



OFFICE OF THE VICE PRESIDENT
THE REPUBLIC OF INDONESIA

Reaching Indonesia's Poor and Vulnerable and Reducing Inequality:

IMPROVING PROGRAMME TARGETING, DESIGN,
AND PROCESSES



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Foreword

Poverty reduction is a key priority of the Susilo Bambang Yudhoyono–Boediono government. As a sign of this commitment, the National Team for the Acceleration of Poverty Reduction (*Tim Nasional Percepatan Penanggulangan Kemiskinan* or TNP2K) was created to promote coordination across ministries/agencies to improve the implementation of poverty reduction programmes, improve the living standards of the poor and vulnerable, as well as reduce inequality among income groups. Presidential Regulation Number 15 of 2010 legitimises and legalises the creation and role of TNP2K.

TNP2K has two specific mandates: (1) establish a national targeting system that contains a list of the names and addresses of social assistance beneficiaries, hereinafter referred to as the Unified Database), and (2) improve the efficiency and effectiveness of various poverty alleviation programmes to reach beneficiaries. Both mandates are implemented through coordination with ministries/agencies. Coordination is more efficient if there is a common basis, that is, evidence from research results and actual data from the field.

This report outlines the achievements and coordination processes of evidence-based policy making. It is hoped that this report will not only document what TNP2K has done in the past five years but also serve as a reference for policy coordination in the future. The report itself cannot possibly detail all the processes, evidence, or achievements of TNP2K. Therefore, I invite all of our readers to also access our other reports, if more detailed information is required¹.

Having carried out our duties during the past five years, I would like to express deep gratitude to the Vice President, Professor Dr Boediono, for his leadership, direction, and support of TNP2K. I would also like to thank the ministries/agencies that have worked with us to reduce poverty in Indonesia. Our highest appreciation goes to the support given to the TNP2K, especially by the Department of Foreign Affairs and Trade (Government of Australia) through the Poverty Reduction Support Facility; World Bank Jakarta; U.S. Agency for International Development; and Deutsche Gesellschaft Für Internationale Zusammenarbeit. Last, but not least, my heartfelt gratitude and appreciation goes to all of our secretariat staff and policy working groups. This report is just one example of all the hard work they do every day for TNP2K.

Dr. Bambang Widianto

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Abbreviations

APBN	<i>Anggaran Pendapatan dan Belanja Negara</i> (Annual National Budget)
Bappenas	<i>Badan Perencanaan dan Pembangunan Nasional</i> (National Development Planning Agency)
BLSM	<i>Bantuan Langsung Sementara Masyarakat</i> (Temporary Unconditional Cash Transfers)
BLT	<i>Bantuan Langsung Tunai</i> (Unconditional Cash Transfer)
BPJS	<i>Badan Penyelenggara Jaminan Sosial</i> (Social Security Administrative Body)
BSM	<i>Bantuan Siswa Miskin</i> (Cash Transfers for Poor Students)
Bulog	<i>Badan Urusan Logistik</i> (National Logistics Agency)
DPM	<i>Daftar Penerima Manfaat</i> (target beneficiaries)
DPR	<i>Dewan Perwakilan Rakyat</i> (People's Representative Council)
FKTP	<i>Fasilitas Kesehatan Tingkat Pertama</i> (First-Level Health Facility)
Jamkesda	<i>Jaminan Kesehatan Daerah</i> (Regional Health Insurance)
Jamkesmas	<i>Jaminan Kesehatan Masyarakat</i> (Public Health Insurance)
JKN	<i>Jaminan Kesehatan Nasional</i> (National Health Insurance)
KIAT	<i>Kinerja dan Akuntabilitas Guru</i> (Teacher Performance and Accountability)
KPS	<i>Kartu Perlindungan Sosial</i> (Social Protection Card)
KUR	<i>Kredit Usaha Rakyat</i> (Credit for Businesses)
LAPOR!	<i>Layanan Aspirasi dan Pengaduan Online Rakyat</i> (Registering People's Aspirations and Service Complaints Online or REPORT!)
LP2KD	<i>Laporan Pencapaian Penanggulangan Kemiskinan Daerah</i> (Regional Poverty Reduction Achievement Report)
MI	<i>Madrasah Ibtidaiyah</i> (Islamic Primary School)
MIS	<i>Management Information System</i> (<i>Sistem Manajemen Informasi</i>)
MoEC	<i>Ministry of Education and Culture</i> (<i>Kementerian Pendidikan dan Kebudayaan</i>)
MoF	<i>Ministry of Finance</i> (<i>Kementerian Keuangan</i>)
MoRA	<i>Ministry of Religious Affairs</i> (<i>Kementerian Agama</i>)
MoSA	<i>Ministry of Social Affairs</i> (<i>Kementerian Sosial</i>)
MT	<i>Madrasah Tsanawiyah</i> (Islamic Junior Secondary School)
Musdes	<i>Musyawarah Desa</i> (Village Meeting)
Muskel	<i>Musyawarah Kelurahan</i> (Urban Ward Meeting)
OPK	<i>Operasi Pasar Khusus</i> (Market Operation for Sale of Subsidised Rice)
P4S	<i>Program Perluasan dan Percepatan Perlindungan Sosial</i> (Programme for Expanding and Accelerating Social Protection)
PBI	<i>Penerima Bantuan Iuran</i> (Premium Assistance Beneficiaries)
PKH	<i>Program Keluarga Harapan</i> (Conditional Cash Transfers for Poor Families)

PNPM	<i>Program Nasional Pemberdayaan Masyarakat</i> (National Programme for Community Empowerment)
PPLS	<i>Pendataan Program Perlindungan Sosial</i> (Data Collection for Social Assistance Programmes)
Raskin	<i>Subsidi Beras Bagi Masyarakat Berpendapatan Rendah</i> (Subsidised Rice for the Poor Programme)
Rp	Indonesian Rupiah
RTS	<i>Rumah Tangga Sasaran</i> (Target Households)
RTS-PM	<i>Rumah Tangga Sasaran–Penerima Manfaat</i> (Beneficiaries in Target Households)
SD	<i>Sekolah Dasar</i> (Primary School)
SKPD	<i>Satuan Kerja Pemerintah Daerah</i> (Local Government Working Unit)
SMA	<i>Sekolah Menengah Atas</i> (Senior Secondary School)
SME	Small and Medium-sized Enterprises
SMP	<i>Sekolah Menengah Pertama</i> (junior secondary school)
SMS	Short message service
SNKI	<i>Strategi Nasional Keuangan Inklusif</i> (National Strategy for Inclusive Finance)
SPA	<i>Surat Permintaan Alokasi</i> (Allocation Request Letter)
SPKD	<i>Strategi Penanggulangan Kemiskinan Daerah</i> (Regional Poverty Reduction Strategy)
Susenas	<i>Survei Sosial dan Ekonomi Nasional</i> (National Socio-Economic Survey)
TB	<i>Titik bagi</i> (share points)
TD	<i>Titik distribusi</i> (distribution point)
TKPK	<i>Tim Koordinasi Penanggulangan Kemiskinan</i> (Coordination Team for Poverty Reduction)
TKSK	<i>Tenaga Kesejahteraan Sosial Kecamatan</i> (Subdistrict Social Welfare Personnel)
TNP2K	<i>Tim Nasional Percepatan Penanggulangan Kemiskinan</i> (National Team for the Acceleration of Poverty Reduction)
UDB	Unified Database for Social Assistance Programmes (<i>Basis Data Terpadu Untuk Program Perlindungan Sosial</i>)
UKM	<i>Upaya Kesehatan Masyarakat</i> (Community Health Initiative)
UKP4	<i>Unit Kerja Pengawasan dan Pengendalian Pembangunan</i> (Presidential Working Unit for Development Supervision and Control)
UPPKH	<i>Unit Pelaksana Program Keluarga Harapan</i> (Central PKH Implementation Unit)



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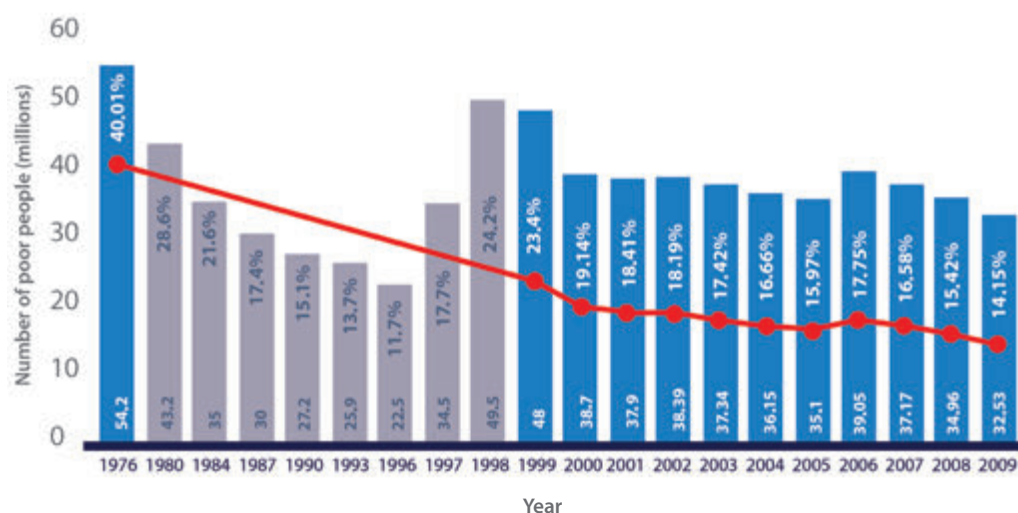
Introduction



Introduction

The two decades from 1976 to 1996 were among the most impressive periods of development in Indonesia and became known for rapid poverty reduction. During this period, the poverty rate in Indonesia fell from about 40 to 11.7 percent. This downward trend ended when Indonesia was hit by the 1997–98 Asian financial crisis. From the beginning of the year 2000, however, the downward trend in poverty rates resumed but at a slower pace compared with the pre-1997–98 crisis period. This slowdown in poverty reduction continued until the beginning of the SBY-Boediono administration in 2009, as shown in figure 1.

Figure 1. Decline of Poverty in Indonesia, 1976–2009



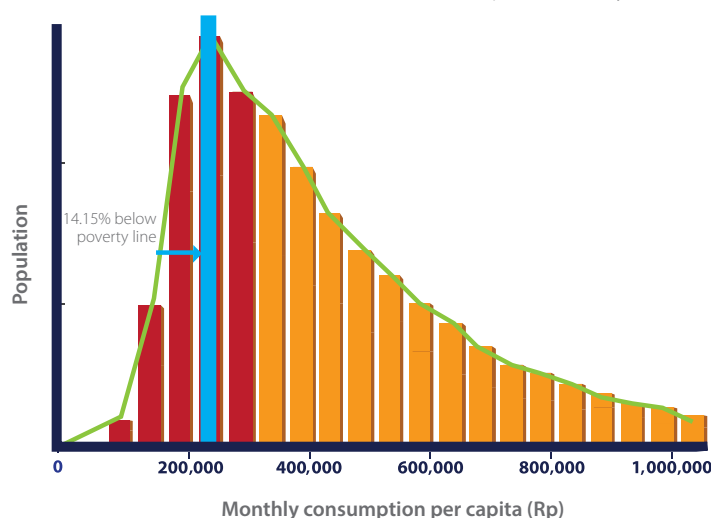
Source: Various publications by Statistics Indonesia.

The deceleration in the rate of poverty reduction is explained by at least two facts. First, when the poverty level is relatively low, the rate of poverty reduction will naturally decelerate more slowly than when the poverty level is high, for example, in the range of 30–40 percent. Second, when the rate of poverty reduction slows at a relatively low poverty level, it likely indicates chronic poverty, which requires a more complex and time-consuming response.

In 2009, the poverty rate was 14.15 percent, and the number of people who fell below the poverty line amounted to 32.53 million individuals. This figure is high, especially compared with the percentage of poor people in neighbouring countries. The SBY-

Boediono government has focused on this challenge from the beginning. In addition to the slowing decline in the poverty rate and numbers of poor, vulnerability to becoming poor was also a problem. As shown in figure 2, the distribution of expenditure per capita per month in 2009 was concentrated on the left side of the chart. This means that, in addition to the poor population, the number of people who were not categorised as poor but fell just to the right of the poverty line, indicated by the blue bar, was still quite high. This population group is referred to as the vulnerable group. Relatively small economic shocks can push those in the vulnerable group back into poverty. National Socio-Economic Survey (*Survei Sosial Ekonomi Nasional* or *Susenas*) data reveals that, in 2009, the poor and vulnerable accounted for at least 40 percent of Indonesia's total population at the time. This means that 4 out of 10 Indonesians were classified as poor or vulnerable to poverty.

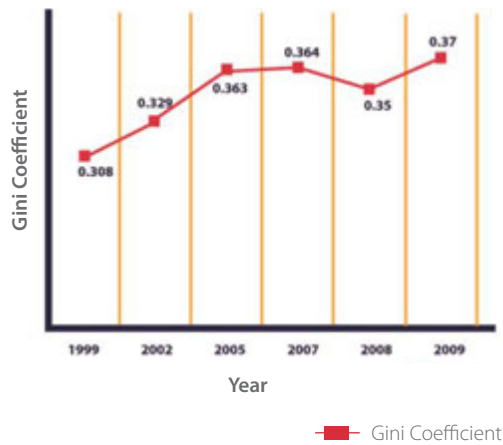
Figure 2. Distribution of Indonesian Household Expenditure by Month, 2009



Source: *Susenas (2010)*

The related issue of worsening income inequality was also examined at the beginning of SBY-Boediono's administration. As shown in figure 3, the Gini coefficient—an indicator of household expenditure gap—in Indonesia has tended to increase since the beginning of the year 2000. At the beginning of SBY-Boediono's government in 2009, the Gini coefficient had reached 0.37. This figure, although not very different from the previous year, crossed Indonesia's Gini coefficient 'psychological barrier', which for years had tended to remain between 0.35 and 0.36. The worsening income gap has shown that upper income groups have been enjoying a higher rate of growth than lower income groups. If unchecked, this situation could, in the long run, lead to economic and social issues.

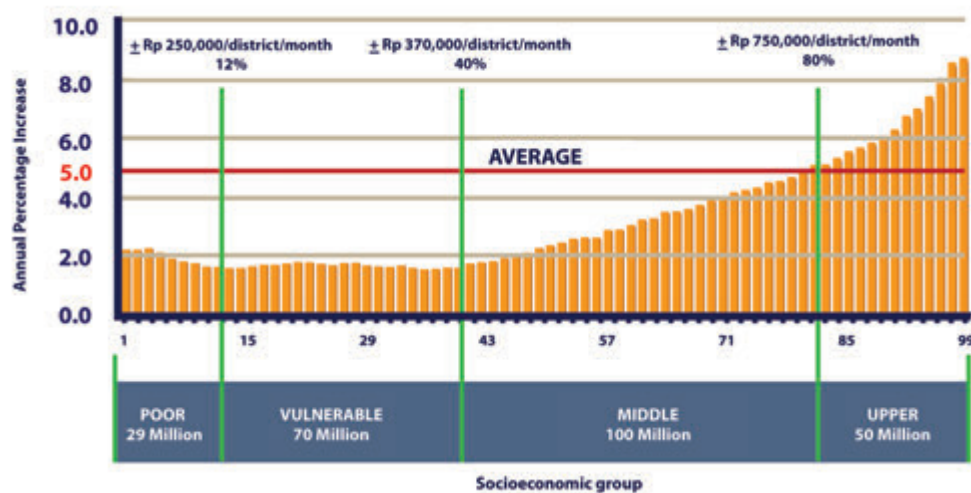
Figure 3. Indonesian Gini Coefficient, 1999–2009



Source: Statistics Indonesia

What illustrates inequality among income groups? Analysis of 2008 and 2012 Susenas data showed that spending growth for the poorest 40 percent of the population, although positive, was well below spending growth for the richest 20 percent. As shown in figure 4, spending by the poorest 40 percent grew by about 1.8 to 2.1 percent, whereas spending by the richest 20 percent grew by about 5.1 to 8.5 percent.

Figure 4. Public Consumption Growth, 2008–2012

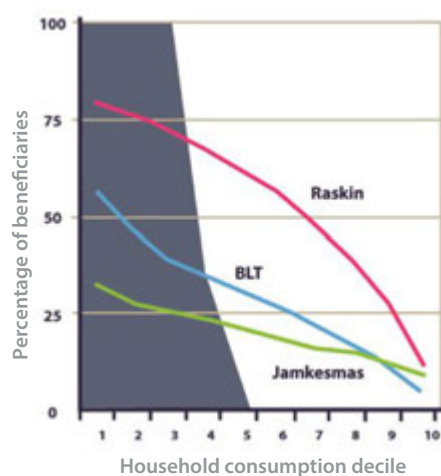


Source: TNP2K

In addition to issues related to poverty and inequality, the targeting accuracy of Indonesia’s poverty reduction programmes presented another challenge. As shown in figure, only a portion of target households (area shaded in grey) benefited from the Subsidised Rice for

the Poor (*Subsidi Beras bagi Masyarakat Berpendapatan Rendah* or Raskin), Unconditional Cash Transfer (*Bantuan Langsung Tunai* or BLT), and Public Health Insurance (*Jaminan Kesehatan Masyarakat* or Jamkesmas) programmes. However, figure 5 also illustrates that some nontarget households—those who are neither poor nor vulnerable—benefit from these programmes. Errors in which target beneficiaries do not receive the benefits of a programme are referred to as exclusion errors, whereas errors in which nontarget groups benefit from a programme are referred to as inclusion errors. A high rate of exclusion and inclusion errors affects the effectiveness of a programme and indicates that the database needs better programme targeting, design, and processes. In 2008, programme targeting performance was far from good. An analysis of Susenas data indicated that, in 2008, only 30 percent of the poor were beneficiaries of all three programmes: Raskin, BLT, and Jamkesmas.

Figure 5. Targeting Accuracy of Poverty Reduction Programmes, 2008



Source: Adapted from data from 2008 Susenas.

Note: Decile 1 is the poorest tenth of the population; decile 10 is the wealthiest tenth of the population.

TNP2K was established in early 2010 through Presidential Regulation (*Peraturan Presiden* or *Perpres*) Number 15 in response to the slowing decline of the poverty rate and increasing inequality. This *Perpres* was followed by the issuance of Ministerial Regulation (*Peraturan Menteri* or *Permen*) Number 42 of 2010 on the Institutional Structure and Process of the Local Poverty Reduction Coordination Team (*Tim Koordinasi Penanggulangan Kemiskinan Daerah* or *TKPKD*). The main mandate given to TNP2K was to increase the effectiveness of poverty reduction programmes, including improving (1) targeting, (2) programme design and delivery processes, (3) coordination among agencies to increase programme

effectiveness, and (4) supervision and control of poverty reduction programme implementation. In 2010–14, TNP2K improved policies related to poverty reduction by developing the Unified Database as a way to improve targeting of household- and individual-based programmes. TNP2K also improved the design and delivery processes of each programme from Clusters 1, 2 and 3. TNP2K made these overall improvements based on the needs of beneficiaries and other evidence obtained from the field.

This report documents the steps taken by TNP2K in accordance with its mandate to reduce poverty. The report covers the following topics:

- a. Targeting
- b. National Health Insurance (*Jaminan Kesehatan Nasional* or JKN)
- c. Temporary Unconditional Cash Transfers (*Bantuan Langsung Sementara untuk Masyarakat* or BLSM)
- d. Subsidised Rice for the Poor (Raskin)
- e. Cash Transfers for Poor Students (*Bantuan Siswa Miskin* or BSM)
- f. Conditional Cash Transfers for Poor Families (*Program Keluarga Harapan* or PKH)
- g. National Programme for Community Empowerment (*Program Nasional Pemberdayaan Masyarakat* or PNPM)
- h. Financial inclusion
- i. Youth employment
- j. Advocacy Work with the Coordination Teams for Poverty Reduction (*Tim Koordinasi Penanggulangan Kemiskinan* or TKPK)
- k. Pilot on the Performance and Accountability of Teachers (*Kinerja dan Akuntabilitas*).

Targeting



Introduction

Since 2009, Indonesia has implemented a series of social assistance programmes as part of efforts to improve the welfare of the nation, especially for those who are poor and vulnerable to poverty. These social assistance programmes can be divided into several groups based on the beneficiaries targeted. One group includes social assistance programmes that target individuals and/or households, such as Subsidised Rice for the Poor (Raskin), Public Health Insurance (Jamkesmas²), Cash Transfers for Poor Students (BSM), and the Conditional Cash Transfers for Poor Families (PKH) programme.

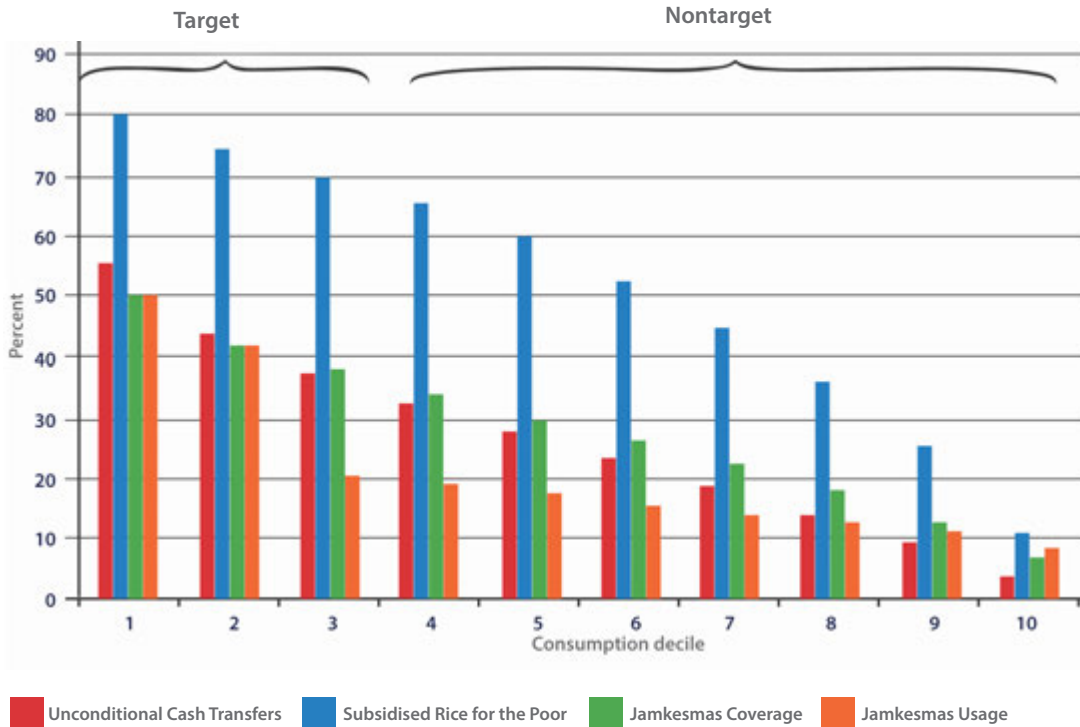
A major challenge for social assistance programmes is appropriately and accurately identifying target individuals and/or households. In 2009, each programme used a different process and method to overcome two challenges:

- a. Low accuracy of programme targeting, as reflected by the large number of exclusion and inclusion errors in several major programmes (figure 6).
- b. Low complementarity among programmes targeting eligible groups. Target groups eligible to benefit from several social assistance programmes actually received less than for what they are eligible. For example, some PKH beneficiary households were not beneficiaries of the Raskin and Jamkesmas programme, even though PKH beneficiary households are among the poorest households and should also have benefited from other social assistance programmes.



2. As of January 2014, Jamkesmas was renamed National Health Insurance (Jaminan Kesehatan Nasional or JKN).

Figure 6. Targeting Accuracy of Major Social Assistance Programmes



Source: Susenas

Both of these challenges directly impact the successful achievement of poverty reduction goals; improving the targeting system is a priority for addressing these challenges. Therefore, at the beginning of his administration, President Yudhyono mandated that Vice President Boediono be responsible for the acceleration of poverty reduction through the formation of TNP2K. TNP2K was established pursuant to Presidential Regulation Number 15 of 2010 on the Acceleration of Poverty Reduction and is chaired by the Vice President of the Republic of Indonesia. This agency became an important factor in providing the necessary support and encouragement to improve and accelerate efforts to reduce poverty. One key agenda item was the unification of the targeting system.

DEVELOPMENT OF A UNIFIED DATABASE

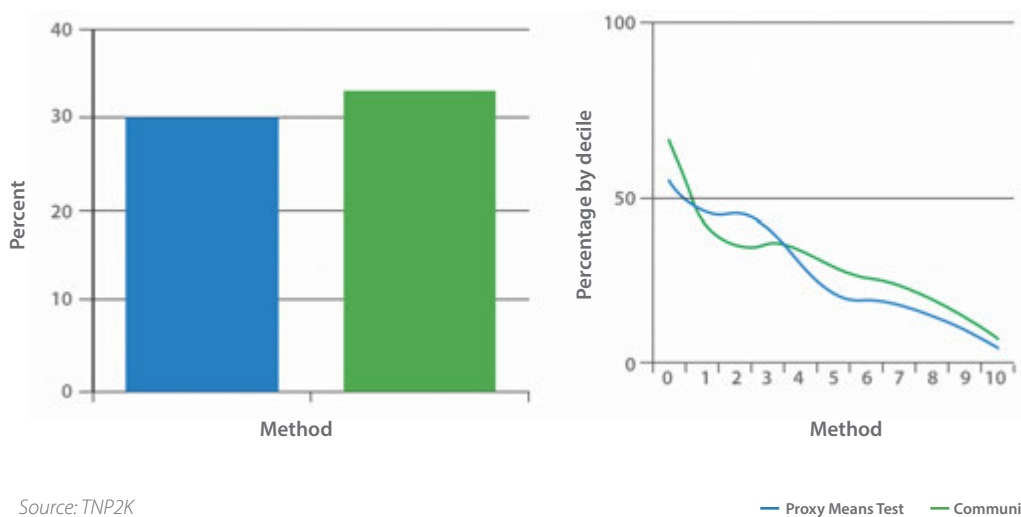
The main prerequisite for a unified targeting system is the availability of a national database that contains information on the characteristics of individuals and/or households that are potential target beneficiaries. This data can be used to select beneficiaries for social assistance programmes. To this end, TNP2K established a social assistance database called the Unified Database (UDB) for Social Assistance Programmes. The first important step

in building this database was household-level data collection activities for information on where individuals and/or households live and their socioeconomic conditions. This was not new for Indonesia. The 2005 Socioeconomic Data Collection (*Pendataan Sosial Ekonomi*) was carried out to target beneficiary households for the 2005/2006 and 2008/2009 BLT programmes. A similar data collection exercise was conducted in 2008, entitled 2008 Data Collection for Social Assistance Programmes (*Pendataan Program Perlindungan Sosial* or PPLS), which became a basis for targeting in PKH and other national programmes. However, at that time there was a lack of strong support and encouragement for using the results of the 2005 Socioeconomic Data Collection or 2008 PPLS as a basis for targeting in social assistance programmes.



TNP2K played an important role in coordinating all the elements and effort required in the development of the UDB, beginning with PPLS 2011 activities, which were designed to provide source data for the UDB. To ensure use of the most appropriate data collection method given the Indonesian context, TNP2K collaborated with the World Bank and the Abdul Latif Jameel Poverty Action Lab to conduct a series of experiments and research in several locations to test a variety of targeting methods. The results indicated that the Proxy Means Test provided more accurate results relative to other methods, allowing for better identification of the poorest in different locations in the country (figure 7).

Figure 7. Estimated Errors by Targeting Method



Source: TNP2K

Recommendations from this series of studies also became important input for Statistics Indonesia for improving the PPLS 2011 data collection process. Figure 8 presents the PPLS process in general.

Figure 8. PPLS 2011 Process



Source: TNP2K

Several innovations—some inspired by the study—were included by TNP2K in the PPLS 2011. These included:

- a. Increasing coverage of the data collection exercise to about 45 percent of the Indonesian population, compared with 29 percent in 2008.
- b. Use of the Poverty Map method to process 2010 Population Census data to compile the initial list of households to be included in PPLS 2011.
- c. Using a process of consultation with poor communities to identify unrecorded poor households.

- d. Adding characteristic variables of individuals and households to better predict the socioeconomic conditions of households and better accommodate the needs of the programme.

Once household data was collected, analysis was undertaken to obtain estimates of the socioeconomic conditions of each household. An important innovation at this stage were improvements to the Proxy Means Test method, including the addition and selection of socioeconomic condition predictor variables. In addition, the Proxy Means Test model was adjusted to the conditions of each district/municipality or, in other words, creation of a specific model for each district/municipality. The estimation results using the Proxy Means Test allowed for the further ranking of households based on their socioeconomic conditions. This ranking resulted in the selection of the 40 percent of households with the lowest socioeconomic conditions, or about 25 million households consisting of 96 million individuals for inclusion in the Unified Database, which the TNP2K Secretariat would manage.

MANAGEMENT AND USE OF THE UNIFIED DATABASE

The TNP2K Secretariat formed a special unit to manage the Unified Database, named the National Targeting Unit for Poverty Reduction (*Unit Penetapan Sasaran untuk Penanggulangan Kemiskinan*). This unit performs three main functions in the management of the UDB:

- a. Services for the programme provider: Collaborate with programme implementers to ensure that the Unified Database can be used to target social assistance programmes, as well as provide technical support to users of the Unified Database.
- b. Studies and research: Conduct studies or analyses to improve the quality of programme targeting, and monitor and evaluate the use of the Unified Database.
- c. Presentation of information: Build an information technology-based system to provide information on the Unified Database, including the development of a website that allows users to access 16 selected indicators for the provincial, district/municipality, and subdistrict levels. This information can be downloaded in the form of data and maps as a part of the Open Government Initiative coordinated by the Presidential Working Unit for Development Supervision and Control (*Unit Kerja Pemerintah bidang Pengawasan dan Pengendalian Pembangunan* or UKP4).



Since its launch in January 2012, the Unified Database has become a key reference for targeting national social assistance programmes, such as:

a. Subsidised Rice for the Poor (Raskin)

In July 2012, the Raskin programme began to use UDB data to target 17.5 million beneficiary households. It also used the UDB as the basis for targeting in 2013 and 2014 for about 15.5 million households.

b. Health Insurance for the Poor (Jamkesmas)

Since 2013 the Jamkesmas programme has used the UDB to determine its 84.5 million individual beneficiaries. Based on its coverage, Jamkesmas is the largest social insurance programme in Indonesia. When Jamkesmas evolved into the National Health Insurance (*Jaminan Kesehatan Nasional* or JKN) in January 2014, the basis for targeting beneficiaries to receive assistance toward premium payments (*Penerima Bantuan Iuran* or PBI) continued to be the UDB.

c. Cash Transfers for Poor Students (BSM)

One of the innovations supported by TNP2K in implementing the BSM programme

was switching the targeting processes to the UDB from those used by schools and school committees. The first phase in this adjustment was the issuance and delivery in 2012 of the 'BSM Beneficiary Candidate' card (herein referred to as BSM card) to 350,000 seventh grade students and in 2013 to 670,000 first and seventh grade students. Furthermore, since July 2013, each school-going member of a Raskin household automatically becomes a beneficiary of the BSM programme.

d. Conditional Cash Transfer Programme for Poor Families (PKH)

In mid-2012, PKH also used the UDB to target 484,000 new beneficiary households. In 2013, the PKH re-accessed the UDB to identify 800,000 additional households.

e. Child Assistance Programme–PKH (*Program Perlindungan Pekerja Anak*–PKH)

Managed by the Ministry of Manpower and Transmigration, this programme has also used the UDB to identify prospective programme beneficiaries, for example, 10,000 child workers in 2012 and 11,000 child workers in 2013.

f. Local Social Assistance Programmes

In addition to national social assistance programme providers, local governments have also used the UDB to target locally initiated social assistance programmes. As of April 2014, 31 provinces and 303 districts/municipalities had accessed and used the UDB. Aggregate data from the UDB has also been used by universities, non-governmental organisations, and others. All this use demonstrates the high level of interest and need for a reliable database for targeting programme beneficiaries and further affirms the UDB's strategic role in social assistance programmes.

To continually improve services for social assistance programme providers and UDB users, the TNP2K Secretariat also monitors and evaluates the UDB and its use:

First, at the beginning of 2012, TNP2K conducted an internal sampling that showed that about 90–95 percent of the names and addresses in the UDB could be found on the ground.

Second, in addition to the field inspection, TNP2K conducted an exercise to match the UDB with demographic data. The results from matching the UDB with data from the Ministry of Home Affairs' Population Administration (*Administrasi Penduduk* also known as Adminduk) revealed that 74.8 percent of the names and addresses in the UDB had both

a unique identity number (*Nomor Induk Kependudukan* or NIK) and Family Card (*Kartu Keluarga*) number.

Third, feedback from local governments in their roles as UDB users and local programme providers confirmed the importance of the involvement and active participation of local governments and communities in UDB data collection activities and updates. TNP2K's internal sampling and its matching of UDB data with demographic data in order to measure UDB quality—the purpose of monitoring and evaluation—indicated a relatively small number of issues associated with the UDB before, during, and after the programme implementation process. Nevertheless, issues with the UDB persist and need resolution. For more information about the UDB, see <https://bdt.tnp2k.go.id>.

USING THE UNIFIED DATABASE FOR SOCIAL PROTECTION CARD TARGETING AND DATA UPDATING

In mid-2013, the government officially reduced the fuel price subsidies and allocated the savings to assist targeted poor households. As part of this reallocation, the government launched the Programme for the Acceleration and Expansion of Social Assistance (*Program Percepatan dan Perluasan Perlindungan Sosial* or P4S). It did so by issuing Social Protection Cards (*Kartu Perlindungan Sosial* or KPS) to beneficiaries of social assistance programmes. These cards were issued to be valid until the end of 2014. Target households totalled 15.5 million or the poorest 25 percent of the individuals identified in the UDB. Households with a KPS are entitled to access benefits for the BLSM, BSM (if they have children in school), and PKH (for households/families categorised as very poor households) programmes. Use of the KPS further strengthened social assistance initiatives by improving programme targeting and the complementarity of the social assistance programmes. Figure 9 is an example of the KPS.

Figure 9. Social Protection Card (KPS)

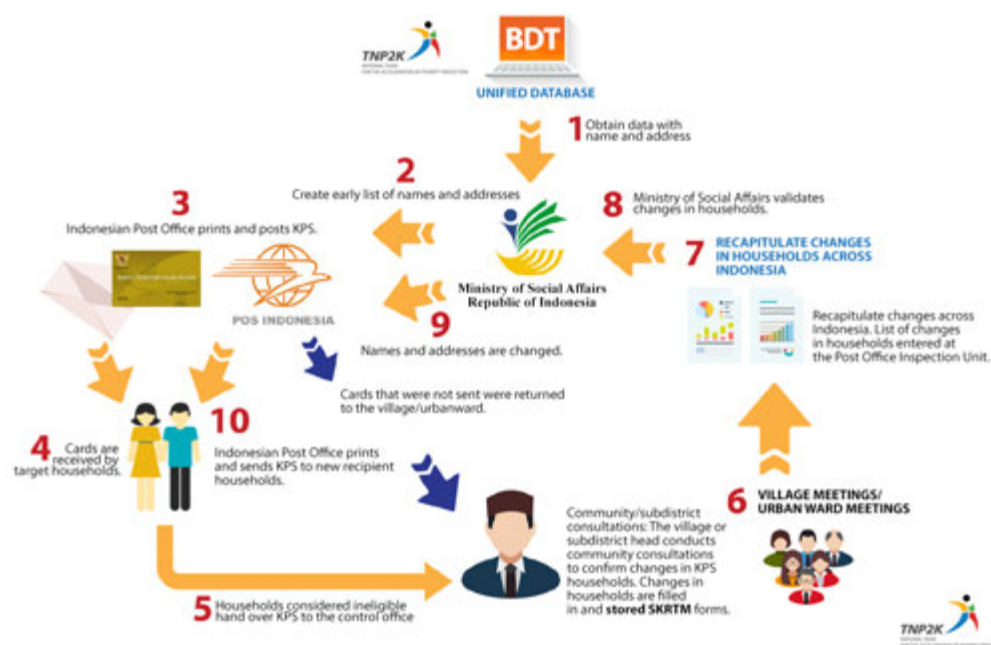


Source: TNP2K

The KPS was the first card launched by the Indonesian government that could be used to obtain benefits from various social assistance programmes.

In addition to issuing the KPS to improve targeting performance, TNP2K also proposed and designed a process to update KPS beneficiary data. The prohibitive cost, complexity, and time-consuming nature of such data collection, however, means that it cannot be an annual exercise. Therefore, TNP2K proposed a method for updating data at the grassroots level through a series of village and urban ward meetings (figure 10). Results from 2013 indicate such meetings could be a good option for updating the Unified Database in the future. In 2013, it was agreed that 350,000 households of 15.5 million households (about 2.3 percent) would be updated.

Figure 10. Process for Updating KPS Beneficiaries



Source: TNP2K

NEXT STEPS FOR TARGETING

An internal TNP2K review and feedback from social assistance programme providers and other UDB users indicated that the UDB, which includes basic information on households and individuals required for implementation of such programmes, is greatly needed (Bah, Mardiananingsih, and Wijaya 2014). However, the UDB still needs to be improved

to accommodate the individual goals and needs of each programme. Furthermore, changes in demographics, migration, and socioeconomic conditions of beneficiaries require periodic UDB updates. Several updating methods are available at different levels and could complement each other:

Programme level

Updates based on feedback from UDB users about individuals and households that register or withdraw as programme beneficiaries. Information about the identification of and changes in programme beneficiaries routinely communicated to UDB managers so data is up to date.

Local level

Periodic updates completed by local governments, which have the closest and most direct contact in the field with programme implementers and also have the most information about conditions in the region.

National level

Periodic updates on a national scale every three or four years through a comprehensive process involving the central government, local governments, and communities.

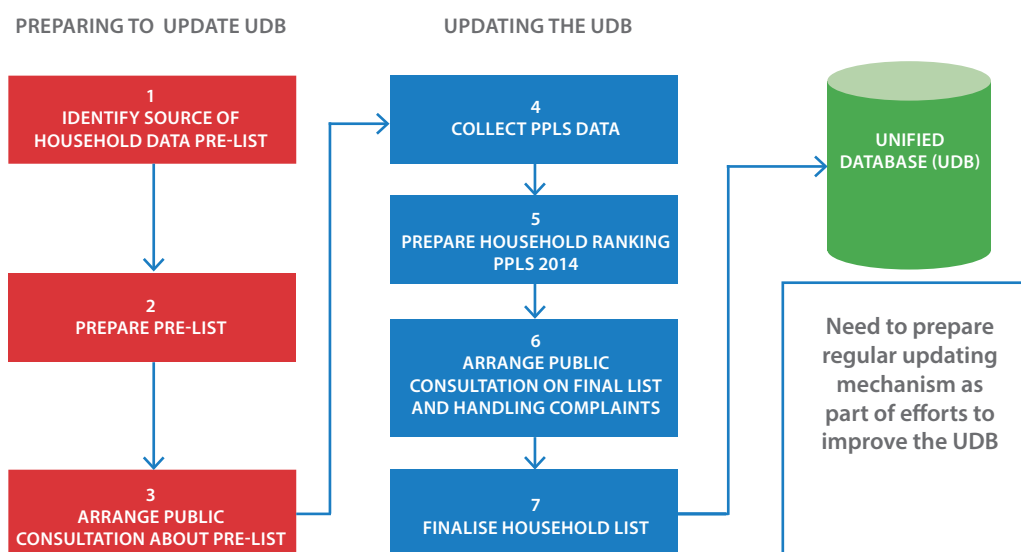
The following points should be considered in a national update of the UDB:

- a. Harmonising new quotas for target households with previous quotas. It is important to avoid a large difference between the quotas already in place for poor households and the proposed coverage of social assistance programmes for each location. The benefit of real-time quota synchronisation and data collection is to minimise sudden changes in the quota of target households to enable smooth programme implementation at any level below the national level.
- b. Involving ministries/agencies that provide social assistance programmes from the early stages of targeting activities. The experience of ministries and agencies in programme implementation is critical to improving targeting. The identification and subsequent record of beneficiaries is essential to the preparation of the pre-list of poor households. Therefore, concerns that some

potential programme beneficiaries may not be covered by the UDB can be addressed, except in cases where socioeconomic conditions change after data collection.

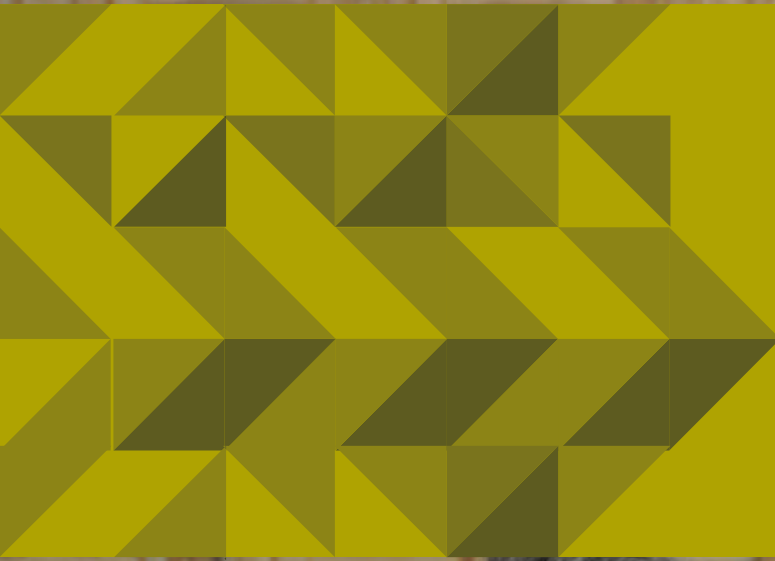
- c. Encouraging greater participation by and involvement of local governments and communities. The consultation process with the poor needs to be improved and expanded to larger groups of poor people. Public participation can be promoted through additional activities during the updating process, for example, public consultation events at which communities receive a list of beneficiaries for feedback on its accuracy. Figure 11 presents an alternative process for a comprehensive nationwide UDB update.

Figure 11. Proposed UDB Updating Steps



Source: TNP2K

Accurate targeting is key to the success of social assistance programmes; therefore, the maintenance and improvement of UDB functions is important. Improvements to the UDB will have a direct bearing on the improvement of social assistance programme targeting as well as complementarity among such programmes. The KPS, which will expire at the end of 2014, should be continued in order to further strengthen the targeting of social assistance programmes.



Temporary Unconditional Cash Transfers (BLSM)



Introduction

The Temporary Unconditional Cash Transfers (*Bantuan Langsung Sementara Masyarakat* or BLSM) programme was one form of compensation provided to poor and vulnerable households to compensate for rising fuel prices in 2013. BLSM is not designed as a long-term solution to poverty but instead to act a short-term measure to prevent a decline in the purchasing power of poor households, which could in turn have implications in terms of asset sales, school attendance, consumption of nutritious foods, and child labour reduction, among others.

The implementation of BLSM 2013 was informed by the success of the 2005/2006 and 2008/2009 BLT programmes in sustaining the consumption levels of poor and vulnerable households after fuel price hikes in 2005 and 2008. Several evaluations indicated that the distribution of BLT funds was timely and effective in the short term in sustaining household consumption despite rising fuel prices. BLT beneficiary households in 2005 successfully planned their expenditures (for example, by reallocating or reducing their consumption) to overcome the negative impact of rising fuel prices, so their level of consumption did not change significantly. Furthermore, Bazzi et al (2014) found the BLT to be highly effective if cash assistance was provided in a timely manner; delays in cash assistance disbursement led to a decline in household consumption by 7.5 percent.

In 2013, the BLSM programme targeted the poorest 25 percent of households in Indonesia. According to the Unified Database, the number of targeted households (*Rumah Tangga Sasaran* or RTS) that received BLSM benefits was 15,530,897. A Social Protection Card (KPS) was sent directly to each target household³. BLSM beneficiaries were required to bring their KPS and supporting documents to their nearest post office to collect the cash assistance.

The amount and duration of the BLSM was influenced by poverty line inflation (2008–13), the duration of the initial inflationary impact of fuel price hikes, and the government's fiscal capacity. Based on an evaluation of the impact of fuel price hikes in 2005 and 2008, BLSM was set at Rp 150,000 per month over a four-month period (table 1). With assistance per household totalling Rp 600,000, BLSM amounted to about 15 percent of the income of poor households. At this level, the BLSM programme was expected to be effective

3. See the description on KPS in the section on targeting.

in protecting the welfare of poor and vulnerable households and simultaneously not causing a reduction in the productivity of beneficiary households. The total budget for the 2013 BLSM was Rp 9,318.5 billion (table 1).

Table 1. BLSM Implementation Budget, 2013

Item	APBN-P 2013
Target Households	15,530,897
Value of assistance/month (Rp)	150,000
Duration (months)	4
TOTAL (Rp. billions)	9,318.5

Source: Based on data processed and approved by the MoF

The Ministry of Social Affairs (MoSA) implements the BLSM programme. However, because BLSM is meant to compensate for fuel price hikes, its implementation is coordinated by the Vice President of the Republic of Indonesia. The Vice President chairs the Central Control



Team, which consists of a consortium of ministries, and the Programme Implementation Agency. The Central Control Team provides guidance to Local Government Working Units (*Satuan Kerja Pemerintah Daerah* or SKPD) in their capacity as provincial/district-level programme providers.

BLSM CHALLENGES

Based on the results of a study on the implementation of BLT in 2005 and 2008, TNP2K identified the following challenges:

a. BLSM Beneficiary Household Targeting

A World Bank study (2011) revealed that 40 percent of the poorest households in Indonesia in 2008 received two-thirds of total BLT funds. Figure 12 shows that the greatest mistargeting occurred in the province of Nanggroe Aceh Darussalam and all provinces in East Nusa Tenggara, Kalimantan, Papua, and West Papua. Targeting accuracy was highest in East Java.

Figure 12. Under- and Overcoverage of BLT Targeting, 2008



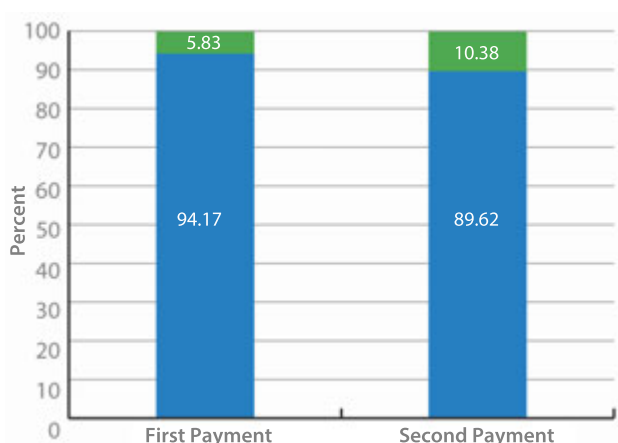
Source: World Bank (2011)

Factors causing BLT/BLSM mistargeting include issues with source data and an imperfect beneficiary verification process. SMERU (2011) indicated that the verification process of 2008 BLT beneficiary households from the 2005 Socioeconomic Data Collection was not effective. Verification, which should have involved all levels of society, only involved leaders in urban wards.

b. Households Receiving the Correct Amount of BLT

One of the main challenges in BLT/BLSM implementation has been ensuring that beneficiary households receive the correct amount of BLT. The payment process through PT Pos Indonesia and the use of a barcode only ensures that the right amount of benefits is paid to households at post offices. However, it cannot prevent a reduction in this assistance, for example, if households arrange for an intermediary to pick up the benefit for a fee. A 2006 SMERU study (figure 13) showed that nearly 6 percent of 2005 BLT beneficiaries experienced such a benefit reduction in their first payment. For the second payment, the percentage increased to about 10 percent of 2005 BLT beneficiaries.

Figure 13. BLT Reductions, 2005/2006



Source: SMERU (2006)

Similar analysis by the World Bank (2011) showed that, in 2005/2006, 10 percent of households experienced a reduction in BLT benefits (table 2). Unfortunately, this percentage increased to 40 percent of beneficiaries for the 2008-2009 BLT. The intention of those distributing benefits was to divide them equally among both BLT beneficiaries and non-beneficiaries and to cover the cost of issuing new identity cards.

Table 2. Reduction Experienced by BLT Beneficiaries, 2005/2006 and 2008/2009

	2005/2006		2008/2009
FREQUENCY (%)	10		45-54
TOTAL (RP IN THOUSANDS)	Tranche 1	Tranche 2	
Mean	53	72	67
Median	20	60	50
Mode	10	100	100
DEDUCTED BY:			
Most Frequent	Head of Hamlet (51%)		N/A
Second Most Frequent	Head of Village (25%)		N/A
DEDUCTED FOR:			
Most Frequent	On Average (63%)		Redistribute Equally (42%)
Second Most Frequent	Transportation Fee (26%)		New Identity Card (29%)

Source: World Bank (2011)

c. Public Awareness Initiatives

Raising public awareness of the BLT and BLT data collection process is key to the BLT programme's success. However, the World Bank (2011) and SMERU (2011) found that the dissemination of such information was its greatest challenge during the 2005 and 2008 implementation processes. Structured awareness raising was only undertaken up to the district/municipality level. Households obtained information on the BLT and BLT processes from various channels, such as subdistrict heads, village heads, television, and radio. This limited communication led to different interpretations by communities, which proved to be among the more serious difficulties for BLT implementers to overcome.



d. Public Complaints

A main component in the implementation of this social assistance programme has been a complaints system through which households can submit complaints related to programme implementation. The World Bank (2011) estimated that one-third of beneficiary households faced implementation issues during the 2005 BLT.

POLICIES TO IMPROVE IMPLEMENTATION OF THE 2013 BLSM PROGRAMME

Based on an evaluation of the challenges faced during implementation of the 2005/2006 and 2008/2009 BLT, TNP2K strived to improve the 2013 BLSM by:

a. Increasing the Accuracy of BLSM Beneficiary Household Targeting

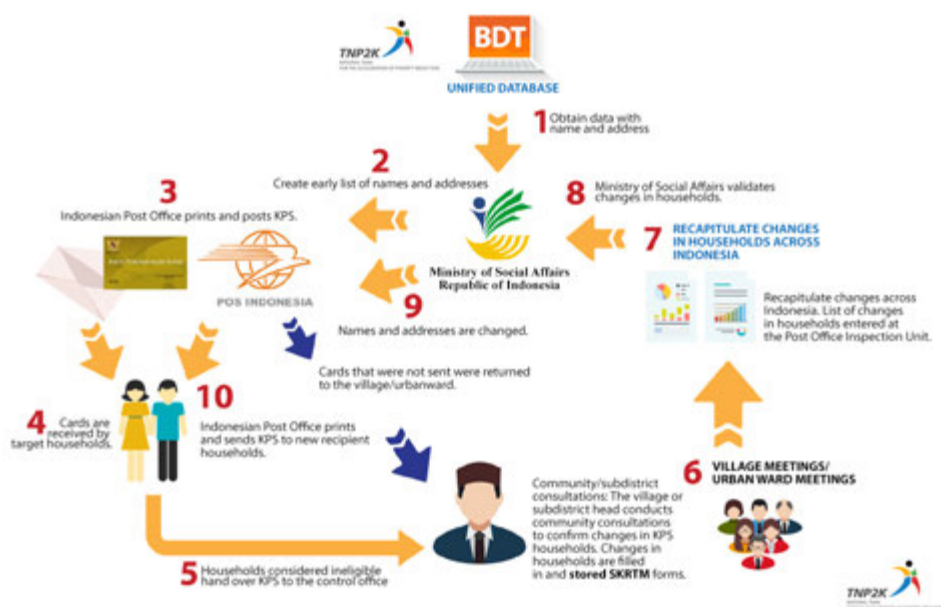
In 2013, the list of BLSM beneficiary households was still comprised using the 2011 UDB, which represented socioeconomic conditions in 2011 and not changes to these conditions that took place between 2011 and 2013. TNP2K recognised that demographic, social, and economic conditions had changed for some poor and vulnerable households in Indonesia and developed an updating process (figure 14) to ensure that the BLSM beneficiary households selected aligned with reality in 2013. This updating process relied on community input through village meetings (*musyawarah desa* or *musdes*) and urban ward meetings (*musyawarah kelurahan* or *muskel*)⁴, during which participants worked to verify the lists sent to them by TNP2K.

The implementation of this updating process required an administrator at the subdistrict level; therefore, TNP2K and MoSA collaborated with subdistrict social welfare personnel (*Tenaga Kesejahteraan Sosial Kecamatan* or TKSK) to administer the updating process. To ensure that TKSK shared the same understanding of their duties and functions in data updating, TNP2K and MoSA distributed TKSK handbooks to all TKSK.

To ensure that MoSA obtained an accurate list of people who should receive BLSM, the Management Information Systems (MIS) team at the TNP2K Secretariat and PT Pos Indonesia together developed a system to revise the list of target households

4. More detailed description about the process of updating the list of BLT target households is found in the *Handbook of Information Dissemination and Implementation of Compensation Programmes for the Fuel Subsidy Price Adjustment Policies in 2013*.

Figure 14. Social Protection Card (KPS) Beneficiary Updating Process



Source: TNP2K

online (Replacements Summary Form System). They processed data from the *musdes/muskel* on targeted households, organising them into those to remove and those to add to the list. The data input process was conducted at the district/municipality level by the Audit Office (*Kantor Pemeriksa*) of PT Pos Indonesia. In November 2013, towards the end of the updating process, 402,861 KPS were returned or withdrawn and 333,331 new KPS issued. Based on the data of those households that replaced the ones removed, MoSA carried out a process of ratification in order to print Replacement-KPS (*KPS-Penggantian*) so these new beneficiary households could access the BLSM and other social assistance programmes.

b. Coordination between Central and Local Governments

The implementation of the KPS data updating process and handling of public complaints involved government officials at the subdistrict and urban ward levels. To ensure a common understanding of the relevant duties and functions, TNP2K in cooperation with the Ministry of Home Affairs (*Kementerian Dalam Negeri*) drafted and issued the Minister of Home Affairs Instruction (Inmendagri) Number 541/3150/SJ of 2013 on the Management of Programme Issues of the Programme for the Acceleration and Expansion of Social Protection (*Program Percepatan dan Perluasan Perlindungan Sosial* or P4S) and other special programmes. These instructions covered the duties and responsibilities of local governments in implementing P4S and other special

programmes and were sent by telegram to all provincial and district/municipality governments in Indonesia.

c. Dissemination of Information provision and public complaints

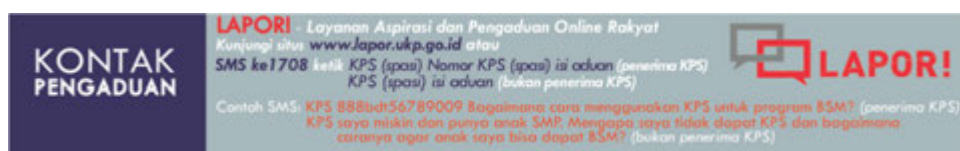
A weaknesses of the 2005/2006 and 2008/2009 BLT was a lack of grievance redressal mechanism for beneficiaries. Therefore, for the implementation of the 2013 BLSM, TNP2K collaborated with the Ministry of Home Affairs and UKP4 to provide multiple channels for public complaints. Channels for complaints now include the following:

- **LAPOR! UKP4**

Implementation of the programme to compensate for fuel price hikes included a complaint handling mechanism in the form of the LAPOR! (*Layanan Aspirasi dan Pengaduan Online Rakyat*, which translates to Registering People's Aspirations and Service Complaints Online or REPORT!) web portal. This channel is an integrated web portal accessible by the public at **www.lapor.ukp.go.id**. In addition, individuals can also submit complaints by sending a short message service (SMS) to the telephone number 1708 using the following format:

[Number of KPS] [Complaint] (KPS beneficiary) or [KPS] [Complaint] (nonbeneficiary).

Figure 15. LAPOR! Public Awareness Materials



Source: UKP4 dan TNP2K

As the TNP2K Secretariat was assigned to manage the KPS, its primary task regarding KPS was to direct complaints or questions to the appropriate programme implementers. In managing the UDB, TNP2K handles requests related specifically to inclusion in social assistance programmes.

Between July 2013 and June 2014, 25,115 inquiries and complaints were received about BLSM. Of these 1,694 have been acknowledged, that is, answered or forwarded to MoSA, leaving 23,421 inquiries and complaints unanswered. Of those handled, 362 have been resolved (i.e. no further communication was received from the complainant two weeks after the complaint was responded to) and 1,327 have not been processed.

In addition to managing LAPOR!, the TNP2K Secretariat also established the KPS coordination centre. It is responsible for providing information and complaints services either by mail, phone, SMS, or through visits to communities by groups or individuals responsible for communicating with the public on the KPS, BLSM, and P4S.

- **Village/Urban Ward and Subdistrict Complaint Centres**

Complaints can also be submitted at the village/urban ward and subdistrict levels (table 3). An advantage of direct complaints at the village/urban ward and subdistrict levels is that decisions can be quickly taken and solutions found by programme implementers at the community level, especially for complaints related to accessing benefits.

Table 3. Village/Urban Ward and Subdistrict Complaint Centres

	Village-Level Complaints	Subdistrict-Level Complaints
Coordination post's stance	Established by Village-Level Governments	Established by Subdistrict-Level Governments
Related elements	Head of Village/Urban Ward PT Pos Indonesia Religious Figure Community Figure Community Representative	Subdistrict Head PT Pos Indonesia Religious Figure Community Figure Community Representative

Source: TNP2K

d. Community Representatives

Raising public awareness is critical to the successful implementation of government programmes. For the implementation of BLSM in 2013, TNP2K collaborated with awareness strategy to reach various stakeholders. Appropriate media were determined based on the target audience and objectives of the dissemination.

- **Designing and Distributing Materials to Raise Awareness**

The Dissemination and Implementation handbook as well as the guidelines for Resolving Beneficiary Issues for the Social Protection Card were written and distributed to national and local governments to raise awareness about the fuel subsidy adjustment compensation programmes and help resolve issues on who may obtain a KPS. The KPS solution book guides local governments on updating the beneficiary lists through village and urban ward meetings. It also includes the Instruction of the Minister of Home Affairs Number 541/3150/SJ on the Distribution of Social Protection Cards and Public Complaints Handling Mechanisms.

Figure 16. The Handbook of Dissemination, Implementation and Resolving Beneficiary Issues with the Social Protection Card



Source: TNP2K, 2013

- **Raising Awareness of KPS Beneficiary Households**

KPS beneficiary households were given information on the purpose of the card and on how to take advantage of BLSM using the KPS. This information was delivered directly to households after BLSM had been formally incorporated into the revised 2013 Annual National Budget (*Anggaran Pendapatan dan Belanja Negara–Perubahan* or APBN-Revision).

Figure 17. TSK Handbook



Source: TNP2K, 2013

- **Raising Awareness of Subdistrict Officials and Village and Urban Ward Officials**

This effort had two main objectives: first, provide information on the KPS and how to use it to benefit from the P4S and BLSM programmes and, second, encourage the active participation of village officials in distributing the KPS, updating the beneficiary list, and establishing complaint centres at the subdistrict and village or urban ward levels. Public awareness materials have included KPS posters, a Circular

Letter (Instruction) from the Minister of Home Affairs, as well as a cover letter from the Coordinating Ministry for Social Welfare.

- **Raising Awareness of TKSK**

This effort had two main objectives: first, to provide information on the KPS and its use to village and urban ward officials and, second, to provide information on the duties and responsibilities of the TKSK in the KPS beneficiary household updating process, as well as general information on the implementation of the P4S and BLSM programmes. The TKSK have worked collaboratively with officers at PT Pos Indonesia subdistricts, villages, and urban wards. The TKSK handbook was sent to all TKSK at the subdistrict level (figure 17)



- **Raising Public Awareness**

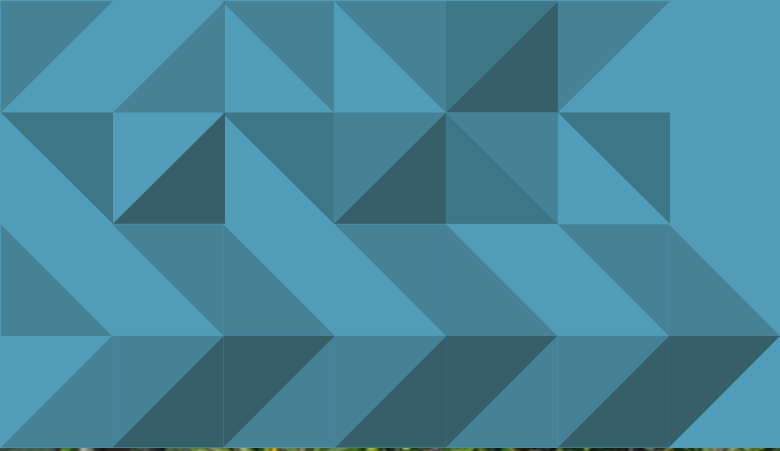
This effort included general knowledge of the KPS and its eligibility benefits (Raskin, BSM, and BLSM). Information was shared through press conferences attended by more than 100 local and national media outlets, through public service announcements in print and electronic media, as well as through the placement of posters and banners at strategic locations to reach the general public. All this work was done in collaboration with ministries/agencies and local governments.

NEXT STEPS FOR THE BLSM PROGRAMME

BLSM is a short-term instrument implemented to disburse funds quickly and simultaneously throughout Indonesia to counter economic shocks. As the time between the dissemination of information on compensation packages and the implementation of BLSM compensatory programmes tends to be short, efficient communication lines between central and local governments are a prerequisite to successful implementation. Therefore, central and local governments should evaluate the information distribution system (and the bureaucracy involved) and improve the effectiveness and efficiency of the distribution system.

Evaluations of BLT and BLSM implementation show continued weaknesses in the BLSM household beneficiary updating process; therefore, improvement in the design and implementation of the updating process is necessary.

The BLSM cash withdrawal process is currently centralised and executed through PT Pos Indonesia. Studies indicate that the collection of assistance presents a challenge to many beneficiary households (e.g. long queues). To overcome such obstacles, a new disbursement process is needed that uses multiple channels (such as banks, banking agents, and electronic money) to cater to the geographic and demographic characteristics of BLSM household beneficiaries.



Cash Transfers for Poor Students (BSM)



Introduction

The Cash Transfers for Poor Students (*Bantuan Siswa Miskin* or BSM) programme provides cash assistance directly to primary, junior secondary, and senior secondary students from disadvantaged backgrounds. Schools under the supervision of the Ministry of Education and Culture (MoEC) and the Ministry of Religious Affairs (MoRA), such as primary, junior secondary, senior secondary, and vocational schools, including their Islamic school equivalents are covered by the BSM programme⁵.



The programme, which began in 2008⁶, generally intends to:

- a. Remove barriers so that poor students can continue their schooling by providing access to better educational services.
- b. Reduce the number of dropouts and encourage school-aged children from both poor and vulnerable households to return to school.
- c. Support the completion of the of Nine Year Universal Basic Education Programme (*Program Wajib Belajar Pendidikan Dasar* or *Wajar Dikdas*) potentially up to university level.

⁵ These include, respectively, *madrasah ibtidaiyah* (MI), *madrasah tsanawiyah* (MT) and *madrasah aliyah* (MA).

⁶ The provision of assistance to poor students started at the time of the economic crisis in 1998 through the Social Safety Net for Education Programme (*Program Jaringan Pengaman Sosial Bidang Pendidikan*), which has since evolved into the BSM programme.

The BSM programme also supports the government's commitment to increasing enrolment rates, especially in poor and remote districts and municipalities. BSM is not referred to as a scholarship programme, in compliance with a Constitutional Court decision that scholarships are awarded based on merit and not socioeconomic status. BSM complements the School Operational Assistance (*Bantuan Operasional Sekolah* or BOS) programme, which is designed to ease the burden students face in paying for the operational costs of school.

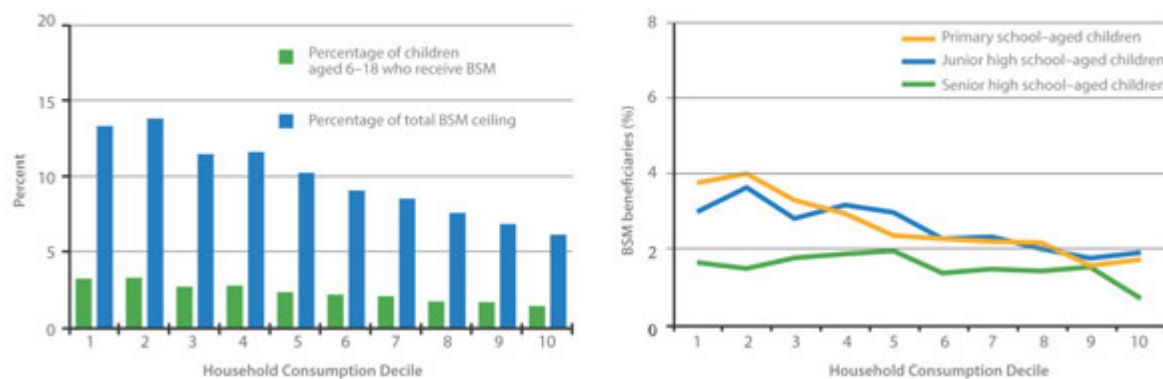
2008–2012 IMPLEMENTATION CHALLENGES

Based on existing studies, TNP2K identified several challenges when implementing the BSM programme in 2008–12, including:

a. BSM Programme Target Beneficiaries

At the start of the BSM programme, beneficiaries comprised of students from poor households who were selected by schools. Figure 18 shows the inaccuracy of this targeting method: many BSM beneficiaries did not come from poor families/households (inclusion error) and many students from poor families/households did not receive BSM benefits (exclusion error).

Figure 18. Evaluation of BSM Programme Targeting Accuracy



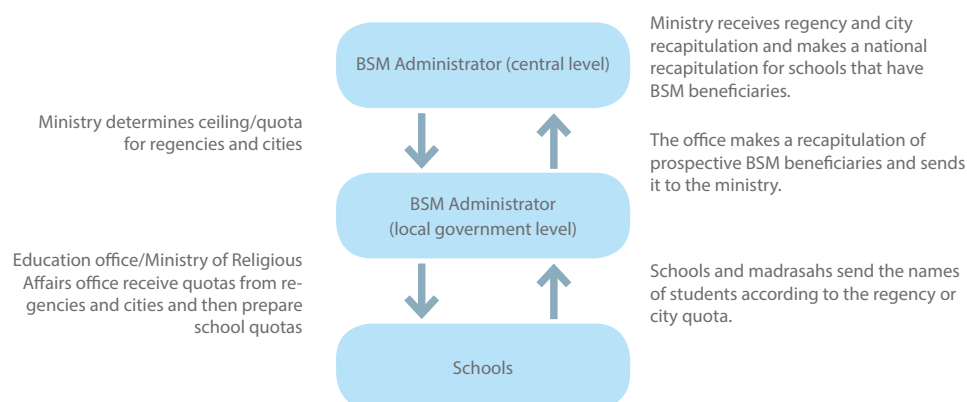
Source: Susenas (2009) and World Bank (2012)

Figure 19 illustrates the process for targeting potential BSM beneficiaries:

- a. BSM administrators at the central level (ministry) determine the maximum number of BSM beneficiaries in each district/municipality.
- b. Based on this information, each district education office or district/municipality

- MoRA office then distributes and assigns the maximum number of BSM beneficiaries at each school/madrasah.
- c. Each school/madrasah then targets the BSM programme beneficiaries and sends this information to its district education office or district/municipality MoRA office.
 - d. After receiving these proposals from schools/madrasah, the district education office or district/municipality MoRA office reconfirms the total number of district/municipality-level BSM beneficiaries and submits it to the MoEC and MoRA.
 - e. MoEC and MoRA then produce a national total of BSM beneficiaries as set out in the Decree (*Surat Keputusan*) on Determining the National-Level BSM Programme Beneficiaries.

Figure 19. Process followed for BSM Targeting Process, 2008–12



Source: TNP2K

There are two drawbacks to this process.

- Determination of school/madrasah-level BSM student beneficiaries. Schools whose proposed lists of beneficiaries exceed the quota may have included students who do not necessarily qualify for BSM (inclusion error). Conversely, some schools submit the exact number of students allowed in the quota, which may mean that some poor students are left out (exclusion error).
- School-based targeting process. As school/madrasah principals, the school/madrasah committee, and teachers identify which students are entitled to BSM programme benefits, the process can become subjective. Indicators used by schools to select students are not always clear and often difficult to monitor.

b. Amount of BSM Programme Assistance Received by Students

An accurate amount of BSM assistance to cover educational costs not related to tuition is an important incentive for poor and vulnerable households to send their children to formal schooling. Until 2012, the value of BSM assistance had not been enough to cover non-tuition education expenses. A TNP2K Secretariat evaluation of results based on the 2009 Susenas showed that these benefits only covered about 30 to 40 percent of the total cost of education incurred by poor households (table 4).

Table 4. Evaluation of the Accurate Amount of BSM Programme Assistance

Education Level	Operational Cost of Education (Rp)*	Personal Cost of Education (Rp)*	Value of BSM Benefits in 2012 (Rp per student per academic year)
Primary	210,000	910,000	910,000
Junior Secondary	390,000	1,390,000	1,390,000
Senior Secondary	940,000	1,660,000	1,660,000

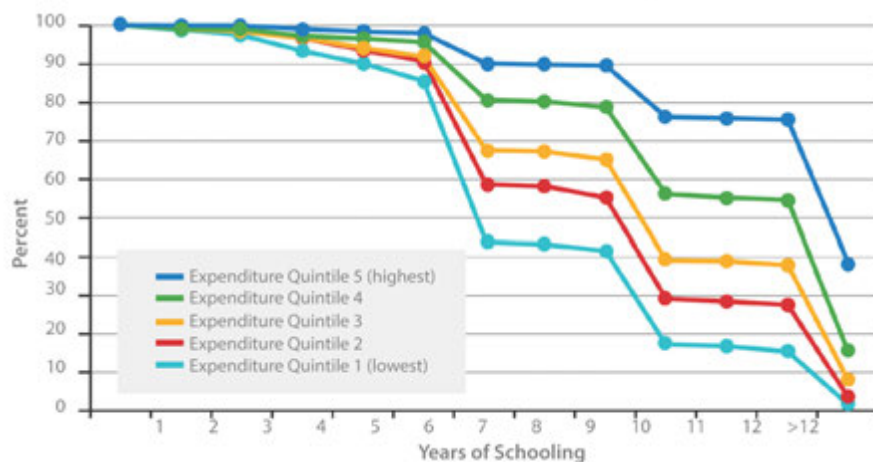
Source: Susenas (2009)

*Operational cost of education is covered by the BOS programme

c. Timeliness of BSM Disbursements

By providing BSM assistance at the beginning of each academic year, the government is better able to maintain enrolment levels among poor students as it provides them with the money necessary to graduate to the subsequent grade/class. Until 2012, BSM assistance was received by students periodically in March and September, while the disbursement of BSM assistance in June was minimal. The results of an evaluation conducted by TNP2K found that the critical periods for household finances are at the end of the school year in May/June and at the beginning of the school year in July, particularly when students transition from one education level to the next, such as primary to junior secondary school (or equivalent) and from junior secondary to senior secondary school (or the equivalent).

Figure 20. Evaluation of the Likelihood of Continued Education by Expenditure Quintile



Source: Susenas (2009)

d. BSM Programme Beneficiary Coverage

The BSM programme intends to cover all children from poor and vulnerable households; however, table 5 shows that BSM coverage was very limited. For primary level and equivalent schooling, BSM could cover only half of all students from poor households. For junior and senior secondary or equivalent levels, BSM could cover only students from poor households, not vulnerable ones (table 5).

Table 5. BSM Beneficiaries Based on UDB and Magnitude of BSM Coverage, 2011

PERSENTILE	POOREST 10%	POOREST 20%	BSM COVERAGE (2011)
Total number of primary-level children (public and religious schools)	5,742,817	9,193,965	2,790,000
Total number of junior secondary-level children (public and religious schools)	1,692,658	2,936,195	1,598,212
Total number of senior secondary-level children (public, vocational, and religious schools)	648,190	1,239,834	706,124

Source: UDB (2011) and BSM Implementation Guidelines (MoEC and MoRA 2011).

e. Lack of Knowledge on How to Access the BSM Programme

Preliminary results from the implementation of the BSM programme in 2013, which was made available to compensate for fuel price hikes through the P4S and KPS, reveal that the take-up rate (KPS and BSM cards) for the BSM programme was under 10 percent. The cause of the low take-up rate was, among other things, that target households (*Rumah Tangga Sasaran Penerima Manfaat* or RTS-PM) did not know that they could use the KPS to access the BSM programme. In October 2013, TNP2K

assessed the distribution of BSM and KPS cards in 2,088 households in eight provinces. The results of TNP2K's monitoring efforts showed that 95.3 percent of households claimed to have received KPS/BSM cards and about 4.7 percent of households had not. Households that received KPS/BSM cards exhibited a take-up rate of 32.8 percent. This proved that target households were not properly informed about taking advantage of the BSM programme through KPS and that the dissemination of information to target households could be improved.



f. Complementarity with PKH

The government stated two goals in its 2009–14 National Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Nasional*): (1) reduce the poverty rate to 8–10 percent and (2) form the Social Protection System in Indonesia. Achieving these government objectives required various types of social assistance programmes to be available to poor and vulnerable households. There are currently two types of social assistance programmes in the field of education: the BSM programme, which is specifically for poor and vulnerable households, and the PKH programme, a conditional cash transfer programme in the fields of health and education for very poor families in Indonesia. In theory, all very poor, poor, and vulnerable families in Indonesia should be able to access both BSM and PKH programmes.

However, complementarity between social assistance programmes for the education of poor students is still low. Data from the PKH recertification⁷ indicate that, of PKH households that graduated from the programme, that is, former PKH beneficiaries no longer considered poor and/or did not meet the PKH beneficiary requirements, only about 27.4 percent received BSM. In contrast, for transitional households, that is, PKH beneficiaries considered to be poor and/or to have met PKH beneficiary requirements, only 31.12 percent received BSM benefits. This means that more than 65 percent of PKH households did not receive BSM in 2013⁸.

POLICIES TO IMPROVE 2013 BSM PROGRAMME IMPLEMENTATION

Based on evaluations of the BSM programme before 2012, the TNP2K Secretariat supplied MoEC and MoRA—which operate the BSM programme—with recommendations for improving programme operations:

- a. Ensure the continuation of education to higher grades, especially for students transitioning between educational levels, such as from primary to junior secondary school.
- b. Ensure that the value of BSM benefits continues to increase, so the personal education needs of students from poor and vulnerable families can be better met.

The BSM programme is complex and has unique characteristics from a policy, technical, and administrative point of view. For example, the programme is implemented by several technical directorates in two separate ministries (MoEC and MoRA): the Elementary School Development Directorate, Junior High School Development Directorate, High School Development Directorate, Vocational School Education Directorate, Islamic School Education Directorate (for primary, junior secondary, and senior secondary levels). That is why the recommendations made by TNP2K to improve the operation of the BSM programme were implemented in several stages, as decided through an intensive advocacy process, technical workshops, and coordination (formal and informal) between TNP2K, MoEC, and MoRA since early 2012. The continuous advocacy and coordination efforts undertaken by TNP2K were integral in ensuring that both ministries possessed the same commitment and understanding, especially about the importance of improving targeting accuracy and accuracy on the amount and timeliness of distributions, so that

⁷ Re-collecting assessment data in order to appraise participation criteria and socioeconomic status of PKH beneficiaries as written into the 2007 PKH General Guidelines when the programme was launched.

⁸ The definition of transformation in PKH including recertification, graduation, and transition of CCT beneficiaries can be found in the chapter on PKH.



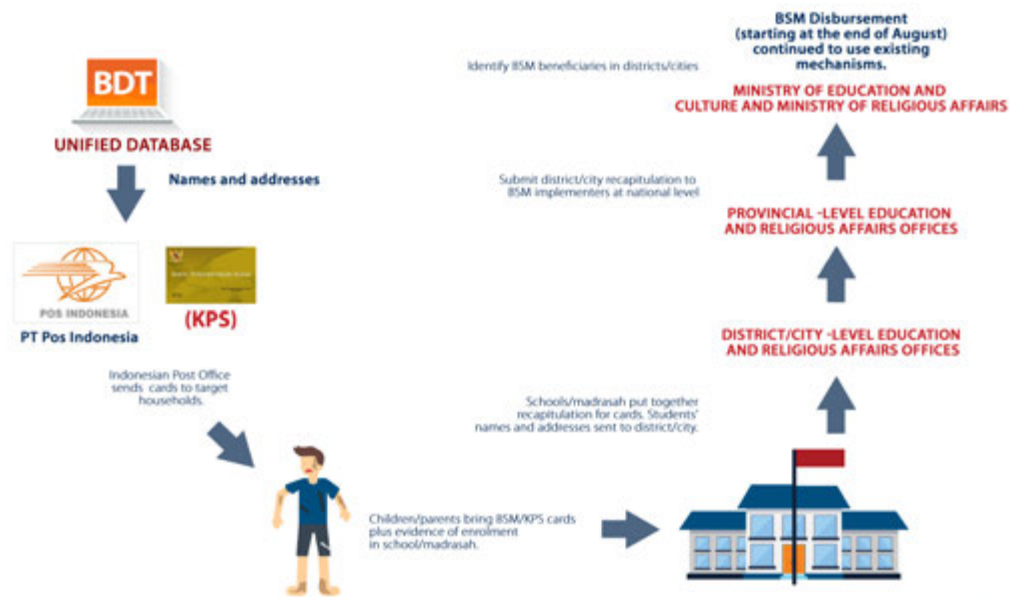
the following improvements could be implemented simultaneously at MoEC, MoRA, and TNP2K:

a. Improving Accuracy of Targeting BSM Programme Beneficiaries

TNP2K began by attempting to improve the accuracy of BSM beneficiary targeting. This involved two processes: first, use of individual information listed in the UDB, the data source for candidates of the BSM programme, and second, recommendations of eligible beneficiaries made at the school/Islamic school level to the central level.

The goal of this exercise was to improve the coverage of the BSM programme by including more poor students based on information from the UDB and by sending individual beneficiaries the BSM and KPS cards.

Figure 21. Changes Recommended to Improve BSM Beneficiary Targeting Mechanism



Source: TNP2K

Improvements to the BSM programme were undertaken in several stages (figure 21). The first stage, in 2012, was designed to enable educational continuity for 281,909 students from poor families during periods of transition between primary and junior secondary levels (from grade 6 to grade 7 in the 2012/2013 academic year under MoEC). The BSM programme targeting method was modified from being school based to directly targeting poor students identified in the UDB.

The BSM programme also considered using other methods, such as poverty head count data, drop-out rates, and discontinuation rates in every district to determine the BSM programme beneficiary quota per district⁹. The results of the monitoring during the first stage of BSM programme reform revealed several issues in implementation: from the late delivery of BSM cards to delays arising from the recapitulation process for BSM beneficiaries (from the school to the district level education offices and from the provincial to the ministerial level) or from geographic challenges and incomplete information on school-aged children in the UDB.

The Elementary and Junior High School Development Directorate and the Islamic School Education Directorate (MIs and MTs) in MoRA planned the second stage of reforms to the BSM programme for early 2013. The ministries planned to target 670,000 potential beneficiaries including 220,000 new students entering grade 1 and 450,000

new students entering grade 7 in the 2013/2014 academic year. However, before the second stage of reforms could begin, in mid-2013, the Indonesian government issued a fuel subsidy adjustment policy and reallocated budgetary savings made from reducing subsidies to compensation packages for 15.5 million poor and vulnerable households through several existing social assistance programmes (including the BSM programme). This initiative was called the Social Protection Acceleration and Expansion Programme (*Program Percepatan dan Perluasan Perlindungan Sosial* or P4S). The benefits of the BSM programme were also increased and the scope of programme coverage broadened to include students at all levels of education.

Figure 22. KPS and BSM Beneficiary Cards



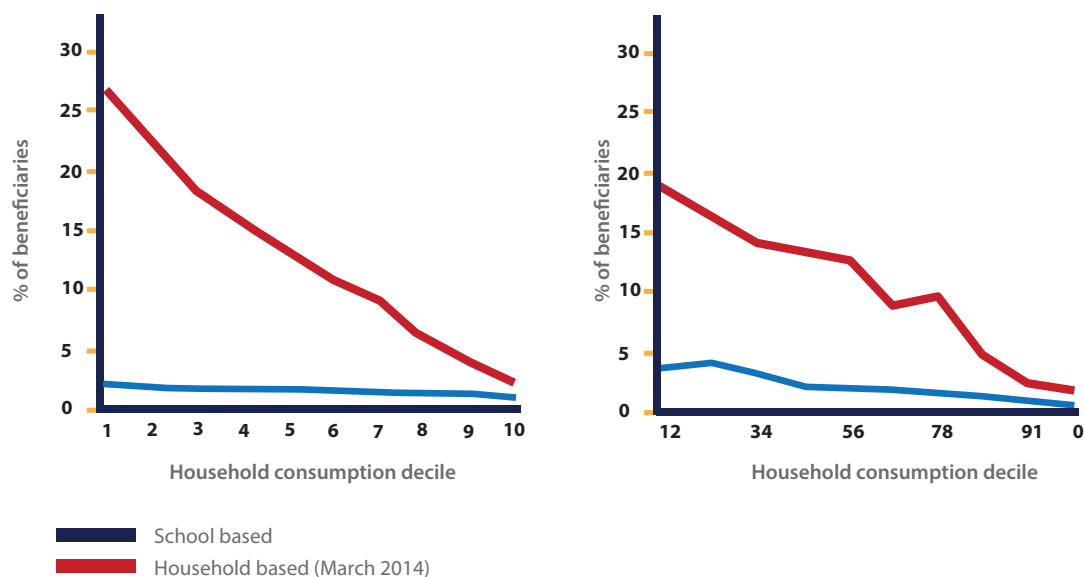
Source: TNP2K

In conclusion, directly targeting students based on data from the UDB through the KPS card (figure 22) has helped increase the proportion of students receiving BSM assistance from 3–4 percent of those in the lowest three deciles¹⁰ in 2009 to 44–60 percent of students from the poorest 25 percent of the population in 2013 and 2014.

9. TNP2K analysis in 2012 using 2009 Susenas data.

10. Decile 1 is the poorest tenth of the population, while decile 10 is the wealthiest tenth of the population.

Figure 23. KPS Use to Improve BSM Targeting



Source: Susenas, Statistics Indonesia

Although it is still not perfect, the household-based targeting method has the potential to improve BSM coverage of poor and vulnerable households. This method also has the potential to help poor and vulnerable students continue their education, especially students in transitional periods.

b. Expanding the Coverage of the BSM Programme

In June 2013, the government issued a fuel subsidy adjustment policy and prepared a compensation programme for poor and vulnerable households to mitigate the effect of rising fuel prices. The Social Protection Acceleration and Expansion Programme (P4S) and Social Protection Card (KPS) were launched. The BSM programme budget for MoEC and MoRA was increased through a revision to the national budget in 2013. The coverage of the BSM programme was expanded to include 15.4 million school-aged children (from 8.7 million students at the beginning of 2013) from 15.5 million households in Indonesia identified as poor and vulnerable based on the UDB (table 6). Households with school-going children and in possession of KPS/BSM cards were entitled to BSM programme benefits as part of the fuel subsidy adjustment compensation programme.

Table 6. BSM Programme Beneficiaries 2013 and 2014 Ceiling

No	Level of Education	Number of Students	2013	2013 (APBN-P2013)	2014
Ministry of Education and Culture					
1	Primary	26,875,203	3,530,305	8,062,561	6,046,921
2	Junior Secondary	9,643,957	1,246,712	2,893,187	2,169,890
3	Senior Secondary		561,832	678,790	550,000
4	Vocational	8,687,227	619,882	1,018,185	425,033
	SUBTOTAL	45,206,387	5,958,731	12,652,723	9,191,844
Ministry of Religious Affairs					
1	Islamic Primary	3,593,000	1,436,228	1,436,228	819,336
2	Islamic Junior Secondary	3,353,000	950,291	950,291	765,491
3	Islamic Senior Secondary	1,136,000	392,729	392,729	354,929
	SUBTOTAL	8,082,000	2,779,248	2,779,248	1,939,756
	TOTAL	53,288,387	8,737,979	15,431,971	11,131,600

Source: Bappenas (2013 and 2014)

c. Increasing the Amount of BSM Programme Benefits

The fuel subsidy adjustment compensation was followed by an increase in BSM benefits. The value of BSM programme benefits increased from Rp 380,000 to Rp 450,000 per student per academic year for primary-level students, and from Rp 550,000 to Rp 750,000 per student per academic year for junior secondary levels. For senior secondary level schooling, BSM programme benefits were increased at the beginning of the 2013 fiscal year from Rp 750,000 to Rp 1 million per student per year.

Figure 24. BSM Beneficiary Bank Account

Source: TNP2K

d. BSM Programme Assistance Disbursement Timeline

A third reform was undertaken to ensure the dissemination of information on BSM eligibility before the registration period closed. It is imperative that before the school registration period begins, information on school-aged children from eligible households

(RTS-PM) is available to programme administrators as many poor students are forced to drop out between grades due to financial constraints. An evaluation was conducted between April 2013 (baseline) and February 2014 (endline) to determine how the timing of assistance affected continuation in school. The evaluation included a survey of 5,000 poor households holding KPS and BSM cards, with a child in grade 6, and in the lowest decile. The survey also gathered information on household socioeconomic characteristics, child school attendance, and child workers.

Table 7. Evaluation of the BSM Programme Impact

	Full Sample	Male	Female
Enrolled in grade 7	0.0575*** (0.00749)	0.0506*** (0.011)	0.0644*** (0.00996)
Attendance rate	0.00937*** (0.0032)	0.0124*** (0.00469)	0.00616 (0.00434)

Source: TNP2K

Note: Figures within parentheses denote standard error.

*** 1% significance level.

Findings of the evaluation include the following:

- Delivery of BSM/KPS cards to students before the academic year begins is crucial for households in determining whether to enrol their children in the seventh grade
- Households that receive BSM/KPS cards before the end of school registration have a 5.75 percent higher probability of enrolling their children in the seventh grade than those that do not.
- PKH cash transfers are seen to increase enrolment in Grade 7 by 5 percent.
- BSM beneficiaries who enrol in the seventh grade also exhibit increased attendance (by 0.9 percent) compared with the control group. It could be said that the BSM programme has the potential to decrease the number of child workers.

Improvements to the BSM disbursement period included changing it from once to twice per academic year. The first payment is made at the beginning of the academic year in the first semester (around August/September) and the second payment in the second semester of the academic year (around March/April). It is hoped that this change will help reduce the drop-out rate among students from poor and vulnerable families and also ensure the continuation of education at every educational level.

e. Raising Public Awareness

To ensure that adequate information on BSM was conveyed to beneficiary households and to the public in general, TNP2K, in collaboration with MoEC and MoRA, conducted additional public awareness activities in 2013 and early 2014 (figure 25).

Figure 25. Socialisation Material on How to Use the KPS to Receive BSM Programme Benefits



Source: TNP2K

These included (1) media briefings in eight major cities in Indonesia (Bandung, Jakarta, Kupang, Makassar, Medan, Semarang, Surabaya, and Tanjung Pinang) with local media in each area; (2) distributing 40,000 BSM posters and leaflets to more than 4,000 schools and public locations; (3) broadcasting public service announcements on 127 local radio stations in 114 districts/municipalities; and (4) broadcasting more than 450,000 SMSs on the use of KPS for BSM to stakeholders, such as school principals, including Islamic schools; PKH facilitators, PNPM facilitators, TKSK, etc. (figure 26). These public awareness efforts were effective in that at the end of 2013, 44 percent of students from poor and vulnerable households were covered by the BSM programme and, at the end of 2014, KPS use for BSM increased to 60 percent of students in poor and vulnerable households.

Figure 26. Socialisation on How to Use KPS to Receive BSM Programme Benefits



Source: TNP2K

Figure 27. Public Awareness Raising of 2013–14 BSM Programme



Source: TNP2K

f. Complementarity between BSM and PKH

To support complementarity between BSM and PKH, reforms were undertaken in several stages:

- a. First, TNP2K provided PKH student data to MoEC. After verification by MoEC, the data can directly impact the BSM beneficiary list.
- b. Second, in early 2014, PKH facilitators cross-checked data on beneficiaries from the centre with data from the field. This matching generated information on students from PKH households who already received BSM benefits.

- c. Third, PKH facilitators recommended MoEC students from PKH households who were not yet included on the BSM beneficiaries list.

NEXT STEPS FOR THE BSM PROGRAMME

Efforts to ensure the accuracy of BSM targeting require that budget reallocations between BSM operational units¹¹ be possible. Budget reallocation is important but the BSM implementation system tends to be inflexible. The current system does not enable a budget reallocation process, neither within a single ministry nor between MoEC and MoRA. This inflexibility hinders the effectiveness of reforms planned by TNP2K. Actual changes in targeting policies from school- to household-based methods require that all parties (i.e. households, schools, district education / MoRA offices, and other stakeholders at the local level) have a good and common understanding of the changes. Adequate public awareness is a key factor in assuring that all parties involved acquire the same understanding. The new process actually makes it easier for BSM programme administrators in schools and district education offices and MoRA offices to determine and improve programme targeting. However, in its early stages, this new process was perceived to be a burden by schools and district education offices. Most households were also relatively unfamiliar with this change.

In addition, a form of the BSM programme that integrates MoEC and MoRA well will be more effective and efficient in ensuring that programme beneficiaries are accurately targeted, that the value of the benefit provided is sufficient to cover the needs of the family, and that the distribution of benefits is timely.

The first step towards this integration is streamlining the institutional structure of the programme to ease coordination and allow for the reallocation of budgets between education types and educational levels. This would be done by unifying the administration of the BSM programme under one operational unit, which would perform those functions of the BSM programme so far undertaken separately by MoEC and MoRA.

The BSM programme can be effectively and efficiently implemented if the ministry in charge of the programme continually strives to do the following: improve its targeting accuracy and disbursement of assistance; improve BSM programme operations at the

¹¹ This flexibility is useful to ensure the availability of the BSM programme for students from poor households without being restricted by the type of education and quota for each education level.

technical level; conduct intensive public awareness raising so all programme stakeholders at the local level and beneficiaries receive the same information; and ensure a clear division of tasks and responsibilities between the national and local levels (schools, communities, and families/households). BSM programme administrators must also ensure that monitoring, evaluation, and reporting systems are better and more organised than before and ensure that any complaints about the BSM programme are addressed through available complaint handling mechanisms. It is crucial that MoEC and MoRA allocate adequate budgets and resources for the BSM programme to run well on the ground.

A comprehensive and integrated Management Information System (Sistem Manajemen Informasi or MIS) for BSM is also needed to ensure that student beneficiaries are aware of their rights and can continue to receive programme assistance at the next level of their education. A good MIS will assist directorates in both ministries to coordinate and monitor BSM programme implementation in the field, assist the administrators in collecting evidence on whether programme reforms to the programme are resulting in better implementation and educational outcomes on the ground, and ensure accountability and transparency in a potentially larger BSM programme.

The availability of a complaint management system and unit is also integral to improving programme performance. The development of the management system and unit has become a necessity; hence, it is specifically developed to operate all the way down to the district/municipality level.

National Health Insurance



Introduction

HEALTH WORKING GROUP

By establishing a Health Working Group, TNP2K intended to strengthen the implementation of the Health Insurance for the Poor (*Jaminan Kesehatan Masyarakat* or Jamkesmas) programme. The government initiated Jamkesmas in 2005 to improve access to and the quality of health services for the poor and vulnerable. The programme provides insurance for health services and is funded entirely by the Annual National Budget (*Anggaran Pendapatan dan Belanja Negara* or APBN). It specifically targets the poor and vulnerable. The expectation is that the Jamkesmas programme can improve the health of poor and, vulnerable individuals and in turn, boost their economic productivity and help break the cycle of poverty.

Jamkesmas beneficiaries consist of poor and impoverished individuals who registered for and hold a card for the programme. In early 2008, the national Jamkesmas programme



was designed to cover 76.4 million individuals (Jamkesmas Operational Guidelines, 2008). In the beginning, the Minister of Health determined the targeted number of Jamkesmas beneficiaries (quota) per district/municipality; each district head or mayor then filled out a list of beneficiaries for their district/municipality with the identification number, name, and address of each beneficiary in a 'District Head or Mayoral Decree' to fit the quota. If the number of beneficiaries that the district head or mayor submitted exceeded the quota determined by the MoH, the costs associated with the difference was borne by the local government (*pemerintah daerah*) through alternative means of funding. Each district/municipality could use different methodologies and criteria to target Jamkesmas beneficiaries, resulting in a lack of uniformity in targeting Jamkesmas beneficiaries. Another challenge was that the Jamkesmas beneficiary list was only updated for 2012, and was thereby unable to take into account recent life changes, such as deaths, births, and changes of status or place of domicile. That said, the Jamkesmas programme package was considered to be comprehensive, which made it better than previous social insurance programmes, including the programme for Civil Servants (*Pegawai Negeri Sipil*), which was managed by Social Health Insurance for Civil Servants and Military (*Asuransi Kesehatan* or PT Askes and the Social Security Programme for Employees (*Jaminan Sosial Tenaga Kerja*). Although Jamkesmas uses only public health centres (*Pusat Kesehatan Masyarakat* or Puskesmas) as first-level health facilities (*fasilitas kesehatan tingkat pertama* or FKTP) and class III rooms in most government hospitals, the comprehensive and premium-less benefit package was attractive to recipients of other health insurance programmes. Until the end of 2013, the MoH managed Jamkesmas and required premiums of Rp 6,500 per capita per month (National Health Insurance Roadmap 2012–19, National Social Insurance Council 2012).

Jamkesmas is the seed in the development of the national health insurance. Law Number 40 on the National Social Security System (*Sistem Jaminan Sosial Nasional*), legalised in 2004, became the basis for the overall reform of the social insurance system in Indonesia. Law Number 40/2004 was followed in 2007 by discussions on a draft Social Security Administrative Body (*Badan Penyelenggara Jaminan Sosial* or BPJS) regulation, which ended in deadlock. Discussions began again when President Susilo Bambang Yudhoyono issued a Presidential Decree in September 2010 assigning eight ministers to discuss the draft BPJS regulation, which was to serve as the legal 'umbrella' for BPJS technical operations. Intensive discussions followed between the People's Representative Council (*Dewan Perwakilan Rakyat* or DPR) and representatives from the executive branch of government.

After thorough discussions and debates, in November 2011, the DPR passed Law Number 24 of 2011 on the Social Security Administrative Body. Various related regulations to guide the operation of BPJS were drafted, and in early 2014, the Social Security Administrative Body for Health (*Badan Penyelenggara Jaminan Sosial Kesehatan* or BPJS Kesehatan) became operational as a single entity, integrating beneficiaries from PT Askes, the Social Security Programme for Employees, Indonesia National Army, Indonesia National Police, and Jamkesmas into one body to achieve universal health coverage (in which every individual in the country can access health services to meet their medical needs without incurring massive financial losses or the threat of poverty). The transformation into the BPJS Kesehatan was undertaken without a cash-out process in early 2014. Beneficiaries managed by BPJS in early 2014 totalled 116 million individuals.

ISSUES FACED

Overall reform of the National Social Health Insurance programme has been a priority for the government because existing health insurance was considered ineffective due to the nature of the insurance; the overlapping, suboptimal programme benefits; limited programme scope; and limited reach. More than a third (36.8 percent) of Indonesian citizens are not covered by any health insurance, including informal sector workers (National Health Insurance Roadmap 2012–19, National Social Insurance Council 2012). Reforms were not limited to health payments but also addressed health service provision, payments to facilities, and the use of medicines and perishable medical supplies (*alat medis bahan habis pakai*).

As mentioned above, the identification of Jamkesmas beneficiaries did not involve a standardised methodology, which caused many complaints about accuracy in that many eligible poor and vulnerable people were not included as beneficiaries (exclusion error), while many relatives/colleagues who were not poor or vulnerable were included (inclusion error). Susenas data from 2009 showed relatively poor targeting accuracy. Awareness of the benefits of Jamkesmas was also low, so beneficiaries did not use services optimally at health facilities. The disparity in access to quality health services, especially in rural and remote areas, also led to its low usage among Jamkesmas beneficiaries. The Jamkesmas premium of Rp 6,500 per capita per month was not set through adequate actuarial calculations and had not been revised since 2008. The roadmap drafted by the National Social Insurance Council and action plan by the MoH, which has operated JKN since 1 January 2014, targets the achievement of universal health coverage within five

years, that is, every individual in Indonesia is required to be a beneficiary of JKN and be protected by the national health insurance programme by early 2019. However, comprehensive mapping of supply-side readiness has not been done. During the preparation for implementation in early 2014, many derivative regulations needed to be drafted to make BPJS Kesehatan operational.

REFORMS UNDERTAKEN

a. Drafting of Law Number 24 (2011) on the Social Security Administrative Body (BPJS)

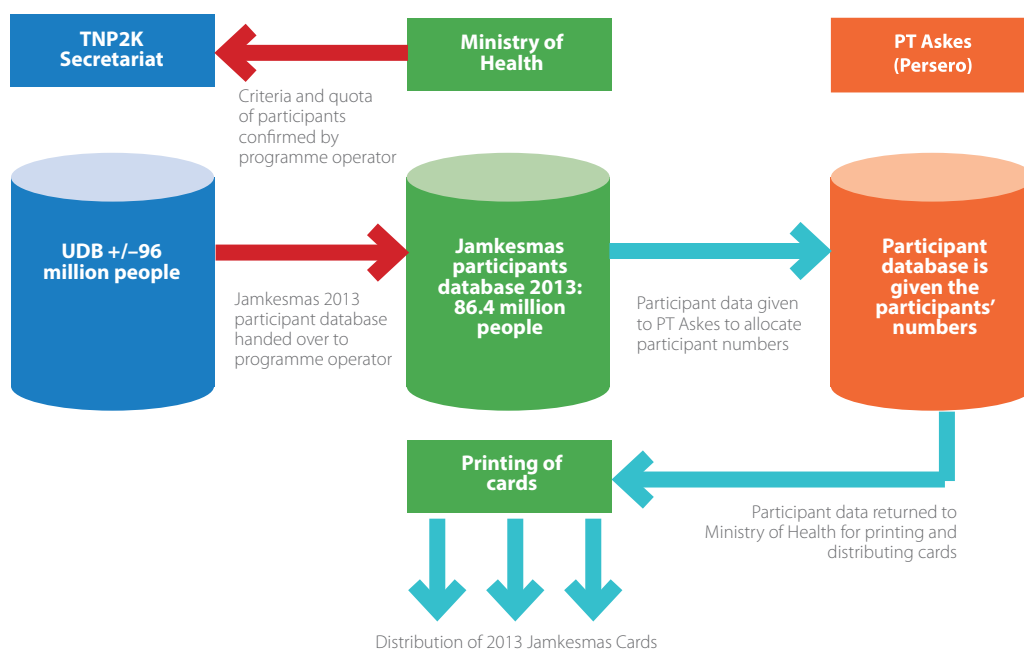
A crucial issue in the draft BPJS regulation was a change in the structural concepts to establish BPJS as a legal entity, as proposed by parliament and government. At the time, DPR suggested a single BPJS legal entity with deputy leaders that would lead five social insurance programmes. The government objected to the DPR suggestion by referring to Law Number 40 of 2004 on the National Social Security System (article 1 paragraph 2), which stated that the 'SJSN [*Sistem Jaminan Sosial Nasional* or National Social Security System] is to execute a social insurance programme through several operating social insurance bodies.' After several plenary meetings, led by the Vice President and attended by several related ministers, it was suggested that two BPJS categories—BPJS Kesehatan and the Social Security Administrative Body for Manpower (*Badan Penyelenggara Jaminan Sosial Ketenagakerjaan* or BPJS Ketenagakerjaan)—be created. This suggestion was included in the List of Issues (*Daftar Isian Masalah*) submitted to the DPR, which after long debate was approved and included in Law Number 24 of 2011 on the Social Security Administrative Body.

b. Improved Targeting of Poor and Vulnerable Families Using the Unified Database

In an effort to improve the process of identifying Jamkesmas beneficiaries, TNP2K played an active role in creating the draft presidential decree (Rancangan Peraturan Presiden or RPP) for Premium Assistance Beneficiaries (Penerima Bantuan Iuran or PBI), which assists in the payments of health insurance premiums for poor and vulnerable individuals. The PBI should be connected to the UDB to ensure complementarity with other social assistance programmes. For example, PKH beneficiaries should also be KPS, Raskin, and Jamkesmas beneficiaries. Government Regulation Number 10 of 2012 on PBI states that 'the number of PBI in 2014 is calculated using PPLS 2011, according to criteria stipulated by the Minister' (article 15 paragraph 1). The MoH committed to using the UDB from TNP2K to identify Jamkesmas members in 2013. Three

institutions played an active role in the Jamkesmas membership replacement process in 2013 (figure 28): the MoH, TNP2K, and PT Askes (Persero). As the manager of the Jamkesmas programme, the MoH requested from TNP2K the list of beneficiary names and addresses in line with the Jamkesmas quota and criteria. TNP2K responded by providing MoH data taken from the UDB as an electronic file containing 86.4 million names. The data was sent in two phases—the first covered 76,409,731 individuals and the second phase 9,990,260 individuals (November 2012).

Figures 28. Roles of MoH, TNP2K, and PT Askes in 2013 Jamkesmas Beneficiaries Programme Targeting



Source: TNP2K, 2013

This data was then submitted to the Directorate General of Health Services (*Direktorat Jenderal Bina Upaya Kesehatan*) at the MoH to form an initial membership base for Jamkesmas 2013. After the data was checked for variable completeness and given an identity number by PT Askes, the directorate general then proceeded with the printing and distribution of cards to districts/municipalities.

Feedback received from the field indicated that not all PPLS 2011 data was considered valid given the many changes since the time of data collection (e.g., deaths, marriages, births, and relocations) and incorrect targeting (e.g., beneficiaries were not poor or were civil servants). The Minister of Health through Circular Letter Number

149 of 2013 provides an opportunity for regional heads to propose replacements for those beneficiaries who should no longer be listed, as long as they meet that district's/municipality's quota. In this data updating, about 679,433 from 257 districts/municipalities were suggested as replacements to the then current Jamkesmas beneficiary list (Descriptive Studies on the 2013 Jamkesmas Beneficiaries until the Change to PBI by TNP2K 2014).

Another obstacle was changing PBI data, as required by Article 11 of Government Regulation 101 of 2012, which states that the verification and validation of PBI data should be undertaken every six months. This is difficult to implement due to the limited resources and capacity at MoSA.

c. Calculating the Estimated Premium for PBI JKN Beneficiaries

At the beginning of the SBY-Boediono government, Jamkesmas premiums were set at Rp 5,000 per person per month; hence, the annual premium paid by the government from the APBN was Rp 60,000 per person per year for health insurance. One does not need to be an actuarial expert to see that this premium was not sufficient, calling into question the sustainability of Jamkesmas. Too small a premium would result in a shortage of operational funds in the current year and the shortage would be charged to the following year's budget. In comparison, premiums for private health insurance with a limited benefit package could reach Rp 1.5 million per person per month. In addition, Rp 1,000 of the Rp 5,000 Jamkesmas premium was used for services from public health centres, which were paid in the form of a capitation to district/municipality health offices. However, the relatively small capitation grant made it difficult to improve the quality of services at public health centres. In fact, a future challenge will be to strengthen the gatekeeping function of the *puskesmas*. To provide a comprehensive benefit package that covers medical needs, addressing the amount for premiums is crucial to the sustainability of the programme.

TNP2K made an effort in 2012 to rationalise the amount of premiums for PBI beneficiaries (previously Jamkesmas beneficiaries). As a first step, TNP2K conducted an analysis for a rational capitation amount for *puskesmas* using a costing analysis study on *puskesmas* by GIZ (2011) and Jamkesmas empirical data in 2011 (use and outpatient claims in *puskesmas*). The estimated real individual cost per Jamkesmas patient per month was Rp 700; hence, the capitation amount of Rp 1,000 appeared sufficient. However, the real individual cost of Rp 700 did not take into account various

puskesmas subsidies such as employee salaries, medicines, equipment, building investment, etc. The GIZ (2011) cost study uncovered the real unsubsidised cost for *puskesmas* as about Rp 2,600 (median) up to Rp 4,600 (mean); hence, when adjusted for inflation, the estimated value of the actual outpatient cost for *puskesmas* was Rp 6,000 per person per month.

The next effort was to develop a PBI premium calculation method using two primary variables, that is, the use and unit cost. TNP2K's review of the benefit package and JKN programme cost estimation in 2011 using empirical data on claims from the Jamkesmas programme and PT Askes suggested several scenarios summarised as follows.

Table 8. Projected Jamkesmas Premium Calculation for 2014

	RJTP fees	RJTL fees	Inflation	Management fee	Age	Disease Prevalence	Use	Proposal
Adjusted Value	√ 6,000	√	√	√ 5%	√ 750	√ 750	√ 7.8 & 7.4	√ 5%
No	Main Component	Fees for Services (Rp per person)		Use (per 1,000)		Cost/Person /Month (Rp)		
1	Outpatient cost level 1 Public health centre, public doctor, using capitation	6,000				6,000		
2	Outpatient cost / hospital follow-up							
	Medical	157,224		7.8		1,226		
	Medicine	243,158		7.4		1,799		
3	Outpatient cost level 1							
	Medical	1,399,989		2.2		3,080		
	Medicine	305,554		10.7		3,269		
	ICU, CCU, HCU	2,200,369		0.1		220		
	Accommodation	539,561		2.1		1,133		
4	Risk adjustment (age)					750		
5	Disease prevalence adjustment							
				Total medical cost/person/month		18,228		
6	Management Cost (5%)					911.41		
7	Cost of proposal (5%)					911.41		
				Estimated total premium/person/month		20,051		

Source: TNP2K, 2014

Note: RJTP = Level 1 outpatient costs; CCU = critical care unit; HCU = high care unit; ICU = intensive care unit; RJTL = cost of follow-up visit to hospital (outpatient).

After calculating the estimated PBI premiums and long discussions involving all related stakeholders—especially the MoH and the Ministry of Finance (MoF)—in July

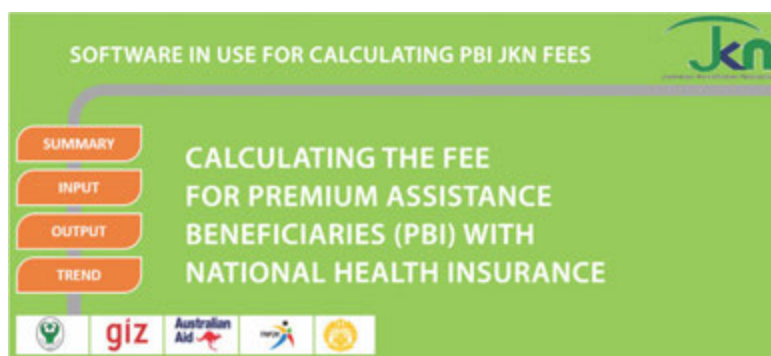
2013 through a coordination meeting chaired by the Vice President, it was agreed that the health insurance premiums for the poor (PBI) would be Rp 19,225 per capita per month. It must be noted that the amount for the premiums listed in Perpres 112 in 2013 increased more than threefold from the previous amount of Rp 6,000 per capita per month. This showed great commitment on the part of the SBY-Boediono government to support the implementation of national health insurance by allocating about Rp 19.8 trillion in 2014 to support the 86.4 million individual PBI beneficiaries.

The premium calculation is built on a model using assumptions—especially use and unit cost assumptions—based on the type of service. Post-operation and strict monitoring of the validity of the assumptions used to provide inputs for policy makers about the adequacy of the PBI premium are required to ensure sustainability of the JKN programme.

d. Developing Software to Estimate the JKN PBI Premium

TNP2K calculated the PBI premium using data from 2011 based on certain assumptions (figure 29). After implementation, verification of the validity of these assumptions should be undertaken. Any significant changes to the assumptions will directly affect the adequacy of PBI premiums. Therefore, TNP2K is developing a program to estimate the PBI premium using Microsoft Excel, chosen for its universality among computer users. This program was disseminated to all stakeholders through a workshop. In addition, TNP2K is compiling Technical Guidelines on Calculating JKN PBI Premiums and Guidelines on using the JKN PBI Premium Calculator Instrument.

Figure 29 . Calculating JKN Premium Assistance for PBI beneficiaries

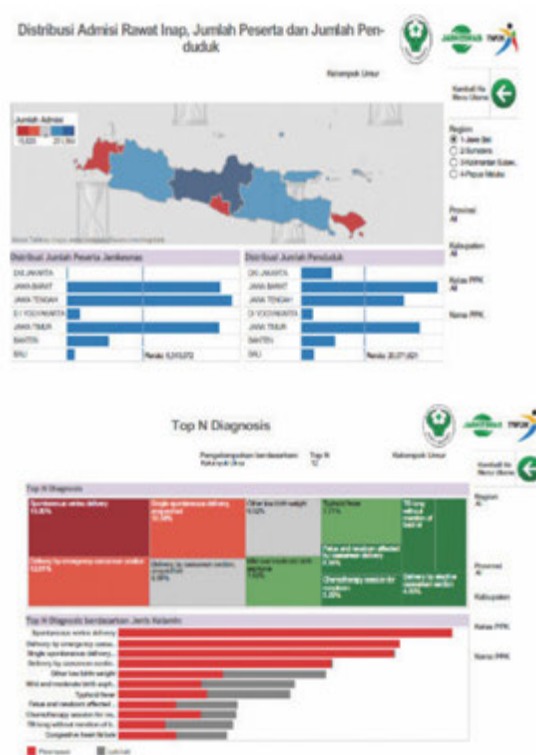


Source: PBI JKN Premium Estimation Calculation Instrument Usage Guidelines.

e. Analysis and Visualisation of Data on Jamkesmas Individual Claims in Hospitals

TNP2K developed a dashboard display for data on individual Jamkesmas claims from hospitals. At the time, the MoH was already using a prospective payment system in the form of an INA-CBGs package. This data contains details on the use of health services by beneficiaries in hospitals, complete with illness and sociodemographic data (i.e., province, district, city, gender, and age). TNP2K analysed and created a visualisation of individual Jamkesmas claims in hospitals using software called Tableau 8.1 (figure 30). The visualisation is useful in monitoring the use of health services, for example, the most common diseases based on the ICD X, age groups, gender, etc. This analysis is not only used at the central level (MoH and BPJS Kesehatan) but can also be used by provinces (and district health offices [*dinas kesehatan*] and hospitals) to understand the prevalence and distribution of disease in their respective areas, which would later be useful in planning Community Health Initiatives (*Upaya Kesehatan Masyarakat* or UKM) activities (2010–11 Jamkesmas Hospital Claim Data Analysis and Visualisation Report, TNP2K).

Figure 30. Visualisation of Jamkesmas Individual Claims
Example of JAMKESMAS Dashboard Monitoring and Evaluation



Source: Dashboard Jamkesmas 2011

f. Readiness of Health Facilities Supply Sector

Health financing reform should ideally be undertaken simultaneously with health service delivery reform. JKN, with its obligatory membership, will open opportunities for individuals, especially those not yet covered by health insurance to become BPJS beneficiaries. The estimated increase in the amount of medical service requests needs to be met by the availability of adequate medical services.

Figure 31. Map Illustrating Need for Doctors (5,000 Beneficiaries for Every 2 Doctors)



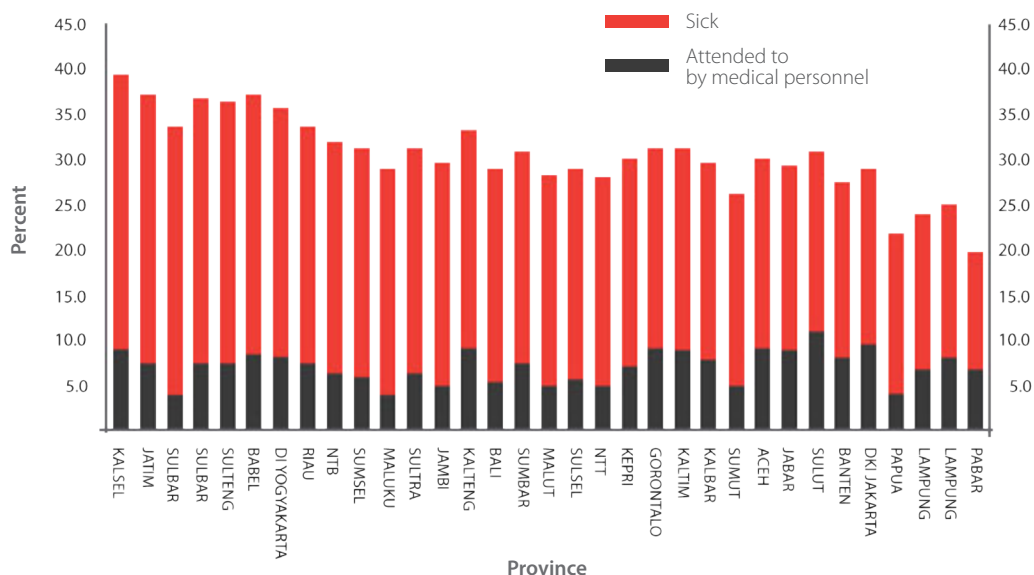
Source: Minister of Health's presentation to the Vice President on JKN operational preparation progress, 27 December 2013

In 2013, TNP2K analysed the gap between the demand for medical services and treatment capacity using various secondary data, including Askes data for 2010. The results from the analysis confirmed that the number of health workers, especially general practitioners, is not sufficient. An analysis of the need for doctors (assuming two doctors provide services for 5,000 beneficiaries) at the district/municipality level showed a gap in the distribution of general practitioners. General practitioners are still concentrated in heavily populated areas such as Bali, Java, and Sumatra. A 'dynamic modelling' review of the readiness of the supply sector at a national level entitled 'Estimating the Gap between Demand for Medical Care and Treatment Capacity' (TNP2K 2013) uncovered the same issue: an overall lack of national health workers. This latter review combined several secondary data sources, including Askes Utilisation Data for 2010; 2011 Survey of Village Potential (*Survei Potensi Desa*) about Access to Health Facilities; 2009–11 Susenas on the treatment search pattern; and Basic Health Research (*Riset Kesehatan Dasar* or *Riskesdas*). The 2014 simulation integrated

five health insurance programmes (former beneficiaries of Askes PNS, Jamkesmas, Social Security Programme for Employees, Indonesia National Army, and Indonesia National Police) and, estimated that Indonesia as a whole needs an additional 21,930 doctors, 54,560 nurses, and 32,820 hospital beds. For the record, this review is still limited because it was undertaken at a national level and did not take into account population differences between districts/municipalities. In the future, it is expected that this initiative will be supported by a five-year projection analysis at the district/municipality level, so it can describe local conditions.

Strengthening the supply side is a priority, because the number of people who are both sick and seeking treatment is far below the actual number of those who are sick. For example, the number of patients with hypertension who have obtained treatment is much smaller compared with those who have been diagnosed with hypertension (figure 32). However, if all diagnosed hypertension patients were to seek treatment with health service providers, most would not receive appropriate care and services.

Figure 32. Proportion of Diagnosed and Unmet Needs of Hypertension per Province



Source: TNP2K

g. Individual Health Service Claim Analysis for Regional Health Insurance in Aceh, Bali, and West Sumatra

In Indonesia, about 360 districts/municipalities have implemented Regional Health

Insurance (*Jaminan Kesehatan Daerah* or Jamkesda); several of which are heading towards universal health coverage. Jamkesda is implemented in three provinces: Aceh, Bali, and West Sumatra. Aceh and Bali—through, Aceh Health Insurance (*Jaminan Kesehatan Aceh*) and Bali Mandara Health Insurance (*Jaminan Kesehatan Bali Mandara*), respectively—have been implementing the Jamkesda programme since 2010.

Individual health service claim data for hospitals have never been analysed; hence, policymakers have not received feedback on health insurance investments for



local populations. TNP2K analysed individual health service claims for outpatient and inpatient care at hospitals in the three provinces implementing Jamkesda. It used Tableau to produce user-level information by district/municipality, including beneficiary demographics (age, sex, and region), type of diagnosis, and cost, as well as the 25 most common diseases for inpatient and outpatient

care in all hospitals. These results provided at least two benefits to regional governments, and its regional health stakeholders: (1) understanding the map of disease patterns and health service use, including costs for each region and (2) identifying risk factors as a basis for refining future health development planning. Specific findings include the following. First, an increase in the use of outpatient care in hospitals matched an increase in Jamkesda use, that is, 5–7 visits per 1,000 beneficiaries per month. The research also identified a number of costly chronic noncommunicable diseases (*penyakit tidak menular*) in these provinces, including hypertension, diabetes mellitus, and stroke—which are among the top 10 most frequently occurring diseases in Aceh and West Sumatra—as well as digestive system–related diseases, such as dyspepsia, gastritis, etc. In Bali, the most frequent diseases are respiratory-related diseases, such as acute upper respiratory infection (*infeksi saluran pernafasan akut*), and digestive system–related diseases. Overall, information on the spread of disease and analysis of diseases against demographic and regional factors has provided a basic but clear overview on how to enhance the level of health among local populations (Individual Medical Service Claim Analysis Report for the JKA, JKSS, and JKBM Programmes, the TNP2K 2014). In early 2014, Aceh and West Sumatra also began implementing JKN.

h. Analysis of Health Operational Assistance Programme Implementation

The Health Operational Assistance (*Bantuan Operasional Kesehatan* or BOK) programme is funded by the APBN and was initiated by the MoH in 2010 as a supplementary initiative to encourage promotional and preventive activities at public health centres. The BOK programme intended to increase the operational funds of the UKM, especially for maternal and child health (*kesehatan ibu dan anak*) and nutrition programmes that allegedly received only minimum funding after decentralisation. Since 2011, TNP2K's Health Working Group has been monitoring the implementation of the BOK programme twice a year. Data collection in several districts/municipalities was undertaken in the first and third/fourth quarters, identifying problematic issues occurring at the beginning of the year, and planning and budget realisation challenges at the end of the year. The results of the analysis were submitted to the MoH and used to complete the BOK Technical Guidelines (*Petunjuk Teknis*) for the following year. This monitoring activity also accelerated the realisation of BOK by district health office and *puskesmas* in sample districts/municipalities.

The monitoring results showed that the BOK programme has been very useful in reinvigorating communication and coordination between district health offices

(*dinas kesehatan*) and *puskesmas*. Planning and budgeting enhancement and priority targeting at the *puskesmas* level was undertaken in a mini-workshop (*lokakarya mini*). The directives from district health offices for specific localised promotional and preventive activities for the UKM were carried out in full during the mini-workshop.

i. Capitation Grant Management and Use to Improve First-Level Service Quality (Perpres 32/2014)

Another challenge was the order of implementation. After Indonesia's President declared, on 1 January 2014, that National Social Security in the health sector would come into effect, an issue arose about a budget management regulation in which BPJS Kesehatan was unable to directly distribute the capitation grant to the non-Local Community Service Agency (Badan Layanan Umum Daerah or BLUD) Puskesmas.



The capitation grant is a monthly amount paid in advance to the FKTP based on the number of registered beneficiaries regardless of the type and amount of medical services provided. For JKN, the capitation grant for *puskesmas* ranges between Rp 3,000 and Rp 6,000 per capita per month (an increase of Rp 1,000 per capita per month compared with Jamkesmas). Not all of Jamkesmas capitation grants paid by the MoH to the district/municipality health office are distributed to the *puskesmas* in accordance with applicable regulations (Law Number 1 of 2014 on State Treasury, Law Number 32 of 2004 on Regional Autonomy, Minister of Home Affairs Regulation Number 13 of 2006 on Local Financial Management Guidelines, etc.). The capitation grant should be deposited into the local treasury and is considered local revenue (*Pendapatan Asli Daerah*); hence, it cannot be used fully to improve the quality of UKP services. To support the implementation of a social insurance system in the health sector, the management and use of capitation grants in non-BLUD *puskesmas* have been reformed, as regulated in Perpres 32/2014 on Management and Utilisation.

National Health Insurance Capitation Grant for non-BLUD. The proposal and ratification of this Perpres involved the Ministries of Health, Finance, and Home Affairs; BPJS Kesehatan; the Supervisory Board for Finance and Development (*Badan Pengawasan dan Keuangan Pembangunan*); State Audit Agency (*Badan Pemeriksa Keuangan*); and other ministries/agencies, coordinated by the Indonesian Vice President. Perpres 32/2014, supported by Minister of Health Regulation Number 19 of 2014 and Ministry of Home Affairs Circular Letter Number 990/2280/SJ, regulates the management of capitation grants paid directly by BPJS Kesehatan to the treasurer through the capitation grant account at the *puskesmas* level according to the number of registered beneficiaries. It is important to note that capitation fund accounts continue to be an integral part of the local government treasury. The result of a sampling undertaken by TNP2K in several regions indicated a lack of understanding and doubts within local governments about operationalising Perpres 32/2014 (Local Capitation Grant Management Progress Report, May 2014). In an effort to continuously improve implementation of JKN—at the request of Indonesia's Vice President—a meeting involving all governors, district heads, and mayors in Indonesia was held. On 18 June 2014, the National Work Meeting for the Socialisation and Consolidation of the Local Government's Commitment in implementing the JKN Programme was held in Samarinda, East Kalimantan. At the meeting, the Vice President witnessed the signing of the memorandum between the Ministry of Home Affairs and BPJS Kesehatan entitled 'Optimising the Role of Local Governments in the Implementation of the JKN

Programme'. In addition, 125 district heads and mayors completed the development of the Decree on Assigning the JKN Capitation Grant Treasurer and Account Number for *puskesmas* and indicated their readiness to implement this policy. The Vice President also noted that support from local governments is crucial to improve the availability of the medical service networks and improving service quality.

NEXT STEPS FOR NATIONAL HEALTH INSURANCE

JKN implementation in early 2014 brought many changes concerning, among others, payments, PBI beneficiary targeting, management and use of capitation grants in *puskesmas*, payments to hospitals using a prospective payment system, refining the PBI premium calculation, and refining BOK fund planning to strengthen UKM activities. The Secretariat of the Vice President played an active role in these changes, using results from TNP2K analysis. Efforts to optimise JKN still need to be developed and improved in the future to achieve universal health coverage by 2019.

Recommendations are organised by the challenges and issues to be solved:

1. The current referral pattern is not optimal.

Beneficiary behaviour and the readiness of FKTP need to be strictly monitored in view of the policy on improving services in the *puskesmas* and private clinics that serve as gatekeepers. The significant increase in capitation payments requires FKTP to manage beneficiaries effectively and efficiently to optimise a healthy lifestyle. At the level of the individual, preventive and promotional initiatives should be emphasised; doctors in the FKTP must diligently provide education to promote awareness of healthy lifestyles. BPJS Kesehatan shall create incentives to encourage the FKTP to maintain the health levels of their beneficiaries.

2. Supply limitations in hospitals cause long queues and treatment times, which potentially affect the service quality.

TNP2K's review shows that outpatient queues in hospitals are very long (Report on the Results of JKN-BPJS Beneficiary Queue Spot Check in Hospitals in Jabodetabek, June 2014). This condition cannot be ignored and must be resolved by central and local governments to fulfil beneficiary rights. The availability and distribution of doctors (general practitioners and specialists) and other medical personnel is an important issue that must be resolved immediately.

Figure 33. Queues at Various Hospitals in Jabodetabek



Queuing for certain inpatient services was also identified, for example, for the treatment of heart disease and cancer, as well as in intensive care units and paediatric/neonatal intensive care units for newborn babies (figure 33). In addition, BPJS Kesehatan must also maintain a harmonious relationship with partner health facilities, given that JKN's success greatly depends on the services received by beneficiaries from health facilities. The adequacy and quality of medical services provided by health facilities that are partners of the BPJS Kesehatan need to be strictly monitored.

3. Use of the National Formulary (*Formularium Nasional* or Fornas) and Electronic Catalogue (E-Katalog) affects the availability of medicine in health facilities.

Medicine usage reform for JKN, using the Fornas and E-Katalog, was intended to make medicinal funding more efficient and effective. The quality of medicine is important for the MoH. However, to date the use of Fornas and E-Katalog continues to be encumbered by many obstacles, especially in remote areas. Complaints that hospitals are unable to agree on the amount and price for medicines at health facilities located in rural areas causes a shortage of medicine; therefore, strict monitoring of Fornas and E-Katalog implementation will contribute to policymaker efforts to improve future regulations.

4. Inequity exists in JKN beneficiary access to hospital outpatient services.

One of the goals of JKN is to improve access and address inequity in health services.

TNP2K (2011) uncovered very large differences in hospital outpatient use among various population segments; use by former Askes beneficiaries was 6–10 times greater than use by Jamkesmas beneficiaries. The MoH must strictly monitor the development of inpatient or outpatient use at all health facility levels to address this issue. Efforts to address the issue of access to and quality of medical services have been heavily geared towards providing non-discriminatory services, especially to poor populations.

5. The Community Health Initiative (UKM) needs strengthening.

JKN implementation has focused only on curative and rehabilitative UKP (individual health prevention and promotion, although only small proportions). If it is not strengthened, the sustainability of the JKN programme will be called into question. Noncommunicable diseases, such as diabetes, heart disease, hypertension, and stroke, top the list in hospital outpatient and inpatient care. Initiatives to promote healthy lifestyles, including eating patterns and exercise, need to be undertaken.



6. Studies suggest integrating Jamkesda into JKN.

Almost 360 districts/municipalities (about 70 percent) in Indonesia are developing their own complementary Jamkesda programmes. TNP2K (2011) indicated that limitations exist in many aspects of this effort in, for example, the organiser's competence, accountability, transparency, benefit packages, and premium levels. Jamkesda, along with education initiatives, are often highlighted as issues in local leaders' political campaigns, without regard for the costs of implementing these policies. Many studies have been conducted that suggest the integration of Jamkesda into JKN; therefore, advocacy and stricter monitoring of Jamkesda integration efforts need to be undertaken in the future.

7. JKN does not include workers from informal sectors.

About 70 million Indonesians are classified as informal sector workers and work in small to medium-sized businesses and earn uncertain low incomes. Many do not have health insurance, although a portion of them should already have been included as PBI beneficiaries. Literature from developed countries has uncovered the difficulties of collecting premiums from informal workers; therefore, an initiative should be developed to expand the coverage of the informal sector to achieve universal health coverage by 2019.

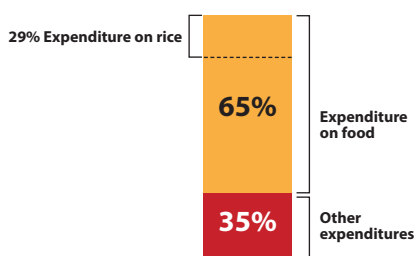
Subsidised Rice for the Poor (Raskin)



Introduction

Rice is important for the poor and vulnerable. TNP2K’s analysis of 2010 National Socio-Economic Survey showed that 65 percent of household spending by the poor and vulnerable is on food, of which rice accounts for 29 percent (figure 34). This implies that any increase in the price of rice reduces purchasing power, especially for the poor, which in turn increases the number of poor. For that reason, a policy framework that ensures poor and vulnerable households can satisfy their food needs, especially the need for rice, is crucial.

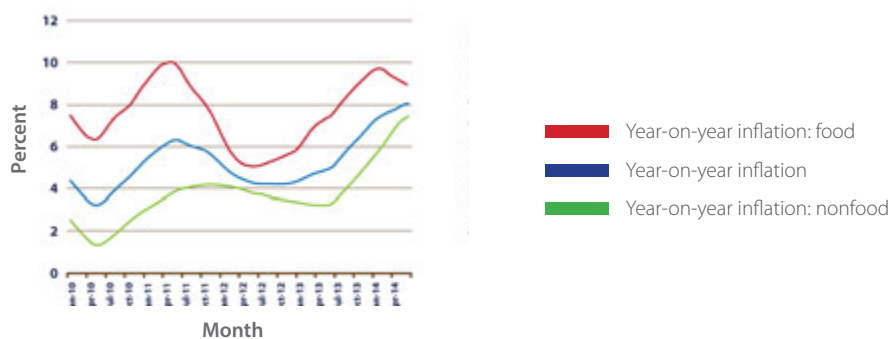
Figure 34. Composition of Expenditures by Poor Households



Source: TNP2K

Given the above, the burden on the poor is severe when food prices are volatile. Managing the rate of inflation, especially the cost of food, is therefore important as increases in the price of food tend to be higher than in nonfood items (figure 35). The involvement of various stakeholders, including local governments, is essential to maintaining the stability of food prices. This is because inadequate infrastructure, obstacles in doing business, and unsupportive policies contribute to rising food prices.

Figure 35. Annual Food and Nonfood Goods Inflation



Source: Statistics Indonesia

The Subsidised Rice for the Poor programme (*Subsidi Beras bagi Masyarakat Berpendapatan Rendah* or Raskin) intends to reduce the burden poor households bear in paying for basic food needs. The programme does so by providing subsidised rice. Originally known as the 'Programme for the Sale of Subsidised Rice to the Poor' (*Operasi Pasar Khusus* or OPK), the programme was one of the Social Safety Net (*Jaring Pengaman Sosial*) programmes launched by the government during the 1998 economic crisis. As the shared responsibility of the minister of state for food (*Menteri Negara urusan Pangan*) and National Logistics Agency (*Badan Urusan Logistik* or Bulog), Raskin provided 7.5 million targeted households each with 10 kilograms (kg) of rice monthly at a price of Rp 1,000 per kg (data from the National Family Planning Coordinating Board [*Badan Kependudukan dan Keluarga Berencana Nasional*]). After the position of minister of state for food was abolished in October 1999, OPK became the responsibility of Bulog. In 2002, OPK changed its name to Raskin to emphasise the programme's objectives of serving the poor.

In addition to social assistance processes and efforts to improve food security at the targeted household level, the 'Subsidised Rice for the Poor' programme's objectives are to (1) stabilise market prices; (2) control inflation through government intervention to set prices of subsidised rice at Rp 1,600 per kg, and maintain national food stocks; (3) increase both physical access to food (rice availability at distribution points) and economic value (affordable prices) for targeted households; (4) provide a market for rice producers; and (5) assist local economic growth.

At present, Raskin subsidises as much as 15 kg of rice each month per beneficiary household (RTS-PM) with a redemption price (*harga tebus Raskin*) of Rp 1,600 per kg at each distribution point (*Titik Distribusi* or TD). Bulog delivers Raskin rice to TDs, with the location specified and agreed on by Bulog as well as regency (subdistrict) and, city governments. In general, TDs are at the village, subdistrict, and, sometimes, district levels. According to Bulog, Indonesia currently has about 50,000 TDs, while the village and subdistrict figure for 2011 stood at 78,024. Regencies and city governments are responsible for overseeing the Raskin programme from TDs to share points (*Titik Bagi* or TB), that is, the location where the rice is distributed to beneficiary households. TDs are generally located in the village or subdistrict office or at the home of the village or neighbourhood head. Consequently, some TDs and TBs are in the same location.

Beneficiary households of Raskin in 2013 and 2014 totalled 15,530,897 based on data from the UDB (table 9). The figure for Raskin households in 2014 equalled about 25 percent of

the population in the country and included both the poor and near-poor. In comparison, Raskin in 2012 covered 11.66 percent of households including the poor, near-poor, and/or the vulnerable. However, the actual number of beneficiary households has changed from year to year, as seen in table 9.

Table 9. Raskin Quotas, 2005–14

	2005	2010	2012	2013	2014
Target households (millions)	8.3	17.5	17.5	15.5	15.5
Total rice/target household (kg/month): guideline	20	15	15	15	15
Price per kg (Rp) at distribution point	1,000	1,600	1,600	1,600	1,600
Number of provinces	30	33	33	33	33
Budget (Rp in trillions)	5.2	13.9	20.9	20.5	18.8

Source: Central Coordination Team for Raskin and TNP2K

Raskin’s budget in 2014 reached Rp 18.8 trillion, compared with Rp 5.2 trillion in 2005. In 2013, following the national government’s reduction of the national fuel subsidy, an additional three months of rice was distributed by Raskin, raising the budget to Rp 20.5 trillion. Raskin’s expenditure was the highest among all social assistance programmes and comprised half the total social assistance budget.

The Raskin subsidy for 2014 was budgeted in the APBN via the MoF’s Budget Implementation Registration Form (*Daftar Isian Pelaksanaan Anggaran*). The central government policy on budgeting Raskin covered only rice procurement and delivery to TD. In accordance with Law Number 18 of 2012 on Food (Articles 18 and 58) and the Minister of Home Affairs’ Circular Letter Number 900/2634 of 27 May 2013, local governments (i.e. provincial, regency, and city governments) are expected to allocate budgetary funds for distributing Raskin from TDs to beneficiary households. The budget provision includes, among other things, Raskin’s operational costs, freight costs from TDs to the TBs to the households, rice subsidies, Raskin debt guarantees, and/or additional allocations to Raskin households beyond the specified limit. In addition to funding from state and local budgets, the public can volunteer to help with Raskin’s distribution costs from TDs to households, without increasing the redemption price as set out in the implementation guidelines (*petunjuk pelaksanaan*) and the technical guidelines (*petunjuk teknis*) in each region.

RASKIN'S IMPLEMENTATION CHALLENGES 1998–2012

Since its first implementation in 1998, Raskin has faced many challenges, some of which affected its effectiveness.

a. Accuracy of Raskin's Targeted Beneficiaries, Quantity of Rice Received, and Prices Paid

Raskin's cost is the largest among social assistance programmes, and it faces four key challenges: the accuracy of programme targeting, the accuracy of the amount received by beneficiary households, the accuracy of the prices paid by households, and the timeliness of deliveries (table 10).

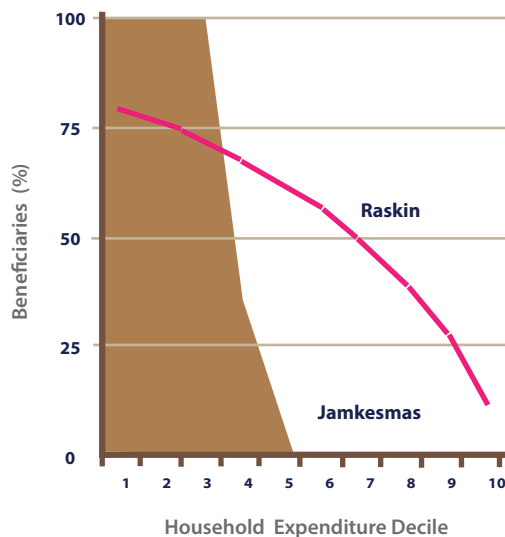
Table 10. Raskin Programme Performance

Indicator of success	Target	Amount	Price
Raskin Guidelines	Poor households (Q1 & Q2)	10–20 kg	
SMERU	West Sumatra: Exact East Java: Shared equally Southeast Sulawesi: Shared equally/alternated	West Sumatra: 10 kg East Java: 4–7 kg Southeast Sulawesi: 4–10 kg	
Susenas/World Bank	Q1–Q2: 53% Q3–Q5: 47%	4 kg (2004, 2007) 5 kg (2010)	1,160 (2004) 1,225 (2005) 1,253 (2006)
TNP2K (2011)	Many non-poor households receive benefit	Average: 5.75 kg Semarang: 2.5 kg Deli Serdang: 8.9 kg	Average: 2,122 Deli Serdang: 1,586 Barito Kuala: 2,863

Source: TNP2K, compiled from several studies

Susenas data from 2009 shows that Raskin rice is shared evenly among more prosperous groups; moreover, about 12.5 percent of the most well-off also receive Raskin rice. This clearly reduces the amount that can be received by the poor, near-poor, and vulnerable (figure 36). In reality, in the context of income transfer and overcoming food insufficiency, Raskin only provides an average of four kg per household per month, which is insufficient to address food shortages in households of more than five people, which require more than 45 kg of rice per month.

Figure 36. Raskin Targeting Effectiveness



Source: Susenas 2009

Regarding targeting accuracy, two issues need attention: First, beneficiary households are determined by the central government and should be validated through subdistrict urban ward meetings (*muskel*) and village-level meetings (*musdes*) before a final list of target beneficiaries (*Daftar Penerima Manfaat* or DPM) is determined. Second, the actual distribution of rice often deviates from the list of beneficiary households and rice is transferred to recipients not on the list of target beneficiaries.

b. Institutions, Official Programmes, and Local Governments

Targeting has been unsatisfactory due to a lack of clarity regarding the roles of different agencies in enforcing rules, including those on targeting accuracy. As stipulated in Raskin’s general guidelines (*pedoman umum*), responsibility for Raskin comes under the coordinating minister for social welfare (*menteri koordinator bidang kesejahteraan rakyat*) as determined by the Coordinating Ministry of Social Welfare 2012 Decree Number 57 on Raskin’s Central Coordination Team. At the provincial, district, subdistrict, city, or village levels, heads of local government (governors, mayors, and village heads) are responsible for implementing Raskin.

The minister is responsible for Raskin’s Central Coordination Team (*Tim Koordinasi*). The team is chaired by the deputy coordinating minister for social welfare–social protection and public housing (*wakil menteri kementerian koordinator bidang kesejahteraan rakyat–bidang koordinasi perlindungan sosial dan perumahan rakyat*). At present, Raskin’s

Central Coordination Team consists of members from the Coordinating Ministry for Social Welfare, Coordinating Ministry for Economic Affairs, National Development Planning Agency (*Badan Perencanaan dan Pembangunan Nasional or Bappenas*), Ministry of Home Affairs, MoF, Ministry of Agriculture, Statistics Indonesia, State Audit Agency, and Perum Bulog. Raskin's General Guidelines and 2012 Decree Number 57 from the coordinating minister for social welfare do not clearly stipulate the division of labour between and responsibilities of each ministry or agency.

Raskin's budget management authority (*kuasa pengguna anggaran*) originally lay with the minister of finance but it changed hands several times. In 2005–07, it was held by the director of Bulog. In 2008–09, the position was transferred to the deputy coordinating minister for social welfare–social protection and public housing. In 2010–12, it returned to Bulog. Studies suggest that since Bulog manages the distribution of Raskin rice, it should not have authority over its budget management. Thus, in 2013, budget management authority was transferred to the director general of social empowerment and poverty reduction in MoSA (*dirjen pemberdayaan sosial dan penanggulangan kemiskinan-Kementerian Sosial*).

At the provincial level, the governor is in charge of programme implementation; in regencies (*kabupaten* or provincial subdistricts) or large cities (*kota*), it is the regent or mayor; in the regency's subdistrict (*kecamatan*), it is the subdistrict head (*camat*); and in villages (*desa*) and their subvillages or neighbourhoods, it is the village chief (*kepala desa*) or local head. At each level of government a Raskin Coordination Team is formed with a secretariat in an SKPD, although most are within the Secretariat of the Provincial Economic Bureau and district or city economic agencies. Exceptions exist at the village and subdistrict level where the implementing organisation also handles distribution. Although the responsibility for ensuring accurate targeting rests with local government, most local governments still consider Raskin to be a central government programme and not their responsibility.

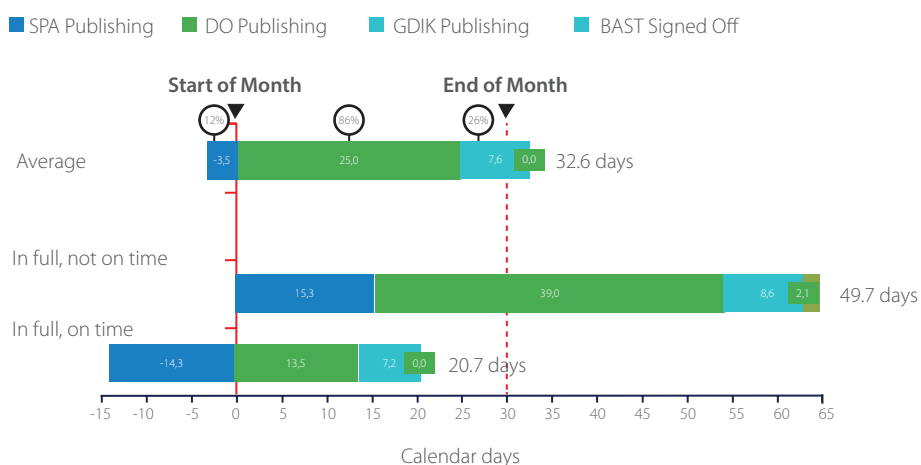
c. Raskin Distribution

In order to ensure smooth distribution, Bulog along with the Raskin Central Coordination Team organised a monthly distribution plan as outlined in the Allocation Request Letter (*Surat Permintaan Alokasi or SPA*) and provided by the regent or mayor to Bulog based on an upper limit. Based on the SPA, Bulog prepares a Goods Delivery Order (*Surat Perintah Pengeluaran Barang*) for rice for each district, subdistrict, or

village. At distribution points, Bulog hands the rice over to Raskin Coordination Team's representatives, and the exchange is acknowledged by signatories from both parties.

But, according to World Bank research in 2014 (Business Process Review and Reengineering for Raskin), distribution orders for rice take an average of 33 days to reach the TD. Orders based on the release of an SPA occur after the start of the month. Delays in issuing the SPA by the district or city greatly affect Raskin's distribution, as well as the release of distribution orders by Bulog (figure 37).

Figure 37. Time between Issuance of Raskin SPA and Signing of BAST, 2013



Source: World Bank (2014)

If there are constraints specific to an area (such as geography, climate/weather, and/or transportation) that prevent routine distribution each month, Raskin's schedule is adapted to the conditions of the region, which is set out in the local government's implementation or technical guidelines. Bulog prepared Raskin's Special Disbursement Guidelines for distribution up to the TD level.

Raskin's distribution from TDs to TBs and to beneficiary households is the responsibility of local governments (provincial and regency or city). Raskin's Coordination Team / Distribution Implementation Team checks the quality and quantity of rice that Bulog delivers to the TDs. If discrepancies are found, this team is supposed to refuse delivery and immediately return the rice to Bulog for replacement. However, monitoring results indicate so far that local governments are not doing this to the extent that they should.



Raskin distribution managers handle rice distribution from the TBs to households, which is recorded in the DPM, noting the name and number of recipient households. This is then reported by the Raskin Coordination Teams to the regencies or cities through Raskin's Subdistrict Coordination Team. Raskin's guidelines stipulate that the distribution to TDs and from TBs to the households is done on a regular basis by working groups through village shops and community groups. To minimise transportation costs, TBs are supposed to be located strategically so that they are easy for households to reach.

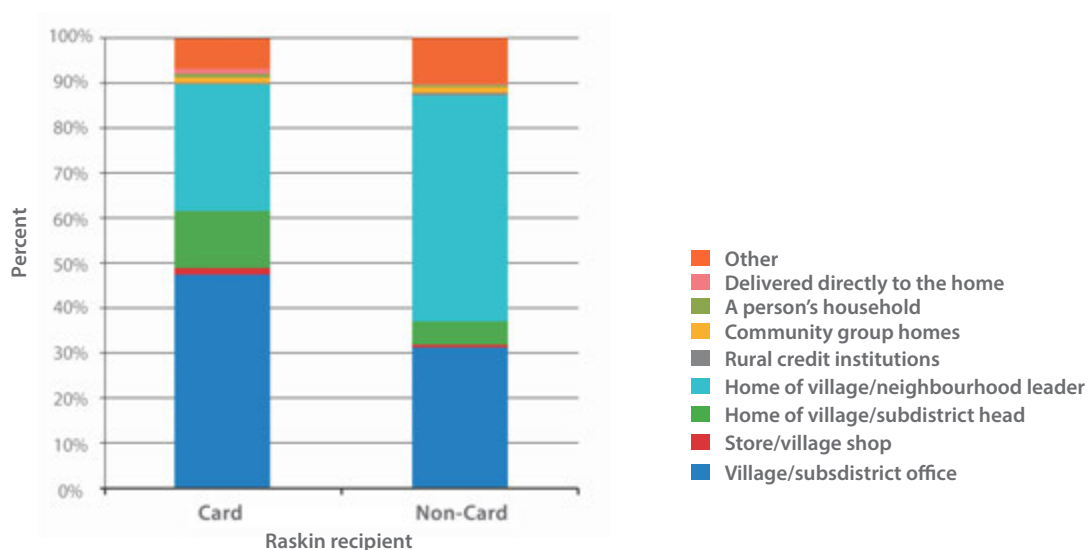
Rice distribution in any month can be affected by the timeliness of payments from the previous month. Payments from beneficiary households to Raskin Distribution Teams is made in cash. The teams deposit the money in the Bulog account through local banks or pay it directly to a local Bulog unit.

Money collected is deposited within two weeks of the rice arriving the TD. This payment can affect the following month's rice delivery. In order to avoid late or back payments, Raskin managers in villages or subdistricts sometimes seek financing beforehand, in the form of loans from a third party that are repayable with an administration fee or interest. In most cases, when beneficiary households do not have funds at the time of the rice delivery (because deliveries are not always made at the same time each month), the rice is usually offered to other households, which may not necessarily be poor. This results in poor targeting.

Furthermore, in some areas, TBs are located in a hamlets or villages, which causes variations in how Raskin is implemented. These variations include, for example,

dividing the supply of rice equally within the communities, reductions in the amount of rice each household receives, additional costs such as transport, etc. (figure 38). Another factor that may influence the distribution of rice is the emotional bond that exists between a village head and the villagers who chose him or her as their leader. The village head often feels obligated to share Raskin rice with more than the officially targeted recipients.

Figure 38. Raskin TB Locations



Various locations for Raskin Share Points

	Card	Noncard
Village/subdistrict office	48.5	30
Store / village shop	1	0.5
Home of village/subdistrict head	12.5	6
Home of village/neighbourhood leader	28.5	52
Rural credit institutions	0	0
Community group homes	2	0.2
A person's household	0.5	2
Delivered directly to the home	0.5	0
Other	6.5	9.5

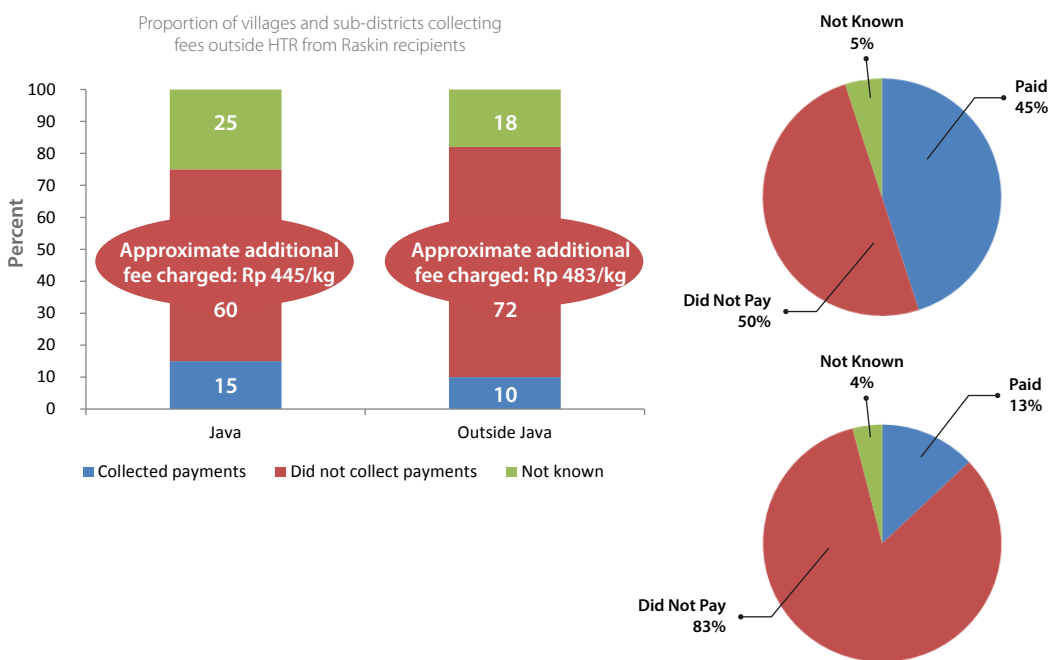
Source: Money Working Group, TNP2K

In the field, the indicators used to evaluate the programme are no longer based on 'targeting accuracy', such as the extent to which poor and vulnerable households are covered, but on the 'efficiency of payments'. In some cases, subdistricts and villages do not receive Raskin during the period specified due to arrears, misappropriations,

or requests from the district. Managers, especially at the village and subdistrict levels, do not care about accurate targeting (whether recipients are poor or not) but do care that the 'rice is paid for in full'. In addition, greater attention is placed on administrative accuracy, using Raskin recipient data and complying with the beneficiary households limit, in order to avoid scrutiny rather than report on actual field conditions.

According to Bulog's analysis, the accuracy of the subsidised price is constrained by geographical barriers. If a target household is located at a distance from the TD, the household will incur greater costs in charges for delivery of the rice to a point closer to the target household's location. Target households also have to pay other costs for operations and transport from TBs to their homes. TNP2K's monitoring of Raskin in 2012–13 showed the average additional cost to beneficiary households (beyond the set subsidised price) outside of Java amounted to Rp 445 per kilogram, whereas in Java the average additional cost was Rp 483 per kilogram. The role of regency and city governments to help ensure beneficiary households are charged the right price should be encouraged by providing budgetary funds to cover Raskin freight costs from TDs to TBs and other charges.

Figure 39. Proportion of Villages/Urban Wards Charging Fee for Raskin Rice and Average Value of Fee



Source: Monev Working Group, TNP2K

The programme faces a number of key challenges going forward, particularly given its long history and the consequent dependence of households on Raskin rice. Determining a new and fair way of distributing the rice is no easy task.

d. Control Programme

Although a variety of studies, evaluations, and analyses have produced a number of findings during Raskin's 15 years, these have not been used optimally by the programme's management. The programme also does not have the necessary tools and infrastructure for monitoring and controlling implementation. For example, Raskin Coordination Teams at the central and regency or city levels do not have an MIS that contains, among other information, the maximum limit, beneficiary household data and updates to it, operational data including the location of TDs and TBs, actual Raskin rice figures per month, payment status, amount and price of rice at the household level, or tools for monitoring and handling complaints. Additionally, the role played by local governments is less than optimal, especially regarding the accuracy of targeting and amount of rice received. Furthermore, the programme is implemented nationally in almost 78,024 subdistricts and villages and is challenging for Raskin's Central Coordination Team to manage.

e. Public Awareness Programme

Raskin has been operational for more than 10 years, and its operations have changed little in that time. The programme's public awareness efforts tend to be weak because they are not a priority. Public awareness programmes are confined to regional coordination meetings attended by provincial Raskin Coordination Teams. The importance of raising public awareness is not emphasised, nor is the importance of accurate targeting or accuracy of amounts received and prices incurred by households. It is hoped that the Raskin Central Coordination Team will organise additional public awareness activities for provinces and their districts and subdistricts.

POLICY FOR IMPLEMENTING IMPROVEMENTS IN RASKIN

Based on a TNP2K evaluation of Raskin's implementation before 2012, the TNP2K Secretariat proposed several policy recommendations to improve Raskin's implementation. These include the following:

- a. Revise the maximum limit for provinces, regencies, and cities to reflect the current situation by using PPLS 2011 data available in the UDB.

- b. Update households' names and addresses to reflect the latest information by using the UDB's PPLS 2011 data.
- c. Use the KPS to identify beneficiaries who originally held a pilot Raskin card.
- d. Adjust Raskin's list of beneficiaries to account for people who have moved or died, whose names are duplicated, or who have been assessed by village meetings as sufficiently wealthy.
- e. Strengthen public awareness processes.
- f. Oversee development of monitoring systems.
- g. Develop a complaints management system.
- h. Develop Raskin's MIS.

Implementing these policy improvements needs intensive preparation, particularly through a series of discussions, meetings, and internal workshops conducted with Raskin's Coordination Teams at the central, district, and village levels, along with other stakeholders. Such preparation involves technical staff and competent officials producing the required guidelines and dissemination materials.

a. Determining a Maximum Limit Using the UDB

The purpose of updating Raskin's maximum limit for beneficiary households at the provincial and regency or city levels is to extend the national maximum limit to 497 regencies and cities to reflect the current legal status. Before 2012, Raskin's Central Coordination Team determined the maximum limit for provinces only, while Raskin's provincial coordination teams determined the maximum regency or city limit. Since 2012, Raskin's Central Coordination Team established a maximum limit at provincial and regency or city levels based on TNP2K's input, which took into account various factors such as changes in regional poverty rates, as well as development decline or difficulties in different locations, along with results of an evaluation of Raskin implementation in the previous year. The TNP2K Secretariat assisted Raskin's Central Coordination Team to analyse and calculate a maximum limit for each regency or city in 2012, when the national limit was 17.5 million households, and in 2013–14, when it was 15.5 million households. During this process, TNP2K's Secretariat and Raskin's Central Coordination Team held numerous meetings before deciding at the end of the current year what the maximum limit would be for the following year.

In 2012, the regency or city limits were recalculated in the context of aforementioned factors and found to have declined in nearly half of all regencies and cities compared

with the previous year. This reduction led to a number queries and protests from the regency or city areas in question. However, a number of regencies and cities that experienced smaller changes felt that the new, lower limits reflected improved conditions and welfare due to programmes implemented by local governments.

The number of Raskin beneficiary households decreased from 17.5 million in 2012 (in force since 2008) to 15.5 million in 2013. This reduction led to a recalculation of the beneficiary quota for each district/city. Lessons from the 2012 implementation of Raskin were applied and quotas in certain areas corrected. A list of Raskin administrators was created, which included those at provincial, district, subdistrict, city, and village levels, using the results of the PPLS 2011.

Whenever an administrative area is created, the Coordinating Ministry of Social Welfare, governor, regent, or mayor automatically allocates the maximum allowable quota of Raskin rice to beneficiary households in the new area's administration and reports to the Raskin Central Coordination Team at regular stages. The SPA from regents and mayors to Bulog may be adjusted to the conditions in the new territory without having to wait for approval from Raskin's Central Coordination Team.

b. Improving the List of Names and Addresses of Raskin Beneficiaries in the UDB

TNP2K used the PPLS 2011 to populate the UDB with names and addresses of beneficiaries of the Raskin programme, because it provided up-to-date information on local welfare conditions.

In 2012, using the UDB, TNP2K identified 17.5 million poor households to receive Raskin benefits. This number aligned with both national and local quotas for Raskin beneficiaries. Local governments provided feedback and updates to the list of beneficiaries proposed thereby modifying the final set of recipients. Thus, not all those recorded in the PPLS 2011 were necessarily included as beneficiary households. Before this process was introduced, Raskin beneficiaries were determined solely by local governments. Since May 2012, the number of Raskin beneficiaries per village or subdistrict has been based on district/city-level quotas. In 2013 and 2014, the total quota of beneficiaries was lowered to 15.5 million households. TNP2K used the UDB to identify as many of these households as possible. For 2014, Raskin's beneficiary list was based on an update of the 2013 list using information on KPS cards. In this way, as many as 333,331 changes in households were recorded electronically using the

Replacements Summary Form (*Formulir Rekapitulasi Pengganti Rumah Tangga*).

c. Using Social Protection Cards to Demonstrate Eligibility of Beneficiary Households

One way to ensure targeting accuracy is to make the list of Raskin households available to the public. To improve transparency, in June 2013 the government distributed KPS to beneficiary households as part of the compensation package for fuel subsidy reductions. KPS were sent to all 15,530,897 Raskin households and were valid for 2013 and 2014.

The number of KPS cards issued per regency or city matches the number of Raskin households in that regency/city. The decision to use the KPS to demonstrate eligibility for Raskin and other programmes was based on strong evidence from at least two studies. First, in a pilot project in 2012, Raskin cards were made available to about 1.3 million nominated households in 53 regencies and cities (figure 40). Second, a list of beneficiaries was sent to all villages and subdistricts in Indonesia (figure 41). A randomised evaluation of the use of cards was also conducted by J-PAL, a research institute. It conducted a randomised control trial in six regencies and cities: three in Sumatra and three in Java comprising 572 villages and subdistricts. The analysis in this experimental study compared areas receiving cards with control areas that did not.

Figure 40. Raskin Pilot Card, 2012



Source: Kemensos

Figure 41. Poster of List of Beneficiaries, 2012

Source: TNP2K

Monitoring of the Raskin card rollout by TNP2K and the evaluation by J-PAL of the Raskin card experiment was expanded to additional areas in six regencies and cities. The pilot revealed that use of the card increased the amount of rice obtained by the beneficiary households (figure 42). The average amount of rice received in areas with cards was higher (9–11 kg) than in the non-card areas (7–9 kg). Observations over time have revealed that, in card areas, households continued to buy larger allocations of Raskin rice than households in non-card areas. The average price of rice paid by households in card areas also decreased. The average price paid by households in card areas was lower (Rp 1,700–1,900 per kilogram) than the price in non-card areas (Rp 2,000–Rp 2,100) (figure 43).

Figure 42. Average Kilograms of Rice Received by Beneficiary Households in Areas with and without Cards

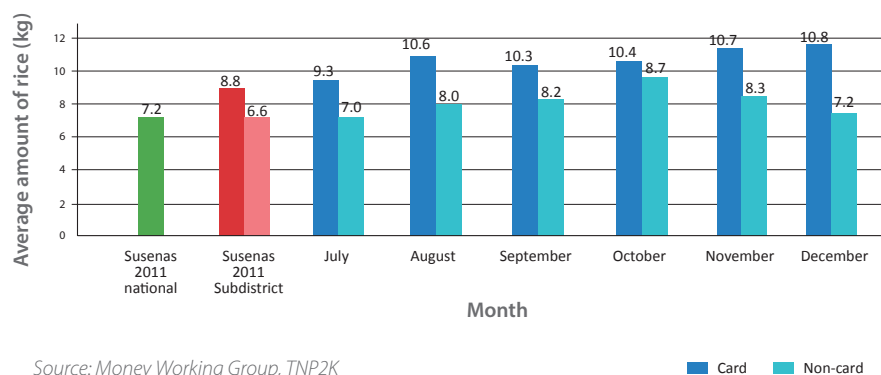
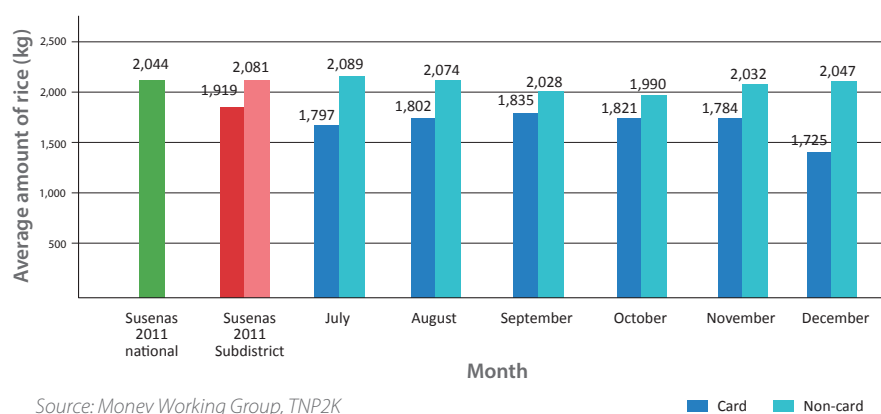


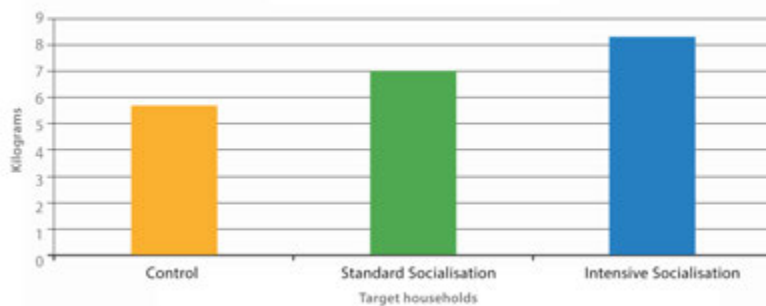
Figure 43. Amount Paid by Target Household per Kilogram



These findings were consistent with results from randomised control trials that showed that the use of KPS cards to improve the distribution of Raskin rice is more effective if accompanied by better public awareness initiatives (figure 44). Monitoring results by the TNP2K Secretariat in 2012 also showed that not all villages and subdistricts publicly displayed the DPM, due to concerns that doing so would cause community unrest. Some

village heads also assumed that the DPM was final. The result was that some households never saw the list of beneficiaries in their area.

Figure 44. Kilograms of Rice Received by Target Households (J-PAL RCT)



Source: Monev Working Group, TNP2K.
Note: J-PAL = Abdul Latif Jameel Poverty Action Lab; RCT = Randomised Control Trial

d. Updates to Raskin Beneficiary Lists after Village and Urban Ward Meetings

Starting in 2012, changes to the list of beneficiary households were made through the dissemination of the Replacements Summary Form to all villages and urban wards. This form was used to adjust the beneficiary list for people who had died, who had moved, whose names were duplicated, or who were now judged as being sufficiently well-off (figure 45). The Raskin administrators continued to use this process after the introduction of the KPS. In 2012, Replacement Summary Form data was entered manually. In 2013, data entry for beneficiary households was made electronically at the regency or city level under the supervision of PT Pos Indonesia examiners. Replacement Summary Forms, which had been approved by the village chief or urban ward chiefs, were submitted to subdistrict social welfare personnel (*Tenaga Kesejahteraan Sosial Kecamatan* or TKSK), who then handed them to about 206 PT Pos Indonesia examiners for data entry.

Figure 45. Replacements Summary Form, June–December 2012



Source: TNP2K

Musdes/muskel forums are used to identify new beneficiary households to replace ineligible ones. However, such updates must not increase the maximum quota of rice per village or urban ward.

The replacement exercise prioritised those households that had previously received Raskin and had larger households consisting of infants and school-aged children and/or an elderly or female head of household, whose house was not habitable, and/or whose income was low and unreliable.

An electronic Replacement Summary Form was jointly developed by TNP2K's MIS unit, MoSA, and PT Pos Indonesia, following the creation of the KPS in mid-2013, when it was made available to PT Pos Indonesia examiners at the regency and city level. Replacement Summary Forms based on *musdes* and *muskel* information containing amended data and replacement households were submitted to TSKSs under MoSA and forwarded to PT Pos Indonesia examiners who entered the data into the electronic application. MoSA then used the data to validate substitute KPS holders.

When the period for electronic applications was closed, updates to the list of KPS holders in November 2013 numbered 402,861, including as many as 333,331 replacement households. The change was smaller than expected. An analysis of Raskin's 2012 implementation of the summary form in 500 villages showed that through *musdes* and *muskel*, 9.6 percent of the total households were replaced for several reasons, including: people leaving a village, deaths, duplication of names, or people being considered sufficiently well-off. Out of the total number of beneficiary households, 6.2 percent were replaced because they were sufficiently wealthy, and 3.7 percent were in decile one.

e. Strengthening Public Awareness Initiatives

In rolling out the KPS, the TNP2K Secretariat, Raskin Central Coordination Team and MoSA organised and produced public awareness materials about the use of KPS cards for the Raskin programme. Official documents were sent by the Raskin Central Coordination Team along with A3-sized KPS posters on the Raskin programme to local-level administrators (figure 46). The TNP2K Secretariat, which coordinated input on the content of the materials from the ministries and agencies involved, carried out the final stage of disseminating public awareness materials. The TNP2K Secretariat also coordinated the distribution of public awareness materials with PT Pos Indonesia.

The TNP2K Secretariat further supported the preparation of various legal letters directly related to the use of KPS for Raskin. The first letter, issued by the Minister of Home Affairs, called on local governments to reallocate Raskin distribution costs from TDs to the TBs.

Figure 46. Public Awareness Materials on Using KPS for Raskin



Source: TNP2K

In order to encourage improvement in the use of KPS cards to access Raskin, the TNP2K Secretariat, with assistance from the Poverty Reduction Support Facility, which was set up by the Australian Department of Foreign Affairs and Trade, strengthened public awareness efforts in June 2014 with the following messages:

- a. Raskin 2014 continues to operate with the KPS scheme.
- b. Raskin is available only to certain sections of the community.
- c. Rice is available at the redemption price of Rp 1,600 at TDs.
- d. Recipients are entitled to 15 kg per household per month.

The following public awareness activities were carried out:

- a. Direct outreach to offices in 1,100 villages and urban wards, 106 regencies and cities, and 34 provinces, involving meetings with village chiefs, neighbourhood heads, or Raskin working units (and recording their respective cell phone numbers), as well as putting up posters in publicly visible locations and delivering letters introducing Raskin and contact persons.

- b. Distribution and installation of 20,000 posters in village offices, neighbourhood health clinics, community health centres, mosques, churches, and other strategic locations.
- c. Public service announcements on 127 local radio networks reaching 114 regencies and cities, a media roadshow in six major cities, and a talk show held twice on each of the three national radio stations (RRI Pro 3 FM, RDI, and KBR68H).

f. Monitoring and Development of Monitoring Systems

The TNP2K Secretariat analysed Susenas data and various secondary data, as well as conducted two studies on Raskin implementation (1) in 2011, by 'SurveyMETER' and (2) in 2013, monitoring the implementation of Raskin using KPS. The TNP2K Secretariat, together with the Raskin Central Coordination Team, also initiated the development of a monitoring system to establish surveying instruments using a standardised questionnaire and web-based system. This instrument was tested by monitoring several regions, including Central Bengkulu, Pontianak City, South Bengkulu, and Ternate.



g. Complaint Management

Along with implementation of a compensation package for fuel price hikes, an online system called 'LAPOR!' was set up to manage complaints. It is overseen by UKP4, a government monitoring and control working unit. LAPOR! is an inquiry-based integrated web portal that can be accessed by the public at www.lapor.ukp.go.id. Complaints are made by registering through the web portal LAPOR!. The public can also send messages directly via SMS to the telephone number 1708. This SMS-based process is connected directly to those managing complaints.

The TNP2K Secretariat was appointed to coordinate all matters related to KPS. As the coordinator, the secretariat is tasked with referring complaints or questions to the appropriate Raskin programme managers in the various ministries and agencies, as well as reporting on problems and complaints to KPS coordinators. It must also provide information to the complainant and the public.

Complaints specifically related to programme participation have been handled by the programme person-in-charge and delivered to the eligibility coordinator (TNP2K) who liaised with TSKK in 2013 to find out if *musdes* or *muskel* had been conducted and information about changes in membership delivered to complainants. During the management period of June 2013 to June 2014, the TNP2K Secretariat in its role as the LAPOR! administrator received 3,429 reports about Raskin with as many as 2,193 reports assigned to the Raskin Central Coordination Team. Of these 2,193 reports, 1,253 reports were not followed up on, 32 were still being processed, and 908 were considered resolved as the complainants had not contacted the complaints team for two weeks.

In addition to managing LAPOR!, the TNP2K Secretariat established a centre to provide information and handle complaints by mail, telephone, SMS or through community visits, including groups or individuals associated with the KPS, BLSM, P4S, and Raskin. Currently, the TNP2K Secretariat—with support of the Department of Foreign Affairs and Trade, Government of Australia—is helping the Raskin Central Coordination Team develop a complaints management system managed by the team (with MoSA) and tested at the regency and city level.



h. Raskin MIS Development

The TNP2K Secretariat—also with support from the Department of Foreign Affairs and Trade, Government of Australia—is helping the coordination team to develop an information management system that will provide beneficiary household data, operational data, monitoring information, and complaints, and will be used as a monitoring tool for improving programme performance. This system would supplement the central-level system and be tested in three provinces and in regencies and cities. This approach is expected to connect the central and local levels.

NEXT STEPS FOR THE RASKIN PROGRAMME

The provision of rice is especially important to ensure that poor and vulnerable households can fulfil their food needs. Moving forward, Raskin should continue its function as a social assistance mechanism that provides subsidised rice to reduce the financial burden households face and improve food security at the household level.

If properly implemented—that is, with accurate targeting and each target household receiving as much as 15 kg of good quality rice per month at a price of Rp 1,600 per kg—Raskin would become a vital component of poverty reduction initiatives. One effort to improve Raskin’s targeting accuracy was through the use of 2011 UDB data to determine Raskin beneficiary households, as demonstrated with the KPS. Distributing Raskin rice appropriately, namely by delivering rice to those holding a KPS card or a Poor Household Confirmation Letter (*Surat Keterangan Rumah Tangga Miskin*) for replacement households, has most likely improved targeting accuracy.

Therefore, the use of the KPS card is key to improving the programme, in order to identify beneficiaries, increase transparency and facilitate the distribution of Raskin rice in the field.

In order to safeguard the poor, Raskin should continue in the short term to deploy the improvements suggested above. However, due to the complexity of the Raskin programme, such efforts may not always be effective. Therefore, in the medium to long term, TNP2K suggests rice or food aid move away from the current physical distribution mode (i.e., in-kind) to systems using vouchers or electronic cash to purchase rice and other food. However, such a change cannot be implemented immediately. Any alternative programme would need to be designed and planned carefully. Thus, a carefully designed plan is needed if Raskin is to be phased out, or a new programme tested or scaled-up.

Conditional Cash Transfers for Poor Families (PKH)



Introduction

The Conditional Cash Transfer for Poor Families programme (Program Keluarga *Harapan* or PKH) serves very poor families and households in Indonesia. Through PKH, participants receive cash assistance if they fulfil certain obligations with respect to education and health. PKH aims to reduce poverty in both the short and long term. Short-term poverty reduction measures include cash transfers made four times a year. Long-term poverty reduction is achieved through investment in the health and education of children. This investment is expected to improve the future quality of human capital in Indonesia.

PKH was launched as a trial social assistance programme in 2007. It was administered by the Central PKH Implementation Unit (*Unit Pelaksana Program Keluarga Harapan* or UPPKH) under MoSA. At first, PKH was implemented in 7 provinces and 48 regencies and cities and served 387,974 participants (table 11). In 2011, PKH became a national programme. As a result of this scaling-up, the programme became responsible for a larger area and a greater number of beneficiaries. Table 11 shows that, in 2013, PKH was implemented in 34 provinces and 333 regencies and cities in Indonesia, reaching nearly 2.4 million beneficiaries.

Table 11. PKH Beneficiaries by Location, 2007–14

	2007	2008	2009	2010	2011	2012	2013	2014
Target	500,000	642,000	720,000	816,000	1,116,000	1,516,000	2,400,000	3,200,000
Actual	387,974	620,848	726,376	774,293	1,052,201	1,492,473	2,326,523	-
Additional beneficiaries		232,874	105,528	47,917	277,908	440,272	834,050	-
Province	7	13	13	20	25	33	34	-
District/city	48	70	70	88	118	166	333	
Subdistrict	337	637	781	964	1,387	1,787	1,378	

Source: UPPKH MoSA (2014)

As a result of the change in its status to a national programme, PKH became one of MoSA's major programmes. The amount of assistance given to beneficiaries increased from Rp 508 billion in 2007 to Rp 2.94 trillion. In 2014 the budget prepared for PKH reached Rp 5.1 trillion. The increase was needed to accommodate a greater number of participants (an increase to 3.2 million families) resulting from a policy to expand the programme's saturation and geographic coverage.

CHALLENGES IN IMPLEMENTING PKH

When TNP2K was formed, in 2010, with the primary aim of improving the design and operation of the poverty reduction programmes, it focused on enhancing the performance and effectiveness of PKH. Together with UPPKH and Bappenas, TNP2K conducted studies to identify aspects of the design and implementation of programmes that needed improvement.

PKH'S EFFECTIVENESS AND ACHIEVEMENTS

An evaluation of PKH implementation was conducted using quantitative research that examined groups that did or did not receive PKH assistance. Using the results of this short-term evaluation, Bappenas (2009) and World Bank (2011) showed that the PKH increased consumption in the short term and improved the use of health facilities by poor families. The latter was indicated by improvements in child development among PKH participants and increased use of antenatal and postnatal care among mothers participating in PKH (e.g. visits to neighbourhood health centres rose by 3 percent, monitoring child growth rose by 5 percent, and immunisation activities increased by 0.3 percent) .

Unfortunately, PKH's positive impact on health is not mirrored in the field of education. The World Bank (2011) found that PKH's impact on education tended to be limited. It was only able to extend marginally the length of time children remained in education. Studies found that PKH did not have a significant impact on key educational indicators such as participation in secondary education (net and gross), drop-out rates, attendance rates, or the prevalence of child labour.

However, preliminary results of a long-term impact evaluation conducted by TNP2K in 2013–14—a continuation of the impact evaluation conducted by the World Bank mentioned above—indicated PKH participation had a significant impact on several long-term education and health indicators. These results were characterised by an increase of 2.6 percent in secondary school enrolment after six years of PKH assistance. This assistance also reduced the dropout rate by 0.7 percent and child labour rate by 1.3 percent in the same period.

PKH assistance over a six-year period was also associated with a positive impact on health. The results of the 2013 impact evaluation showed that PKH participation saw an

increase of 6.4 percent in births assisted by a certified midwife and an increase of 6.8 percent in births in health facilities. Along with these positive outcomes, PKH's presence also had a positive impact on the level of age-appropriate immunisation (an increase of 3.5 percent). Despite these three positive impacts, post-natal visits by PKH participants to health facilities declined.

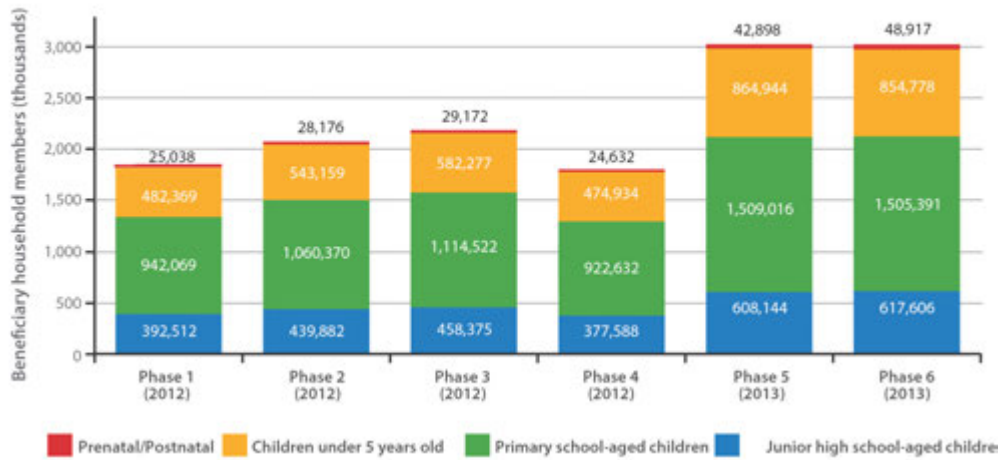
VERIFICATION OF PKH

The success of PKH's implementation as a conditional cash transfers programme depends on monitoring and verifying whether households fulfil programme requirements. The obligations each household must meet are determined by the characteristics of each PKH beneficiary. Families with newborns and infants should have at least two postnatal visits, a complete course of immunisations, take vitamin A supplements twice a year and have regular weight checks. Pregnant women must have four antenatal care visits, take iron tablets during pregnancy, and give birth to their babies with the help of a midwife or trained health practitioner. Primary and secondary school-aged children must enrol in school and have a minimum attendance rate of 85 percent.

PKH assistance is disbursed four times a year. Verification is carried out to ensure that the amount of aid distributed is in accordance with beneficiaries fulfilling their obligation. An analysis of distribution data reveals that the majority of PKH assistance is distributed to primary school-aged children (figure 47).



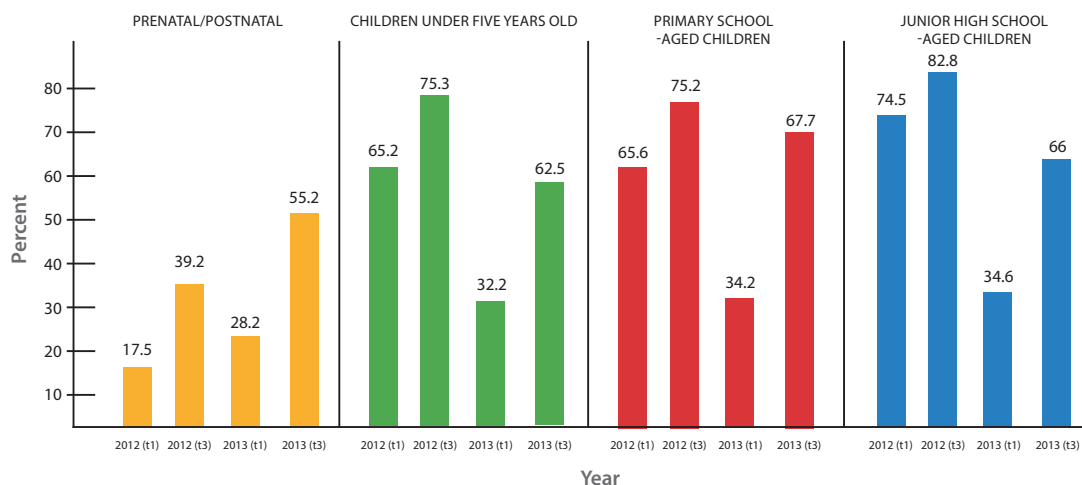
Figure 47. Total Household Members Receiving PKH Benefits, 2013



Source: UPPKH-MoSA, organised by the TNP2K (2013)

Although verification plays an important role in the success of PKH, TNP2K analysis shows that it is only partially conducted. During the second round of payments in 2013, TNP2K found that only 60 percent of PKH beneficiaries had been verified. Although this percentage is higher compared with the first phase of 2013, the analysis shows that 40 percent of people were not reached during the verification process. Furthermore, pregnant and post-natal women were the least reached group in terms of verification efforts. During stage two in 2013, verification for this group was 55.2 percent of actual PKH beneficiaries.

Figure 48. Percentage of Total Household Members Successfully Verified in Three Months



Source: UPPKH-MoSA, organised by the TNP2K (2013)

ADEQUACY OF PKH ASSISTANCE

PKH's cash assistance is an incentive for participants to fulfil programme obligations. Since the programme's inception, benefits received by participants have been divided into two components: ongoing help and help based on the benefit criteria calculated for each PKH participant. Table 12 shows that the maximum assistance for a PKH participant is Rp 2,200,000, whereas the minimum is Rp 600,000.

Table 12: Value of PKH Assistance, 2007–13

Component of Assistance	Value of Assistance
Fixed assistance	200,000
Assistance for beneficiary households with:	600,000
- Children under the age of 5 / pregnant women / breastfeeding mothers	
- Primary school-aged children	400,000
- Junior secondary school-aged children	800,000
Average assistance per beneficiary household	1,390,000
Maximum assistance per beneficiary household	2,200,000

Source: Bappenas, TNP2K (2013)

From its launch in 2007 until 2013, PKH remained unchanged in nominal terms. The amount of assistance per beneficiary was never adjusted for general changes in price levels or for price changes that affected the poverty line. The lack of an increase in PKH assistance over the five-year period meant that the value of PKH assistance declined in real terms. This decline could potentially act as a disincentive to households in fulfilling their PKH obligations.

DURATION OF PKH BENEFITS

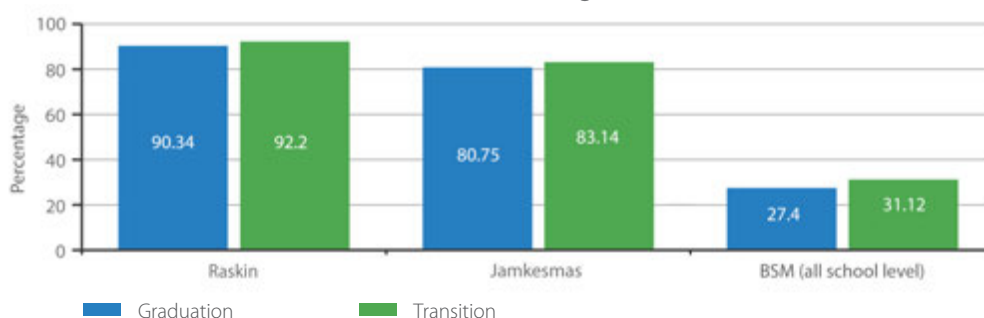
Although PKH is a long-term programme, participation in PKH is not permanent. If a beneficiary household does not meet programme requirements, the household is withdrawn from the programme. Of course, households also graduate or make a 'natural' exit from the programme, for instance, when a household or family no longer meets such PKH criteria as having a pregnant woman or infants under five at home or children under 18 still attending primary or secondary school.

PKH's initial design allows beneficiaries to participate in the programme for a maximum of 6 years. In the third year, recertification is carried out to assess participant eligibility for the fourth year. Although it had been intended since the planning phase in 2007, recertification activities for the 2007 cohort, which should have been conducted in 2010, were never carried out.

COMPLEMENTING PKH

The integration of social assistance programmes will potentially have a big multiplier effect on poverty reduction in Indonesia. Although this integration is very important, TNP2K studies show that complementarity between PKH and other social assistance initiatives is still limited. Figure 49 shows high complementarity between Raskin and Jamkesmas. In comparison, complementarity between PKH and BSM is still low. Results from PKH's recertification for cohorts 2007 and 2008 showed that more than 90 percent of participants who graduated from PKH still obtained Raskin assistance, although confirmation is still required about the amount received, the price paid, and whether the delivery of rice was timely. Confirmation is also needed to show that graduated households are still able to obtain Raskin.

Figure 49. Complementarity of PKH with Other Social Assistance Programmes



Source: PKH Recertification Results for Cohorts 2007 and 2008, TNP2K (2014)

PROGRAMME IMPROVEMENT POLICY

Development of PKH into a National Programme

On 20 July 2011, through a TNP2K plenary meeting led by the Vice President of Indonesia, PKH received approval to become a national programme implemented by six ministries. As a national programme, PKH began by covering 33 provinces in 2013, gradually

increasing its scope to 333 regencies and cities across Indonesia in 2014. Along with its increased geographical reach, the target number of PKH beneficiaries is expected to increase to 3.2 million in 2014.

COMPILING PKH WORKBOOKS

This change in PKH's status required a shared understanding and intensive coordination among all stakeholders, such as MoEC, MoRA, MoH, and the Ministry of Manpower and Transmigration, for ensuring its smooth implementation and synergy with other household-based social assistance programmes.

In 2011, TNP2K began preparing the Work Book: Guidelines for Implementing Conditional Cash Transfers for Poor Families (*Buku Kerja Pedoman Pelaksanaan Program Keluarga Harapan*). This workbook (figure 50) summarises all relevant information related to PKH implementation and synergies with other related social assistance programmes. The book begins by discussing general matters and policies and then moves on to more technical and specific information, such as the use of forms. The book is expected to serve as a PKH implementation manual, and will be useful to all stakeholders at all levels of government.

Figure 50. PKH Implementation Workbook



Source: TNP2K

ANALYSING, IMPROVING, AND EXPANDING PKH

At the 2011 TNP2K plenary meeting, PKH administrators decided to shift PKH's targeting approach from household to family based. As such, several families may come together

in a single household and combine consumption expenditures. A single household can be assigned more than one PKH number if it contains more than one family that meets PKH's requirements. This change was made to accommodate the principle that a family (i.e., grandparents, father, mother, and child) has one parent who is responsible for its childrens' education, health, and welfare. Therefore, it is the family unit that is most relevant to improving the quality of human resources and breaking the cycle of intergenerational poverty.

This meeting also resulted in a policy to expand the geographical coverage of PKH. Improvements associated with the expansion of target areas were achieved using information on the availability of health and education facilities and the number of eligible PKH households. In cooperation with Bappenas, TNP2K provided advice on PKH's expansion strategy, using information contained in the Survey of Village Potential (Podes), PPLS, and MIS.

INCREASING PKH ASSISTANCE LEVELS

In 2013, the Government of Indonesia increased the value of PKH assistance as part of a package to compensate for fuel price hikes in 2013. Table 13 provides information on the value of PKH assistance by beneficiary type. To compensate for the increase in the price of fuel, the maximum amount of PKH assistance per participant was increased to Rp 2,800,000. As a result, the average amount of assistance received by PKH participants increased from Rp 1,400,000 to Rp 1,800,000 a year.

Table 13. Value of PKH Assistance Beginning in 2013

Component of Assistance	Value of Assistance
Fixed assistance	300,000
Assistance for beneficiary households with:	1,000,000
- Children under 5 / pregnant women / breastfeeding mother	
- Primary school-aged children	500,000
- Junior secondary school-aged children	1,000,000
Average assistance per beneficiary household	1,800,000
Minimum assistance per beneficiary household	1,300,000
Maximum assistance per beneficiary household	2,800,000

Source: UPPKH and TNP2K

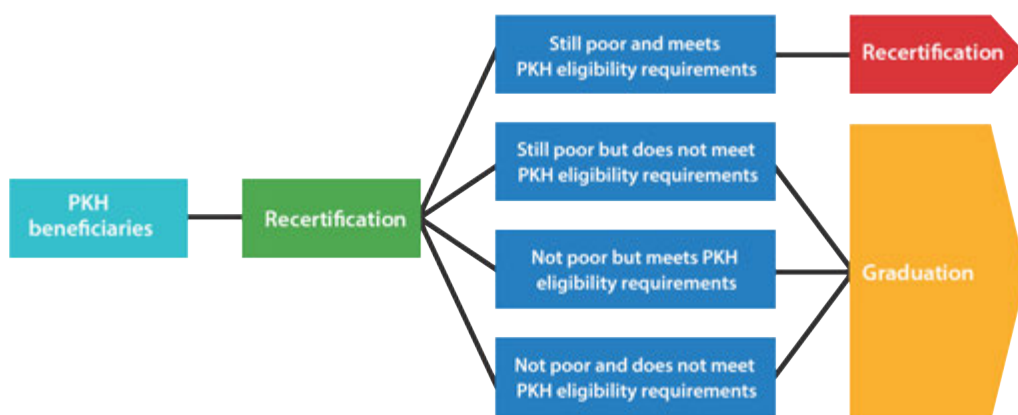
DURATION OF PKH PARTICIPATION: STRATEGY FOR TRANSFORMING PKH

Participants do not always receive their cash transfers. This is sufficient reason to consider a number of aspects underlying the programme's sustainability.

- a. First, it is necessary to ensure that PKH beneficiaries continue to use education and health services even if they no longer participate in the programme.
- b. Second, it is important to avoid any negative effects from the loss of assistance when beneficiaries graduate from the programme.
- c. Third, it is important to ensure that beneficiaries continue to benefit from other programmes that support their well-being.

The development and implementation of specific policies can address problems faced during this critical time of graduation and transition from PKH assistance, but the success of such policies depends on having the most recent information on participants' socioeconomic conditions. Such information can be obtained through recertification activities (figure 51). As noted above, recertification means re-collecting assessment data in order to appraise the participation criteria and socioeconomic status of PKH beneficiaries as written in the 2007 PKH General Guidelines. When using recertification as a way to confirm graduation provisions, it would be helpful to expand its definition to include an attempt made not only to detect the socioeconomic conditions of PKH beneficiaries, but also to collect information on PKH beneficiaries involvement in poverty reduction programmes and/or other social assistance activities.

Figure 51. Recertification and Implications for Beneficiary Status



Source: Bappenas, Kemensos, TNP2K, 2013

Although the 2007 PKH General Guidelines (*Pedoman Umum Program Keluarga Harapan* 2007) stipulate that recertification of PKH beneficiaries should occur in the third year of participation, this recertification requirement was not fulfilled. Therefore, taking into account the capacities and efficiencies involved, recertification will be undertaken in the fifth year of PKH participation.

In 2013, PKH recertification was implemented for the first time and carried out with PKH beneficiaries from cohorts 2007 and 2008 (figure 52). A census was undertaken in 626,386 neighbourhood associations (*rukun tetangga*) participating in the PKH programme across 13 provinces, 72 districts, and 631 subdistricts. About 2,730 people were involved in collecting field data.

Figure 52. Recertification Questionnaires for 2007 and 2008 Cohorts



Source: TNP2K

To address complaints from households on the results of recertification efforts, a Community Complaints System was devised (figure 53). Households could submit a complaint, which would then be discussed and resolved in a forum of local leaders. Post-recertification complaint activity suggested that local leaders were active in areas with PKH beneficiaries.

After recertification, PKH beneficiaries enter a period of transition. Those households still considered poor and eligible for PKH support enter a three-year phase during which households continue to receive PKH assistance but also benefit from other social assistance programmes. Beneficiaries also attend meetings geared towards 'improving family welfare' (*pertemuan peningkatan kemampuan keluarga*), which involve completing four modules on economics, education, health, and family welfare.

Figure 53. PKH Recertification Complaints Mechanism



Source: Bappenas, MoSA, TNP2K, 2014

Figure 54. Meeting on Recertification Outcomes and Complaints



Source: TNP2K

PKH beneficiaries no longer considered poor or eligible for PKH assistance enter PKH's graduation phase and stop receiving assistance. Such households are still eligible for other social assistance programmes that are meant to help keep graduating families out of poverty. The graduation programme takes into account a household's needs, as identified during recertification. The maximum duration of PKH participation is nine years. To ensure a common understanding of PKH's transitional policy and implementation processes, as well as the recertification-based complaints system, TNP2K, along with UPPKH and Bappenas, was involved in the preparation of general guidelines (figure 55) on transition and technical reference books related to complaints and recertification.

These books were distributed to key PKH stakeholders, both at the central and district levels.

Figure 55. General Guidelines for PKH Beneficiary Transformation



Source: TNP2K

ENCOURAGING AND ENSURING COMPLEMENTARITY BETWEEN PKH AND BSM

Students from households participating in PKH can access the Cash Transfers for Poor Students (BSM) programme. This is also noted in BSM's General Guidelines from MoEC and from MoRA. In addition, Circular Number: Dj.1 / PP.04 / 51.2014 from the Director



General of Islamic Education, MoRA, places a priority on child recipients of PKH being able to receive BSM benefits.

DEVELOPING A MONITORING SYSTEM BY STRENGTHENING AND IMPROVING MIS-PKH

MIS-PKH is the main instrument for monitoring the implementation of the PKH programme and identifying areas that need improvement or optimisation. To support the use of an MIS to monitor the implementation of PKH, TNP2K and UPPKH collaboratively developed a dashboard, 'Quarterly Monitoring and Analysis System–Conditional Cash Transfer Programme for Poor Families' (SMART-PKH), which presents a visualisation of the data that is processed by PKH using a statistical methodology (figure 56).

Figure 56. SMART-PKH Application Dashboard



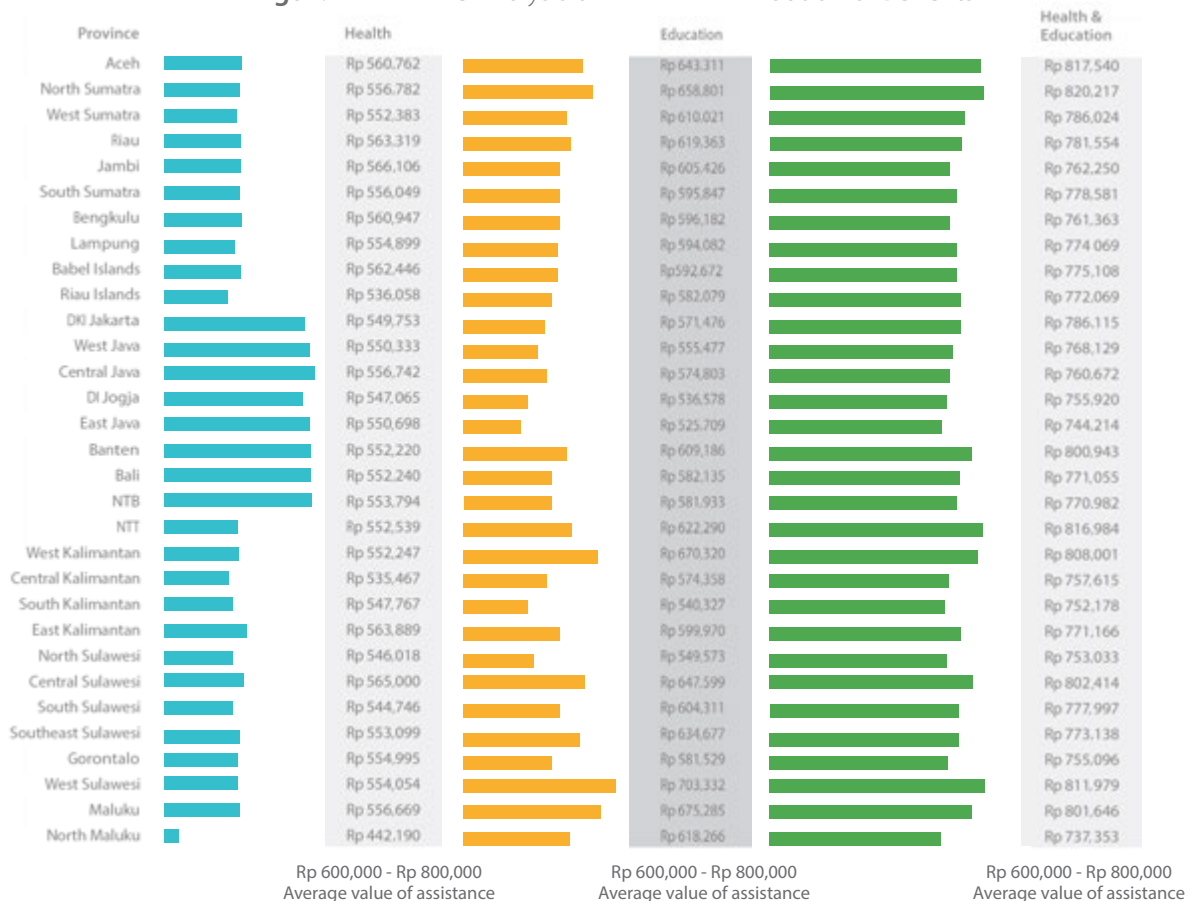
Source: TNP2K (2013)

The SMART-PKH Dashboard presents statistics and analysis that can be grouped according to the following categories:

- Level (national, provincial, city, or district)

- b. Units of time (year, payment stage, or sequence of payments)
- c. Order process (verification, meeting obligations, payments, and funding reductions). In addition, each category of beneficiary service or individual category, statistical categories can be described from different perspectives.

Figure 57. Sample Analysis of Average Distribution of Benefits



Source: MoSA; TNP2K (2014)

This monitoring system is currently being used to analyse the second distribution phase for 2013 and is still in its development stage. It is important to ensure confidence in the use of the UPPKH management system. Capacity-building efforts for MIS-UPPKH are also underway to better process and comprehend the technical elements and analytical methods used.

In addition, TNP2K helped improve the process for updating and managing MIS-PKH data so that it can be integrated with data from other programmes. This integration makes it easier for other social assistance programmes to obtain baseline data and improve

programme complementarity for PKH beneficiaries. Some of the key indicators of other programmes (e.g., the National School Number for the BSM programme; school-age child workers for reducing child labour in support of PKH - PPA) should be integrated into the system.

DEVELOPING A TRIAL FOR APPLYING INCLUSIVE FINANCE THROUGH PKH

The first attempt to improve banking access for PKH beneficiaries was through a cooperative pilot in which PKH delivered assistance through Bank Rakyat Indonesia's *TabunganKu* savings accounts in 2012. This pilot was implemented through banks in 15 regencies and cities for 100,827 PKH beneficiaries. However, implementation of this initiative for poor families was impeded by various banking regulations, such as confirmation through the use of identification cards (*kartu tanda penduduk*), bank operating hours, procedures for withdrawing money, and obligations for maintaining a minimum balance of Rp 20,000.

Based on lessons from failures in the Bank Rakyat Indonesia trials, TNP2K, Bappenas, and UPPKH plan to test the use of electronic money as a means for making PKH payments. The trial will also help improve government understanding of people's financial and savings cultures as well as inform the preparation of a suitable channel for distribution of social assistance. The preferred channel would be one that is available but as yet unused, such as the Financial Services Intermediary Unit (*Unit Perantara Layanan Keuangan*) or a distribution agent. The trial will be implemented in 3,000 PKH households from the 2007 transition cohort and conducted with three private and government banks. However, this figure will be determined with due consideration for the technological capabilities in the specified area.

DESIGNING AN ORGANISATIONAL FRAMEWORK TO INCREASE BENEFICIARIES

An increase in PKH coverage to 3.2 million beneficiaries in 2014 requires a new organisational structure; one that is staffed with professionals. At the TNP2K plenary meeting in 2011, Professor Tarsicio Castenada, an international expert who has given advice in several countries on conditional cash transfers, suggested an organisational structure that reflects the functions already attributed to PKH. The structure of the organisation continues to be discussed and refined, including through one proposal by the German Society for International Cooperation (*Deutsche Gesellschaft Für Internationale*

Zusammenarbeit, better known as GIZ). However, due to limited resources at MoSA, a new organisational structure has not yet been implemented.

PROMOTING IMPROVED COORDINATION IN PKH'S IMPLEMENTATION

Implementing PKH as a conditional cash transfers programme requires coordination and cooperation with relevant ministries. Cooperation with the MoEC and MoRA is required to ensure that schools verify the attendance of PKH participants.

NEXT STEPS FOR THE PKH PROGRAMME

PKH is a national family-based social assistance programme. Although evaluations indicate that PKH has been quite successful in achieving several goals in three years, the programme still needs a new design to improve its effectiveness in achieving its long-term goal to reduce poverty. These changes can be made by amending or adding conditionalities and/or benefits. A new design would also enhance PKH complementarity with other social assistance programmes (such as capacity-building assistance for PKH



household members and strengthening micro, small and medium-sized enterprises), including those managed by both central and local governments. The initial step in the improvement of the design is better coordination between UPPKH and other ministries and local governments.

One factor that needs consideration in terms of achieving an improved design is access to education and health facilities. PKH's design currently requires that access to education and health facilities be available to PKH participants. However, information from the Survey of Village Potential and Susenas revealed pockets of poverty in certain areas of Indonesia where access to education and health facilities is limited. Limited access means that PKH cannot target such areas for assistance. Therefore, a special design is required for areas that have limited access to health and education facilities.

Another important action is to improve the verification methodology. As mentioned previously, verification of the health conditions of PKH beneficiaries needs a better approach. TNP2K and the Poverty Reduction Support Facility are conducting a trial of alternative verification methods for health conditions. The trial involves the cooperation of district health workers and the use of SMS/texting technology. The results of this study will be available in 2015–16.

In addition, PKH also needs to develop a strong resource base to support its development in the future. One improvement concerns PKH's organisational structure. It should be more efficient, arranged by function, and overseen by professional managers. Equally important is improving the quality of human resources at both central and regional levels, which could be done by evaluating performance thus far and, if necessary, retraining PKH staff to improve competency.

National Programme for Community Empowerment (PNPM)



Introduction

In its efforts to accelerate poverty reduction, TNP2K's short- to medium-term priorities include actions to strengthen the implementation of community development and community empowerment programmes and their integration into PNPM-Mandiri. Within the context of fulfilling national development priorities, as set forth in Presidential Instruction Number 1 of 2010 on Accelerating the Implementation of Priority National Development, the Indonesian President instructed ministries and agencies, as well as governors, regents, and mayors, to take the necessary steps in line with their responsibilities, functions, and authority to focus on the three main beneficiary types: families, communities, and micro and small enterprises.

Figure 58. Range of Community Empowerment Programmes

CENTRAL GOVERNMENT	LOCAL GOVERNMENT
PNPM INTI	PNPM Replication (examples)
1. RURAL	1. ANGGUR MERAH, NTT province
2. URBAN	2. P2KB (Accelerating Subdistrict Development), Bandung
3. PISEW	3. PDPM (Local Programme for Community Empowerment), Serang District
4. RIS-PNPM	4. GERBANG DAYAKU, East Kalimantan province
5. P2DTK	5. RESPEK, Papua and West Papua
PNPM STRENGTHENING	6. BKPG (Financial Assistance for Prosperous Villages), NAD province
1. PUAP	7. PELANGI DESA (Ngada)
2. FISHERIES AND MARINE AFFAIRS	
3. TOURISM	
4. HEALTH AND EDUCATION	
5. ENVIRONMENT	
6. PNPM CARES	
7. PLPBK	

Source: TNP2K

Groups working on poverty reduction policies based on community empowerment, along with ministries and agencies and other stakeholders, should focus on the following:

- a. Planning the integration of other community development programmes into PNPM-Mandiri, with results or products such as the PNPM Core Concept Integration Plan and PNPM Strengthening. As shown in figure 58, a variety of community development programmes have been administered by various parties.
- b. Enhancing stability in organising the PNPM Core Concept Integration Plan and PNPM

Strengthening to increase the transfer of knowledge between PNPM-Mandiri managers in various ministries and agencies.

- c. Improving the quality of data from target households.

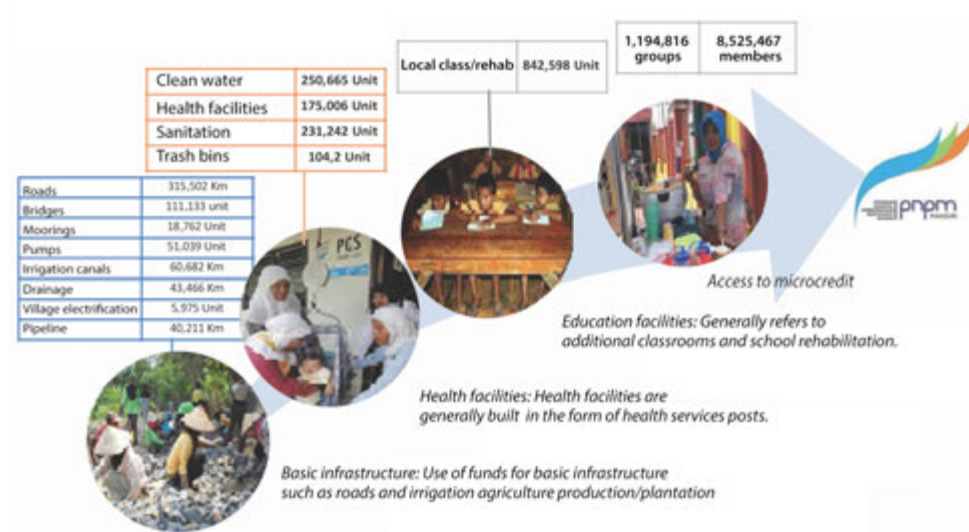
As a follow-up to Presidential Decree Number 3 of 2010, a number of action plans were made by TNP2K along with ministries, agencies and other stakeholders, consisting of the following:

- a. Enhancing the role of local governments in PNPM-Mandiri by improving the process for setting the Regional Affairs Joint Fund (*Dana Daerah Urusan Bersama*) based on Ministry of Finance Regulation (*Peraturan Menteri Keuangan*) Number 168 and PMK.07 2009 on Guidelines on Joint Central and Regional Funding for Poverty Reduction (*Pedoman Pendanaan Urusan Bersama Pusat dan Daerah untuk Penanggulangan Kemiskinan*).



- b. Preparing a process for community-based planning to be informed by participatory forums at the village and urban ward level.
- c. Preparing assistance processes so that people in villages and wards are able to prepare more comprehensive medium-term programmes for their areas.
- d. Preparing a process so that medium-term plans or programmes in villages and wards developed through participatory processes can be integrated into regular medium-term village and ward initiatives, resulting in community-based development programmes.
- e. Preparing a process for officials in villages and wards to accommodate and process medium-term village and subdistrict programme plans (*program jangka menengah*) as high-level community development consultations (*musyawaran perencanaan pembangunan*).
- f. Preparing a process to handle community-driven development through PNPM-Mandiri.

Figure 59. PNPM-Mandiri Achievements, 2007–13



Source: MIS data from all PNPM programmes (Rural, Urban, RIS, and PISEW), October 2013

Programmes that focus on community empowerment have been running for almost two decades in Indonesia, following the issuance of the 1994 Presidential Instruction on Underdeveloped Villages (*Inpres Desa Tertinggal*), now known as the National Programme for Community Empowerment (PNPM-Mandiri). PNPM-Mandiri was announced by the President of Indonesia on 30 April 2007 in Palu. The programme has brought under its

own umbrella all activities by ministries and agencies that involve the community. At the very least, about 17 community-based programmes from various ministries and agencies have been consolidated into PNPM-Mandiri and are grouped into either PNPM Core Concept Integration Plan or PNPM Strengthening.

PROBLEMS FACED IN PNPM-MANDIRI

In accelerating poverty reduction, short-term priorities are addressed by PNPM-Mandiri. These grow rapidly and develop into programmes offered by various ministries and agencies. These institutions now directly run a variety of community development programmes that channel money and other resources directly to communities. Many people have benefited from them. Despite that, development inconsistencies have arisen in various empowerment programmes, bringing new problems and other effects, such as:

- a. Fragmentations in community empowerment due to the proliferation of programmes.
- b. Poor coordination between the PNPM Core Concept Integration Plan and PNPM Strengthening has led to variations in the quality of implementation.
- c. Opportunities have been missed (e.g. the impact of economies of scale on poverty).
- d. Confusion exists about the empowerment approach and the programme's objectives.
- e. PNPM impact on local governance and local institutions at the village, district and regency or city level has been limited.

CHALLENGES IN IMPLEMENTING THE EMPOWERMENT PROGRAMME

In the midst of this activity, PNPM-Mandiri's approach to community-based programmes was recognised for facilitating effective partnerships between the government and communities. During this time, PNPM assisted efforts to reduce poverty through economic development and better physical infrastructure in local communities by creating economic activities to employ local workers, providing market access to the poor and marginalised, mitigating the effects of disasters or crises, and increasing community participation in governance and accountability. Figure 60 summarises the findings of a study on PNPM's impact by the World Bank and TNP2K.

Nevertheless, implementing PNPM-Mandiri has brought with it challenges that raise issues about the effectiveness of initiating development programmes in Indonesia. Indeed, does PNPM-Mandiri truly represent a form of empowerment in Indonesia? Challenges with respect to impact include the following:

- a. PNPM-Mandiri's impact on households when the head of a household has less
- b. PNPM-Mandiri's impact on improving access to education is not apparent, particularly in the transition from primary to secondary school.
- c. Participation, including that of the poor and women, has risen but not impacted village governance.

Although PNPM-Mandiri has demonstrated that it can lay the foundation for improved social capital in communities, it still lacks the ability to effectively impact regular systems that are already up and running.

See figure 60 for the effects that can be achieved when all other PNPM programmes are run according to the principles of community empowerment.

Figure 60. Positive Impacts of PNPM-Mandiri



IMPLEMENTING POLICY IMPROVEMENTS

As previously explained, PNPM-Mandiri has undergone numerous adjustments through ministry and agency actions. In fact, different forms of PNPM have emerged that have varied in their implementation of the principles of community-based development. In addition to unsustainable impacts, the existence of these variations in community-based development has undermined efforts to achieve a national poverty rate of between 8 and 10 percent by the end of 2014 (2010–14 National Medium-Term Development Plan).

In response to this situation and to improve the effectiveness of community empowerment, TNP2K was assigned the task of ensuring greater synchronisation, harmonisation, and integration of poverty reduction programmes across ministries and agencies. Based on an instruction from the Vice President at a plenary meeting in March 2012, a draft roadmap for PNPM-Mandiri was prepared. The roadmap was intended as a guide to the future of PNPM with clear strategies for both government and society to use for sustainable community development programmes in Indonesia. The PNPM-Mandiri Roadmap intended to:

- a. Provide a foundation on which to base a policy framework for sustainable community development.
- b. Give direction on priorities and strategies, as well as guidance on possible regulatory changes.
- c. Strengthen interaction and coordination among ministries and agencies, including in the regions.

The PNPM-Mandiri roadmap consists of five pillars of sustainable community development. The first pillar concerns the integration of development programmes in Indonesia. The second pillar advises on strengthening public institutions. The third is linked with the improvement and continuity of community assistance. The fourth focuses on strengthening the role of local government. The fifth pillar concerns good governance in implementing community development programmes.

DIRECTION ONE:

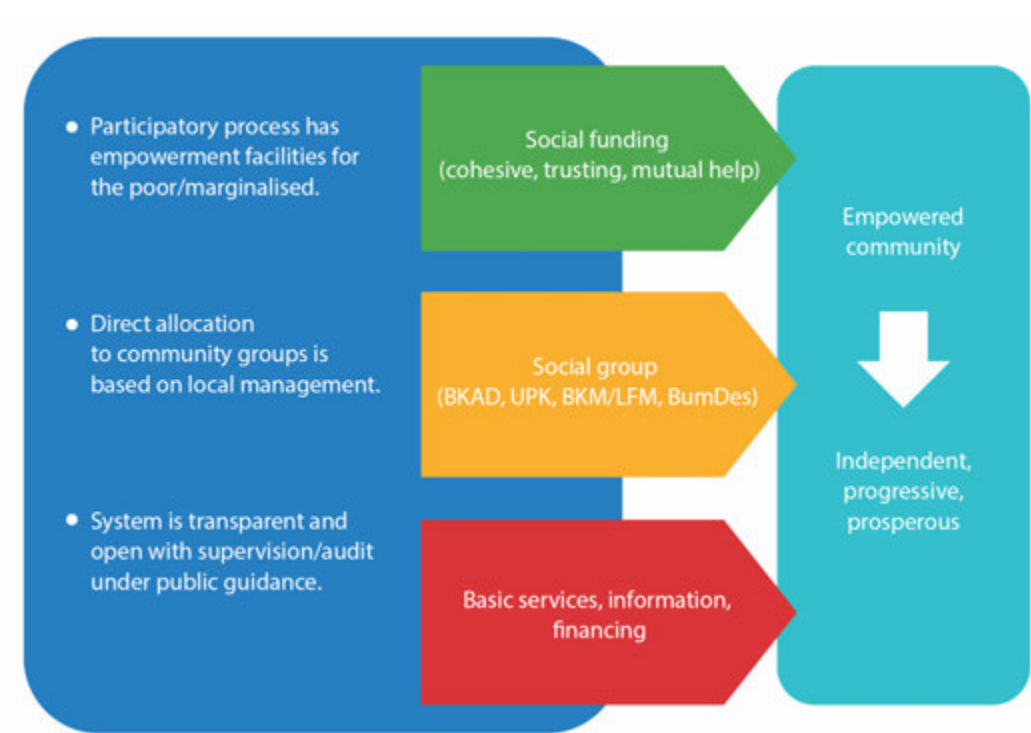
The Consolidation Programme for Community Empowerment is characterised by three basic policies: (1) communities are the main actors; (2) implementation is participatory, transparent, accountable, and gender balanced; (3) resources, funding sources, and government assistance are made available.

DIRECTION TWO:

Integrated development planning is conducted in three principal areas of development planning: (1) integrating participatory planning processes into regional development planning; (2) allocating funds for community development and local government; (3) strengthening the role of local government and rural community development activities.

Moving on from the draft PNPM-Mandiri roadmap, TNP2K is currently engaged in three specific efforts to ensure the continuity of community development initiatives using a conceptual framework. This is demonstrated in figure 61, which shows the concepts of strengthening participatory development, implementing direct fund allocation, and creating accountable and transparent systems. For these, the PNPM-Mandiri roadmap with its five pillars is translated into 12 work agendas to be operationalised by TNP2K, the Coordinating Ministry for Social Welfare, MoHA, MoF, Ministry of Public Works, and Bappenas.

Figure 61. Framework for Community Empowerment Programmes



Source: TNP2K

Some of the more significant efforts to improve policy effectiveness for sustainable community development that have already been implemented including:

Formulating PNPM-Mandiri’s Principles to Guide Community Empowerment Programmes

In order to cope with variations in the implementation of community-based programmes, a general formula for defining community development programmes was required. This general definition needed to be based on those PNPM-Mandiri principles already

understood by the public and shown to provide them with immediate benefits. The formula abided by the following principles:

- a. Allocating budget funds immediately to villages.
- b. Mentoring and monitoring on an ongoing basis.
- c. Supporting the interests of women and the marginalised.
- d. Ensuring decisions on the use of funds are made only at community meetings.
- e. Strengthening the role and functions of community organisations.
- f. Ensuring that communities get to choose community activities.
- g. Ensuring self-determination is handled by community groups.
- h. Ensuring transparency and accountability.

TNP2K successfully put forward the above eight principles for PNPM-Mandiri to use as the basis for formulating a community empowerment programme. These were agreed to by all stakeholders, including ministries, agencies and local governments.

Reflecting PNPM-Mandiri Principles in the Village Law

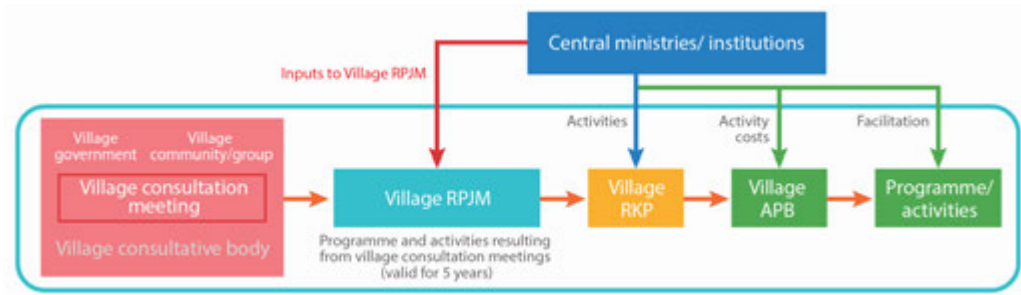
Law Number 6 of 2014 on Villages, was approved on 18 December 2013. It provided an opportunity to reflect the principles of PNPM-Mandiri in rural law, which in essence is the 'one village, one plan, one budget' approach found in rural development governance arrangements it has the following characteristics:

- a. Participatory planning.
- b. A village information system.
- c. Village resources and financial management.
- d. Asset management and village-owned enterprises (*Badan Usaha Milik Desa*).

When PNPM-Mandiri's principles were instilled into rural development, community empowerment helped villages become self-sufficient and more prosperous. Also, village self-reliance in providing services, development, and empowerment reflected an understanding of the following conditions (figure 62):

- a. The central government's programme should be included in the Village Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Desa*) and executed in the context of village development plans, and financed by the Village Budget (*Anggaran Pendapatan dan Belanja Desa*).
- b. Central government ministries and agencies may not form groups within villages and directly fund them.
- c. Ministries and agencies provide assistance for activities.

Figure 62. Model for Village Development



Source: TNP2K

TNP2K ensured that the principles of PNPM-Mandiri were adopted in Law Number 6 of 2014 on Villages, which are described in a series of papers and in two implementation arrangements: (1) the Government Regulation on Villages and (2) Government Regulation on the Allocation of Village Funds. TNP2K has at least five areas of concern regarding regulating and institutionalising community empowerment programmes: village council organisations, village financial management, village wealth and asset management, planning and implementing rural development processes, and village funds allocation processes.

Refining Poverty Reduction Programme Targets on the Basis of Community Empowerment

It has been recognised that poverty reduction is becoming increasingly difficult to achieve. Poverty programme targets need to be refined and programmes must be able to cope with the variations that occur across the country.

A more effective poverty reduction formulation is required, which in addition to ensuring the sustainability of community empowerment, needs to ensure substantial targets that address, at the very least, three interrelated areas:

- a. The existence of insurance processes that work for the poor. These processes should be able to provide opportunities for the poor to work for a defined time and develop better skills that fit their needs.
- b. Efforts to ensure revolving funds have a positive impact on community business activities. The effectiveness of revolving funds is apparent in the increased size of transactions in community business activities.

- c. Preparation of community empowerment programmes that focus on underlying causes of poverty. Programmes should include handling issues associated with urban and rural development, difficult or remote areas, special care for marginalised groups, women and isolated tribes, and impact of external factors (e.g. natural disasters, and crises).



NEXT STEPS FOR PNPM-MANDIRI

PNPM-Mandiri, which operates in almost all Indonesian villages and urban wards, has provided a solid foundation for planning and implementing participatory development. With Law Number 6 of 2014 on Villages, the need exists to change current rural development policies. Looking ahead, PNPM-Mandiri needs to be aligned with and even integrated into the implementation of Law Number 6. That said, changes in policy

cannot be implemented quickly and need to consider rural development arrangements currently in place, while striving to meet the standards set by Law Number 6. Therefore, a transition period of two to three years will be necessary.

This transition period is needed to prepare for the implementation of Law Number 6, and is recommended to begin in Indonesia's 2015 fiscal year. Regarding this transition, at least four tasks require attention:

- a. Preparing a Village Development Plan, including plans to increase the capacity of human resources.
- b. Building capacity of human resources in village finance and asset management.
- c. Budgeting for village funding in the national state budget.
- d. Reorganising village-based programme planning in ministries and agencies.

In particular, it is suggested PNPM-Mandiri's transition into the Village Law follow these steps:

- a. The current budgeting process should be continued in 2015, including allocations for PNPM (as managed by the ministries and agencies involved). In the 2015 transitional period, PNPM's 'Direct Assistance' (*Bantuan Langsung untuk Masyarakat*) should be distributed directly to villages through the Activity Implementation Unit (*Unit Pelaksana Kegiatan*), which is currently operational in PNPM's management structure.
- b. Assets that have been built by PNPM-Mandiri, but managed and used by communities need to be inventoried and either made into assets owned by the community or returned to the local government.
- c. Ministries and agencies that currently implement PNPM assistance activities should continue to do so.

Furthermore, in the 2016 fiscal year, wherever Law Number 6 of 2014 on Villages is fully applied in accordance with PNPM principles, implementation should follow this pattern:

- a. PNPM's community assistance is provided directly to villages in accordance with Law Number 6.
- b. Allocation of village funds is carried out using the District Index (*Indeks Kewilayahan*).
- c. Community empowerment activities are conducted using the village budget and facilitated in phases.
- d. Village meetings are conducted in accordance with Law Number 6 to reach agreement on strategic matters involving public and community institutions.

In the context of allocating village funds, the following must be prepared as a basis for policy implementation:

- a. Geographic difficulty indicators, which are covered under Law Number 6, need to be interpreted in a comprehensive manner, reflecting not only construction costs but also welfare levels, the availability of infrastructure (particularly transportation and communications), and the condition of infrastructure currently in place for education, health, and housing. Details on infrastructural gaps must be included because funds transferred to villages are meant to finance village construction. For that reason, the policy of allocating funds to regencies or cities should be based on a multidimensional poverty index or similar type of list that has comprehensively considered the above factors.

- b. To streamline allocations from the state budget, a multidimensional index should be calculated at the central level and submitted to regency or city governments as the basis for transferring funds to villages according to regulations of the regents and mayors concerned. Technical instructions on transferring funds to villages should also urge regents or mayors to use the same index for reapportioning a share of revenues from local taxes, regency and city levies, and village funds received by the district or city.



A close-up photograph of a person's hand interacting with the keypad of a red ATM. The keypad is silver with black numbers and several function buttons: 'ENTER' (green), 'CHANGE' (orange), and 'CORRECT' (yellow). The person's finger is pressing the '0' button. In the background, a red panel features a transaction label with the text '交易单 / Transaction' and a barcode. At the bottom, a red panel shows a cash icon and the text '取现 / Cash'.

Inclusive Finance: Improving Access to Financial Services



Introduction

For a middle-income country, access to financial services in Indonesia is still relatively limited. Only about half of Indonesia's population has access to formal financial services, with about one-third having access to informal services, and nearly a fifth not using any financial services. Lower income groups are much less able to access financial services. About 80 percent of poor people in Indonesia do not have access to formal financial services.

The two most accessible financial services in Indonesia are savings and loans. A majority of Indonesia's population have a savings account, mostly through banks and other formal financial institutions. Loan services reach less than one-fifth of the population. The majority of the population borrows money through informal channels, including from family members or relatives. Meanwhile, nearly a third of those who need to borrow money cannot do so for a variety of reasons.

Improved access to financial services is strongly associated with poverty reduction. Many empirical studies show a causal relationship between the development of a strong financial system (including banking systems and capital markets) and economic growth and the well-being of individuals. An efficient and inclusive financial system can empower individuals, facilitate the exchange of goods and services, integrate communities into the economy, and provide protection from economic turmoil. Financial inclusion—through access to financial services, such as savings, credit, insurance, and pension funds—helps vulnerable groups acquire capital, manage risk, and overcome poverty.

OPPORTUNITIES TO INCREASE ACCESS

Indonesia has the space and potential to increase access to financial services. Several opportunities can be explored:

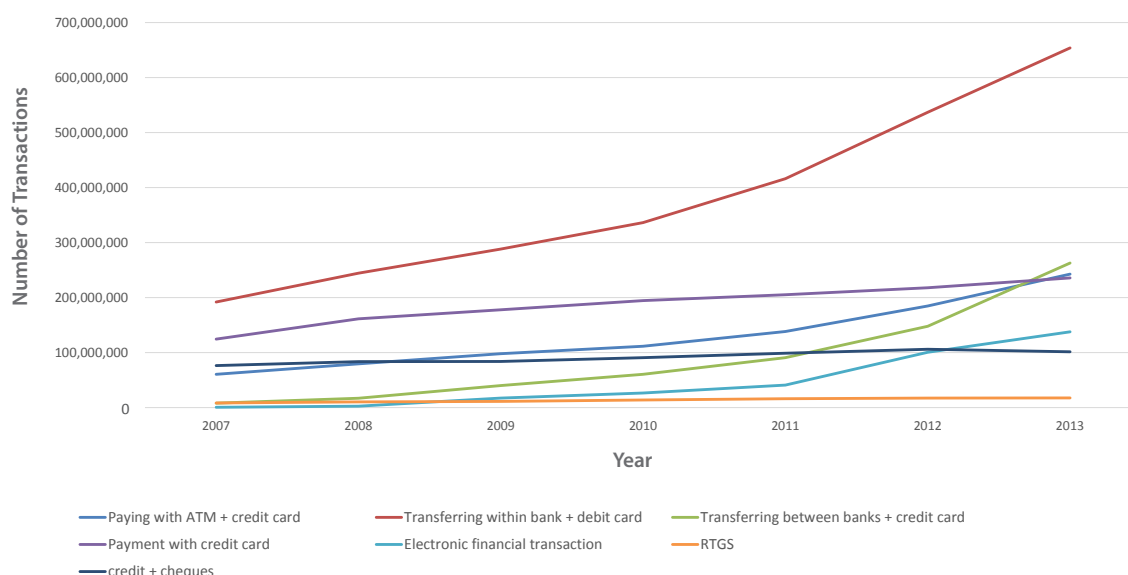
FIRST, the network of microfinance institutions in Indonesia is extensive and scattered across most of the archipelago. This network comprises about 36,000 credit unions; more than 1,600 People's Credit Banks (*Bank Perkreditan Rakyat*) with more than 4,000 branches; nearly 5,000 village branches of Bank Rakyat Indonesia; and about 26,000 microfinance

institutions in various other forms that have not been registered (World Bank 2010; Japan International Cooperation Agency 2011).

SECOND, the use of electronic payment systems continues to evolve and is slowly becoming the foremost alternative to cash transactions. Automated teller machine transactions and debit cards still dominate electronic payments and serve numerous purposes ranging from remittances to bill payments. The use of electronic money, which is a developing technology, is also beginning to increase, but is still relatively small in volume (figure 63).

THIRD, programmes related to expanding access to financial services, such as Public Credit (*Kredit Usaha Rakyat* or KUR), can be used more widely. KUR is a partial credit guarantee programme launched by the government in 2007. KUR is meant to assist micro, small, and medium-sized enterprises and cooperatives that have feasible businesses but insufficient collateral for borrowing funds from commercial banks. Financing for the KUR programme is sourced from third-party funds or funds raised by the bank. The government only bears the cost of the guarantee so people who do not have collateral can access loans through the programme.

Figure 63. Number of Non-cash Banking Transactions in Indonesia, 2007–11



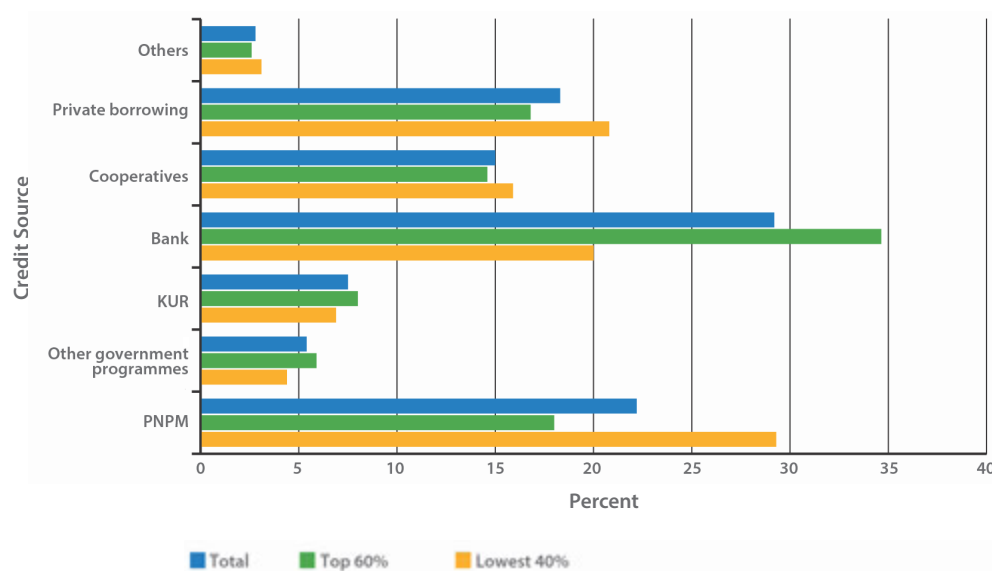
Source: Bank Indonesia.

Note: RTGS = real time gross settlement.

As of December 2013, the value of loans disbursed by banks had reached Rp 138.5 trillion. The number of recipients was more than 10 million. Conversely, the number of government-guaranteed loans issued since 2007 totaled about Rp 14 trillion. The KUR programme is not yet effectively providing access to finance for small and medium-sized enterprises (SMEs). A study conducted by TNP2K in 2012, using Susenas data for 2011, found that only 12 percent of households have ever received credit for businesses. Among those that had received business loans, only 7.5 percent were getting them from the KUR programme (figure 64). Other TNP2K studies also showed that SME customers accessing KUR were not all first-time customers. Some customers had taken out loans through commercial schemes. This has implications for financial inclusion, which should increase significantly through the presence of KUR.

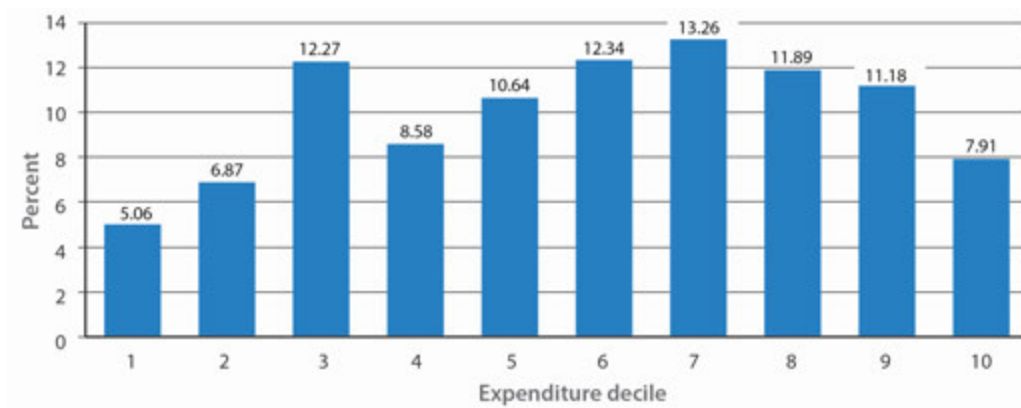
Although there is still room for improvement, KUR's targeting of the poor is quite visible. Based on Susenas data from 2011, about one-third of KUR household recipients are in the poorest 40 percent; but, overall, KUR is accessed by households from all income groups, including those with high incomes (figure 65).

Figure 64. Proportion of Households Receiving Business Credit by Source and Expenditure



Source: TNP2K (2012) from Susenas (2011)

Figure 65. Proportion of Households Receiving KUR by Expenditure Decile



Source: TNP2K (2012) from Susenas (2011)

ACTIVITIES AND ACHIEVEMENTS

a. Publication of the National Strategy for Inclusive Finance

In January 2011, TNP2K and Bank Indonesia jointly drafted the National Strategy for Inclusive Finance (*Strategi Nasional Keuangan Inklusif* or SNKI). The development of the SNKI followed a speech by Indonesia's President to the G-20 in which he committed to promote a more inclusive financial system. SNKI's goal is to see inclusive finance become part of a bigger strategy for economic development and poverty reduction. The existence of a national strategy is expected to encourage interagency coordination to better drive initiatives related to expanding access to financial services.



The SNKI draft consists of four chapters: (1) 'Vision and Mission', (2) 'Financial Services Accessibility', (3) 'National Strategy for Inclusive Finance: Target and Objectives', and (4) 'Roadmap'. This draft was discussed with various stakeholders, including ministries and agencies, to get feedback and input. The draft has been presented at a number of international forums, both by TNP2K and Bank Indonesia, including to Queen Maxima of the Netherlands, who at the end of 2013 became an international ambassador for inclusive finance.

b. Encouraging Development of Digital Financial Services

TNP2K has drawn up a roadmap for the development of digital financial services that can be used to transfer payments or government assistance (such as PKH, BSM, or BLSM). Digital payments have many advantages: lower distribution costs, higher accountability, reduced leakage, convenience for the recipients, as well as benefits to the larger financial system. Promoting digital financial services through government transfer programmes could be the first step in encouraging the wider development of digital payment systems, including for payments between individuals. But the development of digital financial services requires a well-developed infrastructure and supportive environment, including through the availability of agents, customised banking regulations, as well as adequate telecommunication services. The purpose of the roadmap is to provide guidance on the intended direction and options available.

At the same time, TNP2K together with MoSA, Bappenas, and Bank Indonesia is testing the distribution of PKH funds using electronic money. As part of the trial, PKH beneficiaries receive assistance through accounts accessible via mobile phone. PKH recipients can encash the electronic money at designated agents or use it for other transactions. Tests have been conducted in 1,667 villages in five regencies and cities (East Java, East Nusa Tenggara, Jakarta, Gorontalo, and West Java) and have involved three commercial banks (Bank Rakyat Indonesia, Bank Mandiri, and CIMB Niaga). It is hoped that by the September 2014 payment, PKH beneficiaries participating in the trial will have begun receiving their payments electronically.

To support the development of digital financial services and pilot activities, Bank Indonesia issued a regulation in April 2014, that gives commercial banks a legal basis for developing digital financial services.

c. Studies on Improving KUR as Input for the KUR Committee

To encourage improvements in the KUR programme, TNP2K helped the KUR

Committee, chaired by the Coordinating Ministry for Economic Affairs, by undertaking official studies and providing direct input through various forums and meetings. Studies on KUR include the following publications:

- Poverty Reduction through Empowered Micro and Small Enterprises (2010)
- Barriers Faced by Micro and Small Businesses in Getting KUR Loans (2011)
- Sustainability of Access to KUR for Micro and Small Businesses (2012)
- Profile of SMEs and Entrepreneurship Using Statistics Indonesia Survey Data (2012)
- Promoting KUR to the Priority Primary Sector (2013)
- Does Increasing Loans to SMEs Improve Productivity? Results from a Survey of Micro and Small Industries (2013)

In addition, in 2014 three studies requested by the Coordinating Ministry for Economic Affairs (*Kementerian Koordinator Bidang Perekonomian*) were also being carried out on the following topics:

- Increasing the number of banks distributing micro-KUR, conducted in collaboration with the Economic Research Centre, Indonesian Institute of Sciences
- Increasing the number of credit guarantee companies, conducted in collaboration with the Institute for Economic and Social Research, University of Indonesia
- Profiles of KUR recipients using Bank Indonesia's Debtor Information Data System

NEXT STEPS FOR INCLUSIVE FINANCE

a. Secretariat or Policy Forum on Inclusive Finance

From the time the draft national strategy was prepared, TNP2K and Bank Indonesia had planned on creating a secretariat or interagency policy forum that would oversee the implementation of the SNKI. Since TNP2K is not a permanent institution, the government agreed to appoint the MoF, specifically the Fiscal Policy Board (*Badan Kebijakan Fiskal*), as the coordinator for implementing the SNKI. In April 2013, Bank Indonesia, TNP2K, and the Fiscal Policy Board met to conduct advanced planning. The newly formed Financial Services Authority (*Otoritas Jasa Keuangan*) was also involved in subsequent meetings and became part of the core SNKI team.

After SNKI's oversight was handed to the MoF, TNP2K continued to be actively involved in supporting coordination and discussions. The forum currently comprises TNP2K,

Bank Indonesia, and the Financial Services Authority. It will soon be expanded to involve several other ministries and agencies. The next step is to jointly work towards a legal basis for the SNKI so that interagency coordination can be more effective, with clearer tasks and responsibilities for each agency to ensure that mutually agreed goals are achieved.

After the forum or secretariat is formed, it is hoped that an agenda for inclusive finance (as set out in the national strategies in figure 66) will be supported.

Figure 66. Inclusive Finance Agenda and Target Groups

	Poor/Vulnerable	Working Poor/UMKM	Special Needs		Nonpoor
			Migrant Workers	Remote Areas	
Savings	No fees account (<i>Tabunganku</i>)		Savings for migrant workers and remittance services		Savings, fixed deposits, retail bonds, state retail sharia securities, pension funds, after retail
	PKH via BRI accounts				
Banks are obliged to provide easy-to-use accounts (for example <i>Tabunganku</i>)					
Credit		Cluster programmes	KUR for migrant workers		Mutual funds, sharia financing, procurement, venture capital
		PNPM			
		KUR			
		Programme linkage			
		Credit rating and development agency			
		Creation of companies			
	Value chain financing				
	Development support				
Savings + Credit	CSR-based replication of innovative schemes				
Banking Agency					
Insurance	Jamkesmas		Insurance for migrant workers		Conventional insurance, sharia insurance
	Development of micro-insurance				
Savings + Credit + Insurance	Programme packet (credit/savings+insurance) supports expansion of distribution based on information and communications technology and potential for implementation				
Delivery Facilities	Mobile Money			Mobile Banking	
Financial Education	Financial education by local governments		Ayo ke Bank & 3P		Education on investment products and capital market
	Financial education for SMEs		Financial management training for migrant workers and families		
Financial Identity	Financial education for school students (intra and extra curricular)				
Regulations	Financial identity number				
	Develop regulations on micro-insurance				
	Review know-your-customer (KYC) requirements for small enterprises				
	Enabling regulatory environment & consumer protection				

- In progress
- To be implemented
- Potential for implementation

Source: Strategy on Inclusive National Finance.

Note: BRI = Bank Rakyat Indonesia ; CSR = Corporate Social Responsibility ; UMKM = Usaha Mikro Kecil dan Menengah (Micro, Small and Medium sized Enterprises); Ayo ke Bank = Let's go to the Bank

b. Improving KUR

KUR is a form of credit provided by banks to customers considered bankable. This implies that KUR is not targeted at the poorest. As such, the government needs to push for programmes that will be more active in targeting small and micro-entrepreneurs through empowerment schemes, the provision of credit to new entrepreneurs, and other initiatives that support inclusive finance.



The government can also encourage greater focus on KUR, so it reaches more consumers in the poorest 40 percent of the population (deciles 1–4), particularly in the third and fourth deciles by:

- Encouraging account managers to look more actively for potential customers in villages.
- Using referral systems, for example, working with existing clients or community empowerment institutions to reach more SMEs.
- Targeting new areas with potential KUR clients that may otherwise have not been explored due to a lack of bank branches in those areas (TNP2K study, 2012).



Employment Initiative Programme



Introduction

EMPLOYMENT PROGRAMME: CHALLENGES

Youth unemployment remains a significant problem in Indonesia, although the unemployment rate in general has improved. In 2009, the unemployment rate of young people aged 15-24 was 22 percent—much higher than the average in neighbouring countries. The rate is four times higher than in Vietnam and Thailand and nearly double that of Malaysia and India (Manning and Purnagunawan 2011).

Youth form the largest demographic among Indonesia's unemployed. Furthermore, young people are said to be six times more likely to be unemployed compared with older adults (ILO 2013). Unemployment is particularly evident among young people with low levels of education (e.g. junior high school and lower).



The problem of youth unemployment must be taken seriously. Productive employment has short- and long-term benefits. Studies show that it gives youth a sense of achievement, ensures social inclusion, helps deter mental health issues, and drug and alcohol dependency. In addition, youth unemployment tends to be linked with increased rates of crime, violence, and social conflict (ILO 2013).

Current government policies may have reduced the youth unemployment rate in recent years. Nevertheless, many challenges remain, as evidenced by the overlap that exists between employment programmes in almost all ministries and agencies.

In terms of targeting, existing programmes do not yet specifically address young people. In addition, a sharp decline in the level of youth unemployment would still leave a structural problem. Data from Statistics Indonesia shows that the majority of unemployed youth can be described as having 'given up hope of getting a job' and most are young people with low levels of education. This is worth noting in itself because the majority of this group tend to be poor and are more likely to drop out of school than those with higher incomes. An approach specifically oriented to the improvement of education and soft skills, especially self-confidence, is very important for people in this group, as it will provide them with a greater opportunity to find work.

OPPORTUNITIES

The Indonesia Youth Employment Network, led by Bappenas and fully supported by TNP2K, may be one way to strengthen the coordination of existing employment programmes. This network consists of 17 ministries and agencies, and could be used as a means of coordinating the planning and implementation of employment programmes more effectively. By involving the Chamber of Commerce, the Indonesian Employers Association, trade unions, and employment-related non-governmental organisations, the Indonesia Youth Employment Network is expected to further accelerate the expansion of already existing employment programmes. It is hoped that best practices from each initiative, along with an employment information programme, will benefit all stakeholders.

ACTIVITIES AND ACHIEVEMENTS

Publication of a Framework for Action, Job Creation, and Workforce Skills Enhancement

Employment issues have been a concern in almost all ministries and government agencies. This is evidenced by the number of employment-related programmes run by nearly all ministries and agencies, such as training, technical assistance, entrepreneurship, and SME support. However, components and objectives of these programmes can vary significantly. Moreover, existing linkages among programmes, both within and among ministries and agencies, are weak.

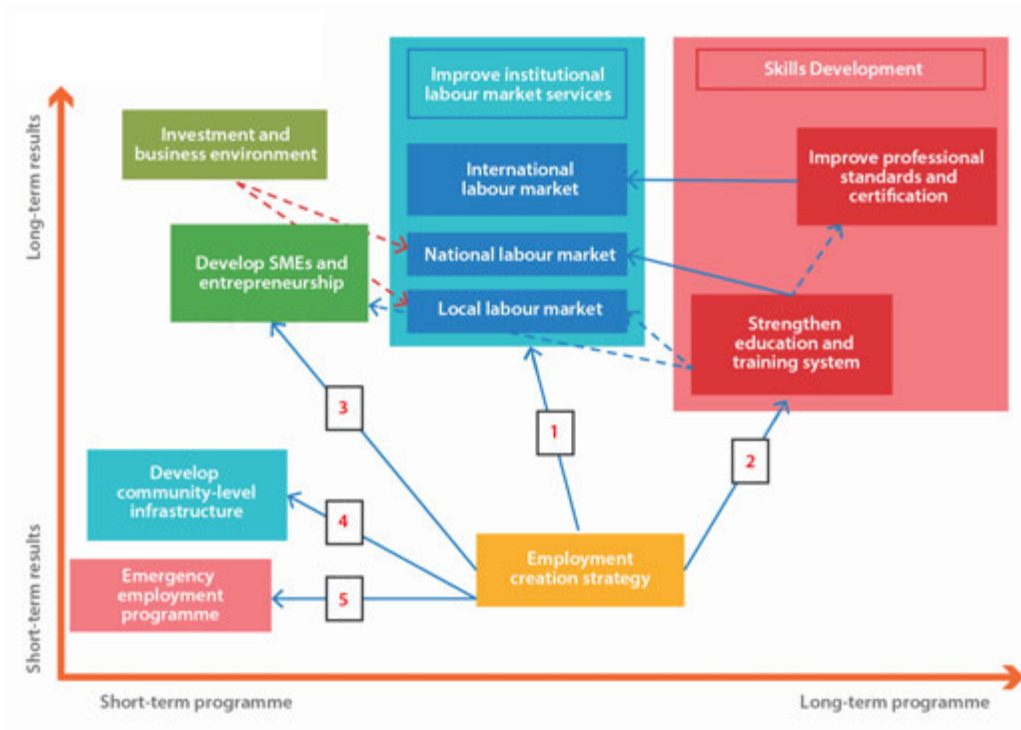
To harmonise and improve the efficiency of existing employment programmes, the Indonesian Vice President's secretariat and TNP2K distributed a 'Framework for Action, Job Creation, and Workforce Skills Enhancement' to all ministries and agencies. The framework has the following five pillars:

- Improved employment information system and services.
- Increased skills and capacity in the workforce.
- Development of SMEs and entrepreneurship.
- Creation of employment opportunities through labour-intensive programmes and community-based infrastructure.
- Creation of employment opportunities through an emergency employment programme.

The short-term goal of the action framework is to conduct an inventory of ministry and agency programmes related to human resources, job creation, and skills improvement. The Vice President's secretariat and TNP2K mapped all relevant programmes across the ministries and agencies. Results from the mapping showed the diversity of existing employment programmes and the relatively weak linkages among programmes, even those contained within a single ministry. After the inventory and mapping exercise, TNP2K provided input on how to improve the terms of reference for each programme.

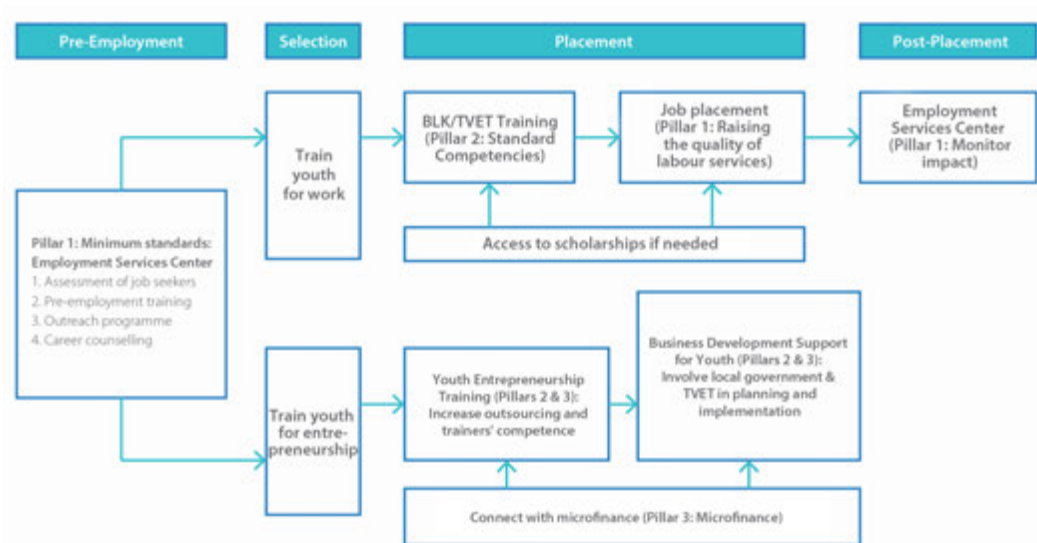
In the medium and long term, the aim is to strengthen and consolidate programmes funded by the state budget. Figure 67 presents the vision of the Framework for Action Plan:

Figure 67. General Framework Based on Five Pillars of Framework for Action for Creation of Employment and Workforce Skills Improvement



Source: 'National Action Framework for Expanding Job Creation and Worker Skills Improvement' (2012 unpublished report by the TNP2K)

Figure 68. Integrated Employment Creation Programme for Youth Work Force



Source: 'National Action Framework for Expanding Job Creation and Worker Skills Improvement' (2012 unpublished report by the TNP2K)

Note: BLK = balai latihan kerja (public vocational training centre); TVET = technical and vocational education and training.

Cooperation and Coordination with Bappenas and Related Ministries and Agencies

In relation to youth employment, TNP2K cooperates continually with Bappenas in planning and improving existing employment programmes. Bappenas itself has published the Indonesian Youth Employment Initiatives Inventory 2011, which maps youth employment programmes. Based on the inventory as well as discussions with stakeholders, Bappenas identified five strategies to accelerate youth employment creation:

- a. Reforming youth employment policy to keep students in school longer and reduce the dropout rate, thus reducing the number of workers with low levels of education entering the labour market.
- b. Improving skills for better likelihood of employment and on the job performance.
- c. Improving the quality of apprenticeships.
- d. Increasing opportunities for youth entrepreneurship.
- e. Improving the quality of access and services in labour market information systems.

Additionally, TNP2K, through a team of three clusters, continues to engage with ministries and agencies directly related to employment programmes. Interagency cooperation is expected to further improve the efficiency and effectiveness of existing employment programmes, particularly those for young people.

Research on Strengthening Evidence-based Policy Feedback

To further synergise Bappenas's acceleration strategy for youth employment creation, as well as the five employment pillars of the Vice President's secretariat, TNP2K conducted various studies and discussions with the aim of improving evidence-based policies:

- a. Study of the biggest government job creation programme to identify and analyse its effectiveness, efficiency, and impact on the poor and poverty alleviation and to recommend areas that need improvement.
- b. Study of best practices in youth employment to draw lessons from effective national and international employment programmes that can provide suggestions for improving existing programmes and fill gaps that might occur.



- c. Feasibility study into the provision of training funds to improve the coordination among ministries and agencies in distributing training funds and the system of skills and competency-based training at the national level.
- d. Study of SMEs to (1) look at improvements in the business environment to support development of SMEs at the national level and form the basis for policy improvements and (2) map the role and responsibilities of government and non-governmental stakeholders in SME development.

NEXT STEPS FOR EMPLOYMENT INITIATIVE PROGRAMME

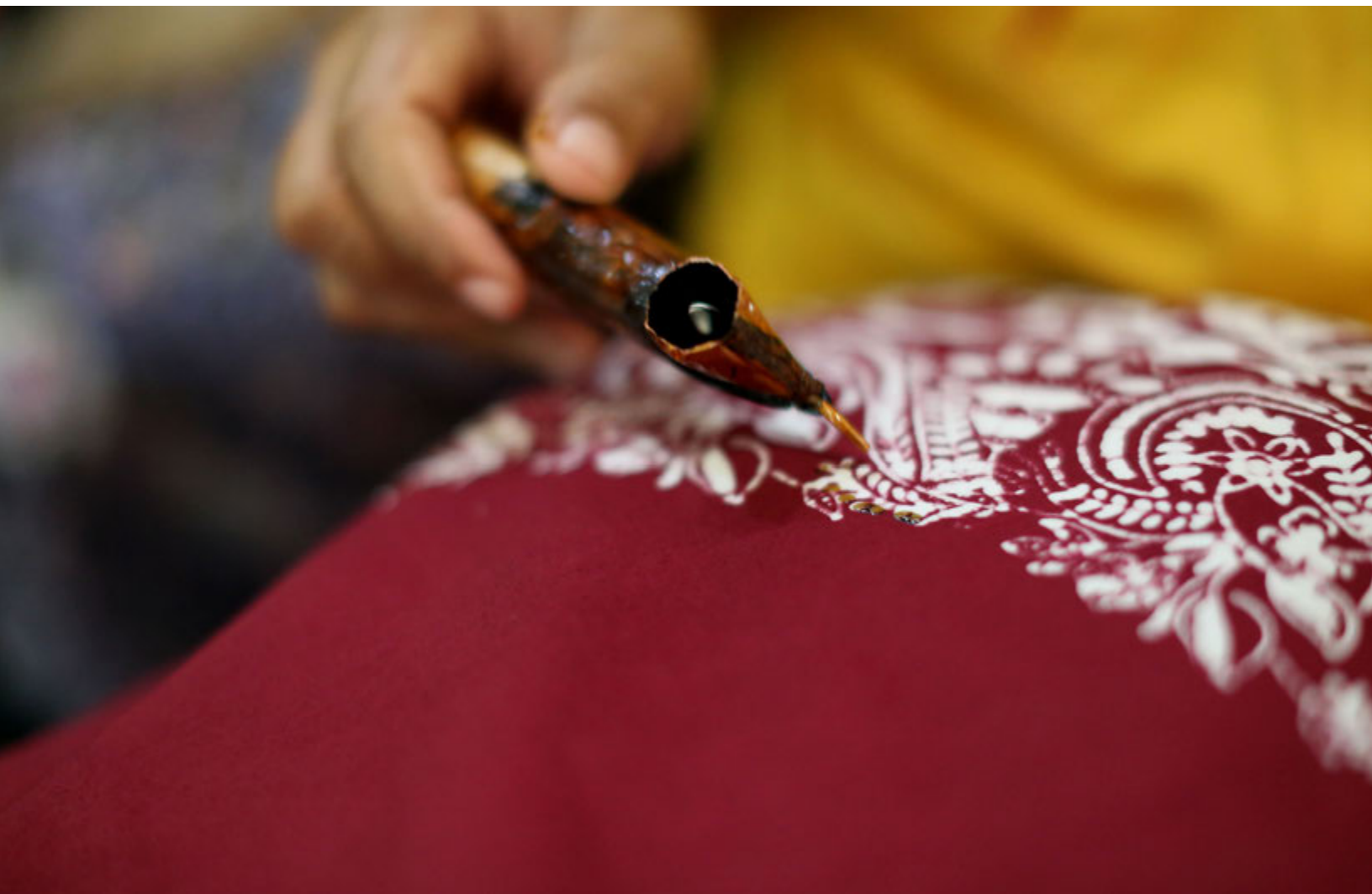
Programmes and youth employment policies already in place have begun to show positive results, but of course, there is always potential to increase the success of these programmes or even add new programmes to fill any gaps. Based on the results of studies and discussions with stakeholders, several areas that need further attention include labour-intensive programmes, skills training, and the development of SMEs.

A labour-intensive programme that creates short- and medium-term job opportunities is most effective when demand in the labour market has weakened. Such a programme is primarily based on the absorption of a significant proportion of labour for infrastructure development programmes and other social programmes funded by the government. In addition to providing an immediate and direct impact on the income of workers, this kind of programme can be expected to boost regional economies by increasing the quality and availability of public facilities and services.

Labour-intensive programmes can also be used to place community groups or young people who have left or completed their studies into productive activities. Several studies have shown that young people should not be left too long outside the education system or workplace because of the potential to become pessimistic or engage in socially unacceptable behaviour.

The impact of labour-intensive programmes can be enhanced by linking with programmes that increase expertise and skills. In connection with the development of current policies, especially Law Number 6 of 2014 on Villages, a labour-intensive programme is one of the fastest options for creating employment opportunities and increasing skills in the regions. The government can provide further incentives for developing labour-intensive programmes to public institutions.

Improved competencies and workforce skills are also crucial, especially in a labour market that will become increasingly open and competitive. Additional efforts are needed to improve the quality of existing training and education as well as access to education and training, particularly for young people and the poor. This requires training and education policies to be integrated and cross-sectoral.



Access to training needs special attention. Until now, educational funding has focused on primary education, while funding for training continues to be limited. Moreover, information and opportunities are not spread evenly, to the disadvantage of the young and the poor. However, there is potential for generating training funds through the private sector. Results can only be achieved through planning, systems, and targeting.

The development of entrepreneurship and SMEs is also necessary, given the slow pace of job creation in the formal labour market. This requires the optimisation of existing programmes as well as improvements to the business climate to encourage the creation of SMEs and their graduation into the formal business sector. The accessibility of SMEs and fledgling entrepreneurs to financial and technical assistance is key to the success of SMEs. Multistakeholder partnerships need to be developed so that their relevance and cost effectiveness can be optimised.

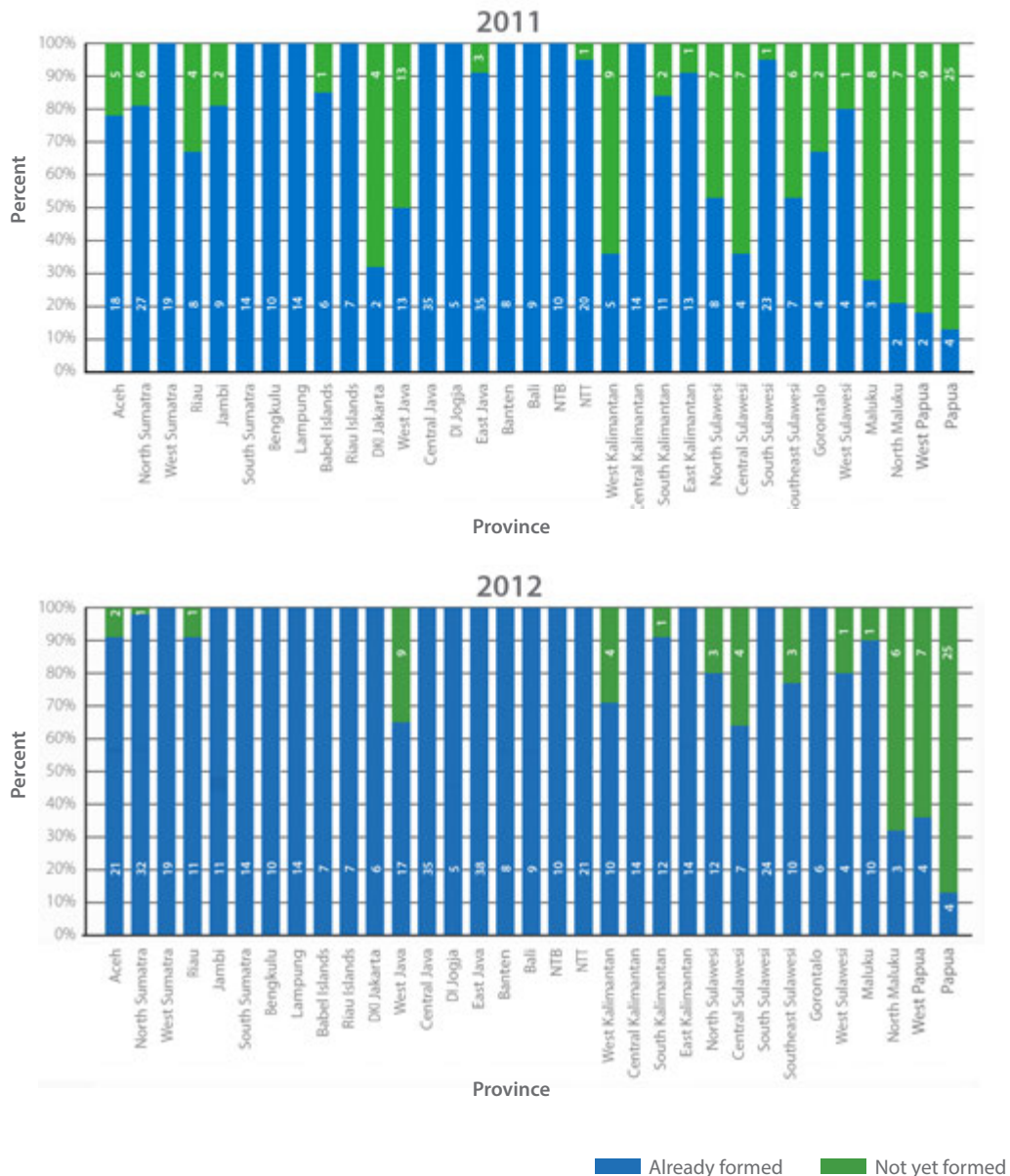
Advocacy

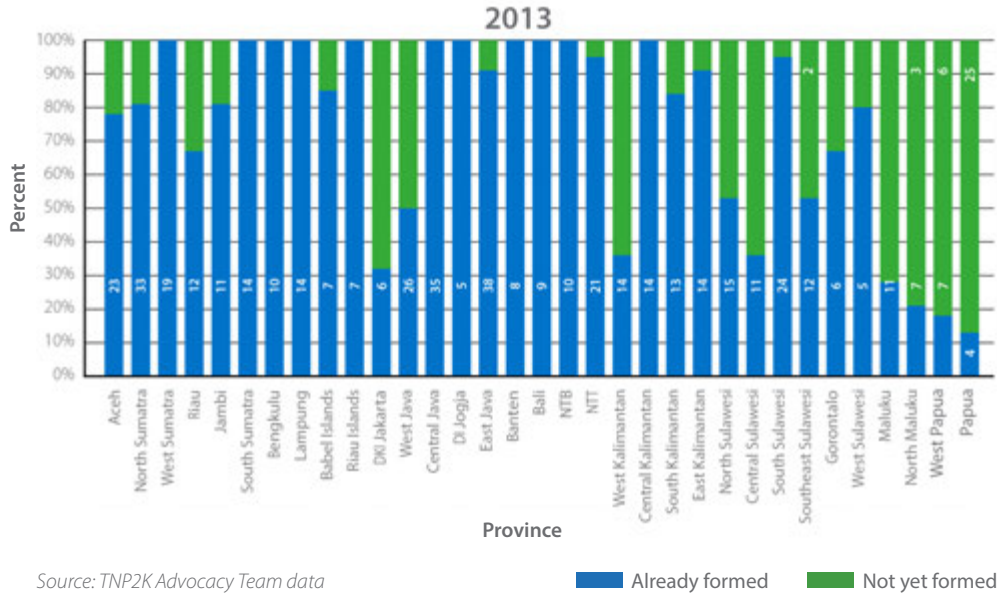


Introduction

In the past three years, the number of ‘poverty reduction coordination teams’ (*tim koordinasi penanggulangan kemiskinan* or TKPK) has continued to grow; teams now operate in almost all regions. TKPKs have been in place in all provinces since 2011. At the regency and city levels, by the end of 2013, only 35 of 508 had not yet issued a decree to establish local TKPKs. This is a significant improvement compared with 2009

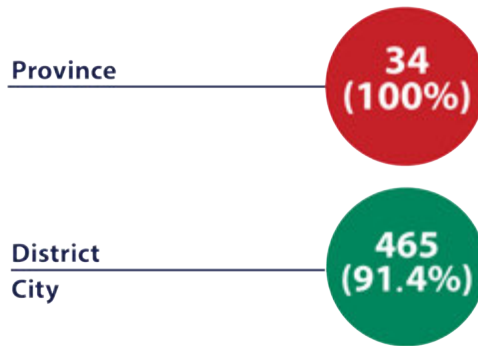
Figure 69. TKPK at District/City Level Reported by Provinces





Source: TNP2K Advocacy Team data

Figure 70. TKPK Created as of March 2014



Source: TNP2K Advocacy Team data

when, of 497 regencies and cities, about 124 (33.4 percent) still did not have TKPKs. The remaining areas without TKPKs are in eastern Indonesia, particularly in the provinces of North Maluku, Papua, and West Papua, as well as in newly emerging areas (figure 69).

Some believe TKPK's institutional structure provides an opportunity to expand policy coordination, but others see it as a potential source of political rivalry between regional heads and their deputies. Currently, all TKPK, both at the provincial level and the regency and city levels, are founded on (1) Presidential Decree Number 15 of 2010 on the Acceleration of Poverty Reduction and on (2) Regulation Number 42 of 2010 on the Poverty Reduction Coordination Team (previously, regional TKPK were established using Presidential Decree Number 13 of 2009). Because of this, all TKPK are chaired by

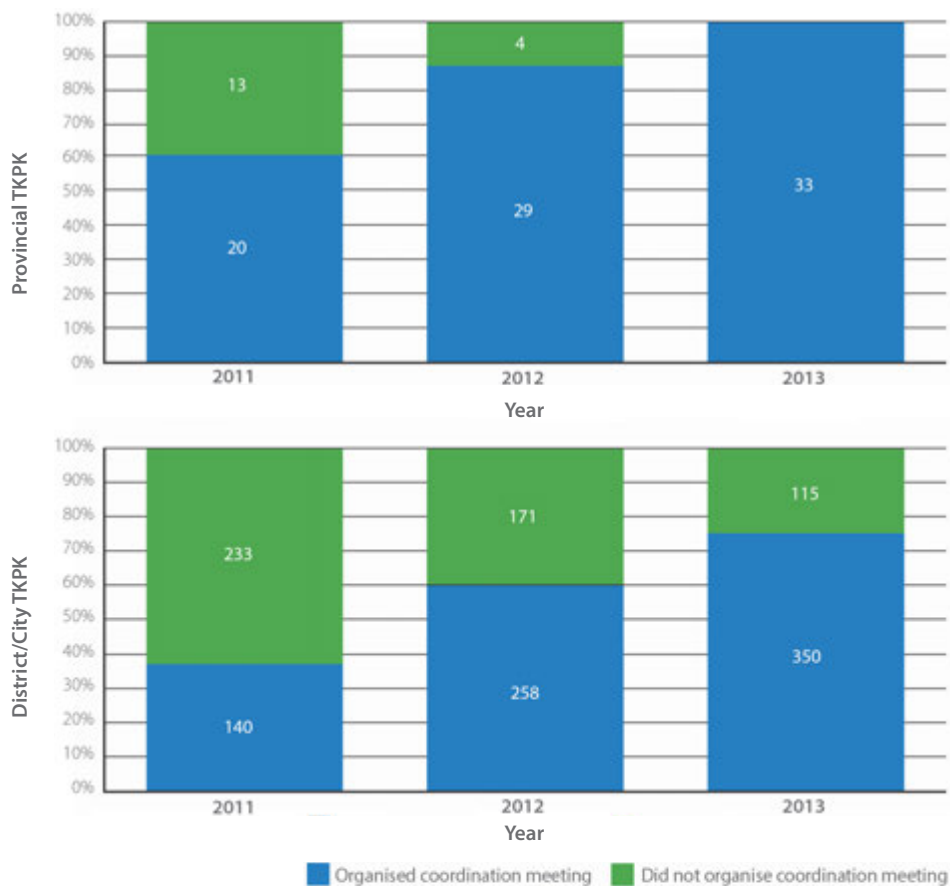
their regional deputy head. This structure was considered beneficial, because it supports the expansion of policy coordination and the integration of regional poverty reduction efforts, especially when linked with the multidimensional nature of poverty, which requires a much larger and cross-sectoral approach to intervention.

However, some consider this structure to be detrimental if it creates tension between regional heads and their deputies. In some cases, such rivalries have weakened TKPK leadership; the problem is seen as a classic case of ego-driven sectoral policy planning.

TKPK COORDINATION MEETING

Not all TKPK could immediately perform the functions expected of them when they were formed. Regional TKPK vary in their ability to implement and achieve poverty reduction. Benchmarks for comparison include frequency of TKPK meetings; the TKPK chair's leadership and stakeholder participation; reporting of poverty reduction successes;

Figure 71. TKPK Coordination Meetings at Province and District/City Levels



Source: TNP2K Advocacy Team data

coordination, preparation, and legalisation of a regional poverty reduction strategy (*strategi penanggulangan kemiskinan daerah* or SPKD); control and monitoring of strategy implementation; and the handling of complaints about programme participation or implementation issues.



Most TKPK hold coordination meetings. These meetings help the TKPK to carry out the task of coordinating poverty reduction in their respective region. From year to year, the number of TKPK conducting these meetings continues to increase at provincial, regency, and city levels (figure 71). In 2013, coordination meetings were held throughout all provinces, but with only around 350 (75 percent) of TKPK at the regency or city level. They are funded using local government budgets, which are generally allocated through the budget of either the regional development planning agency (*badan perencanaan dan pembangunan daerah*) or the community development agency (*badan pemberdayaan masyarakat dan desa*).

The majority of TKPK hold coordination meetings at least three times a year, in line with the recommendation of Ministry of Home Affairs Regulation Number 42 of 2010. In addition to reporting on implementation issues and achievements, coordination

meetings also serve as forums for all TKPK units, both working groups and programme groups, to consider policy actions required from each sector to overcome obstacles in implementing poverty reduction programmes in the field. According to the data, in 2013 most TKPK held the minimum number of meetings recommended by the Ministry of Home Affairs.

The majority of TKPK coordination meetings are chaired by regional deputy heads. In terms of participation, stakeholders outside the TKPK structure attend half of the coordination meetings.

The presence of the deputy regional head as TKPK chairman of the coordination meetings is generally considered important by stakeholders because it can minimise the possibility of leaders of Local Government Working Units delegating tasks to subordinates. Thus, coordination meetings can do more than just serve as cross-sectoral forums for reporting on the activities and results of poverty reduction efforts. They can also be used to decide on follow-up actions to lessons learned from implementing programmes in the field. The data indicates that about 70 percent of coordination meetings in 2013 were chaired by regional deputy heads (figure 72) and 52 percent of meetings also involved non-TKPK community representatives, such as legislators, community and religious leaders, law enforcement officials, non-governmental organisation activists, representatives of universities, business people, and so on (figure 72).

Figure 72. TKPK Coordination Meetings by Frequency, Leadership, and Participants, 2013



Source: TNP2K Advocacy Team data

Two of the most common issues discussed during TKPK coordination meetings are planning data, and programme participation and implementation. In line with the national approach to poverty reduction, as characterised by refined intervention priorities and programme targets (household, family, or individual), public and local government attention to issues related to programme focus and location has increased. These issues

dominated coordination meeting agendas during 2012–13. The main issues concerned the following:

a. Data Planning and Programme Targeting

This issue commands much of TKPKs' attention as it directly impacts the quality of work plans and budget allocation for poverty reduction. SKPDs generally complain about the difficulty in obtaining the latest poverty data, both micro and macro. The differences between data published by Statistics Indonesia for an area and sectoral data collected by the SKPD are also seen as hindering programme planning and evaluation. Specifically, questions are often raised at coordination meetings about how Statistics Indonesia collects micro data for social assistance programmes and how TKPK manages the data for programme targeting.

b. Performance of the Implementation of National Programmes

Participants at coordination meetings generally discuss the performance of programme implementation in the context of its procedures, its current state, and its success in resolving the problem of poverty. Such discussions are usually linked with how well programme implementation in the field is being monitored and supervised.

c. Planning Regional Policy

It is common for coordination meetings to be used to compare perceptions, gather information, or conduct polls on the SPKD with stakeholders in poverty reduction.

d. TKPK Institutional Role

Optimising the role of TKPK as an institution with a broad structure and function is also of particular concern in villages and their subdistricts. Participants of coordination meetings generally discuss problems concerning processes and the capacity of human resources available, in particular, (1) working groups overseeing data and information, partnerships, and complaints handling and (2) programme groups working at the household, family, or individual level handling the empowerment of communities and of micro and small businesses.

e. Central and Regional Coordination

The quality of government and community involvement at the village level in managing national programmes is now generally considered inadequate. Although this accounts for a relatively small part of the coordination meeting's agenda,

discussions of this issue usually underline important points on how to revise the way national programmes are planned, targeted, and monitored, as well as how complaints are handled, by emphasising a larger role for regions.

Budget limitations are not a major constraint in TKPK formalisation and activation. The biggest problem is generally related to an understanding of the importance of the technical and operational functions of the agency, existence of facilitators, and leadership of the TKPK itself. Some of the factors that typically affect the activation of TKPK institutional functions include the following:

a. Understanding Policy Making as Important for TKPK

In some villages and their subdistricts, the content of Presidential Regulation Number 15 of 2011 on the Acceleration of Poverty Reduction and Presidential Regulation Number 42 of 2010 on the Poverty Reduction Coordination Team has not been disseminated well to the public; hence, the important link between institutional coordination and the effectiveness of poverty reduction programmes is not fully understood.

b. Guidelines for Operationalising Institutional Functions

As per Ministry of Home Affairs Regulation Number 42 of 2010, each TKPK comprises of two units: a secretariat (which includes working units for data and information, a complaints handling working group, a partnerships working group, and a secretary) and the programme group (made up of a household and individual programme group, community empowerment programme group, and SME empowerment programme group). So far, the coordination role of each unit has been unclear due to a lack of technical instructions defining it. This limits TKPK involvement in programme monitoring, complaints handling, and updating of data on poverty.

c. Focal Points and Technical Implementation

There are frequent changes in the postings of relatively senior civil servants, so there is no guarantee that staff who have attended TKPK capacity-building programmes will be available to facilitate the TKPK institutional function. At the same time, the majority of TKPK do not recognise the urgency of recruiting consultants or experts for guidance and/or have not been able to do so, especially in the secretariat. Furthermore, it is common for TKPK to benefit from personal ties between TKPK personnel and regional head or deputy regional heads.

d. Direct Involvement of Regional Leadership

The most active TKPK are almost entirely those that have received direct support from leaders in their region; the region's deputy head or head usually acts as the TKPK's chair. Indicators of this commitment include:

- a. A willingness to regularly and directly lead TKPK coordination meetings, write follow-up reports, and question why relevant decision makers are not present.
- b. Facilitating the reporting of TKPK performance through a Regional Poverty Reduction Achievement Reports (*Laporan Pencapaian Penanggulangan Kemiskinan Daerah* or LP2KD).
- c. Facilitating data requests for programme planning and targeting requirements to give to the central government, especially to TNP2K.
- d. Actively leading consultation meetings and attending coordination meetings with TNP2K.

e. Operating budget availability.

Almost all regular TKPK activities, such as coordination meetings and technical team training, are financed by the regional development planning agency and/or community development agency. The budget for the national monitoring activities carried out by the programme comes from SKPDs involved in programme management, which also monitor the funds that have been budgeted by the programme itself.

REPORTING LP2KD AND PREPARING SPKD DOCUMENTATION

The number of TKPK reporting on the performance of local poverty reduction efforts continues to grow. Ministry of Home Affairs Regulation Number 42 of 2010 requires that each year TKPK submit an LP2KD to the central government through the Ministry of Home Affairs. Although the percentage that do so has not met expectations, the number of TKPK able to meet this obligation in the past three years continues to increase, particularly at the regency and city levels. As of the first quarter of 2014, 164 TKPK submitted an LP2KD for 2013, far more than in 2012. The majority of new LP2KDs for a particular year are usually submitted around June of the following year.

Limited data about planning and limited policy analysis capacity are the biggest obstacles to completing LP2KDs. Keen engagement of TKPK in capacity-building activities to analyse and plan poverty reduction policy—especially joint TKPK-TNP2K activities conducted in all provinces in the past three years—ultimately proved insufficient in overcoming

technical obstacles that hampered the completion of LP2KDs. Limited planning data continues to be a major problem. In addition, the relocation of district civil servants has negatively impacted the ability of TKPK technical teams to finish these reports, as has the inadequate transfer of knowledge.

TNP2K's guidelines inform the substance and analysis framework of almost all LP2KDs. Through training forums, internships, and technical consulting on policy making for TKPK during the past three years, TNP2K's Advocacy Team has encouraged TKPK to adopt a standard content framework and specific analytical framework for evaluating village and urban ward poverty conditions and for recommending priorities for policy interventions. These recommendations have been included in the capacity-building guidebook for TKPK, which was published by TNP2K (figure 73).

Figure 73. Handbook for TKPK Issued by the TNP2K



Source: TNP2K

The substance of the reports, referred to above, covers the following:

- Status of regional poverty, including poverty profiles or characteristics.
- Determinants of regional poverty, including a snapshot of the causal factors behind each characteristic, followed by the villages or urban wards where these factors occur (these areas and their factors are the basis for determining priorities in forming multidimensional policy interventions).
- Relevance and effectiveness of the local budget, including an overview of the level of partisanship involved in setting local budgets, especially regarding identified poverty reduction intervention priorities, as well as the extent to which budget expenditure affects poverty indicators.
- Development in implementing poverty reduction programmes in the region, including results derived from monitoring the activities of each group of programmes in the area.

In principle, the framework of analysis used in LP2KD reports involves (1) analysing the relative position of a village or urban ward's achievements in reducing poverty compared with other urban wards, villages, regions, and nationally; (2) analysing development over time to better understand the history or fluctuations in poverty indicators leading to an area's current status; (3) analysing the extent to which interventions produce changes in poverty and how these changes occur from time to time; (4) analysing whether the indicator of a problem in an area also occurs at the level of the wider region or whether the indicator is specific to the area; (5) analysing linkages to examine the connections between achievement levels and changes in a target indicator and (6) monitoring or 'spot-checking' poverty reduction programmes.

In many developing villages or urban wards, LP2KDs become SPKDs. In practice, there have been more than a few instances when this document has then served as a village or district head regulation. Coordinating the preparation of the SPKD by relevant sectors in the region is one of the TKPK's function. This document includes strategic issues and a five-year action plan, which can be developed in part from the LP2KD—especially from analyses of multidimensional poverty, determinants, alignments, and performance of local budgets, as well as from the success in cross-sectoral institutional coordination. Thus, all sectors can contribute to the SPKD becoming a policy reference in the preparation of annual pro-poverty reduction work plans. To increase the chances of this, many regions have taken the initiative to establish an SPKD legally, generally in the form of regulations by governors, regents, or mayors (figure 74).

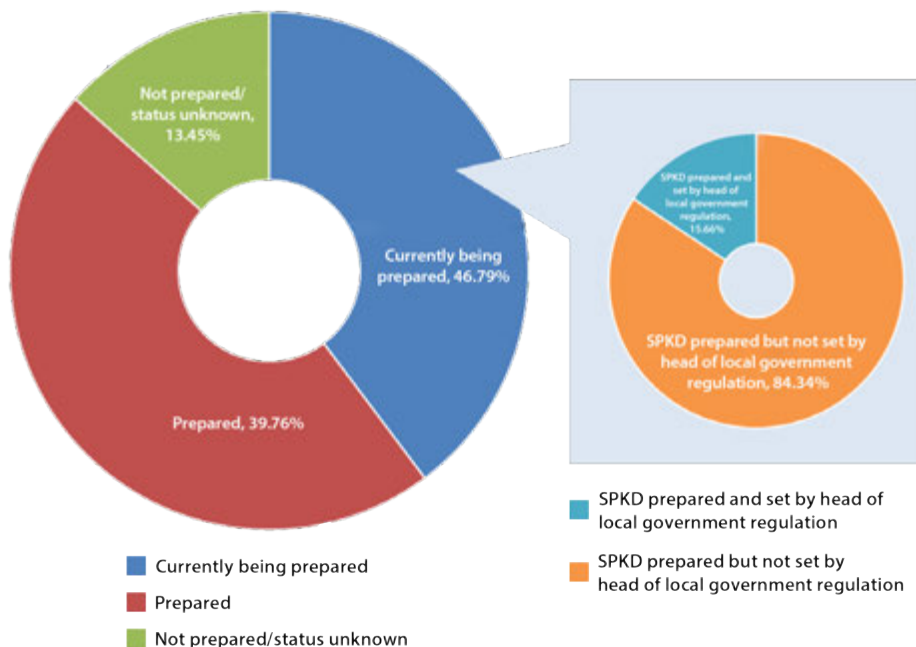
Figure 74. Samples of Regional Regulations on SPKD



Source: TNP2K

Of the 498 regions (provinces, districts, and cities) that currently have TKPK, 198 have completed preparations for an SPKD. Thirty-one of these areas have implemented the document as a regulation issued by the regional head (figure 75). In 233 areas, the document is still being drafted. Another 67 other areas have either not prepared an SPKD and/or progress on SPKD preparation is not known..

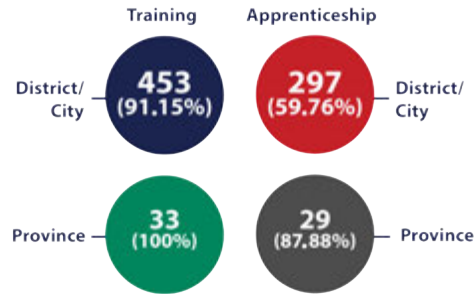
Figure 75. Regions by Status of SPKD Document



Source: TNP2K Advocacy Team Data

TKPK technical capacity in preparing the SPKD and LP2KD is supported by training, apprenticeships, technical consultations, and analysis of policy planning. These are organised by TNP2K in cooperation with TKPK. The overall TKPK participation rate in these activities is high. Support for building the capacity of TKPK technical teams has been delivered through a mutual agreement between TKPK and TNP2K and all provincial TKPK since 2010. Capacity-building activities include: (1) training in policy analysis and planning for poverty reduction, which are held at the provincial level with participants that include all TKPK operating in regencies and cities in the provinces concerned; (2) consolidating the TKPK technical teams’ understanding of training materials through apprenticeships at the TNP2K Secretariat; and (3) technical consulting to review the draft SPKDs and LP2KDs prepared by TKPK. The participation rate of TKPK technical teams has increased from year to year.

Figure 76. TKPK Participating in Apprenticeships and Training by TNP2K as of March 2014



Source: TNP2K Advocacy Team data

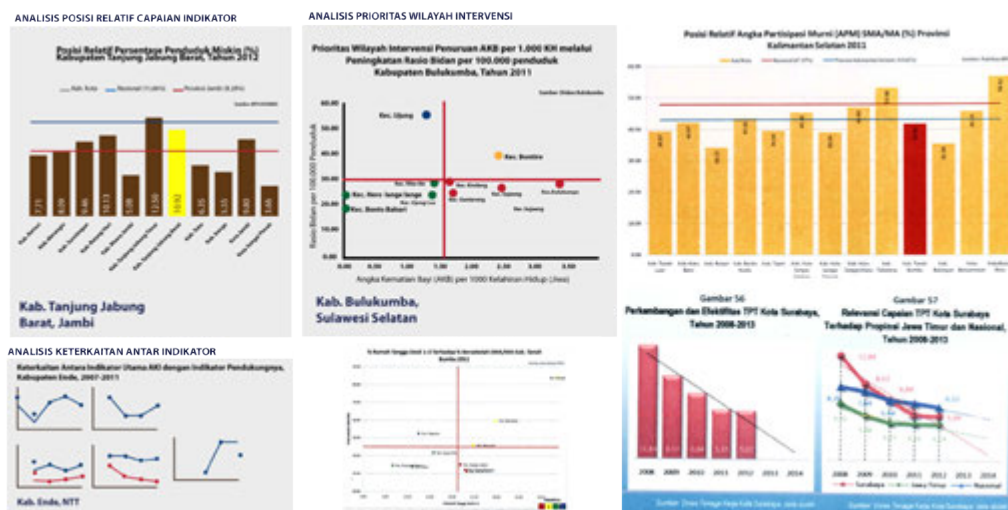
Almost all participants agreed on the importance of training for policy analysis and planning in optimising the TKPK coordination role. They also hoped that TNP2K support for this training could be maintained. Most TKPK technical team trainees across all the provinces considered the training materials interesting and useful for providing new insight and knowledge, as well as for supporting them in fulfilling their duties. The presentation of these materials by speakers from TNP2K was also rated as good by a majority of participants. Through this training and apprenticeships, TKPK were able to generate reports and analysis based on guidance provided by TNP2K (figures 77 and 78). With this analysis, local governments can set priorities in preparing programmes related to poverty reduction in the region.

Figure 77. Samples of Regional Poverty Reduction Reports



Source: TNP2K

Figure 78. Samples of Analysis Conducted by Districts



Source: TNP2K

It is hard to believe how far TKPK have come in the past four or five years alone. In 2009–10, TKPK status as formal institutions, their support from local government budget funds, and their human resources were all variable. This presented a major challenge to TNP2K in 2010 when it began running capacity-building programmes for TKPK. But persistent and consistent efforts by TNP2K—through training, internships, technical consulting, and guidelines development, among others—along with support from the Vice President of Indonesia have led to encouraging achievements and outputs by TKPK. TKPK are now successfully running the main functions needed to support poverty reduction efforts. Although these efforts are ongoing, a foundation has been formed and a roadmap drawn, ensuring that the future direction of capacity building for TKPK will become clearer and more promising.

NEXT STEPS FOR ADVOCACY

Based on the impacts of regional policy advocacy activities on poverty reduction and the rapid assessment of the factors enabling and constraining the TKPK operational role in the regions, there are several things to note for future follow-up:

- a. Institutions, such as TKPK that have a functional role in coordinating and controlling implementation of poverty reduction in the regions, are still needed, according to regional stakeholders, as reducing poverty is a regional, national, and global priority. However, considering poverty reduction is cross-sectoral and

involves many stakeholders, greater synchronisation, harmonisation, and integration is needed.

- b. Sustained strengthening and capacity-building efforts directed at the technical team are critical to TKPK activities continuing to show positive results. Such efforts include training, internships, and technical consulting activities.
- c. More intensive advocacy efforts are needed to enhance the role and engagement of local leaders and other stakeholders such as the legislative assembly, academia, and the media, so that TKPK get greater support in terms of regulations, structure, and technical duties and functions. Regulations refer to local laws or decrees that strengthen the focus and priorities of poverty reduction and synergies through TKPK. Structure refers to the operational structure of TKPK with its SPKD linked with performing tasks and functions both in the secretariat and work programme, while still needing technical support, such as the existence of a secretariat, an operating budget, a technical team unhampered by redeployment of civil servants, intense coordination and public awareness activities, among others. These advocacy efforts can be conducted through gradual strengthening provided by provincial TKPK to regency and city TKPK. These activities can be in the form of institutional assistance (for example, by forming advocacy outreach units in selected provinces), communicating with key stakeholders, and intensive awareness building targeting local government work units linked with the TKPK structure, especially programme managers.
- d. Strengthening these efforts to implement regional policy advocacy requires operational and technical guidance in coordination with and under the control of TKPK, such as how to best implement coordination meetings, prepare SPKDs and LP2KDs, enhance multiparty cooperation, manage poverty data, monitor and evaluate programmes, and so forth, making it easier for TKPK to conduct advocacy in their regions.

Teacher Performance and Accountability



Introduction

Since 2009, the government has allocated 20 percent of the state budget to education. Half of this 20 percent is allocated to teacher salaries and benefits, with a ceiling that has continued to increase in the past three years, reaching Rp 193.4 trillion in 2014 (table 14). The welfare of teachers has improved. For teachers who have been certified, professional allowances on top of regular wages can equal their base salary. If a certified teacher is placed in a remote area and gets the associated allowance, his or her income can equal three times the base salary.

Table 14. Budget for Early Childhood, Primary, and Secondary Education, 2012–14

Education Budget	2012	2013	2014
Educator salaries (DAU) (trillion Rp)	103.0	115.9	122.8
Teacher professional allowances (trillion Rp)	30.6	43.1	60.5
Regional PNS income supplement (trillion Rp)	2.9	2.4	1.8
Special, functional, and other allowances (trillion Rp)	7.8	7.6	8.2
Total wage and teacher allowances (trillion Rp)	144.3	168.9	193.4
Total education budget (trillion Rp)	289.9	345.3	371.1
Wages and allowances as percentage of total education budget	49.8%	49.9%	52.1%

Source: APBN 2012–14, table prepared by the TNP2K

Note: DAU = Dana Alokasi Umum (General Allocation Fund); PNS = Pegawai Negeri Sipil (Civil Servant)

Although the welfare of teachers has improved, the academic success of students is declining. The achievements of eighth grade students in mathematics, languages, and science in the 2011 Trends in International Mathematics and Science (TIMSS) study and in the Progress in International Reading Literacy (PIRL) study was lower than in 2007. Achievements by 15-year-olds in the Programme for International Student Assessment (PISA) for 2012 saw Indonesia ranked 64th out of 65 countries. Gaps in services and educational attainment in urban and rural areas are still quite high. The school enrolment rate for children aged 7 to 12 in rural areas is 93.77 percent, compared with 96.19 percent in urban areas (table 15). More than 50 percent of the population in rural areas aged 15 and older have either not graduated from elementary school or only recently graduated, compared with 30 percent in urban areas (table 16).

Table 15. School Enrolment Rates (Urban and Rural)

	Ages 7 -12	Ages 13 -15	Ages 16 -18	Ages 19 -24
Urban	96.19%	87.98%	58.27%	20.27%
Rural	93.77%	80.84%	46.91%	8.84%

Source: Statistics Indonesia 2011

Table 16. Highest Educational Achievement (Urban and Rural)

	Not/Not Yet in School	Not Completed Primary	Completed Primary or Equivalent	Completed Junior Secondary or Equivalent	Completed Senior Secondary or Equivalent	Completed Higher Education
Urban	3.71%	4.74%	25.02%	21.91%	34.20%	10.42%
Rural	12.09%	9.78%	42.27%	19.74%	13.36%	2.75%

Source: Statistics Indonesia 2011

TNP2K understands the need for more effective and accountable allocation of the education budget to improve educational services and ensure educational attainment, particularly for underachievers. The Vice President of Indonesia hopes the increase in income for teachers through teacher allowances will encourage motivation and innovation and improve teacher performance. Therefore, in cooperation with Bappenas, MoEC, MoF, and a number of local governments, TNP2K mapped out some basic issues and launched the 'Teacher Performance and Accountability' (*Kinerja dan Akuntabilitas Guru* or KIAT) initiative.

“The main aim of KIAT is to build governance processes that link allowances with performance. Teachers who perform well should be entitled to decent benefits. Teachers who do not, such as those who are often absent, should not be entitled to a performance allowance.”

THREE KEY ISSUES

Many factors can weaken the delivery of educational services in remote areas. However, TNP2K has focused on three primary interrelated problems:

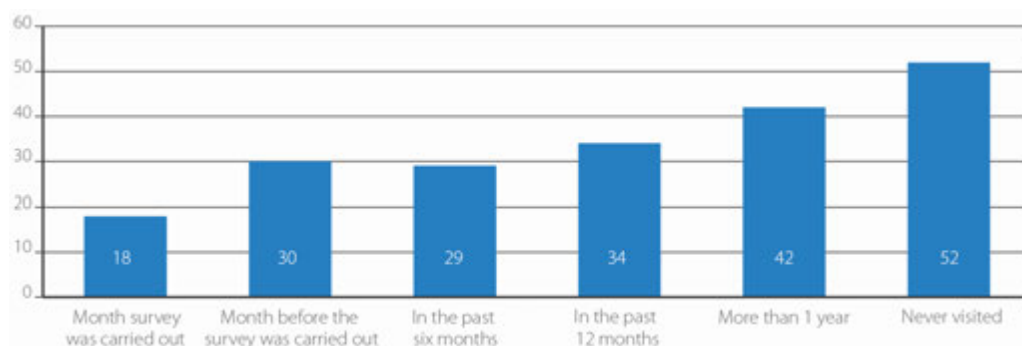
- A lack of information and transparency on the criteria, processes, and payment of allowances for teachers working in remote areas.
- Weak support and supervision due to geographical challenges.

- c. Absence of rewards and sanctions directly linked to teacher attendance or quality of teacher performance.

Improving educational services in remote areas means addressing geographical challenges that complicate the provision of teacher support and supervision by the local education offices. A survey conducted by the SMERU Research Institute in 2010 showed that the rate of absenteeism of teachers in rural areas was 24.4 percent, higher than the national average of 15 percent. More alarming is that the level of teacher absenteeism among special allowance recipients, amounting to 31.5 percent, was higher than the 24.5 percent figure for teachers who did not receive special benefits. Hence, the effectiveness and accountability of special allowance payments is questionable. A study of the literature, data analysis, and findings by TNP2K show some of the problems associated with special allowances include determining who gets the allowance, transparency of the selection process, and timeliness, quantity, and regularity of payments.

The Vice President, in an unannounced visit to meet the 11 registered teachers at a school in a remote area, found only two were present. 'Where they are, no one knows. They'll come again when it's time to get their salary,' he said. Therefore, teacher supervision is very important. A survey conducted by UNCEN et al in 2012 in Papua and West Papua found that teacher absenteeism was linked with the frequency of supervisors visiting the schools (figure 79). Teacher absenteeism in schools never visited by inspectors reached 52 percent. Unsurprisingly, the presence of teachers affects student attendance and academic achievement.

Figure 79. Correlation between Arrival of Teaching Supervisors and Teacher Absenteeism



Source: UNCEN, 2012, compiled by the TNP2K

During a surprise visit by a TNP2K team to an elementary school in Papua, staff found that fifth graders were studying math problems that should have been learned in second grade, while fourth-grade students were studying language that should have been taught in the first grade. The situation was even more alarming when staff discovered that these two classes were taught by a teacher who would leave during teaching hours to go home and cook for her family. A fourth grader fulfilled the role of the teacher by teaching fellow classmates how to spell, whereas in the fifth grade, there was no teacher at all.

Figure 80. Teacher Absenteeism by Teacher Receipt of Special Allowance



Source: SMERU

Of the 12 civil servant teachers who taught at that school, only three were present at the time of the visit. According to the principal, since 2006/2007, most of the teachers had left temporarily to continue their studies. But after graduation, none had returned to teach. However, their names were still on the school's payroll, and every month they received salaries and benefits from the education department. This was clearly unfair to teachers who did in fact carry out their teaching duties. According to them, the school has many teachers, but some are too lazy to teach and have moved to town. The teachers interviewed stated: 'Teacher welfare is substandard. Remote area allowances exist, but it is kept a secret. We hope the allowances can be sent from the central government directly to the teacher's account.'

The same conditions were reflected in the results of research conducted by SMERU that found that teachers who receive such allowances have a higher absentee rate than those who do not.

Figure 81. Language Lesson for Grade 4 (left) and Mathematics for Grade 5 (right): Primary Schools in Papua



Source: TNP2K

The procedures regarding payments and sanctions for teachers are actually covered in Law Number 14/2005 on Teachers and Lecturers, and Government Regulation Number 74/2008 on Teachers. MoEC can provide a warning letter and even dismiss teachers for excessive absenteeism. However, for a variety of reasons, these sanctions are almost never applied.

Discussions with local education offices in several districts in West Papua suggested that teachers who are often absent have political connections, that absenteeism is systemic in a number of government departments, and there are concerns it will become increasingly difficult to find teachers willing to be placed in remote areas.

KIAT EXPERIMENT

Based on the above, the KIAT initiative tested a policy that linked benefits with teacher attendance and teacher performance, and encouraged community involvement in monitoring teacher attendance. With a variety of challenges to be faced by teachers in remote areas, consideration needs to be given to finding innovative ways to enhance motivation, performance, support, and teacher supervision. Based on field surveys and discussions with central and local governments, several approaches exist that are expected to improve the delivery and quality of educational services in remote areas. The approaches consist of the following:

- a. Improved support and supervision of teachers who work in remote areas including a role for the community.
- b. Improved transparency and processes regarding allowances for teachers who work in remote areas to ensure payments are made according to set criteria, to the right teachers, for the right amount, and at the right time.

- c. Payment of allowances examined to ensure the amount is linked with the presence of teachers or their quality of service.
- d. If the approach suggested in the previous point does not succeed in increasing the presence or quality of the service of teachers, then the remainder of the allowances still not paid will be reallocated for the improvement of educational services in other schools where the teachers' performance is still lacking.

An experiment is being conducted at elementary schools, with teachers divided into several groups:

- a. A control group that did not get any treatment.
- b. Group A, for which the allowance was paid on a regular basis.
- c. Group B, for which the allowance was paid regularly and a services agreement existed between the teachers and the community.
- d. Group C, for which the allowance was paid on a regular basis, a service agreement existed between the teacher and the community, and payment of the allowance to the teacher was linked with delivery of educational services and to the existence of a process to improve educational services, if necessary.
- e. Group D, where benefits were paid on a regular basis, a service agreement was made between the teacher and the community, payment of the allowance to the teacher was linked to delivery and quality of educational services, and a process existed to improve educational services, if necessary.

The trial is being carried out in two stages in various locations (figure 82): the first during the 2014/15 academic year with 31 participating elementary schools in three districts. This phase focuses on development of processes and research through use of additional revenue allocated by the local government. The second stage consists of interventions and research conducted in 400 schools in 6 to 9 districts using teacher allowances or additional income allocated by the central government. It is hoped that the comparison between the level of teacher absenteeism and student academic achievement in the 400 schools in the first, middle, and final phases of the trial will identify which interventions are most effective in improving teacher motivation and performance in delivering education services in remote areas. The second phase will be conducted over two academic years after the completion of the first phase and conclude with recommendations for improved evidence-based policy.

Figure 82. Trial Locations

Source: TNP2K

FIRST PHASE OF TRIAL

In order to improve the state of education in remote areas, the Vice President of Indonesia hoped there would be a joint effort between the central government and local governments. The regencies of Keerom (Papua), Kaimana (West Papua), and Ketapang (West Kalimantan) welcomed TNP2K's invitation to participate in the first phase. These three districts are of particular concern with respect to education and the welfare and performance of teachers. The local government in Ketapang allocated additional revenue from the regency budget to all teachers. In Keerom and Kaimana, the regency government allocated a special autonomy fund for the payment of additional income to teachers who are assigned to remote areas. Keerom and Kaimana's initiative aligned with the Vice President's expectation that the governments of Papua and West Papua in particular should pay attention to the improvement of education. With these arrangements, all children in all areas have an equal opportunity to develop their skills and abilities.

A memorandum of cooperation between TNP2K and the regents of the respective districts was signed on 2 April 2014 (figure 83). On this occasion, the Regent of Kaimana stated: "We, together with local government officials, will work hard for Kaimana to become a model for critically evaluating the provision of incentives for teachers, because so far there are not many areas that can do that. And hopefully this may become a good example to be replicated in other remote areas".

Ketapang's Regional Secretary stated his commitment to supporting the implementation of the pilot by providing the resources needed, ensuring a timely budget, forming a pilot team to supervise implementation of the accountability policy and delivery of educational services in remote areas, and working actively alongside the TNP2K team at all stages. The Regent of Keerom expressed the hope that, 'with this partnership there will be an increase in the quality of basic education services in specific areas.'

Figure 83. Signing of Memorandum of Understanding between TNP2K and Keerom, Kaimana, and Ketapang



Source: TNP2K

POLICY CONTRIBUTION

The Regencies of Keerom, Kaimana, and Ketapang issued decrees that became the legal basis for the implementation of trials in each district. TNP2K is proud of the support and excellent cooperation from the three governments. The publication of the decree shows extraordinary commitment by the three regencies to improve the delivery of education in remote villages. Although the first phase of the implementation of this new pilot is small scale, TNP2K hopes this activity will contribute to better teacher performance and accountability as:

- a. Teacher allowances will be linked with the performance of teachers (in this case the existence and quality teacher services), which is hoped will lead to an increase in efficiency on a macro scale, improved effectiveness, and accountability in the use of the education budget. On the micro level, this step is expected to remind teachers that improved conditions comes with

an increased commitment to fulfil their obligations. Although this test is being carried out in the education sector, the principles of performance improvement and accountability can be applied to other areas of the civil service.

- b. Pilots like the one TNP2K conducted through KIAT are learning processes that are very good for central and local governments in developing data-based policies. Decentralisation makes it highly feasible for local governments to play a key role in testing ground-breaking policies that can later be applied nationally.
- c. A major aspect in the effort to improve education services through KIAT involves the community in implementing, monitoring, and improving public services. Community involvement makes it possible to strengthen the accountability of public services to communities and encourage the government to improve its performance. The process of community involvement at the village level was developed by adopting and adapting the principles and approaches of the National Programme for Community Empowerment in Rural Areas (*Program Nasional Pemberdayaan Masyarakat Perdesaan*). However, ensuring these processes can be used to improve public services still requires an appropriate and effective approach, from public information techniques, facilitation procedures, and community capacity building to the delivery of public aspirations and grievances to the government. Lessons learned from this trial are expected to provide technical contributions to the PNPM roadmap and implementation of Law Number 6/2014 on Villages.
- d. One major achievement in public financial management conducted by Kaimana, Keerom, and Ketapang was the use of teacher allowances sourced from the budget in order to trial payments using different processes. The three districts are also ready to reallocate unused allowances to improve the delivery of educational services in the schools participating in the trial. This breakthrough policy and process for paying teacher allowances is a first for Indonesia, and therefore, support of the central government, especially in providing space, encouragement, support for innovation, is necessary.
- e. Local governments have a unique and intimate understanding of the problems facing their regions. Many of them have the ideas and innovations necessary to address these problems, but sometimes are still constrained by the capacity of their human resources. Therefore, the central government can provide assistance and capacity building for local governments, especially related to policies and rules and how to implement them.



Conclusion



Introduction

Poverty is a major issue in the development agenda of the SBY-Boediono government of 2009–14. The establishment of TNP2K in 2010 is proof of the government's commitment to address poverty using more integrated data, more synergies among programmes, and a more coordinated effort by all stakeholders. All of the resources and efforts dedicated to overcoming poverty have resulted in a decline in the absolute number of poor from 32.52 million (14.15 percent) to 28.28 million (11.25 percent) within five years (2009–14). It certainly is a worthy result, although the task of overcoming poverty is still far from complete.

One of the main issues ahead that needs serious attention from the government is an increasing trend towards inequality of income distribution. Rising income inequality is shown by an increase in the Gini ratio from 0.37 in 2009 to 0.41 in 2012. This Gini ratio may be lower than it should be because the Gini ratio calculation uses spending, not income indicators. The problem of increasing inequality in income distribution is directly connected to poverty reduction efforts because, with high inequality—including inequality in access to basic services—the potential of the poor will not be fully realised and 'catching-up' will be increasingly difficult to achieve. In addition, disparities have the potential to cause sociopolitical and economic problems that will further negatively impact the poor.

Why has this wealth disparity increased? This was not simply a case of the poor getting poorer and the rich getting richer. Analysis of Susenas data shows that the poor and the vulnerable (the poorest 40 percent) experienced a growth in well-being for the period 2010–14. However, the growth they experienced was lower than the increase in the poverty line as well as improvements in well-being felt by the richest 60 percent—and especially the richest 10 percent.

What can be done to reduce this disparity? Two important steps are improving the effectiveness of social assistance programmes and looking after the macroeconomic environment. Analysis of Susenas data shows that growth in spending among the poorest 20 percent of the population (deciles 1 and 2) for 2013–14—the period during which social assistance programmes integrated with the KPS—increased greater than spending by the richest 10 percent (decile 10 expenditure) and also greater than the

increase in the poverty line. This growth for the poorest 20 percent would have been higher if inflation, especially in the cost of food, could have been restrained. This situation shows that both the above-mentioned efforts—increasing the effectiveness of social assistance programmes and maintaining price stability—would improve the well-being of the poor and reduce the wealth gap.

From what has been presented concerning the efforts and achievements of poverty reduction between 2009–14, at least two major lessons can be learned.

First, improve what has already been done to reduce poverty in the past five years through better policies, particularly those related to improving targeting, programme design, and distribution processes.

Second, ensure that poverty reduction policies are carried out through targeted programmes and are integrated with macroeconomic policies that favour the poor, such as basic infrastructure (e.g., roads, education, and health), inflation management, access to venture capital, labour, and others.

From what has been presented, four noteworthy achievements can be attributed to TNP2K in its efforts to fulfill its mandate as set out in Presidential Regulation Number 15 of 2010:

First, TNP2K's improvements in policy design and processes for alleviating poverty have always been based on strong evidence from the field. An example discussed earlier concerned improvements in targeting that started from an experimental data collection study and led to data on household beneficiaries being collected in a survey that combined consultations with poor residents. Another example is improvements made to Raskin, which began in 2012, with the use of the UDB as a source of information about beneficiaries, the use of the DPM and eventually the use of KPS to identify beneficiary households. All of these improvements were monitored and evaluated before becoming the basis for learning and progress in the future.

Second, to ensure that ministries and agencies continued to improve their policies and programmes, TNP2K ensured the involvement of their programme administrators and similar key figures. Engagement starts with the technical staff in

charge of a policy or programme, and extends to decision makers in echelon one or two. This helps to get buy-in from the ministry or agency's programme manager, so that improvements can be implemented as planned and are sustained.

Third, the problem of poverty should not just be the responsibility of the central government; other key stakeholders must be involved too. For that reason, TNP2K made sure local stakeholders participated in providing support. As described previously, one of the important efforts undertaken by TNP2K related to its mandate to increase the ability of Local Coordination Teams for Poverty Reduction (*Tim Koordinasi Penanggulangan Kemiskinan Daerah* or TKPKD) to carry out their functions. TNP2K's achievement in increasing the capacity of TKPKDs was significant, as evidenced by what been done by many TKPKDs in the past four years.

Fourth, overcoming poverty often requires new approaches or innovations. TNP2K has undertaken a number of new approaches to accelerate poverty reduction. One example presented in this report is the KIAT initiative to test the community's role in monitoring service delivery at the local level and in determining the granting of additional incentives to providers for their work, in line with expectations. If the results of this trial indicate local communities can effectively monitor the provision of services, then this is a breakthrough for improving the quality of public services, especially in remote areas.

Poverty reduction efforts in Indonesia did not start in the past 5–10 years. But, due to TNP2K, what has been achieved in the past five years is unique compared with other periods. During this period, efforts to overcome poverty were primarily made through consolidating and unifying beneficiary data and improving the design of social assistance programmes and their processes. From the experience of the past four years, policy reforms undertaken have been more effective because of at least four factors: (1) presence of institutions in the bureaucracy that can carry out the mandate to change or improve the policies; (2) existence of high level authority that supports and facilitates the effective implementation of the mandate; (3) availability of adequate financial resources and flexibility in their use, and (4) support for professional staff who are competent in the required fields.

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ISBN 9786022751434



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