

MANAGING THE CRISIS

Establishing a Vulnerability Monitoring and Social Assistance Response System in Indonesia

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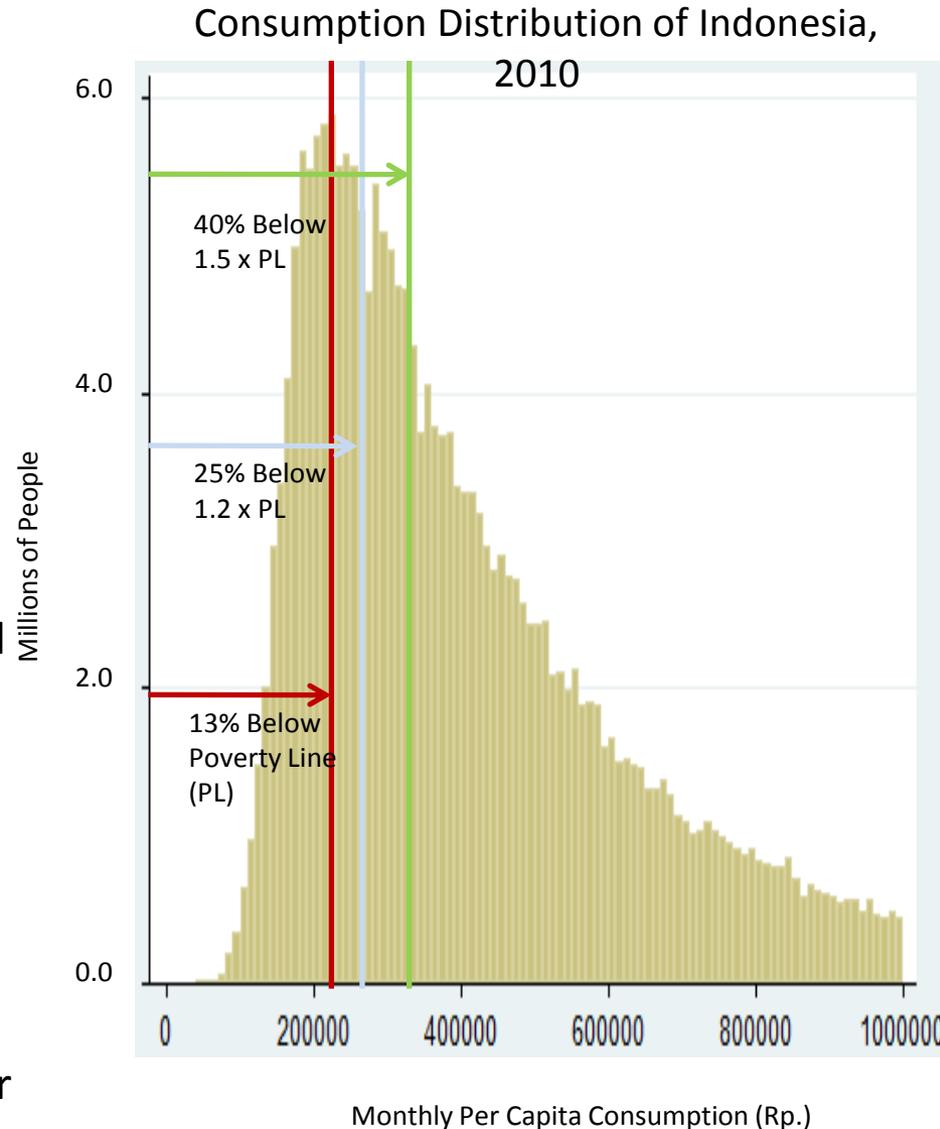
Ministry of National Development Planning/BAPPENAS
The Republic of Indonesia

Presentation Outline

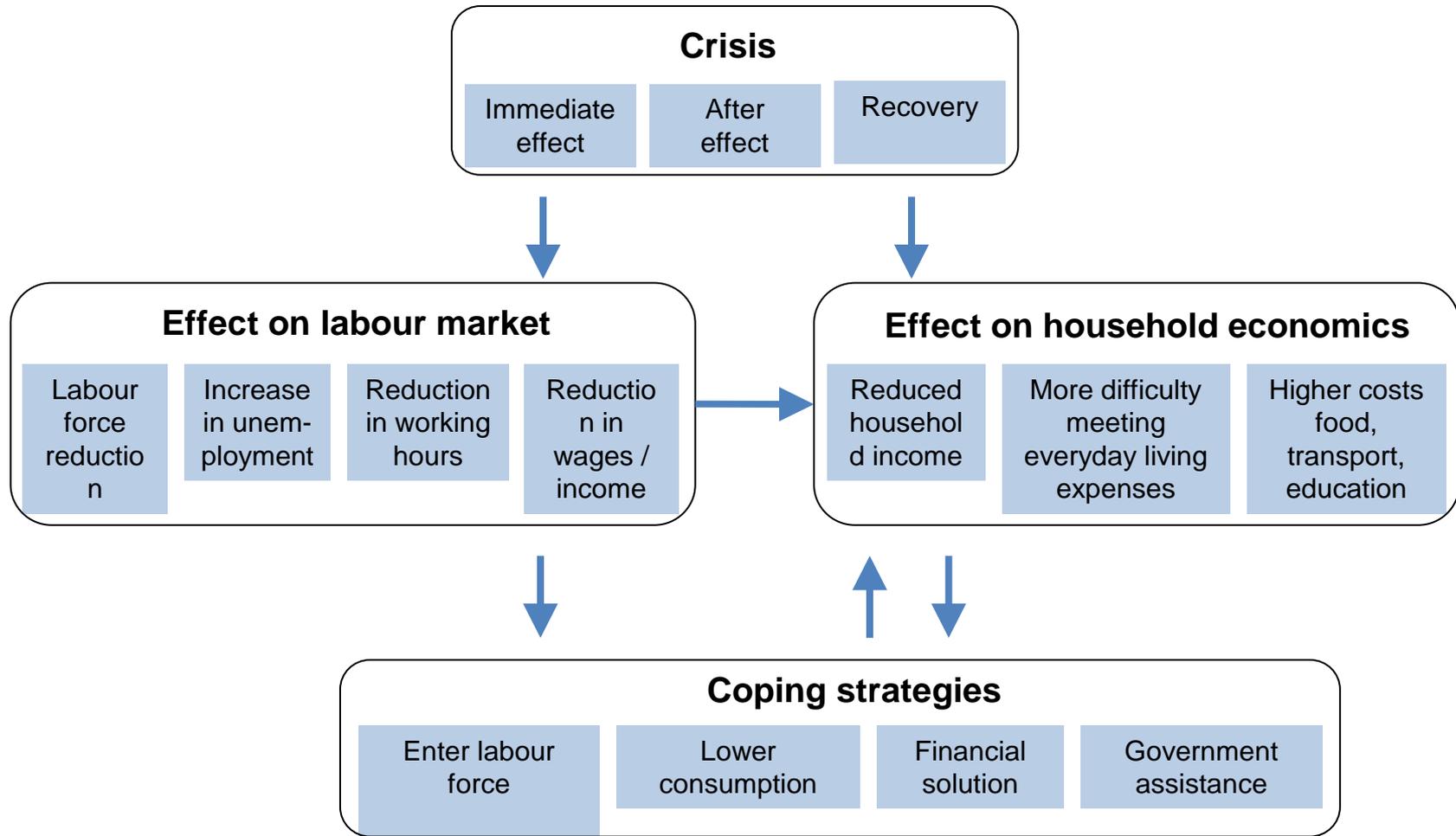
- I. Background on Crises and Vulnerability
- II. Monitoring and Response System
- III. Community Driven Development Program as an example of Social Safety Nets
- IV. The way forward - possible cooperation

Crises and Vulnerability

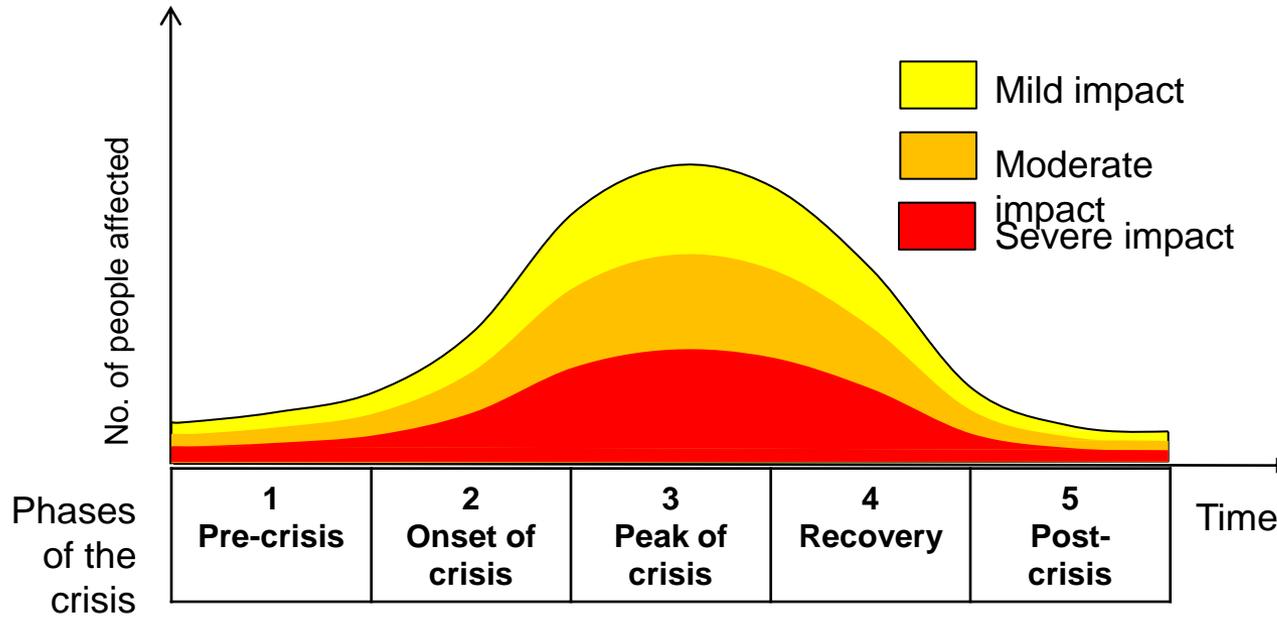
- Similar to other countries in the world, Indonesia was also affected by the global crises.
 - Growth slowed but remained positive.
Exports fell but rebounded
 - Robust domestic consumption has helped Indonesia to face the storm
- Crises (social or economic shocks) affect the poor and create new poor
 - Lower income, lower purchasing power and livelihood, etc.
 - Increase the open unemployment rate.
 - Increase the vulnerability
 - 40 % live below 1.5 x poverty line (Rp 316,500/month/capita).
 - 4.1% is considered as “chronically poor” and have been under the poverty line for the past three years.



Analytical Policy Framework for Crisis and Vulnerability



Crisis Phases, Monitoring and Response

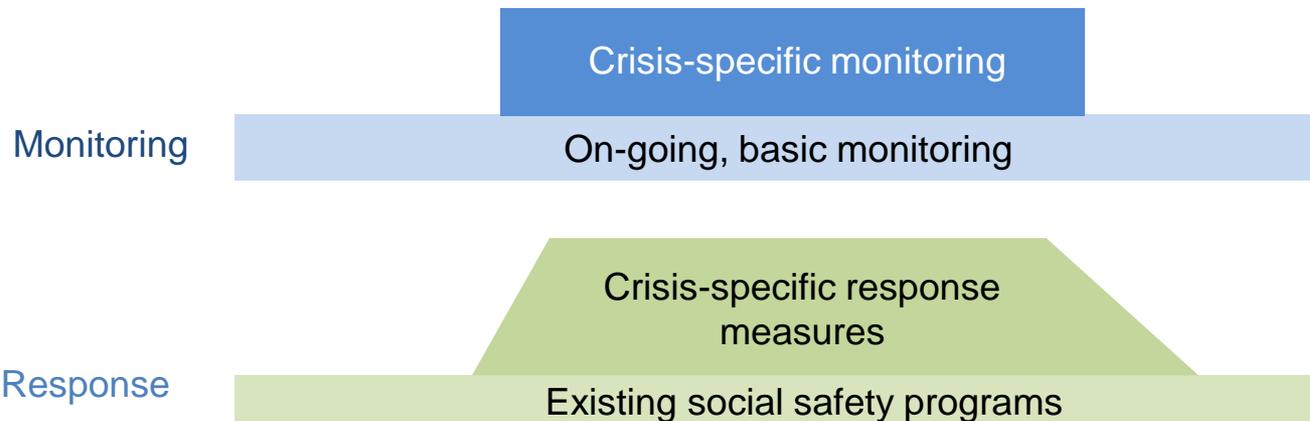


Monitoring

- More intensive monitoring starts up as soon as first signs of crisis are noticeable
- Level and scope of monitoring in line with severity and geographical spread of crisis impacts
- Scale-down of monitoring efforts as recovery occurs

Response

- Early, with quick buildup
- Targeted for impact
- A permanent system can be sustained with limited ongoing resources, scaling up in times of crisis



Design Rapid Crisis Impact Survey

■ Survey Objective

Collect household data to provide indicators not available on a timely basis from existing sources to better understand the impact of the crisis on households

■ Survey Requirements

- Frequent
- Nationwide coverage but useful at the district level
- Timely to process and analyse
- Low cost
- Low technical capacity required in the field

■ Conducted in 471 districts, with data collected from:

- Households (30 per district)
- Sub-district Health Centers (5 per district)
- District Health Offices

	2009						2010							
	Apr	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Month for which data is collected	Green	Green			Orange			Blue						
Data collection			Green			Orange			Blue					
Data entry & data cleaning				Green	Green		Orange	Orange		Blue	Blue			
Data analysis						Green			Orange			Blue		
Presentation & write-up							Green			Orange			Blue	Blue

April data collected by recall in August



Round 1



Round 2



Round 3

Three Levels of Quantitative Analysis

National

- Identify indicators that show significant adverse movements (i.e. put households “at risk”), quantify these movements and suggest possible causes and consequences;
- Determine variations in quarterly movements;
- Summarise levels and movements in indicators for which data was not recently available from other sources.

Provincial

- Calculate composite group indicators from those showing significant changes at national level;
- Group provinces into clusters according to general commonality of characteristics to summarise provincial similarities and differences.

		Labour market Impact		
		Little or none	Mode- rate	Most affected
Household hardship	Little or none			
	Mode- rate			
	Most affected			

District

- Sample too small to conduct standard statistical analysis;
- Using a series of one-tailed tests to identify adverse indicators with statistical confidence. Degree of change over last quarter for various indicators is rated red, orange or grey for each district;
- Indicators are aggregated into three indices, and then weighted into an overall district at-risk measure.

**Significant
deterioration
with statistical
confidence**

**Less significant
deterioration
with statistical
confidence**

**Insufficient
evidence of
deterioration**

Qualitative analysis was also conducted

- Objectives of the qualitative analysis:
 - To provide rapid and real/semi-real time assessments to monitor and evaluate the impacts of the crisis on communities' socio-economic conditions
 - To monitor and evaluate the effectiveness of social protection policies/programs and other policies/programs directed to mitigate the impact of the crisis
- Activities
 - Media Monitoring:

to provide information on recent developments due to the GFC and its impact on specific sectors and communities, as gathered from national and sub-national newspaper reports
 - Local Monitoring:

to conduct qualitative assessment of socio-economic conditions at community and household levels. Conducted in six villages in purposely selected districts, based on the likelihood that the region might be affected
 - Case Studies:

to do rapid assessments on specific issues/problems related to crisis impacts in specific sectors/industries or on the effectiveness of policies/programs for crisis mitigation

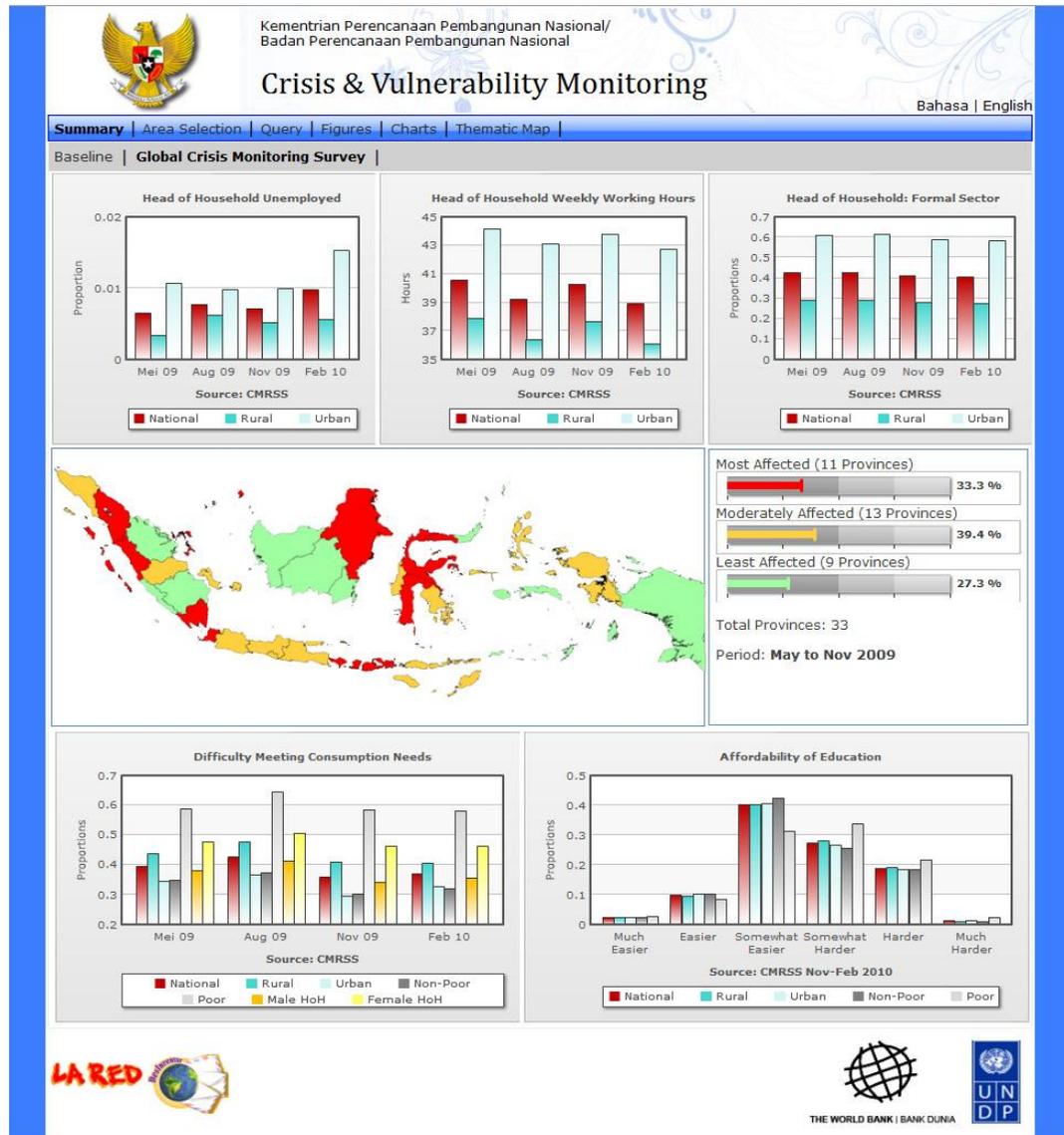
Results

- The impacts of the crisis in Indonesia were relatively mild. In 2009, both in-country demand and renewed international demand initiated some recovery
 - In 2009, both in-country and renewed international demand drove some recovery
- The quantitative analysis indicated mild adverse effects for households followed by evidence of a recover and no subsequent effects
 - Some adverse effects for households that may have been due to the crisis over May-July 2009
 - Evidence of recovery over September-November 2009
 - Little or no evidence of crisis effects for November 2009 to February 2010
- The qualitative assessments showed that the severity of crisis impacts was varied across sectors
 - Badly impacted: electronics and automotive industries; less impacted: textile and garment industries, fisheries
 - Severity of impact also depends on:
 - the level of integration of the sector in the global economy
 - availability of alternative income or jobs
 - asset ownership and seasonality factors that can influence yield of production from each sector

Crisis Monitoring System

- A prototype dashboard of Crisis and Vulnerability Monitoring System was developed (still in progress) to provide real time information to policy makers
 - New dashboard would integrate key indicators and match to response triggers
 - Focus of dashboard would be facilitating decisions, not displaying data

- It provides:
 - Dynamic access to various types of socio-economic data
 - Information for policy-making on in response of crises
 - Access to crisis and vulnerability studies and reports



Types of possible responses/interventions

TARGETS	INTERVENTIONS
I. Firm and labor	Regulations and incentives enabling firms to sustain: lower energy price, faster procurement process, lower taxes and selective lay off.
II. Lay off workers (skilled, semi skilled) seeking for better jobs/businesses	<ul style="list-style-type: none"> ■ Training and certification for labor to find a new job or entering new business (self employed) ■ Improvement business climate: less local regulations, sustaining existing investment, protect informal business/sectors, higher restriction of illegal import. ■ Infrastructure projects (ports, road, telecommunication, electricity) to boost investment.
III. Workers and community on and below poverty line (the vulnerable)	<ul style="list-style-type: none"> ■ Intensify implementation of social assistance scheme: social insurances and assistances, community driven development (CDD), and micro credits ■ Increase effectiveness through improved coordination with local government and better M&E

Social Assistance Program's Response Scheme to protect the Poor

1. Target group identification:
 - a. Use the available poor HH data. The recent include the near poor
 - b. Open local registry office to receive community reports → verification of new poor HH by CBS/BPS and card issuance.

2. Intensify implementation of social assistance program (Cluster 1)
 - a. Prioritize Health program (JAMKESMAS) for the poor and near poor.
 - b. Prioritize School Operational Assistance (BOS) for potential drop out students of laid off workers.
 - c. Subsidized food package (rice, cooking oil and sugar).
 - d. Speed up the implementation of Conditional Cash Transfer (CCT/PKH) and analyze possibility to re-implement Unconditional Cash Transfer (UCT).

3. Escalation of community empowerment programs (Cluster 2):
 - a. Increase block grant to cater more community needs, including capital to expand micro/small business and business start-up

Examination on Social Assistance Programs for Response

Response	Advantages	Disadvantages
<p>Unconditional Cash Transfer</p> <ul style="list-style-type: none"> ■ One-off or regular cash transfer to identified poor households ■ Intended to supplement poor households' income in order to afford higher cost of living 	<ul style="list-style-type: none"> ■ Can be distributed quickly <ul style="list-style-type: none"> – Arrives when needed ■ Assistance in form most appreciated by poor ■ Can be easily turned on and off ■ Does not distort prices ■ Easily administered 	<ul style="list-style-type: none"> ■ No control over household use of funds ■ May discourage work ■ Potentially expensive (2005-06 BLT cost more than Raskin and Askeskin together) ■ Only as effective as its targeting method ■ May not be the poor who are most affected by a commodity shock ■ Easily divisible –possibility for corruption and redistribution
<p>In Kind Food Transfer</p> <ul style="list-style-type: none"> ■ Government distributes free or subsidised food commodity to poor households ■ Intended to reduce household cost of living and insulate from price increases 	<ul style="list-style-type: none"> ■ Insulates domestic prices from international price movements ■ Reduces cost of living for household ■ Politically palatable ■ May increase share of expenditure on food 	<ul style="list-style-type: none"> ■ Potentially expensive ■ Effectiveness depends on accuracy of targeting ■ No consumer choice ■ Higher administrative cost and complexity ■ Creates distortions in food markets ■ Easily divisible –possibility for corruption and redistribution
<p>Vouchers for Commodities</p> <ul style="list-style-type: none"> ■ Vouchers for commodities given to households ■ Intended to ensure minimum consumption and access to certain commodities ■ Can be universal or targeted 	<ul style="list-style-type: none"> ■ Politically palatable ■ Insulates households from price increases 	<ul style="list-style-type: none"> ■ No consumer choice ■ Only as effective as its targeting method if not universal ■ Encourages secondary markets and arbitrage-seeking behaviour ■ Logistically more complex

Examination on Social Assistance Programs for Response

Response	Advantages	Disadvantages
<p>Conditional Cash Transfer</p> <ul style="list-style-type: none"> ■ Regular cash transfer to identified poor households with certain demographics ■ Conditional on appropriate household health and education behaviours ■ Intended to increase household welfare while promoting long-term human capital investment 	<ul style="list-style-type: none"> ■ Long-term support that insulates critical expenditures (health and education) from substitution if other costs increase ■ Encourages positive behaviours ■ Often significant increase in household income ■ Can stimulate demand for better health and education services ■ Can address gender biases 	<ul style="list-style-type: none"> ■ Only as effective as its targeting method ■ Timing and amount not tied directly to shocks <ul style="list-style-type: none"> – If shock sufficiently large, may not be enough to cushion impact ■ Requires supply-side readiness in community ■ Logistically more complex with higher administrative costs ■ Usually permanent not temporary policy
<p>Commodity Subsidy (Consumer)</p> <ul style="list-style-type: none"> ■ Government subsidises retail price of commodity ■ Intended to reduce household cost of living and stabilise prices ■ Can be targeted or universal 	<ul style="list-style-type: none"> ■ Low administrative costs ■ Can be implemented quickly ■ Insulates domestic prices from international price movements ■ Reduces cost of living for household ■ Politically popular 	<ul style="list-style-type: none"> ■ Potentially very expensive with unlimited budget impact (fuel subsidies represent 25% of GOI 2008 budget) ■ May not benefit the poor (non-poor use much more fuel) ■ Hard to remove
<p>Commodity Subsidy (Producer)</p> <ul style="list-style-type: none"> ■ Government subsidises price of input commodities (e.g. fertilisers, soybeans) ■ Intended to reduce costs of production for SMEs and self-employed 	<ul style="list-style-type: none"> ■ Reduces flow-on impact to consumers from output prices ■ Potentially prevents reduced labour demand due to bankruptcies or lower labour input 	<ul style="list-style-type: none"> ■ Potentially expensive ■ May not benefit the poor ■ Majority of benefits may go to larger scale producers ■ May be hard to remove
<p>Public Works Employment</p> <ul style="list-style-type: none"> ■ Labour-intensive public works programs with wages set below market ■ Intended to provide income support for the under-and unemployed 	<ul style="list-style-type: none"> ■ Politically palatable (working for benefits) ■ Self-targeting (those with better income opportunities do not enter) ■ Can be an automatic stabiliser 	<ul style="list-style-type: none"> ■ Higher administrative costs ■ Logistically complex (appropriate works schemes that can be implemented quickly) ■ Low ratio of wage transfer to overall program costs ■ Can serve as a political patronage function

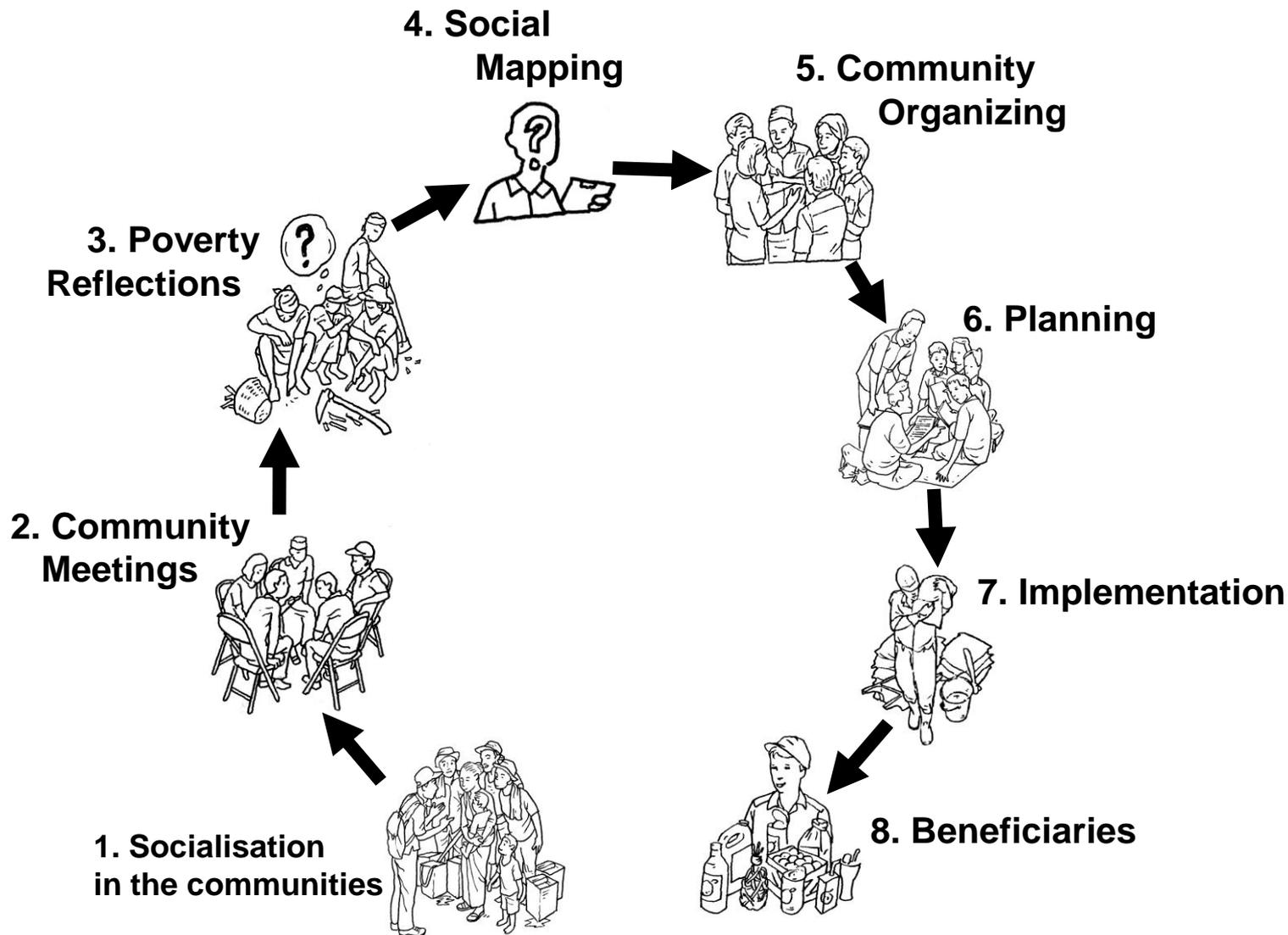
Indonesia's Community Driven Development Program (PNPM Mandiri) as an example of Social Safety Nets

- It is considered as the largest CDD program in the world (covers 75,000 villages)
 - CDDs are delivery systems that transfer development resources to communities through empowerment & choice
 - Readily available of design and management
 - Balance between open menu & promotion of national priorities
 - During crisis, can prevent poor rural households from reducing expenditures due to lost remittances
 - Build based on social capital
 - Time limits to program participation/eligibility
 - Engagement w/local governments, sector agencies & private sector (contractors, NGOs, etc.)
- Strong & methodologically solid independent evaluation of program performance demonstrate results
- Learning-by-doing = flexible adaptation

PNPM as a safety net mechanism

- **“Public Works” is a key counter-cyclical tool to address weather & financial related shocks**
- They typically provide unskilled manual workers with short-term employment
- Key design features in successful workfare programs include:
 - The level of the wage rate set at slightly below the market wage for unskilled labor
 - Construct much-needed infrastructure (to minimize trade-off between spending on transfers versus development)
 - Focus on creating assets that have the potential to generate second-round employment benefits.
 - Targeted to specific geographic areas with high unemployment and poverty rates
 - Automatic triggers for activation
- Important considerations for using CDD program for Crisis Response
 - Readiness of “good” projects in “community development plans”
 - Focus on “labor intensive” type project, selected productive local economy
 - Open to all eligible participants vs rationing
 - Work effort required
 - Implications for PNPM participatory processes

How Does the Empowerment Process Work?



Program Components

a. Community Empowerment

Facilitator provision to facilitate the empowerment process and increase capacity of community institutions at the village.

b. Community grant

- Provide community grant to finance prioritized activities, selected in the community forums.
- The grant is an open menu for: a) basic infrastructure (rural road & irrigations, school/health post renovations, etc); b) economic activities, etc.

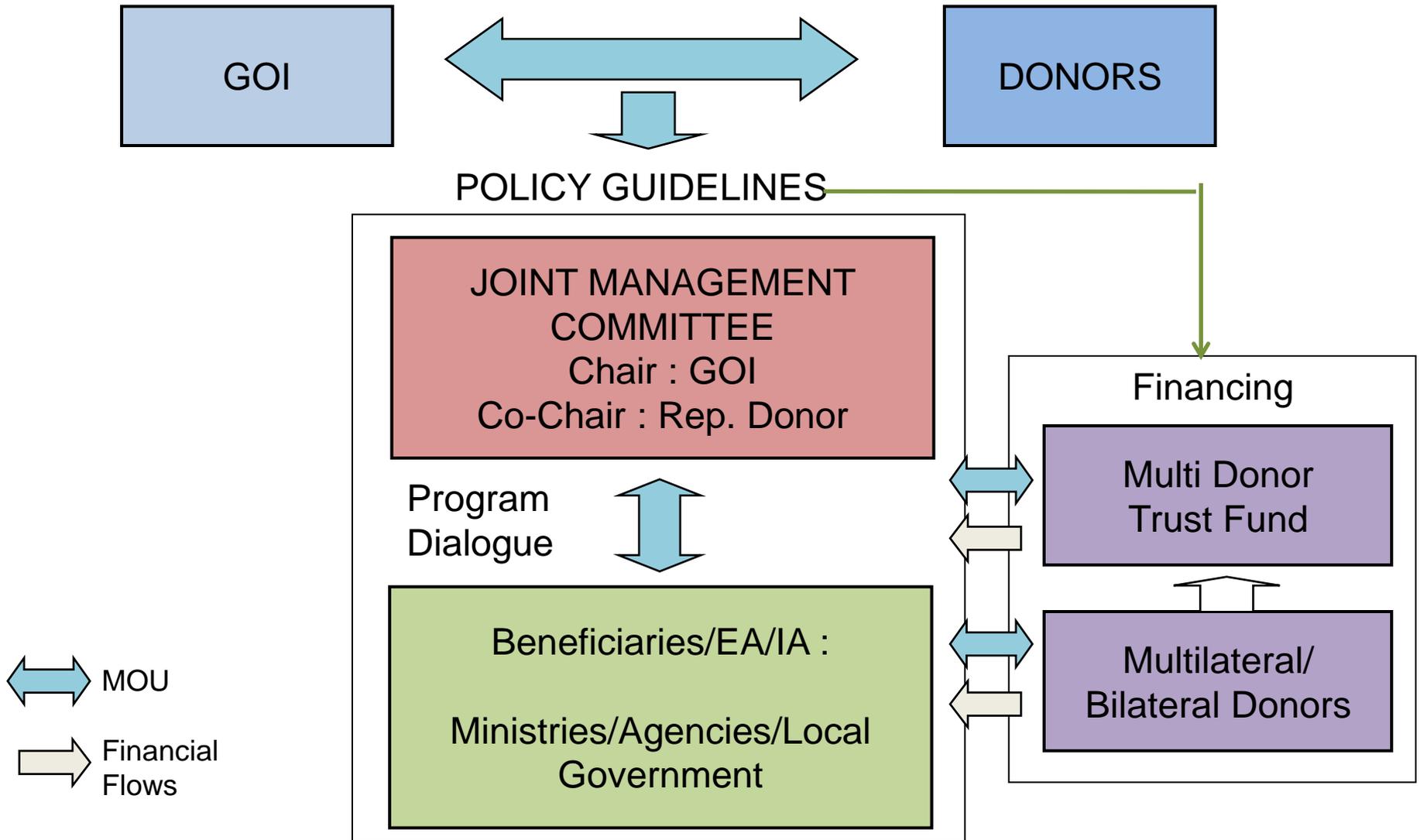
c. Local government and stakeholders capacity building

- A set of activities for strengthening the capacity, ie. workshops, trainings, coaching, etc that create a positive, conducive, & synergetic environment for community.

d. Program Management Support: MIS, Monitoring & Evaluation, operational supports



FUNDING COORDINATION BETWEEN GOI AND DONORS



Possible Cooperation

- Cooperation and exchange of experience in handling global crisis → community empowerment approach, social protection, and natural disaster management/mitigation.
- Training and capacity building programs in monitoring and evaluation, MIS development, complaint handling mechanism, facilitator trainings.
- Statistical cooperation in MDG monitoring indicators, poverty targeting (especially at individual levels).
- Comparative Study / Field visit.
- For Indonesia: reduce traditional western-controlled sources of funds, methods, and approaches to close the context of the country and community.

T H A N K Y O U