOURCE: PSA OPENSTAT

The long-term prospects is largely determined by (1) the state of the global recovery, (2) government policies and (3) domestic challenges (infrastructure development and policy reduction).

The COVID-19 pandemic significantly impacted the Philippines' employment sector, affecting 10.9 million workers. Economic restrictions led to job disruptions[6], affecting the operations of Micro-, Small and Medium-sized Enterprises (MSMEs), which previously employed 63.2% of the labor force[7]. In 2020, the unemployment rate reached 10.41%, double from 5.07%, and underemployment increased to 16.36%

with more people taking lesser jobs to support their families (see Table 1).

The pandemic significantly impacted the labor market, particularly the informal sector[8], with an estimated 15.68 million Filipinos employed in sectors like street vendors, transportation services, construction, and domestic work. The number of informal workers increased to 44-47% due to job losses in the formal sector. 80% of these workers experienced income losses, increased vulnerability to economic shocks, and limited access to finance (Simeon, 2021). They lack social protection and labor legislation, contributing to poor living

TABLE 1. EMPLOYMENT STATISTICS, 2018 – 2022 (IN %)

Indicators	2018	2019	2020	2021	2022
Labor Force Participation Rate	60.92	61.44	59.52	61.44	63.32
Employment Rate	94.70	94.93	89.59	91.98	94.54
Unemployment Rate	5.30	5.07	10.41	8.02	5.46
Underemployment Rate	16.36	14.00	16.36	17.58	14.22

SOURCE: PSA OPENSTAT

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conditions and the lack of health insurance, pensions, and unemployment support[9]. Based on the results from the Philippines COVID-19 Households Survey conducted in December 2020, 1 in 4 households heads were still without work and 41% of households reported income losses (decreased or no income) compared to the usual pre-pandemic income. This was down from the 57% that reported decreased incomes in August 2020 [10].

During the pandemic, household consumption expenditure in the country fluctuated, with a 15.5% contraction in Q2 2020 due to lockdown and quarantine. However, it recovered by 3.2% in 2021 (see Table 2).

Consumer spending on goods and services decreased, with restaurants, hotels, transport, recreation, and culture posting the highest negative growth rates. Health and education spending also decreased. Household utilities and communication saw higher consumption due to family confinement. Food and non-alcoholic beverages had a lower growth rate at 2.4% in 2020, attributed to local government food aid, limited mobility, and income issues. Fruits, fish, and vegetables were the top food items with the highest average inflation during the ECQ. Recovery of consumption expenditure was less progressive in rural areas and among low-income households.

TABLE 2. HOUSEHOLD FINAL CONSUMPTION EXPENDITURE AT CONSTANT 2018 PRICES, GROWTH RATES, 2019 Q2 AND 2020 Q2 (IN %)

Purpose	Growth Rates	
	2019 Q2	2020 Q2
Food and non-alcoholic beverages	5.5	2.4
Alcoholic beverages, tobacco	-1.6	-29.2
Clothing and footwear	5.4	-40.2
Housing, water, electricity, gas and other fuels	5.4	6.6
Furnishing, HH equipment and routine household maintenance	4.0	-22.4
Health	5.0	-12.2
Transport	3.2	-60.5
Communication	5.6	7.4
Recreation and culture	7.2	-57.2
Education	14.6	-12.7
Restaurant and hotels	5.1	-66.4
Miscellaneous goods and services	7.3	-0.6
Household Final Consumption Expenditures	5.6	-15.5

SOURCE: PSA

Assessment of the Emergency Subsidy Program in the Philippines: Lessons Learned and Improving Response in Health Emergencies

3.3. Social Amelioration Program – Emergency Subsidy Program

In March 2020, President Duterte signed Republic Act No. 11469, also known as Bayanihan-1, declaring a state of national emergency due to the severe COVID-19 threat to Filipinos' health, safety, security, and livelihood. The law, which had a limited effective period of three months, granted extraordinary powers to the president to implement the emergency response including reallocating unused or unallocated funds from the existing budget to procure essential supplies and services[11]. Before the enactment of Bayanihan 1, the parliament, both the House of Representatives and the Senate debated and approved the law to mitigate the effects of COVID-19. The law also included some oversight of the president's budgetary power through submission of weekly reports and the creation of a Joint Congressional Oversight Committee [12].

The reform aimed to provide temporary relief to vulnerable individuals affected by the pandemic, including those who lost jobs or experienced reduced incomes. Bayanihan 1 aimed to assist poor households in coping with the ECQ by offering emergency subsidies ranging from P5,000 to P8,000 per month to 18 million low-income households for two months, covering basic necessities like food, medicine, and toiletries. [13]

The emergency subsidy, in the form of cash, was provided to low-income families most affected by community quarantine and their existing life circumstances. The target recipients of the emergency cash subsidy included: 1) registered beneficiaries of the 4Ps [14] and 2) families with low income[15]. The SAP-ESP was implemented mainly by DSWD, with support from various national and local governments.

This reform is on the expenditure side because the government allotted P196 billion[16] to finance SAP-ESP, the biggest funding in response to COVID-19. The allotment was sourced from the realignment of budget expenditures and discontinuance of appropriated programs in 2020. However, the existing budget for the particular year was not planned for such a large-scale emergency. This is an active policy, as it was implemented during the ECQ period and is different from the Pantawid Pamilyang Pilipino Program (4Ps), which was a regular conditional cash transfer program implemented by the Department of Social Welfare and Development before the pandemic.

For the implementation process, the president's office submitted 13 weekly reports to Congress between March to June 2020. These reports were based on submissions from various departments and agencies of the executive branch, describing the implementation status of various programs, projects, and activities. Some of the reports to Congress included details of the amount and utilization of funds used, augmented, reprogrammed, reallocated and realigned, as specified in the law.

Assessment of the Emergency Subsidy Program in the Philippines: Lessons Learned and Improving Response in Health Emergencies

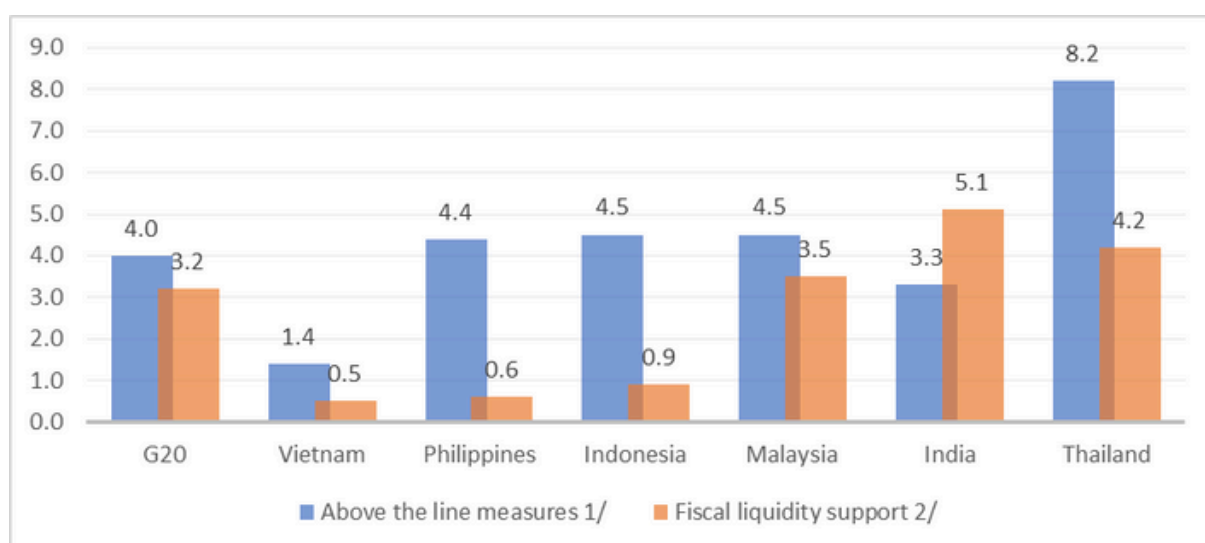
3.4. Fiscal Framework and Direct Budgetary Effects

3.4.1. Direct effects of the reform

Effective fiscal management prior to the pandemic provided the Philippines with substantial fiscal space to respond to the pandemic. The government enacted two stimulus packages (Bayanihan 1 and 2) in 2020 and the CREATE tax reform package, which included an accelerated reduction of corporate income tax rates[17]. In total, the direct budgetary support (above the line measures) amounted to 4.4% of GDP (Figure 2). Below-the-line measures were also introduced mainly for credit guarantees, that amounted to about 0.6% of GDP. These measures were well-targeted and the majority of which was concentrated on social spending for the most affected sectors.

The COVID-19 response provided relief and support, but also increased national debt and raised concerns about fiscal sustainability. The fiscal deficit increased by 4.2 points, reaching 7.6% of GDP in 2020[18]. This led to a significant increase in the debt-to-GDP ratio, reaching 52% by the end of the year. The output contraction of 9.6% contributed to this increase. The IMF (2021) reported that government gross financing needs increased from 5.4% in 2019 to 10.1% of GDP in 2020. The government financed the deficit through higher borrowing from domestic and external sources. However, the post-pandemic debt trajectory will remain high due to expansionary fiscal policy to support recovery.

FIGURE 2. FISCAL SUPPORT IN RESPONSE TO COVID-19 (IN % OF GDP)



1/ ABOVE THE LINE MEASURES INCLUDE ADDITIONAL SPENDING/FORGONE REVENUES, AND ACCELERATED SPENDING/DEFERRED REVENUES.

2/ LIQUIDITY SUPPORT INCLUDES BELOW THE LINE MEASURES (EQUITY INJECTIONS, LOANS, ASSET PURCHASE, DEBT ASSUMPTIONS, ETC.), AND CREDIT GUARANTEES.

SOURCE: IMF, FISCAL MONITOR, APRIL 2021; AND IMF STAFF ESTIMATES

Assessment of the Emergency Subsidy Program in the Philippines: Lessons Learned and Improving Response in Health Emergencies

3.4.2. Indirect effects of the reform (social aspect)

The SAP-ESP was meant to help poor households cope up with the impact of the COVID-19 pandemic by providing them temporary relief through cash grants that they can use for food, medicines, and other necessities. The indirect effects of the policy include: (1) the safety net for millions of citizens during lockdown, easing their vulnerability and preventing social unrest; (2) fund for medical assistance and quarantine facilities bolstered the healthcare system, contributing to long-term cost reduction; and (3) the intervention likely improved public trust over government response in crisis management.

The emergency subsidy provided to low-income families during the ECQ has had a short-term negative indirect effect. Due to lack of work and limited mobility, some families use the money for vices like gambling, alcohol consumption, smoking, and drugs. Depressed individuals are more likely to engage in these activities due to poverty. In April 2020, 11 individuals were caught gambling in the Philippines, with four identified as SAP-ESP beneficiaries. The improper use of cash aid further pushes families into poverty with nothing to eat.

3.5. Achievement and Challenges of the Reform

The reform has been considered successful despite it did not fully reach its intended objective. In the implementation of the SAP-ESP, timely delivery of financial assistance is crucial in ensuring that low-income families meet their basic needs and do not go hungry during the ECQ period. Nine days after Congress approved the Bayanihan 1, the President reported that 3.7 million or about 20.7% of the total SAP-ESP beneficiaries (approximately 17.9 million low-income households) received their emergency subsidy. These beneficiaries were all 4Ps families who benefited from a quicker payout due to a more established system for fund transfer and distribution under the regular 4Ps program of DSWD. The move help alleviate economic hardship for those families. However, more than half a million of the 4.3 million target 4Ps beneficiaries especially without cash cards did not receive their subsidy. The payout figures for 4Ps families remained the same until the 5th week (as of April 24 update) of the program implementation.

The non-4Ps family beneficiaries, estimated at 13.6 million, have been waiting the longest to receive their subsidy, with only 4.6% of target

[1] THE 14TH PRESIDENT'S REPORT ONLY PRESENTS THE REGIONAL BREAKDOWN FOR NON-4PS. REGIONAL DATA ON 4PS WAS DIRECTLY SOURCES FROM THE DSWD. NOTE THAT IN THE PROCESS OF REVIEWING 4PS HOUSEHOLD BENEFICIARIES, THERE WERE 1,730 IDENTIFIED THAT WERE NO LONGER ELIGIBLE FOR PAYMENT (DELISTED BENEFICIARY, NOT "ACTIVE", ETC.). THESE "FREE" SLOTS ARE TEMPORARILY LODGED UNDER THE CENTRAL OFFICE IN CASE THERE WILL BE ADDITIONAL 4PS HHS THAT WOULD BBE ELIGIBLE FOR 1ST TRANCHE.

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families receiving their subsidy as of April 18, 25 days after Bayanihan 1. This leaves around 12.9 million low-income families without urgent financial relief. Even after RA 11469 was passed, 82% of target non-4Ps beneficiaries still did not receive promised cash assistance, with 3.3 million unserved non-4Ps families remaining high at 3.3 million even after 45 days[19]. Table 3 shows subsidy payout shortfalls by region, with 295,682 families failing to receive the 1st tranche as of June 26, 2020. This could affect around 1.48 million affected individuals, considering an average family size of 5 members.

The Bayanihan 1 program aimed to provide emergency aid to 18 million low-income households in two tranches. However, the target number for the second tranche is only 12.5 million, 5.4 million less than the first. Only 1.34 million 4Ps families and 4,625 left-out families received their subsidy in the second tranche. The first tranche of the emergency subsidy provided an average of P5,654 to each household, which is 24% lower than the 2018 average food or subsistence threshold of P7,528 and 47.3% lower than the 2018 average poverty threshold of P10,727, which is the minimum amount a

TABLE 3. REGIONAL BREAKDOWN OF SAP-ESP COVERAGE (AS OF 26 JUNE 2020) [20]

Region	Total ES Beneficiaries		Gap Between Total Target-Actual Beneficiaries
	Target	Actual	
Central Office	1,730	N/A	1,730
I – Ilocos	1,003,970	983,603	20,367
II – Cagayan Valley	699,509	675,279	24,230
CAR	315,812	296,234	19,578
III – Central Luzon	1,811,037	1,798,191	12,846
NCR	1,882,860	1,880,662	2,198
IVA – CALABARZON	2,241,321	2,237,436	3,795
IVB – MIMAROPA	611,347	589,287	22,060
V- Bicol	1,141,254	1,136,046	5,208
VI – Western Visayas	1,476,097	1,454,346	21,751
VII – Central Visayas	1,346,754	1,311,182	35,572
VIII – Eastern Visayas	873,176	830,265	42,911
IX – Zamboanga	716,673	710,302	6,371
X – Northern Mindanao	896,107	892,510	3,597
XI – Davao	955,729	950,340	5,389
XII – SOCCSKSARGEN	959,901	913,719	46,182
XIII – CARAGA	495,229	493,565	1,664
BARMM	518,138	497,905	20,233
TOTAL	17,946,554	17,650,872	295,682

SOURCE: DSWD-MC 9, 14TH PRESIDENT REPORT TO JCOC, AND THE DSWD DASHBOARD

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family with five members needs to meet their basic food and non-food requirements[21].

The implementation challenges of the program include:

The identification of target beneficiaries

for emergency subsidy delivery was challenging due to the lack of a master list for non-4Ps families and an outdated database of vulnerable families. The pandemic's impact on these communities was unclear[22]. Efforts were made to develop a non-4Ps beneficiary list, validate it through household visits, and check against different agencies' databases. However, many vulnerable families were excluded from SAP-ESP due to inaccurate estimates of households requiring assistance and targeting criteria that failed to determine family vulnerability.

National and local government coordination.

The delivery of subsidy was impacted by bottlenecks between the national government and local government units (LGU). The government relied heavily on coordination to identify non-4Ps beneficiaries due to the urgency of the subsidy, lack of developed social registries, and undeveloped digital payment systems. By complying with the process, the NG had to impose measures to ensure more transparency, accountability, and control in the use of funds by LGUs. For instance, while the DSWD allocated the number of beneficiaries per LGU, the DSWD still needed to

validate the list of ES beneficiaries submitted by LGUs. The unclear policy guidelines and vague definition of "low-income family" have caused confusion and discretion in identifying eligible beneficiaries by LGUs. Some LGUs endorse all households as eligible, while others declare a greater number of qualified beneficiaries than DSWD-approved households.

Other anomalies and irregularities.

Barangay officials in LGUs have been criticized for anomalies such as splitting emergency subsidy, falsifying master lists, granting aid to ineligible families, and receiving cuts from beneficiaries[23]. Additionally, reports show non-compliance with DILG directives to post beneficiaries' lists in conspicuous public places, such as barangay halls, social centers, gymnasiums, and transport terminals. [24]

Delayed implementation.

The delayed financial support to low-income households during a disrupted livelihood can lead to hunger and food insecurity. The situation is exacerbated by food inflation in Q2 2020, particularly on fruits, fish, and vegetables. This delay affects the effectiveness of SAP-ESP implementation during the ECQ period. A Social Weather Station survey revealed that 16.7% of Filipino families experienced involuntary hunger from March to May 2020[25], despite government efforts to provide emergency cash. Moderate hunger affected 13.9% of families [26], while severe hunger affected 2.8%.[27]

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Poverty simulation results indicate that without an emergency subsidy program, 1.44 million farmers or 7.53 million individuals could become poor due to the pandemic (Table 4). Implementing the SAP-ESP reduces this number to about 400 thousand families or 2.82 million individuals.

There was no specific plan for the government to have an ex-post evaluation of the SAP-ESP because it was not specified under Bayanihan 1 or in any legal documents concerning the matter. However, the Commission on Audit (COA) is mandated to conduct performance audit reports of major programs, with large budgets, implemented by the government.

Currently, COA only published two reports relating to COVID-19 pandemic, namely: 1) COVID-19 Assistance to Restart Enterprises (CARES) Program in 2021, and 2) COVID-19 Adjustment Measures Program (CAMP) in 2023. Despite the lack of plan for ex-post evaluation for SAP-ESP, there are other government institutions and multilateral organizations who made an initial ex-post assessment on the program including DSWD's SAP-ESP Terminal Report 2022.



TABLE 4.
IMPACT SIMULATION OF COVID-19 ON POVERTY IN DIFFERENT SCENARIO

Scenarios	Estimates		Increase/(Decrease)	
	Magnitude ('000)	Incidence (%)	Magnitude ('000)	Incidence (% point)
Before COVID-19*	3,004.6	12.1
During COVID-19 (without SAP-ESP)	4,447.4	18.0	1,442.8	5.8
During COVID-19 (with SAP-ESP)	3,405.0	13.8	400.4	1.6

*OFFICIAL POVERTY ESTIMATES IN 2018
SOURCE: PHILIPPINE INSTITUTE FOR DEVELOPMENT STUDIES

Assessment of the Emergency Subsidy Program in the Philippines: Lessons Learned and Improving Response in Health Emergencies

3.6. Lessons learned and policy options

The review highlights the challenges the country faced in implementing SAP-ESP during the COVID-19 pandemic, and suggests key policy options for strengthening shock response for future health emergencies.

Consider a simple universal social program during crisis.

In times of emergency, governments can quickly expand existing programs by vertically or horizontally incorporating new recipients. Instead of complex poverty-targeted programs, governments can set up simple universal transfers. Countries are adopting universal basic income (UBI) to address crises, with the subsidy size adapted to household size. This simple and practical solution is effective during a crisis. Examples include Japan providing a one-time transfer to all citizens and Singapore covering all adults. This approach is a quick and effective way to address the crisis.[28]

Improve database and digital payments system.

The COVID-19 pandemic provide opportunity for the government to accelerated the implementation of the National ID System (RA 1105), harmonizing government-wide database, and enabling faster data generation for monitoring public service delivery. This system helps identify 12 million extremely poor families who received cash assistance food for four months, using citizens' ID numbers linked to national databases like the SocioeconomicDatabase and National Database Registration Authority. Beyond tax and billing purposes, the ID also aids in assessing poverty and wealth status of families and individuals.

Enhance and promote transparency and accountability.

The President's emergency budgetary powers require accurate reporting of fund releases and payouts to ensure the public that proposed government funds are allocated appropriately to the intended programs. For transparency, disbursed funds should be publicly reported. This can help identify whether bottlenecks causing delay are due to lapses at the releasing stage or at distribution by LGUs. It is also important to get the oversight bodies on board, especially the Commission on Audit (COA). Although its regular policy is to conduct post-audits, it may in cases especially involving large public funds and executive discretion consider auditing during program implementation.

Establish an effective monitoring system and sanctions for beneficiaries of misuse of cash grants.

Emergency subsidy programs require significant government resources, which can impact fiscal space and create short-term economic stress. Proper spending s crucial to achieve the intended objectives. Low-income families are more likely to miss out on subsidies due to lack of employment and livelihood options. The effective distribution of cash aid is crucial due to politicized subsidy in many parts of the country. Local barangay officials may not include eligible beneficiaries due to election support, and non-qualified households may receive financial assistance due to connections and weak identification systems for non-4Ps beneficiaries. [29]

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3.7. Conclusion

The COVID-19 pandemic significantly impacted the Philippines' development, economy, and people, particularly the poor and the informal sector. Restrictions led to decreased earnings, consumption expenditure, job losses, and increased unemployment and underemployment. The inflation of basic goods, crucial for nutrient supply, further exacerbated the situation. The government enacted Bayanihan 1, giving the president the power to reallocate resources for COVID-19 response and mitigation.

The policy, known as SAP-ESP, provided temporary relief to low-income households through emergency cash subsidies. This was an active policy in response to the pandemic, focusing on social spending for affected sectors but increasing national debt. The policy indirectly provided a safety net for millions of citizens during lockdown,

reducing vulnerability and social unrest. It also funded medical assistance and quarantine facilities, contributing to long-term cost reduction and improving public trust in government response to crises.

The implementation of the SAP-ESP program faced challenges in identifying target beneficiaries due to the absence of an updated database for low-income families. Delays in cash grant distribution, particularly for non-4Ps beneficiaries, prevented them from receiving urgent financial relief. The program's effectiveness was measured by the different levels of hunger experienced by Filipino families. To improve the program, a simple UBI for easy targeting and faster distribution of emergency cash grants is suggested. Additionally, a National ID System is proposed to expedite subsidy disbursement during crises. Lessons from the Philippines and Southeast Asian countries should be analyzed for future emergency subsidy programs.



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- [15] Those who have no incomes, low incomes, or no savings, including those who are not currently recipients of the current 4Ps, and working in the informal economy.
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ARTICLE II REFERENCES II

[20] The 14th President's Report only presents the regional breakdown for non-4ps. Regional data on 4Ps was directly sources from the DSWD. Note that in the process of reviewing 4Ps household beneficiaries, there were 1,730 identified that were no longer eligible for payment (delisted beneficiary, not "active", etc.). These "free" slots are temporarily lodged under the Central Office in case there will be additional 4Ps HHs that would bbe eligible for 1st tranche.

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[26] Experiencing hunger often or always.

[27] Experiencing hunger often or always.

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Article IV

POLICY RESPONSES
DURING HEALTH
EMERGENCY:

WELFARE CARD
PROGRAM IN
THAILAND

PHUBET SENBUT

Policy Responses During Health Emergency: Welfare Card Program in Thailand

4.1. Introduction

The Thai welfare card policy is a social protection program that provides financial assistance to low-income citizens. It is a significant reform on the expenditure side of the government's budget, representing a transfer of resources from the state to those who need it most, typically those in lower-income brackets. Specifically, the welfare card policy involves the government distributing welfare cards to eligible low-income citizens. These cards are loaded with a specific amount of money that recipients can use for purchasing essential goods and services.

Global economies and societies faced profound impacts during the COVID-19 crisis in 2020-2021, governments worldwide have adopted and/or modified their social welfare schemes for a more effective crisis management. In Thailand, the welfare card initiative not only aimed to reduce poverty and inequality, but also helped alleviate the financial strain on cardholders during this challenging period. The pre-existing welfare card system served as a valuable framework for delivering additional support to at-risk families, particularly during the pandemic.

For instance, the Thai government has raised the monthly spending limit on these cards, expanding the range of eligible goods and services and widening the pool of qualifying households. Such steps would have offered immediate and focused relief to families in need. Lastly, the government made specific monetary transfers to cardholders to boost their purchasing power and stimulate domestic spending. These steps collectively helped alleviate financial strain and provided targeted relief to households facing hardship.

The study of Thailand's welfare card policy is of paramount importance due to its significant impact on the well-being of the country's low-income citizens and its potential implications for socio-economic development. Reviewing this program is vital for informed decision-making as it will facilitate a better understanding of the program's effectiveness in poverty reduction, its role in providing a financial safety net, and its capacity to stimulate economic activity.

Therefore, this briefing document is designed to offer a thorough and analytical examination of the Thai welfare card policy.

Policy Responses During Health Emergency: Welfare Card Program in Thailand

The report seeks to illuminate critical aspects of the policy, encompassing its origins, implementation, budget allocation, policy scope, and effects on socio-economic indicators. It will specifically review the policy's impact and its monitoring and evaluation, suggest improvement and ensure the program remains an efficient tool for promoting social welfare and economic stability.

The analysis is based on a comprehensive review and examination of data derived from authoritative sources, including the Thailand National Statistics Office, Ministry of Finance, and the Office of the National Economic and Social Development Council. The briefing note is structured into seven sections. After the Introduction in Section 1, Section 2 reviews Macroeconomic changes before and after the pandemic, followed by a brief description of the objectives and implementation of the welfare card program in Section 3. Section 4, 5 and 6 discuss budgetary allocation, achievements and challenges of the program, and its follow-up measure, respectively. The final section concludes the report with a brief policy implication.

4.2. Thailand's Macroeconomic Structure

Thailand's macroeconomic performance has been relatively strong, with GDP growth averaged at 3.2% since 2005.

GDP growth has been positive every year except for 2009, when the country was hit by the global financial crisis. As the figure shows, GDP growth was relatively strong in 2005-2008, but then slowed down in 2009 due to the global financial crisis. However, GDP growth rebounded in 2010, and remained relatively strong until 2012. GDP growth slowed down again in 2013-2015 but picked up in 2016. GDP growth contracted in 2020 due to the COVID-19 pandemic but rebounded in 2021 and 2022 (The Office of the National Economic and Social Development Council, 2023).

According to the data from The Office of the National Economic and Social Development Council (2023), the following are some of the key factors that have driven Thailand's economic growth since 2005:

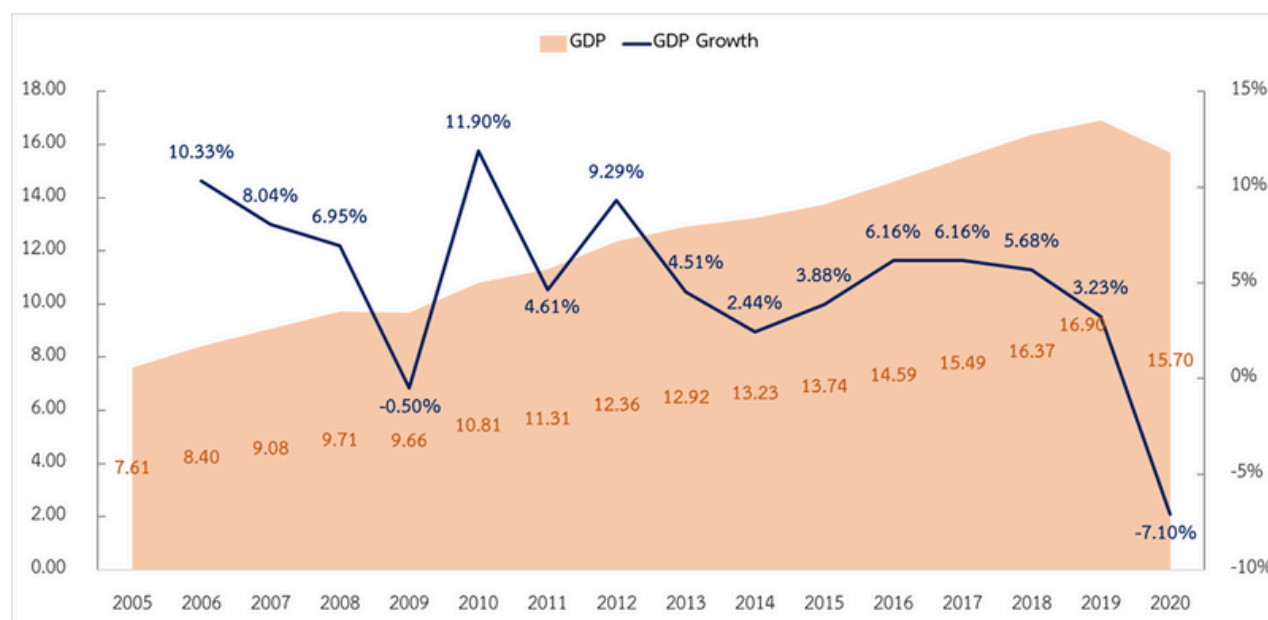
Exports: Thailand is a major exporter of goods and services, and its exports have grown steadily since 2005. This is due in part to the country's strong manufacturing sector, which produces a wide range of goods, including electronics, automobiles, and textiles.

Tourism: Thailand is a popular tourist destination, and the tourism sector has seen significant growth since 2005. This growth has been driven by an increase in the number of tourists from China and other Asian countries.

Domestic consumption: Domestic consumption has also been a key driver of economic growth.

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FIGURE 1: GDP AND GDP GROWTH RATE IN THAILAND BETWEEN 2005 AND 2020



NOTE: THE DATA FOR 2021 AND 2022 HAVE NOT BEEN OFFICIAL RELEASED AS OF THE TIME THIS REPORT IS WRITTEN
SOURCE: THE OFFICE OF THE NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT COUNCIL (2023)

This is due in part to the government's investment in infrastructure and social programs, which has boosted the purchasing power of households.

Despite its strong economic performance in recent years, the Thai economy faces a number of challenges, including:

- **Aging population:** Thailand's population is aging, which could lead to a shortage of workers in the near future.
- **Income inequality:** Income inequality remain a challenge in Thailand, and this could hinder economic growth efforts.
- **Global economic uncertainty:** The global economy is facing a number of challenges, including the war in Ukraine and rising inflation, which could have a negative impact on the Thai economy.

4.3. Objectives and Implementation of the Welfare Card Program

The inception of the welfare card policy in 2018 marked a proactive step in addressing Thailand's poverty and inequality. However, the policy increased significance during the COVID-19 pandemic due to the surge in eligible individuals, necessitating a heightened cash transfer from the government budget.

The core objectives of this program revolve around Social Support, Economic Empowerment, and Social Cohesion. Primarily, the initiative aims to provide financial assistance to low-income residents, supporting their fundamental needs such as sustenance, shelter, and transportation. disparities, enabling active participation in the economy.

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Secondly, by augmenting the purchasing capacity of these individuals through the welfare card, the program strives to foster economic inclusivity and diminish financial

Lastly, in its pursuit of addressing income inequality and poverty, the policy endeavors to fortify social stability. Against the backdrop of the COVID-19 crisis, the welfare card program serves as a pivotal component of a broader social protection strategy, directed at aiding vulnerable communities and alleviating the crisis's economic ramifications. The Ministry of Finance presented this proposal to the parliament for thorough scrutiny and subsequent approval of the proposed budget.

The program is designed for Thai citizens earning a monthly income below a specified limit, which can vary depending on the individual's place of residence and other socio-economic factors. Eligibility criteria include: (1) Being at least 18 years old, (2) Being unemployed or having an annual income of less than 100,000 THB, and (3) Possessing financial assets valued at less than 100,000 THB. The welfare card functions much like a debit card; it is pre-loaded with a specific amount of money each month by the government. Cardholders can use it at authorized stores and vendors to buy essential items such as food and public transportation.

4.4. Fiscal Framework and Direct and Indirect Effects

4.4. Overall Fiscal Framework of Thailand.

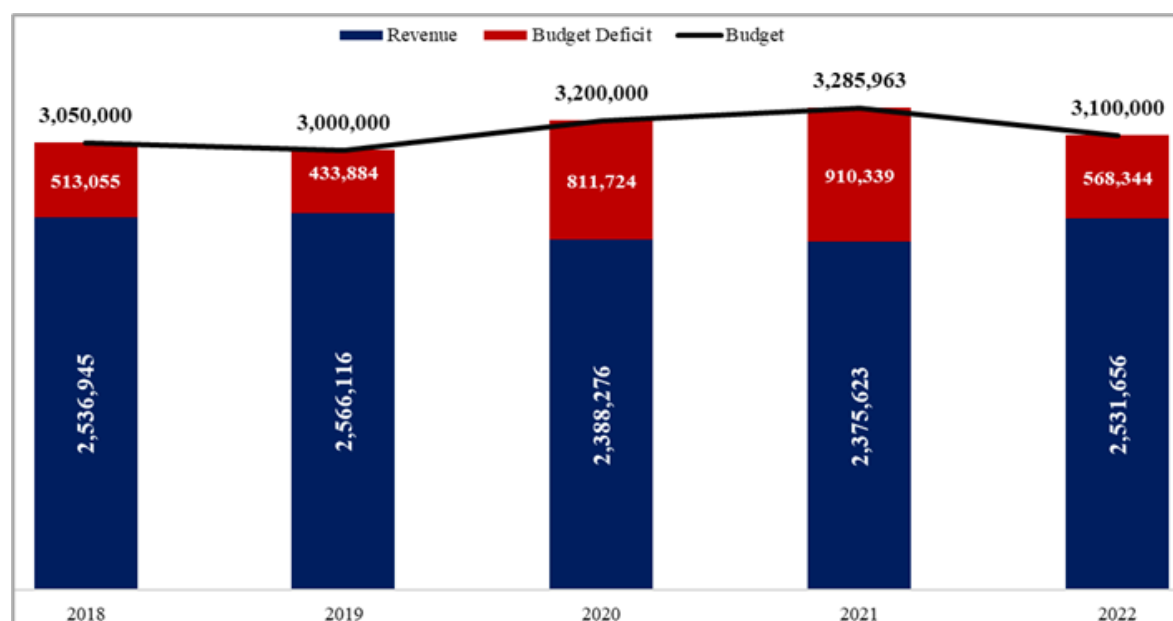
Thailand's budget framework in Figure 2 reflects a consistent rise in expenditure, reaching almost 3,286,000 million baht in 2021, while revenue, affected by the COVID-19 pandemic, fluctuated to around 2,375,000 million baht in the same year. The pandemic-induced economic slowdown contributed to revenue volatility, exacerbating deficits that peaked at 910,339 million baht in 2021, alongside fluctuating GDP, notably affected by the pandemic-induced disruptions. A slight upturn in 2022 hints at potential future revenue improvements. However, the persistent deficits underscore the necessity for strategic fiscal reassessment, including measures to mitigate COVID-19's impact, stimulate economic recovery, and reevaluate expenditure to achieve a more balanced budget framework in Thailand.



[1] ECQ refers to the implementation of temporary measures imposing stringent limitations on movement and transportation of people, strict regulation of operating industries, provision of goods and essential services, and heightened presence of uniformed personnel to enforce community quarantine protocols.

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FIGURE 2: THAILAND BUDGET FRAMEWORK, 2018-2022 (IN MILLION BAHT)



SOURCE: BUDGET BUREAU (2023) AND THE OFFICE OF THE NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT COUNCIL (2023)

4.4.2. Budget allocation for the Welfare Card Program

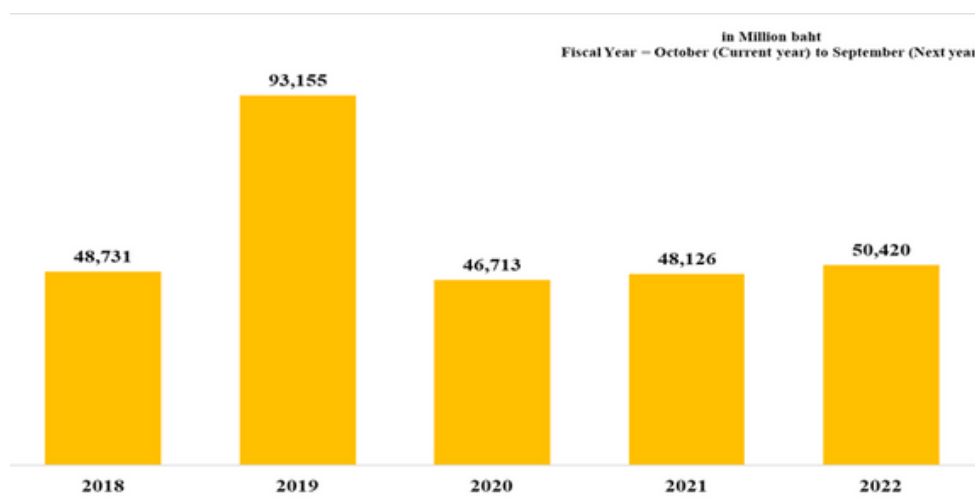
The budget allocation for the Thai welfare card program between 2018 and 2022, as stipulated in the annual budget bill, displayed a consistent upward trajectory. This increment was influenced by a confluence of factors. Firstly, there was a notable rise in the number of eligible recipients during this period, attributed to factors like population growth and increasing economic inequality. Factors contributing to this rise in inequality include the expansion of the asset-holding class, the declining labor share of income, the erosion of social safety nets, and the rising cost of living. Additionally, the per capita benefits for each beneficiary of the welfare card program also saw an increase, which was likely in response to the rising cost of living experienced by citizens.

Moreover, the program itself underwent progressive expansion, offering a wider range of commodities and services that beneficiaries could access using their allocated funds. This expansion was driven by the government's commitment to provide enhanced support to low-income households.

However, the impact of the COVID-19 pandemic on the Thai economy was profound, leading to widespread job losses, income reductions, and an escalation in poverty levels and economic inequality. In response to these challenges, the Thai government implemented various economic stimulus measures, including an increase in the budget allocated to the welfare card program.

Policy Responses During Health Emergency: Welfare Card Program in Thailand

FIGURE 3: WELFARE CARD POLICY BUDGET (2018-2022)



SOURCE: MINISTRY OF FINANCE (2023)

Therefore, a significant spike in the budget allocation was observed in 2019 (for 2020 fiscal year: October 2019-September 2020), reaching 93,155 million baht, equivalent to 3.1% of total budget expenditure (Ministry of Finance, 2023). This marked an almost twofold increase from 2018. The government recognized the heightened financial strain experienced by low-income households during the pandemic and increased the program's budget allocation to alleviate these challenges. Simultaneously, the government expanded the eligibility criteria for the program, enabling a wider demographic of beneficiaries to benefit. Alongside this, the per capita financial support extended to recipients was also enhanced.

The escalation in the budget allocation for the Thai welfare card program proved to be an effective mechanism for improving the circumstances of low-income households during the tumultuous period of the COVID-19 pandemic. The program not only contributed to mitigating poverty and inequality but also acted as a stimulus for domestic consumption, revitalizing the overall economy. The COVID-19 pandemic underscored the importance of robust social safety nets, with the Thai welfare card program serving as a prime example of an effective safety net. It demonstrated its utility in providing essential assistance to low-income households during times of economic turmoil.



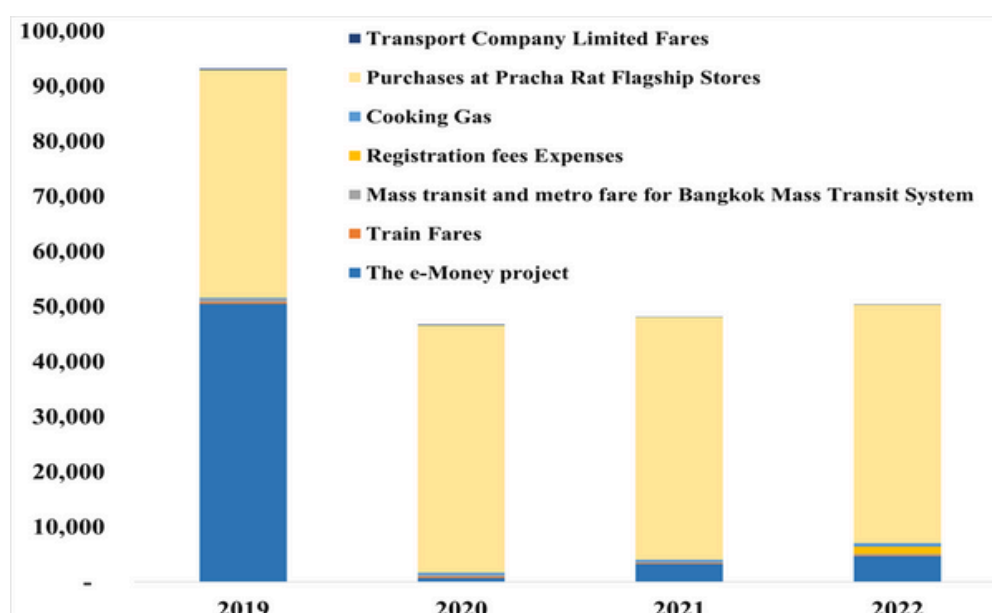
Policy Responses During Health Emergency: Welfare Card Program in Thailand

4.4.3. Spending categories of the Welfare Card Program

Figure 4 illustrates the disbursement framework of the National Welfare Fund for the Poor and Social Economy categorized in accordance with the auditor's report and financial statement. It has been observed that a significant proportion of these disbursements is earmarked for the procurement of consumer goods from Pracha Rat Flagship Stores, constituting an average of 79.45% over a 4-year period and 91.13% over 3 years, spanning from the fiscal year 2023 to 2025. This pronounced allocation can be attributed to the fiscal dynamics of the preceding year, 2022, when a substantial sum was redirected from government initiatives to assist cardholders

through the implementation of the e-Money project, as delineated in Figure 4. The e-Money project serves as a conduit for the receipt of funds from government initiatives designed to provide aid to cardholders, while also permitting eligible individuals to independently augment the balance of their cards via the established banking network. This balance in the e-Money platform is at the disposal of eligible individuals for the acquisition of goods and services through electronic payment terminals (EDCs), the Pracha Rat Money Bag application, or the withdrawal of cash from Krungthai Bank ATMs, and is also amenable to accrual within the card.

FIGURE 4: TYPES OF EXPENDITURES SPENT BY WELFARE CARD POLICY (2019-2022)



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Conversely, the outlays for the procurement of consumer goods from Pracha Rat Flagship Stores, train fares, fares affiliated with the Bangkok Mass Transit Authority and the electric rail system, concessions for the acquisition of cooking gas, and passenger fares under the purview of the State Railway of Thailand (SRT) are credited to the Welfare Card. In the process of expending these allocations for goods and services, the balance within the card will naturally decrease commensurate with the amount expended. Notably, on the first day of every month (with the exception of the cooking gas discount, which operates on a quarterly basis), the balance is reset to its default value in accordance with the specific welfare plan. Any remaining balance from the previous month does not carry over into the subsequent month. Furthermore, it should be emphasized that welfare benefits cannot be withdrawn from the Welfare Card in the form of cash.

Regarding the financial commitments associated with the execution of the Welfare Card Registration Project in the fiscal year 2022, the National Welfare Fund for the Poor and Social Economy channeled these expenditures toward various government agencies, including the Ministry of Interior and the Ministry of Finance, amounting to 149.50 million baht.

Additionally, state-owned financial institutions, such as the Bank for Agriculture and Agricultural Cooperatives, the Government Savings Bank, and Krungthai Bank, received an allocation of 1,224.02 million baht. Local government entities, including Bangkok and Pattaya, were also beneficiaries, receiving a total of 2.67 million baht for the aforementioned project. This strategic reallocation of funds served as an essential component of the overall financial strategy governing the National Welfare Fund's operations.

4.4.4. Direct and Indirect effects of the program

The welfare card policy encompasses several noteworthy facets. Firstly, it serves as an instrument for economic stimulation, primarily through the injection of funds into the hands of low-income citizens. This injection bolsters their purchasing power, igniting a surge in demand for various goods and services, with a particular emphasis on essential commodities such as food, clothing, and utilities. Consequently, this heightened demand not only fosters economic activity but also augments the prospects for local businesses, potentially necessitating the expansion of their workforce. This indirect effect can lead to job creation, thereby contributing to the mitigation of unemployment rates.

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Secondly, the policy carries political implications of substantial consequence. The public's perception and acceptance of this policy play a pivotal role in shaping its political ramifications. An effective and equitable policy can fortify the popularity of the ruling party, enhancing their standing among the electorate. Conversely, if the policy is deemed ineffective, inefficient, or unfair, it could trigger public discontent and jeopardize the political landscape.

However, it is imperative to acknowledge the inherent risk of dependency associated with this policy. While it endeavors to offer immediate relief to low-income individuals, there exists a potential for some beneficiaries to become unduly reliant on this support. This dependency could diminish motivation to seek employment or enhance earning potential (Wannaphong Durongkaveroj, 2022). Therefore, managing this delicate balance between providing essential support and discouraging dependency becomes a critical facet of the welfare policy's administration.

4.5. Achievements and Challenges of the Program

4.5.1. Achievements: The reduction of poverty and inequality

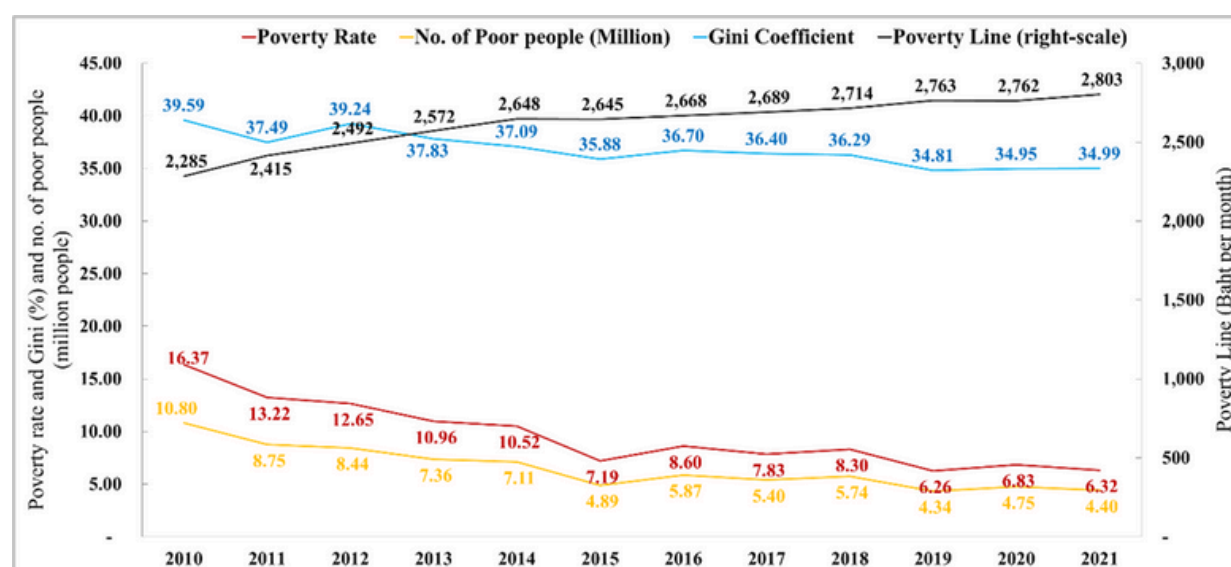
Poverty and inequality levels have been decreasing over time. The poverty rate in Thailand was 16.37% in 2010 and has since decreased, reaching as low as about 6.32% by 2021, suggesting a substantial reduction in poverty over the period (The Office of the National Economic and Social Development Council, 2023). While there have been no previous findings indicating a direct relationship between the welfare card program and poverty reduction, the figure could reflect the effectiveness of Thailand's socio-economic policies and development strategies, including the welfare card program, in lifting people out of poverty.



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At the same time, the Gini coefficient, which measures income inequality, has also seen a decrease over the period. It started at approximately 39.59% in 2010 and has fallen to around 34.99% in 2021 (The Office of the National Economic and Social Development Council, 2023). This suggests that income distribution has become relatively more equitable over the years, contributing to a decrease in inequality.

FIGURE 7: OVERVIEW OF POVERTY AND INEQUALITY REDUCTION IN THAILAND, 2010-2021



SOURCE: THE NATIONAL STATISTICS OFFICE (2023)

4.5.2. Challenges: Limited coverage of poor population in the program

When classifying welfare cardholders by poverty, which is divided by the poverty line at a monthly income of less than 2,803 baht per month or 33,636 baht per year, it was found that the majority of the population who received welfare cards were people with incomes above the poverty line.



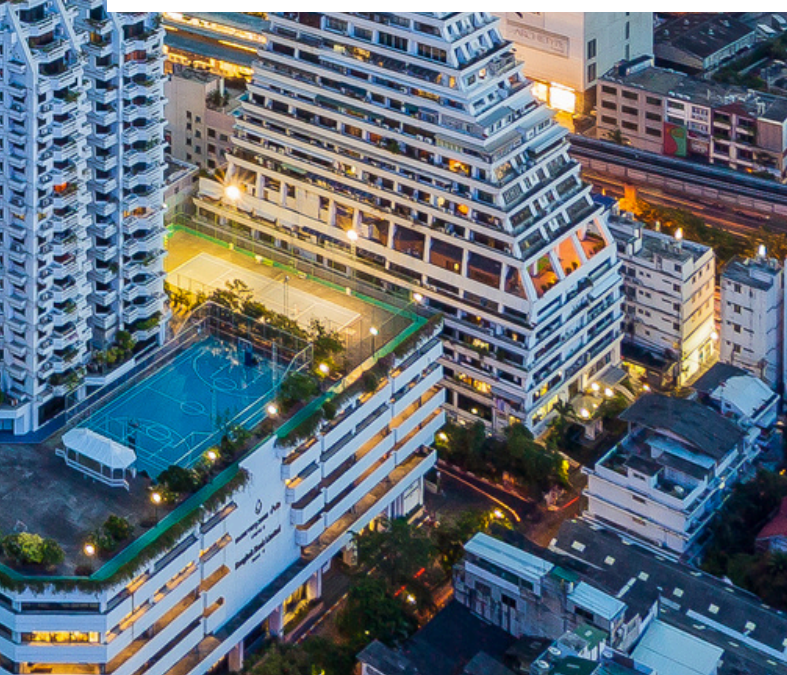
Policy Responses During Health Emergency: Welfare Card Program in Thailand



The total population receiving the welfare cards increased from 12.0 million people in 2018 to 17.6 million in 2021 (Table 1). However, over the four years period, an annual average of 87.75% of all cardholders earned income higher than the poverty line, while only 12.25% were those living below the poverty line. This proportion decreased from 14.85% in the fiscal year 2018 to 10.45% in the fiscal year 2021, as shown in Figure 5.

TABLE 1: POOR AND NON-POOR POPULATION RECEIVING THE WELFARE CARD (2018-2021)

	2018	2019	2020	2021
Total Population (million people)	66.41	66.56	66.19	66.17
Total poor population	5.74	4.34	4.75	4.40
Total non-poor population	60.68	62.22	61.44	61.77
Population receiving welfare card (million people)	12.00	15.65	16.52	17.60
Poor with welfare card (million people)	2.02	2.00	2.43	2.19
Non-poor with welfare card (million people)	9.98	13.65	14.09	15.41



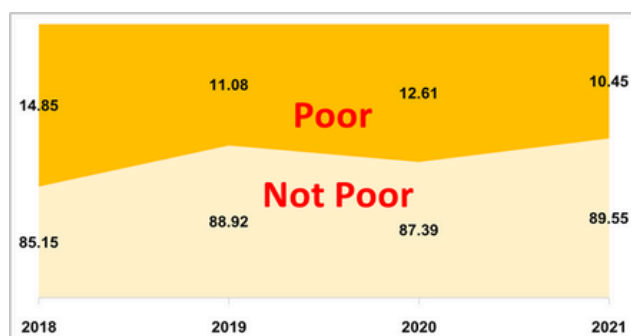
SOURCE: THE OFFICE OF THE NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT COUNCIL AND THE NATIONAL STATISTICS OFFICE (2023)

When considering the proportion of cardholders in each group, including the poor and non-poor populations from the fiscal year 2018-2021, it was found that although the proportion of poor cardholders has improved, this proportion is still relatively small. In the fiscal year 2021, the government assistance through the welfare card program reached only about 50% of the total poor population in the country, as shown in Figure 6.

Policy Responses During Health Emergency: Welfare Card Program in Thailand

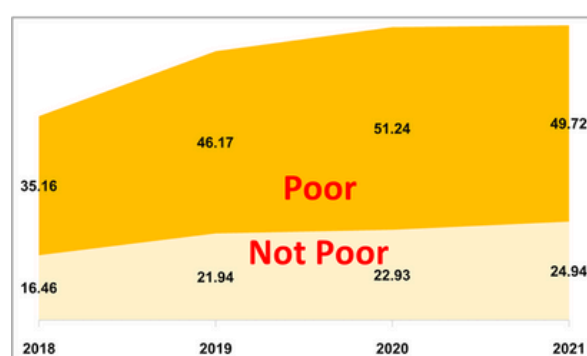
This shows that the implementation of the welfare card program has not been able to cover the population group with urgent needs as it should have.

FIGURE 5: TOTAL PROPORTION OF WELFARE CARDHOLDERS CLASSIFIED BY POVERTY LINE



SOURCE: THE OFFICE OF THE NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT COUNCIL AND THE NATIONAL STATISTICS OFFICE (2023)

FIGURE 6 THE PROPORTION OF CARDHOLDERS OF EACH GROUP (POOR AND NON-POOR)



SOURCE: THE OFFICE OF THE NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT COUNCIL AND THE NATIONAL STATISTICS OFFICE (2023)

In addition, Thailand's welfare card program encounters multifaceted challenges at various stages. At the implementation stage, issues such as inaccurate targeting of beneficiaries can lead to inequitable distribution, often missing out on vulnerable women who may not have adequate access to information or resources (The National Welfare Fund for the Poor and Social Economy, 2020). This is also consistent with the findings in the report on EFFICIENCY AND FAIRNESS IN THE GOVERNMENT'S MANAGEMENT OF COVID-19 which stated that poor information dissemination and inadequate public communication have been identified as primary concerns for Thailand.

In addition, technological disparities and digital illiteracy have disproportionately affected various segments of society, notably the poor, the elderly, and the populations with disabilities.

Limitations in internet accessibility among impoverished and remote communities have impeded their ability to access timely and accurate government information and welfare (Gender and Development Research Institute and Association for the Promotion of the Status of Women, 2023).

Awareness campaigns may not reach women and other marginalized groups due to cultural barriers or logistical reasons, such as limited transportation. Moreover, women may face hurdles in registering for the program due to family obligations or resistance from male family members.

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These problems are compounded by the program's complexity and bureaucratic hurdles, which can disproportionately affect those with limited literacy or familiarity with official procedures, often including women and marginalized groups (UNDP, 2021).

Once the program is up and running, several issues emerge. For one, the absence of effective monitoring and feedback mechanisms makes it difficult to gauge the program's real-world impact and make adjustment accordingly. Second, the program could inadvertently create economic disincentives to seeking formal employment, which can have gender-specific repercussions given that women are already underrepresented in the formal labor market. Third, there is the risk of fostering long-term dependency on welfare, especially if the program lacks features to encourage self-sufficiency and economic empowerment (World Bank, 2019).

4.6. Follow Up Measures of the Program

Upon the decision to implement welfare reform in Thailand, a series of strategic follow-up measures were devised to ensure the effectiveness of the reform and its alignment with the needs of impoverished and vulnerable segments of the population.

One pivotal measure involved the establishment of the National Welfare Fund, designed to furnish financial backing for the welfare reform's execution and the guarantee of its sustainability.

The fund's financing is derived from a confluence of governmental appropriations and contributions from the private sector

Another noteworthy measure was the follow-up initiative encompassing the commencement of the Welfare Card Registration Project, which sought to comprehensively register all eligible individuals for participation in the program. In addition to registration, this project served as a conduit for imparting essential information and support to cardholders, elucidating the proper utilization of the cards and the avenue for accessing various other government services.

Moreover, the Thai government introduced several supplementary follow-up measures. These encompassed the development of a training regimen aimed at equipping welfare workers with the necessary expertise to effectively implement the new welfare system. Additionally, an extensive monitoring and evaluation system was instituted to meticulously trace the progress of the welfare reform, identifying areas necessitating refinement. To enhance public awareness and elucidate the newly introduced welfare system and its accessibility, the government undertook vigorous public awareness campaigns.

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The proactive implementation of these follow-up measures has contributed significantly to the success of the welfare reform in Thailand, with a particular focus on catering to the needs of impoverished and vulnerable demographics. Nonetheless, there persist certain challenges that warrant attention

For instance, the proportion of impoverished individuals benefiting from governmental assistance via the welfare card program remains relatively modest. The Thai government has, however, reiterated its unwavering commitment to addressing these challenges and to realizing the comprehensive success of the welfare reform, striving to extend its benefits to all members of the Thai population.

A comprehensive plan for an ex-post evaluation was established for the welfare reform in Thailand, with the objective of assessing the reform's impact on the disadvantaged and underprivileged segments of society, as well as its overall efficacy and efficiency. The evaluation was to be carried out by a team comprising independent experts from academia, the private sector, and civil society. These experts had the responsibility to evaluate the reform comprehensively.

The entities entrusted with the task of conducting the ex-post evaluation of the welfare reform included prominent organizations and agencies such as the National Institute of Development Administration (NIDA), Thailand Development Research Institute (TDRI), Faculty of Economics at Thammasat University, Faculty of Economics at Chulalongkorn University and the Foundation for Consumers Protection. The culmination of their work was the submission of a final report to the Thai government within a 12-month timeframe. This report was expected to encompass recommendations aimed at enhancing the welfare system in Thailand.

Regrettably, the ex-post evaluation of the welfare reform was never executed. The Thai government attributed this cancellation to financial constraints, thereby obviating an essential dimension of independent assessment pertaining to the reform's impact and effectiveness. This omission consequently hampers the identification of areas necessitating improvement.

In light of these considerations, it is imperative for the Thai government to reevaluate its decision to forgo the ex-post evaluation of the welfare reform. The evaluation process remains an indispensable component in ensuring the reform's success and its alignment with the needs of the underprivileged and vulnerable segments of the population.



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4.7. Conclusion

In summary, the Thai welfare card policy represents a pivotal reform in the government's budget allocation, with a primary focus on providing crucial financial support to low-income citizens. This initiative involves the distribution of welfare cards preloaded with funds, aimed at enabling access to essential goods and services. The program is tailored for Thai citizens whose monthly earnings fall below a specified threshold, serving as a vital financial safety net to alleviate poverty and stimulate economic activity. Notably, it played a pivotal role in addressing the economic challenges exacerbated by the COVID-19 pandemic. The government's adaptability and responsiveness to the crisis allowed the program to provide immediate and targeted relief to families in need by increasing spending limits, expanding the range of eligible goods and services, and widening the pool of eligible households. Furthermore, the efficacy of the program could be evident through the contribution to reducing poverty and inequality levels over the years, reflecting the success of Thailand's socio-economic policies.

However, while the budget allocation for the program increased over the years, a persistent challenge remains in that the proportion of impoverished individuals benefiting from the welfare card program remains relatively modest, underscoring the need for further improvements to broaden its impact.

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Despite the planned measures for an ex-post evaluation, the absence of such an assessment raises concerns as it hinders independent appraisal and the identification of areas needing improvement. To address these challenges and ensure the program's success, it is crucial for the Thai government to reconsider conducting an ex-post evaluation. Such an evaluation is essential not only for achieving the program's objectives but also for effectively meeting the needs of the poor and vulnerable, thereby solidifying the role of the welfare card policy as a vital instrument in Thailand's social protection framework.

ARTICLE II

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ANNEX

APPENDIX 1. DETAILS OF BUDGETARY CHANGES AND EFFECTS OF COVID-19 PANDEMIC ON OVERALL BUDGET IN INDONESIA



SOURCE: MOF, 2020-2022

APPENDIX 2. HIGHLIGHTS OF 2020 EX-POST EVALUATION FINDINGS BY SUPREME AUDIT OF INDONESIA BOARD ON MSMEs PEN

Findings	Tax incentives for MSMEs	Interest subsidy for MSMEs' loans	Productive presidential aid for micro business actors (BPUM)
Audit objectives	Assessing the effectiveness, transparency, accountability, and compliance of the provision of the whole tax incentives and facilities to taxpayers (not only tax incentives to MSMEs).	Assessing the effectiveness, transparency, accountability, and compliance of the program.	Assessing the effectiveness, transparency, accountability, and compliance of the program.
No. of findings	9 findings	9 findings	5 findings
Findings summary I	There were several instances where taxpayers received tax incentives and facilities that they were not eligible for.	<p>The disbursement of interest subsidies in 2020 was not appropriate. There were irregularities in the distribution of interest subsidies, including:</p> <ul style="list-style-type: none"> IDR132.69 billion in additional interest/margin funds were not disbursed. IDR39.09 billion in interest subsidies were disbursed to ineligible parties. IDR3.05 billion in interest subsidies were disbursed to debtors with invalid identity numbers. 	<p>The implementation of the BPUM program in 2020 was not effective.</p> <ul style="list-style-type: none"> BPUM was paid to recipients who did not meet the criteria. BPUM was distributed to the wrong recipients and there are duplications of fund distributions.
Findings summary II	This was due to errors in the application and reporting system, as well as a lack of understanding of the eligibility criteria on the part of taxpayers.	<p>The control of interest subsidy billings through the credit control system was not adequate.</p> <ul style="list-style-type: none"> The credit control system could not generate per debtor details on the payment of interest/margin subsidy billings. The budget official did not anticipate the system weakness, so testing of the completeness of per debtor billing details on the realization of interest/margin subsidy billings could not be carried out. 	<p>There were irregularities in the distribution of BPUM funds, including:</p> <ul style="list-style-type: none"> BPUM was not distributed to some recipients. BPUM was late distributed to some recipients. BPUM was unable to be distributed to some recipients. BPUM was not withdrawn by some recipients.
Major impacts of the findings	The provision of tax incentives not being fully effective.	The irregularities in the disbursement of KUR interest subsidies could have a negative impact on the effectiveness of the program.	The irregularities in the distribution of BPUM funds could have a negative impact on the effectiveness of the program.
Potential improvement	Tax office needs to improve the application and reporting system to make it more user-friendly and to prevent errors from occurring and the government needs to provide more comprehensive guidance and training to taxpayers on the eligibility criteria for tax incentives and facilities.	The budget official should improve the control of interest subsidy billings through credit control system to ensure that the program is implemented effectively.	The government should improve the implementation of the BPUM program to ensure that it reaches the intended beneficiaries.

SOURCE: BPK [37-39]



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