P4SP | Partnerships for Social Protection

Australian Aid

From historical trends to investment pathways

Social protection expenditure in Pacific Island Countries and Timor-Leste

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The dataset used to generate this analysis can be accessed via the Partnerships for Social Protection website (p4sp.org). The authors encourage further mining and analysis of this data – for any questions about the dataset or to share the findings of further secondary analysis, please contact info@p4sp.org.

Partnerships for Social Protection (P4SP) contributes to greater coverage of quality, sustainable social protection systems in Pacific Island Countries and Timor-Leste, that reduce poverty and exclusion, address vulnerabilities through the life-course, and stimulate economic growth.

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Key Messages

- **While levels of social protection expenditure across Pacific Island Countries and Timor-Leste vary, many countries are making meaningful investments**. Four of the 10 countries analysed already spend in excess of 1 per cent of gross national income (GNI) on social assistance, although three have no formal social protection expenditure according to the definition used here.

- **Universal old age and disability benefits form the core of social assistance expenditure across the region**. By contrast, schemes targeted at poor households are less common and receive lower levels of investment. The tendency towards more universal schemes could be linked to factors such as political popularity, administrative simplicity, and their contribution to nation building.

- **Social assistance expenditure is relatively new in the region, and countries have used innovative approaches to gradually increase investments**. Of particular note is how universal schemes have been incrementally expanded through the adjustment of eligibility criteria (such as age and disability status) and benefit levels.

- **The experience of Pacific Island Countries and Timor-Leste provide an important point of reference for identifying future pathways to financing social protection.** This is timely given the potentially important role that social protection can play in supporting economic recovery. This experience is relevant both for countries seeking to expand social protection to members of the population who are currently not covered, as well as countries yet to make investments in social protection.

- **At an analytical level, this paper shows the potential for using established classifications of government finance statistics to assess social protection expenditure**. This approach can help provide a richer understanding of the shape of social protection expenditure, while supporting greater synergies between actors working in the social protection and public finance spaces.

1 Introduction

How to finance sustained and increased social protection investments in Pacific Island Countries and Timor-Leste is a key question facing policy makers. Following two decades of gradually increasing social protection investment in the region, social protection came to the fore in the context of the COVID-19 pandemic as a core component of fiscal response packages. Social protection also has a potentially critical role to play in catalysing the ongoing recovery from the crisis, by helping to stimulate local and national markets, and building social capital. Nevertheless, this inevitably requires investment, which poses a challenge in the constrained fiscal environments faced by many countries.

This paper seeks to support analysis of social protection financing by providing an overview of the size, composition, and historical evolution of social protection expenditure in Pacific Island Countries and Timor-Leste. The focus is on long-term social protection schemes rather than short-term emergency schemes (such as those responding to COVID-19). Such information on recurrent expenditure is important for understanding the scale and nature of investments that are already being made while identifying major gaps in coverage. Meanwhile, a historical analysis can also provide a reference point for future pathways to sustainable social protection financing. This paper is published with an accompanying set of data tables with different tabulations that can be used and adapted by those seeking to undertake analysis of social protection in individual countries or across the region.

This analysis was undertaken as part of a broader activity under P4SP focused on how Pacific Island Countries and Timor-Leste can find strategic pathways to sustainably finance social protection. The priority countries identified by P4SP are **Fiji, Kiribati, Nauru, Papua New Guinea, Solomon Islands, Timor-Leste, Samoa, Tonga, Tuvalu,** and **Vanuatu**, which are also the focus of this brief. While this analysis focuses on these 10 priority countries, it is important to note that there are other countries in the region also making important investments in social protection. For example, Cook Islands and Tokelau, countries not covered in this analysis, have some of the most comprehensive social protection systems in the region.

2 Methodology

2.1 How do we define social protection?

This paper uses well-established government finance statistics frameworks to classify social protection expenditure. These are the economic classification of expenditure (often referred to as "Expense") and the classification of the functions of government (COFOG). Both classifications have been developed over time with the contribution of a range of actors (including the United Nations, the Organisation for Economic Co-operation and Development (OECD), the European Union, and the International Monetary Fund (IMF)) and are routinely used by Ministries of Finance across the globe. This brief draws on the classifications as described in the IMF Government Finance Statistics Manual 2014 (IMF, 2014, p. 135).

The choice of this approach was the result of interaction between social protection and public finance practitioners in the elaboration of this research. One frustration among actors working in the public finance space is that prevailing social protection definitions do not align well with the statistical frameworks used for measuring and analysing government expenditure. This is particularly challenging where social protection definitions overlap with other sectors such as health and education. An advantage of the economic classification and COFOG is they allow the identification of social protection expenditure within a whole of government approach. One implication is that decisions need to be made about what does and does not count as social protection.

The economic classification and COFOG capture two important dimensions of social protection schemes (see Box *2* for a more detailed description). On one hand, within the economic classification of expenditure, social benefits identify the basic nature of the scheme (mainly in terms of how it links to previous contributions and/or employment relationships). On the other hand, the functional classification (COFOG) captures the kind of risks the schemes seek to address. These two classifications are typically reported separately, but this paper (and the underlying data) attempts to provide a "cross-tabulation" of the economic and functional classification; in other words, the kind of risks addressed by different kinds of schemes.

Box 1: Economic and functional classification of social protection

Social benefits (the economic classification of expense)

Within the economic classification of expenditure, social protection primarily falls under the category of **social benefits.** These are current transfers paid to households that respond to needs that arise from "social risks", as described under the functional classification below.[1] Social benefits are categorised into three main types of schemes. For the purpose of this paper, these three categories are defined as follows (see Annex 1 for more detail):

- **Social insurance benefits** that are paid on the basis that contributions have been made by (or on behalf of) an individual. They are wholly or primarily financed by contributions.
- **Social assistance benefits** are paid regardless of whether contributions made to a social insurance scheme. They are financed by general government revenues. In international analysis of social protection systems these are often called "non-contributory" or "tax-financed" schemes. Indeed, this category should not be confused with a much narrower definition of social assistance as catch-all safety nets targeted to poor households or individuals.
- **Public servant benefits** are benefits paid to public servants and financed from general revenues. These could be considered a form of budget-financed scheme but are separated as their function (as an employment-related benefit for public servants) is distinct from other budget-financed schemes.

[1] According to the IMF (2014, p. 135) "Social risks are events or circumstances that may adversely affect the welfare of the households concerned either by imposing additional demands on their resources or by reducing their income." Examples provided are "sickness, unemployment, retirement, housing, education, or family circumstances".

Social benefits are also sub-divided into those provided as **cash** or **in-kind**.

Social protection (COFOG)

Social protection constitutes a stand-alone function of government under COFOG, alongside others including health, education, economic affairs and defence (among others). Social protection (as a function) is closely related to social benefits (as a form of expense) in relating to social risks, although the classifications do not perfectly overlap. Social protection is categorised into sub-functions relating to different lifecycle risks or "contingencies". For the purpose of this paper, these are organised as follows (see Annex for description):

- Sickness and disability
- Old age and survivors
- Family and children
- Unemployment
- Social exclusion

It is worth highlighting that certain expenditures which are sometimes considered to be part of social protection are excluded in the definition used here. Specifically, the classification excludes health care, scholarship programs, school feeding, labour market programs and housing and community development which are considered to fall under other government functions (namely health, education, general labour affairs and housing and community amenities). The classification also excludes subsidies (either paid on products or production) and short-term humanitarian transfers, such as those provided in response to COVID-19. This aligns with the focus of this brief on recurrent social protection expenditure, rather than short-term measures put in place in response to COVID-19. As discussed below, provident funds are excluded from social protection expenditure since – within these statistical classification – disbursements from mandatory saving schemes are not considered a form of government expenditure. In some countries, there are schemes financed and implemented by sub-national governments, which are also not included. Finally, while the analysis has attempted to include both cash and in-kind benefits, the focus leans towards cash benefits, not least because these tend to be reported more clearly in budget documents.

Given the focus on social protection expenditure as reflected in national budgets, 'informal' social protection falls outside the scope of this analysis. However, it is important to recognise that financial and in-kind support provided via family and community networks plays an important role in protecting individuals and households across the region, including in times of crisis. Indeed, budget-financed social protection schemes have the potential to complement and strengthen 'informal' social protection mechanisms, for example, in supporting recipients to strengthen social relations (DFAT, 2014).

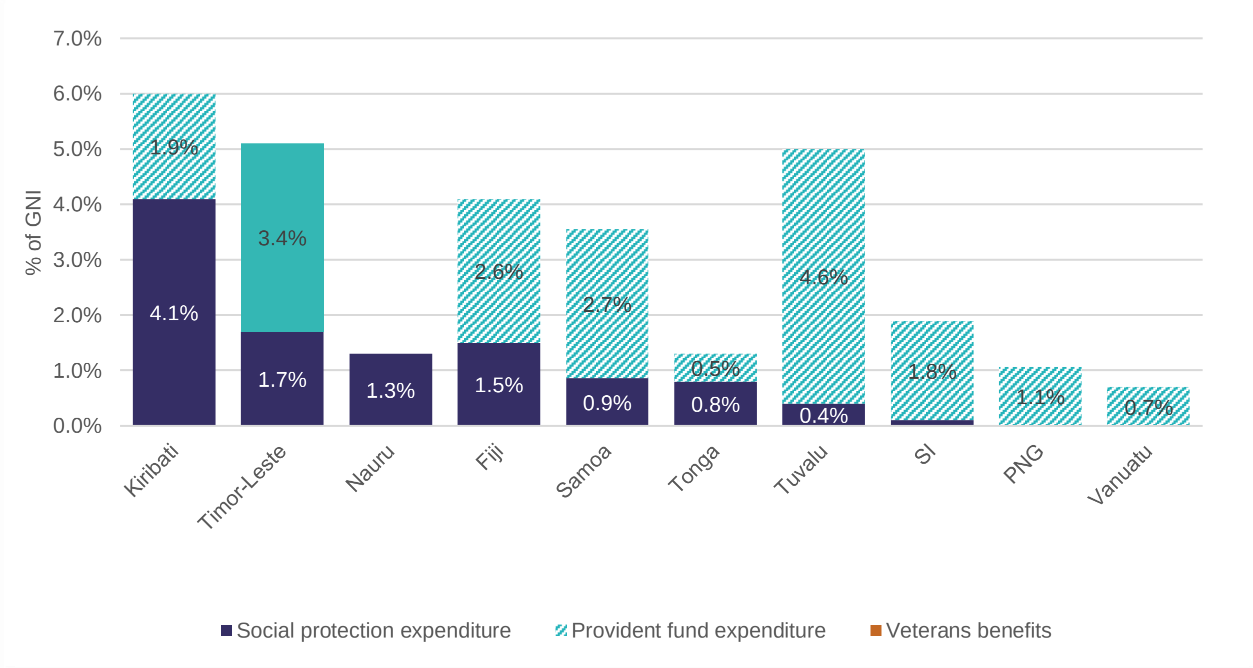
2.2 What are the data sources?

The analysis here draws primarily on national budget documents. Expenditure data relates to the following budget years: Fiji (2020-21), Kiribati (2020), Nauru (2019-20), Papua New Guinea (2019), Samoa (2019-20), Solomon Islands (2019) Timor-Leste (2020), Tonga (2017-18), Tuvalu (2019) and Vanuatu (2019). As a result, it may not reflect reforms that have been implemented in subsequent years. The varying quality and detail of budgetary documents can limit the extent to which social protection data can be disaggregated. As a result, in some cases, data from secondary analysis has been used to provide this detail. For data relating to provident funds, this is mainly drawn from annual reports of these funds. Finally, broader mapping of national social protection systems supported identification of key social protection schemes. Particularly valuable in this respect were a set of system mappings undertaken as part of the Social Protection Approaches to COVID-19 Expert Advice Service (SPACE), and country reports produced in the development of the ADB's Social Protection Indicator.

3 How much do countries spend?

Total levels of social protection expenditure vary significantly across the region. **Figure *1*** shows total social protection expenditure as a share of gross national income (GNI), alongside expenditure by provident funds as well as veterans' benefits in the case of Timor-Leste. The comparison is made to GNI (rather than gross national product (GDP)) given the high levels of foreign revenues in some countries (such as remittances, grants, and fishing licenses) (see **Box *3***). By this measure, Kiribati has the highest level of social protection expenditure (4.1 per cent of GNI) while it ranges from 0.4 to 1.3 per cent of GNI in Fiji, Nauru, Samoa, Tonga, and Tuvalu. According to the definition used in this note, Papua New Guinea, and Vanuatu have no social protection expenditure, while Solomon Islands only has a small expenditure on public servant benefits. That said, there is work afoot in some countries to introduce social protection: for example, Papua New Guinea will soon introduce a child benefit focused on the first 1,000 days, with support of the World Bank and the Australian Government.

Figure 1. Social protection and provident fund expenditure by type of scheme as a percentage of GNI, latest year



Note: Provident fund expenditure excludes withdrawals permitted in the context of COVID-19

Box 2: Why measure expenditure relative to GNI?

Levels of social protection expenditure are typically measured relative to GDP when making international comparisons. When measuring expenditure relative to GDP, we are interested in its scale relative to the size of a national economy. However, using GDP is problematic in many Pacific Island Countries given high levels of foreign revenue which are not considered as part of GDP. These include fishing licenses (e.g. in Kiribati), revenues from immigration processing centres (Nauru), remittances, and foreign grants. A consequence is that, in some countries, government revenue exceeds 100 per cent of GDP. GNI arguably provides a better reference point for cross-country comparison as it includes these sources of income, although the GNI data also has limitations.[2]

For reference, a comparison of expenditure to GDP can be found in the accompanying data tables.

[2] GNI data is compiled less systematically than GDP data, implying there may be greater errors in its calculation. GNI will also reflect significant fluctuations in single source revenues, that may be smoothed by sovereign wealth funds.

Many countries also have additional expenditures on schemes that only partially incorporate key features of social protection. The most notable examples are provident funds, which are considered a form of social protection in the policy discourse in the region, but which are not considered a component of government expenditure under the classifications used here. Expenditure on these schemes commonly exceeds social protection expenditure (**Figure *1***). However, they primarily benefit those in the formal economy and the extent to which they truly represent a social protection scheme is questionable (Box 3). Another significant form of 'partial' social protection in the region are the veterans' benefits in Timor-Leste, which significantly exceed social protection expenditure. For the purpose of this paper, these benefits are not included under social protection and are primarily considered a form of peace dividend.

Box 3: Are provident funds a form of social protection?

Provident funds are often considered to be a form of social protection within policy discussions across the region. However, the extent to which they truly provide a form of social protection is debatable. Provident funds are a form of mandatory saving scheme and lack many of the features that are considered core to social protection schemes, such as risk-pooling (insurance), redistribution between members and regular and predictable payments. Payments are usually made in the form of lump sums (rather than a regular pension[3]) and, therefore, do not provide insurance against longevity risks. It is common for them to be depleted in the early years of retirement. Notably, early withdrawals may also relate to activities unrelated to social protection, such as migration and financing house purchases. During the COVID-19 pandemic, some governments permitted members to withdraw their savings from provident funds.

From a government finance perspective, provident funds are not considered a part of government expenditure, and are therefore not included under either the economic classification of expense, or COFOG (IMF, 2014, p. 37).

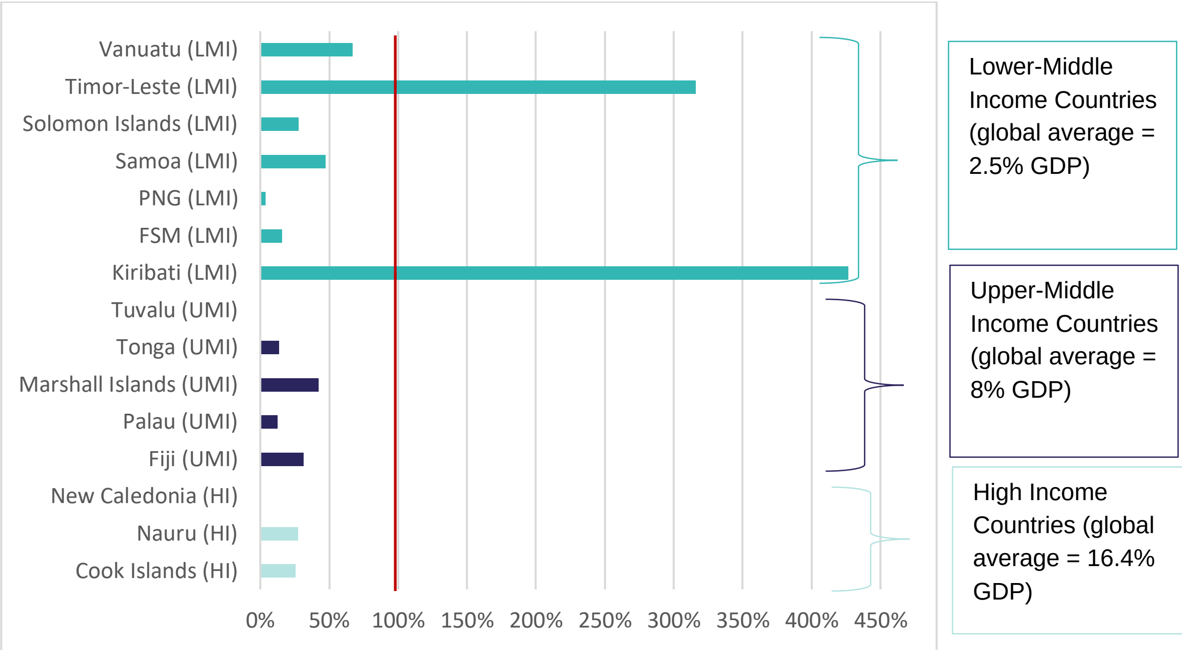
While comparison is challenging, most countries in the region seem to be investing less in social protection than other countries with comparable income levels. Comparing expenditure data with other countries and regions is problematic. Globally, social protection expenditure data is benchmarked against GDP rather than GNI, which can be distorting for countries with high foreign revenues such as Kiribati and Timor-Leste. In many cases, the 'partial' social protection schemes referenced above are also included, and some databases have only limited Pacific data available. Despite those significant caveats, it is possible to make observations by comparing reported Pacific Island and Timor-Leste GDP expenditure data with global averages for countries of a similar income level.[4] Figure 2 shows that based on this method, only Timor-

[3] Some countries – such as Fiji and Samoa – offer an annuity for retirement benefits, but this is currently a voluntary arrangement.

[4] The World Social Protection Report 2020-22 reports on social protection expenditure, 2020 or latest available year (percentage of GDP) for all countries and includes global averages for Low Income (1.1%), Lower Middle Income (2.5%), Upper Middle Income (8%) and High-Income countries (16.4%). In line with World Bank Open Data, countries have been classified as follows: Lower-Middle Income (Kiribati; FSM; PNG; Samoa; Solomon Islands; TL; Vanuatu); Upper-Middle Income (Fiji; Marshall Islands; Palau; Tonga; Tuvalu); and High Income (Cook Islands; Nauru; New Caledonia).

Leste and Kiribati are spending more on social protection than the average of all countries in their income bracket.

Figure 2. Social protection expenditure as percentage of the global average for each country's GDP income bracket, 2020 or latest available year

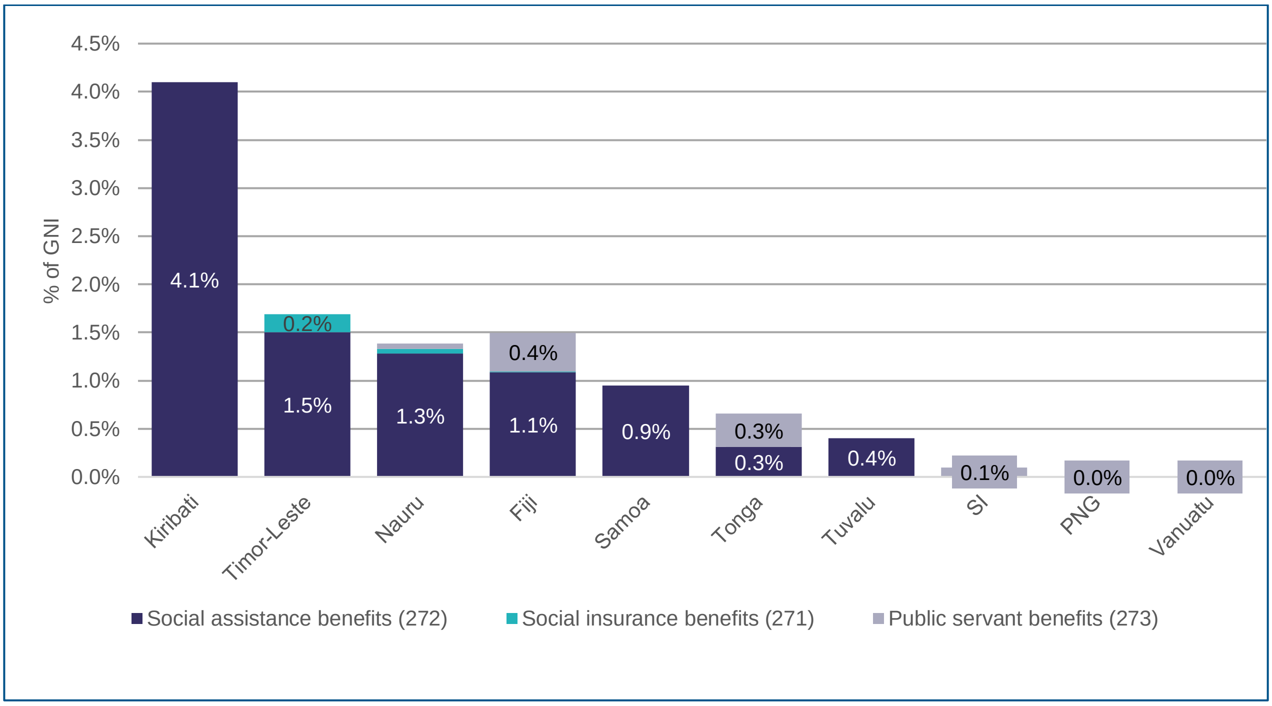


Source: World Social Protection Report 2020-22 Statistical Annex A.43 (social protection expenditure as percentage of GDP); World bank Open Data (classification of country income level).

Social assistance schemes constitute the main form of social protection in countries across the region. Figure *3* shows social protection expenditures disaggregated by social assistance, social insurance, and public servant benefits. Of the focus countries of this study, only Timor-Leste has a contributory **social insurance** scheme in place. The scheme was only introduced in 2017 so, to date, forms a small component of total social protection expenditure, although this would be expected to grow gradually over time. Two other countries in the Pacific not included in the focus countries of this report (Marshall Islands and Palau) also have social insurance schemes in place. In some countries, such as Tonga, public servant benefits also constitute an important share of total social protection expenditure. However, in most countries public servant schemes have minimal to no expenditure, with public servants covered by provident funds.[5] This stands in contrast to many countries in the wider Asia Pacific region where expenditure on public servant schemes forms a significant share of social protection expenditure (ESCAP and ILO, 2020, pp. 15–17). In some countries, such as Fiji and Tonga, **public servant benefits** also constitute an important share of total social protection expenditure. Nevertheless, in general the trend across the Pacific is for most public servants to be covered by provident funds, which stands in contrast to many countries in the wider Asia Pacific region where public servants continue to benefit from schemes financed by general revenue (ESCAP and ILO, 2020, pp. 15–17)

[5] Public servant benefits are often reported less clearly and consistently within national budget documents, meaning that it is possible expenditure on some schemes has been missed.

Figure 3. Social protection expenditure by type of scheme as a percent of GNI, latest year



4 Social assistance in focus

Investment in social assistance in Pacific Island Countries and Timor-Leste ranges from 0.3 per cent of GNI in Tonga to 4.1 per cent of GNI in Kiribati. Figure 4 shows the level of expenditure as a share of GNI. Three of the seven countries with any investment spend 1 per cent of GNI or less, another three spend a little over 1 per cent of GNI, while, as indicated earlier, Kiribati spends significantly more (4.1 per cent of GNI). Papua New Guinea, Solomon Islands and Vanuatu have no social assistance expenditure according to the classifications used in this paper.

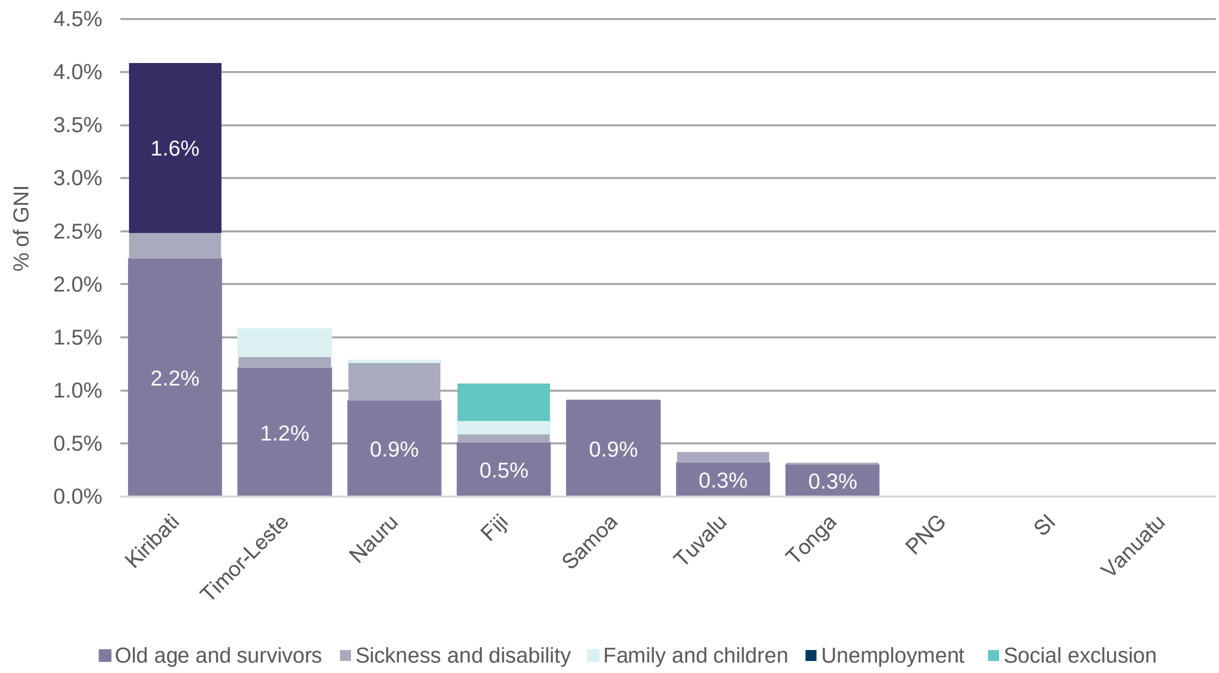
Disaggregation of social assistance expenditure by function helps to explain the key factors behind levels of expenditure across the region (Figure 4**)**. Some notable trends are:

- **Universal (or high coverage) old age pensions comprise the main component of social assistance expenditure.** Of the seven countries that have social assistance in place, all have some form of budget-financed old age pension and, in all of these countries, old age pensions constitute the largest single component of expenditure. In all countries but Fiji, the old age pensions are universal above a given age and, in practice, the scheme in Fiji only excludes a small portion of older persons, covering an estimated 88 per cent of people aged 65 and over (UNDESA and ILO, 2021).
- **Most countries (six of the seven) also have universal disability benefits in place**, although expenditure is lower than old age pensions – which reflects international trends on relative levels of social protection expenditure. It should be noted that expenditure on disability benefits is not reflected in Samoa as the scheme was introduced after the data collection.
- **Two countries have means-tested benefits for families and children in place.** The Bolsa da Mae programme in Timor-Leste (costing 0.3 per cent of GNI) targets poor households with children.[6] The Child and Protection Allowance in Fiji (costing 0.1 per cent of GNI) targets households with vulnerable children including orphans, those living with single parents or foster parents, and children whose parents are in prison. Eligibility criteria include living in or on the verge of destitution and with no source of income, although research suggests this has not been applied consistently (UNICEF and Ministry of Women, Children and Poverty Alleviation, 2015).
- **Fiji is the only country that has a benefit for poor households in place** (classified under social exclusion) in the form of the Poverty Benefit Scheme (PBS) which targets poor households, supporting up to four household members.

Benefits focused on unemployment issues were relatively unknown in the region until the recent introduction of a major scheme in Kiribati. The Support Fund for the Unemployed program was introduced in 2020 (although had been planned before the onset of COVID-19) and in that year became one of the largest social assistance schemes in the region. As discussed later, levels of expenditure on the scheme have continued to increase since 2020 (which data in **Figure 4** refers to).

[6] Timor-Leste is undergoing a process of reform towards a more universal child benefit programme. As part of this process, in June 2022, the scheme Bolsa da Mae - Jerasaun Foun (New generation) was launched targeting pregnant women and children.

Figure 4. Social assistance benefits by function, as a percentage of GNI, latest year



The prominence of universal life cycle schemes is a notable feature of the region, which could be influenced by a range of drivers. This tendency stands in contrast to many other low- and middle-income countries in the wider Asia Pacific region where social assistance has been generally limited to poverty-targeted schemes. Detailed analysis of the drivers of the more universal approach in the Pacific and Timor-Leste goes beyond the scope of this paper, but some factors emerge as potentially relevant. The administrative simplicity of such schemes presents important advantages given the complex geography of many countries in the region. The introduction of new schemes has often been linked to moments such as election campaigns, in which a universal approach may have been important in securing political buy in.[7] In some countries – most notably Timor-Leste – the universal nature of old age and disability benefits has been part of a broader effort to avoid social conflict and support nation building. Finally, the preference for such schemes may have been influenced by policy preferences in Australia and New Zealand, such as the existence of high-coverage old age pensions.

Despite the important investments made to date, social assistance expenditure remains a relatively small part of total government expenditure in most countries (Figure 5). With the exception of Kiribati, all focus countries spend less than 4 per cent of government expenditure on social assistance, suggesting it constitutes a small part of the activity of government. Even in Kiribati, with striking levels of social assistance in regional comparison, this still only constituted around 7 per cent of total government expenditure. Social assistance expenditure is also considerably lower than levels of investment in education and health services in all countries (**Figure *6***).

[7] For discussion of the political economy of targeting see, for example, Kidd (2015), Korpi and Palme (1998) and Sen (1995).

Figure 5. Social assistance benefits by function; as a percentage of total government expenditure, latest year

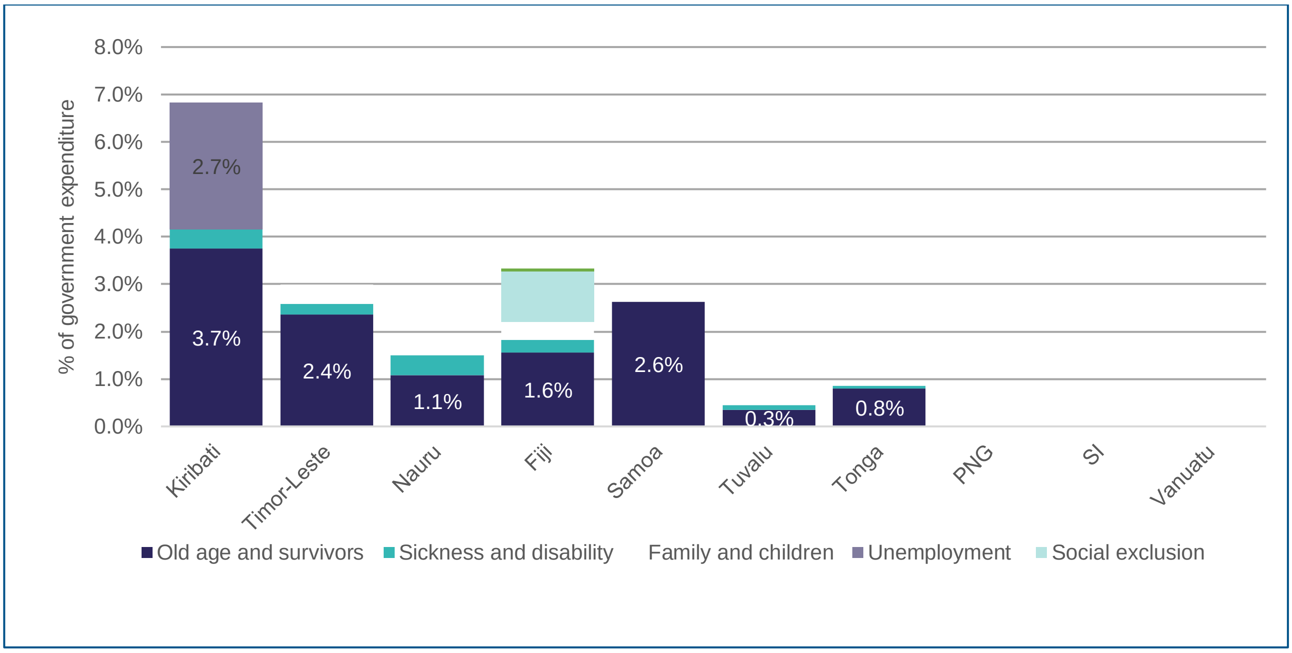
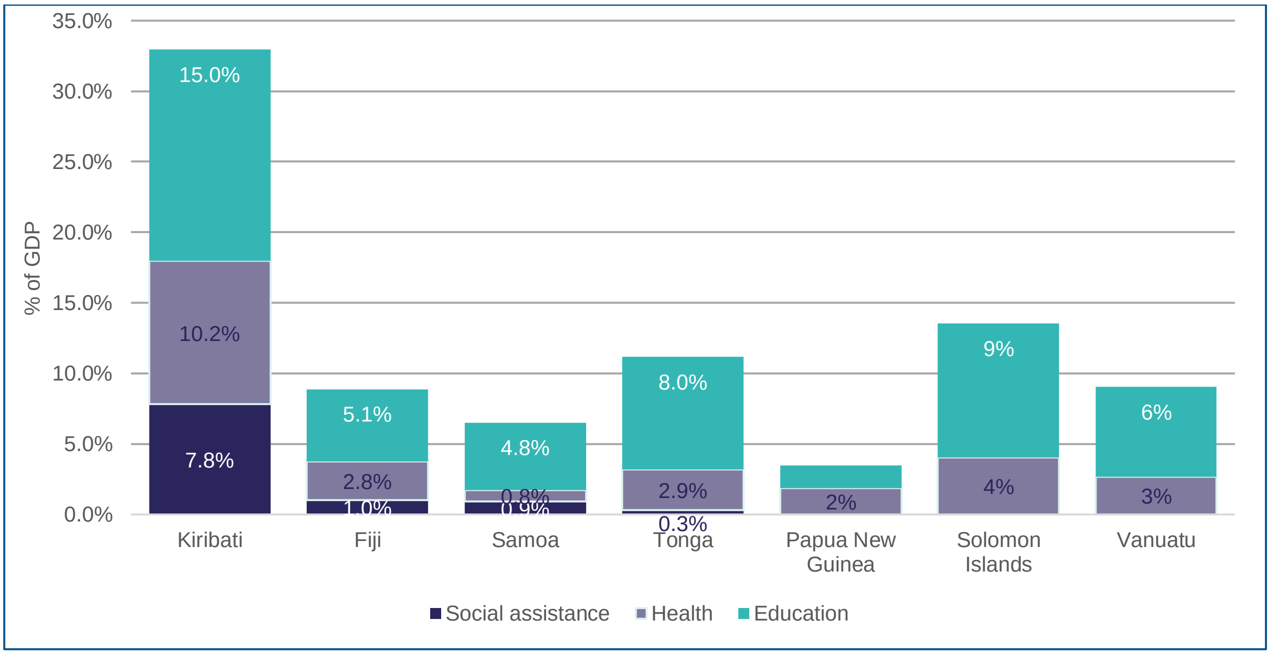


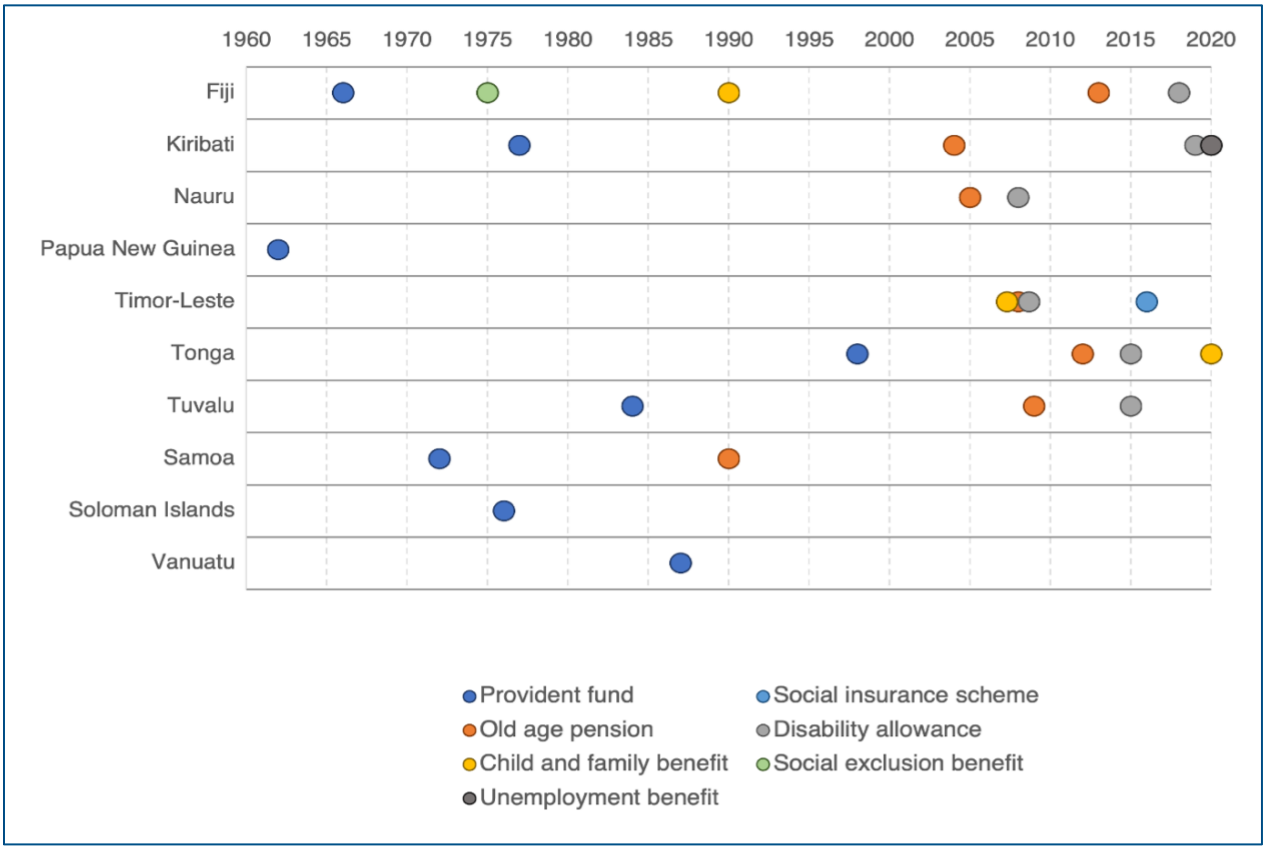
Figure 6. Social assistance expenditure compared to health and education expenditure percentage of GDP, latest year



5 How have systems evolved?

The introduction of social assistance schemes has been a relatively recent development in the social protection landscape of the region. Figure 7 shows the year of introduction of different types of social assistance scheme, as well as social insurance schemes and provident funds. Up to the late 1980s, most countries only had provident funds in place, usually having been introduced shortly before or after independence. Social assistance schemes are a far newer element in the social protection systems of the region, with almost all having been introduced in the last 15 to 20 years. Fiji stands out as having a long-standing poverty-targeted social assistance scheme in place that was reformed in 1975[8], and also as having introduced a benefit for children (the Care and Protection Allowance) as early as 1990.

Figure 7. Timeline of introduction of main social protection schemes



[8] The Family Assistance Programme (FAP) was introduced in 1975 as a reform of existing allowances for poor individuals and households that had their origins in the 1920s. These earlier allowances are not included in the timeline given a lack of information about their specific date of introduction. The FAP was reformed again into the Poverty Benefit Scheme (PBS) in 2012).

Expenditure on social assistance schemes has increased over time, although the speed of this increase has varied. Some countries have significantly increased social assistance expenditure within one to two budget years. A key example is Timor-Leste, which introduced its old age and disability pension, and the Bolsa da Mae programme in 2008. However, it is more common for increases in social protection expenditure to happen much more gradually.

The historical cases of Fiji and Kiribati illustrate how countries have gradually increased social protection expenditure over time. These cases are discussed in **Box *4*** and **Box *5*** respectively. In both countries, gradual increases in social protection expenditure year-on-year resulted in significant expansion within a relatively short timeframe. This is clearest for Fiji which tripled its social protection expenditure between 2013 and 2022, but mostly in annual increments of no more than 0.1 per cent of GDP. While the increase in expenditure in Kiribati has been dramatic since 2020, a more gradual approach was used in the expansion of the Senior Citizens' Grant between 2008 and 2019 – with expenditure doubling as a share of GDP over this period. Note, the case studies use GDP (rather than GNI) as a reference point given more readily available longitudinal data.

Box 4: Incremental increases in social protection expenditure in Fiji

Fiji has seen social assistance expenditure nearly triple over the last decade, with the greatest increases happening in the last five years (**Figure 8**). In 2013, the country spent 0.4 per cent of GDP on the four main social assistance schemes, which was similar to the levels of expenditure for the preceding years. In 2012, the Poverty Benefit Scheme (PBS) was introduced while the Family Assistance Program was removed, maintaining similar levels of expenditure. A small Social Pension Program (SPS) (costing just 0.04% of GDP) was introduced in 2013.

Up to 2016-17, expenditure remained relatively constant compared to GDP, although expenditure on the SPS increased. This was due to increased coverage and increases in the benefit level (see Annex 2 for description of parametric changes).

The 2017-18 budget year saw a doubling of expenditure on the main social assistance schemes from 0.4 to 0.8 per cent of GDP. Key reasons for this were an increase in the SPS benefit (from FJD 60 to FJD 100 per month) and further lowering of the eligibility age, the introduction of the Disability Allowance and adjustments to the PBS benefit structure.

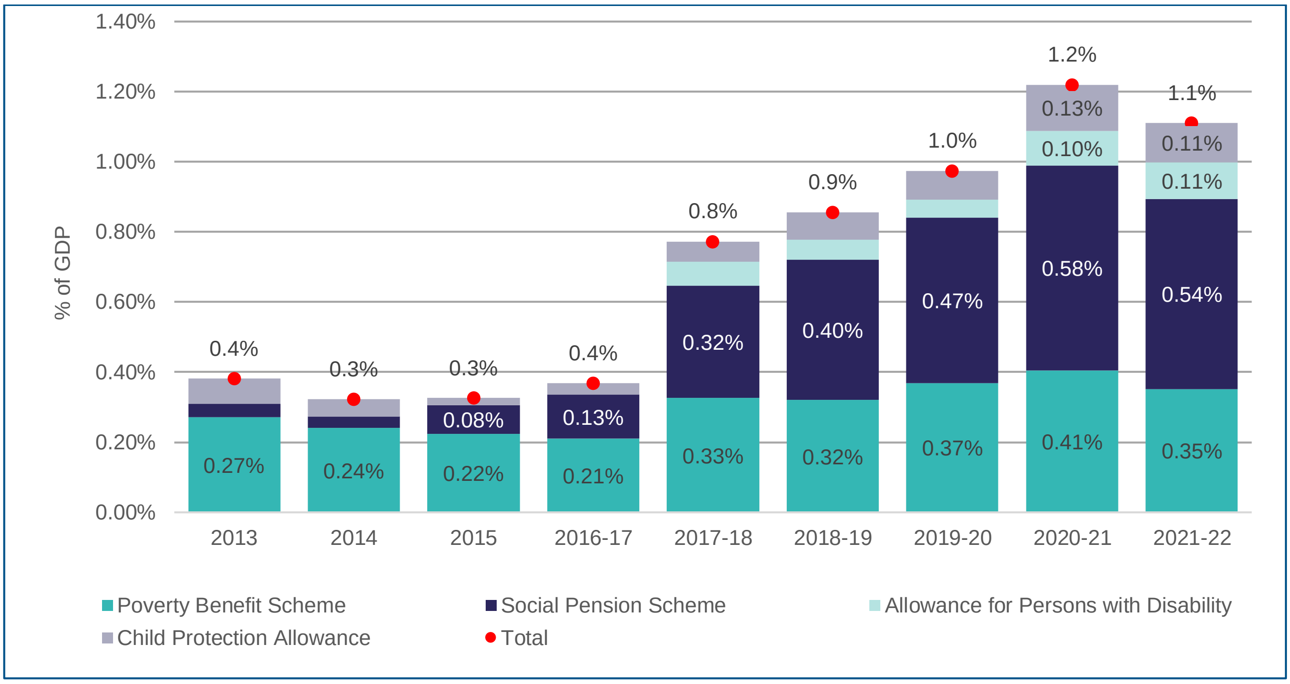
Since 2017-18 there has been a further increase in expenditure, which primarily relates to the increasing coverage of existing schemes. For example, the recipients of the Disability Allowance increased from 3,190 in August 2018 to 8,662 in August 2020. While the eligibility criteria of the SPS exclude those with another form of income (including from the Fiji National Provident Fund) it has gradually evolved to coverage similar to a universal pension, reaching around 88 per cent of those age 65 and over by 2020 (UNDESA and ILO, 2021).

Notably, there has also been a reshaping of social assistance expenditure, previously dominated by the PBS, but now with significantly greater weight to lifecycle schemes addressing old age, disability and the situation of vulnerable children. Expenditure on the PBS has remained more stable over the period, with more minor increases.

Despite this significant increase in social assistance expenditure, year-on-year expenditure increases have been small, usually no more than 0.1 per cent of GDP, with the exception of 2017-18 (0.4 per cent of GDP) and 2020-21 (0.2% of GDP).[9]

[9] The larger increase in 2020-21 primarily reflects the fall in GDP in this year (making social protection expenditure a comparatively larger share of a smaller GDP) rather than greater increases in expenditure.

Figure 8. Expenditure on main social assistance schemes in Fiji, 2013-2022, per cent of GDP



Box 5: Incremental increases in social protection expenditure in Kiribati

Expenditure on social assistance in Kiribati has increased significantly from 0.5 per cent of GDP in 2008 to 23.3 percent of GDP in 2021, with most of the increase taking place since 2020.[10] This increase was primarily due to the launch and expansion of the Support Fund for the Unemployed scheme, although an increase in the benefit level for the Senior Citizens' Benefit also played a role. Nevertheless, from 2008 to 2019 there was a much more gradual increase in expenditure on the Senior Citizens' Benefit from 0.5 per cent of GDP to 1.2 per cent of GDP. The increases in 2011-2012 and in 2016 are explained by increases in benefit levels and gradual reductions in ages of eligibility (to 67 years, then 65 years) in those years.

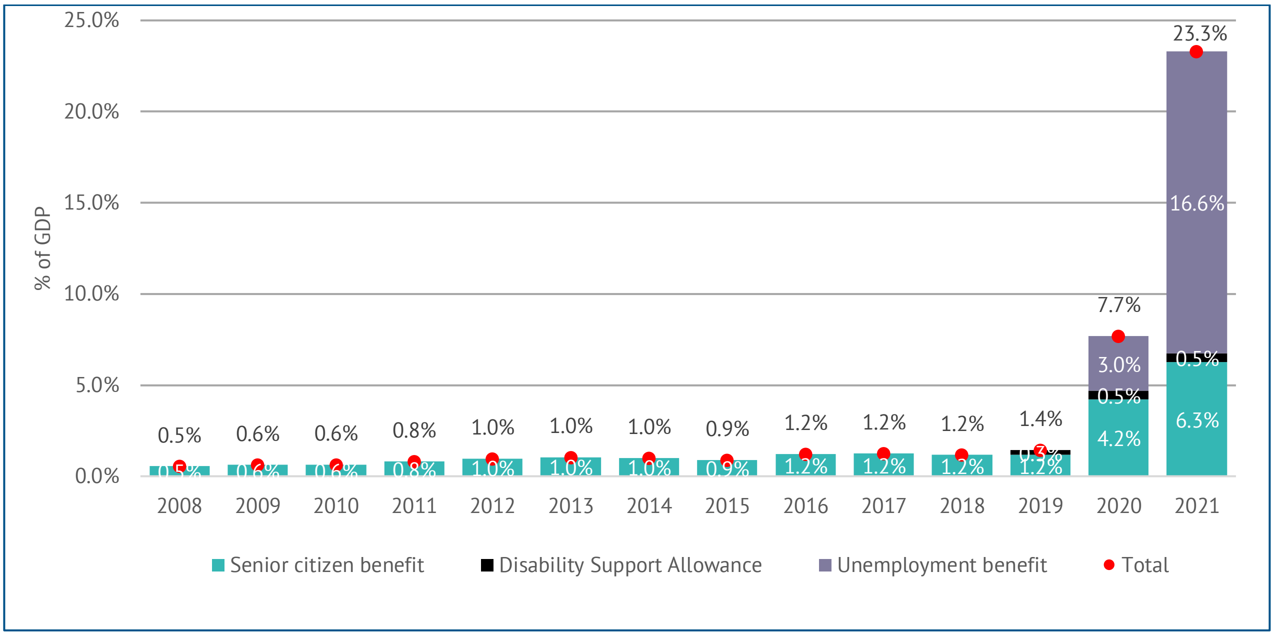
The sharp increase in expenditure in 2020 results primarily from the lowering of the age of eligibility to 60 years and the quadrupling of the benefit to AUD 200 per month. In the meantime, a new Disability Support Allowance was introduced in 2019 with a budget amount of 0.3 per cent of GDP[11], rising to 0.5 per cent in 2021.

Year	Benefit level (age group)[12]
2004 -	AUD 40 (70+)
2011 -	AUD 40 (67-69), AUD 50 (70+)
2016 -	AUD 50 (65-69), AUD 60 (70+)
2020 -	AUD 200 (60+)

The evolution of expenditure appears to coincide with political moments in Kiribati. The introduction of the Senior Citizens' Benefit (at that time called the Elderly Fund) appears to have been linked to the 2003 election (AusAID, 2012), and the significant increase of the benefit in 2020 followed election promises made in 2019 by the government at the time (and current government) to improve and properly legislate assistance to the elderly.

[10] Note, expenditure does not include the unemployment benefit which, for the purpose of this paper, is considered part of the COVID-19 response.
[11] The Kiribati Budget documents from 2019 and 2020 state a budgeted (and revised) allocation of 750,000 AUD, however, actual expenditure is not reported in the 2021 budget document.
[12] AusAid (2012) and Gorman (2021a).

Figure 9: Expenditure on main social assistance schemes in Kiribati, 2008-2021, per cent of GDP[13]



A particularly notable characteristic of the historical development of social protection in the region is the incremental expansion of universal schemes. As noted above, universal old age and disability benefits are a prominent part of the social protection landscape in the region. It might be assumed that universal schemes require significant immediate investment when introduced, but countries in the region have found ways to gradually expand such schemes with small annual increments in expenditure, while maintaining their universal nature and avoiding means testing. Key approaches (which are described in more detail in Annex 2) have included:

- **Gradual reduction of the age of eligibility for old age pensions** (Fiji, Kiribati, Tonga). This has involved introducing an old age pension with a relatively higher age of eligibility and gradually reducing it over time. This has also been a common approach to expanding the coverage of budget-financed old age pensions outside the Pacific region (including in Bolivia, Canada, Myanmar, Nepal and Viet Nam).

- **Incremental increases in benefit levels** (Kiribati, Fiji, Tonga, Samoa). This has involved introducing schemes with lower benefit levels and increasing them over time to provide more adequate levels of cover. These increases have tended to be ad hoc (often linked to political events), and benefits in the region have not formally been indexed to prices or other benchmarks (such as wages or economic growth). Nevertheless, as shown by the examples of pensions in Fiji and Kiribati, these ad hoc increases have tended to result in benefit levels increasing over and above prices and average incomes. This reflects experience in other countries such as Nepal and Vietnam (HelpAge International, 2017).

[13] 2021 data presented for Kiribati is based on budgeted (revised) figures for 2021, not actual expenditure. As such, final expenditure may differ from what is reported here and these figures should be interpreted with caution.

- **Differentiated benefit levels for different categories of beneficiaries.** This approach entails having different benefit levels for different groups of recipients. For disability benefits, this usually involves different benefit levels depending on the severity of disability (as in Tonga, Palau, Tuvalu, and Kiribati). For old age pensions, this usually entails higher benefit levels for older age groups (as in Tonga and Nauru and previously in Kiribati) which arguably acts as a proxy for levels of disability and care needs. Fiji's Care and Protection Allowance differentiates benefits according to level of schooling. On one hand, this approach can be seen as a long-term approach for tailoring benefit levels according to the circumstances and support needs of recipients. On the other, it can also be used as a mechanism to contain costs in the short to medium term, keeping benefit levels down for those with lower support needs. These approaches are also common outside the Pacific region, such as in Nepal, Uzbekistan and Vietnam – where disability benefit levels are adjusted according to the severity of disability – and in Mauritius – where old age pension benefits are significantly higher for older age groups.

- **Scheme sequencing.** It is common for countries to gradually add new schemes to their social protection system over time. One notable trend in the sequencing of schemes has been the introduction of old age pensions, followed later by the introduction of disability benefits. This sequence was followed in Fiji, Kiribati, Nauru, Tuvalu, while Timor-Leste introduced both schemes simultaneously.

- **Progressive improvements in scheme access.** Administrative barriers to scheme access may mean it takes some years for a scheme to reach high levels of coverage for eligible people (therefore resulting in a gradual increase in expenditure). While countries in the region have been able to expand old age pensions to near-universal coverage relatively quickly, extending full coverage of disability benefits tends to take longer. This is linked to the greater complexity in undertaking disability assessment compared to simple age-based eligibility. This is demonstrated in both Fiji and Kiribati, where the coverage of disability benefits (and associated expenditure) has gradually increased, without any changes to eligibility criteria.

6 Conclusion

The analysis in this paper shows that many countries in the Pacific region are making meaningful investments in social protection. Care should be taken to acknowledge the significant regional variation in expenditure levels, and not to overstate these investments: most remain modest relative to government expenditure, and important coverage gaps remain. Nevertheless, expenditure data highlights the need to take as a starting point that many countries are already on a positive journey to building comprehensive social protection systems.

The focus on universal social protection approaches, particularly old age and disability benefits, provides something of a Pacific model of social assistance. This approach is shared with some other Pacific countries not included in this analysis, such as Cook Islands and Tokelau. This regional trend is in contrast to many other countries in the Asia Pacific region that have larger investments in poverty-targeted schemes. Recognising this preference across the Pacific may help inform future directions, both for countries that have yet to make investments in social protection (Papua New Guinea, Solomon Islands and Vanuatu), and where countries are looking to expand to address other risks (such as those relating to children and families). The recent moves in Timor-Leste towards a more universal child benefit rather than a poverty-targeted benefit is a further illustration of this.

The historical pathways of social protection expenditure are particularly informative when considering how to finance investments in the future. While some countries have rapidly expanded systems within a short period of time, a more common approach has been the gradual expansion of universal schemes through adjustments to eligibility criteria (including age and disability status), benefit levels, and through sequencing of schemes. Given the fiscal constraints facing many countries in the region, this progressive approach may provide a route to expand social protection gradually while also continuing to meet other key policy priorities.

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Annex 1 Method for classification of social protection expenditure

The classification of social protection expenditure in this paper is based on the economic classification (Expense) and the functional classification, (COFOG) of expenditure as described in the International Monetary Fund's Government Finance Statistics Manual (GFSM).[14] In essence, the analysis seeks to cross-tabulate all expenditures that fall under the classification of Social benefits (27) under the economic classification, with those that fall under the function of Social Protection (710) of COFOG. Given that these two classifications do not directly align, it is possible that the classification used here will not incorporate expenditures that may be included with other attempts at classification. The analysis seeks to incorporate central government expenditure, including social security funds, but does not include schemes financed at a sub-national level.

To support interpretation of the analysis in this paper, tables are provided showing how different schemes have been classified

In presenting the analysis of expenditure, some minor adjustments have been made either in terms of changing the labelling of categories, aggregating categories, or removing some that are less relevant for the analysis. These modifications include:

Under the economic classification:

- **Social security benefits** (271) are labelled as **Social insurance benefits**. This is due to the fact that social security is often interpreted to relate to social protection as a whole. The relabelling is appropriate given that the GFSM uses the terms social security and social insurance interchangeably.
- **Employment-related social benefits** (293) are labelled as **Public servant benefits**. This is because to those unfamiliar with the economic classification of expense, employment-related benefits may be understood as those relating to any form of employment (which could include all social insurance/security).

Under COFOG, some categories have been adjusted or removed:

- Old age (7102) and survivors (7103) are aggregated into one category (Old age and survivors)
- The following categories are removed:
    - **Housing (7106**): available budget data does not provide for a comprehensive assessment of social protection relating to housing. For only one country (Fiji) was data available. These schemes are relatively small so do not affect the overall picture of expenditure.

[14] The IMF does compile data on social protection expenditure according to established government finance statistical classifications which are hosted on its online portal for Government Finance Statistics. (https://data.imf.org/?sk=a0867067-d23c-4ebc-ad23-d3b015045405). However, the data that is readily available does not include many countries, if often incomplete (for example with limited disaggregation) and often with seeming errors in terms of classification.

  - **Research and Development (R&D) on Social protection (7108)** and **Social protection not elsewhere classified (n.e.c) (7109)** are excluded given that no such expenditure was recorded in available budget documents.
- The label for **Social exclusion not elsewhere classified (n.e.c.)[15] (7107),** has been simplified to **Social exclusion**

The result is a simplified set of categories:

- Sickness and disability
- Old age and survivors
- Family and children
- Unemployment
- Social exclusion

Within the framework set out by the GFSM, various benefits fall outside the scope of social protection (under COFOG) and social benefits (under the economic classification). In relation to COFOG, key items are listed in Annex Table 1. These items usually also fall outside the scope of Social benefits (27) as they are considered services provided by government, rather than transfers to individuals or households.

Annex Table 1: Expenditures falling outside the scope of social protection under COFOG

	COFOG
Health care	Health (707)
Scholarships	Education (709)
School feeding	Education (709)[16]
Labour market programmes	General labour affairs (70412)[17]

Payments made in response to emergencies have an ambiguous relationship to social protection, being excluded from Social benefits (27)[18], but included under Social protection n.e.c. (7109). Given the focus of this paper on long-term social protection systems, measures provided in response to emergencies (including COVID-19) are excluded from the analysis.

The classification also excludes subsidies (either paid on products or production) which do not fall under Social benefits (27) under the economic classification, but under Subsidies (25).

[15] Not elsewhere classified.

[16] Specifically, Subsidiary Services to Education (7096).

[17] Unless attached to payment of a specific benefit, such as vocational training provided to recipients of unemployment or other social protection benefits.

[18] Instead classified under “transfers not elsewhere classified (282)”.

Annex 2 Examples of gradual changes to scheme parameters

Fiji

The **Social Pension Scheme (SPS)** was introduced in 2013 for people aged 70 and over, with the gradual reduction of eligibility age to 68 (in 2015), 66 (in 2016) and 65 (in 2017) (ESCAP, 2016, p. 2016). The benefit level was increased (initially 50 FJD per month) in 2016 (to 60 FJD), 2017 (to FJD 100).

The **Care and Protection Allowance (CPA),** a cash transfer for households with vulnerable children[19] has a differentiated benefit level according to a child's level of education and presence of disability: (preschool FJD 29 [USD 14]; primary school FJD 35 [USD 17]; secondary school FJD 46 [USD 22]; and presence of disability FJD 69 [USD 33]) (Satriana, 2021).

Kiribati

The **Senior Citizens' Benefit** (a universal pension) was introduced in 2004 for older people aged 70 and over. Over time, the age of eligibility has been reduced gradually to 65 years, and then benefit level increase, with the use of differentiated benefit levels (see **Box *5*** of paper).

The **Disability Support Allowance** was introduced in 2019 with a benefit level of AUD 30 per month. The benefit level was increased in 2020 with a differentiated benefit level (between AUD 50-80 per month), dependent on the level of disability (Gorman, 2021a).

Tonga

The **Elderly Benefit Scheme** (also a universal pension) was introduced in 2012 for older people over the age of 75 years. In 2014, the age of eligibility was decreased to 70 years. The **Disability Welfare Scheme** was introduced three years after the Elderly Benefit Scheme in 2015, and provides support to persons with disabilities who require 24-hour care (with no means-test) (Gorman, 2021b).

Both schemes have a differentiated benefit level, as outlined below:

Elderly Benefit Scheme

- 70-74 years of age: TOP 70 (USD 31)
- 75-79 years of age: TOP 75 (USD 33)
- 80-84 years of age: TOP 80 (USD 35)
- 85-89 years of age: TOP 90 (USD 40)
- >90 years of age: TOP 100 (USD 44)

Disability Welfare Scheme

- 1 form of disability: TOP 30 (USD 13)
- 2 forms of disability: TOP 60 (USD 27)
- 3 forms of disability: TOP 90 (USD 40)

[19] Including orphans, those living with single parents or foster parents, and children whose parents are in prison.

Samoa

The **Senior Citizens Benefit Scheme** (a universal pension scheme) was established in 1990 for older people over the age of 65 years who live in Samoa. In 2021 the benefit level was increased by 25 per cent from WST 160 to WST 200 per month (Gorman, 2021c). This follows a gradual prior increase in the benefit level: July 2010 – January 2014 at WST 130 per month; February 2014 – December 2018 at WST 135 per month; and January 2019 to June 2020 at WST 145 per month (Government of Samoa, 2020).

Nauru

The **Elderly Allowance** (introduced 2005) and **Disability Allowance** (introduced 2008) have both had their benefit levels increased various times since their introduction. The Elderly Allowance also has a differentiated benefit level with older people aged 60-69 years receiving AUD 250 every two weeks, and those aged 70 and over receiving AUD 300.

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