



OFFICE OF THE VICE PRESIDENT OF
THE REPUBLIC OF INDONESIA



Key Recommendations for the Future: Impacts and Financing

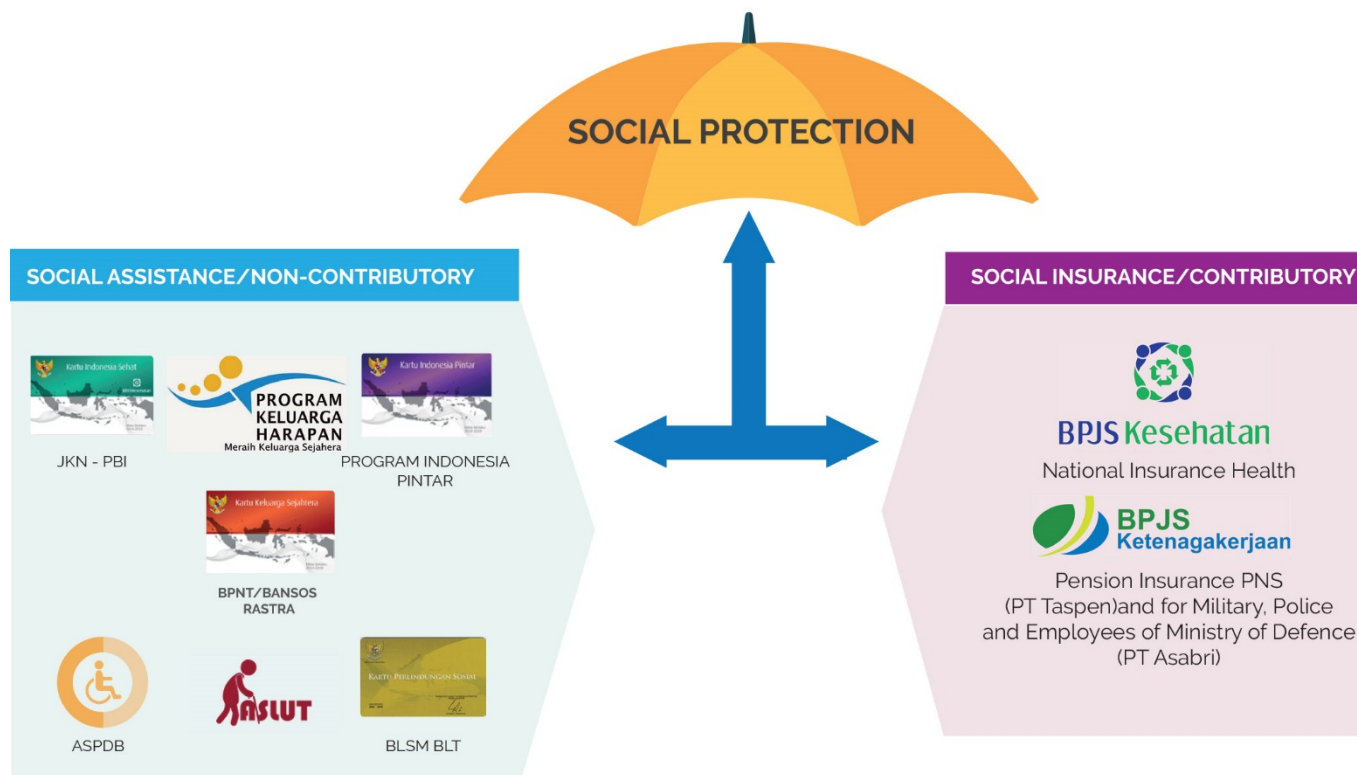
Office of The Vice President The Republic of Indonesia/
The National Team for the Acceleration of Poverty Reduction (TNP2K)

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1

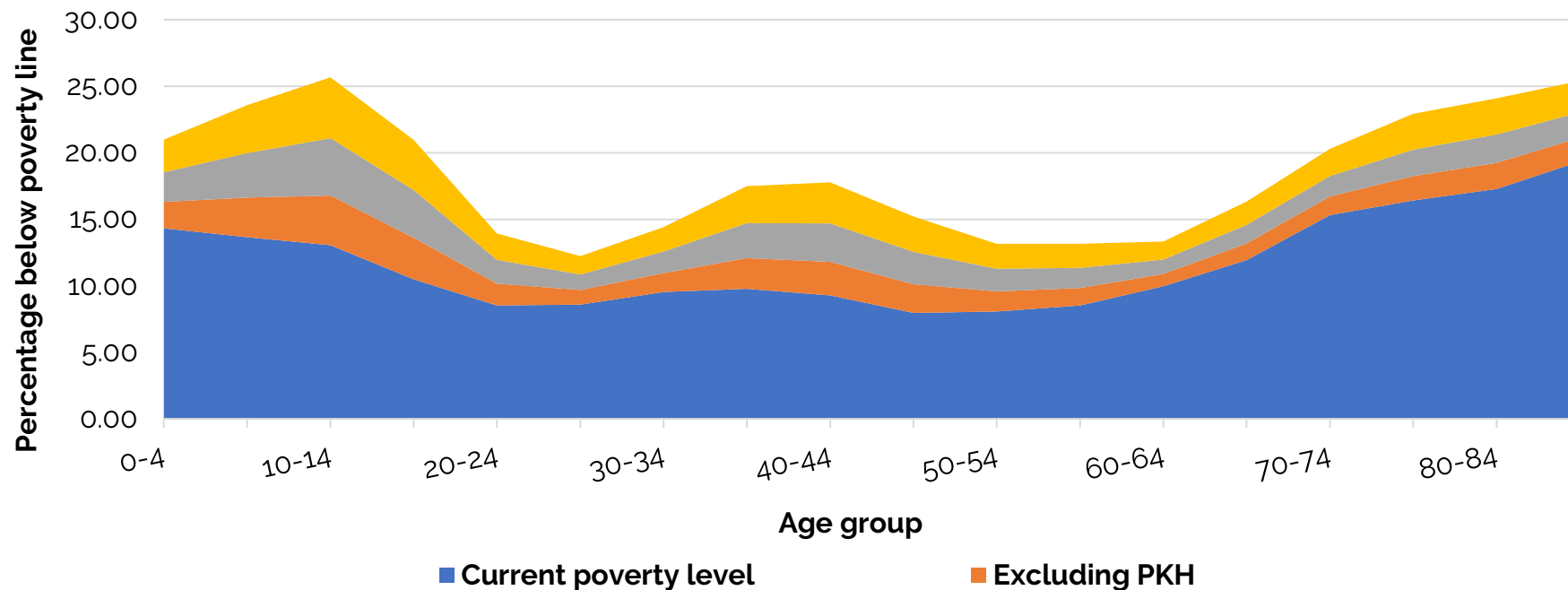
Existing **Social Protection** Programs and Its Impacts

Indonesia's Existing Social Protection System



- The total investment of Indonesia's social protection system is 0,73 percent of GDP (2017 figure).
- Indonesia's contributory schemes within the existing social protection system are reaching more affluent members of the society (mostly in the formal sectors).

Impact of Existing Programs on Poverty by Age Group

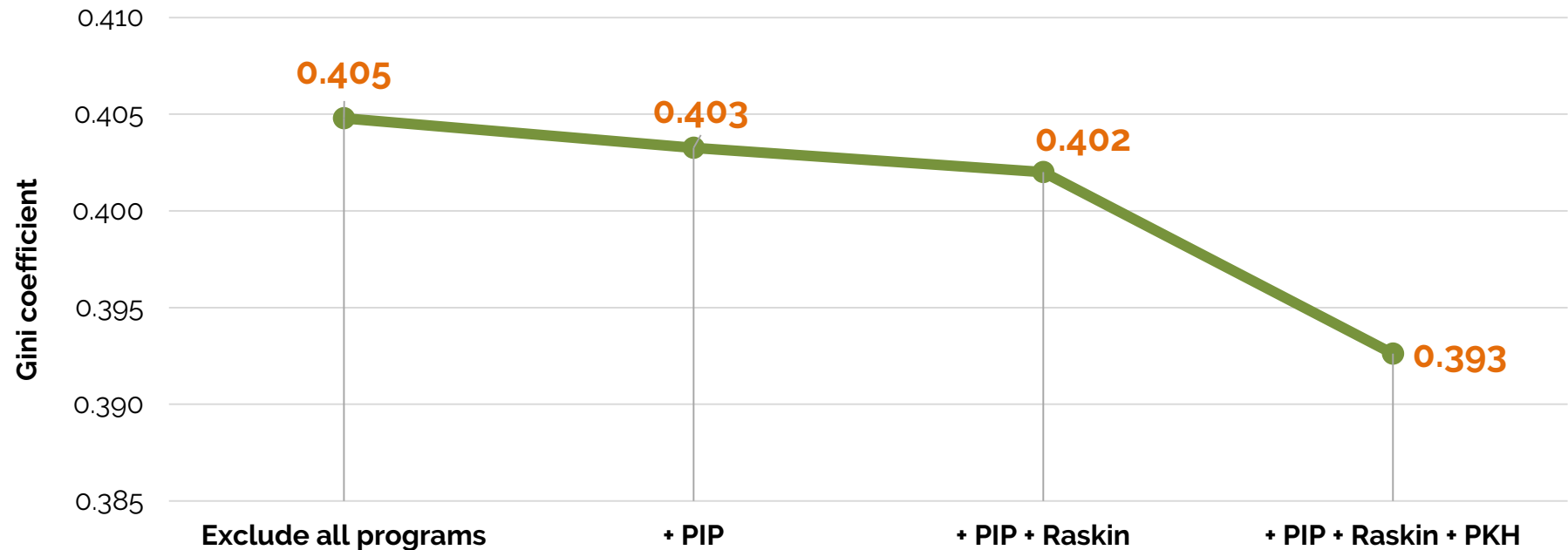


Source: Susenas 2017, calculated by TNP2K 2018

- **Without PKH**, Indonesia's poverty level would increase by 17% from the current level (national poverty level would be 12.78%)
- **Without PIP**, Indonesia's poverty level would be 10.91% (equivalent to 3% poverty increment)
- **Without Raskin**, Indonesia's poverty level would be 10.88% (equivalent to 2% poverty increment)

While without all 3 programs, Indonesia's poverty level would be 13.29% (equivalent to 25% poverty increment)

Impact of Existing Programs on Inequality Level



Source: Susenas, 2017

PKH is the most potent program in reducing the inequality level in Indonesia

- **The number of recipients was increased to 3.5 million**
- **The amount of transfers per household was increased by 30%**

However, from government budget point of view, the budget allocation for PKH is smaller than the one that goes to Raskin

2

Proposed Programs, Coverage & Cost Projection 2020 - 2024

Proposed Programs for 2020-2024

Child Benefit → Integrate the PKH and PIP and reform the integrated PKH into a child benefit, with the benefit amount is IDR 200,000 per month for maximum three children.

Elderly Grant → Introduce the non-contributory elderly grant for age 70+. The simulated benefit is similar to the disability benefit.

Graduation Incentives

As PIP will be integrated with PKH, the PIP function as an incentive for children to enroll in school.

Disability Grant (Children and Adult) → Introduce a new benefit scheme for people with disability (PwD). The simulated benefit is IDR 200,000, IDR 300,000 and IDR 400,000 per month.

Continue with Food Assistance for the Poor Program (Rastra-BPNT) → the transfer value of food assistance is IDR 110,000 per month.

Improved Implementation of the National Health Insurance (JKN) → ensuring for all citizens to have access to JKN by 2019

Short Term Proposals for 2020 - 2024

1



Elderly

Elderly Grants for those of 70 plus years

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Children



- PIP – PKH Integration
- Child benefit for a maximum of 3 children
- Graduation Incentives

3



People with Disability

PwD grants (especially children and individuals with severe disability)

4

Productive/Working Age



- Expand membership of employment insurance (formal and informal)
- Design mechanism for sustainable financing

5

All Individuals across age



Expand membership of health insurance

Coverage of the Proposed Programs for 2020-2024 (in million individuals)

Program	2020	2021	2022	2023	2024
Food subsidy	17,552	17,733	17,909	18,083	18,252
Graduation incentives	2,734	2,771	2,808	2,852	2,908
Child benefit (200K per child – maximum of 3 children)	28,390	28,314	28,266	28,238	28,202
Child disability benefit (300K)	860	858	857	856	855
Adult disability benefit (300K)	1,596	1,618	1,639	1,659	1,679
Old age benefit (70+ and 300K)	8,011	8,155	8,281	8,399	8,582

Source: TNP2K 2018 Publication

Cost Projection for the Reformed Social Protection System

Program	2020	2021	2022	2023	2024
Food subsidy	25,700	26,000	26,200	26,500	26,700
Graduation incentives	4,400	4,500	45,004	4,600	4,700
Child benefit (200K per child – maximum of 3 children)	72,000	71,800	71,600	71,600	71,500
Child disability benefit (300K)	3,100	3,100	3,100	3,100	3,100
Adult disability benefit (300K)	5,800	5,900	5,900	6,000	6,100
Old age benefit (70+ and 300K)	29,100	29,600	30,100	30,500	30,900
Total cost projection	140,100	140,900	141,400	142,300	143,000
% of GDP	0.85%	0.81%	0.77%	0.74%	0.70%

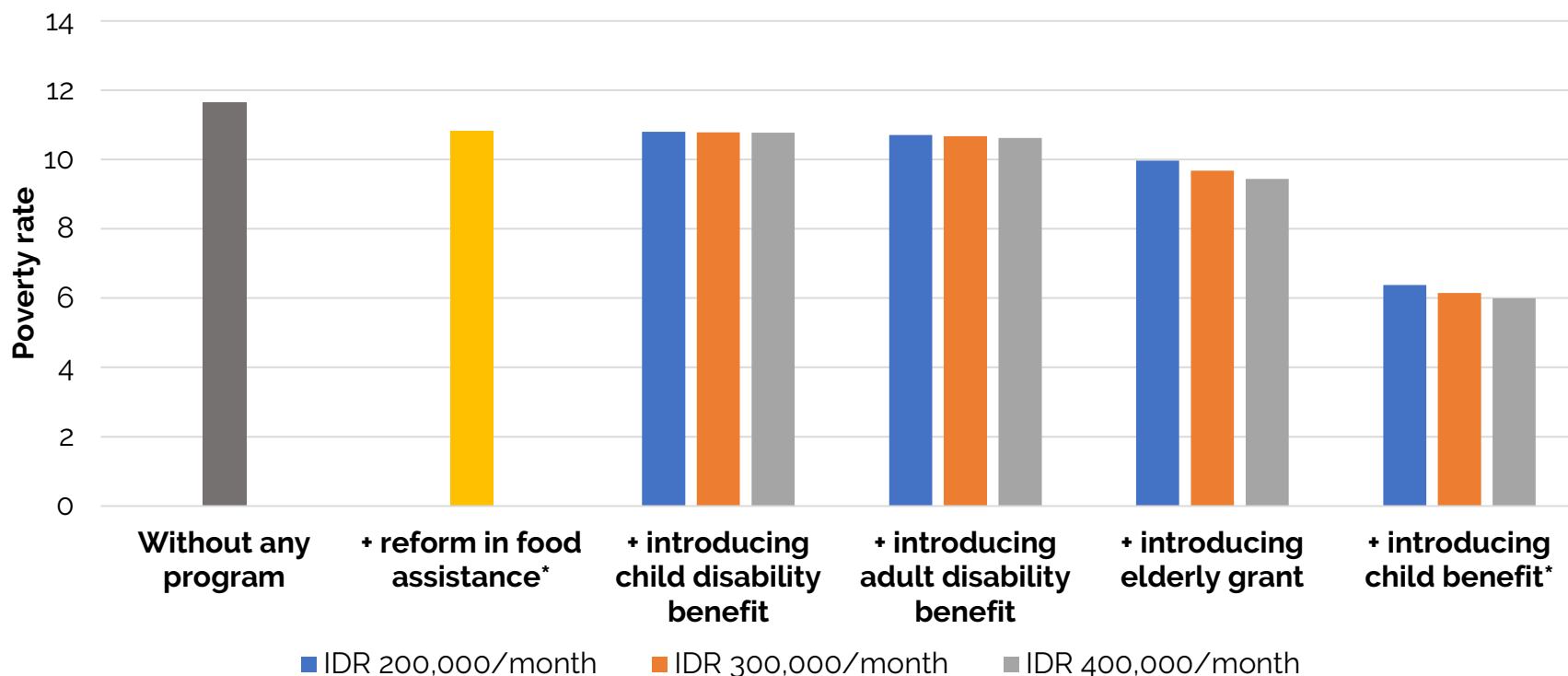
Source: TNP2K 2018 Publication, calculation using Susenas 2017

3

Programs Impacts Projections

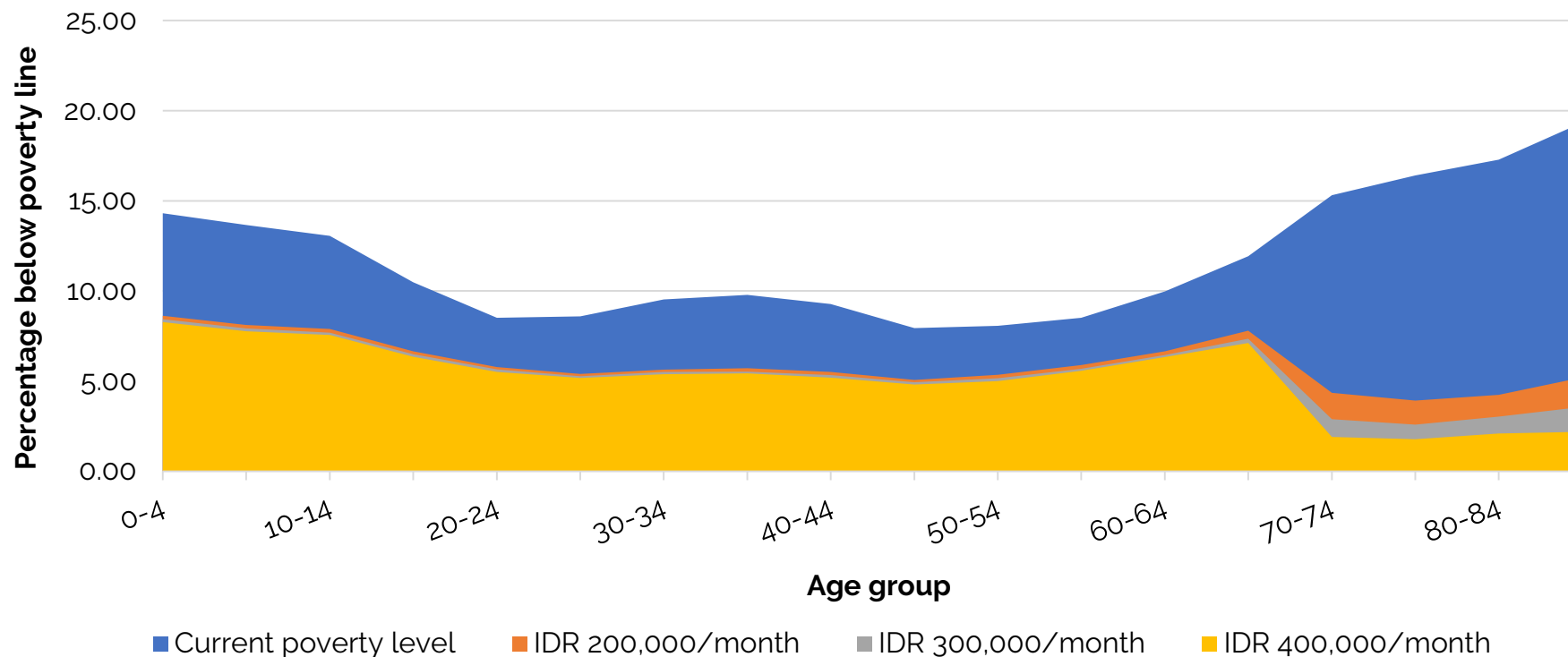
Impact of Proposed Programs on Poverty Level

- If Indonesia implements the proposed programs, **the national poverty rate falls to 6.18%** equivalent to 49.6% reduction from the current poverty rate (with IDR300,000/month scenario).
- **Elderly grant and child benefit** are the two programs that give the highest impact on poverty reduction, which is in line with the Indonesia's poverty characteristic.



The simulation was prepared by TNP2K using Susenas 2017

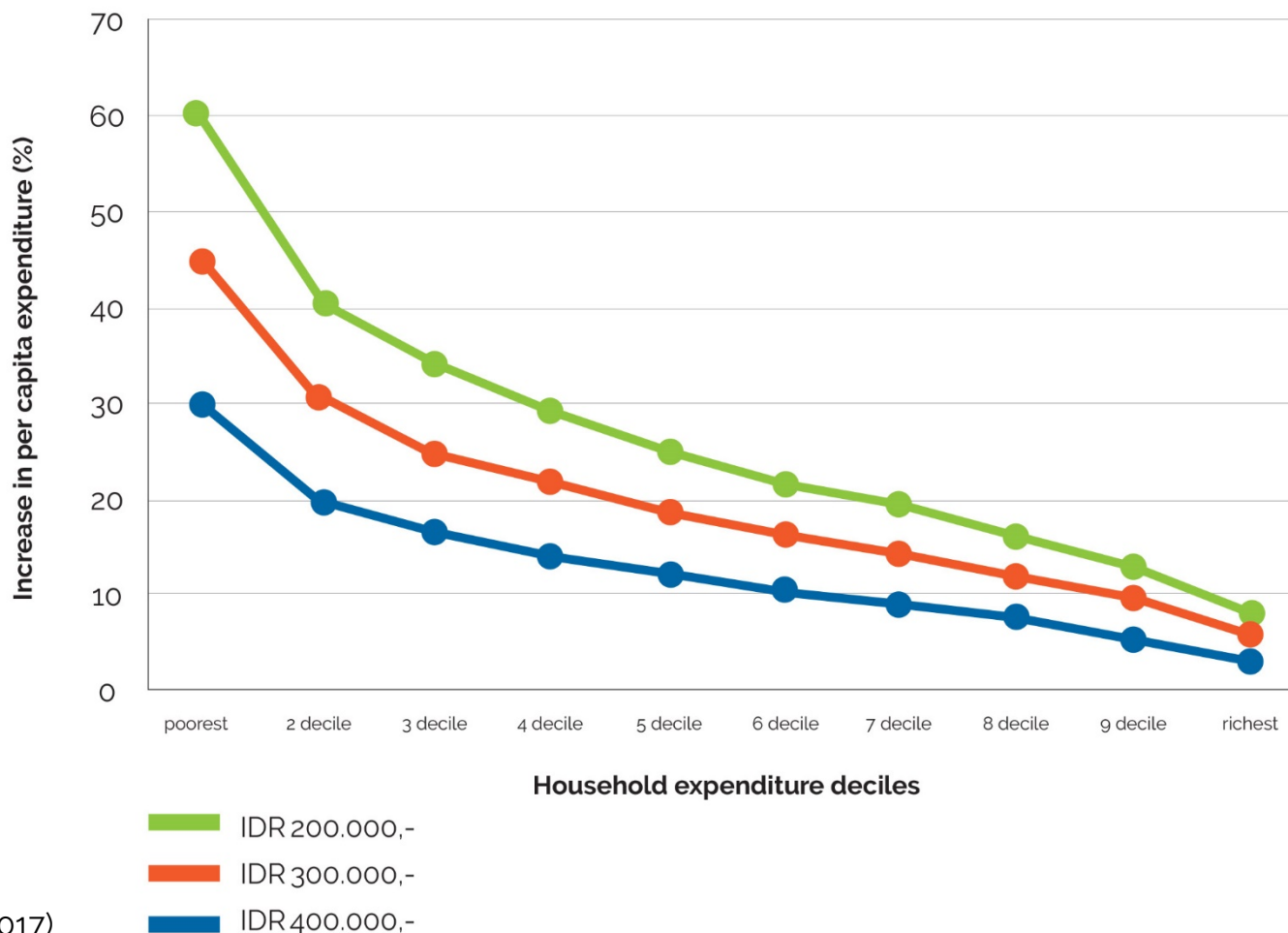
Impact of Proposed Programs on Poverty by Age Group



The simulation was prepared by TNP2K using Susenas 2017

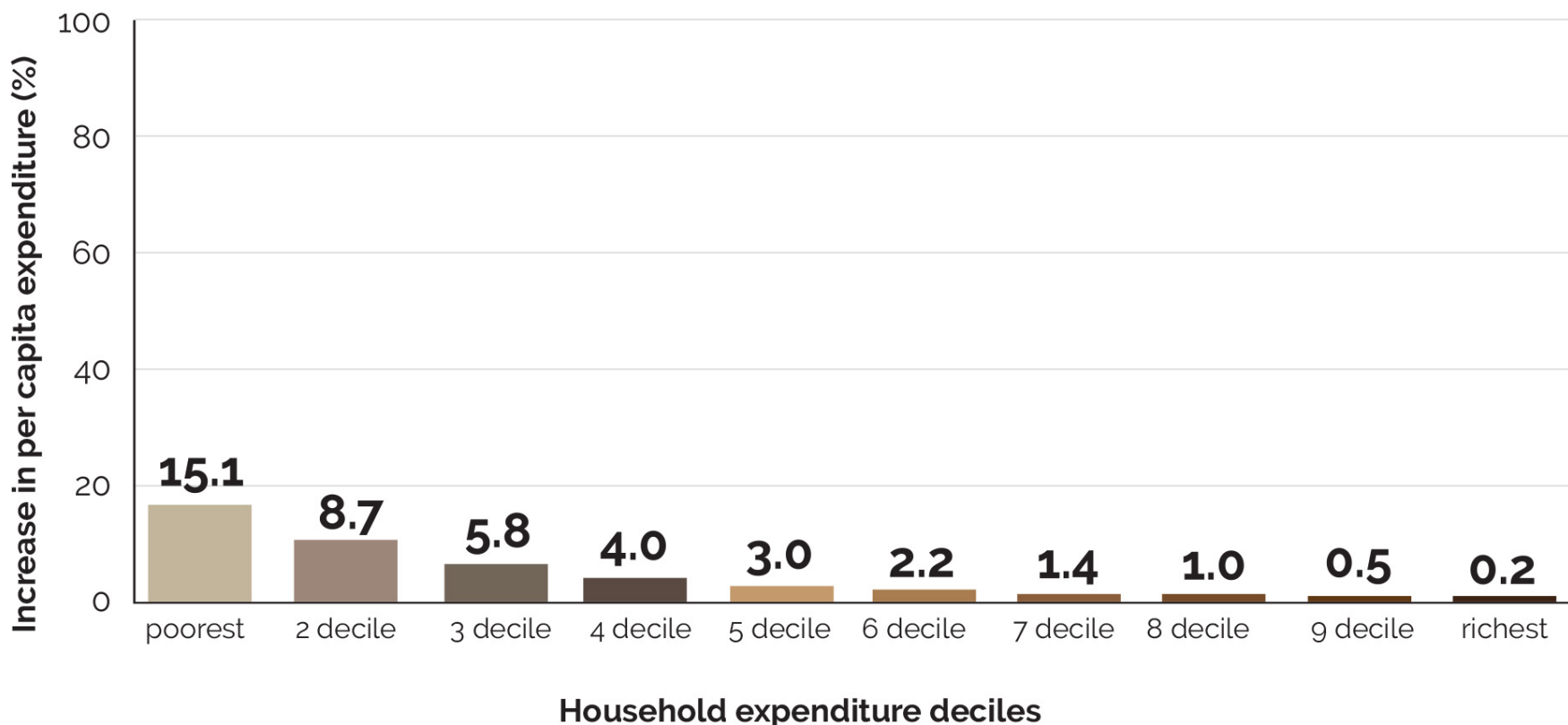
- Since Indonesia's poverty has strong age dimension, hence it is economically sensible if government focuses its effort to reduce poverty on children and elderly groups.
- Although the focus lies on children and elderly groups, there are positive spillover effects to other age group cohorts.

Projected increase in per capita consumption among households that include people of 70 years and above (by welfare decile and different elderly grant options)



Source: Susenas (2017)

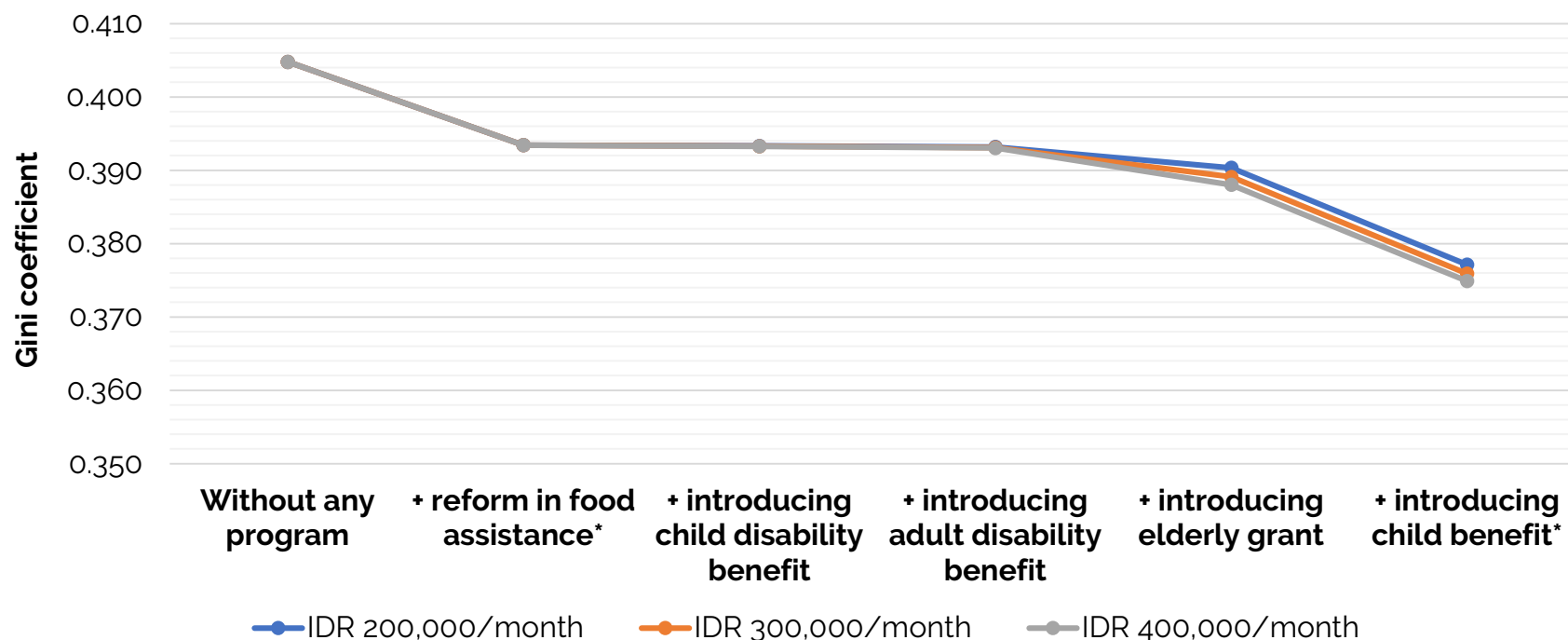
Projected Increase in Consumption (among HHs with Children) Across the Welfare Distribution as a result of Child Grant (of IDR200,000 per child per month)



Source: Analysis calculated by TNP2K-MAHKOTA (2017)

Impact of Proposed Programs on Inequality Level

- Similar to the reduction in poverty, elderly grant and child benefit are the two programs that give the highest impact and the impact is progressive with respect to the benefit amount.
- **The Gini coefficient falls to 0.377** or equivalent to 4% reduction from the current condition (with IDR 200,000/month scenario), which implies that the inequality reduction cannot solely rely on the social protection system.



Thank You

