

# MANAGING THE CRISIS

Establishing a Vulnerability Monitoring and Social Assistance Response System in Indonesia

[Viviyulaswati@bappenas.go.id](mailto:Viviyulaswati@bappenas.go.id)

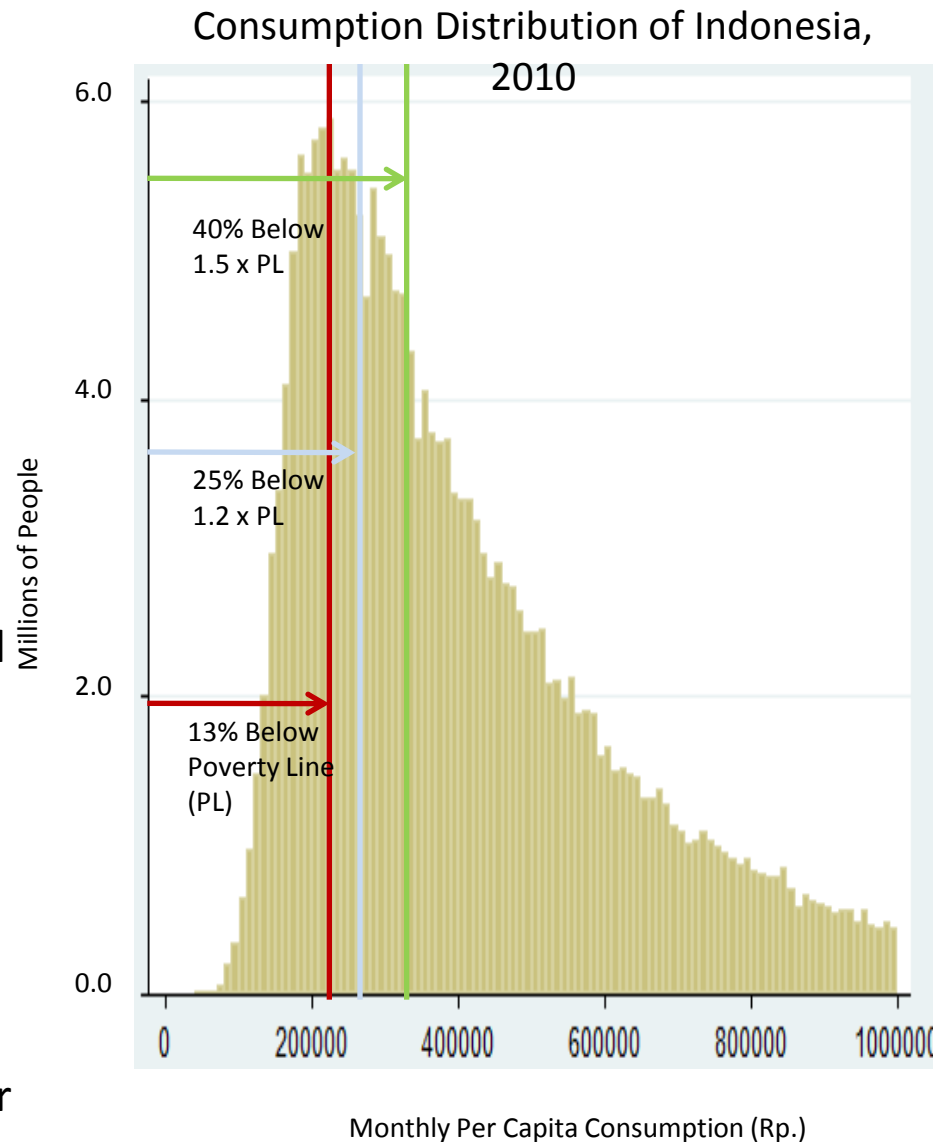
Ministry of National Development Planning/BAPPENAS  
The Republic of Indonesia

# Presentation Outline

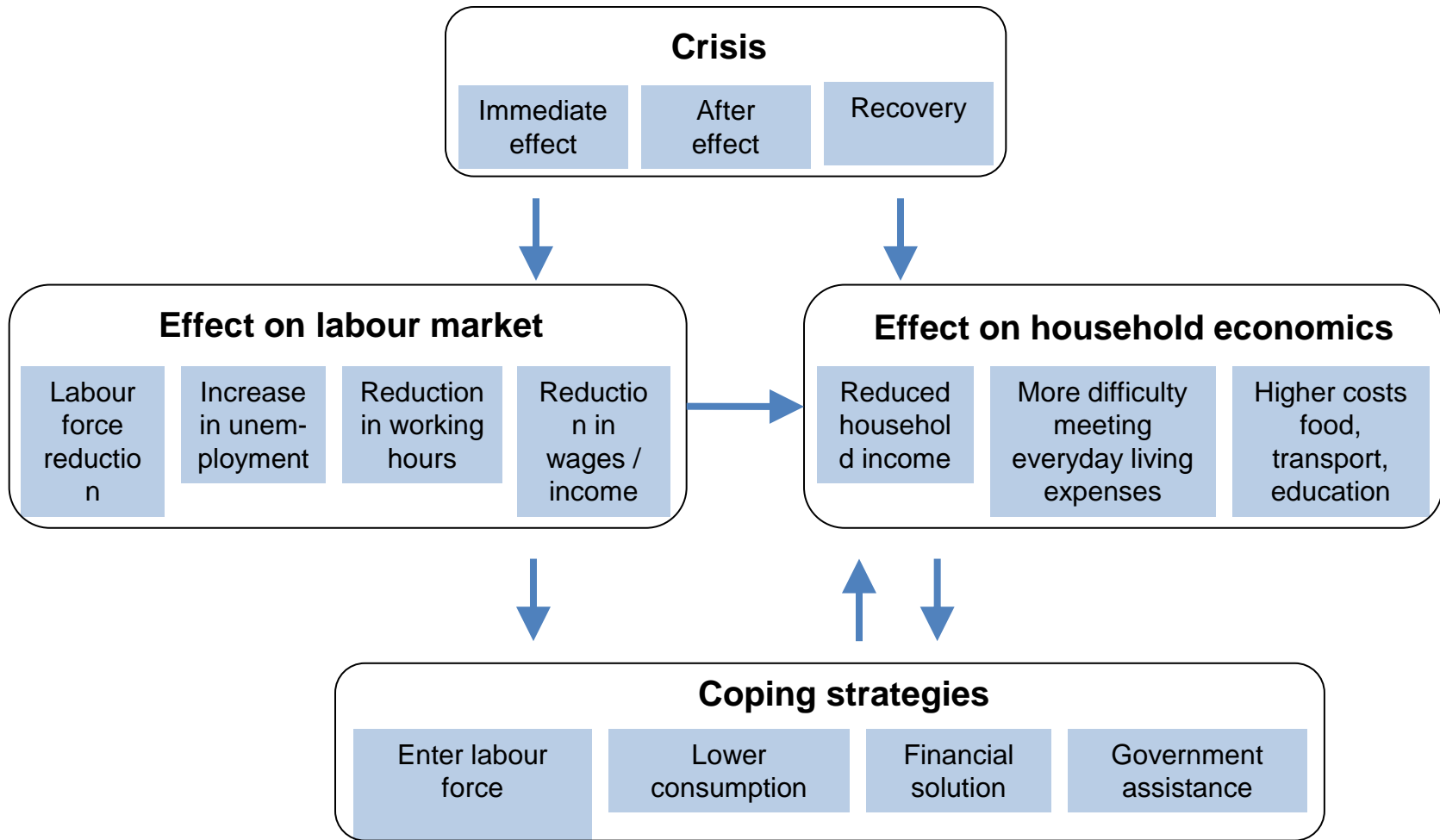
- I. Background on Crises and Vulnerability
- II. Monitoring and Response System
- III. Community Driven Development Program  
as an example of Social Safety Nets
- IV. The way forward - possible cooperation

# Crises and Vulnerability

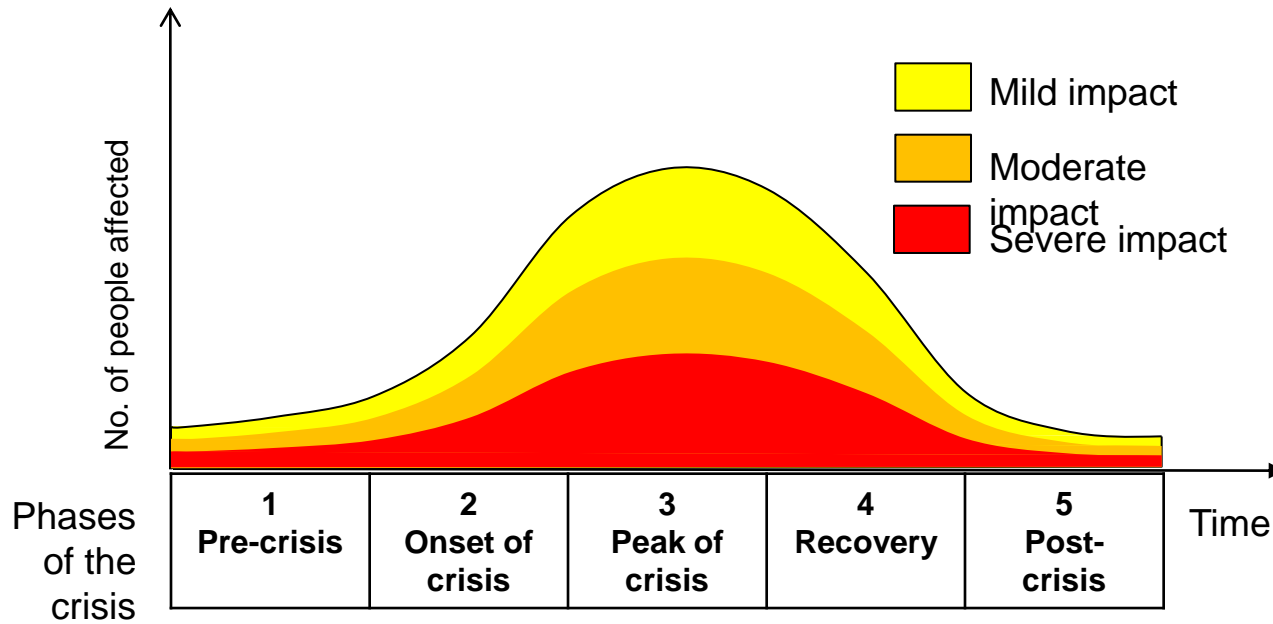
- Similar to other countries in the world, Indonesia was also affected by the global crises.
  - Growth slowed but remained positive. Exports fell but rebounded
  - Robust domestic consumption has helped Indonesia to face the storm
- Crises (social or economic shocks) affect the poor and create new poor
  - 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



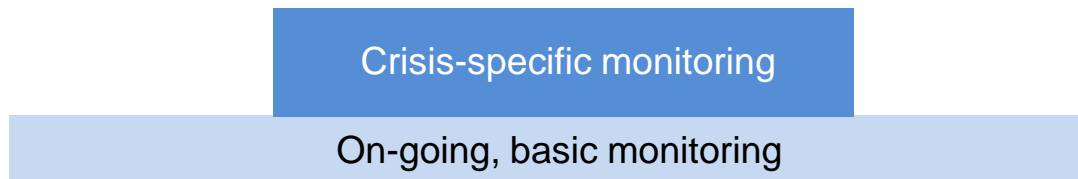
## Monitoring

- 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

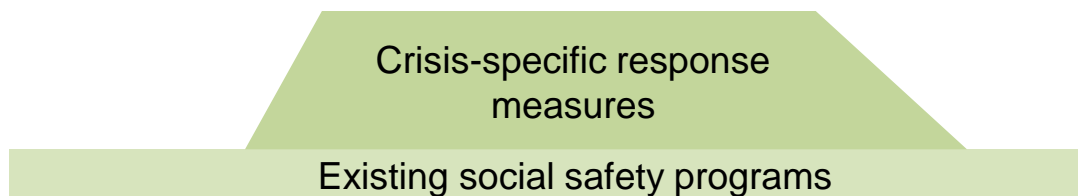
## Response

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

## Monitoring



## Response



# 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	■	■			■			■						
Data collection			■			■			■					
Data entry & data cleaning				■	■		■	■		■	■			
Data analysis						■			■			■		
Presentation & write-up							■			■			■	■

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

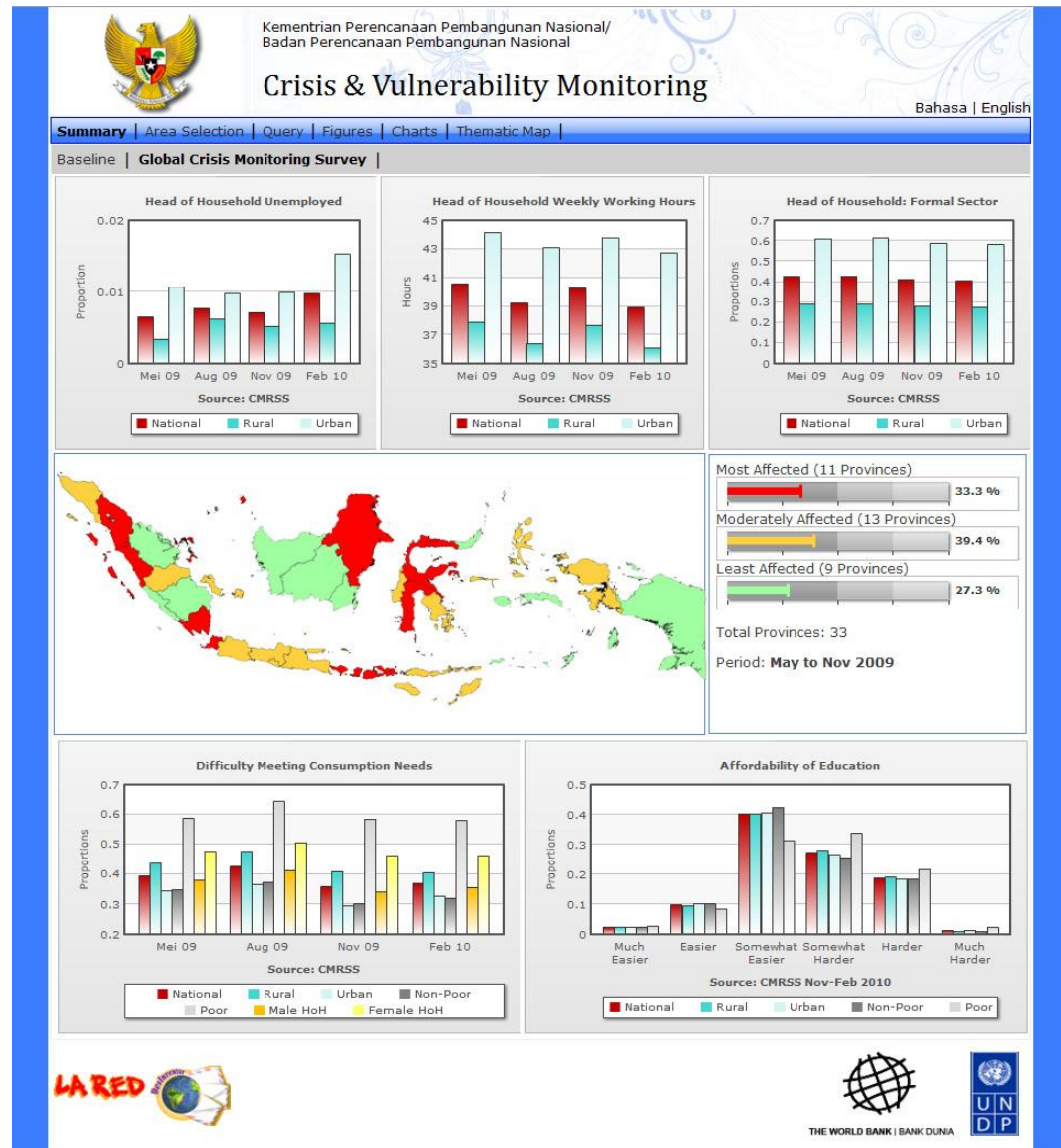


# Results

- 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"> <li>■ Training and certification for labor to find a new job or entering new business (self employed)</li> <li>■ Improvement business climate: less local regulations, sustaining existing investment, protect informal business/sectors, higher restriction of illegal import.</li> <li>■ Infrastructure projects (ports, road, telecommunication, electricity) to boost investment.</li> </ul>
III. Workers and community on and below poverty line (the vulnerable)	<ul style="list-style-type: none"> <li>■ Intensify implementation of social assistance scheme: social insurances and assistances, community driven development (CDD), and micro credits</li> <li>■ Increase effectiveness through improved coordination with local government and better M&amp;E</li> </ul>

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

# Examination on Social Assistance Programs for Response

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

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

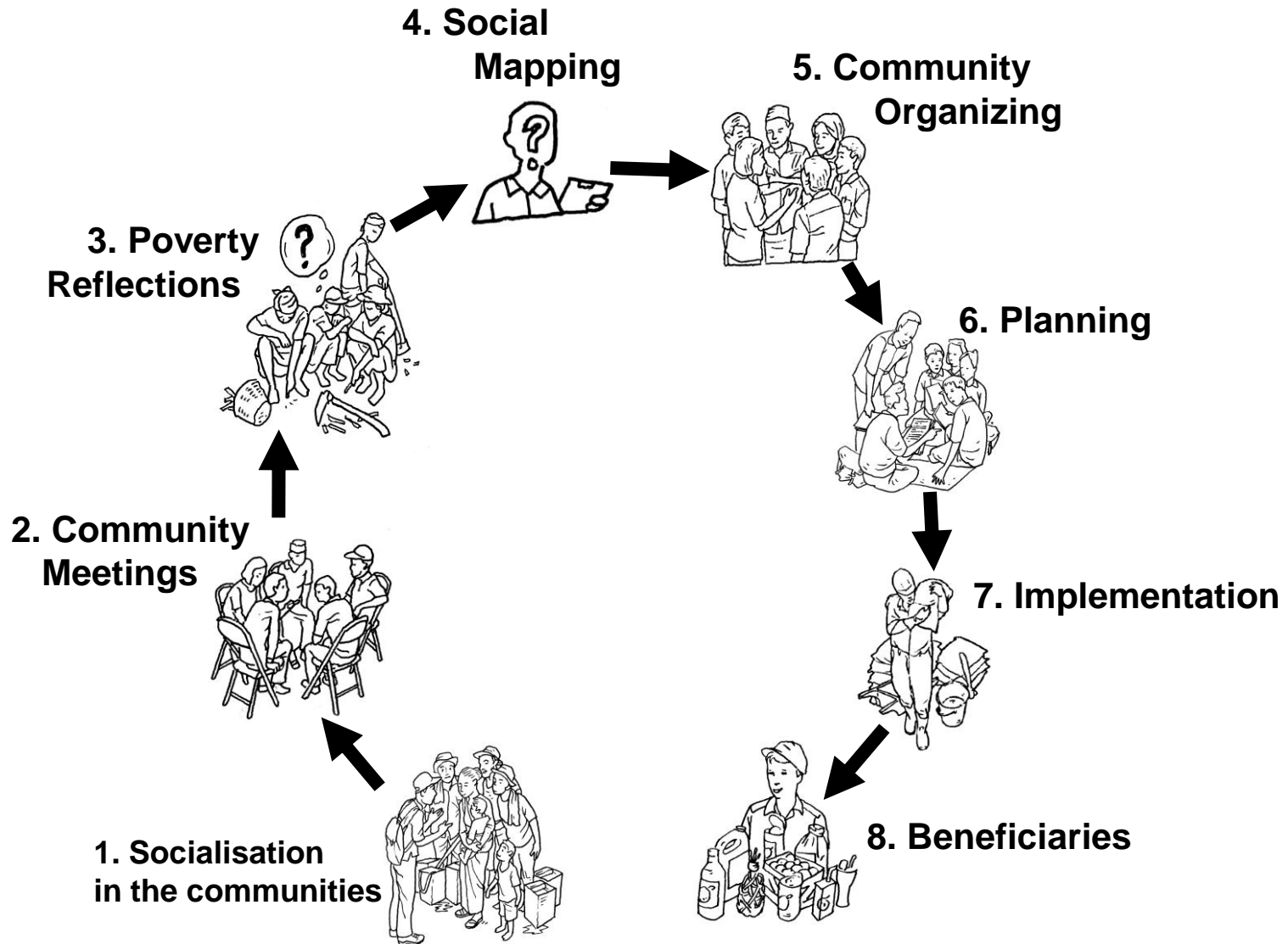
- It is considered as the largest CDD program in the world (covers 75,000 villages)
  - CDDs are delivery systems that transfer development resources to communities through empowerment & choice
  - Readily available of design and management
  - Balance between open menu & promotion of national priorities
    - 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.

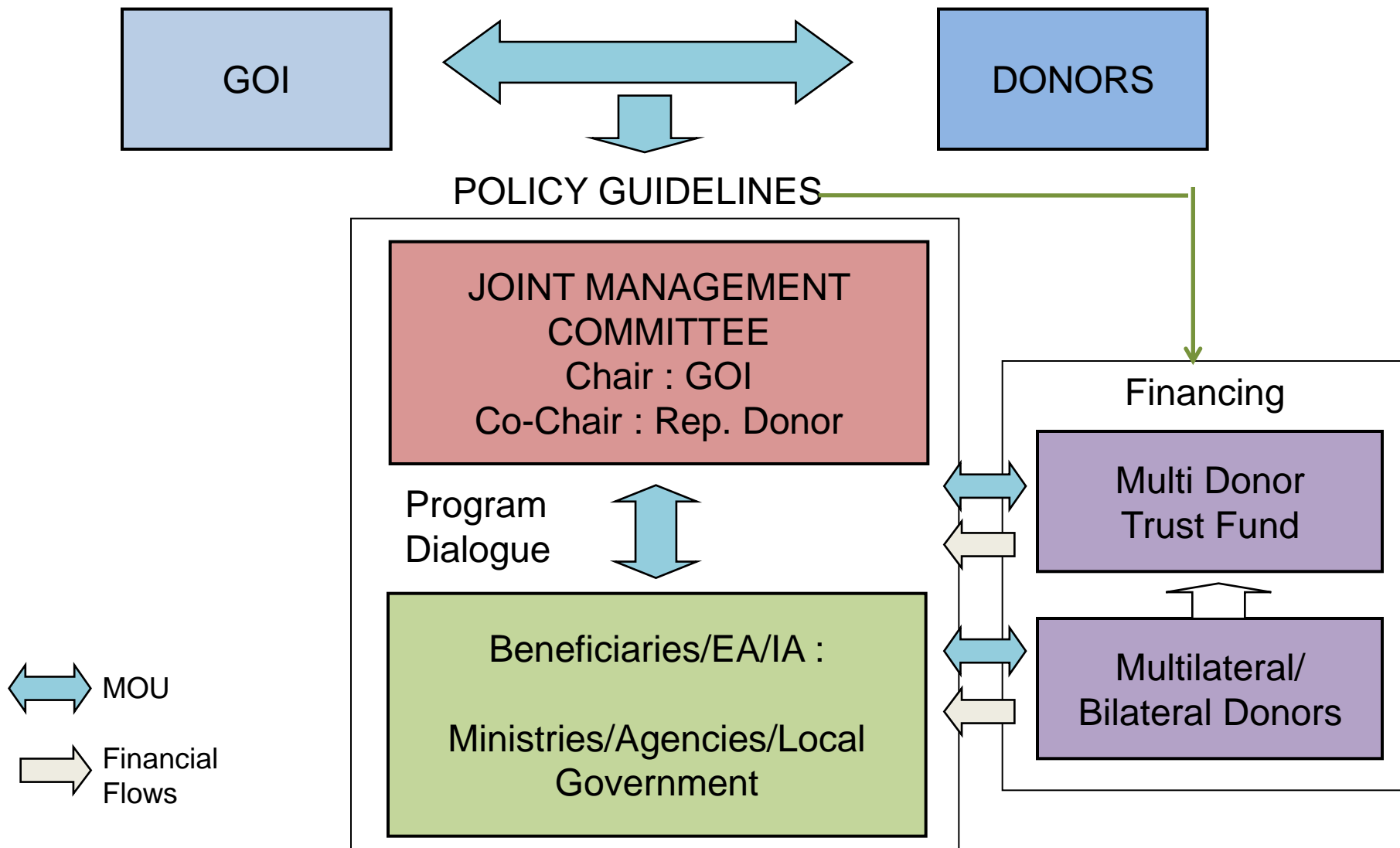
## c. Local government and stakeholders capacity building

- 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**