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Optimizing the Distribution of the Social Assistance Program during the COVID-19 Pandemic

Fajar B. Hirawan

Researcher, Department of Economics, CSIS Indonesia;

Research Fellow Disaster Management Research Unit, CSIS Indonesia

fajar.hirawan@csis.or.id

The social assistance program as a mainstay instrument of the Indonesian government to maintain people's purchasing power and tackle socio-economic problems during the current economic crisis seems to have encountered a lot of steep paths in its distribution. Problems were found in almost all lines, from upstream to downstream. On the upstream level, problems related to the validity of social assistance recipient data arise, while on the downstream, problems generally arise due to improper targeting of social assistance distribution in the community. This paper seeks to contribute some thoughts to optimize the distribution of social assistance to the community, especially during the COVID-19 pandemic.

Prolonged Economic Turmoil and Gloomy Economic Performance in 2020

Prolonged economic turmoil seems to be a frightening specter for almost all countries. The world economy has been slowing down since 2018 due to the increasingly populist policies of influential countries, including trade wars between the United States (US) and China, as well as other external factors, such as falling commodity prices and trade volumes. This circumstance has made several countries run out of ideas to keep pushing its economic growth in a positive direction. However, since late 2019 and early 2020, the spread of the COVID-19 outbreak and its devastating impact has burdened the world economy.

Some institutions, which include the International Monetary Fund (IMF) and Economist Intelligence Unit (EIU), have revised their economic projections. None of the projections on the 2020 economic growth show a positive trend. Table 1 shows the projected economic growth in several world regions conducted by EIU (as of April 9, 2020). The table indicates that almost all regions experienced negative economic growth, except for Asia and Australasia, although it is likely to improve in the following years (2021-2022).

Table 1. World Economy Projection, 2020-2022 (%)

REGIONS	2020	2021	2022
World	-2.5	3.0	2.9
North America	-2.9	1.9	2.1
European Union	-6.0	1.3	1.5
Asia & Australasia	0.4	5.2	4.2
Latin America*	-4.6	2.1	2.7
Middle East and Northern Africa	-2.2	2.7	3.1
Sub-Saharan Africa	-0.2	3.1	3.8

**Except Venezuela, Source: The Economist Intelligence Unit*

In a press conference in early April 2020, the Indonesian Ministry of Finance presented two scenarios of the country's economic growth performance that are likely to occur in 2020 (-0.4 to 2.3 percent). The two scenarios are identical to the projections made by Damuri and Hirawan (2020)¹ in the pessimistic and status quo scenarios (0-3 percent) and super pessimistic scenarios by McKibbin and Fernando (2020)² that is in the range of -1.3 to -4.7 percent. Unfortunately, the figures from the three different sources are very far from the projected economic growth in Indonesia in 2020, which is stated in the State Budget (APBN), which is 5.3 percent.

1 Yose Rizal Damuri & Fajar B. Hirawan. Mengukur Dampak COVID-19 Pada Pertumbuhan Ekonomi dan Perdagangan Indonesia 2020. CSIS Commentaries DMRU-015, 26 March 2020.

2 Warwick McKibbin & Roshen Fernando, The Economic Impact of COVID-19, in Economics in the Time of COVID-19, eds. Richard Baldwin and Beatrice Weder di Mauro (London: CEPR Press, 2020), 45 – 51.

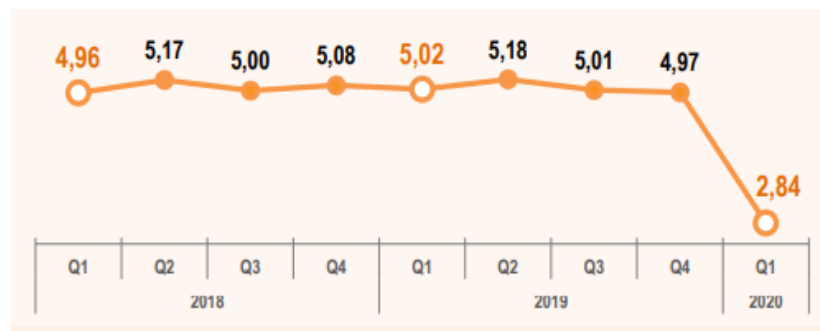
Weakening Purchasing Power and Economic Growth

The economic downturn due to the spread of COVID-19 is akin to drama series, which is a continuation or addition of the previous series related to the economic slowdown. Gloomy performance of the Indonesian economy has begun to be felt by middle to lower-income families, which has indeed begun to slow down since 2018, then exacerbated by the COVID-19 storm with no conclusion on sight yet. The uncertain situation hit several components of economic growth, ranging from household consumption to the trade sector.

The component of household consumption is indeed a very serious concern in Indonesia. The 2008 economic and financial crisis reminded us that the household consumption sector minimized the effect of economic turmoil contributing to the fact that Indonesia was still able to grow at around 4 percent in 2009. That happened because the structure of Indonesia's Gross Domestic Product (GDP) by expenditure was mostly contributed by the household consumption sector (55-60 percent), followed by the formation of gross fixed capital formation or investment in the range of 30 percent.

Meanwhile, the current spread of COVID-19 has a very significant impact on Indonesia's household consumption. The implementation of PSBB (large-scale social restrictions) in several regions, especially in big cities that are the pulse of the Indonesian economy such as Jakarta and Surabaya, has directly lowered Indonesia's overall economic performance. Market, offices, and other economic activities experienced a very significant decline. Even though most of the implementation of the PSBB started in April, less encouraging news was already seen from the growth in household consumption in the first quarter of 2020 (January-March), which was 2.84 percent (yoy) from 4.97 percent (yoy) in the previous quarter (see Figure 1). The decline in household consumption might be steeper after taking into account the impact of the implementation of the PSBBs, which were almost simultaneously carried out in April 2020. In other words, the decline in household consumption growth is likely to be even more alarming in the second quarter of 2020.

Figure 1. Household Consumption Growth (yoy, %)



<i>Periods</i>	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
<i>% (yoy)</i>	4.96	5.17	5.00	5.08	5.02	5.18	5.01	4.97	2.84

Source: *Badan Pusat Statistik/Central Statistics Agency (BPS)*

It is worth noting that Indonesia's economic performance has been slowing down since the end of 2019 due to a slowdown in the global economy, both originating from external disturbances (such as trade wars and falling commodity prices) and internal (including slow structural and bureaucratic reforms, lack of fiscal and monetary performance, and the stagnation of sources of economic growth). The most pertinent question is then how do we mitigate a deeper weakening due to the implementation of PSBBs? The social assistance program seems to be the answer. However, a program such as this is sometimes more problematic than other fiscal instruments that are also aimed at sustaining household consumption.

Social Assistance Program as a Support of Purchasing Power

The Indonesian government has responded to mitigate the worsening economy by issuing Presidential Regulation (*Perpres*) No. 54/2020 as a derivative of Laws and Regulations (*Perppu*) No. 1/2020, which has been ratified as Law No. 1/2020 this May 2020. The fiscal stimulus of IDR 405.1 trillion has been allocated to encourage improvements in several sectors, including health (IDR 75 trillion), industry support (IDR 70.1 trillion), social safety nets (IDR 10 trillion), and economic recovery programs (IDR 150 trillion).

This social safety net is needed to maintain people's purchasing power in the midst of the pandemic. The Fiscal Policy Agency (BKF) projections estimate an increase in the number of poor people in Indonesia in the range of 1.16 to 3.78 million people. Meanwhile, the World Bank and the SMERU Research Institute are predicting an increase in the number of poor people in the range of 5.6-9.6 million and 1.3-8.4 million people, respectively.³ The poverty rate in Indonesia can possibly return to double-digit levels.

Therefore, the social assistance program seems to be the right instrument to sustain or at least minimize deeper contractions in Indonesia's economic growth performance. Of the IDR 110 trillion allocated to social safety nets, IDR 65 trillion was earmarked for additional social safety nets (PKH (*Program Keluarga Harapan*)), food packages (*Sembako*), pre-employment cards (*Kartu Pra Kerja*), electricity tariff waivers and discounts, and housing incentives for low-income communities, IDR 25 trillion for reserves to meet basic needs and market operations, and IDR 19 trillion for adjustments to the education budget for handling COVID-19. Specifically, for the social assistance program, the government also allocated IDR 3.42 trillion for basic food assistance and IDR 16.2 trillion for cash assistance (*Bantuan Langsung Tunai (BLT)*).

Gentilini *et al.* (2020)⁴ found that since May 1, 2020, 159 countries had planned, introduced, or implemented 752 social protection programs or safety nets, 455 programs (60 percent) of which were in the form of social assistance schemes. And of the 455 programs, 54 percent are in the form of cash assistance (transfer), both conditional and unconditional. BKF also made a similar study as a basis for consideration of the distribution of social assistance in Indonesia to support people's purchasing power.

The government is trying to maintain purchasing power and reduce the burden on lower-middle-income households not only through social assistance, but also through subsidies, tax relaxation, and other facilities. However, the allocation of funds amounting to IDR 19.62 trillion for the social assistance program for three (3) months of the pandemic period, namely April-June 2020, will be

³ Febrio Kacaribu. Arah Kebijakan Fiskal dalam Penanganan COVID-19: Program Jaring Pengaman Sosial untuk Masyarakat Miskin dan Rentan. Paparan Diskusi Webinar CSIS, 1 May, 2020.

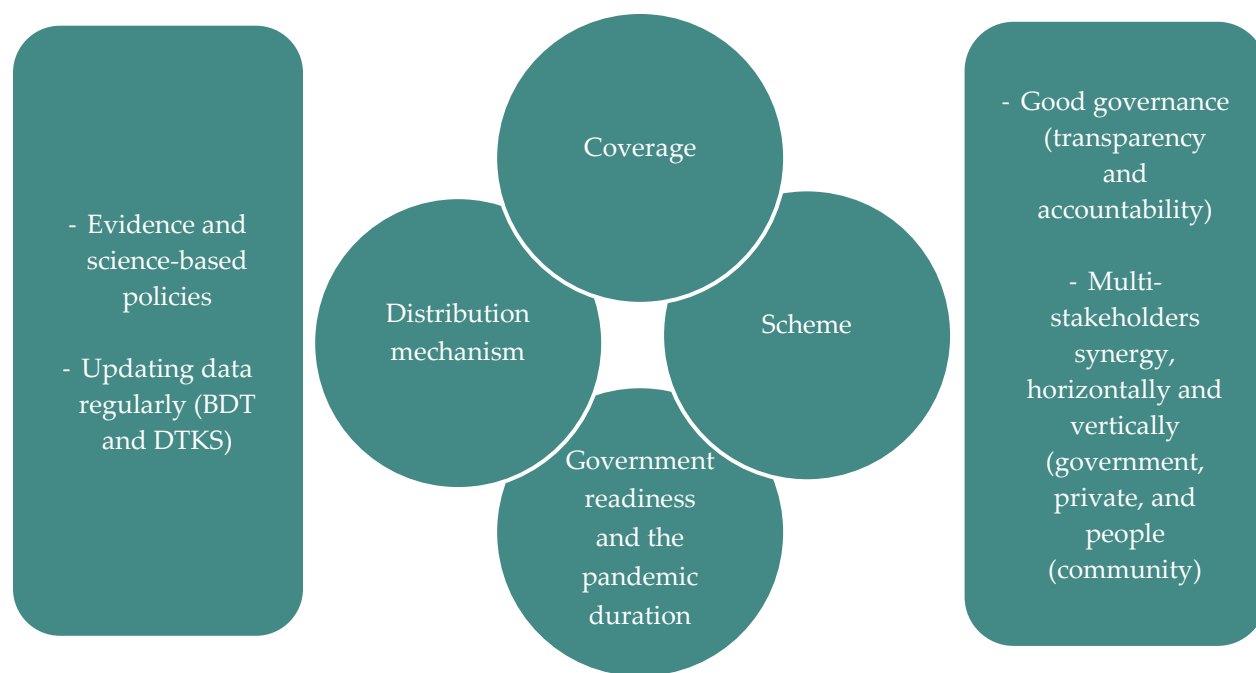
⁴ Ugo Gentilini, Mohamed Almenfi, Pamela Dale, Gustavo Demarco, & Indhira Santos. Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measure. Living paper version 7, 1 May, 2020.

meaningless if the distribution is not on target. Problems will arise, both from the upstream (data collection) to downstream (the recipient of the social assistance program).

How to Optimize the Distribution of Social Assistance Program

The distribution of the social assistance program has never been easy. This is generally caused by the lack of readiness of the party that distributes the assistance, i.e., the government. Problems may start from the data collection until the recipient of social assistance, i.e., the beneficiary family (*Keluarga Penerima Manfaat*). Barany *et al.* (2020)⁵ argue that there are at least four (4) key aspects that need to be considered so that the distribution of social assistance program can run effectively and efficiently: social assistance coverage, social assistance schemes, pandemic duration, and government readiness, and the mechanism of social assistance distribution (see Figure 2). In this paper, I use the same aspects, but with a slight modification. I include the most important things related to the distribution of the social assistance program during this pandemic.

Figure 2. Key aspects in distributing social assistance program



Source: Modified and adapted from Barany et al. (2020)

First, the coverage aspect of targeted recipients is the important initial stage of distribution of social assistance, which requires valid data regarding community groups entitled to receive assistance. Updating the data of low-income families during a pandemic must be done because the economic crisis caused by COVID-19 has attracted several groups that were "not entitled" to get social assistance to be categorized as "entitled." The Integrated Database (BDT) or Integrated Social Welfare Data (DTKS) needs to be updated in order to capture various community groups significantly affected by the pandemic. Workers who are laid off without temporary and permanent salaries, informal workers,

5 Lestary J. Barany, Indra Simanjuntak, Dewa Ayu Widia, & Yose Rizal Damuri. Bantuan Sosial Ekonomi di Tengah Pandemi COVID-19: Sudahkah Menjangkau Sesuai Sasaran. CSIS Commentaries ECON-002-ID, 15 April 2020.

and even workers who are still working but get massive salary cuts (up to 50 percent deductions), cost burden for households, especially electricity bills. Therefore, updating the recipient data for this social assistance program is mandatory. It should not only cover 40 percent of low-income groups but should be up to 50-60 percent of low-income people.

Second, related to the debates on two forms of social assistance scheme: is it better to give it in cash or non-cash (in-kind)? The government has planned and run two forms of social assistance programs, namely basic food assistance and cash. Basic food aid assistance, included rice, cooking oil, sardines, corned beef, tea bags, sweet soy sauce, chili sauce, instant noodles, soap, and UHT milk delivered to the recipient's house every two weeks, in cooperation with PT Pos Indonesia and online transportation provider. Meanwhile, cash assistance is in the form of cash of IDR 600,000 per family per month distributed through PT Pos Indonesia and the State-Owned Bank Association (HIMBARA).

Data released by the Central Statistics Agency (BPS), as of March 2019, indicated that the population is on the poverty line. The average monthly expenditure per capita in urban areas is IDR 442,063 and IDR 404,398 in rural areas. Meanwhile, expenditure on food consumption per capita per month in urban areas is IDR 316,687 and IDR 309,287 in rural areas. From these statistics, one can see that more than 70 percent of expenditure is used for food consumption.

Therefore, social assistance schemes in the form of food or cash are important to meet the needs of the community during the pandemic. When viewed from the effectiveness and efficiency associated with social assistance schemes, the authors argue that the cash social assistance scheme should be higher than the average value of expenditure per capita (minimum IDR 800,000 per month). Policy makers need to consider that the beneficiary families (KPM) need the flexibility in using their money (consumption or payment of a debt) during an emergency due to the COVID-19 outbreak.

Third, the duration of the pandemic and the readiness of the government are crucial to the effectiveness of the distribution of social assistance. The uncertainty caused by the COVID-19 outbreak affects the effectiveness of the Indonesian government in designing economic policies related to the distribution of social assistance. The curve that has not been flattened and the less effective application of PSBBs in several regions have become the obstacles for the government in implementing this social assistance policy.

Meanwhile, the government must move quickly and give priority to community groups whose purchasing power has been disrupted and find it more difficult to survive in meeting their daily needs, especially related to food. The government needs to design a periodical priority distribution map of social assistance. Three months of social assistance distribution (April-June 2020) does not appear to be sufficient in supporting the poor because the number of patients exposed to COVID-19 continue to increase until mid-May 2020. A social assistance scheme is needed for at least the next 6 months (April-September 2020) or even until December 2020 if the pandemic continues. The readiness of the government to provide and distribute social assistance for a certain period of time (with the worst-case scenario, which is the maximum until December 2020) is the key to the success of the distribution of social assistance to the poor.

Fourth, the mechanism for the distribution of social assistance, which is the last channel before reaching the beneficiary family (KPM). A practical and straightforward distribution mechanism is needed so that the distribution of social assistance will be faster and targeted. The use of digital technology might be the answer related to the social assistance distribution mechanism. However, one question remains whether or not digital infrastructure has been evenly distributed throughout the country? The use of digital technology will facilitate convenient and faster distribution of social assistance.

Mapping of digital technology availability is needed. The government then can consider which distribution mechanism will be used: money transfers or vouchers that can be directly cashed or spent through a mobile application (smartphone), or still need to require KPM to come to the office of PT Pos Indonesia or State-Owned Banks that have the most extensive branches all over Indonesia (for example Bank Rakyat Indonesia (BRI)). In essence, the distribution of social assistance must be practical, easy, and simple, so that the delivery of social assistance can be quick and precise to the groups of people who are most entitled.

Conclusion

Finally, the distribution of social assistance program should be managed well, observing the values of good governance, transparency, and accountability. Proper horizontal and vertical synergy (communication, coordination, and collaboration) should be implemented. The horizontal synergy is closely related to cooperation among institutions at the same level (state to state or local to local). The vertical synergy refers to cooperation among institutions at different levels (state to local). Moreover, active participation of the community also needs to be taken into account so that the distribution of social assistance can be optimum and meet the needs of people who need it the most. Self-registration in the context of self-reporting can be a form of community participation. It can be facilitated by empowering the existence of the smallest government units in society (*Rukun Tetangga* (RT), *Dusun*, and *Lingkungan*).

CSIS Indonesia, Pakarti Centre Building, Indonesia 10160

Tel: (62-21) 386 5532 | Fax: (62-21) 384 7517 | csis.or.id

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