

PROTECTING

POOR AND VULNERABLE HOUSEHOLDS IN INDONESIA



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HOUSEHOLDS IN INDONESIA

Foreword

Over the past decade Indonesia has made impressive strides in poverty reduction, cutting the overall poverty rate by over two-fifths since the turn of the decade (1999/2000). Even today, however, nearly 30 million people live below the official poverty line while an additional 65 million remain vulnerable to falling into poverty. The Government of Indonesia is committed to tackling these challenges while further accelerating the pace of poverty reduction.

Social assistance initiatives and social safety nets play a central role in Indonesia's poverty reduction strategy as complements to continued sustainable macroeconomic growth and the generation of more and better job opportunities. Well-designed and effectively-implemented social assistance programs provide two key functions. First, they protect the poor and vulnerable from chronic destitution and the risk of impoverishment stemming from negative economic shocks. Second, they promote independence and productivity by encouraging households to make wise investments and by providing more effective strategies for households to improve their own livelihoods.

Indonesia delivers a range of social assistance programs prioritized for poor and vulnerable households. Until now, however, little was known about how well these programs protect and promote families and individuals. To provide answers to these and related questions, *Protecting Poor and Vulnerable Households in Indonesia* quantifies and analyzes patterns of public spending on social assistance and comprehensively reviews the effectiveness of each of Indonesia's main social assistance programs. The findings herein will help guide reforms for social assistance programs that work smarter and more efficiently to help those most in need.

Emerging as a middle-income country with a strong recent record of growth and sound macroeconomic and financial management, Indonesia is well-placed and ready to take several steps forward in protecting and promoting the poor and vulnerable. This will require developing a new generation of social assistance programs, which expand upon and extend beyond the reach of today's programs, as well as knitting both new and old initiatives together into a coherent system that functions as a reliable social safety net for all households in all occasions.

This report would not have been possible without close collaboration with partners in the Government of Indonesia, the research community and development partners. We look forward to further shared exploration and to understanding and applying what we have learned to find the right policy solutions for Indonesia. It is our sincere hope that this report will contribute to evidence-based policy making for Indonesia's social assistance programs. Together we can support Indonesian households who are paving their own way out of poverty and building a better future for themselves.



Stefan Koeberle
Country Director, Indonesia
The World Bank

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Key Messages

Though absolute poverty is declining, 40 percent of the Indonesian population remains highly vulnerable to shocks that threaten to push them into poverty. In 2011, 12.5 percent of Indonesians lived below the national poverty line, but a large portion of the population is clustered just above the poverty line and is prone to entering poverty. Estimates show that half of all poor households in recent years were not poor the year before, and over four-fifths of next-year's poor will originate from the 40 percent of households with the lowest expenditure levels. Social assistance programs play an important role in helping poor households escape destitution while reducing the likelihood that vulnerable households will be pushed into poverty.

The Government of Indonesia has developed several household-based social assistance (SA) programs targeting the poor and near-poor; these households make up roughly the bottom 25 percent of the population. Household-based program development has been rapid and these initiatives have, with varying degrees of success, provided some protection for the poor and vulnerable. Indonesia also has a range of complementary programs and policies that extend beyond the household to “protect and promote” the poor and vulnerable, including community-driven development programs, job creation and employment strategies, and plans for social security.

Despite demonstrated promise, much work remains to be done in the loose collection of household-based programs. The current range of SA programs does not go far enough in protecting the 40 percent of the population with the highest risk of falling into poverty. In addition to significant gaps in both risk and population coverage, all of the household-based programs have been limited in their effectiveness due to (a) an insufficient ability to find and prioritize poor or vulnerable households; (b) a total benefit package that is sometimes underfunded, sometimes inadequate for addressing the particular household need or risk, and sometimes delivered with less-than-optimal timing; (c) a passive and implicit reliance on poorly-equipped local implementation partners combined with little explicit financial or technical support; (d) weakly-monitored and insufficiently-detailed implementation procedures; or in many cases a combination of all four of these. The first step on the way to a dynamic and responsive social safety net should be reform within these currently available programs.

Meanwhile, Indonesia will need to go beyond program reform to create a social safety net that is capable of providing consistent, high-quality, and comprehensive coverage. The current range of SA programs provides *partial* and *non-guaranteed* protection to the poor and vulnerable from *some*, but not all, *of the risks faced*. There are risks that are not yet covered by any program – for example, risks due to sudden job loss or underinvestment in early childhood education. However, even among the important risks *that are* addressed by current programming, the likelihood that an eligible household will consistently receive all benefits is small, while the facilitation, outreach, and information dissemination that are necessary to ensure households with any type of background use programs effectively are not consistently provided. A true social safety net will involve system-wide planning and coordination between programs and agencies in order to ensure that all types of eligible households are reliably protected for all important risks.

Indonesia confronts these challenges from a position of strength and can create gains for all through better protection of vulnerable households. Indonesia benefits from a strong macroeconomic and fiscal position and an administration committed to poverty reduction and social protection, allowing it to undertake comprehensive reforms from an enviable position of strength. In addition to ensuring that poor households are more effectively protected from shocks, such reforms will contribute to Indonesia's continued economic strength by promoting pro-poor investments in human capital and a healthy, educated, and productive workforce. An effective and efficient social safety net will also enable further government policy reform by alleviating the burdens that reform can create for the least well-off.

The following recommendations outline some of the steps necessary for the creation of a social safety net system in Indonesia:

- 1. First, spend better by improving programs and achieving a more optimal mix of initiatives.** Increase the benefit level and delivery schedule of the cost-effective conditional cash transfer program (*Program Keluarga Harapan*, PKH); institute a package of radical reforms for stopping leakage and improving targeting in the subsidized rice program (*Beras untuk Keluarga Miskin*, Raskin), which delivers too little at high cost; upgrade capacity for the pilot cash transfers targeting highly vulnerable groups; re-engineer the scholarship program (*Bantuan Siswa Miskin*, BSM); and redefine an appropriate benefit package for the health fee waiver program (*Jaminan Kesehatan Masyarakat*, Jamkesmas) in order to provide financially sustainable and reliable health care utilized by all poor households.

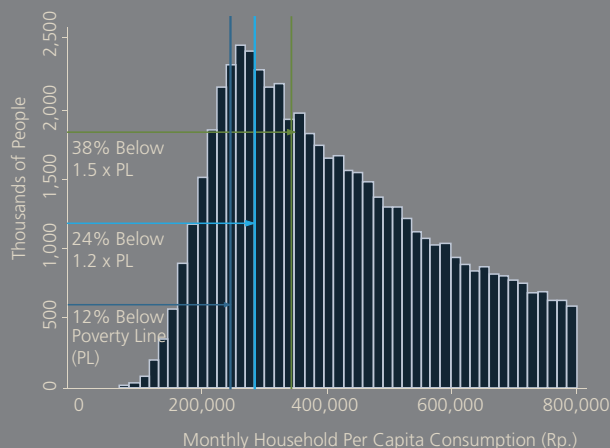
2. **Then, scale up to protect more households from health risks, promote continuous education and protect from shocks threatening welfare.** Expand Jamkesmas and BSM to reach all vulnerable households, and introduce a pilot early childhood education program. Scale up PKH to reach all chronically poor households and the collection of programs that target marginalized populations. Right-size Raskin to cover only poor households. Fill existing gaps in the social safety net by adding a coordinated emergency response system, featuring a revised version of BLT (*Bantuan Langsung Tunai*, Unconditional Cash Transfer) that includes conditions for community service. Such expansion to all vulnerable households is estimated to require an increase in social safety net spending levels from 0.5 percent to just less than 1 percent of GDP.
3. **Integrate the social safety net by consolidating program support operations under a single roof and encouraging single window household access to all services.** Consolidate support operations (e.g. socialization, complaints handling and M&E) under one roof and develop a single National Targeting System (NTS). Create a reliable public face for the social safety net under a single agency with employees that perform outreach and socialization activities and can encourage and facilitate access to all initiatives available in the social safety net and beyond.

Overview



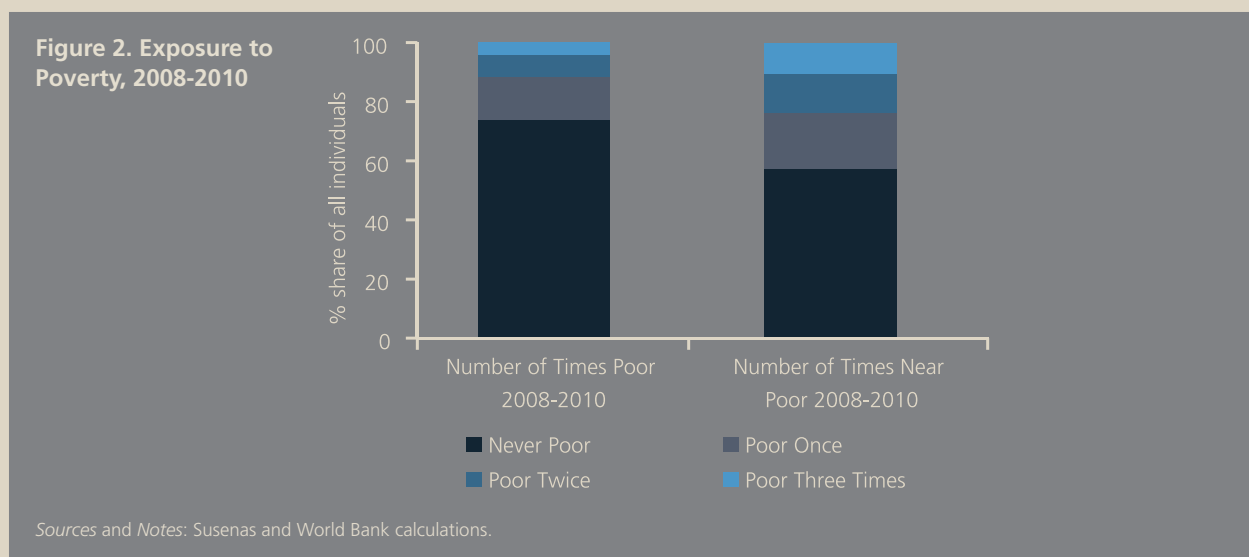
Despite strong economic growth and falling poverty in the last decade, there are many households on the edge of poverty. The last decade in Indonesia has seen a return to strong economic growth, and the poverty rate has fallen from 23.4 percent (1999) to 12.5 percent (2011). Declining poverty, however, partially masks a high degree of vulnerability: much of Indonesia's population is clustered just above the 2011 poverty line of Rp 233,000 per month (about US\$ 27 at 2011 nominal exchange rates). Around 24 percent of Indonesians live below the official near-poor line of 1.2 times the poverty line while 38 percent of the population lives below 1.5 times the poverty line and is almost equally vulnerable (Figure 1). Even relatively small shocks to these vulnerable households can be enough to push them into poverty.

Figure 1. Indonesia Per Capita Consumption Distribution, 2011



Sources and Notes: Susenas and World Bank calculations. The national poverty line has been set at approximately Rp 234,000 per month in 2011

Vulnerable households experience income insecurity and frequently fall in and out of poverty. In Indonesia recently, approximately half of all poor households are chronically poor, or consistently measured as poor in all of three consecutive years. The remaining poor households (in any given year) are households that are highly likely to be moving into and out of poverty. For example, of those who were not measured as poor in 2009, 12.6 million had fallen into poverty status by 2010; these 12.6 million individuals made up half of all poor individuals in 2010. Over four-fifths of these poor households originated from the group of vulnerable households below 1.5 times the poverty line (the bottom 40 percent). This high level of income churning among vulnerable households, and the large population movements into and out of poverty, are a stubborn feature of poverty: in the last three years, over a quarter of all Indonesians have been in poverty at least once while 43 percent fell below the official near-poor line at least once (Figure 2).



Indonesia's challenge is double: helping poor households escape impoverishment while protecting the 40 percent of Indonesians who are highly vulnerable. Policies and programs must be tailored to fit the Indonesian context, which is characterized by a high level of vulnerability and churning near the poverty line and marginal but frustratingly slow improvements in social indicators among poor households. Social safety nets, which consist of non-contributory cash or in-kind transfer programs targeting the poor and vulnerable, are designed to directly respond to such challenges. They are one component in a social protection suite, which typically also includes social insurance, active labor market programs, and provision of high-quality, low-cost education and health services accessible to all. Safety nets serve three main functions:

- 1. Protect households from destitution and catastrophic human capital loss:** Social safety nets can provide direct income support and reduce inequality. They can also reduce the likelihood of poor and vulnerable households resorting to negative coping strategies, such as pulling children prematurely from school to enter the workforce.
- 2. Promote opportunities, livelihoods, and better jobs:** Social safety nets can also be used to ensure that poor and vulnerable families increase investments in productive assets, including in human capital like education and health. These investments not only sever the transmission of poverty to future generations but leave households and families better prepared in terms of *ex ante* risk reduction strategies like saving and other financial management tools.
- 3. Preparing for progressive reforms:** Safety nets may help government replace inefficient redistributive policies in other sectors, or successfully reorient macroeconomic policy and structure to improve growth. For example, reorienting spending towards progressive transfers and providing consumption support during the acute inflationary environment that follows a subsidy reduction can help sustain pro-poor reforms.

Indonesia has introduced a range of SA programs forming the potential foundation of a true social safety net. The first generation of programs was borne of the 1997-98 Asian Financial Crisis (AFC) when the government introduced a number of temporary initiatives to protect the poor from the large negative shocks buffeting the Indonesian economy. A second generation of more permanent programs was introduced in 2005 to help usher in fuel subsidy cuts; savings from

reduced subsidy spending were channeled to programs to help poor and near-poor households cope with the inflationary shock caused by the increase in regulated fuel prices. More recently, the government has piloted and expanded programs that have a greater emphasis on the promotion of health and education services by poor and vulnerable families. Programs launched over the past decade, but especially those introduced during the 2005 reforms, could provide the foundation for a true social safety net targeting poor and near-poor households

Today, social assistance is concentrated in eight household-based programs which are all primarily designed, funded, and executed by the central government. A temporary unconditional cash transfer program (BLT) was deployed in 2005-06 to mitigate the inflationary impact caused by fuel price adjustments and again in 2008-09 to protect vulnerable households from further fuel price adjustments and the effects of the global financial and food price crises. Raskin distributes subsidized rice to 17.5 million families across the country. Jamkesmas provides health service fee waivers for 18.2 million poor and vulnerable households. A scholarship program (BSM) provides cash assistance to approximately 4.6 million students across the country. PKH – a conditional cash transfer – provides income support and investment in health and education services for over 800,000 extremely poor households in pilot areas. Finally, there are cash transfers with facilitated services for highly vulnerable groups including at-risk children (Program Kesejahteraan Sosial Anak, PKSA), the disabled (Jaminan Sosial Penyandang Cacat Berat, JSPACA) and vulnerable elderly (Jaminan Sosial Lanjut Usia, JSLU). Each of these eight programs has a unique government authority and provider located primarily in one of five central government agencies (Figure 3).

The Government of Indonesia has demonstrated a commitment to strengthening social assistance programs as part of its broader social protection and poverty reduction strategy. The current administration's Medium-Term Development Plan (MTDP) for 2010 to 2014 aims to accelerate poverty reduction and reduce income inequality; MTDP goals include a headcount poverty rate between 8 and 10 percent by 2014. The MTDP lays out strategies to achieve this goal, one of which is the development of a “family-centered” social assistance system and reforms to priority programs. Simultaneously, the government is expanding and improving other programs with social protection and poverty reduction elements including: social security reform, community-based programs, credit provision for micro- and small-enterprises to stimulate job creation, and other active labor market programs.

This report, the first comprehensive assessment of its kind in Indonesia, assesses the extent to which current social assistance programs are providing an effective social safety net for poor and vulnerable households.

The government and its development partners require an analytical base to inform their decisions about social assistance policy reform and program design and delivery.¹ To support this, the report uses all available qualitative and quantitative data (including the most recent) to assess the extent to which the current collection of SA programs is providing effective safety net functions: protecting the poor and vulnerable; promoting good behaviors, and enabling reforms effectively and efficiently. In order to answer this overarching question, six intermediate questions are asked²:

- 1 Does Indonesia allocate the **right level** of resources to household social assistance?
- 2 Do programs provide the **right benefits**?
- 3 Are benefits reaching the **right people**?
- 4 Do people receive the benefits at the **right time**?
- 5 Are programs **implemented in the right way**?
- 6 Does Indonesia have the **right programs and system** in place?

1 Though this report focuses solely on household-centered social assistance programs, it recognizes that improvement in other areas mentioned will be critical for continued reduction of poverty and vulnerability

2 Throughout this report “right” is used as shorthand to indicate effectiveness or efficiency and is not meant to be taken as a normative indicator of “correct”, “proper”, or even “meeting a pre-defined standard”. For example, the “right” time to deliver benefits is when they are needed and when they can and will be used as intended; similarly the “right” benefits are not a certain percentage of median incomes, but rather benefits that allow households to achieve what the program intends for them to achieve. The report will clarify this usage in the course of elaborating on each of the six different “rights” mentioned here.

**Figure 3.
Indonesia
Household-
centered
Social
Assistance
Program
Summary**

Name	Transfer Type	Risk Covered	Target group	Target number of beneficiaries	Population Coverage	Benefit level (average)	Key executing agency
1. BLT*	Cash	Acute consumption difficulty	Poor & near-poor households	18.5mn households (HH)	National	Rp 100,000 per month for 9 months	Ministry of Social Affairs (Kemensos)
2. Raskin	Subsidized Rice	Consumption difficulty	Poor & near-poor households	17.5mn HH	National	14 kg rice per month	Bureau of Logistics (Bulog)
3. Jamkesmas	Health service fees waived	Health shocks; low health utilization	Poor & near-poor households	18.2mn HH	National	Varies depending on utilization	Kemenkes
4. BSM**	Cash & Conditions	Cost of education; low education	Students from poor households	4.6mn students	National, but not full scale	Rp 561,759 per year	Kemdikbud & Kemenag
5. PKH	Cash & Conditions	Low incomes; low health & education utilization	Very poor households	810,000 HH	Pilot	Rp 1,287,000 per year	Kemensos
6. PKSA	Cash, Conditions, & Services	Quality of life; low education; exclusion	Vulnerable children	4,187	Pilot	1,300,000 - 1,800,000 per year	Kemensos
7. JSPACA	Cash & Services	Quality of life; exclusion	Severely disabled	17,000	Pilot	Rp 3,600,000 per year	Kemensos
8. JSLU	Cash & Services	Quality of life; exclusion	Vulnerable elderly	10,000	Pilot	Rp 3,600,000 per year	Kemensos

Sources and Notes: Program manuals, regulations, staff reports, and World Bank Staff calculations based on 2010 information. *During last usage in 2008-09. ** Target number of beneficiaries and benefit level based on 2009 data.

Does Indonesia allocate the right level of resources to household social assistance?



Spending on social assistance has significantly increased over the past decade, supported by fiscal consolidation. From a low base in the early 2000s, Indonesia's aggregate national public expenditures on SA programs permanently increased from 2005, in line with the proliferation of individual initiatives beginning then. At the same time, the Government of Indonesia (GOI) has also been increasing its expenditures on social insurance, but these mainly cover civil servant pension and health premiums. Overall, of the 1.2 percent of GDP spent on social protection (social assistance plus social insurance) in 2010, about one-third went to household-based social assistance and two-thirds to social insurance. Increased fiscal space – a result of starkly declining debt payments – has left room for further increases in SA spending. However, government administration, education, and regressive energy subsidies, which in some years cost over 4 percent of GDP alone, continue to dwarf spending on SA programs (Figure 4).

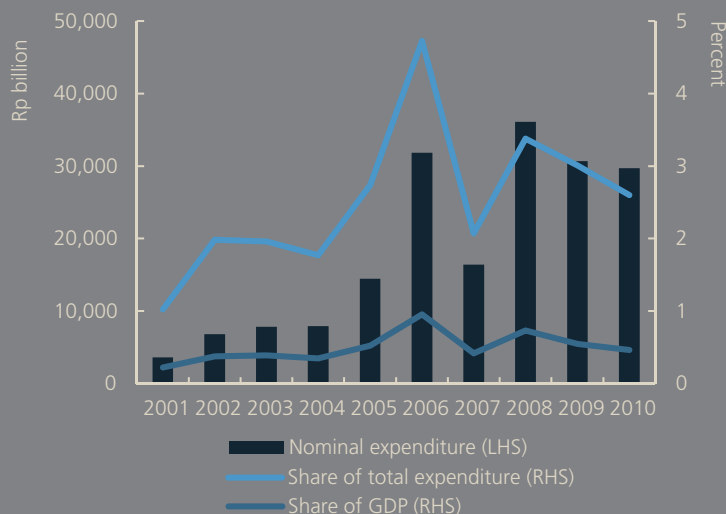
Figure 4.
Sectoral
Expenditure
Shares,
2005 and
2010

Sector	% share of total national expenditure, 2010	2005 rank	2010 rank
Energy and other subsidies (excl. SA)	15.7	1	6
Government Administration	19.1	2	5
Education (excl. SA)	20.4	3	4
Interest payments	8.5	4	3
Infrastructure	10.3	5	2
Health (excl. SA)	4.6	6	1
Household SA	2.9	7	7
Agriculture	1.3	8	8

Sources and Notes: Kemenkeu and World Bank staff calculations.

Indonesia spends 0.5 percent of GDP on SA, which is low in comparison to regional peers and middle-income developing countries. National expenditures on SA programs are estimated at almost Rp 30 trillion (US\$ 3.3 billion) in 2010, which is about 2.5 to 3 percent of total national expenditures or 0.5 percent of GDP (Figure 5). According to the MTDP for 2010 to 2014, modest expansion plans for most of the household-based SA programs results in national expenditures flatlining at their current relative level (0.5 percent of GDP). The average developing country, on the other hand, spends around 1.5 percent of GDP on social assistance. The average for East Asian countries is 1 percent. Latin America countries – where safety nets are relatively comprehensive – spend, on average, 1.3 percent of GDP.

Figure 5. Public Expenditures on Household Social Assistance, 2001-2010

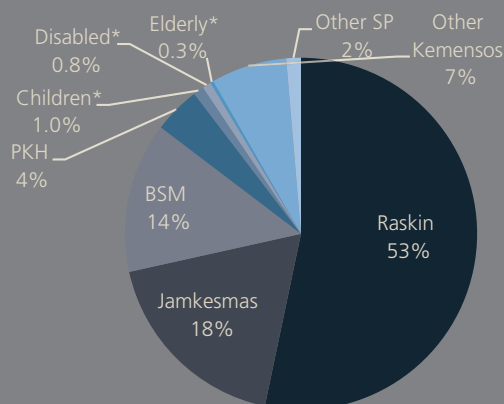


Sources and Notes: Kemenkeu, BPS, and World Bank calculations

Central government spending consistently accounts for almost 90 percent of total Indonesia-wide public SA expenditures. Sub-national governments account for just over 10 percent of total national SA expenditures, the majority of which appears to be absorbed by staff salaries and general administration in support of the major GOI programs.

The majority of SA spending goes to income relief for poor and vulnerable households; smaller amounts are spent promoting productive behavior and human capital investment. Raskin, the single largest program, accounting for 53 percent of total SA expenditures, aims to protect households from food insecurity by delivering regular in-kind transfers (Figure 6). Both Jamkesmas and BSM scholarships – the next two largest programs, together accounting for about 32 percent of total SA expenditures – protect by providing income or no-cost healthcare services. Each could promote regular and effective healthcare or education service utilization, but as this report will show the promotive elements in both BSM and Jamkesmas are underdeveloped. The cash transfers designed to promote livelihoods and investments in human capital are allocated much smaller resource shares: PKH is allocated 4 percent and programs for marginal groups 2 percent of total national SA expenditures. These pilot programs are not yet allocated sufficient resources to reach all eligible beneficiaries, although it is an open question whether implementing agencies could effectively absorb the increased spending necessary for full coverage. In contrast, regions like Eastern Europe and Latin America, where safety nets are more mature, tend to allocate a significant majority of SA expenditures to targeted cash transfers for vulnerable families and marginal groups.

Figure 6. Household Social Assistance Expenditure Composition, 2010



Sources and Notes: Kemenkeu and World Bank staff. * Refers to all spending in the directorate implementing these programs.

Current SA expenditures appear low given the Indonesian risk and vulnerability profile described above. First, many social assistance programs do not yet have the mandate or resources to reach all eligible beneficiaries. Second, programs officially target poor and near-poor households, not the additional vulnerable households that are at risk of falling into poverty. In addition, each program prioritizes beneficiaries idiosyncratically, meaning many beneficiaries of one program will not receive other programs and few households are transferred benefits from all available programs and interventions. Third, total *benefits* transferred by major government SA programs represent just 60 percent of the cumulative income gap of poor and near-poor households and just 10 percent of what would be needed to close the cumulative income gap of all vulnerable households living below 1.5 times the poverty line. Taking into account the actual allocation rules and targeting outcomes reduces these ratios further: as not all benefit spending reaches only intended poor and vulnerable households, actual benefits received by these households are a smaller proportion of their cumulative income gap. Finally, the obvious majority of spending is absorbed by an in-kind transfer (Raskin) with relatively small benefit levels and high levels of redistribution to non-poor households. If all programs were consistently reaching the same eligible households (as well as at least some vulnerable households), significantly more resources would need to be devoted to existing programs. Meanwhile, larger SA resource shares would need to be shifted from Raskin to programs that consistently deliver more significant benefits.

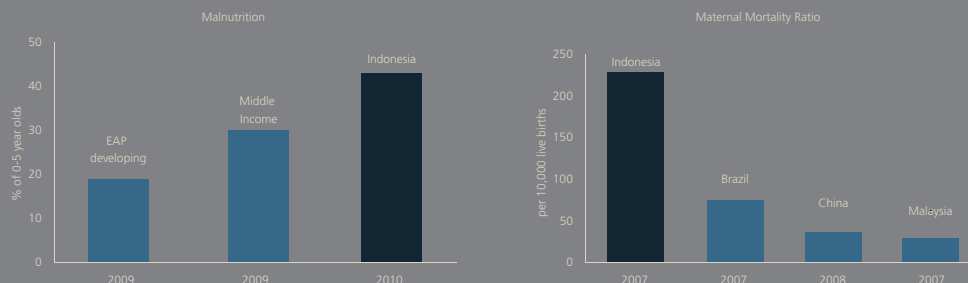
Do programs provide the right benefits?



The main SA programs protecting the poor and vulnerable deliver only a fraction of the benefits promised or needed. In 2010, Raskin – the largest program by expenditure – promised beneficiaries 14 kilograms per month but only delivered an average of 3.8 kilograms per month. These amounts, when purchased at actual Raskin prices, represent between 2 and 3 percent of the household poverty line, the lowest benefit level provided by any Indonesian SA program. Jamkesmas is generous by design, protecting households from health shocks by offering a fee waiver for nearly all medical services available at public hospitals and primary care centers. The program, however, does not provide enough of the facilitation and outreach that could make the benefit packages effective for poor households. For example, Jamkesmas can not address costs that households identify as serious impediments in accessing health services (transport, lost wages, childcare, food and lodging for companion or chaperone).

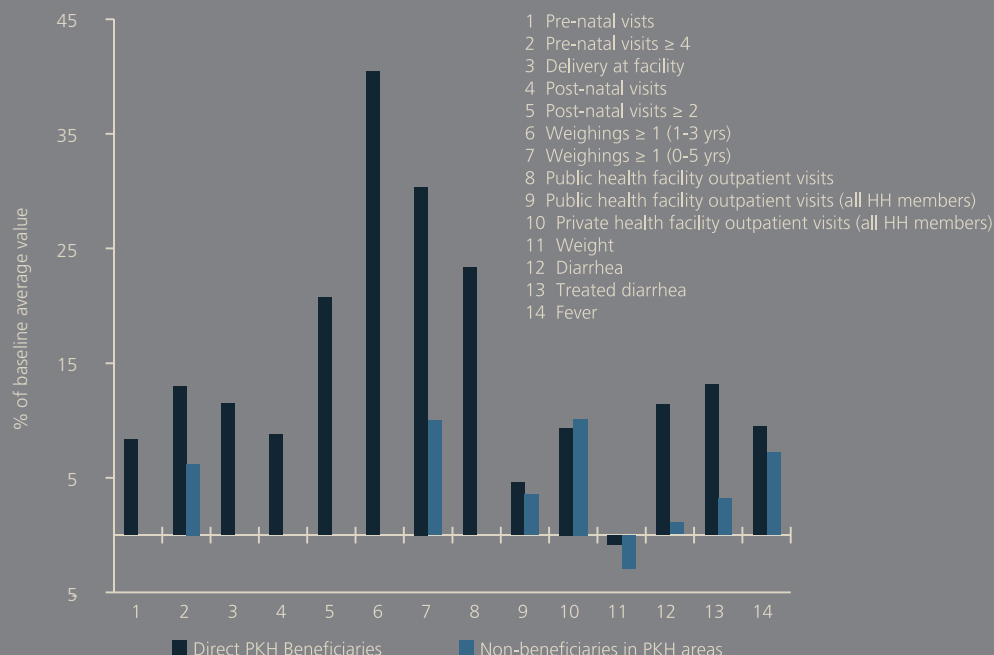
PKH has gotten the health-related benefits mostly right... Indonesia continues to lag neighboring and middle income countries in important mother and child health indicators (Figure 7). The PKH program was developed to tackle these deficiencies by conditioning a cash benefit on household consumption of certain health and education services. At least for the health side, PKH benefits did indeed change behavior: pregnant mothers and their young children did consume more of a variety of health services, including those that can make meaningful changes in lagging health indicators (Figure 8).

**Figure 7.
Maternal
Mortality
and
Malnutrition
by region
and country**



Sources and Notes: Riskesdas (2010) and World Development Indicators (various years)

**Figure 8.
PKH Impact
on Healthy
Behaviors**



Source: World Bank (2010a)

Note: The significant positive impacts for beneficiaries include pre-natal care, delivery at facility, post-natal care, immunizations, growth monitoring check-ups, visits to public and private health facilities, reporting of fever and diarrhea, and treatment for diarrhea. Significant positive impacts for non-beneficiaries in PKH areas ("spillover" households) include delivery at facility, growth monitoring check-ups, and visits to public and private health facilities.

...but neither PKH nor BSM amounts are enough for households to invest in education services. Neither scholarship programs nor conditional cash transfers provide sufficient benefits for the needs of target households. For example, secondary education expenditures (including placement fees, transportation, and uniforms among others) can be as high as 20 percent of a poor household's annual income, which puts it well beyond the reach of beneficiary households even after transfers. A household receiving both PKH and BSM might find the total transfer adequate, but implementing agencies have in the past targeted different households and individuals. In addition, benefit amounts for most programs have never been adjusted for a rising cost of living and have remained unchanged at their initially set levels (going back as far as 2005 in some cases), meaning their real value to beneficiaries has declined by as much as 30 percent over time.

The unconditional cash transfer (BLT) was successful in easing policy reforms and providing beneficiaries with the right benefits to help them cope with shocks. It provided beneficiary households with cash amounts equal to approximately 15 percent of regular expenditures. These transfers were more than enough to cover increased expenditure on fuels. Benefits continued for one year as shocks from government policy reverberated through the rest of the macroeconomy, allowing beneficiaries time to readjust spending patterns to new relative prices. Although BLT served as a good example of how SA can provide benefits that ease policy reforms, the government has used the BLT program only twice in over 6 years (since 2005).

Are benefits reaching the right people?

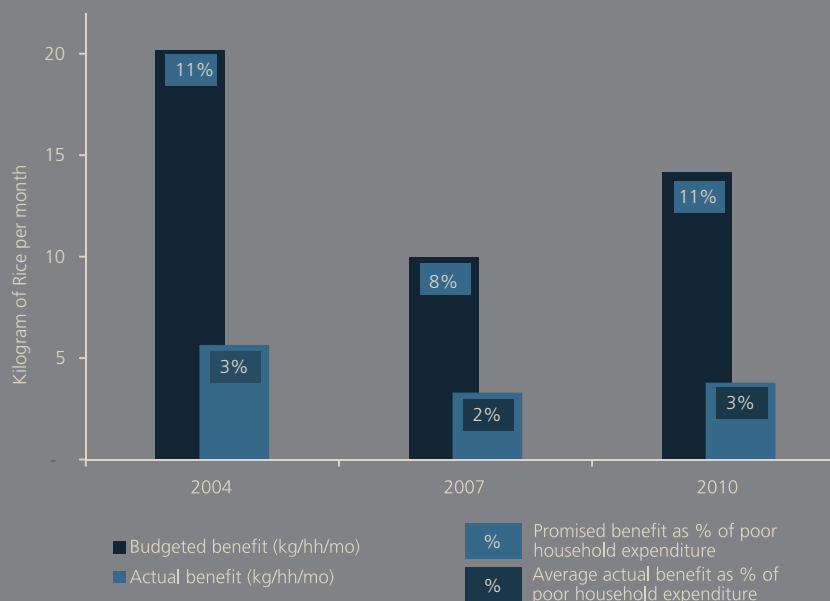


A significant number of poor households are excluded from beneficiary lists. Overall, the poorest households are more likely to receive SA benefits. However, less than half of the poorest and most vulnerable 40 percent of households receive BLT and Jamkesmas (for example), while 20 to 25 percent of total benefits from both programs go to the richest 40 percent. Over 70 percent of the vulnerable receive Raskin, but Raskin also has high coverage of the non-vulnerable, a result of local-level Raskin sharing among all households (Figure 9). In a comparison of targeting outcomes, and with 100 percent representing perfect targeting according to program design, BLT performs the best at 24 percent better than random, with Jamkesmas and Raskin at 16 and 13 percent respectively. BSM performs quite poorly: the poorest 30 percent of students receive less than double the amount of BSM benefits received by the richest 30 percent. Indonesian program targeting, as measured by coverage of the poor, is in line with international benchmarks, but leakage to the richest households is much higher in Indonesia than elsewhere.

Each program has developed its own beneficiary eligibility rules and targeting in practice has often strayed from these official guidelines.³ For example, BLT was meant to use a mix of data collection methods, but each step in the data collection procedure was carried out with significant revisions: statistical assessment of poverty status was not in-line with international best practice while community-based assessment was in most cases neither consultative nor transparent. Raskin is meant to use official lists of the poor to select beneficiaries, but in practice communities distribute the rice as they see fit, often sharing it out amongst many or all households (Figure 9). Jamkesmas is also meant to use official lists of the poor but there is considerable variation in beneficiary identities at the local level, with local health officials sometimes choosing beneficiaries, or households selecting themselves based on previous healthcare use. Different targeting approaches mean different beneficiaries for each program even though all major SA programs target the same populations.

³ Refer to *Targeting Poor and Vulnerable Households in Indonesia* for a detailed review and discussion of targeting practices in Indonesia.

**Figure 9. Raskin
Official and Actual
Benefits, various
years**



Sources and Notes: Bulog budget reporting documents, Susenas (various years), and World Bank staff calculations.

Poor socialization and mistargeting have undermined support for SA programs. The percent of communities experiencing protests over the programs ranged from 25 percent for Askeskin (now Jamkesmas), to 56 percent for BLT, with those not receiving assistance being the most likely to complain. Mistargeting, nepotism and a lack of transparency in, and poor socialization of, beneficiary selection were the main sources of complaints. The nature of the community protests suggests that improved targeting of programs would improve satisfaction and buy-in.

Indonesia represents a complex targeting environment and improved data collection can enhance outcomes in all the household-based programs. Nearly 240 million individuals are dispersed across around 18,000 islands and 500 districts (each of which has considerable ownership and operational control of public spending and social sector programs since decentralization) in Indonesia. Targeting should be able to identify the chronically poor, the near-poor, and the especially vulnerable (but not currently poor) in all these localities and across a consumption distribution that is tightly compressed near the poverty line. In 2011, a large survey which collected data from nearly 45 percent of Indonesian households has allowed Statistics Indonesia (BPS) to meaningfully update its list of poor, near-poor and vulnerable households and families; it is hoped the PPLS11 (*Pendataan Program Perlindungan Sosial*, Data collection for targeting social protection programs) survey will also serve as a foundation for an initial social assistance eligibility database and a unified beneficiary registry. This massive improvement in data collection, which combined results from previous lists of poor households with 2010 population census results and community nomination, is expected to result in significant targeting improvements over previous methods.

Do people receive the benefits at the right time?

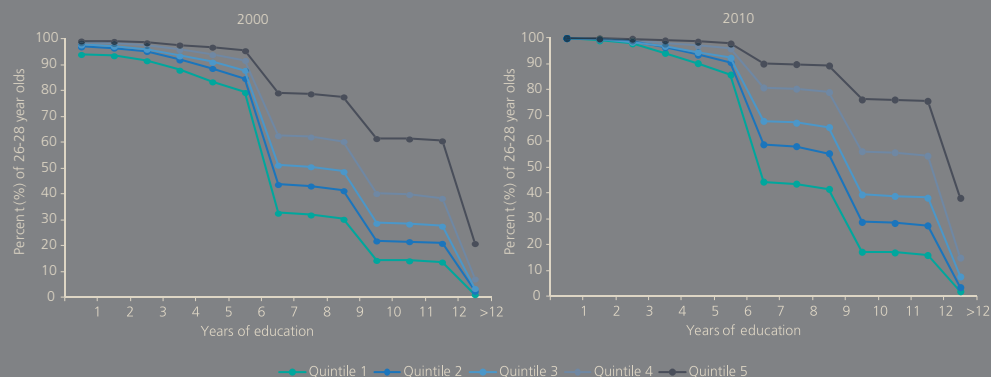


The largest SA programs performed well in delivering benefits to households when needed. BLT was well-timed, reaching households during the month when the largest increases in fuel prices occurred and were quickly spent. Jamkesmas is always available to households if they can cover the supplementary costs of access. Raskin is also continuous, with subsidized rice delivered monthly. However, local-level implementation practices – with rotation and sharing of rice amongst households regardless of strict eligibility – negatively impact Raskin’s dependability for poor and vulnerable households.

Implementation issues often prevent benefits from reaching beneficiaries at the right time. PKH faced bottlenecks in early years because of partial and slow management information systems (MIS) systems resulting in delayed and ill-timed payments. These problems have since been addressed, but PKH’s effectiveness would be enhanced further through better synchronization of benefit *amounts* with the chronological profile of a household’s needs; this is especially true for education expenditures, which are predictably larger at the beginning of a school year. PKSA, JSLU and JSPACA payments only reach beneficiaries in the second half of the year, resulting in benefit-bunching that reduces any consumption-smoothing effects and encourages large one-time expenditures. Lessons from the PKH experience can be useful in improving the delivery of benefits from these other programs.

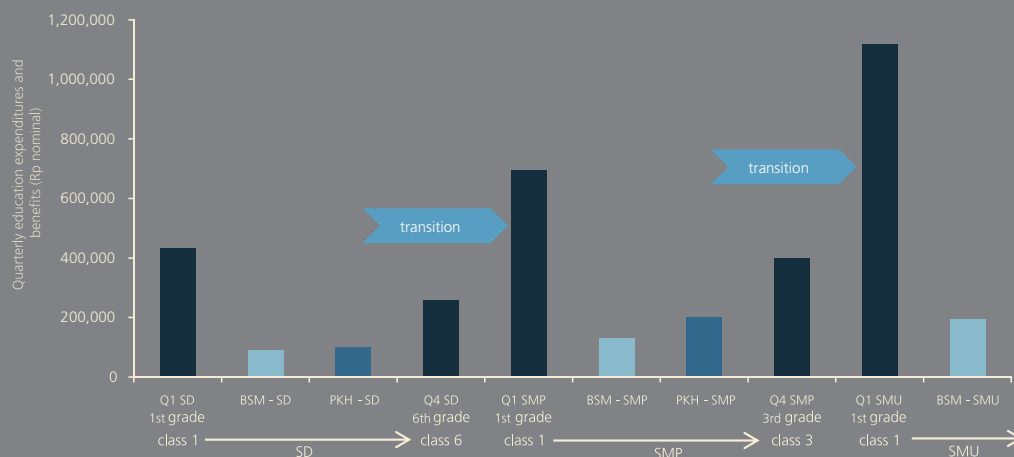
Timeliness is sometimes weakened when design issues reinforce the negative effects of slower implementation. BSM is delivered in one lump-sum payment that arrives more than one year after enrollment and thus is not available to students in the final year at each level of schooling. The cash transfers provided to families through these programs, therefore, are absent at the beginning of the school year and during primary-to-secondary or within- secondary transition years, which is precisely when the greatest risk to, and sharpest increases in the costs of, continued education occur (Figures 10 and 11). Similar problems have been identified in the PKH program, which did not deliver payments just prior to the academic calendar when parents needed to pay school registration fees. This problem, which is a likely explanation for why the program did not have an impact on school enrollment rates among beneficiaries, will be fixed in upcoming payment cycles.

Figure 10.
Education
Attainment by
consumption
quintile, 2000
and 2010



Source: Susenas 2000 & 2010 and World Bank staff calculations.

Figure 11.
Education
Cost Profile
versus
Education
Benefits



Sources and Notes: Susenas 2009 & World Bank staff calculations. BSM scholarship disbursements are usually delivered as one lump-sum payment, not in installments. In the figure above, a BSM disbursement is imagined to be divided evenly into four quarterly payments to better illustrate the difference between BSM amounts and household schooling expenditures at different points throughout the school year and across the regular transition path from primary to junior secondary to senior secondary.

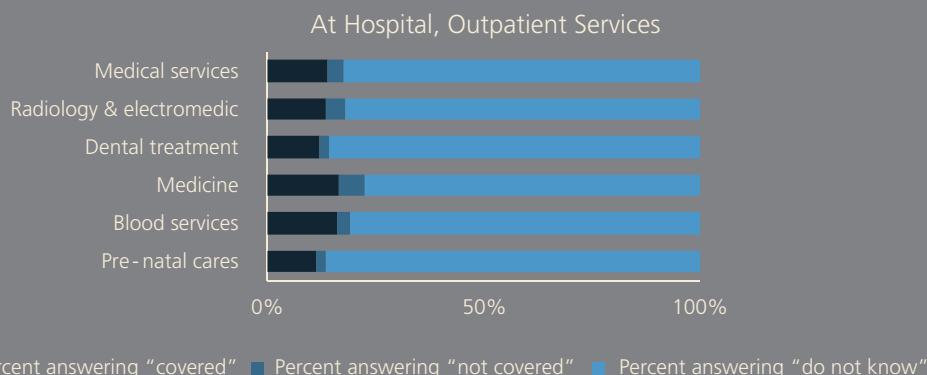
Are programs implemented in the right way?



Most of the larger programs probably spend too little on administration and support operations. BSM, Jamkesmas and, to a lesser extent, BLT spend too little on administration to ensure good performance. The smaller cash transfer programs have higher administrative costs even when measured on a per beneficiary basis, and these costs are reasonable given the pilot status and small scale of the programs. Raskin – like most food programs around the world – spends much more on administration overall, although these expenditures are for physical transportation, distribution and packaging of rice rather than on support operations for beneficiaries.

Weak socialization and lack of accountability controls result from underfunding of support processes. Too little effort is spent on the content, delivery, and oversight of safeguarding or supporting operations. All programs suffer from inadequate socialization guidelines, leading to reduced program transparency and legitimacy and heightened potential for corruption. Knowledge on eligibility rules, program objectives, and beneficiary rights and responsibilities is usually spread thinly among beneficiaries, eligible households, communities, and local-level program implementers. Therefore, bottom-up monitoring of the targeting and benefit distribution process is limited while intra-community jealousy and misunderstanding are often high. SA programs – with the exception of the pilot Kemensos (Kementerian Sosial, Ministry of Social Affairs) cash transfers – do not include an explicit facilitation or outreach process. This limits beneficiaries' effective access and leads to increased capture by those already familiar with the services offered, especially for Jamkesmas (Figure 12) and BSM.

Figure 12.
Perception
of Extent of
Jamkesmas
Benefits



Sources and Notes: Indonesia Corruption Watch (2008). All treatments, services, diagnostics, and medicines listed above are officially covered according to Jamkesmas technical manuals and regulations.

Few programs have embedded monitoring, evaluation, or complaint resolution mechanisms that function efficiently. All programs have descriptions (in regulations and manuals) of program monitoring arrangements and *some* details regarding the content of monitoring procedures and reports. However, program monitoring and reporting is most often carried out by local-level implementers and delegated with very little financial support, technical support, or systems for quality control. Monitoring and reporting most often produces information that is not useful for evaluating service delivery performance or household outcomes. Likewise, complaints and grievances processes are usually described but remain only weakly functioning and they are mostly unfamiliar to households and front-line providers. Both shortcomings constrain implementing agencies' ability to quickly and effectively remedy unwanted or unintended program outcomes.

Some programs have weak budget execution and most exhibit unsmooth yearly disbursement. Many SA programs exhibited low budget execution rates in their early years, but some now disburse close to 100 percent of allocated budgets. Jamkesmas is an exception: it has seen a steady decline in its budget execution ratio in recent years partly as a result of underutilization and confusion caused by the proliferation of competing local schemes and corresponding regulations. Most SA programs exhibit slow and therefore unsmooth budget disbursement: benefit payments are often "bunched" in the second-half of the fiscal year making them less useful for consumption smoothing. The main reason for the delay is long bottom-up beneficiary identification and verification procedures, meaning payment authorization letters are rarely sent to the Treasury before May. Disbursement of funds to intermediaries typically begins in May or June and to beneficiaries shortly thereafter. PKH has in recent years exhibited the smoothest budget disbursement profile, helped by a strong MIS and advanced disbursement of funds followed by reconciliation.

Other public financial management issues include lack of performance-based budgeting and bottom-up funds monitoring. Budget audit documents focus on budget execution rather than outcomes, and there is a lack of capacity to support performance-based budgeting. Leakage of funds is not yet a major issue in most programs – Raskin may be an exception – but benefit deductions and other fees are common during implementation and there are no efforts at rights and awareness campaigns that could encourage bottom-up funds monitoring.

Finally, implementation is also affected by local-level politics and revisions. Local governments, agencies, service providers, and broader communities are asked to support various stages of most programs. Targeting, beneficiary verification, socialization, funds channeling, facilitation, monitoring and evaluation, and the complaints and appeals process are all areas where these actors may be involved. However, weak socialization and inconsistent follow-up mean that local actors are free to revise implementation procedures to suit what they feel is needed or desired by the community. This often means minimum service standards in each of the above-mentioned processes cannot be guaranteed and both implementation and outcomes will vary widely from region to region.

Does Indonesia have the right programs and systems in place?

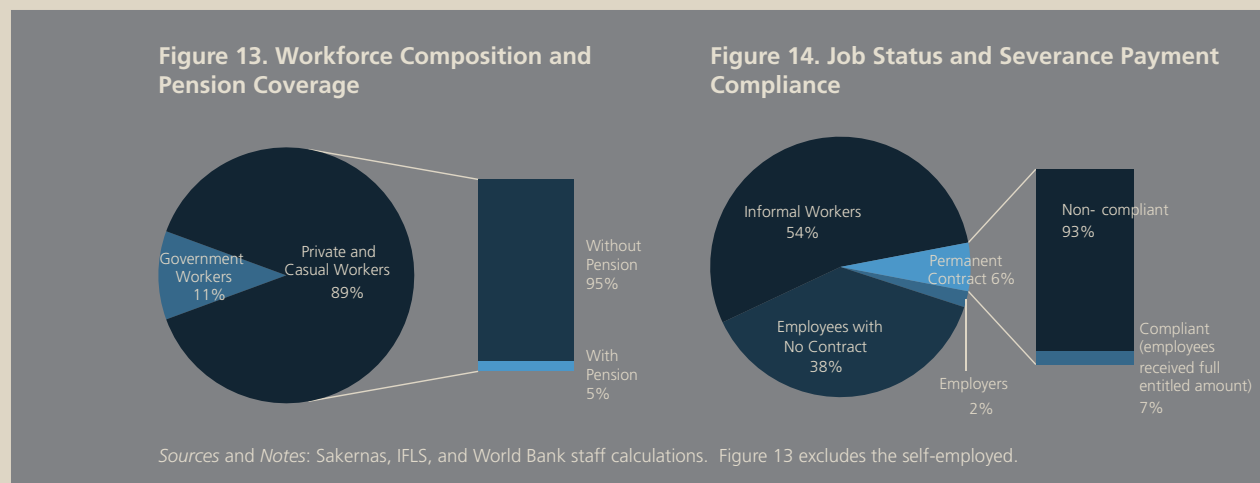


Conditional and unconditional cash transfer programs have effectively protected households from shocks, promoted good health and education behaviors and facilitated reform. BLT effectively protected households from the shock of fuel price increases and helped facilitate much needed subsidy reforms by delivering cash transfers at the right time. These transfers were spent on basic necessities and also provided a cushion for other good behaviors related to nutrition, education, child labor and health. BLT will benefit from further institutionalization and codification as an *automatic* stabilizer that is triggered by pre-defined crisis events as well as better provision of monitoring, a system for complaints and grievances, and clearer divisions of authority and incentives between implementing agencies. Although confined to a small set of households, the PKH pilot program has also produced positive impacts. Monthly household consumption increased by 10 percent (over and above initial levels); the largest shares of this increase went to food, especially high-protein foods, and health care. PKH's presence even produced more pre-natal visits and child weighings in non-beneficiary households living in PKH areas. PKH did not have an effect on drawing more children into school (enrollment rates), encouraging them to stay (dropout rates), or encouraging them to continue (transition rates) due to poor timing, relatively small benefits, and lack of outreach to school-leavers. PKH will benefit from continued attention to the entire benefit delivery process and management of the MIS system monitoring all subprocesses; the design and intensity of its collaboration with service providers and local governments; and capacity and quality upgrading in its facilitator corps.

Other SA programs, however, are struggling to meet their overarching objectives. Jamkesmas has increased utilization of health services, but the effects are much larger for non-poor households and households with previous experience with the healthcare system. For private or public facilities and for primary or secondary (hospital) care, households in the richest quintile with Jamkesmas saw their utilization rates increase at much higher rates than households in the poorer quintiles with Jamkesmas. Poor beneficiaries are not taking advantage of Jamkesmas' nearly unlimited benefits due to lack of awareness of services provided and inability to meet supplemental costs of access. If Jamkesmas (in collaboration with service providers and community groups) can do a better job recruiting beneficiaries into the healthcare system and providing enough information for effective use, service providers in the Jamkesmas network will need to develop plans for increasing both the quality and quantity of services provided; otherwise, Jamkesmas benefits are likely to continue to be *in name* only. BSM and Raskin are not likely to significantly protect households or promote good behaviors because of design and implementation weaknesses.

BLT and PKH produce effective benefits from reasonable levels of public monies provided; Raskin and the BSM programs are not cost effective. BLT and PKH spend reasonable amounts on all the support processes necessary to distribute cash transfers relatively efficiently (5 and 16 percent, respectively, of the total amount of benefits provided) and they deliver proven outcomes. The smaller cash transfers also deliver benefits relatively efficiently, although their effectiveness is less well known. In contrast, while BSM delivery looks efficient – i.e., with minimal overheads – the program achieves very little and is less well-known and less used by target groups. On the other hand, Raskin spends the most (there is a built-in administrative cost of approximately 25 percent, but actual non-benefit expenditures may be higher or lower) to deliver rice, but beneficiaries end up with a very small transfer, making Raskin the least cost-effective program when considering actual benefits delivered. Spending on the sector as a whole is mildly pro-poor: around 60 percent of total benefits from the four largest programs go to poor and vulnerable households (roughly equivalent to the bottom four deciles) and the remaining 40 percent of benefits went to households in the top six deciles. BLT's higher coverage of the *bottom* 10 percent of households is notable, as is BSM's higher coverage of the *top* 30, 20 and 10 percent of households.

Overall, the current collection of SA programs in Indonesia does not constitute a true social safety net: many gaps still remain. There is currently no program that anticipates risks from, and prevents negative coping behaviors during, household-idiosyncratic risks such as temporary unemployment (Figures 13 and 14). Indonesia also does not have an automatic safety net that kicks in to protect households in response to global, macro, regional or micro shocks. Large numbers of those from especially vulnerable groups such as destitute elderly and disabled remain unprotected. Promotion on a large scale is also underprovided. PKH is a relative success story but is confined to a small subset of very poor households. BSM serves a larger proportion of the population with a valuable protection-and-promotion benefit, but is struggling to be effective. Early childhood interventions in education, nutrition, and vaccination are not yet national in coverage. Lastly, with respect to reform, Indonesia has a proven program in BLT. However, BLT has only been used on an ad hoc basis and has not been institutionalized for political reasons.



The effectiveness of the system as a whole is constrained by fragmentation, lack of coordination and duplication. Programs operate in isolation of each other creating a fragmented approach to social protection. The eight major programs are spread across five different implementing agencies and many other institutions are involved in support operations, disbursing and delivering benefit packages, and policy planning. Fragmentation also occurs within agencies: the scholarships program is actually comprised of 10 different independent initiatives spread across Kemdikbud (Kementerian Pendidikan dan Kebudayaan, Ministry of Education and Culture) and Kemenag (Kementerian Agama, Ministry of Religious Affairs) with little inter-connectivity between them. The PKH, JSLU, JSPACA, and PKSA programs are run independently out of four different administrative clusters within Kemensos, virtually guaranteeing the duplication of many common processes. This also prevents households from being inducted into the entire array of initiatives available and prevents implementing agencies from realizing economies of scale or scope in their operations. These issues are mirrored in budget formulation for the social assistance sector. Budgets are fragmented across and within agencies and overall budget formulation for the sector is not supported by existing budget classifications.

Recommendations for an Indonesian Social Safety Net



Indonesian SA programs have proliferated, but much work remains to turn the loose collection of programs into a true social safety net. Each of the major programs faces design and delivery challenges and there are significant gaps in both risk and population coverage, leaving many vulnerable households exposed to poverty. Fortunately, the country is in a strong position both fiscally and macroeconomically (trends which are projected to continue). It has the will and creativity necessary to meet the challenge of developing a true social safety net which reliably protects the poor and vulnerable from the risks they face and promotes investment in productive and poverty-reducing behaviors. The following recommendations outline some crucial steps in creation of such a system.

A. First, spend public money better by reforming and re-engineering programs and implementation to achieve a better mix of welfare-improving programs

Scale up PKH while revising benefit levels to continue delivering better health and education outcomes for poor households. Make PKH a national program by expanding coverage to all very poor households. Increase PKH benefit levels to ensure they are appropriate for education costs and include transition bonuses (for basic to junior secondary and junior to senior secondary). PKH has one of the only comprehensive MIS systems in Indonesia and should continue to refine the processes by which MIS-generated information is incorporated into a continuous reform and improvement cycle. In addition to further refinement of the PKH conditionalities and the MIS system monitoring all subprocesses, PKH will benefit from a redesign to its collaboration with service providers and local governments as well as capacity and quality upgrading in its facilitator corps.

PKSA, JSPACA and JSLU have the potential to help especially vulnerable groups, but lack capacity and resources for needed facilitation and outreach, appropriate safeguarding, and effective delivery. These programs should start with a redesign of the mix of cash and facilitated services that make up the benefit package as well as the outreach, intake, and triage processes that could direct beneficiaries with highly specialized needs to service providers

in other sectors able to provide the care that is immediately necessary. In parallel, the programs should begin a guided upgrade to safeguarding activities (socialization, targeting and prioritization, facilitator capacity and services delivered, monitoring and evaluation, and complaints and grievances) and devote more financial and human resources for this purpose. Consolidating the three cash transfers and instituting a common systems approach for all support operations will save time and help realize greater economies of scale in operations. Here the programs can learn from PKH and can make arrangements to share implementation processes and systems, especially PKH's MIS system. When reforms have momentum, begin considering increasing coverage beyond current levels based on soundly-estimated regional needs.

Reform and re-engineer BSM to remedy its current ineffectiveness for poor and vulnerable households and then expand availability to all poor and vulnerable households. BSM benefits should be recalculated to be commensurate with the total costs of education and cash transfers should be delivered when needed. BSM design should be revised so that the program is able to provide reliable relief for students and households during the riskiest periods of an educational career; a "graduation bonus" or "transition bonus" will encourage students to continue across transitions and provide funds for education before school expenditures ramp up again. The administration of the BSM program in Kemdikbud must be re-designed so that the BSM can follow students across schooling levels (from basic to junior secondary, junior to senior secondary, and senior secondary to university). Consider consolidating the 10 independent BSM initiatives across agencies and across school levels so that the program can follow a student along his/her educational career and establish a single coordination unit in Kemdikbud (or another agency) to implement the unified program, including more thoughtful and effective socialization and better targeting using a national database of poor students.

Revisions to Jamkesmas are essential as it currently struggles to increase utilization among needy beneficiaries who are either unaware of the program or cannot afford the costs of access. Three major revisions to Jamkesmas' overall benefit package are necessary for effectiveness and sustainability: a revised mix of free medical services and facilitation and outreach would be more effective for poor households; a revised mix of free medical services and benefits for general access costs would also increase utilization among poor households; and the medical benefit package itself should be revised as it is currently more generous than most other schemes available in Indonesia and internationally. To ensure that beneficiaries get the quality care they need will require increased monitoring of service providers, the establishment of a complaints and grievance system, and better socialization of Jamkesmas benefits, goals, and rights and responsibilities. As Indonesia has struggled to keep pace with the rest of the region in maternal and child mortality and malnutrition, the revised and re-engineered Jamkesmas program should be extended to the bottom 40 percent of the Indonesian population while Jamkesmas needs to develop medium and long-term scenarios that are scientifically costed (and not based on current supply-side limitations and beneficiary underutilization) to ensure the program's longevity. Jamkesmas should also develop plans to ensure that Jamkesmas beneficiaries retain coverage during the transition to any upcoming universal health insurance scheme.

Raskin delivers very little at unknown cost and would benefit from process re-engineering and rationalization. If Raskin is going to continue providing SA benefits with public monies, a thorough reorganization is necessary. Business process analysis may indicate where, why, and how so much Raskin rice is lost; may determine where, why, and precisely how much government agencies spend to achieve Raskin delivery; and can suggest technologies and processes to economize on those costs. Lastly, household rice purchases will have to be monitored and controlled more tightly in order for the Raskin program to deliver full benefits to only poor and vulnerable households. If Raskin cannot improve in these three areas, it should cease using public money to deliver SA products.

Past reforms have demonstrated the usefulness of a quickly-deployed but temporary emergency income support. BLT worked to protect incomes and safeguard good behaviors partly because it was deployed rapidly and valuable benefit packages arrived just in time. Cash benefits also proved useful as households were able to immediately apply benefits to whatever expenditures were necessary and normal. When the next crisis or policy reform package hits Indonesia, social safety net providers should have a temporary cash-for-service initiative ready to be deployed, so developing protocols, procedures, and institutional authority for an *automatic* BLT will ensure timely disbursement. Before the next crisis, both the evidence on BLT effectiveness and procedures for initiating a BLT (as a response to crisis) should be codified and automated so that BLT becomes an apolitical, technical tool for combating the stresses and difficulties that households experiencing crisis face.

The current array of programs could consistently reach the same poor, near-poor, and vulnerable populations by developing a common targeting standard based on the PPLS11 survey. Targeting in each program should identify the chronically poor, the near poor, and the especially vulnerable (but not currently poor) across Indonesia. The PPLS11 survey – which represents a massive increase in data collection as well as an improvement in data collection methodology – will be able to produce such national lists of poor, near-poor, and vulnerable households. Benefit allocation based on the PPLS11 survey (and corresponding list of eligible households) is expected to result in significant

targeting improvements over previous methods. Moving all programs to a common standard and eliminating idiosyncratic approaches and duplication in data gathering will also cut down on administrative expenditures and will reduce the risk that households fail to have reliable access to *all* programs for which they are eligible. A common targeting standard may also serve a demonstration effect to implementing agencies and service providers and may encourage the development of minimum service standards in other program areas.

B. Cover the most important risks while extending at least basic coverage to all poor and vulnerable households.

Social safety nets should target all chronically poor households with greater assistance and be able to provide basic protection to the 40 percent of all households that are most at risk of becoming poor in any given year.

The current range of SA programs does not go far enough in protecting income and promoting healthy behaviors in chronically poor households, nor do current programs protect all households that are highly vulnerable to shocks. To cover all vulnerable households with some basic protection, the social safety net needs a broader reach.

A core component of a future social safety net for Indonesia is protecting households from risks to their health.

Illness, work accidents, and long-term debilitating health setbacks are inherently unpredictable. Treatment can be costly and difficult to plan for, while those whose work is interrupted pay twice: once for medical care and again in foregone income. All poor and vulnerable households need permanent and easy-to-use programs that provide low- or no-cost access to health care providers. Households with more specialized needs and costs will require extra support. Expand the coverage of Jamkesmas to all vulnerable households, offering a basic benefits package that is fiscally sustainable. In addition, provide PKH to all chronically poor households that experience greater burdens, but lighten the conditionalities in areas where health services are still limited. Expand coverage and facilitated health services of programs that cover the especially vulnerable elderly and those living with serious disabilities.

Poor and vulnerable households need access to permanent and easy-to-use programs that provide low- or no-cost access to all levels of public education. Education is a key to helping families break the intergenerational transfer of poverty. With higher levels of education, youth are more likely to find good jobs and benefit from high wage premiums and earn their way out of poverty and vulnerability. The social safety net, however, must ensure that children and youth from disadvantaged families can continuously stay in school for as long as possible. Interrupting education at any point in a child's life can open up gaps that persist for a lifetime. The BSM program, once consolidated and re-engineered, can provide much needed assistance to students who are most at risk of dropping out. PKH students should automatically be linked to the BSM program and PKH households should face lighter conditions that are possible to achieve in areas where school availability is limited. At the same time, expand coverage of PKSA that reaches out to youth who are at greater risk. To fill the gap in the critical early years, pilot and test a program that provides effective and affordable early childhood development (ECD) services for poor families, including parental education.

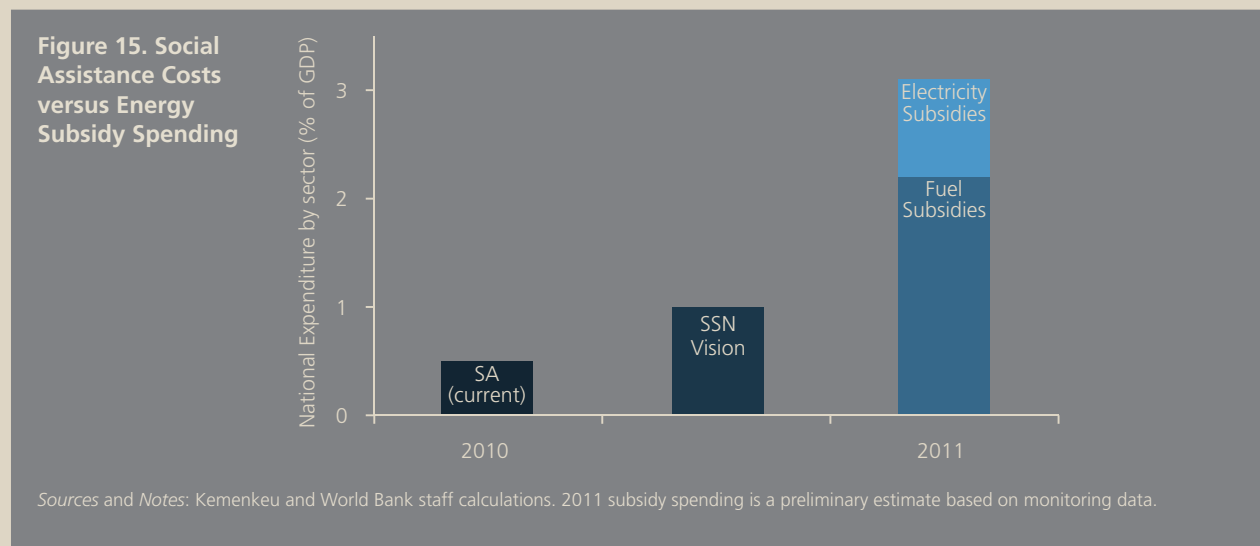
Social safety nets should ensure a minimum level of income so that vulnerable households are not forced to make difficult choices. Persistently poor households have difficulty generating sufficient income to lift themselves out of poverty. Vulnerable households are likely to turn to negative coping mechanism – sending more members to work and pulling more members out of school, switching consumption to less nutritious but cheaper foods, and foregoing health care – precisely when their incomes are threatened. Indonesia needs income support initiatives that reliably address both difficulties. The cash transfers to severely disadvantaged households – PKH, JSPACA, PKSA, and JSLU – should be expanded to national coverage. Raskin should provide additional in-kind permanent income support to poor households only, but this will require a major reform to operating procedures and operating costs.

Pilot a national workfare program so that all vulnerable households can rely on a guaranteed number of working days when difficult times occur. Vulnerable households may not face income risk every month, but sudden unemployment, illness, bad harvest, or other idiosyncratic shocks can interrupt regular earnings or regular productive activities. With a workfare program that vulnerable households can opt into when stipulated wages become attractive, the ever-present risk to income generation is partly addressed. A workfare program is also a good time and place for contact by a facilitator who could enroll eligible households in Jamkesmas and BSM (if applicable). Well-designed workfare programs set wages below the prevailing market wages so only households with no better outside opportunities apply. A coordinated and authorized list of projects and sites where labor is needed must be available at all levels of government.

A quickly-deployable and automatic emergency income support facility will be useful in the face of future crises or difficult policy reform. Current SA programs focus on long-term poverty and vulnerability. These programs must be folded into a system that includes a crisis monitoring and response mechanism that addresses short-term,

acute shocks and that focuses on providing income and basic necessities to all households at risk of curtailing human capital investments in health, nutrition, childcare and education. The national development planning agency (Badan Perencanaan dan Pembangunan Nasional or Bappenas) should reinvigorate its collaboration with BPS in order to ensure the timely processing and release of high-quality and highly-relevant data that is amenable for near-real-time monitoring of household conditions. Then, a successful vulnerability mitigation tool should be developed that can respond precisely when a crisis forces vulnerable households into negative coping strategies. Some of the response might include temporary scaling up of social safety net programs, but the GOI should develop protocols and cement the legal basis for the automatic and rapid disbursement of a pre-identified social assistance package (and associated targeting procedures) *before* the next crisis or downturn hits.

Beginning this transition toward next generation of social assistance in Indonesia is easily affordable. Figure 15 compares current SA spending (at 0.5 percent of GDP in 2010) with the future demands of a system like the one described above. With increases in coverage for most current programs; with the addition of a public works program; with increases in benefit levels for most current programs; increases in administrative costs and spending on support operations for approximately half of the current programs; and in a year during which an emergency, temporary, unconditional cash transfer was used, SA spending would double to approximately 1 percent of GDP. This is still far less than Indonesia is estimated to have spent on fuel and electricity subsidies in 2011 (at approximately 3 percent of GDP), for example.



C. Explore a longer-term transition to an integrated safety net hub architecture

To prevent vulnerable households from falling through the cracks and to economize on implementation costs, current fragmentation and duplication must be eliminated. A single agency should be in charge of developing plans for implementation, monitoring, evaluation, and reform of all SA initiatives. The same agency should have the power to delegate implementation tasks, either to already existing government agencies or external contractors.

The quickest way to jumpstart SA integration is through the National Targeting System that is already in development. The National Targeting System will construct a unified targeting registry of potential beneficiaries, based on the PPLS11 survey (see above) and with improved targeting methods. With this single source of quality-controlled data, programs can improve targeting outcomes. Moreover, programs with the same target population will have consistent beneficiary lists, leading to more complete coverage and more effective realization of program complementarities.

In addition to targeting, the rest of SA support operations should be brought under a “minimum service standards” framework through which each program is monitored, evaluated, and reformed. In order to harmonize both the quality and effectiveness of all social safety net initiatives, a single agency or body should develop minimum service standards and indicators that reliably track performance in each program. The implementation steps that will need to be brought under this common framework are: socialization and outreach procedures; monitoring

and a common Management Information System; evaluation activities (these may benefit the most from participation by external, independent agencies); complaint, grievance, and appeals procedures; and finally promotion and public relations for the social assistance initiatives. Another quickly achievable integration step is through rationalization of the social safety net budget development and budget reporting processes.

Seamlessly protecting poor and vulnerable households from diverse risks over their lifetimes may ultimately require the consolidation of the current programs and agencies into a “single window”. In Indonesia, the collection of social assistance initiatives is not aligned along a household’s life cycle, meaning missed opportunities to protect and promote productive behaviors as new risks arise. In order to reduce these missed opportunities, some middle-income countries have established a single coordinating hub, single agency, or even a single program, targeting many vulnerable groups and risks. With a coordinated social safety net operation, households can access the entire array of services for which they are eligible by making a single visit or through a single facilitator.



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