Social Assistance Methods in Poverty Reduction: Some Challenges and Strategies in Indonesia

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1. Background.


1. Background.


What Had Happened between 1997-98?

- Exchange Rate: USD 1 = Rp. 2,350 → Rp. 16,800.
- Inflation rate: 11.1% to 78%.
- Interest rate: 14% to 72%.
- Foreign debt: 24% GDP to 97% GDP.
- Economic growth: 5.8% to -13.5%.
- Y/capita: USD 1184 to USD 485.
- Poverty rate: 17.3% to 23.4%.
What the Indonesian Felt...

- High urban unemployment; the formals became informals.
- Poverty rate got worse.
- Food scarcity – malnutrition among CU5 increased.
- Lack of access to health facility, especially expecting mothers.
- School drop-outs increased, especially the girls.
- Insecurity and crime rate increased.
- The Government and the people were totally paralyzed → Economic crisis became multi-dimensional crisis.

Source: BPS
The Government Response

• Improve and enforce monetary and fiscal policies (include central and local financial distribution.)

• Legal and regulatory reform, e.g., procurement of goods and services for public purposes, business ethics and fair competition, anti-corruption law, public attorney, supreme court, central bank.

• Political reform (amendments of constitution, presidential and parliamentary laws, military and police forces, general election and political parties.)

• The National Government decentralized political, administrative and financial authorities to local government. A new democratic country was reborn.
1. Background.


Poverty Reduction Strategy (1)

• Social Assistance was the main agenda.

• Food security:
  – Special market operation → providing 9 basic goods (rice, flour, sugar, cooking oil, egg, milk, butter, meat, corn.)
  – Government secured the purchase of farmers’ products.

• Education:
  – Scholarships for the poor.
  – Food supplement for students.
  – School operational assistance.
Poverty Reduction Strategy (2)

• Health:
  – Health services (outpatient and inpatient) to the poor.
  – Training and operational assistance to midwives.
  – Revitalization of local health centers, includes:
    • Provision of medical supplies and equipment.
    • Food supplement for children under 5 and expecting mothers.
  – Establishing 280 health monitoring centers to expand health services.

• Energy:
  – Subsidy for fuels (especially kerosene).
  – Subsidy for electricity, especially for the poor.
Poverty Reduction Strategy (3)

• Employment:
  – Regional minimum wage standard.
  – Training for the new unemployed.
  – Labor intensive programs in infrastructure (Labor Intensive 1, 2 and Empowering Local Government in Handling the Economic Crisis.)
Poverty Reduction Strategy (4)

• Child Protection:
  – Aimed to protect street / suddenly-become neglected children.
  – This segment of community are prone to street accidents, easily contaminated disease (skin, pulmonary, TBC,) sexual harassment, smoking, gambling, alcoholic drinks and drugs.
Poverty Reduction Strategy (5)

• Launching community-based anti-poverty programs:
  – The Kecamatan (sub-district) Development Program (KDP.)
  – The Urban Poverty Project (UPP.)

• Basic principles: community members identify problems, discuss alternatives of solutions, decide what to do and execute the decision themselves.

• Total budget of all safety net programs: USD 2.5 billion (1999.)
Bringing Indonesia to Social Protection

• The Government was forced to sell Indonesian companies; and some of them are profit making.

• Who were the buyers?
  – Multinational corporations / investment bankers.
  – Neighboring countries (pension funds.)

• Passed the Social Security Law in 2004.

• Internalizing social safety net programs.
1. Background.


Definition of Poverty

Poverty is a situation where a person or community is lacking one of the following rights:

- Food.
- Job.
- Education.
- Health.
- Land.
- Housing.
- Water and sanitation.
- Natural resources and environmental management.
- Security.
- Participation.
## 2005 Budget Reform: More Money for the Poor

### Oil Shocks and Some Budget Indicator

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2002 (1)</th>
<th>2004 (1)</th>
<th>2005 (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average world oil prices (USD/barrel)</td>
<td>23</td>
<td>40</td>
<td>55</td>
</tr>
<tr>
<td>National gov't budget (Rp. Trillion)</td>
<td>322</td>
<td>436</td>
<td>395</td>
</tr>
<tr>
<td>- Oil subsidy (Rp. Trillion)</td>
<td>31</td>
<td>84</td>
<td>77</td>
</tr>
<tr>
<td>Prop. of oil subsidy to nat’l budget</td>
<td>10%</td>
<td>19%</td>
<td>19%</td>
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**Note:** (1) Realized.  
(2) Approved.
Social Protection Within the Macro Economic Framework

- **Labor-related Programs**
  - Fiscal-monetary.
  - Agriculture.
  - Infrastructure Acceleration Package.
  - Investment climate.
  - Environment.
  - Energy.
  - Health.
  - Education.
  - Social Security.
  - etc

- **New Employment**
- **Economic Growth and Stability**
- **Poverty Eradication**
- **Community Welfare**

- Household-based Social Assistance Programs
- National Community Empowerment Program
- Credit Facilities to SMEs
# Social Protection Programs: National Priorities

<table>
<thead>
<tr>
<th>Q5</th>
<th>Social Security</th>
<th>Social Assistance</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Pension.</td>
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<td></td>
<td>Old Age Security.</td>
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<td></td>
<td>Health.</td>
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<td>Work Injury.</td>
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<td></td>
<td>Death.</td>
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</tbody>
</table>

- Scholarship.
- Health Assistance.
- Subsidized Rice.
- CCT.
- Disability.
- Child Protection.
- Social Pension.*

* Pilot for the poorest households

- National Program on Community Empowerment
- Cluster 1
- Cluster 2
- Cluster 3
- Credit Facility to SMEs
### Poverty Indices: 1976 - 2011

*Adjusted to 1999 method

Source: BPS
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