

RESEARCH REPORT

The Role of Social Protection Programs in Reducing the Impact of the Global Financial Crisis 2008/2009

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The SMERU Research Institute

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ABSTRACT

The Role of Social Protection Programs in Reducing the Impact of the Global Financial Crisis 2008/2009

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Deswanto Marbun, and Ruhmaniyati**

The global financial crisis (GFC) 2008/09 has impacted on Indonesia's economy. In order to minimize the impact of the GFC, the Government of Indonesia issues several monetary and fiscal policies, besides continuing various social protection programs. This report is the outcome of research on the implementation of various social protection programs and their role in alleviating the impact of the crisis. The research is part of the activities under the Monitoring the Socioeconomic Impact of the GFC 2008/09 research that has been undertaken by SMERU since July 2009. This is a qualitative research project to draw a general picture of the impact of the crisis, the implementation of various social protection programs, and the role and benefit of these programs in overcoming the impact of the crisis as well as for community livelihoods. In general, the outcome of this research shows that the impact of the crisis is still continuing although the intensity is declining. Many government authorities, however, do not sufficiently understand conditions at the community level due to the absence of a tiered, periodic, and systematic information system on the socioeconomic condition of the community. One of the consequences is that the government has not taken any special measures for communities that have been affected by the crisis and has only maintained existing social protection programs with a standard regulatory mechanism or previous implementation mechanisms. In general, the role of various social protection programs in responding to the impact of the crisis has been relatively poor and varies across programs. Nevertheless, in the effort to reduce poverty, although it has been limited, the presence of social protection programs has had a positive benefit on communities, especially in fulfilling basic needs such as food, health, education, business costs, and the provision of infrastructure.

Keywords: global financial crisis, social protection program

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LIST OF ABBREVIATIONS

ADB	: Asian Development Bank (Bank Pembangunan Asia)
APBD	: Anggaran Pendapatan dan Belanja Daerah (Regional Budget)
APBN	: Anggaran Pendapatan dan Belanja Nasional (National Budget)
APK	: <i>angka partisipasi kasar</i> (gross participation rate)
Askes Aparat	: Asuransi Kesehatan Aparat (Health Insurance for Officials)
Askes PNS	: Asuransi Kesehatan Pegawai Negeri Sipil (Health Insurance for Civil Servants)
Askes Semesta	: Asuransi Kesehatan Semesta (Universal Health Insurance)
Askeskin	: Asuransi Kesehatan untuk Masyarakat Miskin (Health Insurance Program for the Poor)
Bappenas	: Badan Perencanaan Pembangunan Nasional (National Development Planning Board)
BBM	: <i>bahan bakar minyak</i> (fuel oil products)
BKAD	: <i>badan kerja sama antardesa</i> (intervillage cooperation body)
BKD	: <i>badan kredit desa</i> (village credit agency)
BKKBN	: Badan Koordinasi Keluarga Berencana Nasional (National Family Planning Coordination Board)
BKM	: Bantuan Khusus Murid (Special Assistance for Students)
BKS	: Bantuan Khusus Sekolah (Special Assistance for Schools)
BLM	: <i>bantuan langsung masyarakat</i> (direct community assistance)
BLM-KIP	: Bantuan Langsung Masyarakat untuk Keringanan Investasi Pertanian (Direct Community Financial Assistance for Agriculture Investment)
BLT	: Bantuan Langsung Tunai (Direct Cash Transfer)
BMT	: <i>baitul mal wa tammil</i> (Islamic savings and loan cooperative)
BOPD	: Bantuan Operasional Pendidikan Daerah (Regional Education Operational Assistance Program)
BOS	: Bantuan Operasional Sekolah (School Operational Assistance)
BP3	: <i>biaya penunjang penyelenggaraan pendidikan</i> (education operational cost)
BPR	: Bank Perkreditan Rakyat (Peoples' Credit Bank)
BPS	: Badan Pusat Statistik (Statistics Indonesia)
Bulog	: Badan Urusan Logistik (National Food Logistics Agency)
BUMDes	: <i>badan usaha milik desa</i> (village-owned enterprise)
CBSLO	: Community-based Savings and Loan Organization
CERD	: Community Empowerment for Rural Development
CSR	: corporate social responsibility
DBO	: Dana Bantuan Operasional (Operational Assistance Fund)
DOK	: <i>dana operasional kegiatan</i> (operational activity funds)
GNOTA	: Gerakan Nasional Orang Tua Asuh (National Foster Parents Movement)
IDT	: Inpres Desa Tertinggal (Presidential Instruction Program for Disadvantaged Villages)
Jamkesda	: Jaminan Kesehatan Daerah (Regional Health Insurance Scheme)
Jamkesmas	: Jaminan Kesehatan Masyarakat (Community Health Insurance Scheme)
Jamkesprov	: Jaminan Kesehatan Provinsi (Provincial Health Insurance Scheme)

Jamsostek	: Jaminan Sosial Tenaga Kerja (Employees' Social Security)
JPK Gakin	: Jaminan Pemeliharaan Kesehatan Keluarga Miskin (Health Insurance Scheme for Poor Families)
JPKM	: Jaminan Pelayanan Kesehatan Masyarakat (Community Health Service Scheme)
JPS-BK	: Jaring Pengaman Sosial-Bidang Kesehatan (Social Safety Net-Health Sector)
KJKS	: <i>koperasi jasa keuangan syariah</i> (Syariah financial service cooperative)
KKB	: Kartu Kompensasi BBM (Fuel Compensation Card)
Komnas PKMI	: Komisi Nasional Pemberdayaan Keuangan Mikro Indonesia (National Commission for Empowering Indonesian Micro Finance)
KSP	: <i>koperasi simpan pinjam</i> (savings and loan cooperative)
KTP	: <i>kartu tanda penduduk</i> (identity card)
Kukesra	: Kredit Usaha Keluarga Sejahtera (Prosperous Family Business Credit)
KUR	: Kredit Usaha Rakyat (Loans for Small-scale Businesses)
LKM	: 1. <i>lembaga keswadayaan masyarakat</i> (PNPM institution at village level) 2. <i>lembaga keuangan mikro</i> (micro-finance institution)
LSPBM	: <i>lembaga simpan pinjam berbasis masyarakat</i> (community-based savings and loan institution)
MA	: <i>madrasah aliah</i> (madrasa at senior high school equivalent level)
MAD/K	: <i>musyawarah antardesa/kelurahan</i> (intervillage/ <i>kelurahan</i> consultative forum—PNPM institution at <i>kecamatan</i> level)
MCK	: <i>mandi, cuci, dan kakus</i> (bathing, washing, and toilet)
MI	: <i>madrasah ibtidaiah</i> (madrasa at primary school equivalent level)
MT's	: <i>madrasah tsanawiah</i> (madrasa at junior high school equivalent level)
Muba	: Musi Banyuasin
musdes	: <i>musyawarah desa</i> (village consultative forum)
musrenbangnas	: <i>musyawarah perencanaan pembangunan nasional</i> (national development planning consultative forum)
OPK	: Operasi Pasar Khusus (Special Market Operation)
Pamsimas	: Penyediaan Air Minum dan Sanitasi Berbasis Masyarakat (Community-based Sanitation and Drinking Water Provision)
PISEW	: Program Pengembangan Infrastruktur Sosial-Ekonomi Wilayah (Regional Socioeconomic Infrastructure Development Program)
PJOK	: <i>penanggung jawab operasional kegiatan</i> (project manager at <i>kecamatan</i> level—PNPM institution at <i>kecamatan</i> level)
PKH	: Program Keluarga Harapan (Family of Hope Program—Household CCT)
PKPS-BBM	: Program Kompensasi Pengurangan Subsidi BBM (Compensation Program for Reduced Fuel Subsidies)
PMD	: <i>pemberdayaan masyarakat desa</i> (village community empowerment)
PMPD	: Program Pemberdayaan Masyarakat untuk Pembangunan Desa (Community Empowerment Program for Village Development)
PNPM	: Program Nasional Pemberdayaan Masyarakat (National Program for Community Empowerment)
P2D'TK	: Program Percepatan Pembangunan Daerah Tertinggal dan Khusus (Development Acceleration Program for Disadvantaged and Special Regions)
PPIP	: Program Pengembangan Infrastruktur Perdesaan (Rural Infrastructure Development Program)

PPK	: Program Pengembangan Kecamatan (Kecamatan Development Program)
P2KP	: Program Penanggulangan Kemiskinan di Perkotaan (Urban Poverty Reduction Program)
PPLS08	: Pendataan Program Perlindungan Sosial 2008 (Social Protection Program Data Collection 2008)
P3DT	: Proyek Pembangunan Prasarana Pendukung Desa Tertinggal (Supporting Infrastructure Development Projects for Disadvantaged Villages)
P4K	: Program Pembinaan dan Peningkatan Pendapatan Petani/Nelayan Kecil (Income Generating Program for Small-scale Farmers and Fishers)
PPS	: <i>program perlindungan sosial</i> (social protection program)
PSE-05	: Pendataan Sosial-Ekonomi 2005 (Socioeconomic Data Collection 2005)
PUAP	: Pengembangan Usaha Agribisnis Perdesaan (Development of Rural Agribusinesses)
Raskin	: Beras untuk Rumah Tangga Miskin (Rice for Poor Households)
RSBI	: <i>rintisan sekolah bertaraf internasional</i> (pilot school with international standard)
RT	: <i>rukun tetangga</i> (neighborhood association—the lowest administrative unit)
RTM	: <i>rumah tangga miskin</i> (poor household)
RTS	: <i>rumah tangga sasaran</i> (target household)
RTSM	: <i>rumah tangga sangat miskin</i> (very poor household)
satker	: <i>satuan kerja</i> (work unit)
SBI	: <i>sekolah bertaraf internasional</i> (school with international standard)
SD	: <i>sekolah dasar</i> (elementary school)
SIM	: <i>surat izin mengemudi</i> (driver's license)
SJSN	: Sistem Jaminan Sosial Nasional (National Social Security System)
SMA	: <i>sekolah menengah atas</i> (senior high school)
SMP	: <i>sekolah menengah pertama</i> (junior high school)
SMK	: <i>sekolah menengah kejuruan</i> (vocational high school)
SPDKP	: Survei Pelayanan Dasar Kesehatan dan Pendidikan (Basic Health and Education Services Survey)
SPP	: <i>simpan pinjam perempuan</i> (women's savings and loan scheme)
Takesra	: Tabungan Keluarga Sejahtera (Prosperous Family Savings Program)
TPK	: <i>tim pengelola kegiatan</i> (activity management team)
TPSP	: <i>tempat pelayanan simpan pinjam</i> (savings and loan service point)
UMKM	: <i>usaha mikro, kecil, dan menengah</i> (micro, small, and medium-sized enterprise)
UPK	: <i>unit pengelola kegiatan</i> (activity management unit—PNPM institution at the <i>kecamatan</i> level)
UPP	: <i>unit pelaksana program</i> (BLT program execution unit)
UPPKH	: <i>unit pengelola PKH</i> (PKH management unit)
Wajardikdas	: Wajib Belajar Pendidikan Dasar (Nine Years of Compulsory Basic Education)

EXECUTIVE SUMMARY

The global financial crisis (GFC) that hit the world in 2008/09 also had an impact on Indonesia's economy, although the impact was not as serious as the impact in other countries and was different to the impact of the economic crisis of 1997/98. In 1997/98, the domestic financial market was in a poor condition. This was evident from the high number of outstanding debts. However, demand for export goods remained high. In fact, the fall in the value of the rupiah at that time tended to benefit the export market. On the other hand, during the GFC 2008/09, the financial markets and Indonesia's economic fundamentals were relatively good, but demand for export goods tended to fall due to the weakening economies of advanced countries.

In order to minimize the impact of the GFC, the government issued monetary and fiscal policies, while various social protection programs (*program perlindungan sosial*—PPS) continued operating. The preparation of effective policies need the support of a rapid monitoring. Since July 2009, The SMERU Research Institute, with the support of the Australian Agency for International Development (AusAID) and in cooperation with the National Development Planning Board (Badan Perencanaan Pembangunan Nasional—Bappenas), has been monitoring the socioeconomic impact of the GFC. This monitoring is conducted through four groups of activities: (i) news monitoring, (ii) community studies, (iii) quantitative analysis, and (iv) case studies.

The case studies are conducted every four months and the first case study was conducted between August and November 2009. The objective of this qualitative study was to obtain a general picture of the impact of the crisis as well as the implementation, role, and benefits of the various social protection programs in overcoming the impact of the GFC and supporting community livelihoods. The study was undertaken using a qualitative method through in-depth interviews with various related institutions at the central level up to the village and community levels. The social protection programs examined cover various central and regional government programs with an emphasis on the National Program for Rural Community Empowerment or PNPM (Program Nasional Pemberdayaan Masyarakat) Mandiri Perdesaan. Field visits were undertaken in the main areas of export commodity production that had been relatively badly hit by the impact of the crisis, namely Kabupaten Musi Banyuasin (Muba) in the Province of South Sumatra as a rubber producing area and Kabupaten Banjar in the Province of South Kalimantan as a coal and rubber producing area. In each study district (*kabupaten*), two or three villages in one or two subdistricts (*kecamatan*) were visited.

The Impact of the Global Financial Crisis

In all study villages, the GFC had an impact on almost the entire community at various welfare levels because, in general, community livelihoods were associated with the rubber and coal commodities whose prices had experienced a dramatic fall as a consequence of the GFC. The price of rubber lump at the farm gate that was previously around Rp11,500 per kg slumped to approximately Rp2,500 per kg in October 2008 with the result that average community incomes fell sharply to less than one-fourth of their previous level. As a result, markets were quiet, the turnover of stalls (*warung*) and traders dropped, motorcycle loans defaulted and were repossessed by dealers, the quality of consumption declined, there were fewer snacks for children, and community social activities dropped off.

Nevertheless, the seriousness of the impact of the GFC varied between community groups who were directly associated with rubber production businesses such as tappers, plantation owners, and intermediary traders. In general, tappers were the worst-affected group due to their limited incomes and savings. For other groups, savings or assets that they accrued when the price of rubber was high were still relatively able to maintain their welfare level.

When the price of rubber was very low, various survival strategies emerged, especially amongst the rubber tappers, including: (i) becoming a worker in a palm oil factory; a sand mining worker, and a farm laborer; (ii) moving outside the province as far as Java; and (iii) selling assets. In early 2009, the price of rubber started to creep up again. Although, at the present time, the price of rubber is still approximately 60% of the precrisis price, the community feels that their economic conditions have started to improve.

On the other hand, the impact of the GFC on the coal mining community was not that extensive because there were still many mining companies that were able to survive. The price of coal that fell approximately 50% was still considered economically viable. However, several companies experienced falls in their sales volumes, so this had an impact on their workers. There was, however, little impact on workers because there were few retrenchments. Nonpermanent workers experienced a greater impact in the form of a decline in the volume of employment and the premiums that determined the income that they received.

The impact of the GFC was then compounded by the enactment of the Regional (Gubernatorial) Regulation (*Perda*) of South Kalimantan Province No. 3/2008 on Regulating the Use of Public and Special Roads for the Transport of Mining and Plantation Company Products dated July 23, 2009. This *perda* banned the transport of mining products and oil palm on public roads. As a result, hundreds of coal trucks that normally used the main road of Simpang Empat in the direction of the harbor in Banjarmasin could no longer operate. The ban had serious consequences for coal companies located near public roads, transport service providers, providers of land for stockpiling, mine workers (permanent and nonpermanent), workshops, tire repairers, food stalls, petrol pumps, and other associated businesses.

The worst-affected group was mine workers, both permanent and nonpermanent workers. Those who were previously earning an average income of Rp1.5–6 million per month lost their jobs. Many of them then moved to other areas to work as farm workers or took their trucks outside the province to transport other commodities. Some of them returned to their previous employment as rubber farmers, either on land they owned or on land owned by other people. Some other workers do odd jobs or are still unemployed.

The community can still feel the negative impact of GFC, although it tends to decline in intensity. Nevertheless, many government officials do not have an in-depth and comprehensive understanding as to what impact the crisis has on the community. This is primarily due to the nonexistence of a tiered, periodical, and systematic information system about the community's socioeconomic condition.

The Implementation and Role of Social Protection Programs

Although the impact of the GFC is continuing, many government authorities do not have an adequate understanding of what truly happened at the community level. This is particularly due to the lack of an information system that is tiered, periodic, and systematic on the community's socioeconomic condition. One continuing impact is that governments at various

levels are not considering about or making a special response for those communities impacted. They are only maintaining existing social protection programs through the standard mechanism provided in the regulations or as previously implemented.

PNPM Mandiri Perdesaan. In general, the PNPM has a positive role in community welfare. However, it has had less impact in the effort to reduce the impact of the crisis. This is related to the strictness of the internal program mechanism and funding limitations. In the development of infrastructure, other factors such as limited employment opportunities created, the brevity of the implementation period, the slow process of fund disbursement, and the program not being implemented during the same time as the crisis contribute to the impact on the effectiveness of the PNPM's response. Nevertheless, infrastructure development has the potential to raise local economic activity through improving market access and the utilization of 40% of the local material. Infrastructure development contributes to the building/improvement of village roads, bridges, and clean water infrastructure. These developments benefit the community by making it easier and faster to travel to the plantation, markets, and health and education facilities. Nevertheless, this study found infrastructure that could not be used because it was inferior in quality due to poor maintenance. In addition, there are cases of development projects that were undertaken by the contractor without any community involvement. There were also quite a lot of activities that were not completed as planned, for reasons that included a time-consuming consultation process, slow funds disbursement, weather delays, and problems with the supply of raw materials.

Women's savings and loan scheme (SPP) activities are felt to be more helpful in alleviating the impact of the crisis because funds were disbursed when the crisis first started. SPP activities also have a role in developing economic activities although the number of borrowers and the volume of funds are limited. Through the SPP activities, the PNPM also provides low-interest loans. In general, borrowers use the funds to add capital to businesses that are already operating or to open new businesses. However, the tendency for borrowers to come from the nonpoor has an impact of the significance of the benefit from the PNPM for the poor who have been most affected by the crisis.

PNPM activities have been fully determined by the community through a long competitive process. Nevertheless, there have been cases where *kecamatan* administrations intervened to allocate activities to the whole villages to prevent the emergence of intervillage jealousies. In addition, there are villages that have not submitted proposals for PNPM activities because the process is too long, there is no one prepared to manage it, or the previous year's proposals were not accepted. The number of villages that do not submit proposals for activities is estimated to increase because there has been a fall in the budget from Rp3 billion to Rp900 million per *kecamatan* in 2009.

The lack of a program information board in all villages and the low level of community awareness about activity funding indicate a less than optimal level of program transparency and accountability at the community level. However, determining the activities through an intervillage consultative process (MAD) is acknowledged to be an effective means of encouraging community participation in the development process.

Rice for Poor Households (Beras untuk Rumah Tangga Miskin—Raskin). Until now, Raskin rice distribution managers at the village level have, in practice, been able to adjust the program's implementation to local requirements, although not in accordance with regulations, for example in determining targets, the selling price, and the amount of rice per household. Such practices should be able to be utilized to respond to the impact of the crisis, but

implementing authorities do not use them. Nevertheless, Raskin is generally quite helpful in alleviating the cost of living. This role is increasingly clear when the price of rice rises, the supply of rice in the market is disrupted, and in times of famine or when the harvest fails.

The distribution of Raskin rice to households varies between RT¹ and villages. In some places, an equal share is given to everyone who is interested and others prioritize poor households, so there is no guarantee of targeting accurately. In addition, not all poor households receive Raskin rice each month. Many of them only receive the rice two to four times per year because there is no money, it is during the rice harvest season, they are unaware that the Raskin rice has arrived, or there is no distribution each month. They buy Raskin rice for Rp2,000–Rp3,000 per kg according to the distance from the distribution point (*kecamatan* office) to the allocation point. This price is higher than the stipulated price of Rp1,600 per kg at the distribution point, but it is still cheaper than the market price that ranges from Rp4,000 to Rp6,500 per kg.

Education: School Operational Assistance (Bantuan Operasional Sekolah—BOS), Free Schooling Program (Program Sekolah Gratis), and Regional Education Operational Assistance Program (Program Bantuan Operasional Pendidikan Daerah—BOPD).

Education programs can lighten the burden on the community, especially for the poor during crisis. The motivation of the community to send their children to school rises, so cases of children dropping out of school are rarely found. Many villagers admit that if this program were not available, their children would probably only attend primary school. The impediments that the community is still frequently facing is the cost of transport to school.

BOS, which is supported by the Free Schooling Program in Kabupaten Muba and BOPD in Kabupaten Banjar, has succeeded in providing a broader opportunity for children of school age to enjoy a free education service (primary to senior high school in Muba, primary to junior high school in Banjar). Both *kabupaten* also provide scholarships to poor students and these scholarships are funded by the National Movement of Foster Parents (Gerakan Nasional Orang Tua Asuh—GNOTA) with Rp360,000/student/year.

Health: Jamkesmas², Askes Semesta³, and Jamkesda⁴. The Jamkesmas program, which is supported by Askes Semesta in Kabupaten Muba and Jamkesda in Kabupaten Banjar, provides the certainty of health protection for the entire population. Those who have a local identity card can obtain basic health services at the *puskesmas* (community health center). Free referral services at the hospital can be enjoyed by the entire population of Kabupaten Muba and by the poor population of Kabupaten Banjar. Because of the availability of free services, the number of patient visits to health facilities did not experience a fall during the crisis.

Nevertheless, there are two important matters that need attention. Firstly, the poor generally still face the impediment of transport costs to attend a *puskesmas* or hospital. Secondly, the community considers that free health services are less than satisfactory. For that reason, many communities prefer to use medicine purchased from a neighborhood stall or the services of the nearest health worker/midwife although they have to pay for this service.

¹RT, or neighborhood association, is the lowest administrative unit in a village.

²Jamkesmas (Jaminan Kesehatan Masyarakat) is Community Health Insurance Scheme. It was previously called Askeskin (Asuransi Kesehatan untuk Masyarakat Miskin), or Health Insurance for the Poor.

³Askes Semesta is a health insurance scheme funded by the regional government in cooperation with PT Askes, a state-owned insurance company. This scheme is intended for people not being covered by any other insurance scheme.

⁴Jamkesda (Jaminan Kesehatan Daerah) is Regional Health Insurance.

Direct Cash Transfer (Bantuan Langsung Tunai—BLT). The BLT program provides a clear benefit because it is in the form of cash assistance, some of the funds were disbursed during the crisis, and the majority of recipients were farm laborers who are the group most affected by crisis. In general, recipients utilize BLT funds for daily consumption, while some use the funds for medical treatment, school needs, or paying up debts. General complaints that are often made by authorities as well as program recipients relate to undercoverage due to limited allocations of BLT funds or a data collection process on poor households that is less than perfect.

Communities receive BLT funds fully and without any deductions, but they have to spend up to Rp35,000 for the cost of transport to receive the funds at a post office. In several cases, recipients could give authority to collect the funds to village officials on their own initiative or the initiative of the village officials'. During 2009, for example, recipients in one RT were asked to give authority to collect the funds to the head of the RT by paying him the cost of transport of Rp15,000.

Family of Hope Program (Program Keluarga Harapan—PKH). Although the number of recipients is very limited, the implementation of the PKH in Kabupaten Banjar is considered to have been helpful for very poor households who are generally farm laborers and the most affected by the GFC. In general, target households use the PKH funds for health needs and the education of their children. Some households use some or all of the PKH funds to improve the quality of consumption by their family.

At the *kabupaten* level, the data on very poor households in receipt of PKH funds has to be revalidated every time there is a disbursement of funds, so their number changes. During the second phase of funds disbursement in 2009, the number of target recipients declined 13.4% from the 4,991 very poor households in the first disbursement phase. This change occurred because some households no longer fulfilled program requirements. However, the validation was questionable because there were households who no longer fulfilled the requirements but still became PKH recipients.

Loans for Small-scale Businesses (Kredit Usaha Rakyat—KUR). The role of KUR has had little impact in alleviating the effects of the crisis because KUR funds are allocated to those who already own a business, which is generally not the group that is most affected. In addition, the role of KUR in the empowerment of micro and small businesses is very limited. Very few villagers in the sample villages know of, applied for, or obtained KUR loans because the socialization of the program is very limited. According to village authorities, KUR loan schemes are no different to commercial loan schemes and this is also a factor in the low level of community access to KUR funds.

Other Programs/Assistance. The local government in the study *kabupaten* does not provide special assistance/programs to reduce the impact of the crisis, but some assistance has been provided by the local government and private sector since prior to the onset of the crisis. The government of Kabupaten Muba has provided death benefits and free services for the production of drivers' licenses (*surat izin mengemudi—SIM*), identity cards (*kartu tanda penduduk—KTP*), birth certificates, and the administration of first marriages; while the government of Kabupaten Banjar has provided death benefits and free KTP services.

In addition, since 2007, the local government in Kabupaten Banjar has operated a village-owned enterprise (*badan usaha milik desa—BUMDes*) at the *kecamatan* level to empower the rural community's economy. This BUMDes has the tasks of conducting business activities, such as a loan service for production inputs, provision of agricultural inputs, the development

of livestock enterprises, marketing services for agricultural products, and other activities in accordance with the need and potential of the village. In two *kecamatan* visited, the BUMDes have not developed effectively because of the poor performance of their managers and the lack of interest in borrowing by the community.

In Banjar, coal mining companies provide various assistance and compensation to the community in the vicinity of the mining location. Assistance is provided in the form of benefits for orphans and poor people, incentives for teachers paid by honorarium, contributions to the mosque, madrasa (Islamic boarding school), or school, and other activities. Compensation is provided in the form of “dust money” and village fees for households and village officials that are provided each month.

Conclusions

Although the impact of the GFC is still taking place in the community, many government officials do not understand what is really happening at the community level due to the lack of a tiered, periodic, and systematic information system. This results in further consequences, one of which is that the government at various levels has not planned or conducted any special action to help the affected community. Government officials keep carrying on operating the existing social protection programs by the book, just similar to the implementation in previous years.

In the effort to reduce poverty, social protection programs provide a positive, albeit limited, benefit for the community, especially in fulfilling basic needs such as food, health, education, business expenses, and infrastructure development. In relation to the effort to reduce the negative impact of the GFC, the following are some of the findings:

- a) Apart from the existing social protection programs, the government has not provided any other programs as a special response to the crisis.
- b) There has been no attempt and plan by government authorities to adapt the PPS to response to the GFC. This is because: (i) authorities have an inadequate sense of the crisis; (ii) the PPS is planned as a poverty reduction program; and (iii) not all PPS provide the space for authorities to adapt them because the program implementation schedule and targets have already been pre-determined.
- c) Certain PPS such as PNPM and Raskin that could possibly be adapted by authorities have not been utilized to respond to the GFC.
- d) PPS have certain targets that tend to cover the poor, while the GFC has had an impact on the entire community which has various welfare levels.
- e) Programs with general targets (health and education) can assist the community that has been affected by the GFC. However, some community members are still unable to access them due to transport and administrative requirement problems.

Recommendations

- a) In facing the crisis or socioeconomic fluctuations, there is a need to develop a crisis information system that is fast, on time, and accurate through news monitoring, the utilization of communication technology (quick count), and field surveys. This information system should involve various relevant stakeholders from the government and private sector, both at the center and in the regions.

- b) In the context of assisting community groups who have been affected by a socioeconomic shock such as the GFC, especially the poor or those who have fallen into poverty as a result of the GFC, the central and regional governments need to:
- (1) Create an umbrella legislation that allows for the legal modification of the implementation of existing social protection programs. This must be done in response to the impact of the socioeconomic shock or to recover from the impact of the shock.
 - (2) Adapt the implementation mechanisms of:
 - (a) **PNPM**: Simplify the phases of the process and disbursement of funds, if necessary, by using bailouts.
 - (b) **Raskin**: Provide the authority to program managers at the village level to adapt the targets, the volume of rice per target, and the quota of rice between regions; if necessary, distributing rice at no charge.
 - (c) **BOS**: Encourage regional participation to raise the budget (Anggaran Pendapatan dan Belanja Daerah—APBD) contributions for the education sector, so free education services are provided to the affected communities.
 - (d) **Jamkesmas**: Encourage regional participation to raise the APBD contributions for the health sector, so free health services are provided to affected communities.
 - (e) **BLT**: BLT is implemented on an ad hoc basis in affected regions.
 - (f) **PKH**: Development of PKH pilot regions is directed towards affected regions.
 - (g) **KUR**: Raise the intensity and effectiveness of socialization activities and simplify the credit requirements and procedure.
 - (3) Create special programs to respond to the impact of the crisis, for example, intensive work programs (cash for work).
- c) To ensure the achievement of various government initiatives in improving the welfare of the community and sharpening an understanding of all PPS, the concept of PPS needs to be examined and understood under the following four objectives.
- (1) **Universal program** that is conducted as a government responsibility to develop Indonesia as a welfare state, such as free medical treatment (the development of Jamkesmas) and free schooling programs (development of BOS).
 - (2) **Poverty reduction programs** that are implemented sustainably in the effort to reduce the number of poor families through programs such as PKH, PNPM, and KUR.
 - (3) **Mass and local recovery programs** from the impact of the crisis and disaster that are specially provided for communities hit by a socioeconomic shock to guarantee basic needs and recovery/provision of community businesses, such as through Raskin, BLT, and intensive work projects.
 - (4) **Social assistance programs** that are specially provided to poor citizens who are not yet productive or not productive anymore, such as assistance for orphans, people with disabilities, and the elderly.
- d) The implementation of all PPS has to be integrated and be under the control of an institution at the central level that has strong authority. In addition, in their implementation, all PPS have to consider the politics of decentralization and regional participation.
- e) Universal programs need to oblige well-to-do community groups to contribute to funding.

I. INTRODUCTION

1.1 Background

The global financial crisis (GFC) 2008/09 has started to have an impact on Indonesia's economic conditions. However, several analysts have estimated that the impact has not been as severe as the experience of other countries due to Indonesia's relatively low level of economic integration with the global economy. The latest data confirms this negative impact. For example, BPS (Statistics Indonesia) (2009) stated that Indonesia's economic growth in the second quarter of 2009—although positive at 4%—slowed in comparison with economic growth of 4.4% in the first quarter of 2009. BPS also reported a significant fall in Indonesian exports. Export growth in December 2008 and January 2009 fell 20.56% and 36.08% respectively compared with the same months the previous year. This fall in exports caused a contraction in employment in various export-oriented industries such as automobiles, electronic goods, as well as iron and steel. In addition, the price of various plantation commodities for the export market also came under pressure which, in turn, put the welfare of farmers under stress.

The impact of the GFC on Indonesia's economy is different to the impact of the economic crisis of 1997/98. In 1997/98, the crisis occurred as a consequence of the poor condition of domestic financial markets, evidenced, inter alia, by a high number of loan defaults, but demand for export goods remained high. In fact, the fall in the value of the rupiah at that time tended to benefit Indonesia's export products. On the contrary, during the GFC, although financial markets and Indonesia's economic fundamentals were quite good, demand for export goods tended to fall due to poor economic conditions in advanced countries. For that reason, the negative effects of the GFC are considered different to those experienced during the economic crisis of 1997/98. The GFC will probably also trigger the emergence of new groups of poor and/or vulnerable groups.

In order to minimize the impact of the GFC, the government has issued a number of monetary and fiscal policies aimed at protecting economic stability and providing the stimulus for economic growth. In addition, various existing social protection programs (*program perlindungan sosial*—PPS) in the areas of food, education, health, business costs, and community empowerment continue to operate. All of these are expected to provide support for the community in facing the shocks of the crisis. Nevertheless, poverty is still a serious problem because approximately 15.5% of Indonesia's population is still living below the poverty line and around another 42% live just above the poverty line and are vulnerable to falling into poverty (BPS, 2009). In this regard, the government and various other interested parties need to make efforts to overcome the negative effects of the GFC, so socioeconomic conditions in Indonesia do not worsen.

Preparing programs and policies that are effective in minimizing the negative effects of the GFC needed a rapid appraisal of the impact of the crisis in order to determine the various socioeconomic changes that were occurring. The SMERU Research Institute, with the support of AusAID and in cooperation with the National Development Planning Board (Badan Perencanaan Pembangunan Nasional—Bappenas) has, since July 2009, been monitoring the socioeconomic impact of the GFC on Indonesia. This monitoring has been undertaken through four groups of activities, one of which is via case studies. These four activity groups are presented in Figure 1.

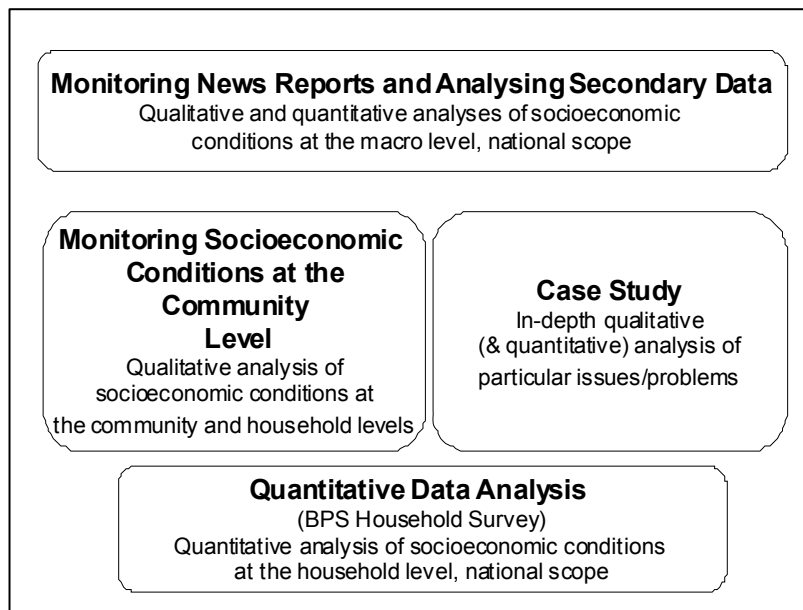


Figure 1. Scope and nature of the Monitoring of the Impact of the GFC 2008/09 research

Case studies are conducted every four months to examine a particular issue or problem in depth. The research topic is determined on the basis of discussions with Bappenas and the development of information or the latest issues that are occurring in relation to the crisis. The first case study examined the role of social protection programs in responding to the negative effects of the GFC.

1.2 Research Objectives

The objectives of the first case study were to:

- a) ascertain an overall picture of the impact of the GFC on the community's socioeconomic conditions in the study areas;
- b) ascertain an overall picture of the social protection program policies of the central and regional governments;
- c) ascertain an overall picture of the benefits of existing social protection programs, both those of the central government and regional governments, in reducing the negative impact of the crisis;
- d) determine the benefits of existing social protection programs, both those of the central government and regional governments, for community livelihoods;
- e) investigate how implementing agencies have adapted or adjusted various existing social protection programs in responding to the impact of the crisis; and
- f) provide policy recommendations to the government with the hope of improving the effectiveness of social protection programs or government programs that are aimed at responding to the impact of the crisis.

1.3 Research Methodology

The first case study was undertaken during the August to November 2009 period. This was a qualitative study done through in-depth interviews by using semistructured guided questions. The collection of information and data was undertaken in two phases. During the first phase, information and data collection was done at the central level to ascertain an overall picture and implementation of social protection programs as well as indicators of the impact of the crisis. In the second phase, field visits were undertaken to two study *kabupaten/kota* (municipality) to collect information and data on the impact of the crisis on the community's socioeconomic condition, the implementation of social protection programs in the field and their effectiveness in reducing the negative effects of the crisis and alternative policies for those community groups who have been affected by the crisis. The policies or social protection programs examined cover:

- a) National Program for Community Empowerment (Program Nasional Pemberdayaan Masyarakat —PNPM),
- b) Rice for Poor Households (Beras untuk Rumah Tangga Miskin—Raskin),
- c) School Operational Assistance (Bantuan Operasional Sekolah—BOS),
- d) Community Health Insurance Scheme (Jaminan Kesehatan Masyarakat—Jamkesmas),
- e) Direct Cash Transfer (Bantuan Langsung Tunai—BLT),
- f) Family of Hope Program (Program Keluarga Harapan—PKH), and
- g) Loans for Small-scale Businesses (Kredit Usaha Rakyat—KUR).

Research on policies or programs at the central level and the study *kabupaten/kota* was a bit different in emphasis. At the central level, research was undertaken on all programs, while in the study *kabupaten/kota*, the research was more focused on the implementation of the PNPM program. In addition, information was sought on regional government policies and programs that had the objectives of social protection and responding to the impact of the crisis.

At the central level, the collection of information and data was undertaken through in-depth interviews with program implementing institutions and a literature study. In the study *kabupaten/kota*, the collection of information and data was undertaken through in-depth interviews with implementing agencies of various programs, especially PNPM, and associated regional government agencies. At the subdistrict (*kecamatan*) level, interviews were conducted with the *camat* (*kecamatan* head) and his or her staff who manage programs, PNPM facilitator, *puskesmas*, and junior high schools (*sekolah menengah pertama*—SMP). At the village/*kelurahan* (urban village) level, in-depth interviews were conducted with the village head/*lurah* (*kelurahan* head) and his or her staff, the PNPM program management unit, primary schools (SD), social protection program recipient communities, communities affected by the crisis and food stall owners/traders. The communities in receipt of social protection programs and affected by the impact of the crisis were chosen with a snowball technique, were dispersed across several RT⁵/*dusun*⁶, and were a minimum of two different households for each PPS.

In general, study areas were purposefully determined based on two criteria: They had been affected by the impact of the crisis and they received PNPM funding. The selection of areas hit by the crisis commenced by determining the economic sectors that had been most affected, namely plantations and mining. From each respective sector, one commodity that had been significantly affected by the crisis was selected, namely rubber and coal respectively. The Province of South

⁵RT, or neighborhood association, is the lowest administrative unit in a village.

⁶A *dusun* is an administrative area within a village, consisting of a number of RT.

Sumatra was selected as it is the largest rubber producer in Indonesia and the Province of South Kalimantan was also selected as it is a center for the production of both rubber and coal.

On the basis of the same criteria, in each of these provinces one *kabupaten/kota* was selected as the study location. This was Kabupaten Musi Banyuasin (Muba) in the case of South Sumatra and Kabupaten Banjar in South Kalimantan. In each *kabupaten*, one *kecamatan* was chosen using the same criteria. At the *kecamatan* level, two study villages/*kelurahan* were determined because they were a production center for each respective commodity as well as the location for PNPM. These two villages/*kelurahan* also varied in their tendency to be either urban or rural as well as their access to, or distance from, the *kabupaten* capital. In South Kalimantan, in particular, the PKH also became an additional criterion in determining the research location because this province is one of the pilot sites for the implementation of PKH.

By using these criteria, two villages in Kabupaten Muba—Desa Sukarami and Desa Muara Teladan in Kecamatan Sekayu—were visited. In Kabupaten Banjar, two villages in the Kecamatan Simpang Empat—Desa Batu Balian and Desa Cinta Puri—were visited. Desa Sukarami and Desa Batu Balian are semi-urban villages that are traversed by the interprovincial road and public transport and are close to the *kecamatan* capital. On the other hand, Desa Muara Teladan and Desa Cinta Puri are located quite far from a main road and the *kecamatan* capital and are not serviced by public transport. In fact, access to Desa Cinta Puri is via an asphalted road that is in quite poor repair and a dirt road that is difficult to use during the rainy/wet season.

In South Kalimantan, there is one additional study village, that is, Desa Rantau Bakula in Kecamatan Sungai Pinang. This village is the location for coal mining and is located in the largest coal producing *kecamatan* in Kabupaten Banjar. However, this village and *kecamatan* have been less affected by the crisis because the communities there have a variety of farming activities and there is quite a large mining company that has been able to survive and has not reduced the size of its workforce.

1.4 Report Structure

The report on the outcome of this first case study is divided into five parts. Chapter one is the introduction that describes the background, objectives of the study, and the methodology used. Chapter two is a brief observation of social protection program developments in Indonesia and a policy overview of each PPS originating from the center and regions. Chapter three discusses a general overview of the impact of the GFC on the socioeconomic conditions of the community in the study region. Chapter four analyzes the implementation of central and regional government social protection programs, their role in alleviating the impact of the crisis, their benefits for the community, and whether or not there has been an attempt by implementing agencies to adapt or adjust them as a response to the crisis. Chapter five is the final chapter which draws some conclusions as well as makes recommendations for the effort to respond to the crisis and reduce its effects.

II. GENERAL PICTURE OF THE SOCIOECONOMIC IMPACT OF THE GLOBAL FINANCIAL CRISIS 2008/2009

In all study villages, the GFC 2008/09 had an impact on almost all the community from various levels of prosperity. This occurred because most villagers have livelihoods that are directly connected to rubber or coal whose price fell dramatically as a consequence of the GFC.

2.1 Impact of the GFC on the People's Rubber Economy

Fluctuations in the price of natural rubber are a normally occurring phenomenon (Figure 2). In general, rises and falls in the domestic price of rubber are a dynamic reflection of the rise and fall in the supply and demand for world rubber. Fluctuations in the price of rubber are often worsened by a slump in the world oil price as the raw material for the production of synthetic rubber which is used as a substitute for natural rubber. The global crisis that shook the world economy last year is the main causative factor for the freefall in the price of rubber at the end of 2008.

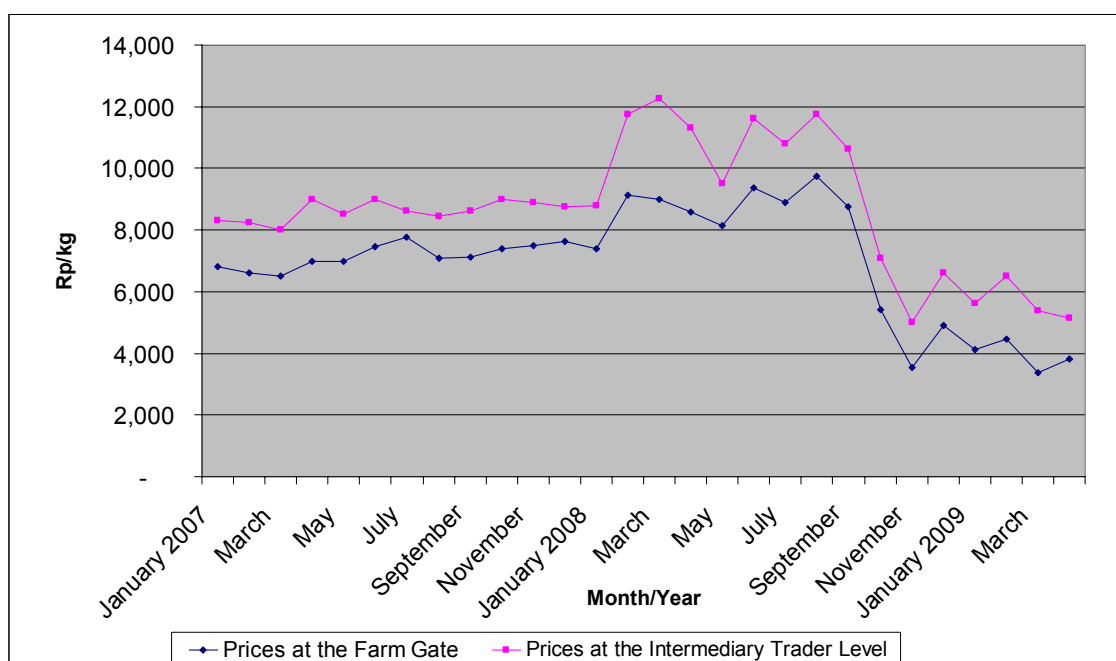


Figure 2. Developments in the price of rubber in Kabupaten Muba (2007–2009)

Source: Kabupaten Musi Banyuasin Plantation Agency, 2009.

The price of rubber lump at the farm gate that was previously around Rp10,000 per kg (monthly average), according to several respondents even reaching Rp11,500 per kg in October 2008, slumped to approximately Rp2,500 per kg. This slump in the price of rubber caused the average income of rubber plantation workers/tappers to fall by up to three quarters. When the price of rubber was Rp11,500 per kg with an average of 15 kg of rubber tapped per day, a farmer's monthly income (20 days work) was Rp3.5 million. When the price fell to Rp2,500 per kg, their monthly income was only Rp750,000.⁷

⁷These income figures were obtained from a farmer who owns a one-hectare rubber plantation who taps his own trees. In practice, each household is only able to tap a one-hectare plantation. Those who own two hectares or more will share some of the tapping tasks that they cannot do themselves to other tappers using a sharecropping system that is split 1:2 between owner and tapper for young plantations and in the ratio 1:3 for older trees.

Nevertheless, the seriousness of the impact of the GFC varies between community groups working in rubber production, such as tappers, plantation owners, and intermediary traders. Tappers are the group that has been most seriously affected. Their welfare level fell significantly due to their limited incomes and savings. The welfare level of plantation owners and rubber traders remained relatively stable because they had savings or assets that they accrued when the price of rubber was high. In addition, the total income they received when the price fell remained relatively higher than the income of tappers.

A series of following impacts occurring as a consequence of the fall in rubber farmers' incomes included: (i) quiet markets; (ii) less turnover in food stalls and for traders; (iii) loans for motorcycles defaulted or the motorcycles were seized; (iv) the quality of consumption fell; (v) children received fewer snacks than before; and (vi) there were fewer community social activities. The following are some of the comments made by respondents in Muba about the impact of the global crisis on the communities whose main income source is rubber during the field visits in October 2009.

- a) "When the price of rubber was high, the market was busy and the streets were clogged. When the price of rubber fell, the market was quiet. And when the price of rubber fell sharply, the community panicked" (Social Affairs Agency of Kabupaten Muba, October 14, 2009).
- b) Food stalls became quiet. Many community members had debts and were no longer able to make payments (several respondents, October 15–19, 2009).
- c) "When the price of rubber was high, our turnover reached Rp1 million per night with Rp700,000 on credit. When the price of rubber fell, we only took Rp400,000–Rp500,000 per night with a credit level of Rp300,000" (coffee stall owner, female, 40 years, October 15, 2009).
- d) "When the price of rubber was high, almost every family owned a motorcycle. In fact, some owned two to three motorcycles" (community figure and village staff, October 14, 2009).
- e) Loans defaulted. A lot of motorcycles were seized or returned to dealers because the community was unable to make payments on their loans. Of a total of 1,200 household heads in Desa Muara Teladan, Kabupaten Muba, approximately 700 returned motorcycles to the dealer (several informants, October 15–16, 2009).
- f) "I was forced to return my motorcycle because I was no longer able to make repayments" (household respondent, male, 32 years, October 16, 2009).
- g) "There were fewer snacks for children and children were sometimes taken to the plantation to accompany and assist their parents to reduce their snacking" (village head, male, October 15, 2009).
- h) Although the price of rubber fell, the community did not go hungry and were still able to eat rice and fish because fish were easily obtained (several informants, October 14, 2009).
- i) The amount and variety of food consumed declined. Food was regarded more as the source of energy. What was important was that rice and kerosene were available. Sugar was no longer used as a sweetener because it was expensive. Substitutes were used instead (several village community figures, October 15, 2009).
- j) "There was no change in the eating pattern and quantity, but the quality fell" (several village community figures, October 15, 2009).

When the price of rubber was very low, several survival techniques emerged, especially amongst the tapping community, including: (i) becoming a laborer for an oil palm company, sand mining, and people's plantation; (ii) leaving the province to move to another place as far as Java; (iii) selling assets; (iv) becoming a worker on a PNPM project; and (v) opening other people's land for daily wages or on contract.

In early 2000, the price of rubber started to rise. During the visit of the SMERU team, the price of rubber at the farm gate had risen to Rp6,500 per kg. Although this price was still about 60% of the pre-crisis price, the community felt that their economic conditions had started to improve. In fact, some of them considered that conditions have fully recovered because, even before the crisis, the price of rubber also fluctuated and farmers sometimes sold at this price.

2.2 Impact of the GFC on Communities Near Coal Mining Sites

The impact of the GFC on coal mining communities has been relatively less extensive because many companies have been able to survive. The price of coal that fell approximately 50% is still considered economically viable. A fall in the sales volume also did not result in large-scale mining companies ceasing operations. Although companies experienced a fall in profits, in fact even recording losses, this was still better than having to close the business, given the scale of the investments that they had made. The certainty that conditions would improve also had an impact on their decision. However, some small-scale mining companies were forced to close down, resulting in a direct impact on their workers.

In general, the GFC has had relatively little impact on workers being laid off. In fact, it could be said that there have been no layoffs in large coal mining companies and workers are still receiving an income as was the case before the crisis. For that reason, the GFC has had relatively little impact on formal or permanent workers. Nevertheless, casual workers such as truck drivers, workers putting a canvass cover on trucks, parking attendants, and security guards on the coal stockpile (the place where coal is kept before it is transported to the port) have experienced a greater impact. The volume of work available to them has fallen with a consequential less of income. In fact, for coal truck drivers in particular hauling coal from the stockpile to the port have also seen a fall in the value of the premium.⁸ Previously, they could obtain a premium of around Rp1 million for one load, but after the crisis, this fell to only Rp250,000.

Although the coal market has started to improve recently, mining activities, stockpiling, and coal cartage in Kecamatan Simpang Empat, Kabupaten Banjar, has suffered a dramatic decline. This is the result of the enactment of Regional (South Kalimantan) Government Regulation No. 3/2008 on Regulating the Use of Public and Special Roads for the Transport of Mining and Plantation Company Products. This regional regulation, among other things, bans the transport of coal mining and oil palm plantation products on public roads and has been in effect since August 23, 2009.

This regional regulation, which was enacted in January 2008, has actually been socialized for quite long time and its enactment was delayed so the relevant parties had the opportunity to construct special roads. Several companies in other areas already have special roads, while special roads in the vicinity of Kecamatan Simpang Empat that were pioneered by a number of companies in 2007 have not yet been completed.

⁸The premium is the payment given to truck drivers by the coal company (in addition to the cost of renting the truck). The premium is allocated to fund operational costs such as the cost of covering the load, security, parking in the stockpiling area, along the road, and in the port as well as for driver incentives. When the premium is high, truck owners do not pay wages to drivers. The drivers even have to accept responsibility for some of the costs of diesel and truck spare parts. When the premium falls, truck drivers are no longer responsible for the cost of diesel and spare parts. They even receive wages equivalent to 20% of the rental value of the truck (approximately Rp115,000 per trip).

As a consequence of the enactment of this regional regulation and the special coal roads that are not yet ready, hundreds of coal trucks that normally use the main roads of Kecamatan Simpang Empat on the way to the port in Banjarmasin have had to cease operating. Almost all coal companies, transport service providers, and providers of stockpile sites in the vicinity of this main road have been forced to close their businesses. As a consequence, various kinds of businesses along this road such as workshops, tire repairers, snack/food stalls, and petrol stations have experienced a decline in trade or have closed. Few companies have been able to survive. The ones that have are located close to the special coal transport roads that had previously existed. They have to transport coal on roads in a roundabout manner and use other ports so the cost of transporting the coal is far more expensive. As a result, their business activity has gone into decline.

The following are some of the stories describing the impact of the GFC and the application of the regional regulation banning the transport of mining products on main roads.

- a) One operator of mining company heavy equipment who was earning Rp6 million per month lost his employment several months ago without receiving any separation pay.
- b) One driver for a coal company has suffered a fall in his working hours and now receives a basic wage of only Rp500,000 per month and in several months time, his company will be closing. He previously had an income of approximately Rp1 million to Rp1.5 million per month. As a result, he has started to find it difficult to fulfill his family's basic needs.
- c) A shop that sells daily needs, agricultural equipment, and motorcycle spare parts has experienced a fall in its turnover from Rp1.5 million to Rp1 million per day because the community are economizing and tend to use non-original spare parts for their motorcycles.
- d) Since early 2009, a store that sells basic needs and instant food has experienced a fall in its turnover from approximately Rp1.5 million to Rp800,000 per day.
- e) A vegetable trader in a *pasar keaget*, a momentary market taking place when there is an event or celebration, has seen a fall in turnover from around Rp1.5 million per day to Rp500,000 to Rp1 million per day.
- f) A clothes seller who could previously sell Rp2 million worth of clothes per day has experienced a fall in sales since the onset of the crisis and has seen the situation worsen since this regional regulation was enacted. At the present time, it is difficult to turnover Rp200,000 per day.
- g) In general, the weekly market has seen a fall in the number of traders, especially clothes sellers, so almost half of the available kiosks are empty. In addition, the number of buyers has also fallen sharply.

The community that has lost jobs in coal mining is trying to survive by undertaking other kinds of activities. Most of them have taken work as rubber farmers, both in their own plantations and those of other owners. Those who have a rubber plantation have gone back to working the plantation intensively. Those who do not own a plantation have been able to work on their parents' or relatives' plantations. This has caused a reduction in the area under cultivation and/or a conversion from other people's land. As a consequence, former coal workers, rubber plantation owners, and rubber plantation tenant farmers have experienced a fall in their income.

Some former coal workers who do not have land to cultivate in the local village have become cultivators outside the *kecamatan*, or even outside the *kabupaten*. Many truck drivers have also taken their trucks outside the province to cart other commodities. A sign of the number of households who have moved from the *kabupaten* is reflected in the number of

primary school students who have changed schools. Other former coal workers have changed profession to become motorcycle mechanics or odd-job workers. Some of them are also still unemployed.

2.3 Authorities' Awareness of the Impact of the GFC

Even now the negative impact of the GFC is still being felt by the community although the intensity has declined and varies across different business activities and community groups. However, many government authorities are insufficiently aware and do not have an in-depth and overall understanding of the various effects of the GFC at the community level. Some government officials do not know there has been any effect. In fact, some state that the GFC has had no impact on their area. Some other officials are only aware of the general impact of the GFC, especially on the business sector that operates in the local area. For example, the GFC has caused the price of certain commodities such as rubber and coal to fall. However, the level of knowledge of government officials on the impact of the GFC on community livelihoods is very limited. In general, government officials, especially at the *kabupaten* level, do not understand what is really happening and what the follow-on impact of the GFC is on various aspects of community livelihoods.

This situation has occurred due to the lack of a tiered, periodic, and systematic means of collecting information on the socioeconomic conditions of the community. Knowledge on the community's socioeconomic condition is usually only held by government officials at the village or *kecamatan* level. Even then, the information that they have is usually only partial in nature.

III. SOCIAL PROTECTION PROGRAMS IN INDONESIA

3.1 A Brief Review of Social Protection Program Developments at the National Level⁹

3.1.1 Poverty Condition

Prior to the economic crisis of 1997/98, Indonesia had succeeded in lowering the country's poverty level. This is evident from a fall in the proportion of the population living in poverty from 40.1% in 1976 to 11.3% in 1996. However, the economic crisis of 1997/98 had an impact on the incidence of poverty by adding more than 14 million people during the 1996–1999 period.

Government efforts to reduce the impact of this crisis included the implementation of the Social Safety Net Program (Program Jaring Pengaman Sosial—JPS) and boosting economic growth in the form of developments in various sectors. The outcome is evident from a fall in the poverty rate. In fact, the level of poverty in 2005 was lower than the pre-crisis level. However, at the end of 2005 through 2006, the poverty level again rose. This was mainly due to a jump in the price of fuel oil products (*bahan bakar minyak*—BBM) in March and October 2005 that had a consequential impact in rising prices for various basic commodities.

In addition to a poverty rate that was still quite high, Indonesia also faced problems of inequity that were quite serious. Access for poor households to various basic services, for example, was worse than that for nonpoor households. Inequity arising from gender relations was also still a problem in the daily socioeconomic life of the community.

During the first five Pelita (five-year development programs) from 1969–1994, the government did not explicitly include poverty reduction on its development agenda. During this period, poverty reduction was undertaken through a general development approach that emphasized agricultural development. Then in Pelita VI (1994), the government included poverty reduction as an objective of national development. Until today, this policy is still the main focus of the national development agenda.

3.1.2 Social Protection Policies

In general, social protection covers social security and social assistance. Law No. 40/2004 on the National Social Security System (Sistem Jaminan Sosial Nasional—SJSN) states that social security is one form of social protection to ensure that the community can adequately fulfill the basic needs of life. In a formal social security system, participation is compulsory for each citizen and funds are sourced from participants' contributions. On the other hand, social assistance is a temporary and ad hoc social protection mechanism to overcome community disempowerment caused by natural disasters, epidemics, and crises. Funding for social assistance is sourced from government subsidies, either partially or fully, without any community contribution. The target is the poor, including nonformal workers.

⁹Some of the information in this section is taken from Visi Indonesia 2030: Dimensi Kebijakan Subsidi, Sistem Perlindungan Sosial, Perbaikan Pemerataan Pendapatan, dan Penanggulangan Kemiskinan [Vision of Indonesia 2030: The Policy Dimension of Subsidy, Social Protection System, Improvement on Even Distribution of Income, and Poverty Reduction] (The SMERU Research Institute, 2008).

The SJSN law also aimed to broaden the scope of social security participation to cover workers in the formal and nonformal sectors as well as the poor and vulnerable groups. Section 14, for example, requires the government to pay the contributions of the destitute and those who are not well-off to a social security management agency. Furthermore, Section 17 states that, in the first phase, these contributions should be paid by the government for health security programs. This is now being undertaken by the government through the Jamkesmas Program and the Community Health Service Scheme (Jaminan Pelayanan Kesehatan Masyarakat—JPKM).

Various types of existing social assistance schemes can be categorized in the JPS program and social rehabilitation. The JPS program was launched not long after the economic crisis of 1997/98 to assist in reducing the impact of the crisis. The JPS program covered the health sector (Social Safety Net-Health Sector, or Jaring Pengaman Sosial-Bidang Kesehatan—JPS-BK), education (scholarship program and Operational Assistance Fund, or Dana Bantuan Operasional—DBO), food (Special Market Operation, or Operasi Pasar Khusus—OPK), revolving funds, and intensive work programs. Until now, the government is still providing various programs of this type or their continuation only under a different name. In 2000/01, the Fuel (BBM) Subsidy Re-orientation Program covered cash transfers, revolving funds, community empowerment, education (Special Assistance for Students, or Bantuan Khusus Murid—BKM, and Special Assistance for Schools, or Bantuan Khusus Sekolah—BKS), and health. In 2005, the Compensation Program for Reduced Fuel Subsidies (Program Kompensasi Pengurangan Subsidi BBM—PKPS-BBM) covered the health sector (Health Insurance Scheme for Poor Families, or Jaminan Pemeliharaan Kesehatan Keluarga Miskin—JPK Gakin), education (BOS), food (Raskin), and BLT. For social rehabilitation, assistance was directed to the victims of natural and social disasters such as earthquakes, floods and civil disturbances.

3.1.3 Targeted Poverty Reduction Policy

In general, targeted poverty reduction consists of community empowerment and social protection programs. National community empowerment programs commenced with the Presidential Instruction Program for Disadvantaged Villages (Program Inpres Desa Tertinggal—IDT) that operated between 1993–1997 and the Prosperous Family Development Program (Program Pembangunan Keluarga Sejahtera) that was implemented through the Prosperous Family Savings Program (Program Tabungan Keluarga Sejahtera—Takesra) and Prosperous Family Business Credit (Kredit Usaha Keluarga Sejahtera—Kukesra) between 1996–2003. Long before these two programs, there was a similar program on a smaller scale (in 12 provinces): the Income Generating Program for Small-scale Farmers and Fishers (Program Pembinaan dan Peningkatan Pendapatan Petani/Nelayan Kecil—P4K) that was implemented between 1979–2005. These three programs had similar components, namely providing business capital assistance and mentoring. The IDT program was supported by the assistance with physical infrastructure development to support the community's economic activities undertaken through the Supporting Infrastructure Development Projects for Disadvantaged Villages (Proyek Pembangunan Prasarana Pendukung Desa Tertinggal—P3DT).

National community empowerment programs that are similar to the three programs described above include the *Kecamatan* Development Program (Program Pengembangan Kecamatan—PPK) and the Urban Poverty Reduction Program (Program Penanggulangan Kemiskinan di Perkotaan—P2KP). The PPK commenced in 1998 and the P2KP in 1999. In 2007, the government integrated these two programs into the PNPM that was larger in scale. PNPM, also known as PNPM Mandiri, provided an umbrella for two categories of activities: PNPM-Inti (the core program) and PNPM-Penguatan (the support program), each of which consists of a number of programs.

In 2007, the government also introduced two new programs, a pilot program for conditional cash transfers or PKH that was more directed to assisting in improving the education and health level of very poor households (*rumah tangga sangat miskin*—RTSM) and the KUR program, as a continuation of Presidential Instruction No. 6/2007 on Policy on Accelerating the Development of the Real Sector and Empowerment of Micro, Small, and Medium-sized Businesses (Usaha Mikro, Kecil, dan Menengah—UMKM). In 2008, the government launched the Jamkesmas program that is the successor to the Askeskin program (Health Insurance Program for the Poor, or Program Asuransi Kesehatan untuk Masyarakat Miskin).

3.1.4 Several Important Lessons

The following are the general trends with the implementation of the various social protection programs in Indonesia:

- a) PPS is sectoral in nature and not integrated, are insufficiently coordinated across programs, differ in the concept of a poor household (*rumah tangga miskin*—RTM), and ignore the nonformal sector—whereas more than one-half of the Indonesian population depends on this sector for their livelihoods—and those who do not have official identification. For that reason, from one perspective, there is often mistargeting, while, on the other hand, there is undercoverage.
- b) PPS are centralistic; the central government regulates, plans, implements, and supervises the programs. In other words, PPS do not take sufficient of decentralized politics that results in many regions taking the attitude of dependency on social protection for their citizens from the central government.
- c) PPS do not have an exit strategy, so poor households that receive assistance and succeed in moving out of poverty will continue to receive assistance. On the other hand, those who are still trapped in poverty often lose the opportunity to receive assistance because of inaccurate targeting, the need for equitable distribution of assistance, or the program's sudden termination.

3.2 An Overview of National Social Protection Program

When the GFC 2008/09 hit Indonesia, the government continued with several existing PPS. The national PPS or those that emanated from the central government included PNPM, Raskin, BOS, Jamkesmas, BLT, PKH, and KUR. With the exception of BLT that was only carried out until February 2009, all the other PPS are still in effect. Several of these PPS have aims, mechanisms, and specific targets that vary from one to another, as is now analyzed in the following discussion.

3.2.1 National Program for Community Empowerment (PNPM Mandiri)

PNPM Mandiri was launched on April 30, 2007 and is a successor to the PPK and P2KP. PPK was introduced in 1998 for rural areas, while P2KP was introduced in 1999 for urban areas. These two programs use a local institutional development model to apply the principles of participatory development and gender equity. Given that empowerment processes generally need five to six years, PNPM Mandiri will at least continue until 2015.

Basically, PNPM Mandiri results from the harmony and synergy between various poverty reduction programs which are empowering in nature. PNPM Mandiri is divided into two main categories; the core program (PNPM-Inti) and the support program (PNPM-Penguatan). PNPM-Inti is a regional community empowerment program that incorporates PPK, P2KP,

the Rural Infrastructure Development Program (Program Pengembangan Infrastruktur Perdesaan—PPIP), the Regional Socioeconomic Infrastructure Development Program (Program Pengembangan Infrastruktur Sosial-Ekonomi Wilayah—PISEW), and the Development Acceleration Program for Disadvantaged and Special Regions (Program Percepatan Pembangunan Daerah Tertinggal dan Khusus—P2DTK). PNPM-Penguatan is a sectoral and regional community empowerment program that is particularly directed towards supporting poverty reduction which is aimed at achieving specific targets. PNPM-Penguatan consists of, among others, PNPM Healthy and Intelligent Generation (PNPM Generasi Sehat dan Cerdas—PNPM Generasi), Green PNPM (PNPM Hijau), Development of Rural Agribusinesses (Pengembangan Usaha Agribisnis Perdesaan—PUAP), Community-based Sanitation and Drinking Water Provision (Penyediaan Air Minum dan Sanitasi Berbasis Masyarakat—Pamsimas), and Direct Community Financial Assistance for Agricultural Investment (Bantuan Langsung Masyarakat untuk Keringanan Investasi Pertanian—BLM-KIP). The broad scope of PNPM Mandiri is presented in Figure 3.

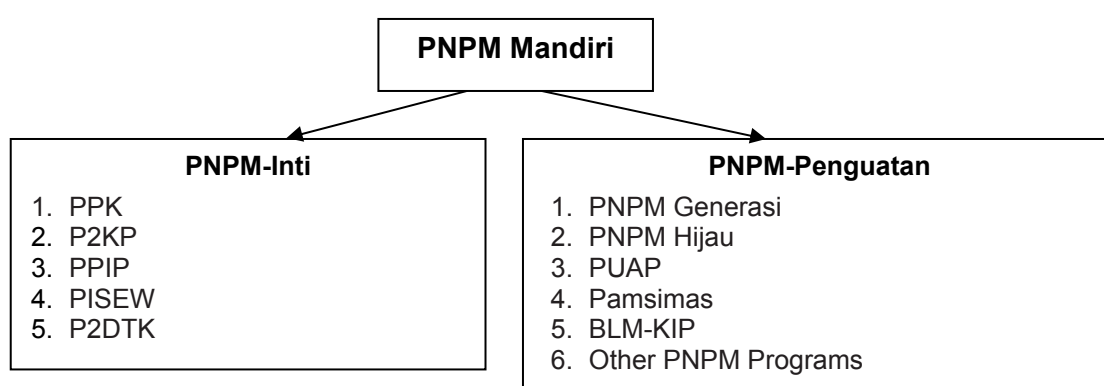


Figure 3. Scope of PNPM Mandiri

The total budget for PNPM Mandiri has risen since the program was initiated. In 2007, the budget was only Rp3.8 trillion for the implementation of two programs—PPK and P2KP. In 2008 and 2009, the total budget had risen to Rp11.1 trillion and Rp13.7 trillion for the implementation of all PNPM-Inti and PNPM-Penguatan programs. The planned budget for 2010 will rise to Rp16 trillion, among others, in anticipation of the impact of the GFC. For PNPM-Inti, in particular, the budget and number of *kecamatan* has also increased. In 2007, PNPM-Inti only covered 2,831 *kecamatan* with a budget of Rp3.8 trillion and in 2009, this had risen to 6,408 *kecamatan* with a budget of Rp10.36 trillion (see Table 1).

Table 1. Budget Developments and Numbers of *Kecamatan* of PNPM-Inti

Program	2007		2008		2009		2010	
	Budget (Billions of Rp)	Number of <i>Kecamatan</i>	Budget (Billions of Rp)	Number of <i>Kecamatan</i>	Budget (Billions of Rp)	Number of <i>Kecamatan</i>	Budget (Billions of Rp)	Number of <i>Kecamatan</i>
PPK/Perdesaan	1,841	1,993	4,284	2,389	6,987	4,371	9,629	4,805
P2KP/Perkotaan	1,994	838	1,415	955	1,737	1,145	1,510	885
PPIP	-	-	550	497	950	479	1,226	215
PISEW	-	-	53	In preparation	485	237	500	237
P2DTK	-	-	387	158	196	186	57	186
Total	3,835	2,831	6,688	3,999	10,355	6,408	12,921	6,328

Source: Coordinating Ministry for People's Welfare, 2009.

In general, the objective of PNPM Mandiri is to accelerate poverty reduction and broaden employment opportunities through consolidating existing community empowerment programs. In particular, the objective of this program is to enhance the role of the community, the capacity of community institutions, the capacity of government (in providing services, empowering, and building community autonomy), community social capital, and innovation in and the utilization of technology/information. The main characteristic of this program is that the planning and decision-making are done by the community through intergroup competition. For that reason, the community is required to be actively involved in each step of the decision-making process and work together in the implementation.

The range of possible PNPM Mandiri activities is basically open (open menu) to all poverty reduction activities that are suggested and agreed by the community. Several of these possible activities include the provision and repair of the infrastructure of residential areas as well as social and economic infrastructure through labor-intensive projects, and the provision of financial resources through revolving funds and micro-credit to develop the economic activities of poor communities.

The management of PNPM Mandiri is based on participatory principles in the form of planning at the village/*kelurahan* level, intervillage/*kelurahan* planning (at the *kecamatan* level), and coordinative planning at the *kabupaten/kota* level. The important issue in participatory planning at the village/*kelurahan* level is the role of village/*kelurahan* officials in community facilitation. At the *kecamatan* level, participatory planning is aimed at prioritizing activities across villages/*kelurahan* based on the outcome of the participatory planning process at the village/*kelurahan* level and at the same time synergizing this with the *kabupaten/kota* development plan.

The institutional structure of PNPM Mandiri covers various parties from the center to the village level, from government and the community, with a tiered system of account-giving and reporting. At the central level, there is a control team consisting of a command team and an implementation team whose activities in each program are undertaken by a work unit (*satker*) in each relevant department. At the central level, there is also a national consultant who provides technical assistance on program implementation. At the provincial and *kabupaten/kota* levels, there is a coordination team, a *satker*, and a consultant. At the *kecamatan* level, there is an implementation taskforce known as the local project manager (*penanggung jawab operasional kegiatan—PJOK*). PJOK is assisted by associated elements such as an intervillage coordination body (*badan kerja sama antardesa—BKAD*), an intervillage/*kelurahan* consultative forum (*musyawarah antardesa/kelurahan—MAD/K*), activity management units (*unit pengelola kegiatan—UPK*), and facilitators. At the village level, there is an NGO (*lembaga keswadayaan masyarakat—LKM*) that, together with associated elements at the *kecamatan* level functions as the manager of PNPM Mandiri activities in the village/*kelurahan*.

The PNPM Mandiri *satker* at each level is responsible for funding and disbursement activities. Funds for the implementation of PNPM Mandiri are channeled directly to the community via a joint account at the nearest government bank. Each bank account opening or fund withdrawal needs the signature of at least three recipient community members. The disbursement of BLM (*bantuan langsung masyarakat* or direct community assistance) funds to the community's account and its use are done in stages. If there is any digression or irregularity in implementation, the PNPM Mandiri *satker*, based on a recommendation from the mentoring consultant or the local regional government, can cancel the funding disbursement.

To ensure the transparency and accountability of activities and the use of BLM funds at the community level, the UPK or LKM is obliged to spread out the decision that has been made, reports on the financial position, the activity management group, members of the funding recipient/s, and other information. This effort to ensure accountability is evidenced by providing access to all interested parties to conduct audits, ask questions, and/or demand accountability from decision-makers, at the program, region, or community level.

3.2.2 Rice for Poor Households (Raskin)

Poverty reduction programs in the food sector have been rolled out by the government since June 1998 under the name of Special Market Operations (OPK) which is one of the JPS programs. The OPK program was initially only to reduce the impact of the economic crisis of 1997/98 for the poor but was then continued as a social protection program for poor households and groups with food scarcity. In 2002, the name OPK was changed to Raskin, which is still running until today.

The objective of Raskin is to reduce the expenditure burden on poor households through the provision of assistance in the fulfillment of some basic food needs in the form of rice. Through this program, the government provides rice at a subsidized price to poor households each month. During the implementation period, the price, volume, and frequency of distribution of Raskin has changed several times. During the period of 1998–2007, the price at the distribution point was set at Rp1,000 per kg and since 2008, this has risen to Rp1,600 per kg. The allocation of rice per target household changed from a range of 10–20 kg to 15 kg in 2008. The distribution is not always monthly but varies from 10–12 times per year.

Early on in the implementation of Raskin (1998–1999), the program planner and manager were the office of the State Minister for Food and Horticulture in cooperation with the National Food Logistics Agency (Badan Urusan Logistik—Bulog). At the present time, the managing coordinator is the Coordinating Minister for Peoples' Welfare (Menko Kesra) and the agency responsible for rice distribution is Bulog together with local governments. Bulog is responsible for distributing rice to the distribution point, while local governments are responsible for distributing the rice from the distribution point to target households (*rumah tangga sasaran*—RTS).

Initially, the program recipients were the poor; however, the basic data being used changed. Until 2005, Raskin recipients were determined from data on Pre-prosperous Families and Prosperous Families 1 (Keluarga Prasejahtera and Keluarga Sejahtera 1) from the National Family Planning Coordination Board (Badan Koordinasi Keluarga Berencana Nasional—BKKBN). Since 2006, program recipients have been determined from BPS data based on the Socioeconomic Data Collection 2005 (Pendataan Sosial-Ekonomi 2005—PSE-05) and the outcomes of the update. Nevertheless, this reference data was not always fully used because the number of target households was less than the number of poor households identified in the data collection process with the exception of 2008 and 2009 (see Table 2). In addition, at the village/*kelurahan* level, the reference data was verified through community consultation to determine recipient households.

The funding of Raskin has become part of the routine national budget (Anggaran Pendapatan dan Belanja Negara—APBN) and is no longer being sourced from loan moneys. Table 1 shows that, from year to year, APBN funds applied to this program have been growing because of a rise in the number of target households and an increase in the price of rice. In 2009, the budget had risen to Rp12.98 trillion or approximately 2.5 times the budget in 2005.

Table 2. Numbers of Households, Rice Ceilings, and Budgets of Raskin (2005–2009)

Information	2005	2006	2007	2008	2009
Poor Households	15,791,884	15,503,295	19,100,905	19,100,905	18,497,302
Target Households	8,300,000	10,830,000	15,800,000	19,100,000	18,497,302
Recipient Households	11,109,274	13,882,731	16,736,411	19,131,185	
Rice Ceiling (tons)	1,991,897	1,624,500	1,736,007	3,342,500	3,329,514
Budget (Rp trillions)	4.97	5.32	6.47	11.66	12.98

Source: Bulog, 2009; Menkokesra, 2009; and Setneg, 2009.

3.2.3 School Operational Assistance (BOS)

Poverty reduction programs in the education sector commenced in 1998 when the government initiated the Scholarship Program and DBO that were part of JPS. To complete this program, the government in 2001 introduced similar programs under the name BKM and BKS that were part of the BBM compensation program. Through the Scholarship Program and BKM, assistance was only provided to certain students from poor families.

To lighten the burden on the community for education costs and to achieve the objectives of the Nine Years of Compulsory Basic Education Program (Program Wajib Belajar Pendidikan Dasar—Wajardikdas), the government introduced the BOS program, which is a universal program for all students, in July 2005. Initially, the program was part of the PKPS-BBM, but later it formed part of the poverty reduction program, a situation that still continues. Through this program, the government provides operational funds for primary schools and junior high schools, both public and private, with the objective of providing free education to poor students and lowering the costs for nonpoor students.

In 2008, the gross participation rate (*angka partisipasi kasar*—APK) in junior high schools reached 96.2%, meaning that the target of Wajardikdas had been reached. For that reason, in 2009, the government altered the objectives, approach, and orientation of BOS. BOS is expected to not only maintain the APK but also to raise the quality of education. In 2009, the allocation of funds to BOS also rose significantly. The allocation per student per year in primary schools rose from Rp254,000 to Rp397,000 for *kabupaten* areas and Rp400,000 for urban areas. The allocation to junior high schools rose from Rp354,000 to Rp570,000 for *kabupaten* areas and Rp575,000 for urban areas (see Table 3). With this rise in funding, BOS is expected to become the main pillar in providing free basic education.

Table 3. BOS Funding Allocation and Budget Developments (2005–2009)

Issue		2005	2006	2007	2008	2009
Funding Allocation (Rp/student/year)	SD Kabupaten					397,000
	SD Kota	235,000	235,000	254,000	254,000	400,000
	SMP Kabupaten					570,000
	SMP Kota	324,500	324,500	354,000	354,000	575,000
Budget (Rp trillions)		5.136 ¹	10.28	9.84	11.2	12.2
Number of students (millions)	SD	28.9	29.1	26.4	28.7	26
	SMP	10.7	10.6	8.9	11.1	9.8

Source: Ministry of National Education, 2005–2009.

¹The BOS budget for 2005 is only for one semester.

BOS funds are channeled through a bank or post office to each school each quarter in accordance with the number of students. Funds are managed autonomously by schools with the involvement of the teachers' council and school committee. Schools are obliged to use some of the BOS funds to purchase text books whose copyright has been procured by the government. In addition, BOS funds can also be used to fund various activities and school needs within limits. For open junior high schools (*SMP Terbuka*), in particular, BOS funds can be used for supervisory, counseling, learning, and administrative activities as well as for transportation for *guru bina*¹⁰, *guru pamong*¹¹, and administrative officials. BOS funds may not be kept long-term to earn interest; loaned to other parties; and used for medium and major rehabilitation, construction of buildings/new rooms, or activities that are already being funded by government (central or regional), either wholly or in part, for example paying the cost of contract teachers or assistant teachers (*guru bantu*).

All public schools are obliged to accept BOS funds and if they refuse, the relevant school is prohibited from levying costs on students. All private schools with an operating permission which are not being developed as a school with international standard (*sekolah bertaraf internasional*—SBI) or a local school with superior standard are obliged to accept BOS funds. Schools can only refuse BOS funds if they obtain the agreement of parents by guaranteeing to continue educating poor students.

In parallel with a rise in BOS funding allocations since 2009, all public primary and junior high schools have to exempt students from school operating costs, with the exception of pilot schools with international standard (*rintisan sekolah bertaraf internasional*—RSBI) and SBI. Public schools categorized as an RSBI and SBI are permitted to raise funds from well-off parents with the agreement of the school committee and on condition that they have to exempt poor students from educational costs.

In the implementation of the BOS program, regional governments are obliged to control the collection of operational costs in private primary and junior high schools, so poor students are exempt from levies and nonpoor students are not levied excessively. Local governments are required to sanction schools that breach these stipulations. In addition, local governments are responsible for issuing regulations on the determination of “reasonable limits” in the use of education funds by taking into consideration socioeconomic, geographical, and other factors. If BOS funds are not sufficient, the local government is obliged to make up the shortfall from their own budget (*Anggaran Pendapatan dan Belanja Daerah*—APBD).

3.2.4 Community Health Insurance Scheme (Jamkesmas)

Government efforts to provide a guarantee to the poor in obtaining health services commenced in 1998 with the implementation of the Health Card Program (Program Kartu Sehat) which was part of the JPS. Health Cards can be used to obtain free treatment at a *puskesmas* and referral for inpatient or outpatient treatment at a Class III room at a government hospital. Since 2001, this program has been succeeded by the PKPS-BBM Health Sector. In 2005, the government changed the program mechanism to an insurance system by establishing Askeskin. The government appointed PT Askes as a partner in the implementation and management of the funds. The scope of Askeskin is broader as it provides free inpatient and outpatient care at a *puskesmas*; inpatient care in a Class III room and outpatient care in a government hospital; the

¹⁰*Guru bina* is a teacher of the holding school who is assigned to teach a certain subject at an Open School, which is part of the holding school.

¹¹*Guru pamong* is a community member who has an interest in education and is willing to guide students of an Open School in their independent learning activities. A *guru pamong* has to be at least an SMA graduate and lives within the vicinity of the school.

provision of funds to support the revitalization of *posyandu* (*pos pelayanan terpadu* or integrated health services post), nutritional supplements, and operating funds for *puskesmas*; health services in isolated regions; and additional funding for medications and vaccines.

As the successor to Askeskin, the government launched the Jamkesmas program in 2008. The scope of the two programs is basically the same; however, the priority of the Jamkesmas program is the provision of health services to poor pregnant women in order to lower the maternal and infant mortality rates. The implementation mechanism of the two programs is rather different because the management and payment under Jamkesmas are separated into separate agencies—the Ministry of Health/Health Agency and PT Askes respectively. This change aims to hasten the hospital's claim by assigning a verification officer at the hospital and transferring funds directly from the state's cash reserves to the hospital.

In general, the objective of the Jamkesmas program is to enhance access to and the quality of health services to provide an optimal standard of health care effectively and efficiently to all participants. The program's targets are the poor and the not well-off covering 18.9 households or 76.4 million people, not including those who already have other forms of health insurance. The target number is based on BPS 2006 data, while participation is determined by a decree from the *kabupaten* head (*bupati*)/mayor (*walikota*). On the basis of this decree, a national database of participants was prepared and was then used as the basis for printing and distributing the Jamkesmas membership cards.

Over the two years it has been operating, budget allocations to Jamkesmas have remained stable at Rp4.6 trillion. Of this amount, Rp3.6 trillion is allocated to pay out services at referral hospitals and Rp1 trillion to pay for the cost of services at *puskesmas*.

During the implementation of Jamkesmas 2009, the government made several amendments. Improvements related to participation covered: (i) local governments can update the data on participants in accordance with BPS data from the end of 2008; (ii) the homeless, beggars, and abandoned children who do not yet have an identity card are guaranteed coverage by Jamkesmas by using a certificate or a recommendation letter from the local Social Affairs Agency; and (iii) PKH participants are guaranteed services under the Jamkesmas program and those who do not yet have a Jamkesmas card can use their PKH card.

Under the Jamkesmas program, the role and function of the local government at the provincial and *kabupaten/kota* levels are quite clear. They form a coordination team and a management team for the Jamkesmas program at the provincial and *kabupaten/kota* levels. In addition, the local government must contribute to ensuring the success of Jamkesmas and the inclusion of the poor who are not included in the participants' quota.

3.2.5 Direct Cash Transfer (BLT) Program

Under the PKPS-BBM, the government has undertaken several BLT programs. The first BLT program, known as BLT 2005, was rolled out in October 2005 over the following 12-month period. The second BLT program, BLT 2008 (also known as BLT-RTS) was rolled out over a seven-month period from June until December 2008. Finally, BLT 2009 was only paid over a two-month period, January–February 2009, on the basis that the impact of the rise in the price of subsidized fuel products on the poor had already subsided. The legal basis for this program was Presidential Instruction No. 12/2005 and Presidential Instruction No. 3/2008. Actually, in 2000, the government also undertook a similar BLT program under the name of cash assistance (*bantuan dana tunai*); however, its scope was limited and it only provided Rp10,000 of assistance per poor household over a three-month period.

The objective of the BLT program is to assist the poor to continue fulfilling their basic needs, prevent a fall in the welfare level of the poor as a consequence of economic difficulties, and enhance collaborative social responsibility. During BLT 2005, there were 19.1 million target households which were determined by BPS in their PSE-05 data collection exercise and were later adjusted with additional recipients in early 2006. These target households consisted of poor, very poor, and almost poor households. BLT 2008 used data on target households produced through a verification exercise by BPS through the Basic Health and Education Services Survey (Survei Pelayanan Dasar Kesehatan dan Pendidikan—SPDKP) of 2007 in 1,023 *kecamatan* associated with PKH, so there were fewer target households—19.02 million. Under BLT 2009, the number of target households fell again to 18.5 million in accordance with the outcome of BPS's verification and evaluation via the Social Protection Program Data Collection 2008 (Pendataan Program Perlindungan Sosial 2008—PPLS08). This reduction in numbers occurred because some targeted households had died, changed address, or improved their welfare level, while there were fewer replacement households.

Through the BLT program, each target household receives Rp100,000 per month every two to four months. As proof of their status as a BLT recipient, the household is given a BBM compensation card (*kartu kompensasi BBM—KKB*) that contains their identity details and a photograph of the head of the recipient family. The KKB card is printed by PT Pos Indonesia on the basis of RTS data obtained from the central office of BPS. The KKB card is used by the target household when collecting their funds at the post office.

Over the years, the budget allocation for the BLT program has fallen. The budget allocations for BLT 2005, BLT 2008, and BLT 2009 were Rp23 trillion, Rp14.1 trillion, and Rp3.7 trillion respectively. In 2010, the government did not set aside a budget for the BLT program because social protection will be provided through various other programs. This decline in the budget allocation is particularly related to the length of time that assistance is provided under the program (the number of months assistance is paid).

The execution of the BLT program is coordinated by various sectors who work cooperatively on the basis of the main functions and duties of the respective institution. At the central level, the responsible agency is the Ministry of Social Affairs that has appointed PT Pos Indonesia and BRI to undertake the task of disbursing funds to target households. A program execution unit (*unit pelaksanaan program—UPP*) was formed to coordinate activities at each level of government from the center to the *kecamatan*, with the authority to establish, supervise, and monitor the execution of the program. Each UPP is headed by the department/social agency with a membership drawn from various associated government bodies at each level of government.

3.2.6 Family of Hope Program (PKH)

In order to accelerate the reduction in poverty, the development of social protection policy, and the achievement of the Millennium Development Goals (MDGs), the government has been running the Family of Hope Program (PKH)¹² since 2007. The main objective of PKH is to reduce poverty and raise the quality of human resources, especially that of the very poor. PKH is specifically aimed at enhancing the socioeconomic conditions of very poor households (RTSM); raising children's education level; improving the health and nutritional status of pregnant women, women who have just given birth, and children under six years of

¹²There are at least five MDGs that will be indirectly assisted by PKH: Reduction in the number of the poor and malnourished, basic education, gender equality, reduction in the child and infant mortality rate, and reduction in the maternal mortality rate.

age; improving the access to and quality of education and health services; and improving school enrollment rates in primary and high school for very poor households.

The targets of PKH are RTSM that have children from 0–6 years of age and/or children 7–15 years of age or less than 18 years of age who have not yet completed the nine years of schooling and/or pregnant women or mothers who have just given birth. Unlike other social protection programs, PKH recipient households must fulfill several special requirements related to health and education. These include putting children 7–18 years of age through nine years of schooling, bringing children 0–6 years of age to health facilities, and having checkups for pregnant women and their unborn child at a health facility. It is intended to continue this program until at least 2015. The scope of recipients will be expanded in phases up to 6.5 million RTSM. The numbers will then decline as these households experience an improvement in their welfare level and move out of the target group.

Table 4. Phases of PKH (2007–2015)

Total	2007	2008	2009	2010	2011	2012	2013	2014	2015
Phase I	0.5	0.5	0.5	0.5	0.5	0.5	<i>Exit</i>		
Targeted RTSM (Millions)									
Phase II		1.25	1.25	1.25	1.25	1.25	1.25	<i>Exit</i>	
Phase III			2.25	2.25	2.25	2.25	2.25	2.25	<i>Exit</i>
Phase IV				2.5	2.5	2.5	2.5	2.5	2.5
Total	0.5	1.75	4.0	6.5	6.5	6.5	6.0	4.75	2.5
Costs (Rp trillions)	1.0	3.0	6.7	11.0	11.0	11.0	10.1	8.0	4.2

Source: Ministry of Social Affairs, 2008.

PKH provides assistance in the form of cash, in the range of Rp600,000–Rp2,200,000 per RTSM per year. This range is in accordance with the condition of members of the household related to the basic health and education needs that have to be fulfilled (Table 5). This cash assistance is the incentive for participant households to access basic health and education services. If participant households do not fulfill this commitment, the amount of assistance provided will be reduced in stages or even halted altogether.

Table 5. Scenario of PKH Assistance

	Assistance per RTSM (Rp/year)
Fixed assistance	200,000
Assistance for RTSM that have:	
a. a child under six years of age ¹	800,000
b. a pregnant woman/breastfeeding mother ¹	800,000
c. child of (Islamic/public) primary school age	400,000
d. child of (Islamic/public) junior high school age	800,000
Average assistance per RTSM	1,390,000
Minimum assistance per RTSM	600,000
Maximum assistance per RTSM	2,200,000

Source: Ministry of Social Affairs, 2008.

¹Health assistance and not estimated on the basis of number of children.

PKH assistance is provided through the mother or adult female who has responsibility for the children of the PKH participant household. Assistance is distributed via the post office once every four months or three times per year. Assistance will be provided for a maximum of six years. The experience of similar programs in other countries shows that after five to six years, the quality of life of participants can improve. For that reason, there is an evaluation of the participant's status every three years. If after six years the PKH participant households still live below the poverty line, an exit strategy for the relevant household needs to be coordinated with other associated programs.

The organizational structure for the delivery of PKH includes several agencies such as the Coordinating Ministry for Peoples' Welfare, Ministry of Social Affairs, Bappenas, Ministry of National Education, Ministry of Health, and BPS. At each level of government from the center to the *kecamatan*, there is a management unit (Unit Pengelola PKH—UPPKH) that, among its tasks, has to ensure the successful delivery of the program in accordance with its plan, resolve problems that arise, and distribute information to relevant stakeholders. The UPPKH is located in the Ministry of Social Affairs and Social Agencies.

The UPPKH at the *kecamatan* level is the spearhead of the program because this unit has a direct relationship with PKH participants. Its personnel consist of PKH mentors who are recruited from amongst community social workers, youth groups, development activist scholars, or other social organizations. They are recruited by the UPPKH at the central level and provided with training in undertaking the task of mentoring the program recipient community and assisting in the smooth operation of PKH. The mentoring is in the form of motivating recipients to utilize health and education facilities that have been provided by the government.

In 2007, PKH was introduced in seven pilot provinces: West Sumatra, DKI Jakarta, West Java, East Java, North Sulawesi, Gorontalo, and NTT. These provinces were selected on the basis of the willingness of the provincial government as expressed at the Musrenbangnas (National Development Planning Consultative Forum) 2006 and the diversity of regional characteristics: (i) the high/medium/low level of poverty; (ii) urban/rural; (iii) coastal/archipelagic; and (iv) easy/difficult accessibility. Of these seven provinces, 48 *kabupaten/kota* and 337 *kecamatan* were selected on the basis of the high level of poverty, rate of malnutrition, transition rate from primary/Islamic primary schools to junior high/Islamic junior high school, availability of health and education infrastructure, and commitment of the regional government.

In 2008, the number of PKH regions was increased with a focus on regions that experienced disasters. The additional provinces covered Nanggroe Aceh Darussalam, North Sumatra, DI Yogyakarta, Banten, NTB, and South Kalimantan. In 2009, no additional provinces or *kabupaten/kota* were added, so the number was the same as in 2008—13 provinces and 70 *kabupaten/kota*. An additional 150 *kecamatan* were, however, added to the existing 631 *kecamatan* in the program in 2008, raising the number to 781 *kecamatan*.

The number of RTSM participating in PKH has risen from year to year. In 2007, there were 500,000 PKH participant RTSM, rising to 700,000 in 2008, and 720,000 in 2009. The number of RTSM participants that were determined by the UPPKH at the central level was still far below the number of target households in the program plan (see Table 4). Basic data on RTSM participants was obtained from the results of the BPS data collection exercise in PSE-05 which was then verified through SPDKP 2007.

3.2.7 Loans for Small-scale Businesses (KUR)

KUR was launched by the government on November 5, 2007 as a means to encourage the banking sector to direct credit or funding to micro, small, and medium-sized enterprises (UMKM) and cooperatives. The launch of KUR was a continuation of the government's commitment to triggering increased access by UMKM and cooperatives to bank credits or loans by increasing the capacity of guarantying companies. The last objective of KUR is to improve economic conditions, reduce poverty, and absorb labor.

The delivery of KUR involves various parties. Several ministries and departments have a role as policymaking and coordinating bodies. Perum Sarana Pengembangan Usaha and PT Asuransi Kredit Indonesia (Askrindo) are the guarantying companies, while Bank BRI, Bank Mandiri, Bank BNI, Bank BTN, Bank Bukopin, and Bank Syariah Mandiri are the executing banks.

In general, KUR applies the loan scheme as follows:

- a) the maximum loan value is Rp500 million per debtor;
- b) the maximum interest on loans is an effective 16% per year;
- c) the division of risk on loan guarantee is 70% guarantying companies and 30% executing banks;
- d) assessing the credit worthiness of the borrower is the responsibility of the executing banks; and
- e) debtors are not levied guarantying service fees.

KUR is basically a funding facility that can be accessed by UMKM and cooperatives, especially those that have businesses that are worthy but not yet bankable. This means that the business has good prospects and the capacity to repay a loan but does not have sufficient collateral as required by banking regulations. UMKM and cooperatives that are able to access KUR are those that operate in the productive business sector, such as agriculture, maritime and fisheries, industry, forestry, and savings and loan services.

UMKM and cooperatives can access KUR directly at a branch office or assistant branch office of the executing bank. To increase accessibility, especially for micro businesses, KUR can also be accessed indirectly through micro-finance institutions (*lembaga keuangan mikro*—LKM), savings and loan cooperatives (*kooperasi simpan pinjam*—KSP), and cooperatives' savings and loan business unit (*usaha simpan pinjam*—USP) or via other linkage program¹³ activities that are collaborating with the executing banks. The flowchart of the management or disbursement of KUR funding is broadly presented in Figure 4.

¹³Three linkage program schemes were found as follow:

- a) 1st window: The bank has a network that it built itself, for example, BRI with its BRI units and Bank Bukopin with its Swamitra. This Linkage 1st window is operating and continues to be enhanced.
- b) 2nd window: Banks channel KUR funds through formal LKM, for example, Bank Syariah Mandiri with syariah financial service cooperatives (*kooperasi jasa keuangan syariah*—KJKS)/Islamic savings and loan cooperatives (*baitul mal wa tammil*—BMT), Bank Mandiri with people's credit bank (*bank perkreditan rakyat*—BPR), as well as Bank BNI with BPR and cooperatives.
- c) 3rd window: Banks channel KUR funds through nonformal LKM (not yet legally formed) such as nonformal BMT, village credit institutions (*lembaga perkreditan desa*—LPD), LKM-TPSP (savings and loans service points—*tempat pelayanan simpan pinjam*), LKM-P4K, LKM-BKM, and other nonformal LKM, including village credit agencies (*badan kredit desa*—BKD).

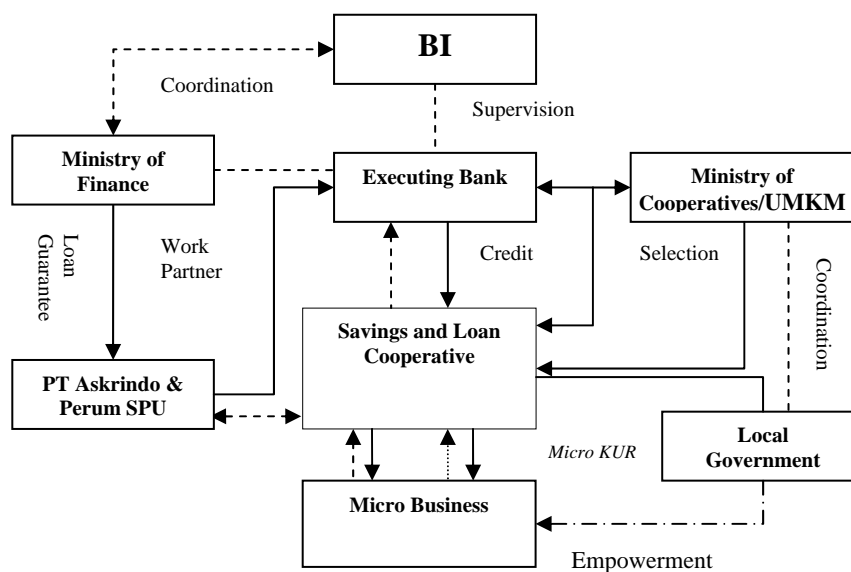


Figure 4. KUR funds disbursement

Source: National Commission for Empowering Indonesian Micro Finance (Komnas PKMI—Komisi Nasional Pemberdayaan Keuangan Mikro Indonesia) and the Coordinating Ministry for the Economy, 2008.

3.3 Social Protection Program at the Regional Level

To realize one objective of regional autonomy policy—improving the welfare of the local community—many regions are pursuing local social protection policies that complement national policies of the same type. Many of these policies are local initiatives and only operate in the relevant region. The following is an analysis of local social protection policies in the study areas.

3.3.1 Education Sector

To improve access to quality education for all levels of society, the Government of Kabupaten Muba has, since 2002, applied a number of local policies in the education sector. These policies include: (i) free schooling from the primary level to senior high school (*sekolah menengah atas*—SMA) or vocational high school (*sekolah menengah kejuruan*—SMK) in public or private schools, including religious and sporting schools; (ii) provision of free text books, reference books, and writing books; (iii) betterment of teachers' quality by mandatory free lectures to achieving qualification at the D2 and S1 levels; and (iv) development of education equipment and infrastructure. The Free Schooling Program is provided in the form of a subsidy to replace BP3 (*biaya penunjang penyelenggaraan pendidikan*—education operational cost) and routine funding assistance for schools. The replacement subsidy for BP3 is allocated to schools on the basis of student numbers. Preschools/kindergartens receive Rp10,000, primary schools/Islamic primary schools (MI) Rp10,000, junior high schools/Islamic junior high schools (MTs) Rp15,000, senior high schools/Islamic senior high schools (*madrasah aliah*—MA) Rp80,000, and vocational high schools Rp90,000 per student per month. Routine funding assistance of Rp200,000 per month is provided to primary schools, Rp6,450,000 for junior high schools, Rp13,000,000 for senior high schools and Rp19,950,000 for vocational high schools.

Since 2006, the Government of Kabupaten Banjar has also allocated quite a large volume of funds to supplement BOS funds in the form of the Regional Education Operational Assistance Program (Program Bantuan Operasional Pendidikan Daerah—BOPD). This assistance is provided to schools from primary level to senior high school, including *pesantren*¹⁴. The amount of funding provided ranges from Rp6,000 per student per month for primary schools to Rp10,000 for junior high schools and Rp5,000 for senior high schools.

In addition to assistance from the central and regional governments, scholarships are also provided in both *kabupaten* by the National Foster Parents Movement (Gerakan Nasional Orang Tua Asuh—GNOTA). Scholarships of Rp360,000/student/year are allocated for poor students at the primary school or the equivalent level.

3.3.2 Health Sector

To supplement the health insurance and assistance already provided to participants through Health Cards/Askeskin/Jamkesmas, Jamsostek (Jaminan Sosial Tenaga Kerja—Employees' Social Security), and Health Insurance for Civil Servants (Asuransi Kesehatan Pegawai Negeri Sipil—Askes PNS), the Government of Kabupaten Muba has had a Universal Health Insurance (Asuransi Kesehatan Semesta—Askes Semesta) policy since 2002. Under this policy, all levels of the society in Muba are provided with free health services in all available health facilities.¹⁵ If the local health facility is not able to successfully treat a patient, the local government will refer the patient to a hospital in Palembang, Jakarta, or even Singapore. In such cases, the local government takes responsibility for all costs, including the costs to transport the patient and one other accompanying person. In addition, the Government of Kabupaten Muba also provides health insurance for village officials (Askes ALBA) and Echelon II officials (Askes GOLD).

The Government of Kabupaten Banjar has also devoted quite a lot of attention to the health sector through the provision of a Regional Health Insurance Scheme (Program Jaminan Kesehatan Daerah—Jamkesda) since 2006. This program provides free services by focusing on 11 types of services from the village level to hospital. Through the provision of this program to complement the Jamkesmas program, all levels of society can receive guaranteed free medications and treatment in *puskesmas*. Free services at *puskesmas* were initially only provided during normal working hours; however, since 2008 this has been expanded to 24 hours per day. For the poor who are not participants in Jamkesmas, in particular, the types of free services that are provided by the local government had been extended in parallel with the increases in funding allocations. Since the end of 2009, through the collaboration between Jamkesda and the Provincial Health Insurance Scheme (Jaminan Kesehatan Provinsi—Jamkesprov) by the province,¹⁶ the poor in Kabupaten Banjar who are not participating in Jamkesmas have the right to free medical treatment and medications up to referral hospitals in the *kabupaten* and province.

¹⁴School of Koranic studies for children and young people, most of whom are boarders.

¹⁵In Kabupaten Muba, there are 15 *puskesmas* providing outpatient care, 6 *puskesmas* with inpatient care, 103 secondary healthcare centers (*puskesmas pembantu*), 142 village maternity centers, and 1 international-standard hospital.

¹⁶On October 8, 2009, the Government of Kabupaten Banjar and the Government of South Kalimantan province agreed to a co-sharing arrangement to enhance health protection for the poor up to the provision of medications and treatment in referral hospitals. The Government of Kabupaten Banjar provides 60% of the funding and the Government of the Province of South Kalimantan 40%.

3.3.3 Other Sectors

In addition to the health and education sectors, each of the study *kabupaten* also have local policies to deliver social protection in other fields, such as the provision of death benefits and producing free identity cards (*kartu tanda penduduk*—KTP). Kabupaten Muba also has the policies of providing driver's licenses (*surat izin mengemudi*—SIM) at no cost and covering the administrative costs of first marriages.

Several other local policies in Kabupaten Banjar that are aimed at improving welfare and social protection, both those provided by the local government and private parties, cover the following programs.

- a) **Village-owned Enterprise (Badan Usaha Milik Desa—BUMDes).** In order to empower economy in rural communities, the Government of Kabupaten Banjar in 2007 created BUMDes Barakat Bersama that is located at the *kecamatan* level. The BUMDes was established to anticipate the free market in 2010 as well as to create entrepreneurs and work opportunities in the village. The business activities undertaken include credit services for production means, agricultural production, trade in agricultural products, and other businesses or activities that are consistent with the needs and potential of the village. The local government allocated a budget of Rp10 million per village as seed funding, provides assistance in the form of agricultural machinery, and expects the village to provide matching funds.
- b) **Community-based Savings and Loan Institution Program (Program Lembaga Simpan Pinjam Berbasis Masyarakat—LSPBM).** This program has been underway since 2001 with funds coming from soft loans provided by the Asian Development Bank (ADB). LSPBM operate in the savings and loans sector for the community and are only found in a few villages. Their formation and activities are under the control of the *kabupaten* Social Affairs Agency.
- c) **Compensation Programs for the Communities of Coal Mining Areas.** Several coal mining companies usually provide compensation or assistance, either regularly or incidentally, to communities near mining locations. This compensation or assistance is provided in the form of fees or “dust money” for the village community and administration in accordance with agreement between them, the provision of honorarium to teachers in *pesantren*/madrasa, orphan benefits, contributions for various activities, clean water, and development as well as the repair and renovation of infrastructure.

IV. A BRIEF REVIEW OF THE IMPLEMENTATION AND ROLE OF SOCIAL PROTECTION PROGRAMS AND OTHER POLICIES

4.1 PNPM Mandiri Perdesaan

In Kabupaten Muba and Kabupaten Banjar, the implementation of PNPM Mandiri Perdesaan has been ongoing since 2007. These two *kabupaten* had previously been participating in the *Kecamatan* Development Program (PPK), which was the predecessor to PNPM Mandiri Perdesaan, since 1998. Both *kabupaten* also have other PNPM, namely PNPM-Inti consisting of PNPM Perkotaan, PPIP, and PISEW; as well as PNPM-Penguatan that consists of Pamsimas and PUAP.

The number of *kecamatan* in the PNPM Mandiri Perdesaan in these two *kabupaten* has risen. In 2007, there were five *kecamatan* in Kabupaten Banjar participating in PNPM, a number that rose to seven in 2008 and ten in 2009, while in Kabupaten Muba, the respective numbers were four, five and seven in 2007, 2008 and 2009 respectively.¹⁷ This increase in the number of *kecamatan* was accompanied by a significant increase in the budget at the central level—from Rp1.841 trillion in 2007 to Rp4.284 trillion in 2008 and Rp6.987 trillion in 2009 (see Table 1 in Subchapter 3.2.1).

4.1.1 Program Budget

Funds for PNPM Mandiri Perdesaan comes from both the national and regional budgets in the form of BLM and deconcentration funds. BLM funds are used to fund project activities and deconcentration funds are used to fund the costs of consultants, facilitators, and other supporting office activities. To fund the cost of operational management, there is a maximum allocation of 5% from BLM funds, with 2% for the operational costs of UPK at the *kecamatan* level and 3% for the operational costs of the activity management team (*tim pengelola kegiatan*—TPK) at the village level. In addition to funds from the BLM, PNPM operational activities at the *kecamatan* level are also supported by subsidies from the central government in the form of activity operational funds (*dana operasional kegiatan*—DOK) that are used for planning and training. Table 6 provides an example of the allocation of BLM funds in Kabupaten Muba for budget year 2008.

Table 6. Allocation of BLM Funds in Kabupaten Muba in Budget Year 2008

Location of the UPK	BLM Allocation (Rupiah)			Total
	Activity Funds	DOK for Planning	DOK for Community Training	
Kec. Sekayu	1,580,000,000	38,600,000	19,990,000	1,638,590,000
Kec. Sungei Keruh	710,000,000	46,100,000	40,120,000	796,220,000
Kec. Sanga Desa	710,000,000	43,600,000	25,670,000	779,270,000
Kec. Bayung Lecir	1,060,000,000	61,100,000	92,830,000	1,213,930,000
Kec. Sungei Lilin	885,000,000	88,600,000	42,040,000	1,015,640,000
Total	4,945,000,000	278,000,000	220,650,000	5,443,650,000

Source: Decree by the *Bupati* of Kabupaten Muba No. 158/2008 on Appointing the UPK–BLM Managers for PNPM Mandiri in Kabupaten Muba for Budget Year 2008.

¹⁷One *kecamatan* that received PNPM funding in 2008 was phased out in 2009 because the government assessed it as having become a well-off *kecamatan*.

Funding allocations for *kabupaten* vary across *kabupaten* and years, depending on the number of executing *kecamatan* recommended by the *kabupaten* and agreed by the central government.¹⁸ The regional budget allocation for the BLM, that is 20%–50% by regulation, also varies between *kabupaten* and across years. For example, in Kabupaten Banjar in 2007, there were Rp5.7 billion in BLM funds available, with 60% coming from the national budget and 40% from the regional budget. In 2008, the BLM allocation rose to Rp14.5 billion with equal contributions of 50% from the national and regional budgets. In 2009, the BLM allocation fell to only Rp9 billion and the contribution from the regional budget also fell to only 20%. At the *kecamatan* level, the allocation of BLM funds for all *kecamatan* across Indonesia was determined uniformly; however, it has changed from year to year. Each executing *kecamatan* received Rp1.25 billion in 2007, Rp3 billion in 2008, and only Rp900 million in 2009.

BLM funds from the regional budget were disbursed simultaneously, while funds from the national budget were distributed in three tranches. A disbursement of funds in each phase was only made after 90% of the activities in the preceding phase had been completed. Requests for a release of funds is submitted by the UPK at the *kecamatan* level and the funds are transferred to the UPK account. Ant then, the UPK will direct these funds to the TPK at the village level in stages in accordance with the plan and level of activity completion.

Behind these budget allocation figures, there are several problems related to budget governance. For example, in the third week of October 2009, all APBD funds had been released by Kabupaten Banjar for PNPM Mandiri Perdesaan 2009; however, the allocation from the national budget had not yet been released. According to information from a number of sources, this occurred because there were still many *kabupaten* in South Kalimantan that had yet completed certain activities in PNPM 2009 according to schedule. For example, some *kabupaten* had still not implemented MAD III. The same situation occurred in Kabupaten Muba; in mid-October 2009, not all *kecamatan* had conducted MAD III. A similar condition will probably result in delays in the overall schedule for implementing projects.

4.1.2 Program Governance Practices at the Village and Community Levels

In general, development activities being conducted with the framework of PNPM Mandiri Perdesaan consist of two types of activities: development of infrastructure to support economic, health, and education activities as well as women's savings and loans activities (*simpan pinjam perempuan*—SPP). As a program that follows a bottom up development process, PNPM tries to the extent possible to avoid a process of instructional determination of activities. Determining and implementing activities originated from intensive discussion and debate on community proposals at the lowest administrative level—the RT or *dusun*. These proposals then become the basis for formulation at the village level through a village consultative forum (*musyawarah desa*—*musdes*). In addition to providing a forum to decide on proposals for activities (a maximum of three proposals), the *musdes* is also a forum to determine six people who will become the village's representatives in the MAD forum at the *kecamatan* level.

There are two types of consultative forum at the village level, special village consultative forum for women and mixed consultative forum (for men and women). A special consultative forum for women is recommended to consider two proposals, namely a proposal for an SPP activity and that for the development of physical infrastructure. A mixed village consultative forum

¹⁸Determining the *kecamatan* that will obtain the PNPM commences with the proposal process from below. These proposals are processed by the village community empowerment (*pemberdayaan masyarakat desa*—PMD) office and then they are submitted to the central government. The central government's assessment of these proposals is, inter alia, based on the region's fiscal capacity.

only has the right to submit one kind of activity proposal in the form of developing physical infrastructure. Each village brings these three proposals to the MAD forum at the *kecamatan* level. In the MAD forum that is held in three phases, all proposals from all villages that participate in the PNPM will be discussed, assessed, and finally decided. The winners of this proposal competition will then receive PNPM funds.

In general, many parties, especially at the *kecamatan* and village levels, consider the process for determining PNPM activities to be too long and to take too much time and energy. The process can take several months from the collection of proposals at the community level to the determination of the winners at the MAD forum. And then there is the wait for the funds to be disbursed. Nevertheless, this mechanism is acknowledged as an effective means to grow community participation and initiative in the process or implementation of development activities in their village.

Unfortunately, optimizing this role of the community is sometimes not fully supported by the program manager or implementer. This is evident from cases where the *kecamatan* has intervened to allocate infrastructure development activities to every village to avoid the emergence of intervillage jealousies. In addition, there have been cases of certain individuals being appointed (contractors) as the infrastructure project implementer by the village-level manager without going through a consultation at the community level (elite capture). In fact, there is an infrastructure project that is being done by a contractor and workers from outside the *kecamatan* with no involvement from the local community. If we look at the nature of the activity, the local community is probably capable of doing the work because they are only a small concrete bridge construction approximately four meters in length and the installation of a storing place for clean water.

The implementation mechanism of PNPM which is quite long, has many requirements, and is quite competitive has given rise to disappointments and dissatisfaction in the community and amongst officials. The problem becomes increasingly complicated when funding disbursements from the national budget are often late. Such disappointments appear to have an element of truth because activity proposals that win tend to be determined by the skill of the argument for the project and are not based on the urgency of the activity for the interests of the local community.

This phenomenon of community disappointment with the PNPM mechanism is caused by at least two issues. Firstly, the community itself is not mentally ready to conduct a competitive bottom up development process. The top-down development process that they have been used to for dozens of years is normal and is still deeply rooted. Secondly, the party responsible for the PNPM at the lowest level has not provided sufficient publicity on the “rules of the game” and/or consequences of their participation in the PNPM activities. There is still inadequate emphasis given to the risk that activity proposals will be rejected.

As a result of these disappointments, some villages do not submit proposals of activities or are not willing to participate in the implementation of the next PNPM. The reasons often given by these villages that have refused to participate include: the process is too long, nobody in the community is willing to be the activity manager, or they would like to provide the opportunity to other villages. It is estimated that the number of villages not submitting activity proposals will rise as funding allocations to *kecamatan* fell in 2009.

All activities are expected to be participatory, fair, and transparent; however, in practice at the community level, not all the proposals and implementation of activities can run effectively. The implementation of programs, commencing from socialization to activity implementation, is quite varied. On the one hand, there are villages that are idealistic in implementing activities in accordance with regulations, while, on the other hand, there are practices that breach regulations. Some socialization of the programs at the village/*dusun*/RT level, for example, is undertaken by inviting all villagers, while some others are limited only to the community elite such as village officials, RT heads, *dusun* heads, and community figures. The involvement of villagers in physical development activities also varies. There are villages that offer work to all villagers; however, there are also villages that only involve a group of people who are related to the village head/*dusun* head/RT head or activity manager.

As the implementation of the programs varies, the view of the community towards the PNPM also varies. Several parties state that all aspects of the management of PNPM are very good, be it the implementing organization, community participation, objectives of the activities, or quality of work done. However, others state that the implementation of PNPM tends to be dominated by the village elite or people who have a close relationship with the village elite. Even though villagers attend meetings to discuss the PNPM, their attendance is only a formality. The activities that will be suggested have already been predetermined by the village officials, so the community is just there to concur. The following statement by a respondent is an example: “We were once invited to attend a meeting to discuss proposals for the PNPM, but everything had already been determined. More often than not, we remained silent. After that, we were never involved or invited back” (Husein (not his real name), male, 49, Kabupaten Muba, October 16, 2009).

In fact, there are more than a few community members who do not know the implementation of the activity, although the location of the development activity is not far from their house. They only know that the project is a PNPM project. They do not know who is managing the project or what the budget is. For that reason, it is not surprising that there is a perception that the implementation of the PNPM is tainted by nepotism. Such practices then give rise to suspicions that funds are siphoned off from the development activities.

Perceptions or speculation such as this arise because transparency and accountability that are the bases for PNPM have not been fully implemented. In some villages, the information board is installed in a strategic place, so the community can access it easily. In fact, to clarify the aspects of transparency and accountability, there is a monitoring team at the village level whose tasks are to directly supervise the work and evaluate the management of the activity. However, some other villages do not do this. In study villages in Kabupaten Banjar, for example, there is no information board about the PNPM. Even at the *kecamatan* level, an information board that should be used for the PNPM is used to announce other matters that have absolutely no connection to the PNPM.

There are quite a large number of infrastructure development activities that are not completed on time. In Muba, approximately 30% of activities are not completed in the same budget year. In Kabupaten Banjar, there are outstanding activities from PNPM 2007 that had not been completed in September 2009. Some of the reasons for these delays include the long process of proposal and determination of the activities, delays in BLM funds from the national budget, and weather problems. In addition, in several villages in Banjar, there have been problems with the supply of raw materials because the relevant villages have not received the raw materials that they ordered, even though they have paid for them.

It is predicted that the same problems will be repeated with PNPM 2009 because delays in the disbursement of funds from the national budget mean that there is a more limited amount of time to execute projects. In addition, the funding disbursement which is expected in November and December coincides with the height of the wet season which will make it difficult to work in the field and add to the workload. There are concerns that this will have an impact on the quality of the outcome and program activities. Although national budget funds have not been disbursed, many villages have started to implement their infrastructure development activities by using third party funds or community funds. They are doing this because they are sure that APBN funds will eventually be released. However, because the release of funds is delayed longer than predicted, many activities cannot be continued. In one village, the cessation of these activities has left a debt owing to workers whose wages have not yet been paid.

4.1.3 Benefits of PNPM and Its Role in Responding to the Impact of the GFC

In general, the community suggested physical development activities to fulfill basic infrastructure needs such as roads; bridges; bathing, washing, and toilet facilities (*mandi, cuci, and kakus*—MCK); and clean water. In accordance with the limitations of the proposal process for activities, which by design place women as the dominant stakeholders, it is not surprising if the majority of proposals come from women and in the form of SPP proposals.

a) Physical Development Activities

The majority of funds (75%) available under PNPM are used for labor-intensive and self-managing physical infrastructure development. Through such schemes, it is expected that a lot of labor, especially from the poor, will be employed. Nevertheless, the ability of PNPM to employ labor is considered to vary across regions, even across villages, because it is dependent on the scale of community involvement. Respondents in several villages stated that PNPM activities have quite a significant capacity to employ workers. To harden a pathway to the plantation, for example, it required the equivalent of 900 person-days. However, respondents in other villages consider that PNPM does not employ a lot of labor on activities because the local community are only involved as workers on hardening some village streets and the project only employs around ten workers over 30 days. The construction of some other village streets, a bridge, and a storing place for clean water is done by a contractor. In fact, the construction of the bridge only involves three workers who come from outside the village.

The presence of PNPM is generally quite beneficial even though it is only temporary—that is, for as long as the physical development process (which is in general two to five months)—and only employs limited numbers of workers. In study villages in Muba, PNPM provides wages in accordance with local standards, namely Rp80,000 per day for masons and carpenters and Rp60,000 per day for the assistants with an eight-hour working day. In one study village in Kabupaten Banjar, wages were set at Rp30,000 per day for female workers and Rp40,000 per day for men.

In addition to providing employment opportunities, PNPM activities are also able to contribute to get the wheels of the local economy moving, although only to a limited extent. Approximately 40% of PNPM project material is sourced locally, including rocks, gravel, sand, and timber, so PNPM has provided an economic stimulus for the local economy.

From the perspective of direct poverty reduction, the role of PNPM is less than optimal. Not all workers who are involved in constructing physical infrastructure are poor. Quite a number of community members are not poor, including village officials who have been employed on these projects. This community group generally has a close relationship with village officials and/or PNPM managers in the village. Given that not all of them are used to hard or blue-collar work, the quantity and quality of work is less than good. What is of more concern is that some of them come to the project location only to sign the attendance list, get their hands a little dirty, or act like a foreman.

Based on this reality, the role of PNPM in alleviating the impact of the GFC in the study areas, especially for the poor which is the group hardest hit, is minimal. This is also related to the tightness of the internal program mechanism and the limited funds. In addition, other factors such as limited employment opportunities, late funding disbursements, and implementation time that is brief and is not coinciding with the crisis contribute to have an impact on the responsiveness of PNPM. The design character of the PNPM that tends to strengthen community institutions makes them less than capable of lessening the impact of the global crisis.

Nevertheless, infrastructure development activities have contributed to the construction or improvement in the quality of existing infrastructure at the village level. In general, the community believes that physical infrastructure development has provided a clear benefit, such as making travel easier and shortening the time it takes to reach the plantation, the marketplace, and the health and education facilities. In addition, it has brought clean water closer to home.

Given that the type of projects undertaken under the PNPM are those that the community itself wants, then normatively the effectiveness and sense of belonging of the community for these facilities should be high. Several facilities can be used to their maximum extent by involving the community members through the fees that they determine together. One business activity providing a makeup service for brides in one village that was funded by PNPM through skills training and the procurement of equipment has also developed quite well. However, not all PNPM projects have the same success story. In the study areas, the outcome of several physical development activities can no longer be used. In fact, there are facilities that could only be used during the pilot phase. This occurred because the quality of construction work was inadequate and it was not maintained.

b) Women's Savings and Loans Activities (SPP)

PNPM has given special priority to SPP activities that are allocated a maximum of 25% of the funding. The BLM budget disbursed has to be allocated firstly for SPP projects before being allocated to physical infrastructure developments. In Kabupaten Banjar, for example, when BLM funds from the APBN 2009 had not been disbursed, all the funds from the regional budget in September were used for SPP projects.

Through the SPP program, PNPM provides relatively low interest loans to women, at around 18% interest per year. In general, SPP activities are felt to be more helpful in alleviating the impact of the GFC because funds from PNPM 2008 fell at the onset of the crisis. SPP also has a role in developing economic activities although the number of borrowers and the size of loans is limited. In general, borrowers use the loan funds to add capital to their existing business or open a new business. Respondents who have been members of SPP, generally consider that their involvement in these activities has provided a significant benefit in their family's economic development.

In the context of PNPM as a poverty reduction program, SPP activities have not entirely met their target. This has occurred because most of the SPP participants are community members who have businesses and are not poor. In limited numbers, there are also poor community members who have been able to access SPP; however, their loans have been relatively smaller than those who are better-off and have businesses. In several villages, there has been significant intervention by village officials, especially in determining those community members who have the right to receive loans. Village officials and SPP managers tend to provide loans to community members who have significant potential to repay their loan. The reason is that SPP is a form of loan that has joint responsibility and the performance of SPP (only in terms of the level of repayment) will determine the opportunity to obtain another PNPM project. What is important for them is that SPP loan repayments are made regularly and do not go into arrears, so they ignore aspects of economic empowerment for the poor.

The emphasis of SPP activities on the repayment of loans shows a satisfying outcome. In Kecamatan Sekayu, Kabupaten Muba, as of August 2009, the repayment rate on SPP loans had reached 97% (UPK Kecamatan Sekayu, October 13, 2009). In Kecamatan Simpang Empat, Kabupaten Banjar, SPP loans from PNPM 2007 have been fully repaid and for SPP loans from PNPM 2008, only three villages have not fully repaid loans. In fact, in this *kecamatan*, there are Rp530 million in SPP funds circulating. Given this repayment performance, the local UPK is very confident that the SPP will develop and they hope that the SPP can become a savings and loan unit that can be relied on by the community as well as be a source of income for its managers.

4.2 Other Social Protection Programs

4.2.1 Rice for Poor Households (Raskin)

Food shortages for the poor are a certainty, especially when there are shocks such as when harvest fails, supplies of rice in the market are disrupted, the price of rice rises, or there are other economic crises. In such circumstances, food assistance programs for poor households are very much needed and are a must. The initial objective of the Raskin program was to reduce the impact of the economic crisis of 1997/98 and later evolved into a routine assistance program in the food sector for poor households. In accordance with its objectives, this program is a targeted subsidy assistance program, not a general subsidy program. Such programs are considered to be more cost effective than general price subsidy models. For that reason, the poor should have exclusive rights to receive Raskin rice.

In the study locations, the distribution of Raskin rice from Bulog to the distribution point, which is located in the *kecamatan* office, occurs every month and the volume is in accordance with the predetermined standard. Nevertheless, at the request of village stakeholders, not all villages receive an allocation of Raskin rice every month. When the rice harvesting season is underway for approximately two months, there are villages who do not take their allocation because they are concerned that it will be difficult to distribute it, so the village only takes an allocation of Raskin rice for ten months each year.

The distribution of Raskin rice from the distribution point to the community is generally managed or is the responsibility of the RT head and/or the village head. They collect the rice at the distribution point and then distribute it to their community. This kind of rice distribution method at the village or RT level is the authority of each respective implementer. For that reason, the pattern of distribution of Raskin rice varies quite significantly, both

between RT and between villages as follows: (i) rice is shared equally to all interested villagers without differentiating between the poor and nonpoor; (ii) rice is shared in turns to all interested villagers; (iii) rice is shared equally only to all those households that are considered to be poor, although not all of them are registered as target recipients; and (iv) rice is shared in turn only to all of those households that are considered to be poor.

With such practices, poor households are not receiving their right in accordance with regulations. Almost all recipient respondents are not receiving rice routinely each month in the amount of 15 kg. Some respondents are receiving 15 kg once every two to six months, but there are also some who are receiving five to ten kg once every one to six months. In fact, there are also respondents who only received one allocation during the 2009 distribution that was operating for ten months.

In addition to being influenced by the Raskin distribution pattern that is determined by program managers at the RT or village level, variations in the amount of rice received by respondent households are also affected by other factors. Several poor households did not always redeem their allocation of Raskin rice every time there was a distribution because they did not have sufficient cash. Uncertainty about when the allocation was due caused this situation to arise. Several households were sometimes late to know that Raskin rice had arrived, so when they wanted to take their allocation, the rice was already gone. There are also cases of households not being aware at all that Raskin rice had arrived because information was only passed by word of mouth.

Recipient households did not redeem Raskin rice at the set price of Rp1,600 per kg. This happened because Raskin rice was generally not shared out at the distribution point, so recipient households had to incur the cost of transport from the distribution point to the allocation point (RT/village) and an honorarium for the distributing official. In general, recipient households paid Rp2,000–Rp3,000 per kg for their allocation of Raskin rice. This price was determined by the manager at the RT or village level according to the distance from the distribution point to the allocation point. This price was usually determined according to the general price of supplies at the *kecamatan* level.

Recipient households often received poorer quality rice that smelt, had a dry taste or dull color, or was infested with insects. For that reason, recipients usually treated it when they cooked it by using a pandanus leaf, mixing it with better quality rice that they purchased at a small shop, or washed it with hot water. Although the quality was less than good, Raskin rice that was distributed was always taken and eaten because the community needed inexpensive rice.

This kind of information shows that the implementation of the Raskin program has generally been distorted. The most prominent issue that needs to be highlighted is that this program has lost its most important attribute, namely “poor households” as the program target. It seems that the Raskin program has changed into a program that sells subsidized rice to anyone without paying attention to the program’s regulations.

There is also some information that to a certain extent, deviations in allocations occurred because, among other reasons, BPS data as the basis for determining the targets was less than accurate. For that reason, village officials then took a policy decision to correct data errors by allocating Raskin rice in accordance with local poverty conditions. Unfortunately, such corrections did not rely on correct methods such as verifying the data through a village consultative forum, but were based on individual decisions by village officials. Furthermore, for pragmatic reasons, village officials then allocated the Raskin rice to households that are not classified as poor. What is heartbreaking is that

some of those nonpoor households demanded a share of Raskin rice, not because they needed it but for trivial reasons such as “We also want some government assistance” or “We also need and eat rice”. Even more ironically, some nonpoor households purchase Raskin rice not for household food needs, but to use as chickenfeed.

A practice of distributing Raskin rice that makes it possible for managers to adapt it to local conditions—even if it is not in accordance with regulations—should be capable of being used to respond to various socioeconomic changes or shocks that occur at the community level. However, this possibility was not utilized by implementing officials when the GFC occurred even though there are many communities that have been affected by the GFC. Implementing officials only managed the program in accordance with the regulations that they normally followed without any adjustments at all.

Although there have been a number of weaknesses in its implementation, the Raskin program has generally been quite helpful for the community in economizing on life’s costs with a role that varied significantly between recipient households. Although the price of rice could go as high as Rp3,000 per kg, this price was still far below the market price that ranged from Rp4,000–Rp6,500 per kg. The potential benefits of the program could even be higher if more attention was given to poor households and distributions were more regular, so poor households had more certainty with subsidized supplies and had more opportunity to prepare the funds to purchase Raskin rice.

4.2.2 Education Sector

To conduct teaching and learning activities, schools in the study areas receive funding assistance from both the central government and the local *kabupaten*. All schools at the primary and junior high school levels, especially public schools, receive funding from the central government through the BOS program. BOS funds are obtained through a managing bank each quarter of the school year in accordance with program stipulations, namely on the basis of an allocation per student and the number of students in the relevant school. Based on the number of students in primary/Islamic primary/equivalent schools and junior/Islamic junior high/equivalent schools,¹⁹ total BOS funding received by schools in Kabupaten Muba in 2009 reached Rp45.7 billion, while the corresponding amount in Kabupaten Banjar was Rp14.6 billion.²⁰ This allocation was 13% and 20% of the total funding available to the education sector in Kabupaten Muba and Kabupaten Banjar respectively.

From the structure of the regional budget, it is known that these two study *kabupaten* have made quite serious efforts to raise the quality of education and education service. This is evident from the increase in the proportion of the regional budget allocated to education. During the 2007–2009 period, the proportion of the APBD allocated to the education sector in Kabupaten Muba rose from 22.7% to 24.23% and finally to 26.17%.²¹ APBD allocations to the education sector in Kabupaten Banjar during the 2006–2008 period rose from 21.7% to 24.68% and finally to 29.73%. In nominal terms, the budget allocation to education in Kabupaten Muba (more than Rp300 billion) was higher than the allocation in Kabupaten Banjar (approximately Rp200 billion).

¹⁹Education Agency of Kabupaten Musi Banyuasin, 2009.

²⁰BOPD Recipient 2009 data, according to the Decree No. 41/2009 by the *Bupati* of Kabupaten Banjar.

²¹Education Agency of Kabupaten Musi Banyuasin (2009).

This education budget is allocated, among other ways, in the form of cash for each school to undertake teaching and learning activities. Schools in Kabupaten Muba receive funds from the Free Schooling Program that, inter alia, come in the form of a replacement subsidy for the BP3 and routine funding assistance for schools. Schools in Kabupaten Banjar receive BOPD. Funding disbursements for the BP3 replacement funds in Kabupaten Muba and the BPOD in Kabupaten Banjar are made every three months. In Kabupaten Muba, funds are collected by the school principal or his/her deputy at the office of the local Education Agency, while in Kabupaten Banjar, funds are collected at the BPD Bank. These funds are then managed autonomously by each respective school.

Based on the number of students, it is estimated that the budget allocation by the Government of Kabupaten Muba for the BP3 replacement funds is approximately Rp31.6 billion per year. The Government of Kabupaten Banjar allocated Rp6.3 billion in funding for BPOD on the initial launch of the program in 2006, an amount that rose to Rp6.5 billion in 2007, Rp8 billion in 2008, and Rp10.5 billion in 2009. This budget increase is consistent with the rise in the number of students.

Scholarship assistance of Rp360,000 per student per year is provided to poor students in both *kabupaten* by GNOTA. The number of students in receipt of these scholarships is very limited. For example, in one sample primary school, scholarships are only provided to 13.5% of the 207 students and in one other primary school, only 3.2% of 311 students. Determining the students who will receive assistance is done by the school by considering those students who come from poor households or are orphans, or whose parents have many children. In general, students who are chosen receive full scholarships via the school. In Kabupaten Muba, in particular, assistance is also provided in the form of money for food for all education workers, including the principal, teachers, library officials, and school security guards. The amount provided is Rp15,000/person/work day over 22 days per month.

The BOS program that is supported by education funding assistance from the local government provides broader opportunities to children of school age to enjoy a free education service. In Kabupaten Muba, free schooling can be enjoyed by all students in primary up to senior high schools or equivalent. In fact, in this *kabupaten*, a polytechnic building that will deliver free lectures commencing in the School Year 2010 has been constructed. In Kabupaten Banjar, free education can be enjoyed by students in public primary and junior high schools and their Islamic counterparts, while students from private counterparts as well as senior high schools only receive a reduction in the cost of education.

In general, with these programs, community awareness and motivation to send children to school is much better. The level of dropouts is relatively low; in fact, this rarely occurs. The transition rate to junior high school or *pasantren* is also high. These programs have the ability to reduce the burden on the community, especially on the poor, especially during times of crisis. Many citizens acknowledge that if these programs were not available, it is quite possible that their children would not be able to continue their schooling and would have to dropout after completing primary school. Schools also acknowledge that the teaching and learning process runs more smoothly because schools can benefit directly from BOS funds and the funds that are provided by local governments to purchase consumable study materials, student worksheets, and teaching and learning supplies and equipment as well as to fund training or teachers' work activities.

Nevertheless, in accessing education facilities, there are still many communities, especially the poor, who are inhibited by the cost of transport to the location of the school. Students in senior high schools feel this the most because the number of education facilities at this level is still limited and schools are usually only available in the *kecamatan* capital. In fact, quality senior high schools are usually only found in the *kabupaten* capital. From a number of interviews, information was obtained that parents who do not have their own transport have to outlay Rp7,000–Rp10,000 for the cost of transport every day. For rubber tappers, this is equivalent to 30% of their daily income.

4.2.3 Health Sector

As was explained in Subchapter 3.3, the effort to improve health services in the two study *kabupaten* is undertaken through the Jamkesmas program and regional government programs. The regional health service program in Kabupaten Muba is known by the name of Askes Semesta, while in Kabupaten Banjar, it is known under the name Jamkesda. These two health service programs that were initiated by these local governments are intended to anticipate the limited number of targets under the Jamkesmas program that only covers the poor in limited target numbers.

With the availability of Jamkesmas and Askes Semesta, supported by various other health insurance programs such as Askes for Officials (Askes Aparat), Askes PNS, and Jamsostek, the whole community in Kabupaten Muba can receive free health services at various levels of community health facilities, starting from secondary health centers (*puskesmas pembantu* or *pustu*) through to public hospitals at the provincial level. In fact, the community can request free medications at the Cipto Mangunkusumo hospital (RSCM) in Jakarta or hospitals in Singapore if the regional hospital is not able to treat them. According to data from the Health Agency in Kabupaten Muba, 66.4% of the 545,697 people living in this *kabupaten* are covered by Askes Semesta. This is more than the coverage in the Jamkesmas program (26.6%), Askes Aparat (1%), Askes PNS (3.1%), and Jamsostek (3.8%).

In Kabupaten Banjar, free treatment for the entire community is limited to health services at *puskesmas* that have been open 24 hours per day since 2008. Free services in hospitals at the *kabupaten* and provincial levels are only provided to those poor participants in Jamkesmas and the poor who submit a declaration that they are not well-off. In fact, the Jamkesda service in hospitals at the provincial level has just been launched. The numbers of people covered by the Jamkesmas and Jamkesda programs are 119,309 and 46,406 people respectively.

The difference in the scope of free services in these two *kabupaten* is consistent with differences in funding allocations provided. The Government of Kabupaten Muba allocated Rp49.6 billion in 2007 and Rp67.9 billion in 2008 for the Askes Semesta program. The Government of Kabupaten Banjar allocated Rp3.6 billion to the Jamkesda program in 2007, Rp5.1 billion in 2008, and Rp6 billion in 2009 (see Table 7). Increased allocations in 2008 are a result of the inauguration of the free 24-hour service in *puskesmas*.

Table 7. Funding Allocations to Health Programs in Kabupaten Muba and Kabupaten Banjar (Rupiah)

<i>Kabupaten</i>	2007	2008	2009
Muba (Askes Semesta)	49,551,215,008	67,851,174,430	n.a.
Banjar (Jamkesda)	3,599,905,000	5,163,861,000	6,032,129,000

Source: Health agencies of Kabupaten Muba and Kabupaten Banjar, 2009.

The commitment of the governments of Kabupaten Muba and Kabupaten Banjar to providing certainty in health security for the entire community of Muba and the poor in Kabupaten Banjar should be appropriately appreciated. The community can obtain free treatment by just showing their KTP and family card (*kartu keluarga*, which contains information on the members of the family). The results of interviews with several households provide that this commitment is very beneficial for the community. One village official stated, “One of my villagers was suffering from a mental illness. He was taken twice to hospital. The first time, he was treated for 18 days and on the second occasion for 12 days. Now, he is once again healthy and did not have to pay anything at all for his treatment” (male, Kabupaten Banjar, October 17, 2009). In addition, one household respondent said, “My child died at the Sekayu Regional Hospital when he was five years of age. According to the doctor’s diagnosis, he was suffering from an inflamed intestine. All the medical treatment and medications were free and we received a death benefit of Rp1.5 million from the government” (female, 45 years, Kabupaten Muba, October 16, 2009).

When the GFC occurred, these free health programs were very helpful to the community. The free services meant that those people who were generally working as farm laborers or rubber workers did not have to feel worried about the cost of medical treatment when their income fell sharply. For that reason, although a crisis was occurring, the number of patient visits to health facilities in Kabupaten Banjar tended to show no change. In one *puskesmas* visited, for example, the number of patient visits remained stable in the range from 30 to 40 people per day.

Nevertheless, in their execution at the community level, these health services still faced obstacles. Although many people in Kabupaten Banjar stated that the accuracy of targeting by Jamkesmas was quite good, its benefits were less than maximum. Because there was very little socialization of the program, there are community members who do not know of the benefits of the Jamkesmas program. Some respondents did not look after their card and lost it, while there are also cases of patients who had to pay for the cost of expensive medical treatment because they did not use the card. In one study village, the Jamkesmas cards that had just been received in August 2009 were deliberately retained by the village officials because they were worried that they would be lost or damaged. The problem is that this initiative of retaining the cards was not publicized, so the community did not know whether they were a beneficiary of this program or not.

In general, there are several obstacles that need serious attention from the management of free health service programs. Firstly, there is the problem of the cost of transport and transport facilities to reach health facilities, especially for the poor. Secondly, free services did not immediately mean a prime service. There have been a number of complaints about hospitals related to inequitable treatment of poor patients compared with the nonpoor. There were also complaints about medications that were uniform and not efficacious, or insufficient supplies of medications at the *puskesmas*. Thirdly, the requirement to bring a KTP card and family card to access the free service does not appear to have always been fulfilled by patients because this stipulation was not adequately publicized. There are still community members that do not have these two cards or did not bring them when they sought treatment. Fourthly, free health services still need to be supported by adequate numbers of health workers. In one *puskesmas* visited, two pieces of modern equipment could not be operated because there was no doctor or skilled operator.

Because of these various impediments, there are still quite a number of community members who prefer to use other forms of health service although they have to pay for them. Some of them use medications purchased from small shops near their home. Some others, especially those who have sufficient funds, prefer services in medical workers’ practices or from midwives.

4.2.4 Direct Cash Transfers (BLT)

In the two study *kabupaten*, in accordance with the results of the BPS verification, the number of target households in receipt of BLT 2009 has fallen in comparison with BLT 2008. In Kabupaten Muba, the number of target households fell from 35,515 to 34,693 (Social Affairs Agency of Kabupaten Muba, October 13, 2009), while in Kabupaten Banjar, the number of target households fell from 33,407 to 33,072 (Social Affairs Agency of Kabupaten Banjar, October 20, 2009). In general, this fall is not the result of an improvement in welfare levels but is due to household targets that have died or changed address.

As was mentioned by several household respondents, the initial process for selecting BLT recipient households involved village officials. Respondents did not understand the detail of how the verification process operated. In general, village officials and household respondents stated that the targeting of BLT recipient households was relatively accurate. They were considered poor households or those who had the right to receive BLT funds because they were farm laborers or people who were no longer able to work productively because of their age or incapacity. Several of them have been widowed.

Nevertheless, a staff member of the Bappeda office in Kabupaten Banjar estimated the potential for incorrect targeting to 20% because program managers often prioritize family members to receive benefits. Household respondents also said that there was mistargeting because there have been instances of recipients coming from relatively well-off families who already own motorcycles. In fact, there are still many poor households with poor housing conditions who are not in receipt of BLT assistance. Suspicions of mistargeting also arise because there are BPS staff who have fully delegated their responsibility for data collection or verification to village officials, especially to *dusun* heads. In addition to mistargeting, many respondent officials and households consider that the quota for BLT recipients is still inadequate because there are still many families who are not well-off but are not receiving benefits (undercoverage).

As was almost the same with BLT 2005 funding that was disbursed in several tranches every three months, BLT 2008 funds were disbursed in two tranches. In the first tranche, Rp300,000 was allocated for a three-month period, while in the second phase, an amount of Rp400,000 was paid for a four-month period. In BLT 2009, the funds was disbursed once at the end of February in the amount of Rp200,000 for a two-month period. During each funding disbursement, the local post office determined the schedule for disbursement for every village to avoid long queues and chaos. The disbursement process also involved the local police authorities. The funding disbursement service was centered at the *kecamatan* post office because they were unable to provide additional service points. This gave rise to complaints by a number of recipients who lived far from the *kecamatan* capital because they had to pay quite a significant amount of transport costs, that is, up to Rp35,000. In villages that were quite far away and have inadequate public transport facilities, there were instances of village officials who took the initiative to provide rented vehicles to transport BLT recipients at a relatively cheap cost.

When funds were being disbursed, recipient households had to bring their KTP and BLT recipient card. By regulation, the funding disbursement could not be delegated, except for specific cases and the delegated person had to show a power of attorney or letter of introduction from a village official. In practice, delegated responsibility to collect funds could be done by just showing a KTP and BLT card without the required documentation. The person usually delegated to collect funds was the RT head or a member of the recipient family. In several places, funds collection by the RT head was hit with a levy of Rp15,000 per

recipient as a substitute for the cost of transport. In several cases, the collection of funds that had been delegated to the RT head occurred at the request of the RT head himself, so he could obtain a larger payment in lieu of the cost of transport.

Almost all BLT recipient respondents received a full allocation of funds without any deductions from any party. Only one case of a funding deduction was found—an elderly respondent who admitted paying an administration fee of Rp15,000 to the RT head. In general, recipient respondents used some of the BLT funds to fulfill their daily consumption needs. With the additional money from the BLT, they could improve the quality of their consumption for a few days. Some respondents also used some of the BLT funds to fulfill other needs such as medical costs, school needs, electricity bills, paying for the connection to a neighbor's electricity, additional business capital, and paying off debts.

The community feels helped by the BLT funds because they have been able to lessen life's burden. Given that the BLT disbursement for BLT 2008 and BLT 2009 was done while the crisis was occurring meant that the BLT program provided a greater benefit. The cash form of assistance is also considered a strength because recipient households had greater freedom to utilize the funds in accordance with their need. Because of that, when the BLT program ceased in 2009, many community members questioned the decision and felt the loss. They hope that the BLT program will be extended, so they have an additional source of finance that can be relied on.

Many government officials support the BLT program because they consider the program to have helped the poor to fulfill their needs. Nevertheless, there are also officials who have the opposite opinion because they believe the BLT program tended to spoil recipient households and make them lazy. They agree more with labor-intensive programs that are more oriented towards empowering the community.

4.2.5 Family of Hope Program (PKH)

Kabupaten Banjar is one of the pilot locations for the implementation of PKH. In 2008, PKH was instituted in nine *kecamatan* that were directly nominated by the central PKH team. In 2009, one additional *kecamatan* was added to PKH, making a total of ten *kecamatan*. This additional *kecamatan* was determined by the central PKH team after suggestions from the PKH secretariat with the agreement of BPS and the Head of the Social Affairs Agency in the *kabupaten*. The criteria used to select the *kecamatan* for the pilot were: (i) more than 600 very poor households; (ii) an incidence of malnutrition; and (iii) a poor level of education.

The target households of the PKH are very poor households (RTSM) enumerated by BPS and validated by a mentor located at the *kecamatan* level. In general, recipient targets for the PKH in the study areas were accurate. They are classified as very poor households, such as poor widows or poor households with an uncertain income and with responsibility for school children.

According to the UPPKH at the *kabupaten* level, data on target RTSM was updated by mentors each time there was to be a funding disbursement. The data update was done on the basis of the results of monthly meetings between the mentor and the recipient households. As a result, the number of target RTSM changed almost every time there was a disbursement. For example, during the first funding disbursement in Kabupaten Banjar in 2009, there were 4,991 target households, while this fell by 1.34% for the second disbursement to 4,924 households. This change occurred because there were RTSM who no longer met the criteria, among others, because their children had already graduated from junior high school.

Nevertheless, at the *kecamatan* level and in the study villages, the purification of the data on target RTSM did not function as intended. This is evidenced by the number of households that did not meet the criteria but still received assistance from the PKH. In one study village, one household whose school-aged child passed away in 2008 was still receiving PKH. In another study village, one household is still receiving PKH payments although their school-aged child was no longer attending school because she had married.

The problems with the data purification of RTSM targets is closely related to problems with the operation of the mentoring activity. Mentors only came to the post office located in the *kecamatan* capital when a funding disbursement was underway to supervise and check the eligibility of the PKH recipient. Almost all PKH recipient respondents stated that they never met routinely with or had a visit from the mentor at their house or in the village. Only one respondent admitted being approached by the mentor. Meetings with the mentor only took place at the initial stage of the program implementation during the counseling activity which was carried out once for all the villages.

The weakness of the mentoring activity was caused, *inter alia*, by the size of the region and the distribution of the mentored households. One mentor had the task of mentoring approximately 200 target RTSM. In the study region, one mentor had to mentor recipient households spread across 26 villages with houses spread far apart. In addition, the residence of the mentor which was not in the mentored location had an ongoing impact on the weakness of the mentoring process. The mentor in the study area came from the provincial capital which was approximately two hours by motor vehicle away. According to the *kabupaten* UPPKH, the mentors who were recruited and appointed by the central UPPKH should have come from the local *kecamatan*; however, due to a shortage of human resources to fulfill this requirement, there were mentors who came in from outside the *kecamatan*.

The disbursement of PKH funds for target households is done every four months. An announcement about the funding disbursement is provided to the village head by the mentor. Funds can be collected during a 40-day period from the first day of disbursement. If funds are not collected within this period by the target household, the funds are returned to the State Treasury. The funds have to be collected by the wife or female household head by taking their KTP, PKH membership card, and family card. If the appropriate person can not attend, responsibility can be delegated to another family member or party by bringing a power of attorney.

In 2009, there were two funding disbursements, in April and June 2009. The second disbursement was done early so that it could be done in conjunction with the start of the new school year and parents could purchase their children's school equipment. During this second funding disbursement, in Kabupaten Banjar, some funding allocations were not realized because there were recipients who did not collect their funds with the reasons that they had changed address, died, or other reasons. During the first funding disbursement, there were 45 RTSM who did not take their funds amounting to Rp16 million, while in the second disbursement, 25 RTSM did not collect Rp8.7 million in payments.

Most PKH recipient respondents received payments without any deductions. They only had to pay the cost of transport which was Rp10,000–Rp35,000. In one study village, however, recipient households were asked to deposit Rp30,000 with the local RT head to cover the transport cost for collecting the invitations to disburse the PKH funds. In addition, in another study village, there were RTSM recipients who received different amounts. In the first phase, they received Rp780,000, while in the following phase, they only received Rp770,000. Although a deduction had been made, no household made an effort to find out the reason or

lodge an objection. For them, being able to receive that amount of money every four months when many other households were not receiving it was a privilege, so when there was a small deduction, they did not consider it to be a problem.

PKH is considered to have been quite helpful to recipient RTSM who are generally farm laborers and have been hit hard by the GFC. However, because the number of recipients is limited, the impact of the program on the community is generally not significant. In general, recipient households used the PKH funds to fulfill their children's health and education needs, by buying milk, extra food, shoes, uniforms, school equipment, and school snacks. In fact, there were also households that used the funds for daily consumption items and to pay off debts.

4.2.6 Loans for Small-scale Businesses (KUR)

As has often been reported by the media, Bank Indonesia has appealed that the channeling of KUR loans adhere to the principles of healthy credit provision. Bank Indonesia hopes that the fate of KUR does not end up the same as previous mass credit programs whose regulations were corrupted. In anticipation of this concern, implementing banks then applied tighter loan-issuing procedures that mirror the normal system of commercial loans. This policy had become an obstacle to the implementation of the KUR program which is evident from a fall in the realization of credit provided.

In 2008, the national target for the KUR program was Rp14.5 trillion, while the actual amount realized was Rp12.45 trillion (86%) for 1.65 million debtors or an average loan per debtor of Rp7.52 million. This means that every month more than Rp1 trillion in KUR loans were disbursed. In 2009, the level of loans realized fell dramatically. From a target of Rp20 trillion, only Rp1.9 trillion had been realized by the end of semester I, an amount that was not far different to the amount realized in a month during the previous year. Several main causes were identified for the low level of realized KUR loans in 2009. Firstly, the Bank Indonesia checking policy required a check on the use of the funds and the worthiness of the debtor business. The policy had lengthened the time needed to disburse the credit. Secondly, debtors who have already liquidated a KUR loan were not permitted to obtain another loan, whereas looking for new borrowers with a new scheme was not easy. Thirdly, according to bank observers, the linkage program mechanism added a stage to the loan disbursement. This caused a rise in interest costs, so the interest rate offered was more than 16%.

In Kabupaten Muba and Kabupaten Banjar, community awareness of the KUR program is very limited. At the *kecamatan* level, the existence of the KUR program is only known by a few staff at the *kecamatan* and village office. In general, they know of the existence of the KUR program from television, so their level of understanding of the program, including the loan mechanism, is very limited.

Touching on the problem of the involvement of relevant agencies in implementing the KUR program, one staff member at the Agency for Cooperatives, UMKM, and Market Management in Kabupaten Muba explained that their agency was only involved in the socialization of the program at the *kabupaten* level. The socialization of the program was carried out by one implementing bank to several associated agencies. After that, his agency never participated or was not invited to speak about the KUR program, so they do not have information about the running of the KUR program in their area.

Almost all household respondents, with the exception of several respondents in Muba, have never heard and are not aware of the existence of the KUR program. It appears that limited socialization means that many village communities do not know of the existence of the KUR program. For that reason, community members who know of, have applied for, or have been able to access the KUR program are very limited in number. These community members were only found in one study village in Kabupaten Muba which is located near the *kecamatan* capital and where the village head had a business activity. According to one village official, the KUR loan scheme is no different to commercial loans and results in a low level of community access.

The low level of community access to the KUR program shows that it does not have an important role in the effort to reduce the impact of the crisis. The poor role is also worsened by the program target that only covers the community that already has a business, which is generally not the worst-affected group. This condition also means that the KUR program also has a limited role in empowering micro and small-scale businesses.

Several respondents who have applied for and received KUR loans have different experiences. The type of business activity and the security of loan repayments affect the assessment of the business' worthiness and determine the granting of a loan. One rubber farming respondent explained that he had applied for a KUR loan with the local BRI in 2008 because he was inspired by the other villagers who had obtained KUR loans. All of the requirements such as KTP, family card, photos, business registration papers, and other documents were completed and submitted. To date, however, there has been no response from the relevant bank. One other respondent who successfully accessed KUR explained that the process to obtain a loan was relatively easy. In order to develop a trading business, he applied for a loan of Rp5 million from the local BRI bank. After the loan requirements were fulfilled, BRI agreed and released the loan funds in accordance with the application. An amount of Rp4.5 million from this loan could be used, while the remainder of Rp500,000 was collateral to be saved and could not be taken in accordance with the regulations stipulated in the KUR scheme. According to this respondent, the process from lodging the application until the disbursement took ten days.

4.2.7 Village-owned Enterprises (BUMDes)

In 2007, the Government of Kabupaten Banjar established BUMDes Barakat Bersama or BUMDes for short. BUMDes is a business activity based at the *kecamatan* level with the objective of advancing and getting the wheels of the rural economy moving in accordance with local economic potential. Initially, BUMDes were only established in four *kecamatan*. In 2008, the number grew to 13 BUMDes and in 2009 to 17. BUMDes is managed by a staff of the *kecamatan* office who is appointed as the director and the *camat* fills the role of commissioner or supervisory board. Seed funding for the BUMDes of Rp10 million per village was provided by the *kabupaten* government and this became the shareholding of each village. In 2008, the regional budget for BUMDes, including operating costs, reached Rp2.8 billion.

According to the BUMDes manager at the *kabupaten* level, the BUMDes generally operates dynamically. Several BUMDes have been quite successful at developing their business activities. In the business of trading in agricultural products, for example, several BUMDes can compete strongly with business brokers. In fact, they are able to offer a high buying price, so it is more profitable for farmers. Several BUMDes have also successfully passed the evaluation and selection process undertaken by the regional government to trigger the development of BUMDes. These BUMDes will become the best practice BUMDes to be replicated in other places. It is also acknowledged that the success of BUMDes has attracted the interest of several local governments from other regions to undertake comparative studies and develop similar programs.

Nevertheless, the managers of the BUMDes in two study *kecamatan* admit that the running of the BUMDes in their areas is still experiencing a number of obstacles. The causes include the poor performance of managers, low interest of the community in borrowing, and low community awareness of repaying loans. The BUMDes in one study *kecamatan* that was established in 2008 conducts a savings and loan business with seed funding of Rp260 million. These funds have been loaned to the community at 2% interest per month, with a loan period of around six months, and the size of the loan depends on the capacity of the borrower as well as the value of collateral provided. After one year of operation, only around 30% of loans have been repaid and, at the present time, the newly appointed manager is actively collecting loan repayments. Since July 2009, this BUMDes has also been running a cattle fattening business that is carried out by the community and now has 15 head of cattle. BUMDes in other study *kecamatan* are also operating savings and loan businesses, but are not running effectively because there are few interested parties. However, other businesses in the form of trading in agricultural products can operate, although they are less developed.

4.2.8 Other Programs/Assistance

In addition to the various social protection programs mentioned above, the governments of Kabupaten Muba and Kabupaten Banjar also provide several other programs with the objectives of assisting in developing services and simultaneously reducing the economic burden on the community. The Government of Kabupaten Muba provides death benefits and free services for the production of SIM, KTP, birth certificates, and the administration costs of first marriages; while the Government of Kabupaten Banjar provides a death benefit and a free KTP service.

Respondents, both government officials and the community, consider these programs to be very helpful for the community, especially for the poor. In Kabupaten Muba, a family that has suffered a death will receive a benefit of Rp2.5 million for the death of an adult or Rp1.5 million if a child passes away, while Kabupaten Banjar provides a benefit of Rp500,000 per death. These benefits can be obtained by submitting a request and identification papers from the local village head to the *kabupaten* government through the *kecamatan* office. These various regional government programs are not intended to reduce the impact of the crisis because these programs have existed long before the crisis occurred.

In Kabupaten Banjar, coal mining companies provide a variety of assistance for communities located near mines in the context of their corporate social responsibility (CSR). Assistance is provided in the form of benefits for orphans, incentives for teachers paid by honorarium, and contributions for mosques, madrasa/schools, village and school games, and other activities. These companies also provide assistance to repair roads and markets as well as provide clean water supplies. In addition, these companies also provide compensation in the form of village fees or “dust money”, the size of which is in accordance with the volume of production, to households and village officials. One study village that has become a mining location received a fee ranging between Rp50 million to more than Rp150 million per month. These fees are received by the village head and then shared amongst institutions at the village level and the community with the percentage share determined by village decision. According to a confession by the village community, each household receives an amount that ranges from Rp100,000 to Rp400,000 per month from these fees. In other villages that have become stockpiling points for coal before it is transported to the port, the mining company usually provides “dust money” for the community that lives within a certain radius. The amount of the “dust money” and the number of households that receive it is more limited.

In Kabupaten Banjar, there is another form of assistance that is sourced from donor institutions in order to empower the community's economy through savings and loan assistance. This program is a project of the Social Affairs Agency of Kabupaten Banjar that is funded by CERD.²² Villages that receive this program form an LSPBM. Each village receives seed funding of Rp23 million that will be loaned to the community in maximum amounts of Rp1 million and interest of Rp30,000 per year. The implementation of this savings and loan activity faces obstacles in the form of poorly performing loans—around 20%. Nevertheless, managers consider the volume of poorly performing loans to still be within reasonable limits and at the moment, they are making efforts to ensure that customers repay their loans as quickly as possible.

²²CERD (Community Empowerment for Rural Development) or the Community Empowerment Program for Village Development (Program Pemberdayaan Masyarakat untuk Pembangunan Desa—PMPD) is funded by a soft loan from the ADB that is collaborating with the Government of Indonesia. For Kabupaten Banjar, in particular, this program was implemented in two phases. The first phase was implemented during the 2001–2006 period and the second phase commenced in 2007 under the name CERD-Mandiri. The empowerment program takes the form of savings and loan activities that follow the pattern of the Community-based Savings and Loan Organization (CBSLO).

V. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The community is still feeling the negative impact of the GFC although the intensity is declining. However, many government officials have an inadequate awareness and in-depth understanding of what is really happening in the community's life. This situation is especially the result of a lack of an information system on the community's socioeconomic condition that is tiered, periodic, and systematic. The availability of this information system could become the prime mover for the emergence of a sense of crisis and later give birth to a policy that reduces its impact. As a consequence, there are no government officials at any level or in any sector who have clearly responded to the impact on communities that have been most affected by the GFC. There has been no initiative from the central government to provide specially planned social protection programs to reduce the negative impact of the GFC. The failure to make this effort is also closely related to the brief nature of the GFC impact in disrupting the life of the community. The most severe impact of the crisis only lasted for around three months.

Not only have there been no special PPS initiatives to reduce the impact of the crisis, but there has been no attempt or plan from government officials to adjust existing PPS to respond to the GFC. The failure to take these initiatives is due to: (i) PPS are planned as poverty reduction programs with specific targets, especially the poor, whereas anyone could be affected by the GFC; (ii) not all PPS provide the space for implementing officials to adapt them because their schedule and program targets have been predetermined; and (iii) PPS officials have the attitude that alleviating the impact of the crisis is not their responsibility.

Government officials are only running existing social protection programs with a standard mechanism according to regulation. Fortunately, there are types of PPS with general targets (in the health and education sectors) that unintentionally assist in reducing the expenditure burden on the communities hit by the impact of the crisis, especially those hard hit. However, there are communities that "cannot" access them because of transport costs and administrative requirements. There are also some communities that "do not want" to utilize them because they consider that the free medical treatment service is not good or the medications are ineffective, or because they are embarrassed to accept free treatment.

Actually, in the distribution of Raskin rice and the management of PNPM, many village officials have been adapting these activities although they have sometimes breached regulations, for example, in the determination of Raskin targets, increasing the selling price of rice to cover the distribution costs, reducing the allocation of rice per household so more households receive an allocation, changing the PNPM project labor plans, priorities for determining SPP recipients, and so forth. Such practices should be used to respond to the impact of the GFC and be decided through official policy by local government. However, implementing officials do not use these practices to assist affected communities.

Other problems faced by various social protection programs are a lack of integration (separated across ministries/management agencies) and each respective program tending to operate independently. The launch of PNPM is considered to be the initial point of awareness and, at the same time, the answer to these problems. In fact, PNPM clearly states that its aim is to reduce poverty and broaden employment opportunities through the consolidation of existing social protection programs in various ministries/institutions. This role is only possible if PNPM management is placed under one institution that has policy authority over

ministries/agencies that have, until now, been known to suffer from “sectoral ego sickness”. In addition, at the implementation level, PNPM needs to provide space for local adjustment that is tightly regulated and supervised, including when managers need to adjust program activities to face disasters that have mass and local impacts.

5.2 Policy Recommendations

Social protection programs are part of the state’s responsibilities to maintain and/or improve community welfare. Implementation aspects of social protection programs that have been ongoing still need to be improved and/or adapted to actual conditions that evolve in the community.

- a) Social and economic shocks can occur anytime and the impact can affect any group in the community. For that reason, it is time for the government to plan and develop a crisis information system that is fast, timely, and accurate. The search for information can be undertaken through news reports monitoring, the utilization of communication technologies such as quick counts, and field surveys. This information system has to involve various relevant stakeholders from the government and the private sector, both at the center and in the regions.
- b) All forms of social protection programs that are now operating were only designed for normal socioeconomic conditions. In order to assist community groups that have been affected by socioeconomic shocks such as the GFC, especially the poor or those who have fallen into poverty, the following steps need to be undertaken:
 - (1) For reasons of effectiveness, efficiency, and a more responsive emergency performance, the central government needs to provide a legal framework in the form of implementation guidelines that provide the space or flexibility for legally modifying the existing social protection programs to respond to, or recover from, the impact of socioeconomic shocks in the community.
 - (2) When socioeconomic shocks occur, the central and regional governments need to adapt the implementation mechanism of the following social protection programs:
 - (a) **PNPM**: Simplify the stages in the activity process and the disbursement of funds. If necessary, when socioeconomic shocks occur and the funding disbursement is not completed, bailout funds can be used.
 - (b) **Raskin**: Provide authority to implementing officials at the village level to adapt the targets, the amount of rice allocated to each target, and the rice quota across regions in accordance with the nature of the shock and the groups affected. If necessary, distribute rice at no cost to the affected groups.
 - (c) **BOS**: Encourage regional participation to raise APBD contributions to the education sector, so free education services are available to the affected communities.
 - (d) **Jamkesmas**: Encourage regional participation to raise APBD contributions to the health sector, so free health services are available to the affected communities.
 - (e) **BLT**: Implement ad hoc BLT programs in affected regions.
 - (f) **PKH**: Direct development in PKH pilot regions to affected areas.
 - (g) **KUR**: Increase the intensity and effectiveness of socialization and simplify the loan requirements and procedures.
 - (3) The government needs to create special programs to respond to the impact of crises, for example, labor-intensive programs (cash for work).

- c) To guarantee the achievement of various government initiatives to raise the people's welfare and sharpen an understanding of social protection programs overall, the concept of social protection programs needs to be viewed and understood within the following four groups of objectives:
- (1) **universal programs** that are undertaken in connection with the government's responsibility to develop Indonesia as a welfare state, through the provision of free health programs (the development of Jamkesmas) and free schooling programs (the development of BOS);
 - (2) **poverty reduction programs** that are implemented sustainably in the effort to reduce the number of poor households (PKH, PNPM, and KUR);
 - (3) **recovery programs from the impact of crises and disasters** that are specially provided for communities affected by local and mass socioeconomic shocks to ensure the availability of reasonable basic needs and recovery/provision of community businesses (Raskin, BLT, and labor-intensive projects); and
 - (4) **social assistance programs** that are specially provided for poor citizens who are not yet or not productive, such as assistance for orphans, people with disabilities, and the aged.
- d) Until now, the management of social protection programs has been dispersed across several institutions. In the field, the synergy between programs is weak because of a lack of coordination among other reasons. For that reason, the implementation of all social protection programs should be integrated and placed under the control of one central institution that has a strong mandate. In addition, the implementation of these programs needs to consider the politics of decentralization and regional participation, with clear sharing of government administrative functions (see Figure 5).
- e) Given that the ability to fund social protection programs is still limited and also for reasons of social justice, universal social protection programs need to obligate well-off communities to contribute to their funding.

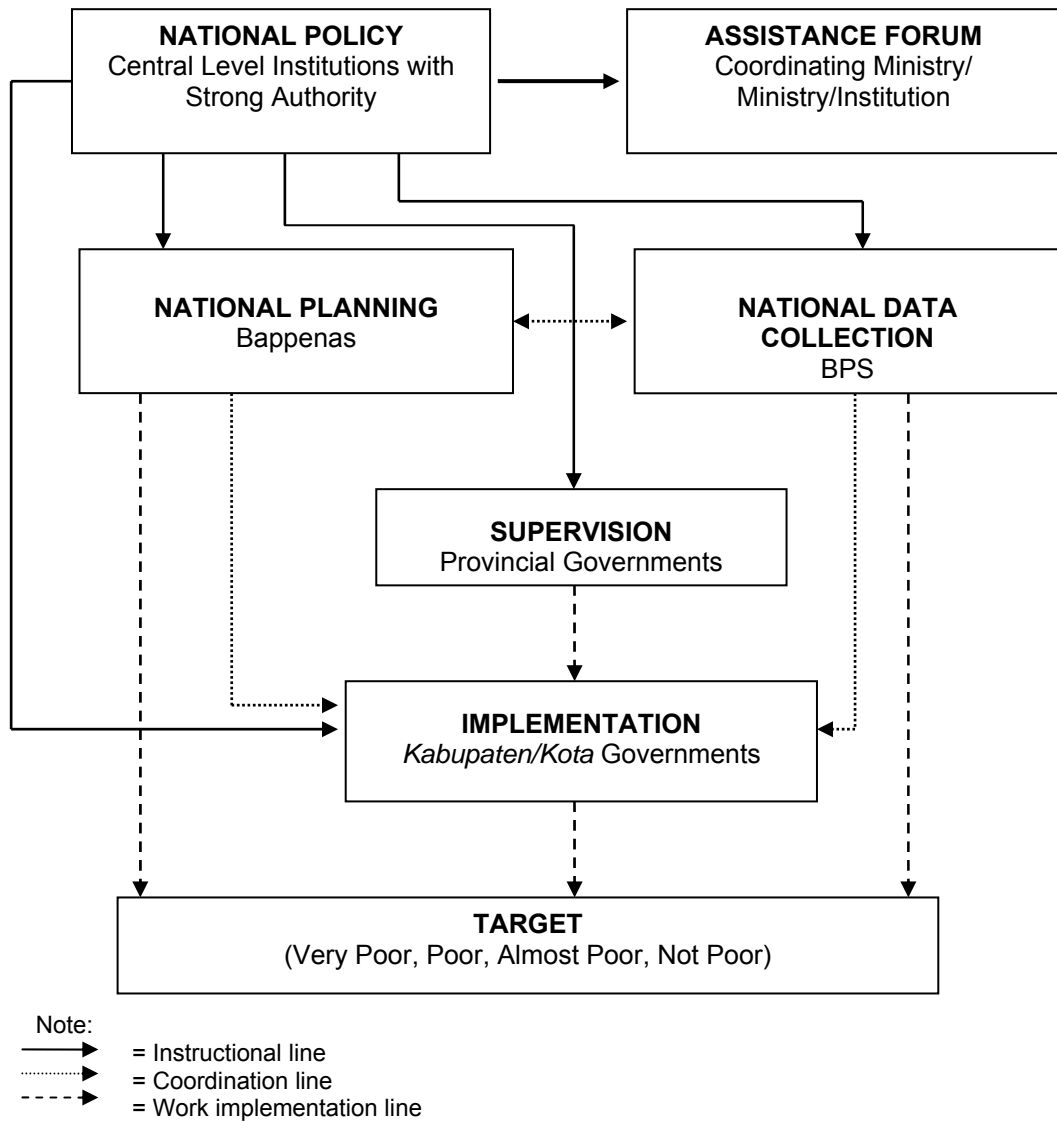


Figure 5. Organizational structure of social protection programs

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