

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

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3

1. Background.
2. Poverty Reduction Strategy.
3. Social Protection and Poverty Reduction.

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Map of Indonesia



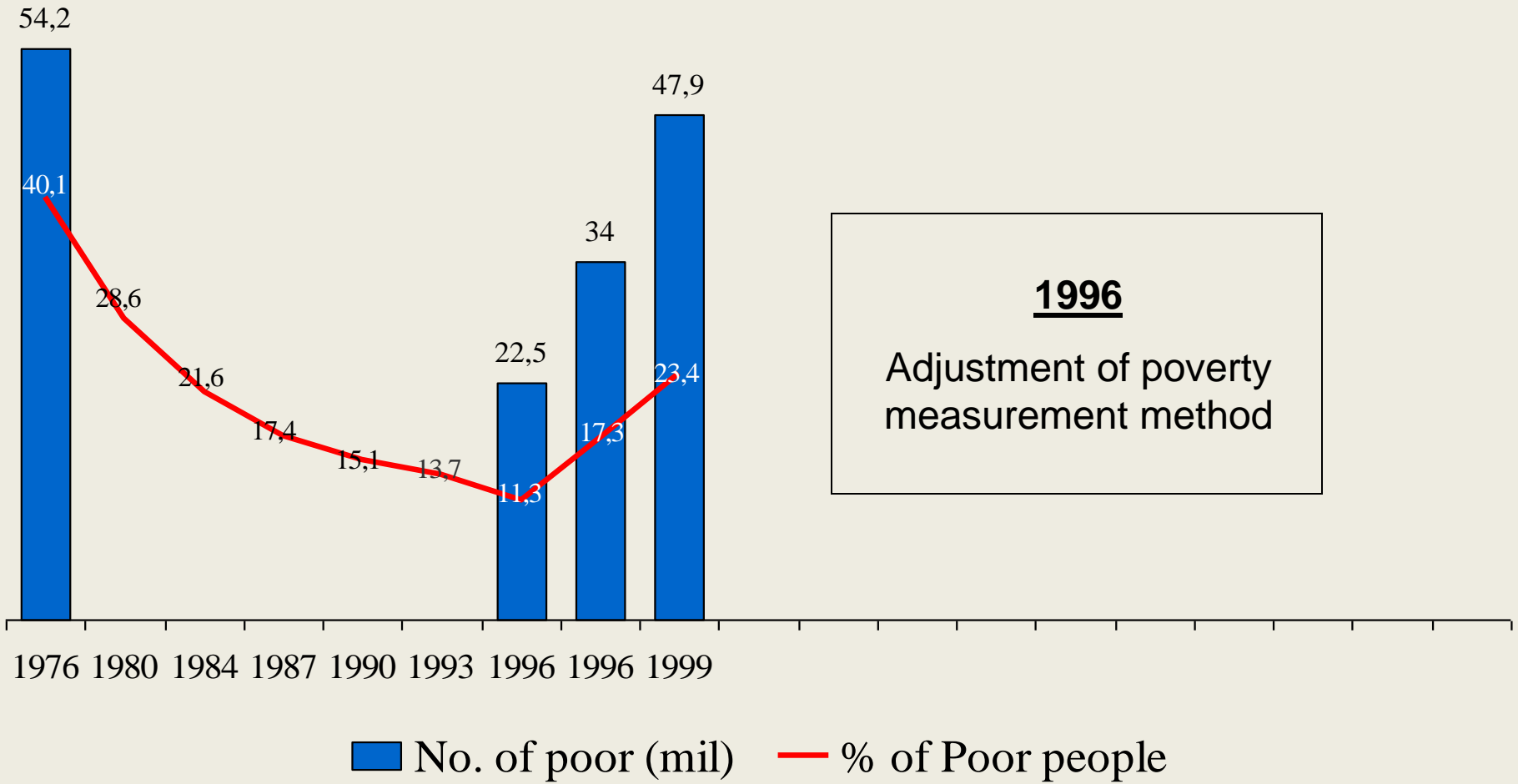
What Had Happened between 1997-98?

- 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.**

Poverty Indices: 1976 - 1999



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.

3

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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.

3

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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

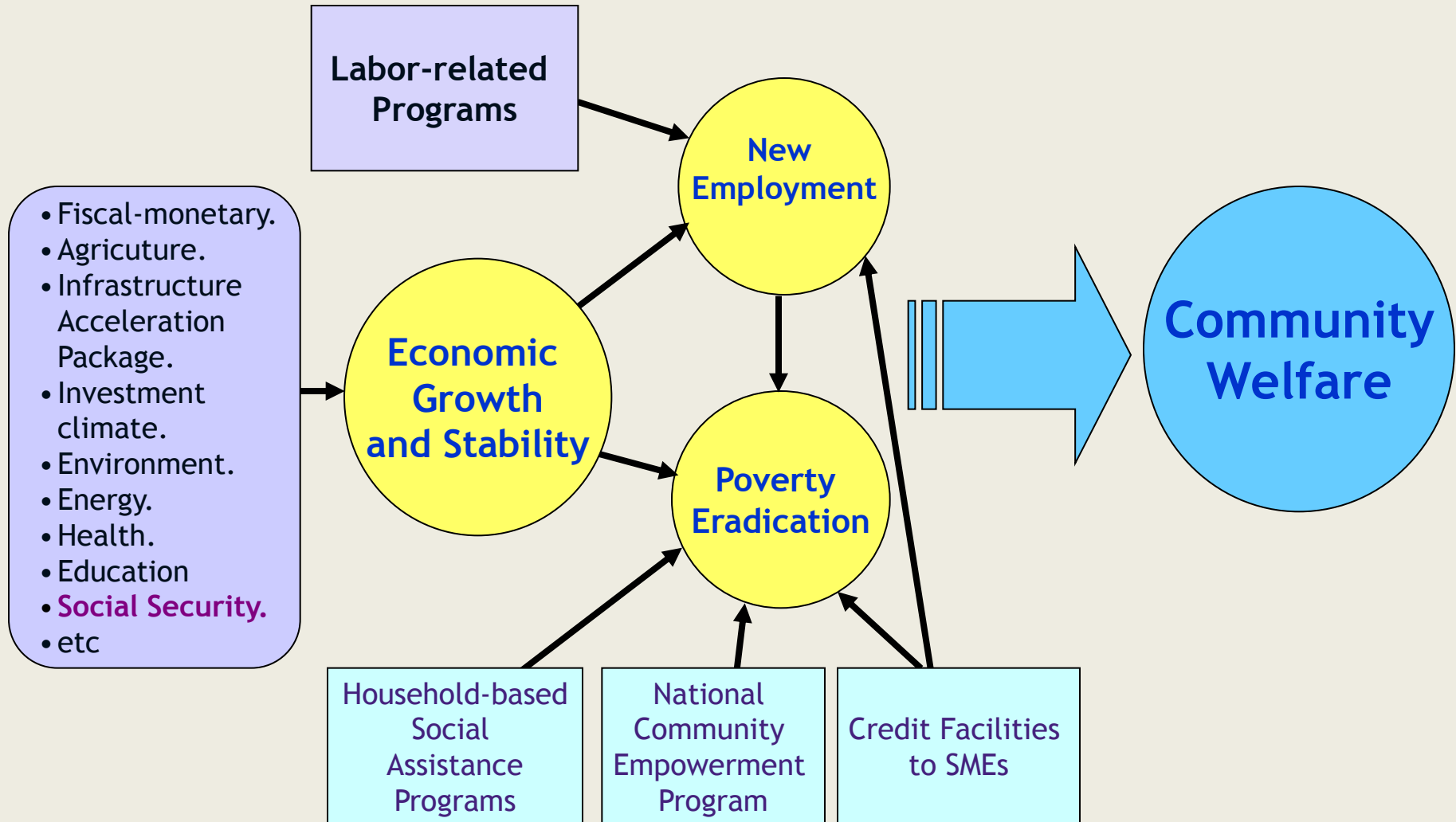
Oil Shocks and Some Budget Indicator

Indicators	2002 (1)	2004 (1)	2005 (2)
Average world oil prices (USD/barrel)	23	40	55
National gov't budget (Rp. Trillion)	322	436	395
- Oil subsidy (Rp. Trillion)	31	84	77
Prop. of oil subsidy to nat'l budget	10%	19%	19%

Note: (1) Realized.

(2) Approved.

Social Protection Within the Macro Economic Framework

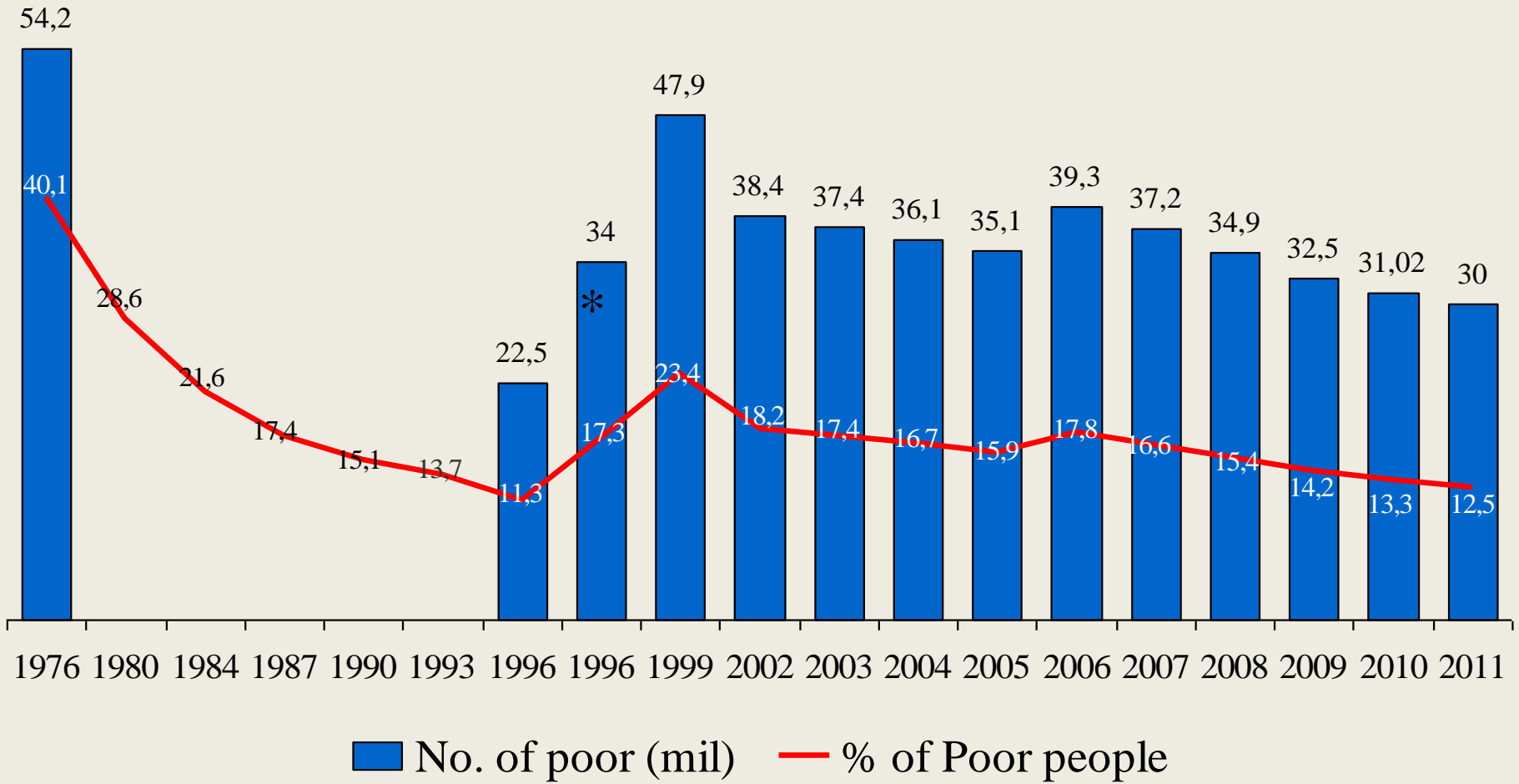


Social Protection Programs: National Priorities

Q5	Social Security	Social Assistance		
Q4	<ul style="list-style-type: none"> • Pension. • Old Age Security. 			
Q3	<ul style="list-style-type: none"> • Health. • Work Injury. 			
Q2	<ul style="list-style-type: none"> • Death. 	Cluster 1 <ul style="list-style-type: none"> • Scholarship. • Health Assistance. • Subsidized Rice. • CCT. • Disability. • Child Protection. • Social Pension.* 	Cluster 2 <p>National Program on Community Empowerment</p>	
Q1				Cluster 3 <p>Credit Facility to SMEs</p>

* Pilot for the poorest households

Poverty Indices: 1976 - 2011



*Adjusted to 1999 method

Source: BPS

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