

# **“Financing and Delivery of Social Service in Indonesia” Status of Study**

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## I. Background: Overview of Policy Agenda

### 1. Decentralization: History & Legal Basis

#### Sub-National Governments (SNGs) becomes Key Players since 2001

- Drastic decentralization started in 2001:  
one of outcomes produced by the regime change from Soeharto era
- “Successful,” from the political perspective:  
recent stability of the political scene and steady growth



# I. Background: Overview of Policy Agenda

## 1. Decentralization: History & Legal Basis

### (a) Provincial Authorities

#### Law no. 22/1999

- gives the province authority over inter-regency/municipality areas of responsibilities
- province to manage functions that the local governments are not able to conduct
- management of functions delegated to the province as administrative region

#### Law no. 32/2004

- management of 11 mandatory affairs at provincial scale
- management of optional affairs corresponding to local conditions

### (b) Fiscal Equalization

#### Law no. 25/1999

- governs sharing of revenues between national, Provincial, and local governments

#### Law no. 33/2004

- adds stipulations on income tax revenue sharing
- accommodates slight changes in sharing of revenues. The province gets about 16% and regencies/cities get about 64% of all revenue sharing including property tax, except for the various mining revenues which are predominantly for the national government

### (c) Provincial Authorities & Distribution

#### GR no. 25/2000

- the GR refers to Law no. 22/1999: provincial government manages cross regional affairs that are not performed by local governments and delegated administrative affairs of the national government
- the provincial government is responsible for 108 functions in 20 sectors (compared to 202 functions of the central government in 25 sectors)
- the provincial government is also responsible for other functions: those that cannot be accomplished by a regency/city

#### GR no. 38/2007

- the GR defines 31 shared areas of responsibilities to be co-managed by the national provincial and regency/city governments. Each sector to be regulated by the relevant ministry.
- the GR determines mandatory affairs and optional of affairs (optional affairs are those most relevant to local economic and political characteristics.)
- the GR specifies the possibility of the province to take over or return affairs to local governments

Source: UNDP (2009)



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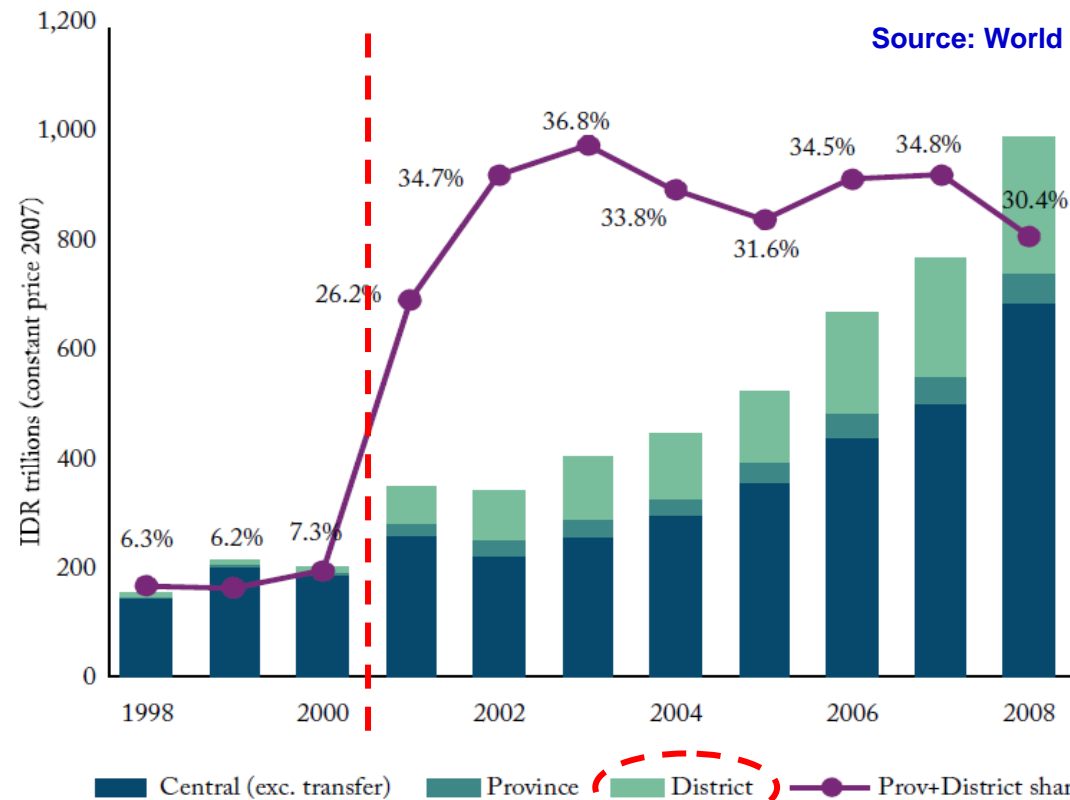
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# I. Background: Overview of Policy Agenda

## 1. Decentralization

### (2) Fiscal Flow & Capacity of Sub-National Government

#### Government Expenditure Patterns



# I. Background: Overview of Policy Agenda

## 2. Social Service Delivery

### - Disparity by Region is Observed

**Indicators of Non Income Poverty by Province in 2009 (%)**

Indicator Province	Less than Primary School (Head of Household)	Illiterate (Head of Household)	None or Shared Toilet	Low Quality of Drinking Water Source	No Electricity
Aceh	21.34	6.62	44.13	32.95	9.98
Sulawesi Selatan	29.45	17.43	36.09	26.39	6.89
Papua	16.76	26.17	52.04	74.64	54.99
Yogyakarta	17.48	11.82	29.96	19.11	0.93
Jakarta	9.35	1.63	23.80	0.27	0.07
Nation Average	25.21	8.63	37.61	11.67	9.03

Source: JICA (based on SUSENAS Panel data 2007-2009)



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# I. Background: Overview of Policy Agenda

## 3. Issues & Points to be Analyzed

### (1) Decentralization Still in Transition Period (Bambang Brodjonegoro, 2009)

- Local Politics: cause delay in local budget ratification
- Slow Local budget absorption: not spent optimally for improving local public services
- Low Participation and Influence of local people during planning and budgeting process
- Necessity of Reform: Intergovernmental Transfer & Local Taxing
- Variety in SNGs

Profile of Four Tiers of Local Government

Tier	Type of Local Government	Number of Units(*)	Population Range
1st	Provincial	30	777,500 – 35,500,610
2nd	Districts and Municipals	348	23,650 – 4,147,000
3rd	Kecamatan	4,038	1,394 – 892,540
4th	Village / Lehurahan / Desa	68,783	38 – 436,483

Source: Central Statistics Agency, Indonesia

(\*) The number is in 2004. The number of Province is 33, and District/Municipality is 524 in 2011.

### (2) Capacity of SNGs matters. Disparity in Social Service Delivery.

**Analyze correlation between SNGs Capacity and Social Indicators**



# I. Background: Overview of Policy Agenda

## 2. Time to Draw Grand-Design

### (1) Meet Policy Measures: Universal Coverage of Health Insurance

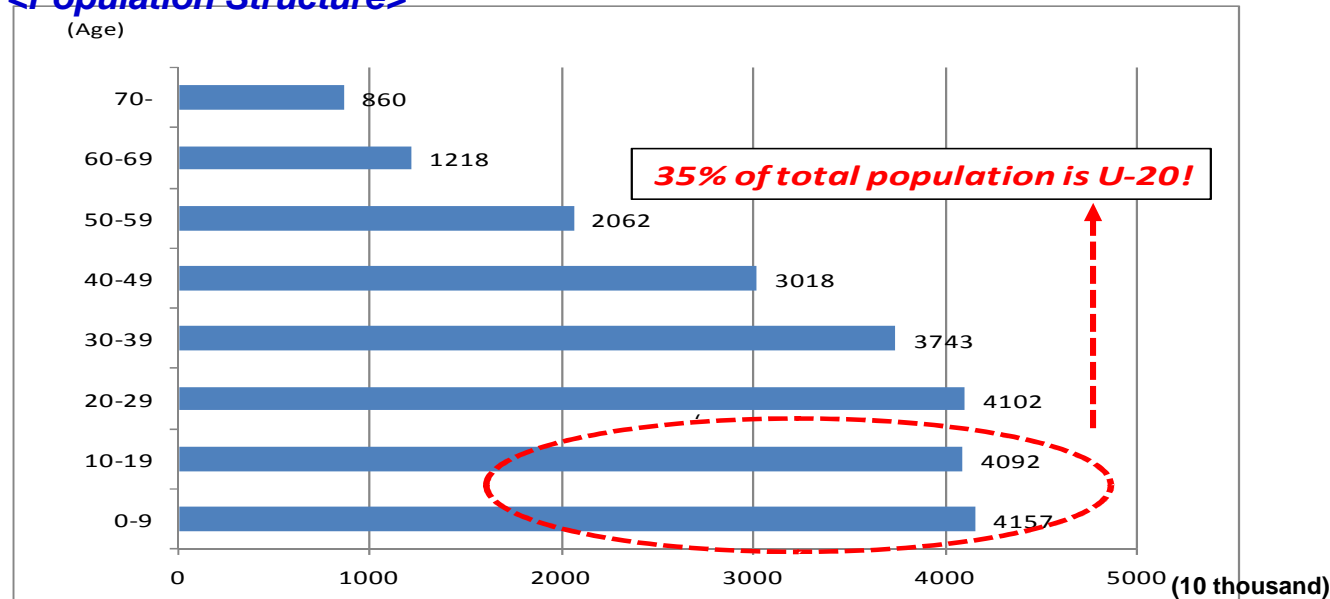
- Social Security Providers Bill (BPJS) approved by the Parliament on October 28, 2011.
- GOI is moving forward to universal coverage of the health insurance by 2014.

### (2) Comprehensive Policy Design well before entering into “Aging Society”, while enjoying “Population Bonus”

Under Age 20: 35% of Total Population in 2010

Under Age 30: 53% of Total Population in 2010

#### <Population Structure>



Source: UN World population prospects 2010

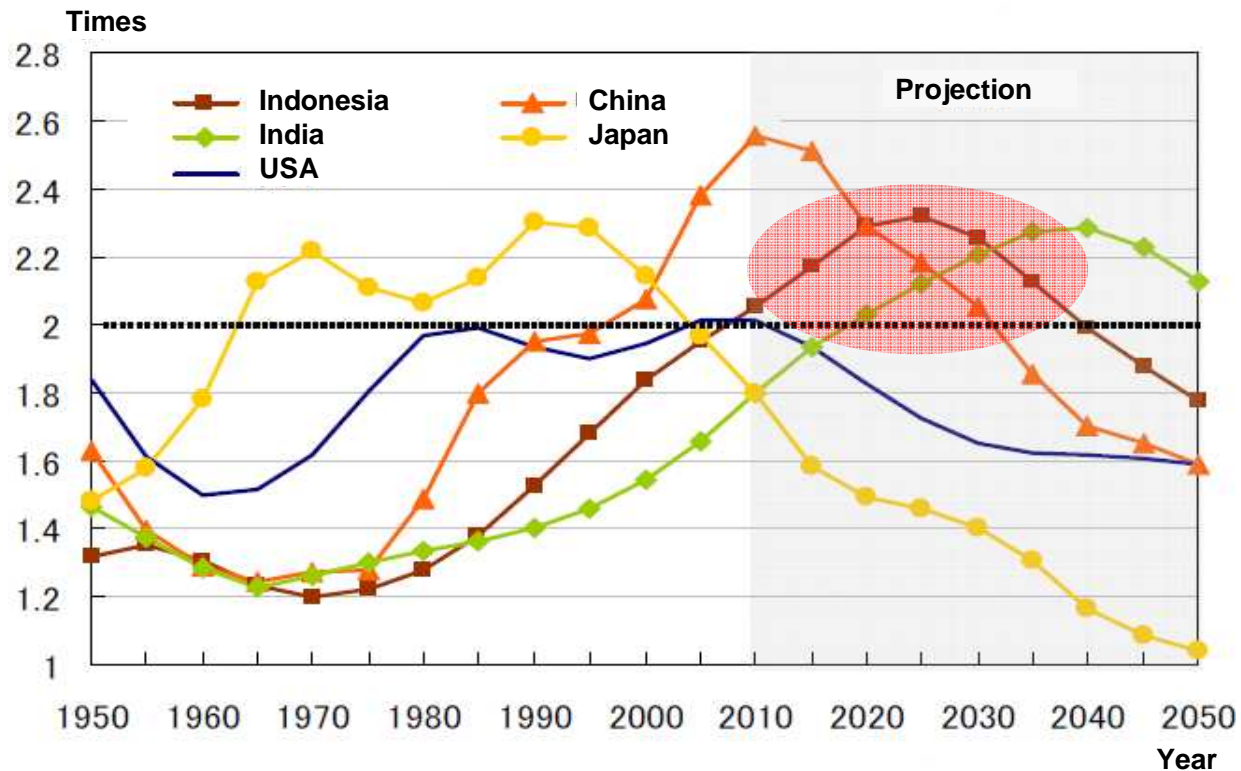
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# I. Background: Overview of Policy Agenda

## 2. Time to Draw Grand-Design

From 2010 to late 2030s Indonesia will enjoy *“Population Bonus”*:  
 “Production Population (15 – 64)” will be larger than 2 times of  
 “Dependent Population (0 – 14 & 65 -)” in Indonesia



Source: UN World population prospects 2010

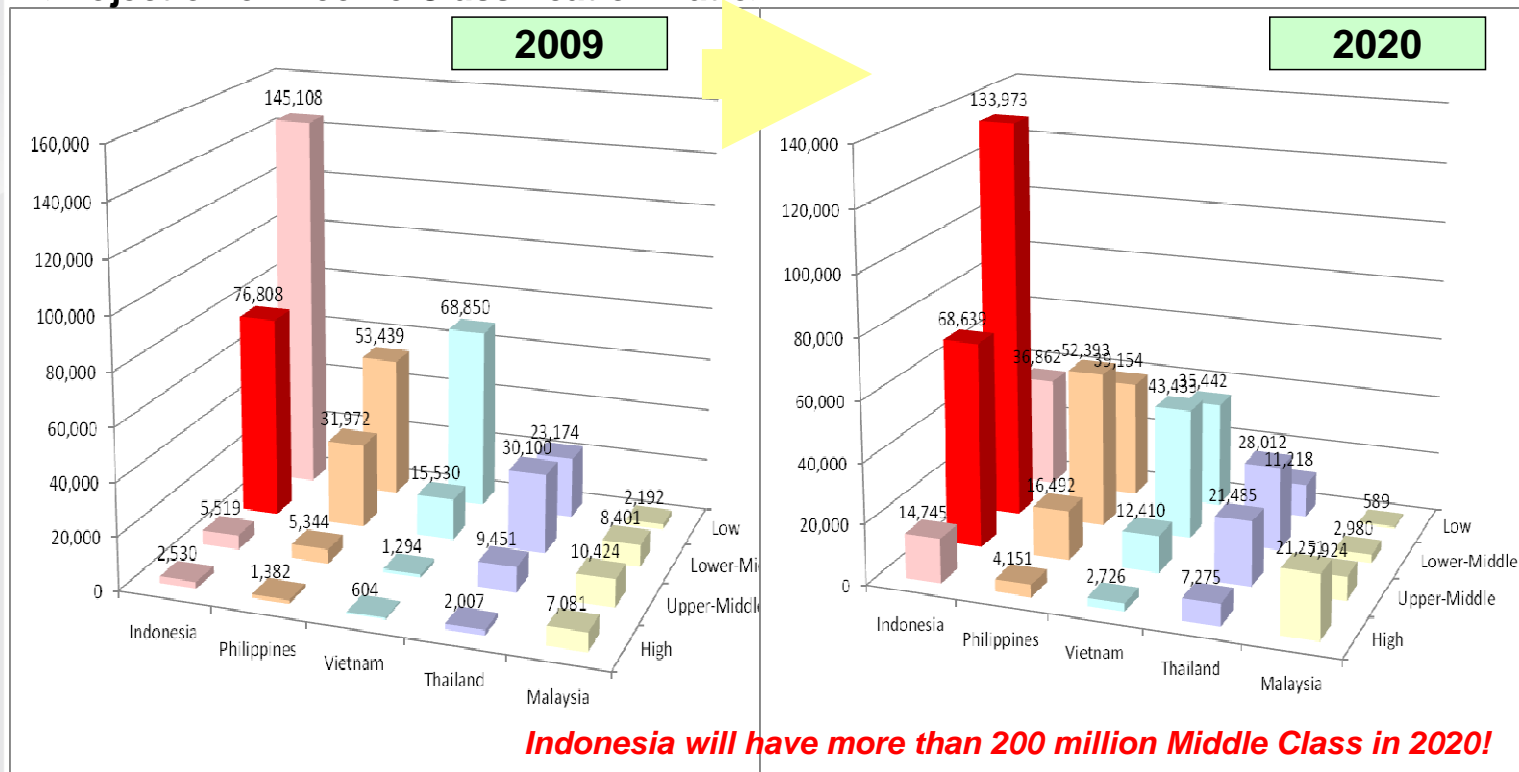
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# I. Background: Overview of Policy Agenda

## 2. Time to Draw Grand-Design

### Rapid Growth of Middle Class is Expected

<Projection of Income Classification Ratio>



**Classification by Annual Household Income**  
**Low Income:** US\$ 5,000 or below  
**Lower-Middle:** US\$ 5,000 – 15,000  
**Upper-Middle:** US\$ 15,000 – 35,000  
**High:** US\$ 35,000 or above

Source: JETRO (based on Euromonitor International 2010)

## II. Outline of the Study

### 1. Objectives and Scope of studies

#### (1) Objectives

- To provide policy implications on
  - Optimal government system of subsidization for Sub-National Governments (“SNGs”) under decentralization;
  - Capacity development of SNGs’ administration of social security programs; and
  - Social security system
- To identify suggestions for JICA’s future cooperation in these areas

#### (2) Scope

- Study on SNGs Fiscal Capacity
- Study on Current Situation of the Social Security Programs in Indonesia
- Correlation analysis on several aspects related to the SNGs capacity in implementing the social security programs

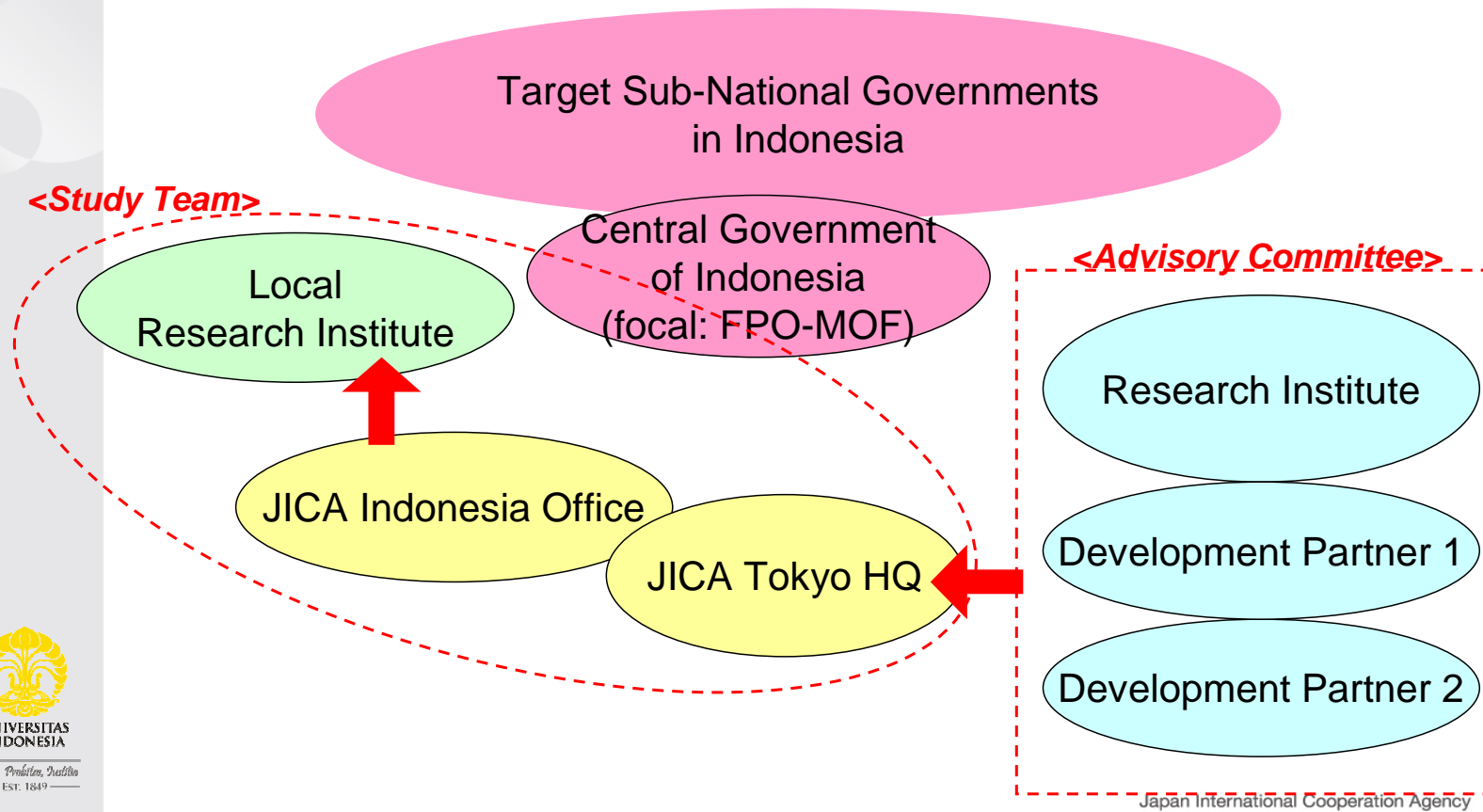


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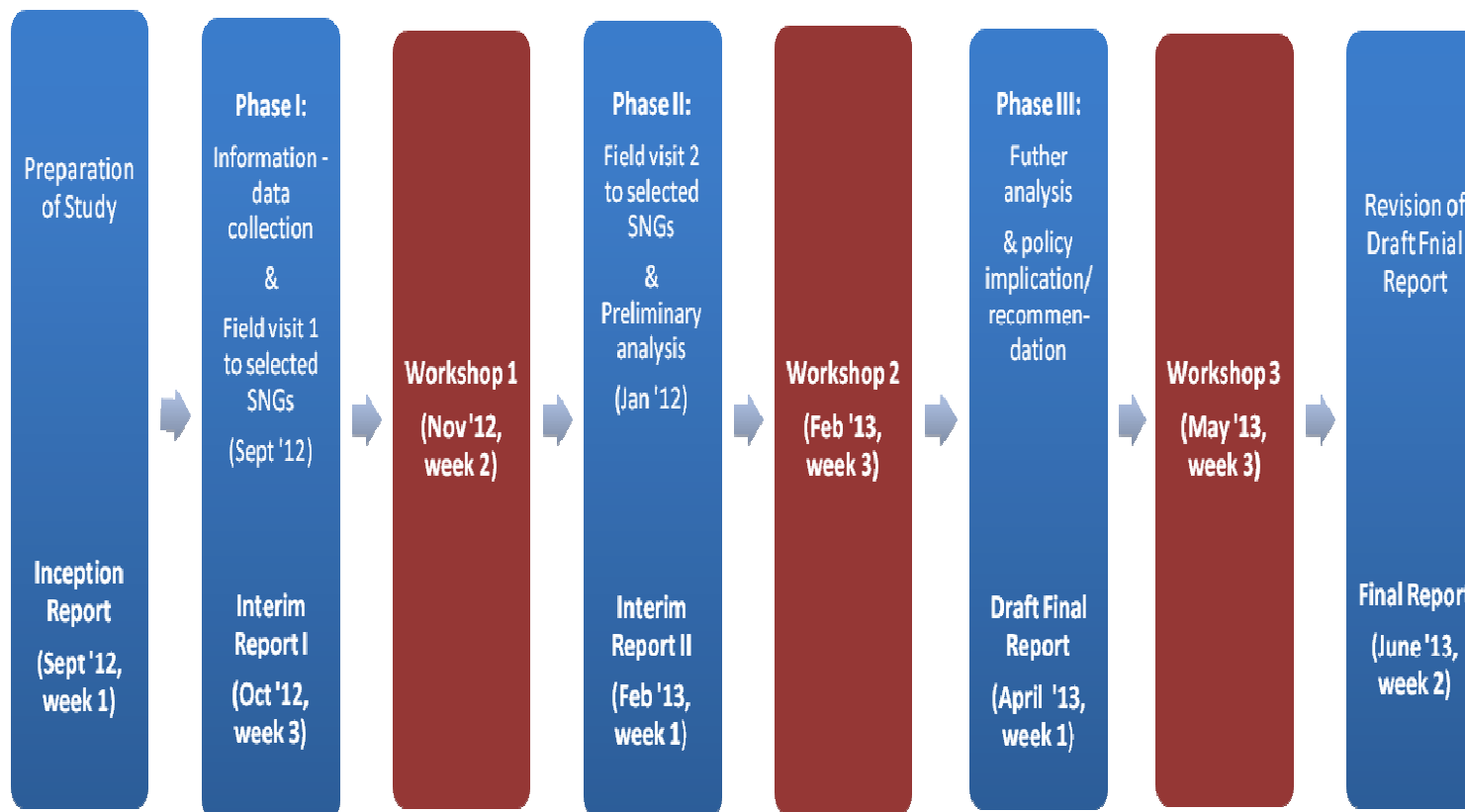
## II. Outline of the Study

### 2. Implementing Structure



## II. Outline of the Study

### 2. Schedule



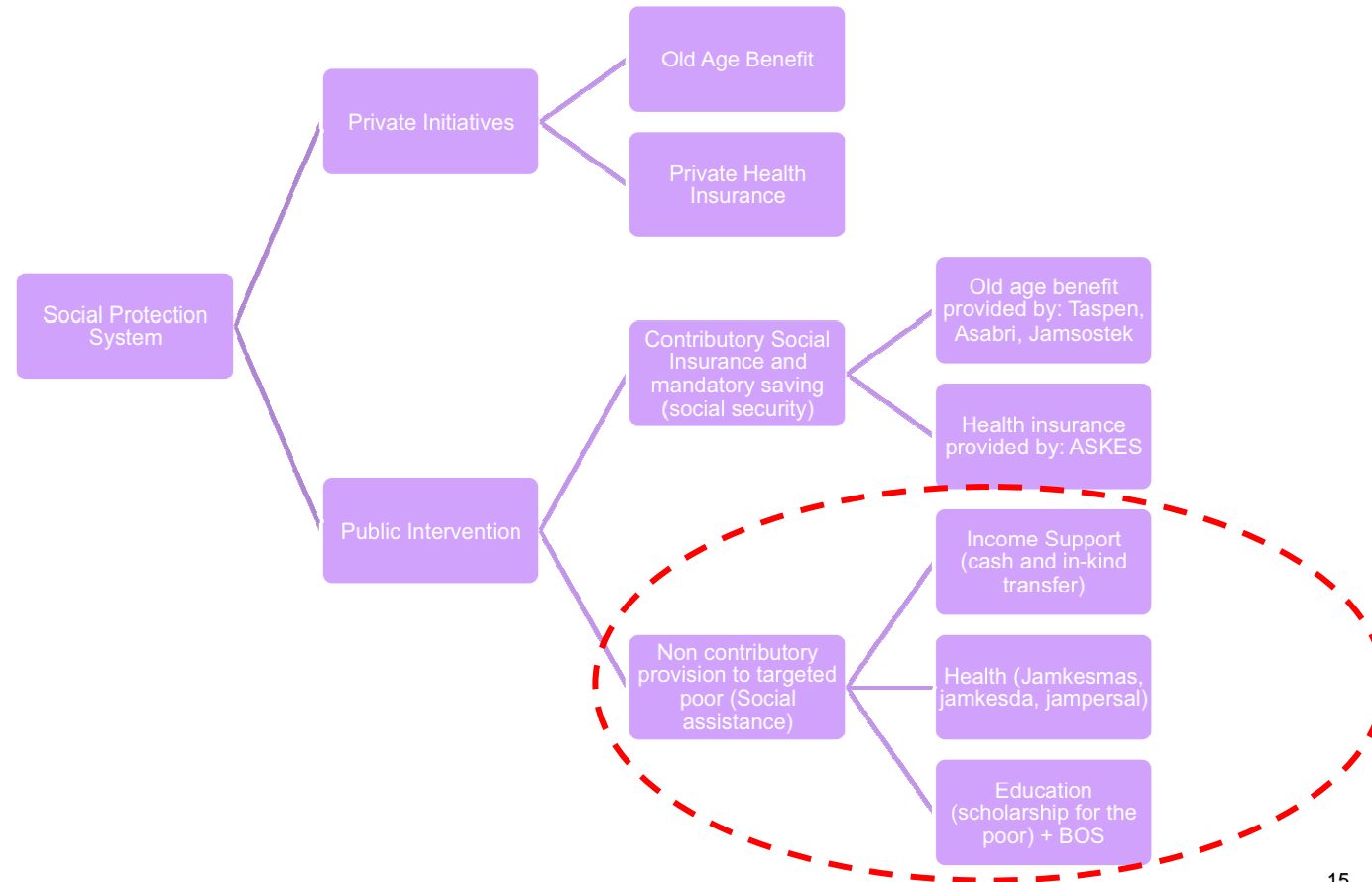
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## II. Outline of the Study

### 4. Methodology - Study focus



## II. Outline of the Study

### 4. Methodology

#### (1) Data Collection

- A combination of national and local level data will be employed
- In-depth interview with national policy makers related to program interventions chosen to be analyzed
- Field visits will be conducted twice to answer the issues related to the SNGs capacity in implementing the social security programs
  - 1st Visit: To collect data (quantitative and qualitative – including regulations, technical manual of programs etc.) to capture individual district variations on local social service intervention
  - 2nd Visit: To conduct in-depth interviews with local policy maker on issues raised as a result of data analysis from the first visit

#### (2) Data Analysis

- Correlation will be examined among several indicators

#### (3) Policy Dialogue and Dissemination

- A series of workshops will be held to present the results and collecting feedback for policy recommendation





## II. Outline of the Study

### 4. Methodology – Target Provinces/Districts

#### Provinces/Districts

No	Provinces	Districts
1	South Sulawesi	Bone
		Takalar
		Selayar
2	South East Sulawesi	Wakatobi
		TBD
3	Yogyakarta	Sleman
		Bantul
		Kulonprogo

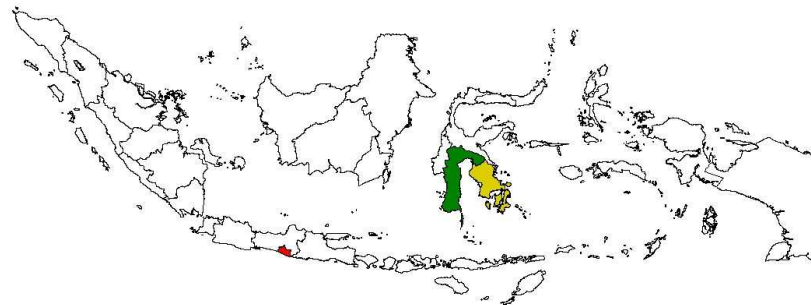
#### Date of Field Visits

##### ■ 1st Field Visit

- South Sulawesi and Yogyakarta: October 1-6, 2012
- South East Sulawesi: TBD

##### ■ 2nd Field Visit

- All three provinces: January 2013



## II. Outline of the Study

### 5. Indicators collected: Health

- Central budget allocated for Jamkesmas
- Central budget realization for Jamkesmas
- Number of beneficiaries of Jamkesmas
- Local budget for supporting Jamkesmas
- Realization of local budget for supporting Jamkesmas
- Number of hospitals and health facilities for Jamkesmas
- Third class hospital bed occupancy rate
- Number of visits at hospitals
- Number of visits at Community Health Center
- Infant mortality rate
- Child mortality rate
- Maternal mortality rate
- Proportion of childbirth with official medical treatment
- Number of married women of age 15-49 with contraceptives



## II. Outline of the Study

### 5. Indicators collected:

#### Conditional Cash Transfer (CCT) - PKH

- Amount cash received
- Number of household beneficiaries
- School enrollment ratio (net + gross) for primary school and junior secondary school
- Drop-out rate for primary school and junior secondary school
- Number of visits of pregnant women to health facilities ( min four times during pregnancies and supplied with Fe tablet)
- Number of childbirth with official medical treatment
- Number of children of age 0-11 month with complete immunization
- Number of children of age 12-59 month with additional immunization
- Number of children of age 5-6 years attending early childhood education



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### III. Preliminary Result of Data Collection

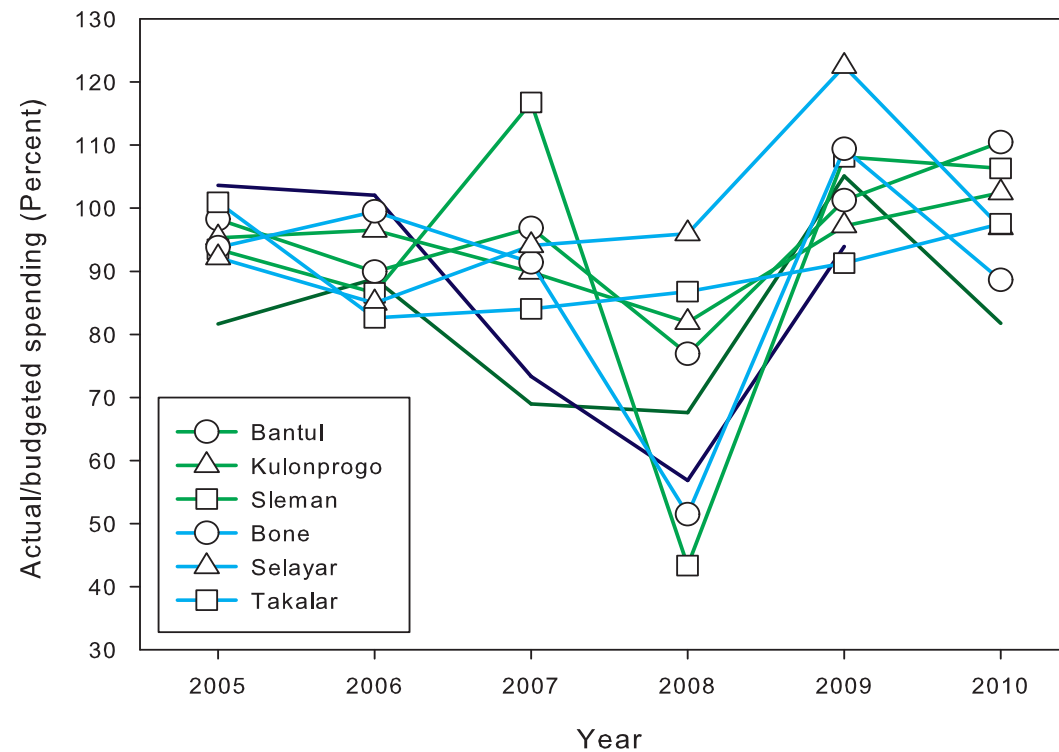
#### 1. Yogyakarta & South Sulawesi: 2010

Province/District	RGDP (billion Rp)	Total Budget (billion Rp)	Population	Poverty number (Head count)
<b>Yogyakarta</b>	<b>21,044</b>	<b>1,394</b>	<b>3,457,491</b>	<b>259,357</b>
Bantul	3,968	915	911,503	146,489
Kulonprogo	1,781	596	388,869	89,976
Sleman	6,373	1,029	1,093,110	116,634
<b>South Sulawesi</b>	<b>51,197</b>	<b>2,443</b>	<b>8,034,776</b>	<b>915,660</b>
Bone	3,213	847	717,682	100,990
Takalar	911	438	269,603	30,026
Selayar	463	393	122,055	18,261

Source: TNP2K,BPS, Ministry of Finance, Provinces, Districts

### III. Preliminary Result of Data Collection

#### 1. Yogyakarta and South Sulawesi Budget realization: Actual vs. Budget



### III. Preliminary Result of Data Collection

#### 2. Active National Social Protection Program up to 2012

Name	Transfer Type	Risk Covered	Target group	Target number of beneficiaries	Population Coverage	Benefit level (average)	Key executing agency
1. BLT*	Cash	Acute consumption difficulty	Poor & near-poor households	18.5mn households (HH)	National	Rp 100,000 per month for 9 months	Kemensos
2. Raskin	Subsidized Rice	Consumption difficulty	Poor & near-poor households	17.5mn HH	National	15 kg rice per months	Bureau of Logistics (Bulog)
3. Jamkesmas	Health service fees waived	Health shocks; low health utilization	Poor & near-poor households	18.2mn HH	National	Varies depending on utilization	Kemenkes
4. BSM**	Cash & Conditions	Cost of education; low education	Student from poor households	4.6mn students	National, but not full scale	Rp 561,759 per year	Kemdikbud & Kemenag
5. PKH	Cash & Conditions	Low incomes; low health & education utilization	Very poor households	1,516,000 HH	National	Average: Rp 1,390,000; varies between RP600,000 - Rp2,200,000	Kemensos
6. PKSA	Cash & Conditions, & services	Quality of life; low education; exclusion	Vulnerable children	160,885	National, but not full scale	Rp1,095,000 per year/child	Kemensos
7. JSPACA	Cash & Services	Quality of life; exclusion	Severely disabled	22,000	National, but not full scale	Rp 3,600,000 per year/person	Kemensos
8. JSLU	Cash & Services	Quality of life; exclusion	Vulnerable elderly	26,500	National, but not full scale	Rp 3,600,000/year/person	Kemensos

### III. Preliminary Result of Data Collection

#### 3. Social Service Provision: Yogyakarta

##### (1) Jamkesos:

Provide health related additional fund in addition of Jamkesmas for up to 15 million/capita/Year

- Similar program initiated in two out of three districts visited varies from Rp5 million to 15 million

##### (2) BOSDA:

Additional fund to 20% of poorest students in addition of BOS for Senior secondary school student

- No similar program at district level found

Provide additional fund for small school (Primary and Junior Secondary school) at the same BOS level with 20 student per class as standard

- No similar intervention at district level found



## III. Preliminary Result of Data Collection

### 3. Social Service Provision (summary): Yogyakarta

Name	Transfer Type	Risk Covered	Target group	Target number of beneficiaries	Population Coverage	Benefit level (average)	Key executing agency
1. Jamkesos	Health service fees waived	Health shocks; low health utilization	Poor & near-poor households	320,000	Provincial	Varies depending on utilization with maximum amount Rp 15 million per person/year	Bapel Jamkesos
	Health service fees waived	Health shocks; low health utilization	Poor & near-poor households (prov budget and district budget at 50% participation each)	250,000	Provincial	Varies depending on utilization with maximum amount Rp 15 million per person/year	Bapel Jamkesos
	Health service fees waived	Health shocks; low health utilization	All citizens of Yogyakarta by personal premium payment	50,000	Provincial	Varies depending on utilization with maximum amount Rp 15 million per person/year	Bapel Jamkesos
2. BOSDA	Cash & Conditions	Cost of education; low education	Student from poor households	20 percent of the poorest student in every districts	Provincial	Rp 1,050,000 per year for SMA and 1500000 for SMK	Education dinas
	Cash & Conditions	Cost of education; low education	School with low enrollment		Provincial	Rp 580,000 per year/student for primary school and 710,000 for junior secondary school	Education dinas





### **III. Preliminary Result of Data Collection**

#### **3. Social Service Provision: South Sulawesi**

##### **(1) Jamkesda**

- Province of South Sulawesi provide budget for the poor that is not included in Jamkesmas or other health insurance scheme (Askes, Asabri etc.)
- Only apply to South Sulawesi residents (ID card)
- Co-sharing between Provincial budget (40%) and districts (60%)

##### **(2) BOSDA**

- Assign dedicated schools for the poor to register
- Every student registered in those particular schools is eligible for additional fund to cover uniform, shoes, book etc. usually under the term personal cost.
- Co-sharing between Provincial budget (40%) and districts' (60%)

## IV. Way Forward

### 1. Points to be Analyzed

#### *Analyze Correlation between:*

#### **(1) Capacity of SNGs and Change in Social Indicators**

- To compare various SNGs from administrative point of view, analyze the correlation between SNGs budget execution capacity and change in social indicators there.

#### **(2) Level of Delegating Authority & Budget Authorities and Effectiveness of Service Delivery**

- To compare the effectiveness of decentralization from fiscal point of view, analyze the correlation between social programs (indicated in change in relevant social indicators) of which ownership is delegated to provincial level (e.g. JAMKESDA) and more centralized one (e.g. JAMKESMAS).

#### **(3) Participatory Planning & Management and Effectiveness of Service Delivery**

- To confirm the effectiveness of participatory approach used in JICA-assisted projects, such as REDIP (basic education), PRITA (health), SNGs capacity development (CDP), analyze the correlation between change in social indicators and relevant budget execution through with-without project approach.

#### **(4) Difference in Execution Incentives of SNGs by Type of Revenue**

- To compare the budget execution incentives of SNGs by type of revenue, analyze the correlation between performance of budget expenditure and its related revenue (own tax revenues, DAU, DAK, and revenue sharing from the central)

## IV. Way Forward

### 2. Expected Policy Implications

*Through correlation analysis and supplemental in-depth interviews, implications on the following aspects are expected:*

- Subsidy

- Optimal government system of subsidization for SNGs under decentralization (size, flow, financial resources, etc.)

- SNGs' Capacity Development

- Optimal way to strengthen SNGs' capacity (planning, financing, budget execution, etc.)
- Good practice of participatory approach to be replicated

- Social Security Program/System

- Optimal responsible entity (central/province/district) of related social programs

