



**Social assistance and cash transfers:
an example from Indonesia**

Breaking the cycle of poverty

Indonesia

Population	257.6 million
Human Development Index rank	113 out of 188
Life expectancy at birth	69.1
National poverty rate (% of the population living below national poverty line)	11.3%
Absolute poverty rate (% of the population living below USD 1.90/day Purchasing Power Parity)	8.3%
Total public social protection expenditure including health expenditure (% of Gross Domestic Product, latest data 2010) (ILO, 2014)	2.63%

Source: UNDP, 2016 unless otherwise specified

Indonesia: The poverty challenge in Southeast Asia's biggest economy

With more than 250 million inhabitants and a GDP of USD 888 billion (2014), Indonesia has one of the world's largest populations and is Southeast Asia's biggest economy. It is spread across more than 17,000 islands and characterised by high cultural diversity. Since the end of autocracy in 1998, it has become one of the region's most vibrant democracies and has maintained political stability. With steady macroeconomic growth and rising incomes since the 1997-1998 Asian financial crisis, Indonesia's status changed from low-income to lower-middle-income country by 2010. The proportion of people living below the national poverty line fell from over 23% in 1999 to 11% in 2015.

Despite these successes, about 40% of Indonesian households were vulnerable to poverty in 2014, living below or only just above the national poverty line, which then was set at 289,042 Indonesian rupiah (around USD 22) per person per month in urban regions, and 253,273 (around USD 19) for rural regions. The government has long focused on improving education and health, but many poor and near-poor families still lack access to social services. Maternal mortality rates are among the highest in Southeast Asia, and infant mortality, malnutrition, and school dropout rates remain much higher than in neighbouring countries.

An ambitious national strategy to reduce poverty

From temporary and scattered transfers...

A first generation of social assistance programmes, introduced after the 1997-1998 financial crisis, consisted of temporary programmes to mitigate the worst effects for the poorest and included public works, scholarships and food subsidies. A second generation was introduced when the government reduced fuel subsidies in 2005: health insurance (called *Jamkesmas*), a rice subsidy for the poor, and an occasional unconditional cash transfer programme.

...towards a comprehensive strategy

A third generation of social assistance programmes has been emerging through the government's recent efforts to articulate a comprehensive poverty alleviation strategy. In 2010, a presidential regulation established a National Team for the Acceleration of Poverty Reduction (TNP2K) to establish a unified database of poor households, coordinate a strategy targeting the poorest 40% of the population, and improve the effectiveness of current social protection programmes. TNP2K is chaired by the vice president, which shows the importance of poverty reduction on the national policy agenda. TNP2K's strategy is to 1) improve social protection programmes; 2) improve

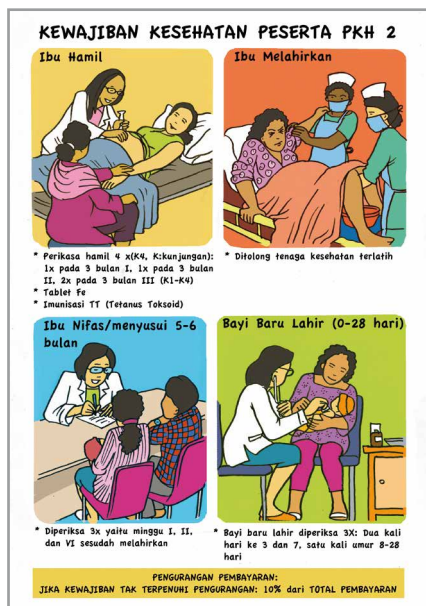
access to basic services; 3) empower communities; and 4) support inclusive development.

In addition, the Indonesian government has launched programmes to improve access to basic infrastructure such as housing, water, and transport for very poor households in particularly vulnerable communities.

Conditional cash transfers as a key element of the strategy

One of the most important components of the social assistance strategy is the Family Hope Programme (*Program Keluarga Harapan*, PKH), a conditional cash transfer programme for families belonging to the poorest 5% of the population.

Eligible families are identified through the National Statistics Office's triennial household survey. Households also have to meet demographic criteria: they must include a pregnant mother and a pre-school child or a child aged seven to eighteen who has not completed compulsory education. The amount a household receives depends on the number and ages of the children. As of 2015, it ranges from 800,000 rupiah (approximately USD 61) a year to 2.8 million rupiah (approximately USD 213). This is equivalent to 15% to 20% of a poor household's consumption. The money is paid to the mother, who receives it after showing the Family Welfare Combo Card (*Kartu Keluarga Sejahtera*). The card was launched in 2017 and can be used for several social assistance programmes.



■ With the support of the GIZ project, comics were developed to explain the PKH programme co-responsibilities to beneficiaries.

Disbursements are made only after a mother's attendance at pre- and post-natal check-ups; a professionally-attended birth; health checks and weighing for new-borns and toddlers; or school-age children achieving at least 85% school attendance. These co-responsibilities are verified by local service providers, and if a family fails to fulfil them several times, the level of benefits is lowered. The conditions are intended to increase the families' use of public services to improve their children's health and education, and to help the next generation escape poverty.

Personal support to lift families out of poverty

Each beneficiary family is supported by a facilitator who provides information and advice, communicating the importance of fulfilling the co-responsibilities, helping beneficiaries access health and education facilities, and referring them to other poverty alleviation programmes if they need additional assistance such as scholarships, cash transfers for people with disabilities, or microcredit. The facilitators also validate data from the targeting process.

Graduating from the Family Hope Programme

The intention is that beneficiary households receive PKH payments for only six years, after which they will ideally have moved out of poverty, 'graduating' from the programme. To assess this, all beneficiary households are surveyed after six

years, and the PKH database is compared with the National Statistics Office 2011 survey data. The recertification process for the first cohort that enrolled in 2007 was carried out in 2013. It revealed that around one third of the cohort were now above the poverty line while two thirds were still very poor.

In response to this finding, a graduation strategy to help families escape from poverty was developed and has been implemented since 2013. Families that are still eligible will receive support from PKH for another three years. The mothers will be required to attend monthly training sessions for a year. These Family Development Sessions aim to promote sustainable behaviour changes that help beneficiaries lift themselves out of poverty, reminding them of the importance of complying with the conditions, and making them aware



■ Facilitators often have to travel to remote areas to visit beneficiary families.

of other social programmes from which they might benefit. The twelve two-hour sessions are divided into four topics: health and nutrition, education, economy, and child protection. Mothers from former PKH households that are no longer eligible can also join the sessions. The training is supposed to be organised and carried out by PKH facilitators, who also have the task of referring graduated or no-longer-eligible families to other social protection programmes. This strategy should ensure that these families do not fall into poverty again because of unforeseen crises.

Rapid roll-out

PKH started as a pilot in 2007 in 48 districts or municipalities, reaching around 400,000 poor families. By 2015, the government had extended it to 3.5 million poor families (including 12 million individuals) in all 34 provinces of Indonesia. Administrative structures to implement the programme were expanded accordingly.

The number of facilitators rose from just over 1,000 in 2007 to nearly 13,000 in 2014, whereas the operational and data staff grew from 195 to 1,170, and the number of sub-regional coordinators rose from three to 34, with a coordinator for each of the three regions (West, Central and East).

By the end of 2015, the Indonesian government had made very far-reaching decisions to scale up PKH. The number of beneficiaries was increased to 6 million poor families by the end of 2016, and the programme was be rolled out to remote areas (mainly in Papua), which were not previously covered due to logistical challenges. Assistance for people with disabilities and for the elderly has been integrated, which increases the number of beneficiary households to 10 million.



■ Regular health check-ups during pregnancy and for children up to six years of age are a co-responsibility that beneficiary families have to fulfil in order to receive their cash.

Division of roles and responsibilities for the implementation of PKH

A number governmental agencies have been cooperating to design and implement the PKH programme, including the National Development Planning Agency (BAPPENAS), TNP2K, the Ministry of Social Affairs (MoSA), Statistics Indonesia, and the national post office. Several bilateral and multilateral donors such as Australia's Department of Foreign Affairs and Trade (DFAT, formerly AusAid), the World Bank, and German development cooperation have been supporting it. MoSA is responsible for implementation and set up the Family Hope Program Implementation Unit (Unit Pengelola Program Keluarga Harapan, UPPKH).

Success and challenges

The programme has already yielded its first positive results. An impact evaluation study conducted by the World Bank in 2012 showed that 1) PKH had the lowest inclusion and exclusion error of all Indonesian social assistance programmes; and 2) PKH households used basic health services more often after they were enrolled, and their children spent more hours in school. They spent nearly all of their benefit on basic needs like clothes, health care and food, including an increased share on protein-rich foods. These successes have won the programme specific attention from the government in the past few years.

However, the dual strategy of rapid expansion and preparing beneficiaries to graduate from the programme poses major challenges for the efficiency and effectiveness of programme implementation.

German support to improve Family Hope Programme operations

Germany has been a development partner of Indonesia since 1958, supporting social protection since 2006. The Indonesian government requested German development cooperation to support the roll-out of the PKH programme. As a result, the Social Protection Programme of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH has been supporting MoSA, BAPPENAS, and TNP2K since 2011.

GIZ contracted an external team of long- and short-term technical advisors. The first task was to diagnose the main challenges. The team's assessment produced the following main conclusions, endorsed by all stakeholders including development partners:

- The rapid expansion of such a complex and large-scale programme was stretching the capacity of the main actors. Institutional and organisational change and capacity building for staff was needed at central and local levels.
- The topography of Indonesia creates many difficulties. Scaling up PKH to remote locations presents challenges of access, distance, and related issues such as security. The programme design needs to be adaptable to local conditions to be accessible and sustainable.
- Coordination and convergence with other social protection mechanisms and poverty alleviation programmes are limited so far and potential synergies have rarely been developed.

The main areas of support emerging from these results were: 1) supporting institutional reform and organisational development; 2) strengthening management capacity and human resource development; 3) improving the payment system for social assistance; 4) developing a communication and sensitisation strategy; and 5) developing a management information system (MIS).

Organisational development: reforming structures...

German development cooperation focuses on organisational development of the institutions responsible for PKH within MoSA, which steers the programme, and the implementing agency UPPKH. GIZ assessed the institutions' structures and management systems to identify gaps and entry points for reform. The assessment revealed a lack of clear lines of command, weak coordination and division of labour, and inadequate understanding among UPPKH staff of their respective duties and functions. Based on these findings, the GIZ expert team presented a proposal for a new management system and structure for UPPKH, as well as options for improved communication and coordination between MoSA and UPPKH. After several rounds of discussion with representatives of BAPPE-NAS, MoSA, UPPKH and TNP2K, the new structure was endorsed by all stakeholders in late 2013.

Another challenge identified by the GIZ experts was that different social assistance programmes that were grouped together in the same sub-section of the poverty alleviation strategy were implemented in different divisions of MoSA. As a result, potential synergies between programmes, such as the use of a unified database or the transition of beneficiaries from one programme to another, had not been maximised, although convergence between poverty alleviation programmes is a government priority. At the recommendation of GIZ, all social assistance programmes in MoSA were consolidated into one General Directorate at the end of 2015.

... and operations

Division of labour was identified as a key challenge in UPPKH. One condition for the smooth functioning of a large programme is standardisation of day-to-day operations and procedures such as validating and updating data, processing payments, or handling complaints. This improves efficiency and transparency, reduces overlap between functions and units, and brings clarity for everyone involved. Organisational development experts of the GIZ team are therefore supporting MoSA in developing standard operating procedures for PKH's key processes and job descriptions for each position at UPPKH.

Building up management capacities and human resources

Reformed organisational structures provide a strong base but are not sufficient to successfully scale up PKH. The programme's

performance also depends on strengthened skills and capacities of the management and staff that steer and run it. Several training needs assessments carried out by human resource experts from GIZ revealed an urgent need for staff capacity development.

This is especially true for the facilitators, who are directly in touch with beneficiaries. PKH recipients are often marginalised and need well-informed and skilled facilitators who can support them in claiming their rights. However, the facilitators had received limited initial training and no follow-up training. GIZ experts developed new curricula for building their capacities and introduced e-learning, given that traditional learning methods are not feasible due to the sheer number of facilitators and their geographic spread. Additionally, GIZ has contributed to the development of one (out of four) training modules of the Family Development Sessions for PKH recipients.

Other challenges included high turnover among UPPKH staff and often slow and inefficient recruitment processes. Human resource management experts in the GIZ team introduced e-recruitment and other tools such as guidelines for competency-based interviews and human-resource needs planning to accelerate the filling of vacancies and improve the selection of the job applicants.

Designing and testing alternative payment mechanisms

The Indonesian government asked GIZ for support to improve the payment mechanisms for social assistance. Currently, PKH is disbursed through the post offices because they are easy to reach for most households and are highly accepted by the local population. However, travelling to them can be expensive and time-consuming for beneficiaries in remote areas. Additionally, the PKH payments still have to be withdrawn in a single transaction without the possibility of saving parts of it.



■ UPPKH operators are responsible for the day-to-day operations and smooth running of the programme.

Against this background, GIZ is supporting the postal service provider PT Pos Indonesia to move from a cash-based to an accounts-based electronic payment system. To this end, a team of experts worked on amending the regulations for postal financial services; strengthening the information technology and human resources systems of PT Pos Indonesia; developing a new electronic cash-management and savings product and the corresponding business process; as well as preparing a pilot in 30 districts. The new payment mechanism will enable PKH beneficiaries to receive, save, and transfer money electronically and withdraw it – at no costs – at a large number of local pay points close to their homes.

Additionally, GIZ cooperated with the DFAT-financed Poverty Reduction Support Facility to support MoSA in conducting a second e-money pilot for PKH involving banks and telecommunications providers in 2014 and 2015. While interesting lessons

were learnt on the technological options for electronic funds distribution, the pilot also showed that – at least under the current regulatory framework and limited geographical coverage of the branch network – few banks are able (and willing) to invest in a nationwide network for the electronic disbursement of social assistance.

Creating knowledge and awareness of PKH

Knowledge about PKH is limited, among the population in general, among local and central government officials, and even among staff working for the PKH programme. The public and politicians lack understanding of its objectives, and beneficiaries often do not know about their responsibility to fulfil conditions. These findings from an assessment carried out by a GIZ-supported consultant led the GIZ team to develop a range of materials for improved communication. These include DVDs for local authorities and a movie for



■ One of the responsibilities of the facilitators is to inform the local population about the conditional cash transfer programme.

beneficiaries and other target groups. A training module in communication was developed for the PKH facilitators, to enable them to provide beneficiaries as well as the wider community with general information about PKH. The module was piloted in selected districts and then integrated into the introductory training for newly recruited facilitators.

A management information system (MIS)

GIZ supported MoSA and UPPKH in developing basic regulations and procedures for managing data on beneficiaries and payments, including considerations of data security. The strategic document they developed, the MIS Masterplan, was endorsed by the key stakeholders in 2013. GIZ also developed a homepage for UPPKH to provide the general public with information about the programme, and a PKH dashboard to give stakeholders access to PKH performance data such as progress and timeliness of payments.

The next steps

PKH has so far generated a range of positive impacts on the living conditions of beneficiary families. German support has enabled MoSA and UPPKH to improve the design, operation and monitoring of the programme.

Scaling up and integrating social assistance for people with disabilities and the elderly into PKH has been an important step towards consolidating the fragmented

social assistance landscape in Indonesia. Yet, there are still far too many overlapping and poorly coordinated social assistance programmes at the national and local levels. GIZ thus supports the Indonesian government in harmonizing procedures, structures and human resources of selected social assistance programmes. A key innovative element is the piloting of ‘single window’ services for social protection in 30 districts in 2016 as part of a national integrated referral and services system which aims to improve the access of poor and vulnerable groups to social assistance programmes by setting up one entry point, or window, for application, registration and complaint handling.

References

- ILO (2014). World Social Protection Report 2014/15: Building economic recovery, inclusive development and social justice. Geneva: International Labour Organization.
- MoSA (2013). Pendoman Operasional. Penyaluran Dana Bantuan PKH. Operasional guideline: support for PKH transfers. Jakarta: Ministry of Social Affairs.
- UNDP (2016). Human Development Report 2016: Human development for everyone. New York: United Nations Development Programme.
- World Bank (2012). History and evolution of social assistance in Indonesia. Social assistance program and public expenditure review, no. 8. Washington, DC: World Bank.

As a federally owned enterprise, GIZ supports the German Government in achieving its objectives in the field of international cooperation for sustainable development.

Published by

Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

Registered offices

Bonn and Eschborn, Germany

Sector Initiative Systems of Social Protection

Dag-Hammarskjöld-Weg 1-5
65760 Eschborn
T +49 61 96 79-0
F +49 61 96 79-11 15

social-protection@giz.de
www.giz.de

Design and layout

Nikolai Krasomil, www.desgin-werk.com

Printing and Distribution

Druckriegel GmbH, Frankfurt am Main
Printed on 100% recycled paper, certified to FSC standards.

Photographs

Cover, page 2, 4, 8, 10: © GIZ

URL links

Responsibility for the content of external websites linked in this publication always lies with their respective publishers. GIZ expressly dissociates itself from such content.

On behalf of

German Federal Ministry for Economic Cooperation and Development (BMZ)
Division 304 – Health, Population Policy and Social Protection

Addresses of the BMZ offices

BMZ Bonn
Dahlmannstraße 4
53113 Bonn, Germany
Tel. +49 228 99 535 - 0
Fax +49 228 99 535 - 3500

BMZ Berlin
Stresemannstraße 94
10963 Berlin, Germany
Tel. +49 30 18 535 - 0
Fax +49 30 18 535 - 2501

poststelle@bmz.bund.de
www.bmz.de

GIZ is responsible for the content of this publication.

Eschborn, 2017