A Comment on

Social Protection in Indonesia: Past experiences and lessons for the future

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Very comprehensive survey of social protection in Indonesia
- details of SP programs and their evolution over time, with a focus on programs “redesigned”, discontinued or innovative in design or implementation;
- data on costs & impact evaluation;

Could be more systematic
Lessons learned and their possible extension to the future
- could lessons also be shared by other countries?

In line with ERD2010
Minor comments on tables
The response of Indonesia to the 1997-98 crisis was a comprehensive Social Protection package (JPS and OPK)....


Loss of income, large social impact of the crisis

Deterioration of well-being;
People living below the poverty line: from 15% (February 1997) to 33% (December 1998); 36 million pushed into poverty

After the crisis, new social assistance initiatives (Raskin, restructuring of Fuel subsidies)

Thanks to JPS (education, health, education, community empowerment & employment) and OPK (subsidized rice) some groups could keep assets and use them for new income generating activities & slowly improve well-being again

HH were consuming reserves: dissaving, selling assets, taking children out of school, accepting hazardous work => falling deeper and deeper into poverty
The goal was “not merely to provide risk-coping mechanisms in response to economic shocks, but to institute programs that support intergenerational pathways out of poverty”

A similar strategy has been followed from mid 2000 (UCT, Raskin, Health Insurance).
What have we learned? ABCDE...

A) (Some) crucial features for success (present in Indonesia, but to be monitored closely)
   - Administrative capacity;
   - Political commitment;
   - Financial sustainability;
   - To have a vision (an integrated coherent SP system).

*Similar lessons drawn in ERD 2010*

**Administrative capacity:** Administrative systems do not start out fully formed, but are perfected through a learning process. Is crucial for targeting (problems in Raskin etc);

**Political Commitment:** To design and implement successful programs requires political will (*exists*), national ownership (*exists*) and a broad-based social consensus (*which might still need some time to build*).
Financial sustainability in long term might be an issue...but SP programs are feasible and costs not too high (e.g. JPS 1.2% state budget); Affordability is intrinsically linked to the society’s willingness to finance social policies through taxes and contributions (there).

Vision: Move towards a more sustainable, integrated and coherent SP system. Identify possible unintended effects. Against this background, need for new types of Social Protection: including Insurance beyond the formal sector;

B) Important issue is how to evaluate success and monitor programs. The paper surveys different methodologies (use propensity score matching for UCT, results not clear cut). NB budget cuts due to crises (and changes in policy) may affect monitoring and evaluation.
Lesson learned, C: in a context where the share of informal sector employment is very high....

Figure 4. Share of Informal Sector Employment in Urban Employment

Lessons learned, C

C) Traditional social insurance & subsidies might not be the best solution.

Employment-based contributory social insurance covers around 20% of the population, poor in rural areas and informal sector are left out

Subsidies are expensive and often leak to the non-poor (especially energy subsidies); to help poor households overcome the adverse effects of a massive reduction in fuel subsidies from October 2005 to September 2006, implementation of **Unconditional Cash Transfer (UCT) program** (19 million households benefited). The program was **reintroduced** from June to December 2008 following another reduction in fuel subsidies.
D) Using cash transfers to compensate households after cutbacks in government subsidies for fuel raises issues of equity as well as efficiency implications. Use of Propensity Score Matching does not give clear cut results.

E) Affordability of scaling up of policies might be an issue. Issue is only sketched in conclusions. Need for a more detailed study. Not clear how, trade off not clearly discussed, possible unintended consequences not spelled out (e.g. scholarship in JPS do not reduce drop out in secondary school: is this due to employment creation programs providing opportunities for teen agers around 14?) Also issue of affordability & ageing population.
### Ageing population: population 60 and above from 8% (2005) to 25% (2050)

<table>
<thead>
<tr>
<th>Economy</th>
<th>Total Population (million)</th>
<th>Average Annual Rate of Change of Population</th>
<th>Total Fertility Rate</th>
<th>Median Age</th>
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<tr>
<td></td>
<td>Year 2007</td>
<td>Year 2050</td>
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<td>World</td>
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<table>
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<tr>
<th>Economy</th>
<th>Life Expectancy at Birth</th>
<th>Life Expectancy at 60, 2000–2005</th>
<th>Population 60 and Above (%)</th>
<th>Population 60 and Above (million)</th>
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... = not available, PRC = People’s Republic of China.

Summing up

Comprehensive and informative survey (**could be more systematic**)

Results on impact **not always convincing** (especially the propensity score matching because of lack of information on the exercise)

Important issues, such as scaling up to have a comprehensive system, only sketched. *Paper should bring out issues of coherence and synergies across interventions. Crowding in rather than crowding out* (Issue is worth being further investigated)

Important lessons learned, useful to share information and provide “best practice” to follow (but experience cannot be generalized because of country specificities)
Is there anything that Indonesia can learn from other developing and emerging countries?

**Good Practices:**

- **Importance of innovation in programme design and delivery** (not only CCT)
- **Use of new technologies** (biometric identification, smart card, mobile technology)
- **Exploiting (building on) positive spillover** (e.g. Kenya zero Km food in school vouchers)

**To avoid:**

- high fragmentation between ministries and donors (i.e. low efficiency)
- non-transparent financing
- Unclear institutional roles
Minor comments on the Propensity Score Matching

• The method is not described. In the text, authors refer to a paper available upon request and this does not clarify the goals of the analysis in the paper’s context.

• The models significance as a whole is low. Few variables are significant and most of them at 10%. The results stated in the paper (given for granted?) need more attention and discussion. Diagnostic tests may be useful (a simple F test or a corresponding version for this class of models?).

• The weak significance is maybe due to a high heterogeneity of the sample (see very high standard errors). If authors think these results are important for the paper, they have to discuss how the panel has been built and discuss, first, its characteristics (sample size, countries involved, mean, standard errors, etc.).
Why authors introduce first differences? And, why only first differences? They assume the relevant lag is just one year, I presume, because they have a three years panel (2005-2007). In this case, isn’t a too short time perspective to include lags? Dynamics need a longer time span to be fully developed and captured in a model.

Model reported in Table 3 includes both “hours worked per student (first difference)” and “hour worked per adult (first difference)”. If not correctly specified these two covariates will introduce endogeneity problems in the model. Did authors tested for this possible problem?
Thanks