

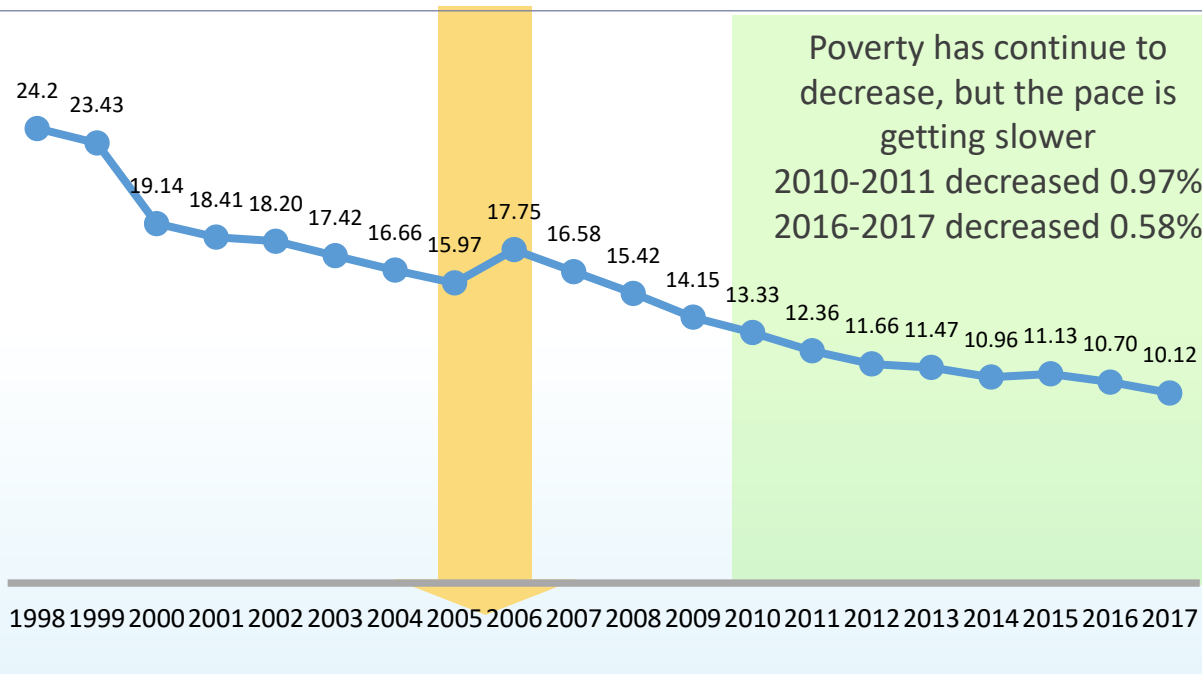


Indonesia's Experience

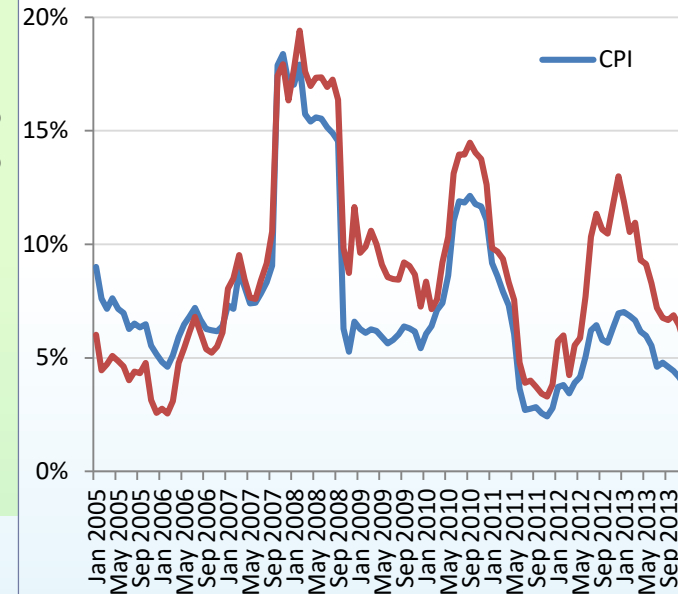
Economic Shocks

Harapak Gaol
Director, Social Disaster Victims, Ministry of Social Affairs
Indonesia

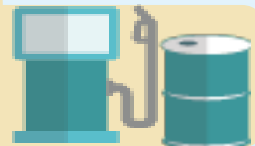
The Progress of Poverty Reduction, 1998-2017



CPI vs CPI Poverty Basket (% YoY)

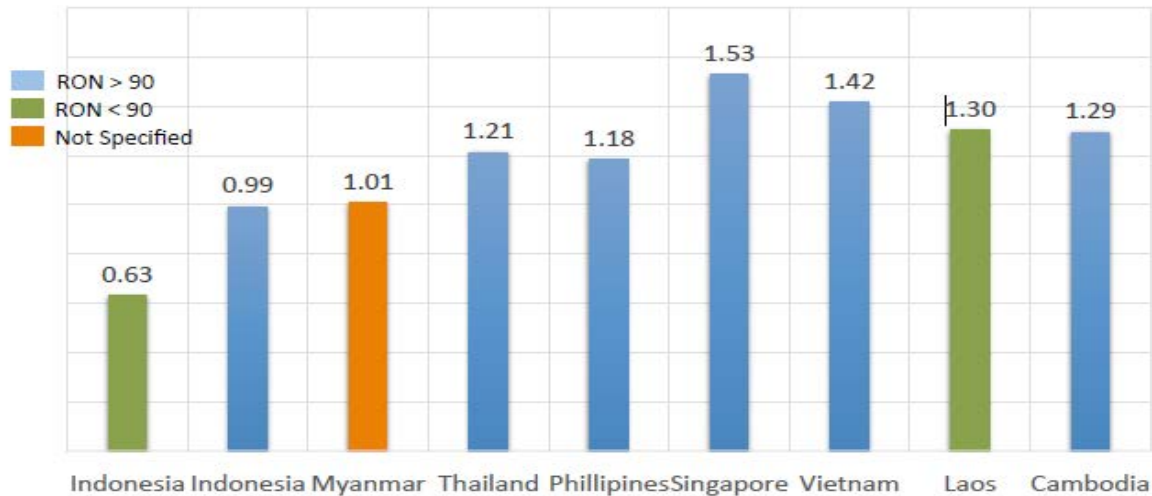


Global fuel and food price increased and reduction of oil subsidy



Source: CBS, 2011-2017 was September data

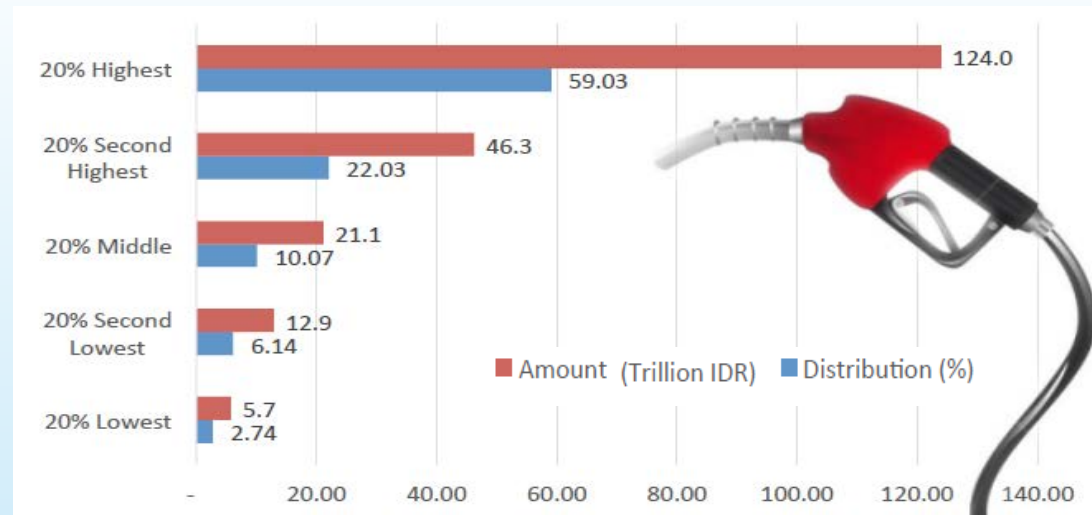
Some Analysis on Subsidy



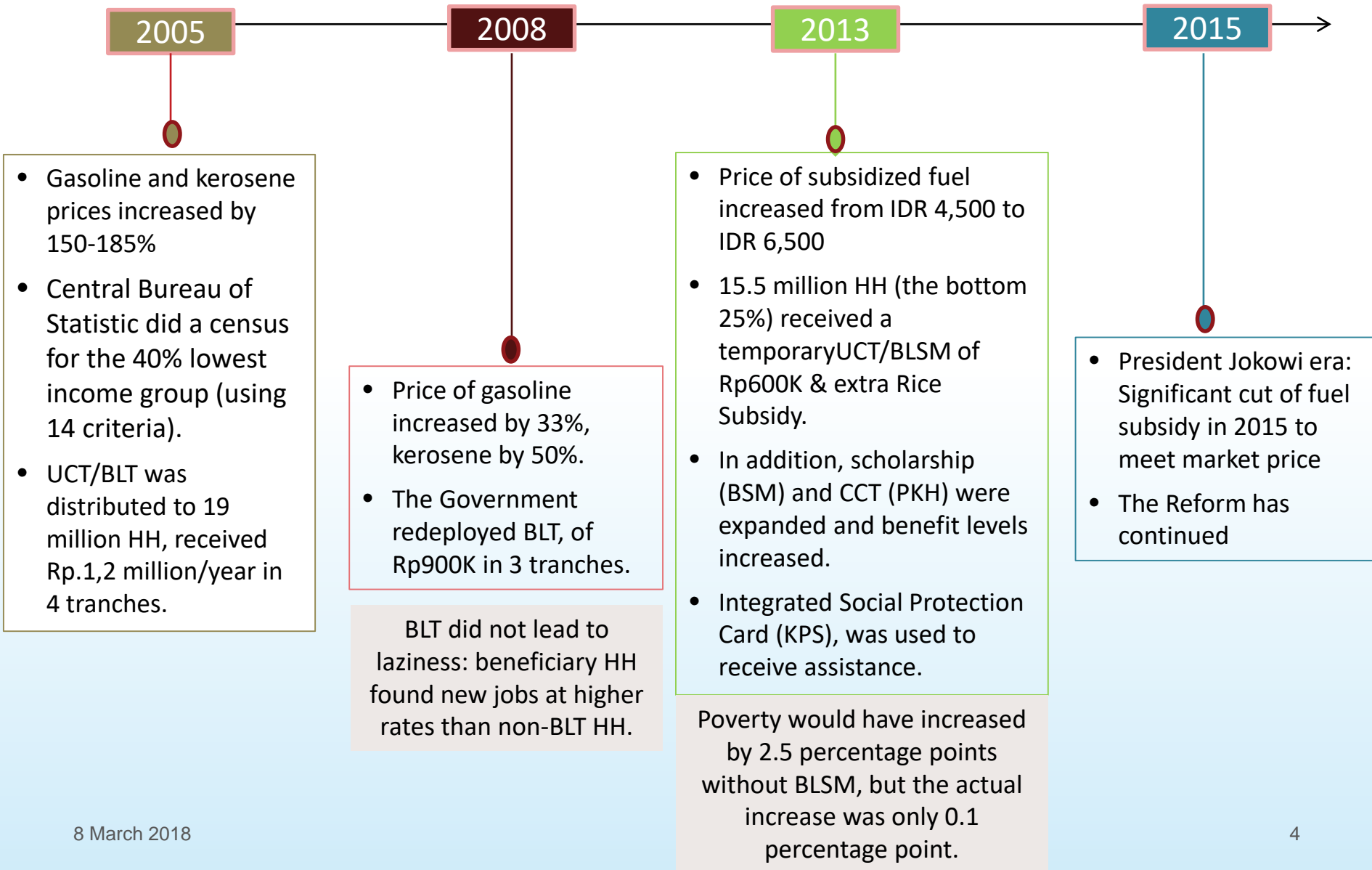
Indonesia's fuel price was the lowest in Asian countries

... with fuel subsidy enjoyed mostly by the richest

Fuel and Electricity Subsidies take funding away from pro-poor development.



Some Milestones of Subsidy Reform



Social Protection Programs to Response Economic Shock

UNCONDITIONAL CASH TRANSFER

- UCT was initiated in 2005. It's relaunched in mid 2013 following another fuel subsidy cut.
- Targeted to 15.5 million HHs ~ constitute bottom 25% lowest income group.
- Transfer through post office.
- In 2007, UCT was transformed to CCT as a regular anti poverty program.

CONDITIONAL CASH TRANSFER

- Begin in 2007 as pilot program in 6 prov, cover 380K poor HHs.
- In 2018, it all regions, covers 10 mio HH with pregnant/lactating mother, <5 & school-age children, disable, and elderly.
- Currently use electronic payment system via bank.
- **Expand target and/or benefit in crisis.**

RICE SUBSIDY FOR POOR

- Started in 2002, target bottom 25% of the population.
- 15 kg/month/HH with purchased of Rp1600/kg.
- **Add frequency of distribution during crisis**
- Main issue: inefficient distribution and 'missing rice'
- In 2017, it started to transform to electronic food voucher of rice and egg.

COMMUNITY-BASED CASH FOR WORK

- First time implemented during 1997/98 crisis. Become National community-based program in 2007.
- Covering 7K subditricks, with 8K< facilitators.
- Combined advantages: **improved village infrastructures & temporary employment creation.**
- In 2015 has transformed to Village Fund. In 2018, cash for work is strengthened

Designing Shock Response toward Subsidy Reform

REFORM DECISIONS: SCALE, TIMING, SAVINGS



COMPENSATION OBJECTIVES: poverty? fiscal sustainability?

WHO TO
COMPENSATE?
Targeted vs Universal

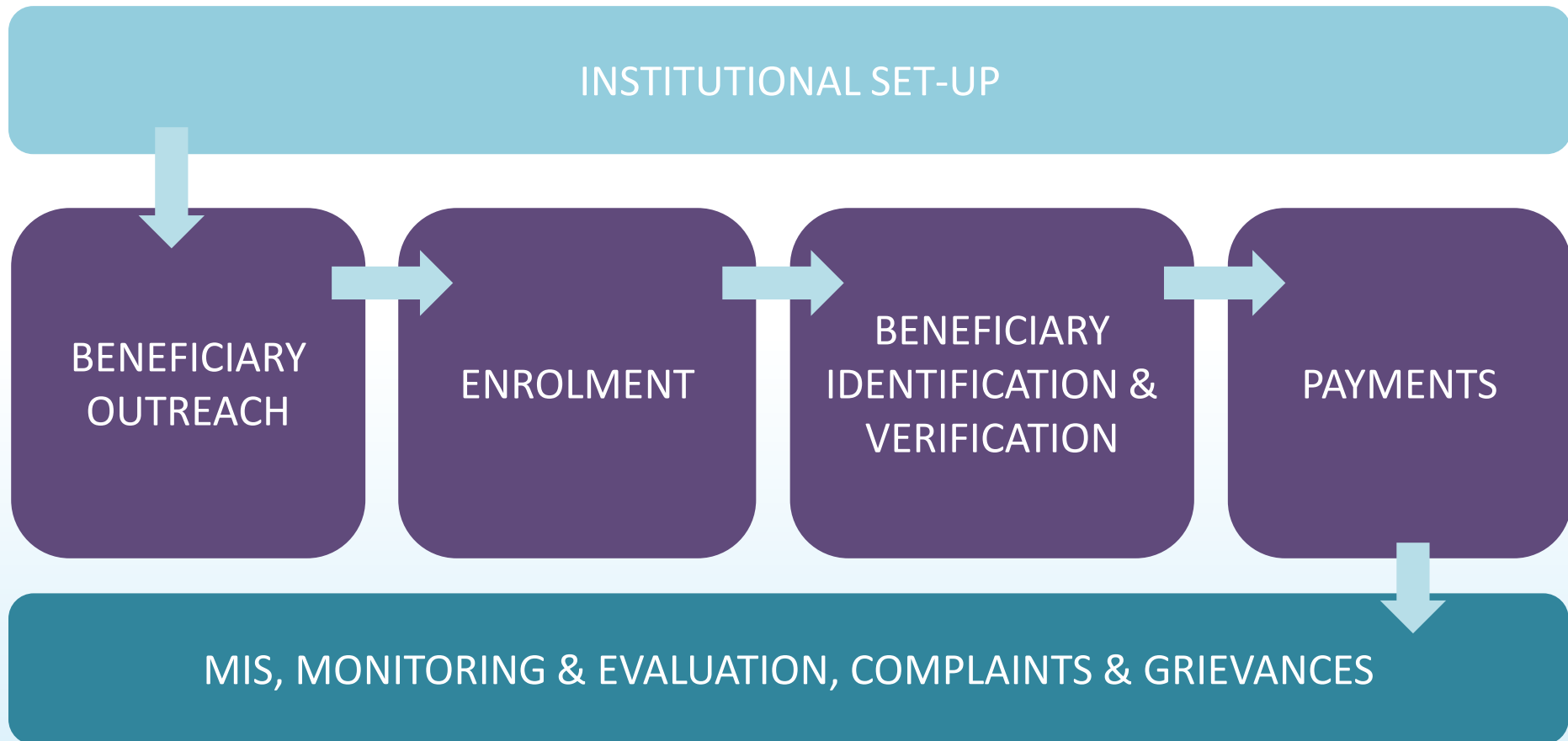
HOW MUCH TO
COMPENSATE?
Fix/variable benefit

HOW LONG TO
COMPENSATE?
Frequency, reform buy in



COMPENSATION DELIVERY METHOD
Program effectiveness, delivery factors, global experience

A Roadmap to Ensure Effective Implementation

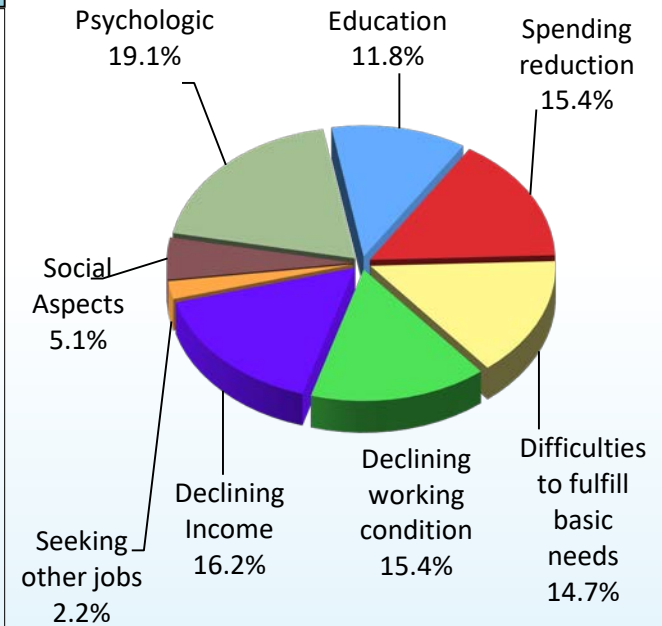


Some Key Questions for a Crisis Response

How is the crisis being transmitted?
<ul style="list-style-type: none"> ■ How is employment demand being affected? <ul style="list-style-type: none"> - In which sectors? - Urban or rural? - In which provinces and districts? - Through which channels? <ul style="list-style-type: none"> ● Wages, hours or jobs? ■ How are prices being affected? <ul style="list-style-type: none"> - Key staple foods? - Other prices?

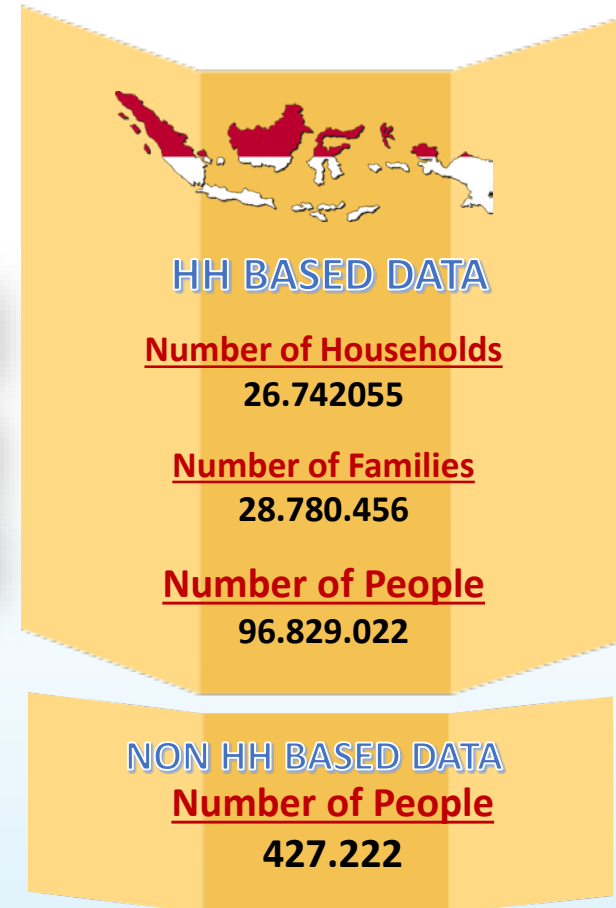
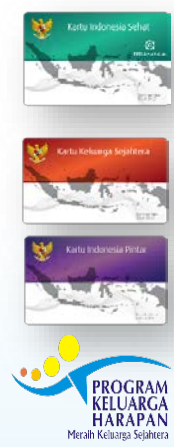
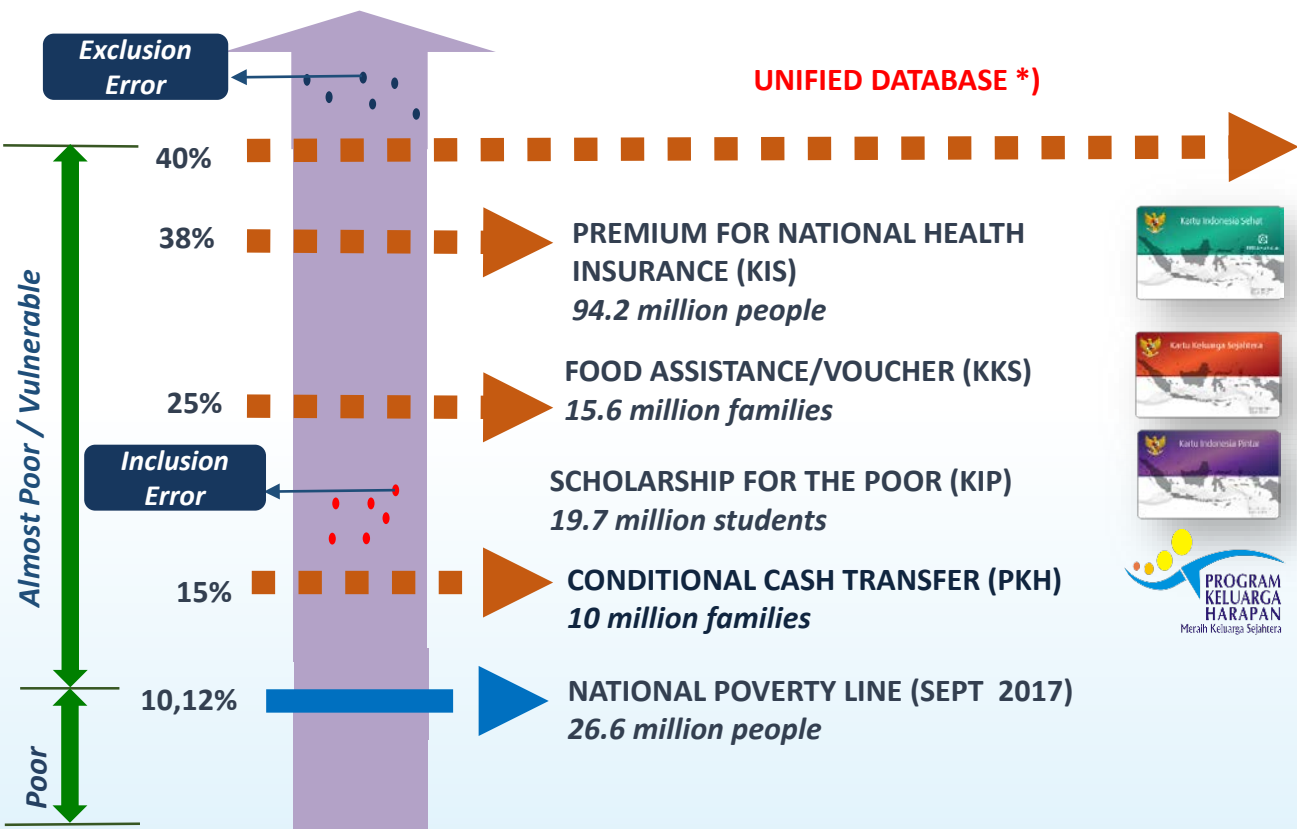
What is the impact on households?
<ul style="list-style-type: none"> ■ How are households responding? <ul style="list-style-type: none"> - Move into agriculture and informality - Reduced quantity and quality of food consumption - Reduced health and education expenditures - Women and children entering the work force - Risk-pooling ■ What are the outcomes? <ul style="list-style-type: none"> - School drop-out and absenteeism - Malnutrition - Infant and child mortality - Maternal mortality - Disease and illness

Crisis Response at Household Level



Source: SMERU, 2009

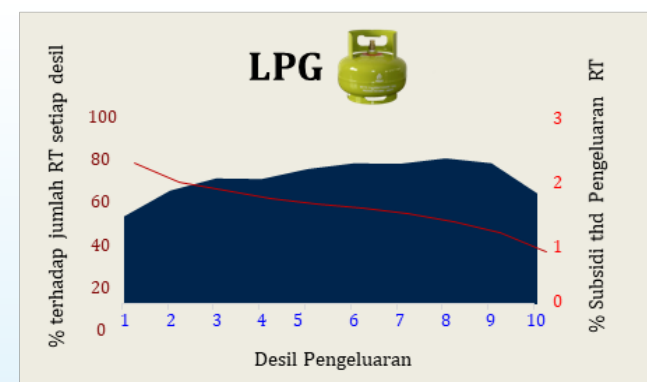
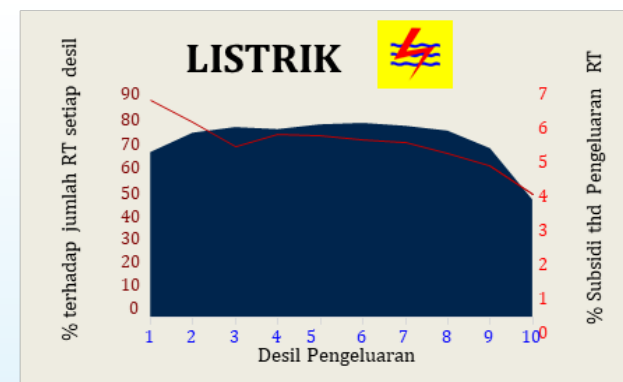
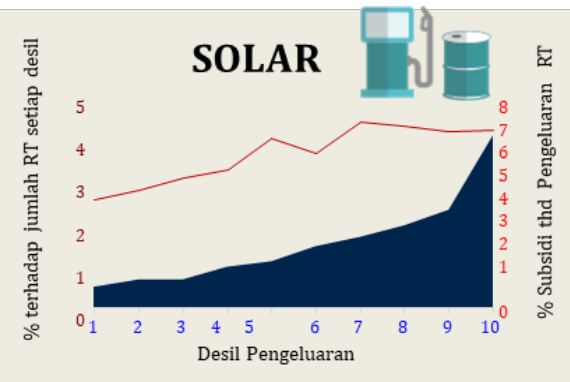
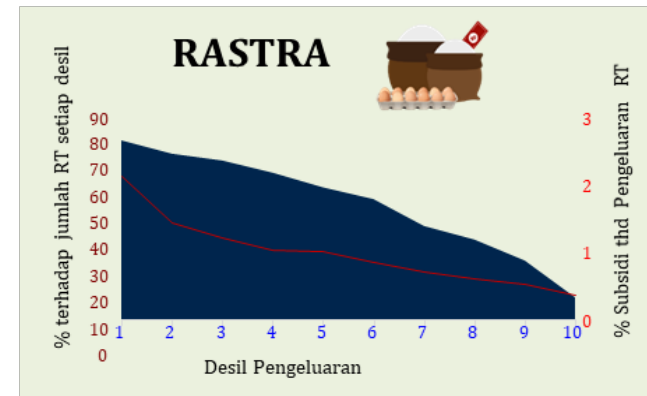
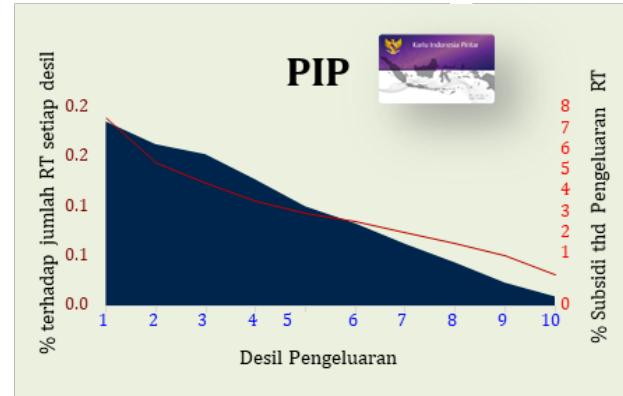
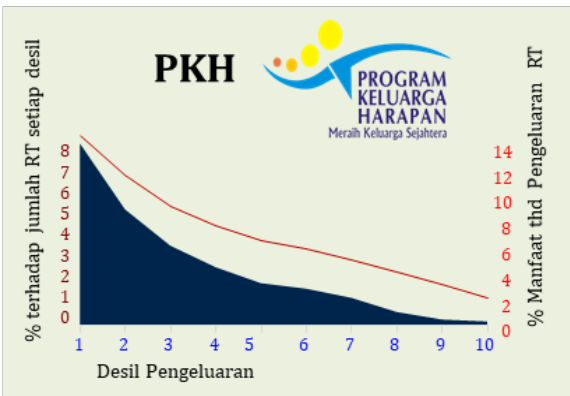
UNIFIED DATABASE IMPROVEMENT



***Notes:**

1. UDB consists of the 40% poorest population. It is updated every May and Nov through MoSA Decree
2. The current update is more regular and participatory. Using community-based meetings to update targeting lists to address exclusion errors; verified by local government through verification and validation application
3. New and improved proxy-means testing identified the poor more accurately
4. Available for use by different anti-poverty programs to identify target groups eligible to receive benefits

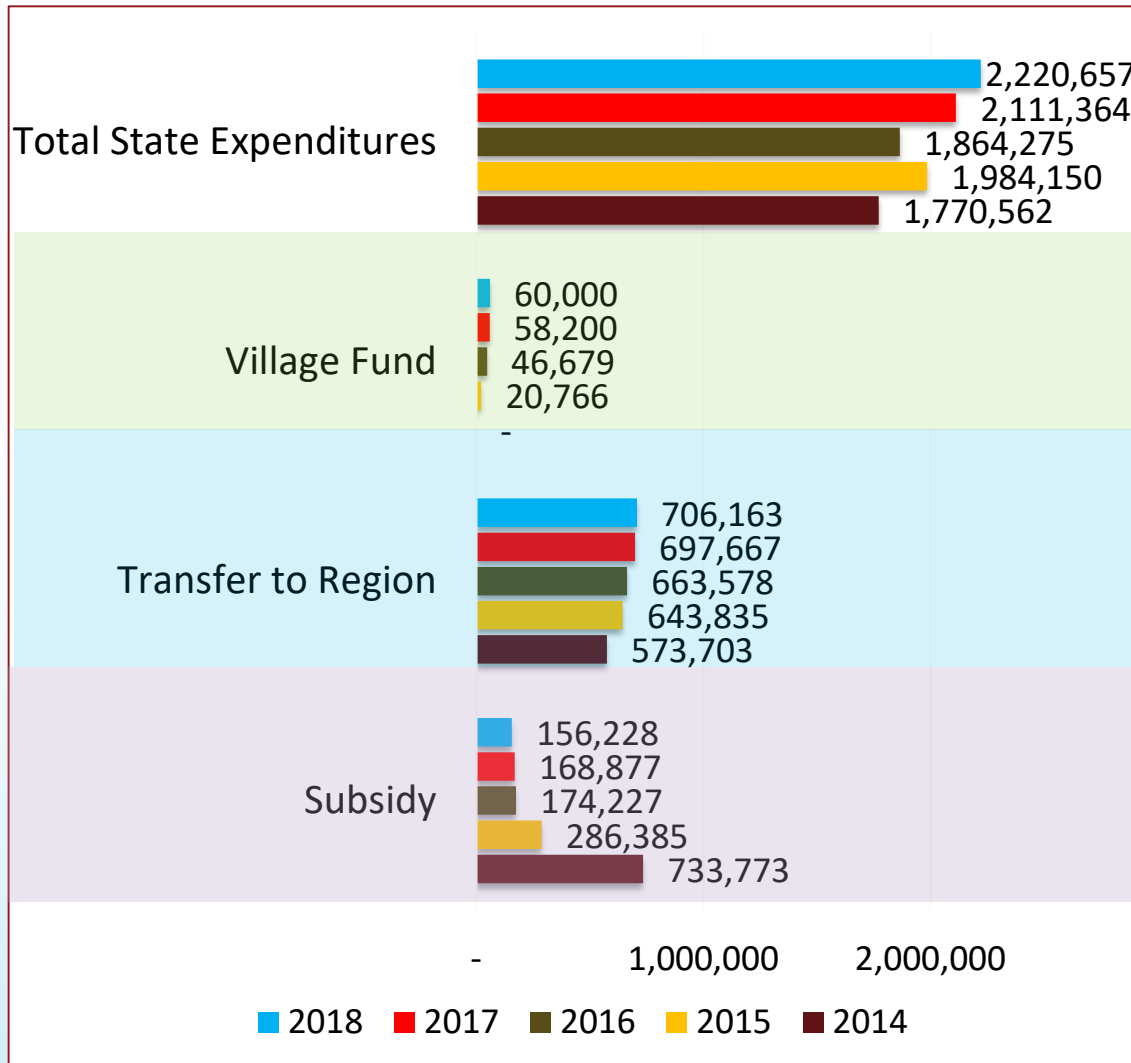
Accuracy Of Implementation Target Of Subsidy And Social Assistance Program



- Social assistance programs (PKH and PIP) are mostly enjoyed by the poor.
- Rastrea subsidy, 3kg of LPG and electricity are enjoyed by all expenditure deciles, even the middle group enjoys more electricity and LPG subsidies.
- Solar subsidies are mostly enjoyed by rich people who use open distribution (non-targetted)

Subsidy Budget Reform

Distribution of State Expenditures (Billion Rupiah)

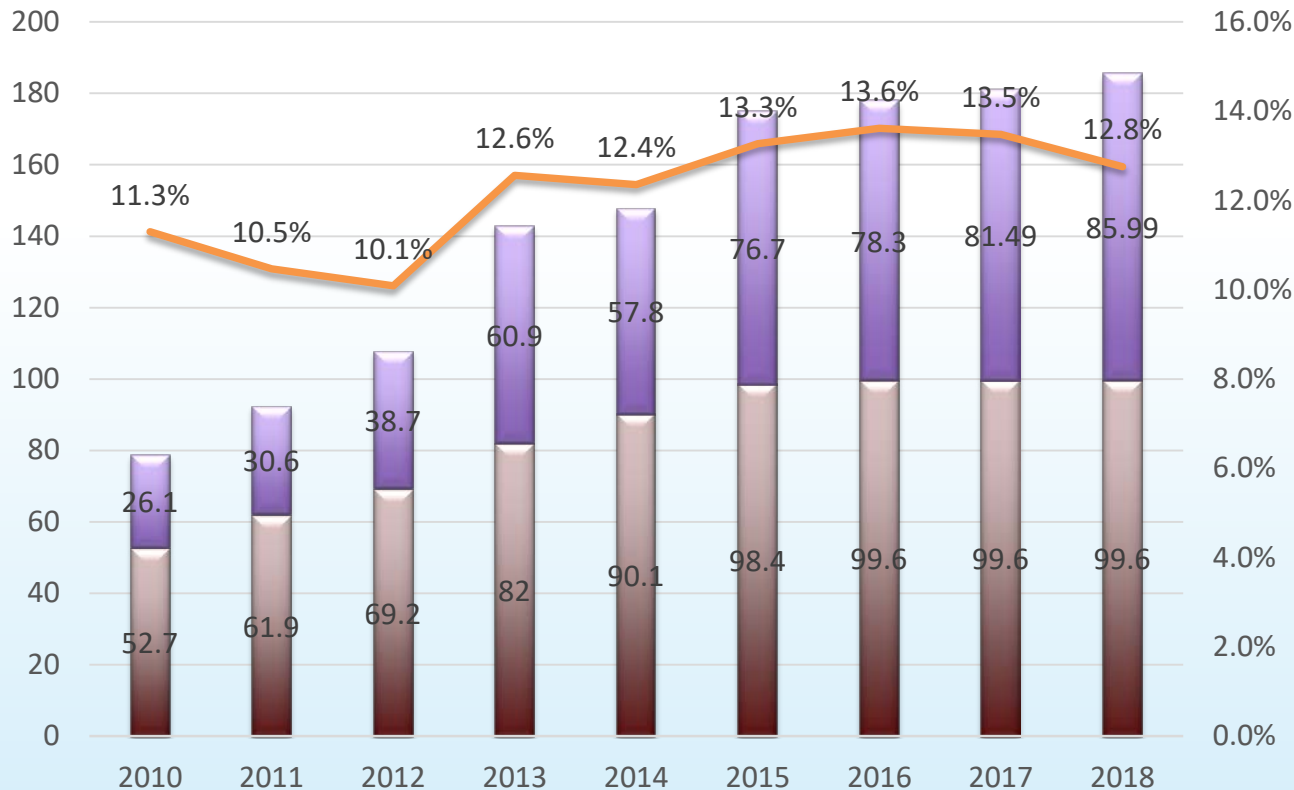


- Fuel subsidy allocation decreased significantly in 2015.
- The subsidy allocation was transferred for the village fund and regional transfers to reduce inequality.
- Subsidy Reform has continued to ensure:
 - Right targeting
 - Fiscal sustainability
 - Energy diversification

Social Protection Budget, 2010-2018

Budget Allocation Based on Intervention and Share from Central Government Spending (in Rp Trillion)

■ Jaminan Sosial
■ Bantuan Sosial Berbasis Keluarga



➤ Significant subsidy reduction (from 3.4% to 0,8% PDB) between 2015 and 2018 has been allocated for SP:

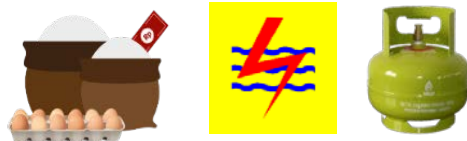
- Premium of National Health Insurance for the poor.
- Social Assistance Programs has been scaled up.

➤ In 2018, significant budget goes to infrastructure and economic investment.

Sumber: Bappenas diolah dari berbagai sumber

Continuous Reform Of Targeted Assistance / Subsidies - Food And Energy

- Integration of bank channel distribution by using one card (with e-wallet) to be more targeted, efficient and effective.
- A publication of Presidential Regulation 63/2017 on the Non-Cash in Social Assistance.
- Necessary expansion of telecommunication and signal networks, local bank agencies and local government support (a.l. socialization, availability and smooth food logistics, complaint handling, etc.)



Provide the option for Beneficiary Family (KPM) in terms of:

- Type, quantity, and quality as needed (eg food with balanced nutrition)
- Flexibility of time and location of withdrawal



Increase the effectiveness of subsidy / aid distribution:

- Targeting
- Transparent and accountable
- Encourage better customer management
- Increased access to financial service



Improving regional economic growth through empowering the people's economy:

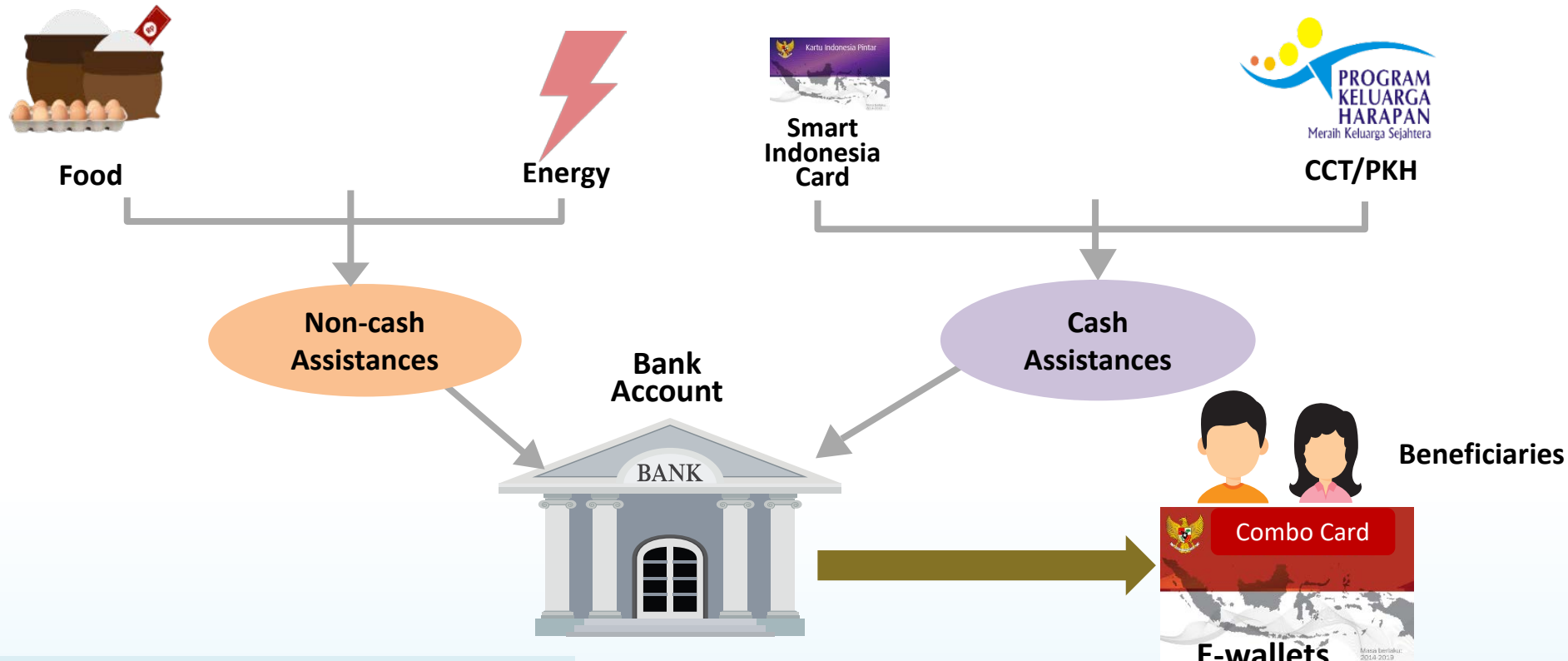
- Utilization of stalls / kiosks / retail traders as agents of the Bank.
- Utilization of Bank agents as a place to purchase food, gas, and electricity payment

Encourage financial inclusion

a process of bridging beneficiaries in:

- Accumulated assets and financial management capacity (reducing direct use of cash for consumption, savings culture)
- Entrance to various other financial services (transactions, transfers, credits, microinsurance, remittances)
- Safety and comfort
- Minimize illegal levies

Integrated Non-cash Transfer Of Social Assistance



- ❖ The objectives: asset accumulation, financial inclusion, minimize fraud and error.
- ❖ Non-cash assistance can only be used to exchange for food assistance, electricity subsidy payments, and other non-cash assistances. The non-cash assistance cannot be withdrawn.

Conclusion

- Crises are extraordinary events □ a broader focus – e.g. on vulnerability and poverty – gives more purpose to the system.
- A need to develop information system that provide dynamic access to various types of socio-economic data and information for policy-making in response of crises.
- Coordination mechanism for adaptation & response (national, regional, local).
- Promote macro policies to strengthen resilience to shocks: increase tax collection, redirect spending from regressive subsidies to infrastructure and social spending.
- Comprehensive and inclusive SP as a strategy to address economic growth, longer term structural poverty, human capital development, and inequality.

THANK YOU