



PROTECTING THE MOST VULNERABLE **- The case of Indonesia -**

Social Protection in Asia **A Policy-Research and** **Network-Building Program 2009**

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The most vulnerable.

- Who are they? The extreme poor? The poor?
Or , the near poor?

→ The near poor can also be the most vulnerable.
Vulnerable to fall under poverty line.

- Protect the most vulnerable through various social assistance programs and insurance based programs (i.e. health insurance) → Social Protection → How it works?

SOCIAL PROTECTION

- **SOCIAL INSURANCE (CONTRIBUTION)**
- **SOCIAL ASSISTANCE (TAX)**

IN INDONESIA:

- **LAW NO. 40, 2004: NATIONAL SOCIAL SECURITY SYSTEM**
 - Health Insurance, Old Age Savings, Pensions, Death Benefits, and Accident Benefit (worker compensation).
- **LAW NO. 11, 2009: SOCIAL WELFARE**
 - Social assistance for the poor, disabled, disaster victims, people in remote areas, etc.

SOCIAL INSURANCE

Current condition:

- Law No. 40 (the SJSN law) requires the establishment of five mandatory social insurance programs covering the entire Indonesian population.
- The SJSN programs will eventually provide a basic level of social protection for all Indonesians.
- These will be supplemented by targeted social welfare (social assistance) programs.
- Under Law No. 40, the National Social Security Council established on October 2008
- Secretariat of the Council established on January 2009
- The council is preparing all government regulations to operationalize the Law

Challenges:

- Transform all government social security companies from “profit oriented” to “non-profit oriented” → trust fund principles.
- Develop an integrated social security system
- Cover all people → constraints with limited government budget
- Programs will need to be phased-in carefully to make sure they are affordable to the State budget → Health Insurance is the first priority
- Establish Single Identity Number

SOCIAL ASSISTANCE

***GOVERNMENT PROGRAMS TO
PROTECT THE POOR
(PROVERTY ALLEVIATION
PROGRAM)***

Program Clusters - Strategy to Protect the Poor

1ST CLUSTER

[Provide fish]

2nd CLUSTER

[Facilitate with fish-rod]

3rd CLUSTER

[Assist to have fish-rod & boat]

Gradually improvement of the social and economic status

Micro- & Small-scale Enterprise Empowerment

Micro credits (< Rp 5 million) through banks, & other types of financial assistance

Assistance and Social Protection Programs

Target: 17.5 mil. poor HH: rice subsidy, cash transfers, health insurance, & scholarships

Community Empowerment Programs

Block grants for 6,408 sub-districts (rural, urban, disadvantaged regions, regional & village infrastructures)

Social Welfare Program's Scheme to protect the Poor (1)

1. Identification of target groups:
 - a. Use the recent poor HH survey (PPLS 2008)
 - b. Open local registry office to receive community reports
 - c. Verification of new poor HH by CBS/BPS and card issuance.
2. Implementation of social assistance program (Cluster 1)
 - a. Ensure that health program for the poor (JAMKESMAS) is prioritized including for the near poor.
 - b. Prioritize BOS (School Operational Assistance) for potential drop out students whose parents are laid off workers.
 - c. Food scheme program: Subsidized food package (rice, cooking oil and sugar).
 - d. Speed up the implementation of Conditional Cash Transfer (CCT)/PKH and Unconditional Cash Transfer (UCT).

Social Welfare Program's Scheme to protect the Poor (2)

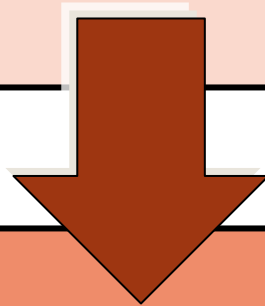
3. Escalation of community empowerment programs (Cluster 2):
 - a. Add block grant amount to cover more identified community needs.
 - b. Intensify block grant program as cash transfer programs
 - b. More block grant to cater the needs for small capital to expand existing micro/small business or new business.
4. Increase the coordination to intensify the micro credit program (KUR= Kredit Usaha Rakyat) for new business by lay off workers (Cluster 3).

Strategy During Current Global Crisis

CRISIS IMPACT MANAGEMENT

Getting the response right to crises:

What's working? What's needed? What needs to be developed?
When?



Principles

- a. Maximize central and local government 's budget to direct to high-labor-absorption program
- b. Utilize the criteria of beneficiaries within the three clusters program to protect the poor (intensify poverty reduction programs)
- c. Optimize the existing institutional coordination structure and close cooperation with local government

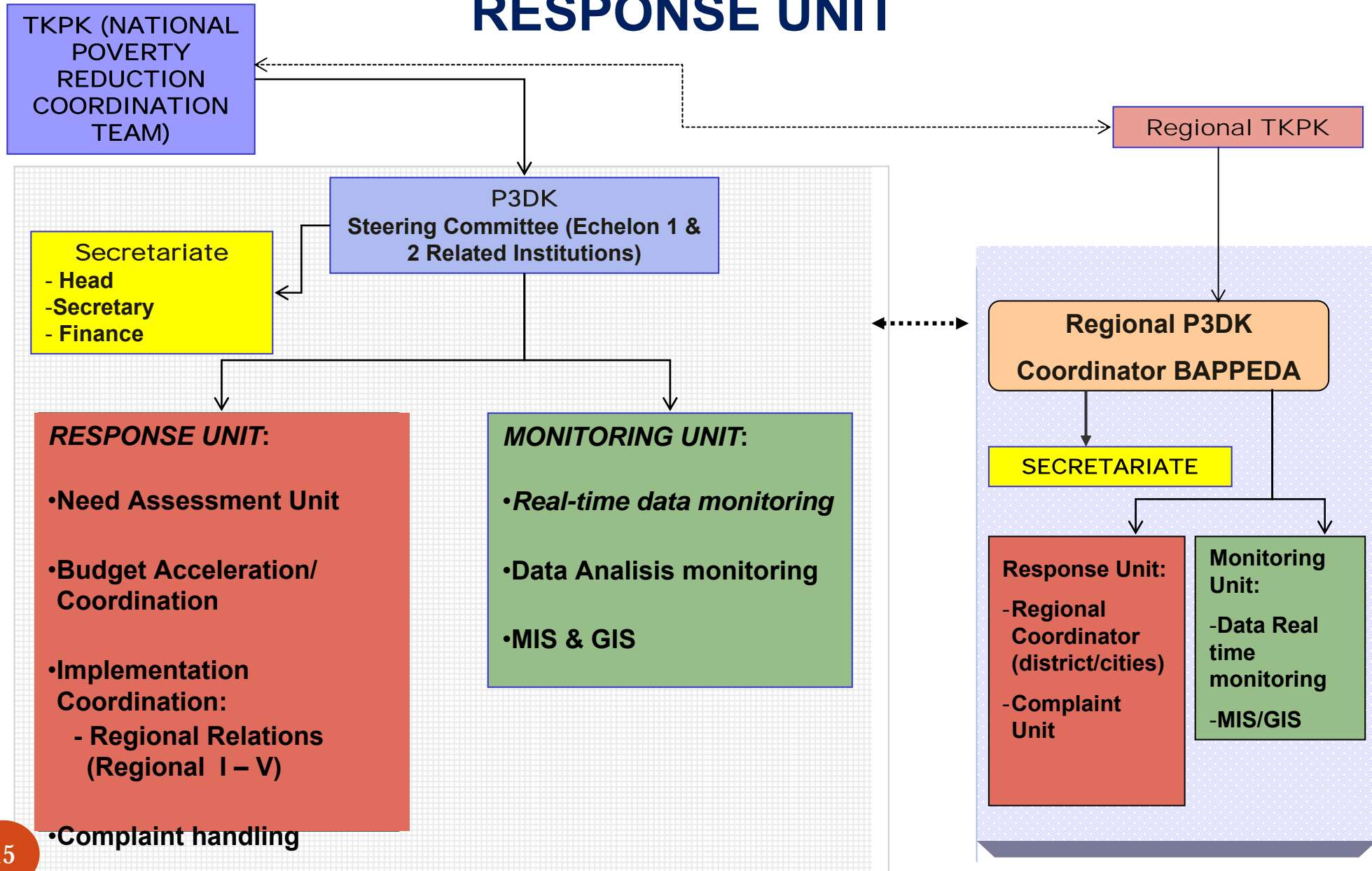
Target and Intervention

TARGET	TYPE OF INTERVENTIONS
1. Firm and Labor	Regulation, incentives, for the firm to maintain their production, by e.g. fuel fall down, acceleration of government procurement, tax incentives, etc.
2. Labor → skilled and semi-skilled	<p>a. Prepare to adapt with the new job through training and labor certification</p> <p>b. Support the bussiness climate e.g. improve regulation (including local government regulation) to widen or at least to maintain the current investment and bussiness opportunity (incl. informal sector), tax incentives, keep an eye on illegal goods, security etc.</p> <p>c. Infrastructure program (port, road, telecommunication, electricity, etc.)</p>
3. Community, including labor who live on and under poverty line.	<p>Using existing 3 clusters of anti-poverty programs:</p> <p>Cluster 1 - Social Protection and Assistance</p> <p>Cluster 2 - Community Empowerment Program</p> <p>Cluster 3 - Credit for Micro and Small Enterprises.</p>

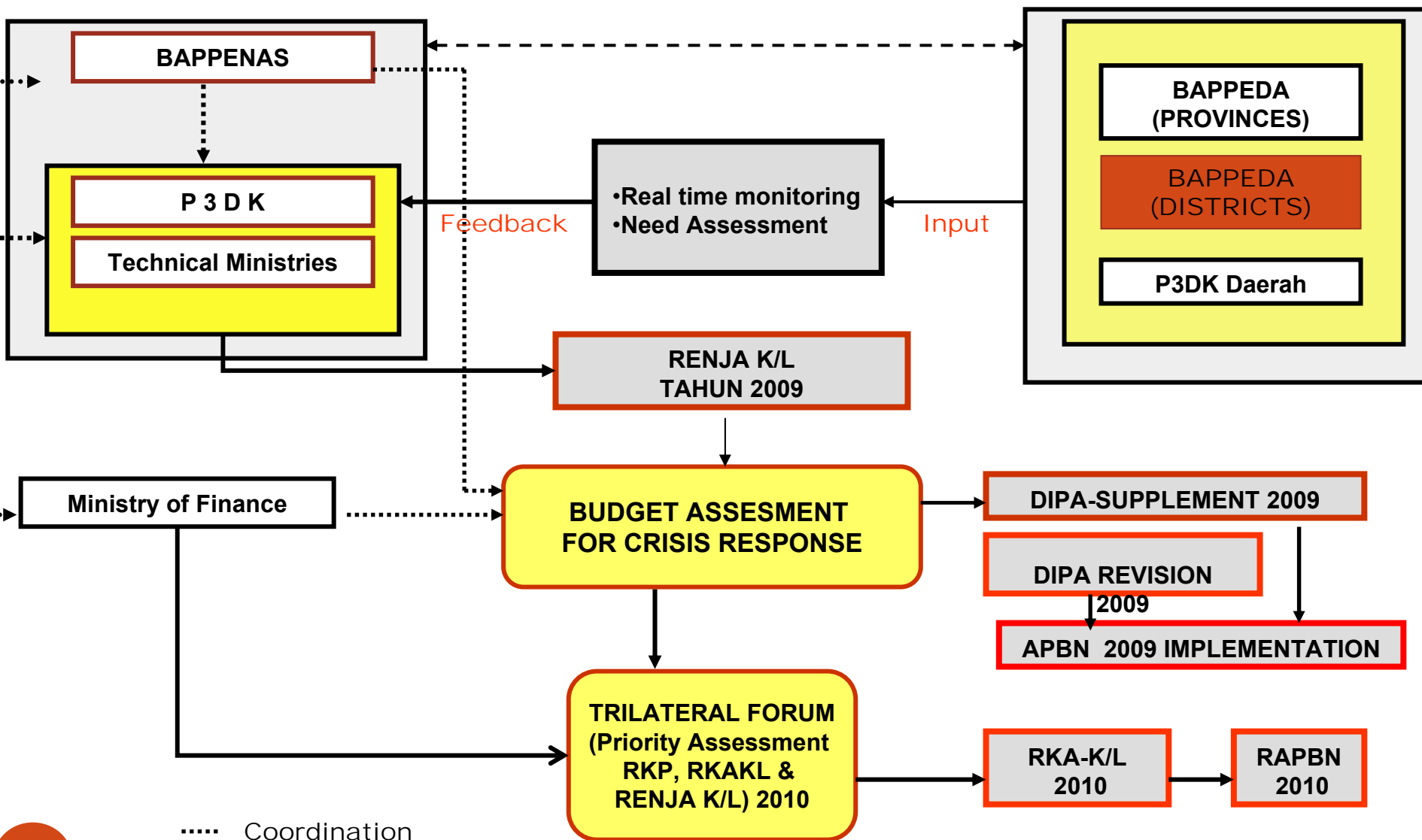
COORDINATION & SUPERVISION MECHANISM

1. Decision making process will be done through the Coordinating Team for Poverty Reduction (TKPK), led by the Coordinating Minister for People's Welfare. Task division among central government institutions are:
 - Coordinating Ministry for Economic Affairs will be responsible for macro policy and coordination with TKPK at Provincial and Districts level.
 - BAPPENAS for program development and budget, incl. for monitoring & managing the impact.
 - Technical ministries for the implementation of programs within 3 clusters
 - BPS for data coordination
2. For day to day management, Special Team for crisis impact monitoring and response will be formed & led by Bappenas:
 - Quick survey to monitor the impact
 - Response coordination through local government development agency (Bappeda).
 - Strengthening role and capacity of local government through facilitating and training in *pro-poor planning, budgeting, and money*.
3. Working with MOF to develop contingency procedures to accelerate procurement process, disbursement, etc.

ORGANIZATION STRUCTURE OF CRISIS MONITORING AND RESPONSE UNIT



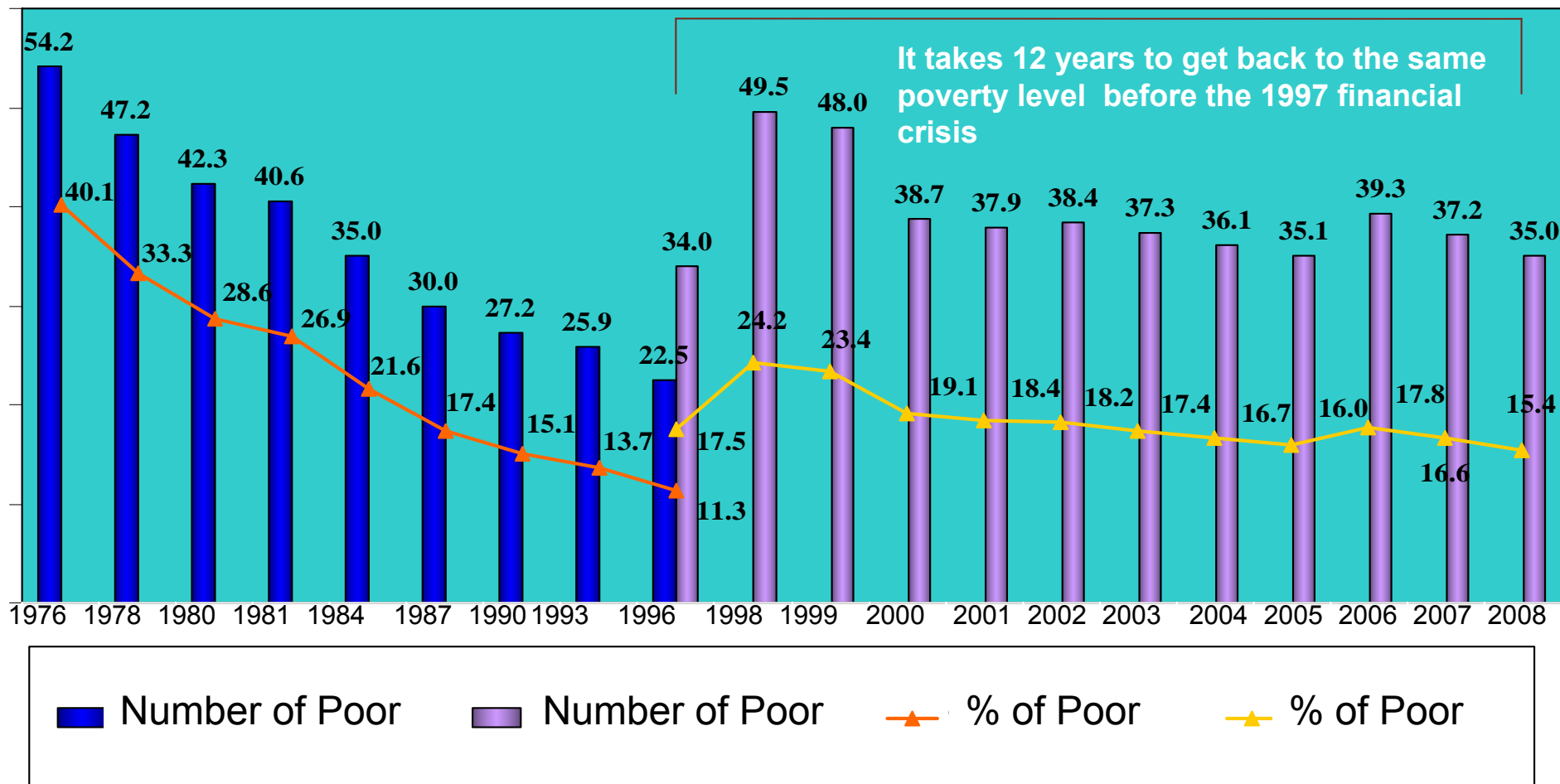
PLANNING AND BUDGETING FRAMEWORK FOR CRISIS MONITORING AND RESPONSE SYSTEM





Thank You
Terima Kasih

Poverty Trend in Indonesia: 1976-2008



Notes: Methodology improvement in 1996 due to the increase in interregional commodities

Understanding what's happening to the vulnerable during the crisis:

- 1. Decreasing demand of Indonesia's export (especially CPO, crude oil, plantation, foot-ware, textile, garment, handicraft and furniture).**
 - Exporters contracted their net profit until – 20,75 % by the end of 2008.
 - The production capacity is estimated decrease from 76,4% in 2008 to 70,8% in 2009.
- 2. Reduction of domestic productions that are labor intensive:**
 - The value of net profit decreased about 16,25 % on average.
 - Manufacture of Java's Industrial Zones has cut their production for 10%.
- 3. Lay off:**
 - Number of lay off: 100,000 workers in textile & garment industries, 40,000 workers in automotive, 30,000 workers in construction, 10,000 workers in electronics, and 3,500 workers in pulp & paper.
 - Total lay off is about 200,000 workers, 180, 000 were contracted workers; mostly in Java (Based on data of Indonesia's entrepreneur Association).