OFFICE OF THE VICE PRESIDENT
THE REPUBLIC OF INDONESIA

INDONESIAN EXPERIENCE TOWARD TARGETED SOCIAL ASSISTANCE REFORM

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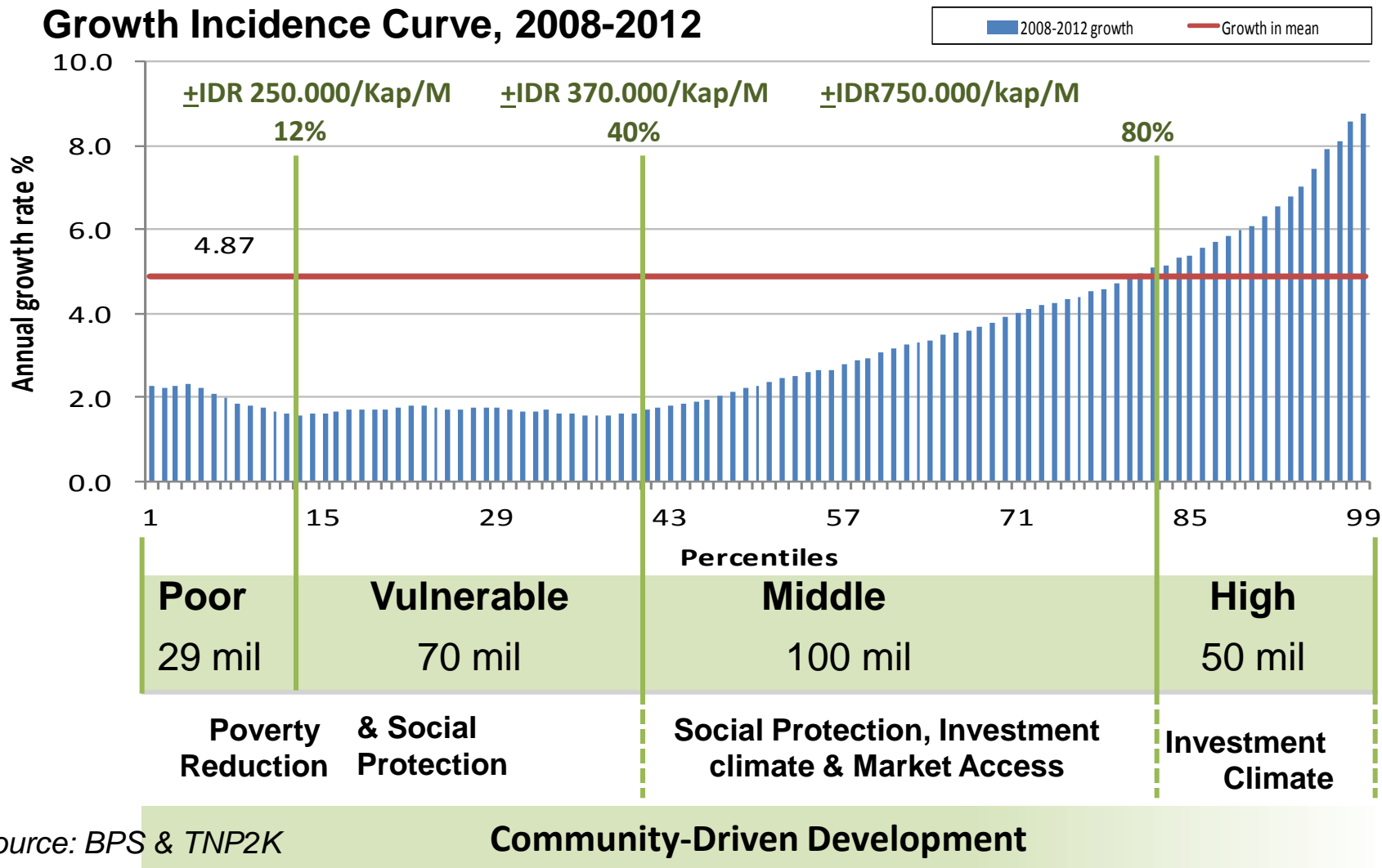
Poverty Alleviation Academic Conference 2013

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I. INDONESIAN POVERTY PROBLEM

- Poor – still about 12% (about 29 million out of 240 million) of population living below the poverty line

- Vulnerable – there is a group of people already above the poverty line, but is still so vulnerable to any economic shock that they may easily go back below the line. Up to 40th percentile is still quite vulnerable

- Unequal – the growth of percapita expenditures across income groups (poor, vulnerable, middle income, and rich) is not the same. In fact, between 2008-2012 the poor and vulnerable only grew about 2% p.a while the rich grew 9% p.a. Hence is increasing inequality.

- Poverty alleviation programs should not only pay attention to the 12% poor. The vulnerable is also very important to be covered.

- The middle class – although needs no social assistance – but still in need of serious social protection programs

The growth incidence curve reveals FOUR GROUPS with different needs

Growth Incidence Curve, 2008-2012

Legend: 2008-2012 growth | Growth in mean

+IDR 250.000/Kap/M 12%
+IDR 370.000/Kap/M 40%
+IDR750.000/kap/M 80%

4.87

Annual growth rate % (y-axis: 0.0 to 10.0)

Percentiles (x-axis: 1, 15, 29, 43, 57, 71, 85, 99)

| Poor | Vulnerable | Middle | High |
| 29 mil | 70 mil | 100 mil | 50 mil |

Poverty Reduction | & Social Protection | Social Protection, Investment climate & Market Access | Investment Climate

Community-Driven Development

Source: BPS & TNP2K

II. EVOLUTION OF POVERTY AND SOCIAL PROTECTION POLICY ORIENTATION (1)

- In the past there was no or relatively few policies targeted directly to the "poor".

- The Strategy was to deliver a broad economic growth policies, combined with rural infrastructure development.

- While such approach was quite successful in reducing poverty, many poor has been excluded from the development outcomes.

- The economic crisis showed how the lack of social safety net and social protection left the poor exposed to economic shock.

EVOLUTION OF POVERTY AND SOCIAL PROTECTION POLICY ORIENTATION (2)

- Government's approach towards policy alleviation has changed, from general economic development to more targeted policies

- Democracy and openness has brought poverty from a merely restricted, academic discourse to a significant political issue

- More targeted programs and attempts to build social insurance after the crisis

WHY WE NEED SOCIAL ASSISTANCE?

1. Dynamic Poverty

   In 2009, 14,7 million people out of poverty, but 13,2 million people felt back under poverty line, net 1.5 million people are out of poverty.

2. Compensation for the Vulnerable because of Reform or Policy Adjustment.

3. Promotion Strategy for the Poor to Get Access to Education, Health, Job, etc.

4. Protection from "Shock".

III. SYSTEMATIZE THE TARGETED POVERTY ALLEVIATION PROGRAMS

- ## Cluster I
  - ➔ Program Targeted To Household/Family
  - ➔ Social Assistance Programs
  - ➔ Family Centered Integrated Social Assistance
    - a. Unconditional Cash Transfers (BLT)
    - b. Conditional Cash Transfers (PKH)
    - c. Social Health Assistance for the Poor (JAMKESMAS)
    - d. Scholarship Programs (BSM)
    - e. Rice for the Poor (RASKIN)

- ## Cluster II
  - ➔ Program Targeted To Community
    - a. Community Based Development Program (PNPM)

- ## Cluster III
  - ➔ Program Targeted To Micro and Small Enterprise
    - a. Guaranteed Loan For Micro, Small, and Medium Enterprise(KUR)

Is there political support for social assistance? Raskin enjoys the most popular support, while BLT the least

Program	Degree of Political and Community Support
Raskin	■ Good – Popular program amongst politicians – Popular program amongst communities
BLT	■ Weak – Not popular amongst opposition politicians – Receives the most complaints in communities
PKH	■ Moderate – Does not suffer from BLT political antipathy – Still a pilot program that is not well-known by the public
Scholarships	■ Good – 20 percent government spending requirement supports sustainability of scholarships
Cash for Work (PNPM)	■ Good

IV. COORDINATION, BUREAUCRACY, DECENTRALIZATION

Why the Social Assistance Programs Performance is not as Expected?

- Bureaucracy is still a big hurdle for delivering quality public services and effective social assistances

- Is it Capacity or more of the mindset?

- Why coordination is difficult:
    - ➔ Among central government agencies
    - ➔ Central-provincial-district relationship
    - ➔ Mindset? Project-oriented? Institutional Rivalry? Leadership?

- Budget Issues:
    - ➔ Cycle
    - ➔ Channels to direct and allocate resources
    - ➔ Audit and evaluation process

- The Case of PKH:
    - ➔ Involves Ministry of Social, Education, Health, and Manpower.

Why the Social Assistance Programs Performance is not as Expected?

- After decentralization, District Government are the frontline of public services:

  → Capacity issues

  → Local Politics

  → Relationship with the higher level of governments

- Fiscal process is not fully decentralized

  → Current budget cycle creates lags and bottlenecks

  → High power at the district government, but lack of instruments to reach villages and the people

- Performance Evaluation

  → Auditing process emphasis heavily on the "process"

  → Performance-based budgeting?

ATTEMPT TO IMPROVE COORDINATION (1)

- The establishment of National Team For the Acceleration of Poverty Reduction (TNP2K), chaired by the Vice President.

- Presidential Regulation No.15/2010 on the Acceleration of Poverty Reduction.

- To support the SBY-Boediono Vision-Mission on reducing poverty level to 8-10% by the end of the year 2014.

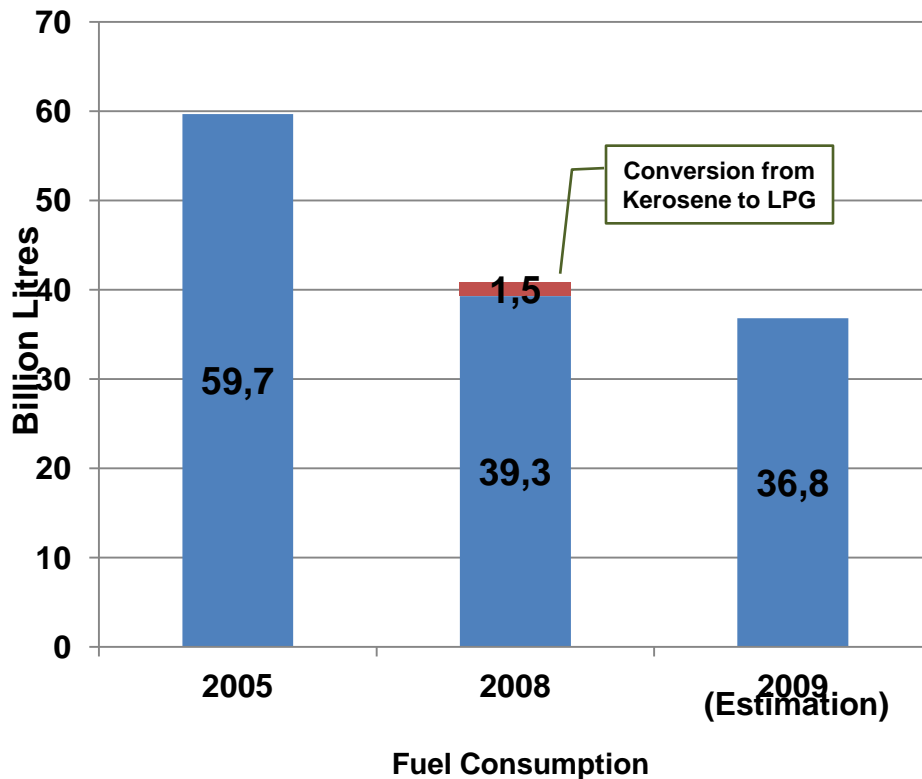# ATTEMPT TO IMPROVE COORDINATION (2)

- TNP2K has the mandate to improve the programs in each clusters → In this case TNP2K acts as think tank groups, advocating evidence-based policy making process. Program implementation is still with each line ministries.

- TNP2K Secretariat is the clearing house. TNP2K Pleno Meeting (chaired by the Vice President) is the decision maker.

- Right from the beginning TNP2K believes that data is the central issue of improving poverty alleviation programs in Indonesia
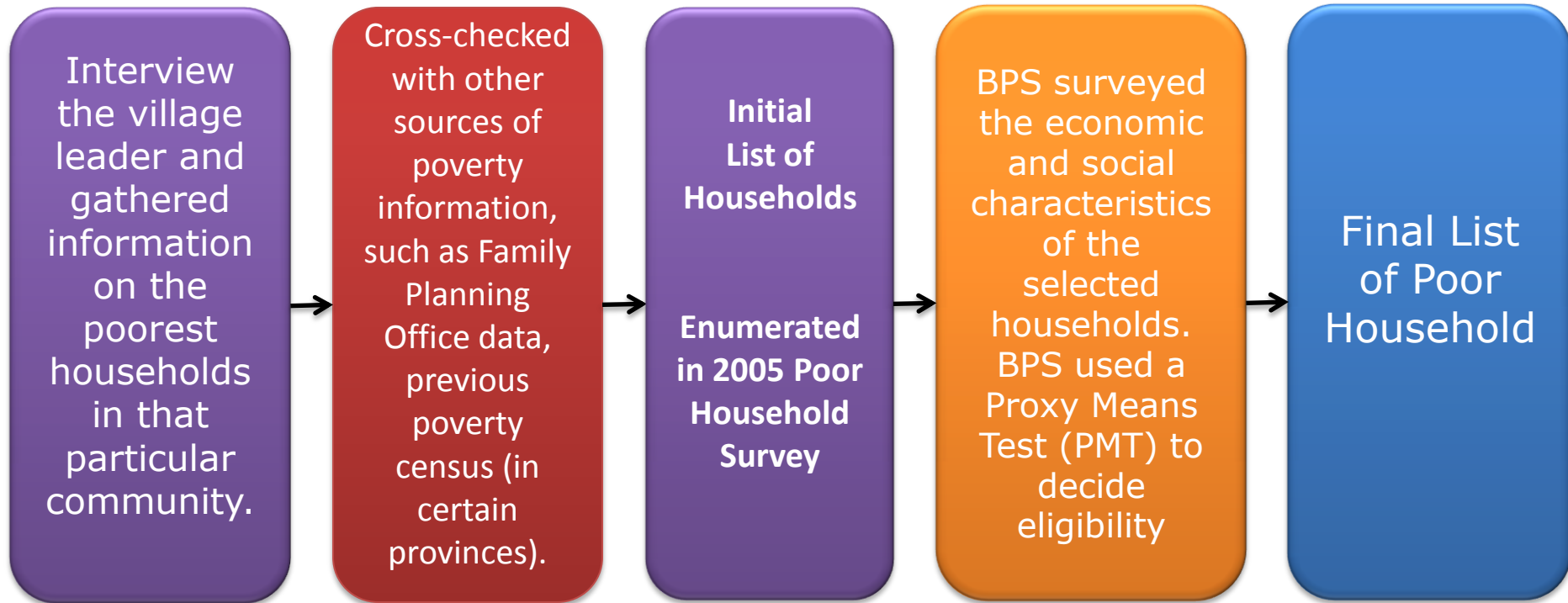
V. TARGETING OPTIONS:

- Means-testing, although this requires high-quality data that is not available in many countries and may be expensive to put in place.

- Geographical targeting, whereby transfers are provided to everyone living in areas with high incidences of poverty.

- Community-based targeting, which uses community structures to identify the poorest members of a community or those eligible according to agreed criteria.

- Providing benefit to those recognized as belonging to a specific vulnerable category of the population; and

- Self-targeting ,such as in-work program that offer a below-market wage, based on the logic that individuals choose to opt to the program.
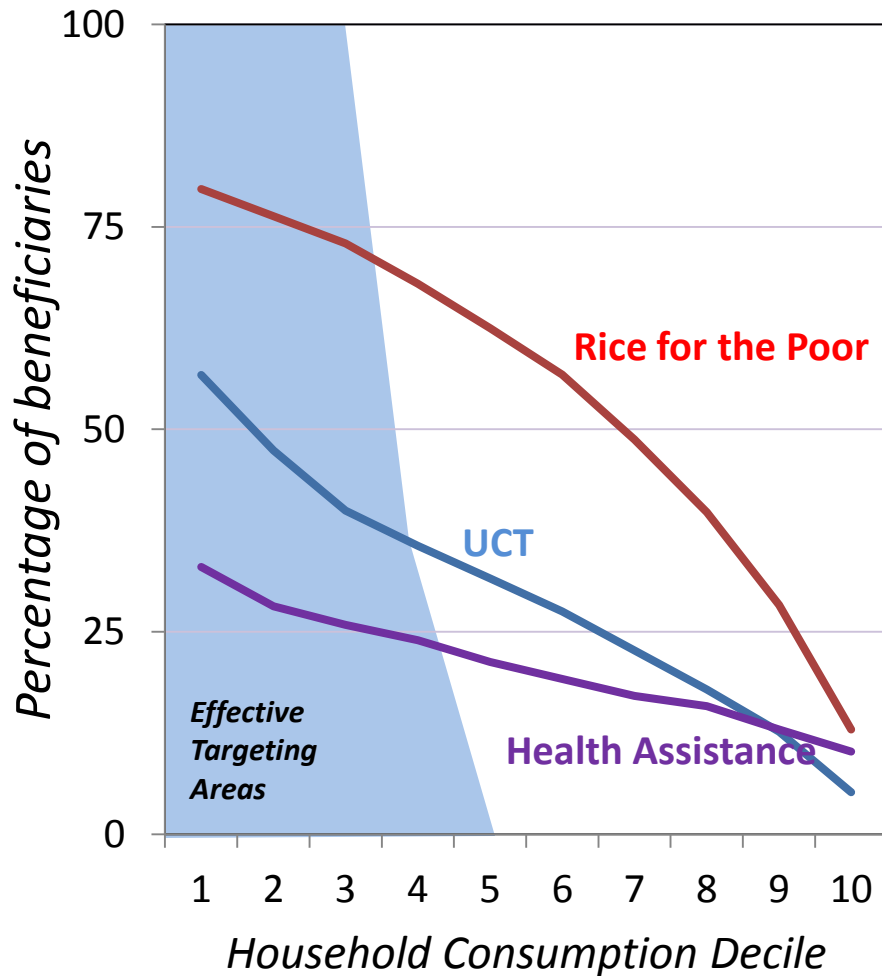
SELF TARGETING:
KEROSENE CONVERSIONS TO LPG

Government provides free small bottles (3 kg) of LPG to poor households, small restaurants, food vendors and other micro business establishments

FIRST GENERATION DATA COLLECTION METHODOLOGY 2005

Interview the village leader and gathered information on the poorest households in that particular community.

→

Cross-checked with other sources of poverty information, such as Family Planning Office data, previous poverty census (in certain provinces).

→

Initial List of Households

Enumerated in 2005 Poor Household Survey

→

BPS surveyed the economic and social characteristics of the selected households. BPS used a Proxy Means Test (PMT) to decide eligibility

→

Final List of Poor Household

TARGETING EFFECTIVENESS

Only 30% of poor population who received Rice for the Poor, UCT, & Health Assistance.

Unified Database will increase targeting effectiveness

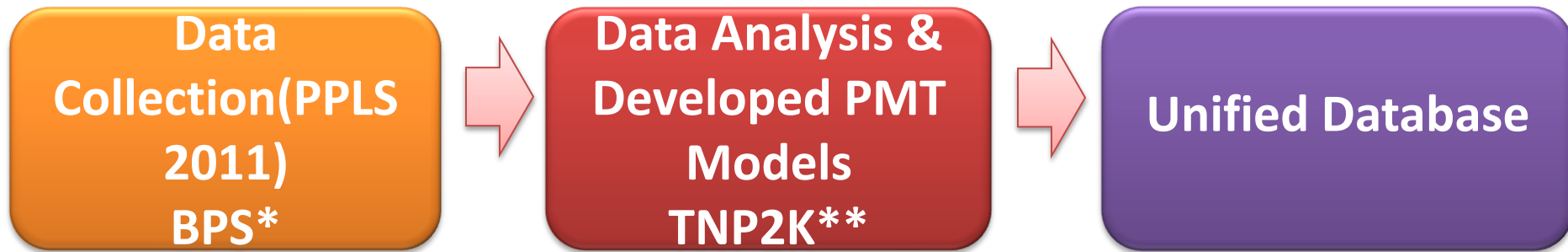Source: Susenas 2009

REVISED DATA COLLECTION METHODOLOGY

Goal: reducing inclusion and exclusion error

	Poor	Non Poor
Beneficieries	☑	**x** *Inclusion Error*
Non-Beneficieries	**x** *Exclusion Error*	☑

Construction of Initial List of Households

Pre-List of Households

(based on census poverty mapping exercise)

+

Individual Data from other programs

+

Consultation with poor households

+

Survey Sweeping

Initial List of Households

Enumerated in 2011 Poor Household Survey

PROCESS OF DEVELOPING THE UNIFIED DATABASE

Data Collection(PPLS 2011) BPS* → **Data Analysis & Developed PMT Models TNP2K**** → **Unified Database**

Improvements to Methodology:

- More households surveyed (43% vs. 29% in 2008)
- Use of census data as a starting point
- Community involvement
- More variables collected for better poverty prediction
- Improvements to Proxy Mean Testing (PMT) methods

Note: * BPS: National Statistics Office
         ** TNP2K: National Team for the Acceleration of Poverty Reduction

PROXY MEAN TESTING IS USED

- Given Indonesian heterogeneity, models are made for each of 500 districts

- Employing information within the PPLS, an index denoting the household consumption level can be calculated

  Index = f (household & regional characteristics)

- The household characteristics includes housing conditions and status of ownership, assets, number of household members, level of education, working status, etc.

- Households can then be ranked according to the index

- The formula leading to the index is specific for each Kabupaten/Kota

COVERAGE OF UNIFIED DATABASE

40 % → Unified Database consists of the 40% bottom social economy Indonesia population by names and addresses

Near Poor

25 % → Covers 15,5 Million Households or 65,6 Million People

Near Poor

11,66% → Covers 5,7 Million Households or 28,6 Million People
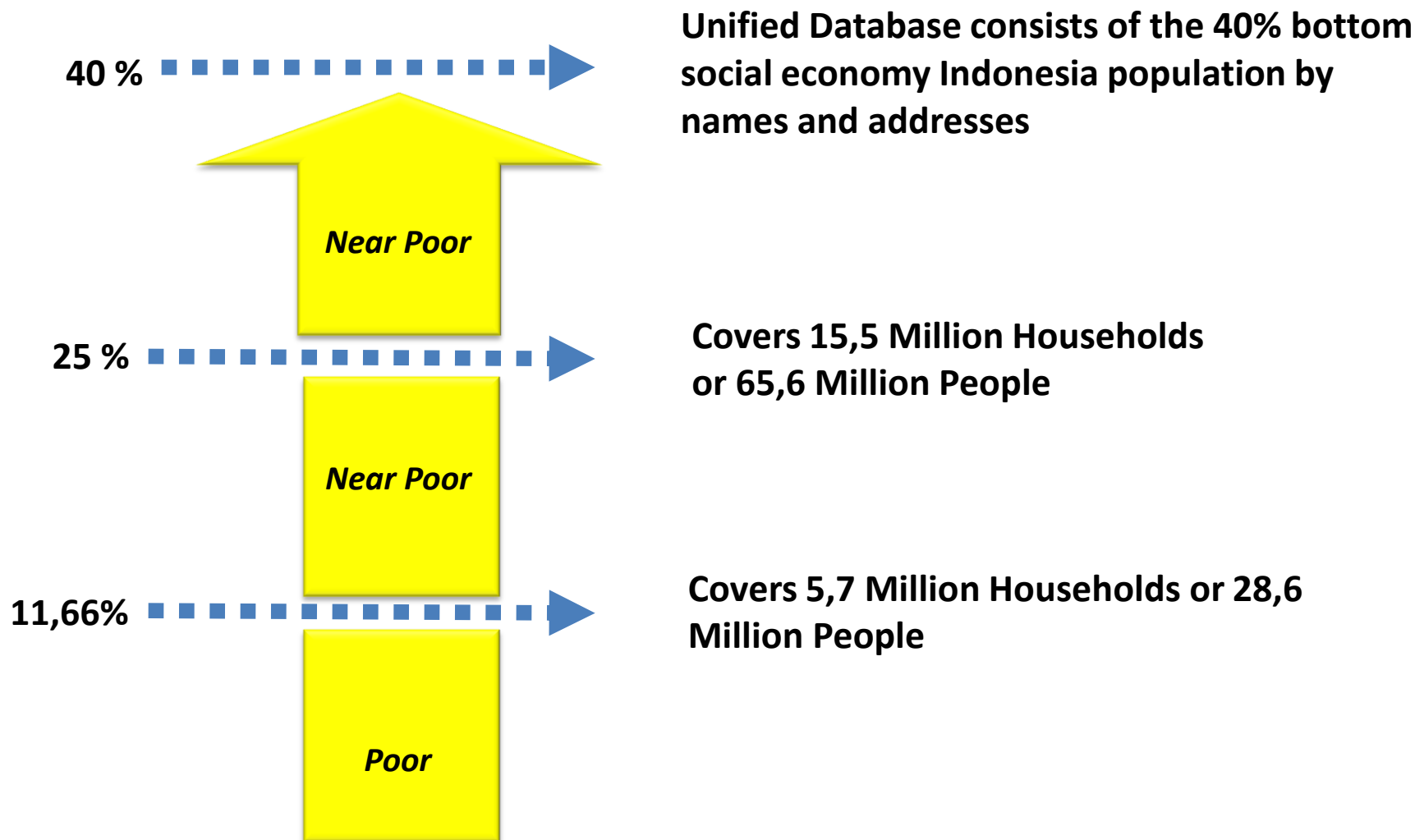
Poor

SOCIAL PROTECTION CARD

➜ Poor Household Identification

COMMUNITY PERSPECTIVE IN DATA UPDATING

- But we know no data is perfect. There is mobility, and more importantly there is local perspectives of poverty & local wisdom → there has to be a way to capture them

- So, we combine PMT formula and community perspectives

- E.g. Raskin: Names & addresses from the Center → ensuring country wide comparability. And then Village can delete and add names as the see fit as long as WITHIN the allocated quota → increasing local buy in

- Does it make sense? In 500 villages that we observed at end of 2012, the rate of change is about 9.6% and about 6% of them is because the local villagers perceived the households as 'rich'.

POVERTY ALLEVIATION – SOCIAL PROTECTION

- Indonesia does have Law 40/2004 on Social Security (SJSN Law), mandating five protection

    - Health, Work accident, Pension, Old Age, and Death

- Progress is slow. Health is the first one, and Jamkesmas (which is the health coverage for the poor) becomes the embryo for Health coverage as mandated by Law 40/2004

- Why so? Because Jamkesmas coverage has been about 35% of the population – well above 12% poverty rate in the country

- Raskin has also been quite above the poverty rate – coverage of 25%

- Recently, the Government is about to increase BSM also to 25% coverage

- So, in principle, the poverty alleviation program (especially Cluster 1 programs) is effectively Indonesian Social Protection programs

VI. FUTURE CHALLENGES

- Integration of the program delivery – enhancing the use of unified data for central & local programs

- Updating the data – both from future registration as well as from program's grievances & redress system

- Completing the social protection spectrum – health, education, income supports – still in the perspective of unified data & integrated programs

- Financial inclusion in the social protection programs

- Completing the transition to social security programs as mandated by Law 40/2004

THANK YOU