Key Dimensions of Opportunity Inequality for Inclusion and Social Mobility

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Office of The Vice President, The Republic of Indonesia

SDG10 Expert Group Meeting
Reducing Inequalities: Progress and Prospects

Geneva, 2-3 April 2018
Republic of Indonesia at a Glance

- Population: 262 million
- GDP: USD 1,015 Billion
- GDP Per Capita: USD 3,876
- Economic Growth: 5.1%

*) Based on 2017 Data

- Provinces: 34
- Cities/Districts: 514
- Islands: 18,000
- Coastal Lines: 100,000 Km
- Time Zones: 3
- Ethnic Groups: +300
- Language: +700
Poverty and Inequality Statistics

• Poverty Rate 9.66% around 26 Millions

• Continue going down but with slower rate

• Gini Ratio: National 0.384, Urban 0.391, Rural 0.319

• One percent of population control 50% of National Assets

• Was increasing but very slowly decreasing in the last 2 years
Jakarta at Night
More than **53,000*** HH have no access to electricity

About **45 villages**** live in the dark (off grid area)***

Electrification Ratio **47 %***

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* Source: Unified Database
** Source: Village Potential Data (Podes)
*** Source: Ministry of Energy & Mineral Resources & State Electricity Companye (PLN)
Monthly Consumption per Capita (IDR)

Poor and vulnerable communities make up 40% of the population

Source: Susenas, BPS
Growth in Consumption

**Annual increase (%)**

- **Poor**: 12%
- **Near-poor**: 40%
- **Middle income**: 80%

**Average**: 5.0%

**Years**

1 15 29 43 57 71 85 99

**Income Levels**

- Poor
- Near-poor
- Middle income
- High income
## Households’ Head Characteristics

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Poor</th>
<th>Not Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female-headed (%)</td>
<td>16.03</td>
<td>15.1</td>
<td>15.17</td>
</tr>
<tr>
<td>Illiterate (%)</td>
<td>12.8</td>
<td>4.73</td>
<td>5.38</td>
</tr>
<tr>
<td>Have not completed elementary school (%)</td>
<td>38.11</td>
<td>21.65</td>
<td>22.98</td>
</tr>
<tr>
<td>Work in agriculture (%)</td>
<td>49</td>
<td>28.51</td>
<td>30.2</td>
</tr>
<tr>
<td>Unemployed (%)</td>
<td>15.44</td>
<td>12.95</td>
<td>13.2</td>
</tr>
<tr>
<td>Self employed/helped by non-permanent or unpaid workers (%)</td>
<td>46.2</td>
<td>37.9</td>
<td>38.6</td>
</tr>
</tbody>
</table>

Source: Susenas March 2018, BPS
# Households Characteristics

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Poor</th>
<th>Not Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Live in rural (%)</td>
<td>60.90</td>
<td>43.61</td>
<td>45.30</td>
</tr>
<tr>
<td>Household Size (No. of Persons)</td>
<td>4.59</td>
<td>3.7</td>
<td>3.77</td>
</tr>
<tr>
<td>No access to electricity (%)</td>
<td>5.05</td>
<td>1.18</td>
<td>1.49</td>
</tr>
<tr>
<td>No access to safe drink water (%)</td>
<td>43.22</td>
<td>25.59</td>
<td>27.01</td>
</tr>
<tr>
<td>Access to sanitation: toilet ownership (%)</td>
<td>61.24</td>
<td>80.94</td>
<td>79.35</td>
</tr>
<tr>
<td>House ownership (%)</td>
<td>84.58</td>
<td>79.63</td>
<td>80.03</td>
</tr>
<tr>
<td>Land certificate ownership (%)</td>
<td>38.44</td>
<td>54.58</td>
<td>52.93</td>
</tr>
<tr>
<td>Access to formal credit (%)</td>
<td>15.88</td>
<td>27.33</td>
<td>26.21</td>
</tr>
</tbody>
</table>

Source: Susenas March 2018, BPS
In Summary ..

1 | Gender, education, and work are key characteristics to poor households:

- Poor households are often headed by women with low education level,
- They are often unemployed or engaged in informal work,
- Agriculture remains the biggest sector for the poor.

2 | Poor households:

- Have larger families,
- Lack access to basic infrastructure,
- Own houses but most of their houses are uncertified and can’t be counted as assets to access loans, therefore, poor households have limited access to formal credit.
The Biggest Challenge to Overcome Inequality of opportunity

I. Health
   a. Improving National Healthcare Program
   b. Eradicate Chronic Child Malnutrition/Stunting

II. Education
   a. Improving Education Assistance for the Poor
   b. Improving Quality of Education

III. Social Assistance
   a. Conditional Cash Transfer
   b. Targeted Subsidies as the basis of social assistance

IV. Economic Activity
   a. Subsidized Credit for Small Enterprise
   b. Public Private Partnership

V. Building A National Targeting System
HEALTH
As the fourth populous country in the world with approximately 262 million people and a GDP of around USD 4,000 per capita per year, Indonesia launched the National Health Security in 1 January 2014.

National healthcare program is based on the principles of social insurance.

Participants of the national healthcare program pay their premiums or have them paid for by the government.

National Social Health Protection Agency (BPJS Kesehatan) is the agency that implementing the national healthcare program.

Those that cannot afford to pay the premiums have them paid for by the government.
Lesson Learnt from Our Experiences

1 | Carefully setting the premium amount.
2 | Well-designed cost containment system.
3 | A detail strategy for providing supply side
4 | Prepare primary care infrastructure.
5 | Design a good preventive and promotive strategy.
6 | Intensive public campaigns to minimise adverse selection.
Supply Side Challenges

People still have to queue to receive treatment at health centers
Approximately 37% (9 million) of children in Indonesia are stunted.

The rate of stunting across provinces and income groups

Stunting rate among U-5 in Indonesia

Source: Estimate and population projection from the Basic Health Research and the Central Bureau Statistics data
Stunting Prevalence
2013 & 2018 (%)
Challenges to Accelerate Stunting Reduction

Efforts to reduce stunting require multi-sector approach, involving various line-ministries and local governments.

- Formulation of interventions to reduce stunting should be scientifically proven, internationally standardized, monitorable, and categorized into specific/sensitive interventions.
- Convergence of required interventions should be observed at as low as village level.
- Monitoring and evaluation system to ensure that interventions reach the right targeted groups.
The Vice President of Indonesia during the Ministerial Meeting established the Five Pillars of Stunting Reduction

<table>
<thead>
<tr>
<th>PILLAR 1</th>
<th>PILLAR 2</th>
<th>PILLAR 3</th>
<th>PILLAR 4</th>
<th>PILLAR 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment from highest national leadership</td>
<td>National campaign focusing on improved awareness, behavior change, political commitment and accountability</td>
<td>Convergent, coordinated and consolidated national program with the regional government and community members</td>
<td>“Nutritional Food Security” policy</td>
<td>Monitoring and evaluation</td>
</tr>
</tbody>
</table>

To reinforce stunting reduction program, it is necessary to establish an intervention framework, which consists of the best practices acknowledged by all policy maker worldwide. This framework that has been discussed between the national policy maker and the World Bank is then translated into the five pillars of stunting reduction program as above.
State Budget Allocation at Central and Regional Level

- **Budget Managed by Ministries**
  - Non-decentralized Ministries
  - Non Vertical Ministries

- **Non-Ministrial Budget**
  - Vertical fund
    - Central government program
  - Deconcentration fund:
    - Managed by the provincial government
  - Fiscal balance transfer:
    - Managed by the regional government

- **State Budget**
  - Fiscal Transfer Fund
    - Managed Under Local Government Budget

- **Local Govt Budget**
  - Special autonomies fund
  - Fiscal balance transfer
  - Regional incentive funds
  - Village fund

- **Subsidies**
  - Block Grant
    - Specific grant, the allocation is earmarked for specific activities
      - To fund specific government policy (e.g.: infrastructure)
    - Type: Transfer to regional government → Village based programs
Improving Education Assistance for the Poor
Less than 10% of students from poor households receive BSM*

* Cash assistance for students from poor households

Household Expenditure (Consumption) per decile

Percent of 6-18-year-olds that receive BSM
Improve Policy:
Utilization of Unified Database & Improve Delivery Mechanism

Before

School-based

2013

Household-based

20 million students (2015)
Improve Targeting Accuracy for BSM (2014)

Source: Susenas 2009, SPS TW IV 2013 and TW I 2014
School Drop Out Level

2013

2014

Drop out level decrease
School participation increase

Source: Susenas Karch 2013 and March 2014
Ensuring Accountability and Community Participation to Improve Teacher Performance
The government spending on education in 2016 is USD 16.5 million, half of it covers teacher salary and allowances …

But teacher professional allowance led to no improvement in student learning outcomes.

Teachers in remote areas received hardship allowance at one times their base salary. Certified teachers received professional allowance, also at one times their base salary.

Teachers who receive remote area allowance had higher absenteeism rate compared to non-recipients (SMERU, 2010).
Innovative instrument: Supporting government regulations

Social/financial accountability tied to Education service delivery

How?

Government regulations issued:

- MoU with Head of Districts
- Head of District Decree for the Project
- Head of District Decree on Coordination Team
- Technical Guideline
- Head of Education Department Decree
- Head of Village Decree

MoU signing between TNP2K and Head of Districts
Innovative instrument: Teacher presence monitoring tool

- **Social/financial accountability** tied to **Education service delivery**

- **Is it affecting teacher presence?**

**Community empowerment instrument:**

- KIAT Kamera, Android-based application, combined with community verification

Teachers allowances in Group 2 are tied to community-verified teacher presence
Innovative instrument: Community empowerment instrument

Community empowerment instrument:

Community Scorecard with 5-8 indicators for teacher service performance, scored by User Committee

Is it affecting teacher service?

Social/financial accountability tied to Education service delivery

Teachers allowances in Group 3 are determined by community monthly score
Innovative instrument: Student learning assessment tools

Social/financial accountability

Is it affecting student learning?

Tied to

Education service delivery

TNP2K’s Instruments

Diagnostic tests to quickly identify student’s basic literacy and numeracy skills along a continuum

One-on-one student learning assessment
Pilot locations and participants

- **West Kalimantan East Nusa Tenggara Provinces**: 2
- **Very remote schools**: 270
- **Primary school teachers**: 1778
- **User committee members**: 1827
- **Primary school students**: 26062

<table>
<thead>
<tr>
<th>Location</th>
<th>Control</th>
<th>Intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ketapang</td>
<td>14</td>
<td>45</td>
</tr>
<tr>
<td>Landak</td>
<td>13</td>
<td>38</td>
</tr>
<tr>
<td>Sintang</td>
<td>21</td>
<td>66</td>
</tr>
<tr>
<td>Manggarai Barat</td>
<td>9</td>
<td>29</td>
</tr>
<tr>
<td>Manggarai Timur</td>
<td>7</td>
<td>25</td>
</tr>
</tbody>
</table>
Community Evaluation on Teacher Presence

- Manggarai Barat: Score before KIAT Guru - 70.75, Score in April - 93.57, Score in May - 92.1, Score in June - 92.12
- Manggarai Timur: Score before KIAT Guru - 69.95, Score in April - 91.5, Score in May - 82.98, Score in June - 83.93
- Landak: Score before KIAT Guru - 59.2, Score in April - 72.56, Score in May - 86.25, Score in June - 91.82
- Ketapang: Score before KIAT Guru - 66.96, Score in April - 91.61, Score in May - 89.58, Score in June - 91.15
- Sintang: Score before KIAT Guru - 67.99, Score in April - 91.36, Score in May - 91.15, Score in June - 94.28
- 5 Kabupaten: Score before KIAT Guru - 89.9, Score in April - 89.46, Score in May - 91.19, Score in June - 91.19

Legend:
- Blue: Score before KIAT Guru
- Red: Score in April
- Grey: Score in May
- Green: Score in June
Community evaluation on teacher service performance

Score before KIAT Guru
Score in May
Score in April
Score in June
Initial results on student learning outcomes

**Literacy**
- October-November 2016: 84.01%
- July-August 2017: 39.29%

**Numeracy**
- October-November 2016: 2.46%
- July-August 2017: 40.87%

Source: Baseline survey (World Bank) and diagnostic test from 5072 students in 173 intervention schools (TNP2K)
SOCIAL ASSISTANCE
The Social Protection Programs In Indonesia

Social Protection

Social Assistance

• Temporary Unconditional Cash Transfer
• Conditional Cash Transfer
• Food Assistance

Social Insurance

• National Health Program (Jaminan Kesehatan Nasional)
• Social Protection for Worker (Jaminan Sosial Tenaga Kerja)
Percentage of Population With Almost Identical Social Economic Characteristics

Unified Database
40% Lowest Income Status

- 40% Lowest Income Status
  - No of Households (RT): 26,589,774
  - Population: 96,705,167

- Poverty Line (Sep 2018): 26 Million Population
- Education assistance/Rice For the Poor: 15.5 Million HH
- Conditional Cash Transfer (PKH): 10 Million HH

Inclusion Error
Exclusion Error

Unified Database*

No of Families (KK): 28,488,031

Social Health Insurance: 92 Million Individuals

9.66%
ECONOMIC & PRODUCTIVITY IMPROVEMENT
Financial Inclusion

Account ownership, 15+

Indonesia makes the most progress in helping its unbanked cross East Asia and the Pacific (Global Findex 2017), especially the poorest.

It is partially boosted by the enactment of the National Financial Inclusion Strategy in 2016 and government initiatives to reform the social assistance program into non-cash payment through the banking sectors.

Source: World Bank Global Findex, 2018
Subsidized Credit for SMEs

The People’s Business Credit (KUR)

In 2018, there are more than 4.4 million debtors and around 60% of them are new debtors to the banking sectors.

34 Banks, 5 Finance Companies, 2 Credit Cooperatives and 10 credit guarantee companies involves in disbursing the credit.

The Government aim to disbursed US$ 9.3 bn in 2019,

Source: Coordinating Minister for Economic Affairs, 2019
Building Trust to Encourage Participation of Private Sector in Poverty Aleviation
Joint Impact Collaboration Framework For Poverty Reduction

Shared Value dan Economic Value

Government
Poverty Reduction Priority

Corporate
Financial and other resources

Community
Community Participation

Process

Joint Impact Collaboration Framework For Poverty Reduction

Evidence-Based Needs assessment

Action Plan

Financial Needs

Implementation

Beneficiaries

Fund management

Project management
PPP Scheme: Electricity for the Poor Initiatives

**Contribution**
Cash/In Kind

- **Corporate**
- **Public**

**Fund Management**

- National Level Government (Ministry of Energy)
- Local Level Government (Government of Timor Tengah Selatan)

**Beneficiaries**

**Operation Management**
Local NGO/CSO (Yayasan Besi Pae)
Electricity for the Poor Initiatives Pilot in NTT
Impact: Improve Productivity

Not long after becoming SHS beneficiary, I manage to open a kiosk to sell basic needs. This increase my income so I can repay my debt and have more money for the family.

Mr. Markus Lenamah
(Tli’u Village)

With the SHS program, I can continue to weave up to 10-11 pm in the night. Now I can finish the woven fabric 1 or 2 months faster.

Mrs. Yohana Hauteas
(Oemaman Village)
Impact: Improve Social Cohesion

In the village of Naileu, students have more time to study. Some of the families provide learning space for other family with no electricity.

In the village of Kusi Utara social gathering is happening every night. Increase social cohesion.
Building A National Targeting System
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 where there is high incidence of poverty.

- **Community-based targeting**, 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.
Examples of a Specific Vulnerable Groups

1 | Bottom Poor (Fakir Miskin)
2 | Orphans, Street Children
3 | Homeless Without Support
4 | Isolated Tribal Community
5 | Mentally Ill
6 | Displaced Population
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.

<table>
<thead>
<tr>
<th>Year</th>
<th>Fuel Consumption</th>
<th>Conversion from Kerosene to LPG</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>59.7</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>39.3</td>
<td>1.5</td>
</tr>
<tr>
<td>2009</td>
<td>36.8</td>
<td></td>
</tr>
</tbody>
</table>
Basic Idea
Shift From Commodity Subsidies into Household Subsidies

• Commodity subsidies are simple but unfair.
• They are not pro-poor.
• Have a big impact on government budgets.
• Aggregate poverty data is not adequate.
• Targeted subsidies as the basis of social assistance.
Data Collection & Welfare Ranking Mechanism

**GOAL:**
To reduce inclusion and exclusion errors

<table>
<thead>
<tr>
<th>Beneficiaries</th>
<th>Non Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor</td>
<td>Not Poor</td>
</tr>
<tr>
<td>✅</td>
<td>✗</td>
</tr>
<tr>
<td>✗ Inclusion Error</td>
<td>✅</td>
</tr>
<tr>
<td>✗ Exclusion Error</td>
<td>✗</td>
</tr>
</tbody>
</table>

**Initial List**
From Population Census & Other Programs

**Public Consultation**

**Data Collection**
PBDT 2015 [BPS]

**Data analysis & development of PROXY MEANS TESTING models**

**Unified Database**
Variable Collected in Unified Database 2015

**HH Identity**
- Head of family name
- Address
- Village
- Sub District
- District/City
- Province
- No of Family members

**Program Beneficiary**
- PKH
- Raskin
- Jamkesmas
- Others
- Jamsostek
- KKS
- KIP
- BPJS/KIS

**Demography**
- Nama anggota RTS
- Relationship with head of family
- Sex
- Age
- Marital Status
- ID Card
- National Registration
- Marriage /Divorce Certificate
- Birth Certificate

**Employment Status**
- Employment status
- Category of employment
- Type of work
- Small and micro business: Type of business, no of employee, Income

**Housing**
- Ownership status
- Houseing condition
- Size of house
- Type of floor
- Type of wall
- Type of roof
- Source of water
- Access to water
- Source of light
- Electricity Category
- Type of cooking fuel
- Sanitation
- Septictank
- Bedroom

**Asset Ownership**
- Car
- Motorcycle
- Boat
- Bicycle
- Small boat
- Refrigerator
- LPG
- Land
- Live feedstock
- Gold
- Mobile phone
- TV

**Health Condition**
- Disability
- Cronic Disease
- Pregnancy status
- Contraception use

**Education**
- School participation
- School status
- Highest education
- Diploma/degree
Data Collection Process

Surveyor visited every house and collect all necessary information and variables
Location of Data Collection
Out of School Children Age 13-15 Year

Jumlah anak tidak bersekolah usia 13-15 tahun
dengan status kesejahteraan 40% terendah

KABUPATEN TEGAL 9.654
KABUPATEN BREBES 18.904 Anak
KABUPATEN CILACAP 7.027 Anak
KABUPATEN BANYUMAS 7.571
KABUPATEN BANJARNEGARA 6.695
KABUPATEN WONOSOBO 6.085
Thank You