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REPUBLIK INDONESIA

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TOWARDS CHILD-SENSITIVE SOCIAL PROTECTION IN INDONESIA

CHALLENGES AND OPPORTUNITIES

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SUMMARY

Indonesia's development vision is to become one of the four largest economies globally and reach high-income country status by reducing extreme poverty to zero. With poverty in childhood also the root cause of poverty in adulthood, realizing this government vision requires a focus on the **eradication of child poverty** as a vital first step.

Social protection – which encompasses social assistance, social insurance, social care services and labour market programmes – plays a key role in poverty reduction. Social protection that is **child-sensitive** addresses poverty, vulnerabilities, exclusion and shocks faced by children at different stages of their lives.

This brief, based on recent empirical studies and international literature, presents information on the extent of poverty and inequality in Indonesia and how children are affected. It examines how Indonesia's current social protection, particularly social assistance, reduces poverty and supports families, including during crises. The brief highlights the importance of making social protection child-sensitive in order to realize the country's development vision through eradicating child poverty, and also provides key recommendations.

Extent of poverty and inequality in Indonesia and how children are affected

- Although solid progress has been made in reducing poverty and improving living standards, inequality by geographic regions and between different social groups remains apparent

- Children are disproportionately affected by monetary poverty with stark regional variations.
- Monetary child poverty is only part of the story, as two-fifths of children are deprived in two or more dimensions of well-being.

How Indonesia's current social protection system reduces poverty and supports families during crises

- Indonesia's Constitution specifies the right to social security (inclusive of social protection) for all citizens.
- Indonesia's social protection programmes play an important role in reducing poverty in 'normal times' and addressing shocks and vulnerabilities during emergency situations, for example, the COVID-19 pandemic response.
- Adaptive social protection helps improve households' ability to prepare for, cope with and adapt to shocks, such as those caused by natural disasters, and should be child-sensitive.

Advantages of making social protection child-sensitive

- Child-sensitive social protection interventions, particularly cash transfers, have been shown to reduce child poverty and contribute to households' income security, and positively impact, *inter alia*, child health, education, and food security.
- Child-sensitive social protection interventions help realize the rights and potential of children and promote economic growth and the inclusive development of society.



Key recommendations

- Government expenditure focused on the early years is lower than for other age groups. Therefore, the country should *adopt a life-cycle approach in programme design, implementation and increase investment in the crucial early years.*
- Spending on social assistance in Indonesia is lower than in countries with similar levels of income. Hence, it is important Indonesia *increases equitable spending on social assistance either through reforms to the tax and benefit system or efficiency gains by integration of programmes.*
- Most social assistance benefits do not sufficiently take into account composition of the household. Thus, *expansion of social assistance for children based on the composition of households is recommended.*
- Insufficiency of data to target social protection beneficiaries can result in the exclusion of some vulnerable families, including children. In response, either *improving the targeting mechanism through an updated social registry or consideration of a universal child grant would be a timely and cost-effective action.*

INTRODUCTION

Indonesia's development vision is to become one of the four largest economies globally and reach high-income country status through reducing extreme poverty to zero (Ministry of National Development Planning; ANTARA, 2023). To realize the government's development vision with regard to overall poverty, a focus on the **eradication of child poverty** is a vital first step. This is because poverty in childhood is the root cause of poverty in adulthood (UNICEF 2004). Thus, poverty reduction must begin with children (UNICEF 2012). Furthermore, it is widely recognized that 'what benefits children also benefits society: investing in children builds the foundation of future cohesion and prosperity' (Stewart and Orton, 2018: 10).

Social protection plays a key role in poverty reduction. It is defined as a set of policies and programmes aimed at preventing or protecting all people against poverty, vulnerability, and social exclusion throughout their life-course, with a particular emphasis on vulnerable groups (UNICEF, 2019). Social protection is a basic human right for children, enshrined in the Convention on the Rights of the Child (CRC) (UNCRC Articles 26-27).

Social protection encompasses social assistance, social insurance, social care services, and labour market programmes.¹ This policy brief focuses on **social assistance**, in particular. Social assistance comprises non-contributory interventions, usually provided by the State and targeted at the poor and vulnerable. Examples include unconditional and conditional cash transfers, non-contributory social pensions, food, and other in-kind transfers.

Child-sensitive social protection (CSSP) came to the fore in 2009 with the publication of the Joint Statement on Advancing Child-Sensitive Social Protection (DFID et al., 2009). CSSP provides a child lens through which to design and implement social protection policies (Roelen, 2021). It is not a separate form of social protection, but rather involves assessing how social protection can address poverty, vulnerabilities, exclusion and shocks faced by children at different stages of their lives. CSSP does not always refer to direct child-targeted interventions. It is also important to consider the family and care environments in which children live, and measures targeted at adults and households which indirectly, but nonetheless beneficially, impact children's lives (UNICEF, 2019). CSSP, therefore, includes all social protection measures that in some way 'address children's needs and rights and which improve elements of their well-being' (Global Coalition to End Child Poverty, 2017: 4).

This policy brief, drawing from recent empirical studies and international literature, presents information on the extent of poverty and inequality in Indonesia and how children are affected (Part 2) and examines how Indonesia's current social protection system, particularly social assistance, reduces poverty and supports families, including during crises such as the COVID-19 pandemic (Part 3). The brief highlights the advantages of using a child-sensitive lens in the design of social protection policies (Part 4) and explores some challenges relating to the realization of CSSP in Indonesia, including recommendations for additional steps that can be taken (Part 5).

¹ <https://gsdrc.org/topic-guides/social-protection/types-of-social-protection/>

POVERTY AND INEQUALITY IN INDONESIA

Indonesia is heading in the right direction to achieve the Sustainable Development Goals (SDGs) for children by 2030, but more rapid progress is needed and the impact of the COVID-19 pandemic must be considered

- The SDGs were adopted by all United Nations Member States in 2015. They set out a 15-year plan for ending poverty, reducing inequality, and building more peaceful and prosperous societies by 2030.
- The Government of Indonesia is committed to achieving the SDGs (Dewi et al., 2023). A 2019 research report showed that Indonesia was moving in the right direction to achieve the SDGs for children by 2030, although the speed of progress needed to accelerate (BAPPENAS and UNICEF, 2019).
- However, it was warned that ‘past gains in reducing child poverty could be reversed if macroeconomic conditions worsen’ (BAPPENAS and UNICEF, 2019: 5), as evident during the COVID-19 pandemic. The effects of the pandemic may both ‘undermine the government’s efforts to reach targets’ and ‘have implications for poverty reduction initiatives in Indonesia’ (Dewi et al., 2023: 10).

Despite progress in reducing poverty, disparities across the country and inequality are worsening

- Following a period of strong and stable economic growth, Indonesia’s monetary poverty rate decreased significantly, from more than 50 per cent in the mid-1970s to below 10 per cent in 2018 (BAPPENAS and UNICEF, 2019).² This figure remained reasonably stable throughout the pandemic and in 2023, 9.4 per cent of the population was in poverty.³
- Although solid progress has been made towards reducing poverty and improving living standards, not everyone has benefitted equally (BAPPENAS and UNICEF, 2019), with inequality within the country worsening (Kidd et al., 2022).
- There are significant disparities across geographic regions (rural and eastern areas lag behind other parts of the country) and between different social groups (higher levels of poverty amongst children, older people and persons with a disability) (BAPPENAS and UNICEF, 2019).

² Measured with the national poverty line. Using the international PPP\$1.90 per person per day poverty line, the poverty rate has fallen from 67 per cent in 1998 to below 5 per cent in 2018.

³ <https://www.bps.go.id/pressrelease/2023/07/17/2016/profil-kemiskinan-di-indonesia-maret-2023.html>

Children are disproportionately affected by poverty and there are stark regional variations

- With regard to child poverty in Indonesia, 11.8 per cent of children in 2022 lived below the national poverty line (BPS, 2023a), down from 13.3 per cent in 2016 (UNICEF, 2017). This was a return to the pre-pandemic rate seen in 2019.
- Using the international extreme poverty line of PPP\$1.90 per person per day, 2.7 per cent of children were poor in 2021, a figure that has decreased since the start of SDG monitoring in 2015 (Dewi et al., 2023).
- The poverty rate for children (11.8 per cent) was higher than for other groups, for example, youth (16-30 years) at 8.8 per cent, working/productive age (15-64 years) at 8.5 per cent and the elderly (60+ years) at 10.2 per cent (BPS, 2023a). The youngest age groups have the highest poverty rates among children.
- Child poverty rates varied widely across Indonesian provinces, from a low of 6 per cent in Bali to a high of 34 per cent in Papua, with Nusa Tenggara Timur and Papua Barat also close to 30 per cent (see Figure 1, own analysis using INDOMOD⁴).
- Rural areas had a higher child poverty rate (16 per cent) than urban ones (10 per cent) (Dewi et al., 2023).

The number of children living in poverty in Indonesia is higher than the total population of many countries in East Asia Pacific and Africa

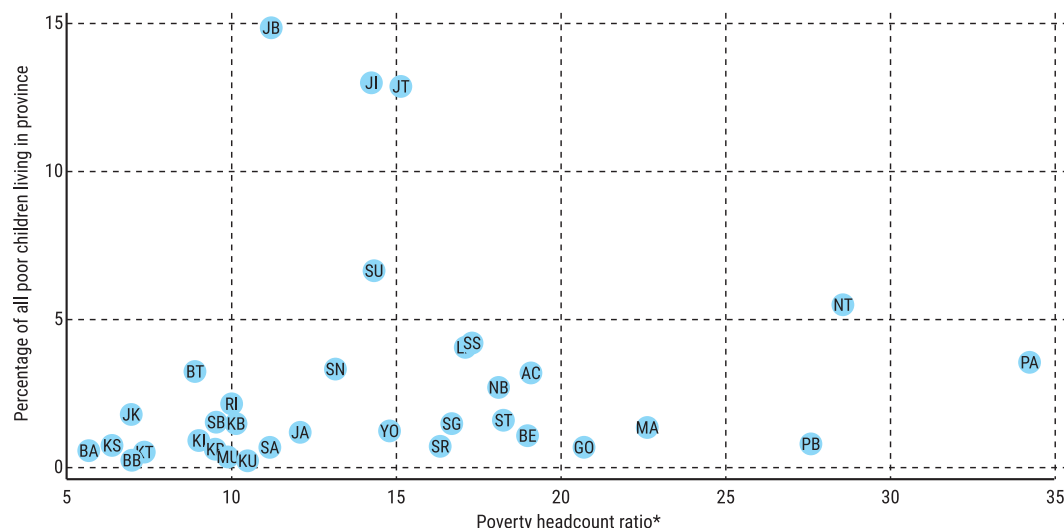
- Due to Indonesia's large geographical area and population size, with children numbering approximately 80 million, many children are in poverty.
- In absolute terms, approximately 10 million children were in poverty in 2021 (Dewi et al., 2023), falling to 9.4 million in 2022⁵, higher than the total populations of many countries in East Asia Pacific and Africa.
- Affluent regions can have high numbers of poor children (BAPPENAS and UNICEF, 2019). Figure 1 shows that in 2021, the three provinces of Jawa Barat, Jawa Tengah and Jawa Timur had relatively low poverty rates, but the highest share (approximately 41 per cent in total) of all poor children in Indonesia.



⁴ INDOMOD is a tax-benefit microsimulation model for Indonesia (Barnes et al., 2022). It was developed by Southern African Social Policy Research Insights (SASPRI) in collaboration with the Government of Indonesia and UNICEF Indonesia. The model uses a nationally representative dataset constructed from SUSENAS (*Survei Sosial Ekonomi Nasional*, National Socio-Economic Survey) data made available by Statistics Indonesia (*Badan Pusat Statistik*, BPS) and contains policy rules for 2018-2021. Poverty estimates are made with the in-built Statistics Presenter tool using per capita consumption and the national poverty line. The new analysis for 2021 uses the 2020 dataset with monetary values updated to 2021.

⁵ Calculated from the 2022 child population of 79,486,424 and the 2022 child poverty estimate of 11.8 per cent (BPS, 2023a).

Figure 1. Child poverty in Indonesia by province versus percentage of all poor children living in province, 2021



Source: Own analysis using INDOMOD, 2020 data adjusted to 2021.

Note: * Scale starts at 5 for better readability. AC: Aceh; BA: Bali; BT: Banten; BE: Bengkulu; YO: DI Yogyakarta; JK: DKI Jakarta; GO: Gorontalo; JA: Jambi; JB: Jawa Barat; JT: Jawa Tengah; JI: Jawa Timur; KB: Kalimantan Barat; KS: Kalimantan Selatan; KT: Kalimantan Tengah; KI: Kalimantan Timur; KU: Kalimantan Utara; BB: Kepulauan Bangka Belitung; KR: Kepulauan Riau; LA: Lampung; MA: Maluku; MU: Maluku Utara; NB: Nusa Tenggara Barat; NT: Nusa Tenggara Timur; PA: Papua; PB: Papua Barat; RI: Riau; SR: Sulawesi Barat; SN: Sulawesi Selatan; ST: Sulawesi Tengah; SG: Sulawesi Tenggara; SA: Sulawesi Utara; SB: Sumatera Barat; SS: Sumatera Selatan; SU: Sumatera Utara.

Extent of poverty increases with the number of children in the household

- A recent study using INDOMOD highlighted the higher levels of poverty in households with children, particularly those with three or more children (Gasior et al., 2022).
- Fresh analysis for 2021 shows that the poverty rate for children in households with one or two children was 15 per cent or less, compared to 20 per cent for children in households with three children, rising to almost 45 per cent for children in households with five or more children (own analysis using INDOMOD).

Monetary child poverty is only part of the story, as two-fifths of children are deprived in two or more dimensions of well-being

- It is widely acknowledged that poverty is about much more than monetary resources. The SDGs explicitly include multidimensional poverty, which can capture children's broader experiences of poverty including deprivations of key children's rights (UNICEF, 2019).
- An analysis of multi-dimensional poverty in 2022 showed that nearly 74 per cent of Indonesia's children experienced deprivation in at least one of six⁶ dimensions of well-being (BPS, 2023b), an improvement on 2016 when the figure was close to 90 per cent (UNICEF, 2017).
- 40 per cent of children were deprived in two or more dimensions (BPS, 2023b), compared to 65 per cent in 2016 (UNICEF, 2017).
- A higher percentage of children aged 0-4, than any other age group, experienced both single and multiple deprivations (BPS, 2023b).

⁶ The analysis uses a total of 15 indicators across six dimensions of well-being: food and nutrition, health, education, shelter, basic utilities, and child protection.

SOCIAL PROTECTION AND POVERTY REDUCTION IN INDONESIA

Child-sensitive social protection is identified as a means of ending child poverty and thereby overall poverty. Indonesia's Constitution specifies the right to social security (inclusive of social protection) for all citizens

In 2018, the National Team for the Acceleration of Poverty Reduction (*Tim Nasional Percepatan Penanggulangan Kemiskinan*, TNP2K)⁷ proposed a social protection system that will 'protect poor and vulnerable citizens through social safety net schemes designed across the life-cycle, as well as prevent health and employment-related risks through accessible social insurance schemes' (TNP2K, 2018: 10). The aim is to ensure that, progressively, every citizen is protected through either non-contributory or contributory schemes.

Indonesia's social protection programmes play an important role in reducing the extent and depth of poverty in 'normal times'

- A recent study using INDOMOD found that the benefit system played an important role in supporting low-income families (Wright et al., 2021). Households containing one or more children would have seen an increase in their

poverty rate of 10 percentage points in the absence of benefits in place in March 2020⁸ (7.6 to 17.6 per cent). The depth of poverty in households with children would also have increased substantially in the absence of benefits.

- Another study using INDOMOD found that the benefits system in place in March 2020 moved 50 per cent of poor households to the vulnerable group, and 1 per cent to the less vulnerable group (Gasior et al., 2022).⁹
- New analysis shows that the benefits provided in 2021¹⁰ reduced child poverty by 11 percentage points (25 to 14 per cent), compared to 9 percentage points for the total population (own analysis using INDOMOD).

Social protection benefits also help to address the impact of shocks and vulnerabilities during emergency situations, for example, the COVID-19 pandemic

- On the whole, Indonesia's emergency response worked well in mitigating the impact of the pandemic. For example, the overall poverty rate declined from 10.2 per cent (September 2020) during the health crisis to 9.4 per cent (March 2023).

⁷ TNP2K is an institution, chaired by the Vice President of Indonesia, established to coordinate the national poverty reduction strategy and improve the effectiveness of current social protection programmes.

⁸ The benefits in place in March 2020, before the COVID-19 pandemic.

⁹ Borrowing from and modifying the approach of the World Bank (2019), the vulnerable group is defined in Gasior et al. (2022) as having consumption levels 1.5 times below the poverty line and the less vulnerable group is defined as having consumption levels 3.5 times below the poverty line.

¹⁰ The benefits in place in March 2021.

- A 2021 study using a dynamic microsimulation model¹¹ showed that without the government's emergency support package, child poverty would have increased significantly in 2020 from 11.9 per cent in a no-COVID situation to 13.5 per cent with the pandemic shock, but without the support package. This would be an increase of 1.3 million children (BKF and UNICEF, 2021).
- The same study found that while children under the age of 18 represented about 33 per cent of Indonesia's population, they accounted for nearly 40 per cent of additional people classified as "poor" in 2020 due to the pandemic (BKF and UNICEF, 2021).
- However, although the government's emergency response provided crucial support, the pandemic nevertheless impacted children in many ways (UNICEF, UNDP, Prospera and SMERU, 2021; 2022a; 2022b; Dewi et al., 2023), and a number of studies have shown that the pandemic has exacerbated existing inequalities in Indonesia, particularly in relation to gender, poverty, and disability (UNICEF, 2021).

Adaptive social protection helps improve households' ability to prepare for, cope with and adapt to shocks, such as those caused by natural disasters

- Alongside the ongoing economic and social effects of COVID-19, other macro trends 'are having, and will continue to have, profound

impacts on children and families' (UNICEF, 2019: 3). These include the cost-of-living crisis, climate breakdown, demographic shifts, urbanization, conflict and forced displacement.

- As an example, Indonesia is among countries with the highest exposure to natural disasters. These shocks require well-developed social protection systems able to cushion the economic consequences for those most vulnerable to such events. Many international and national organizations advocate for 'Adaptive Social Protection' (ASP), which links social policy with strategies for disaster risk reduction and climate change adaptation. The main emphasis is on improving households' ability to prepare for, cope with, and adapt to shocks.
- A recent study analyzed the role of the Indonesian tax-benefit system in improving households' ability to prepare for and cope with an economic shock caused by a hypothetical natural disaster (El Niño) (Gasior et al., 2022). The report showed how the existing system did not adequately protect people in a situation where consumption levels of some households were reduced due to losses in earnings, self-employment incomes and agricultural incomes as a result of a natural disaster, with poverty in the affected provinces rising from 11 to 15 per cent. In the absence of any policy reforms, those already in poverty would have become poorer, 17 per cent of vulnerable households would have fallen into poverty, and 9 per cent of less vulnerable households would have become vulnerable. Households with children were particularly at risk.

¹¹ The Fiscal Policy Agency (Badan Kebijakan Fiskal, BKF) has developed a dynamic microsimulation model designed to forecast indicators of the SDGs (BKF and UNICEF, 2021). This was built using SUSENAS (Survei Sosial Ekonomi Nasional, National Socio-Economic Survey) and macro-economic projections from the Ministry of Finance. Measurements of per capita consumption were used to compute poverty and economic status. Poverty is calculated for the analysis using the official poverty line.

THE ADVANTAGE OF USING A CHILD-SENSITIVE SOCIAL PROTECTION LENS

Recognizing the role of social protection in reducing child poverty, multiple deprivations and inequalities, a group of international organizations sought to build greater consensus on the importance of child-sensitive social protection (CSSP), and to outline principles and approaches for undertaking CSSP (DFID et al., 2009).

There is clear evidence internationally on how CSSP, particularly cash transfers, reduces child poverty and contributes to a household's income security, and positively impacts, *inter alia*, child health, education, and food security (Stewart and Orton, 2018; Khurshid et al., 2020; ILO and UNICEF, 2023). A recent systematic review assessed the growing number of international studies that measure the multiplier effects of cash transfers, many of which are targeted at households with children (Gassmann et al., 2023).

CSSP helps realize the rights and potential of children and has been proposed as an approach that can 'strengthen the foundations for economic growth and inclusive development of society as a whole' (Global Coalition to End Child Poverty, 2017: 4). As such, CSSP is tightly aligned to Indonesia's Vision 2045 to become a high-income country.

The long-term benefits of CSSP are coherently expressed in a recent ILO and UNICEF report:

'...it provides resilience for households, allowing them to boost their productivity and earning

potential, and lowers the risk of the intergenerational transmission of poverty. In this way, investment in social protection for children expands human capabilities and productivity and creates a virtuous circle, fuelling economic growth and contributing to more sustainable tax and transfer systems that will enable further expansion of social protection for all, including children. However, in the absence of social protection, these basic conditions for well-being are less likely to be met during childhood, creating conditions difficult to rectify in later life.' (ILO and UNICEF, 2023)

Strengthening the social protection system to make it child-sensitive requires building the evidence base on child poverty and vulnerabilities, and on programme coverage and effectiveness; improving policies, financing, and coordination; improving and initiating programmes to address the risks faced by children and their families in the development and emergency situations; and improving integrated administration or management of programmes (UNICEF, 2019).

Notwithstanding the importance of social protection to protect children and families against economic and social vulnerabilities and for the protection of their dignity and rights, it cannot single-handedly address the needs of all children and their families and must be part of an integrated approach to social services for children (UNICEF, 2019; Khurshid et al., 2020).

CHILD-SENSITIVE SOCIAL PROTECTION IN INDONESIA: KEY ISSUES AND RECOMMENDATIONS

With the goal of CSSP in mind, four key issues to address have been identified in the literature. These are outlined, as follows, alongside recommendations on ways in which the issues can be addressed to enhance CSSP in Indonesia.

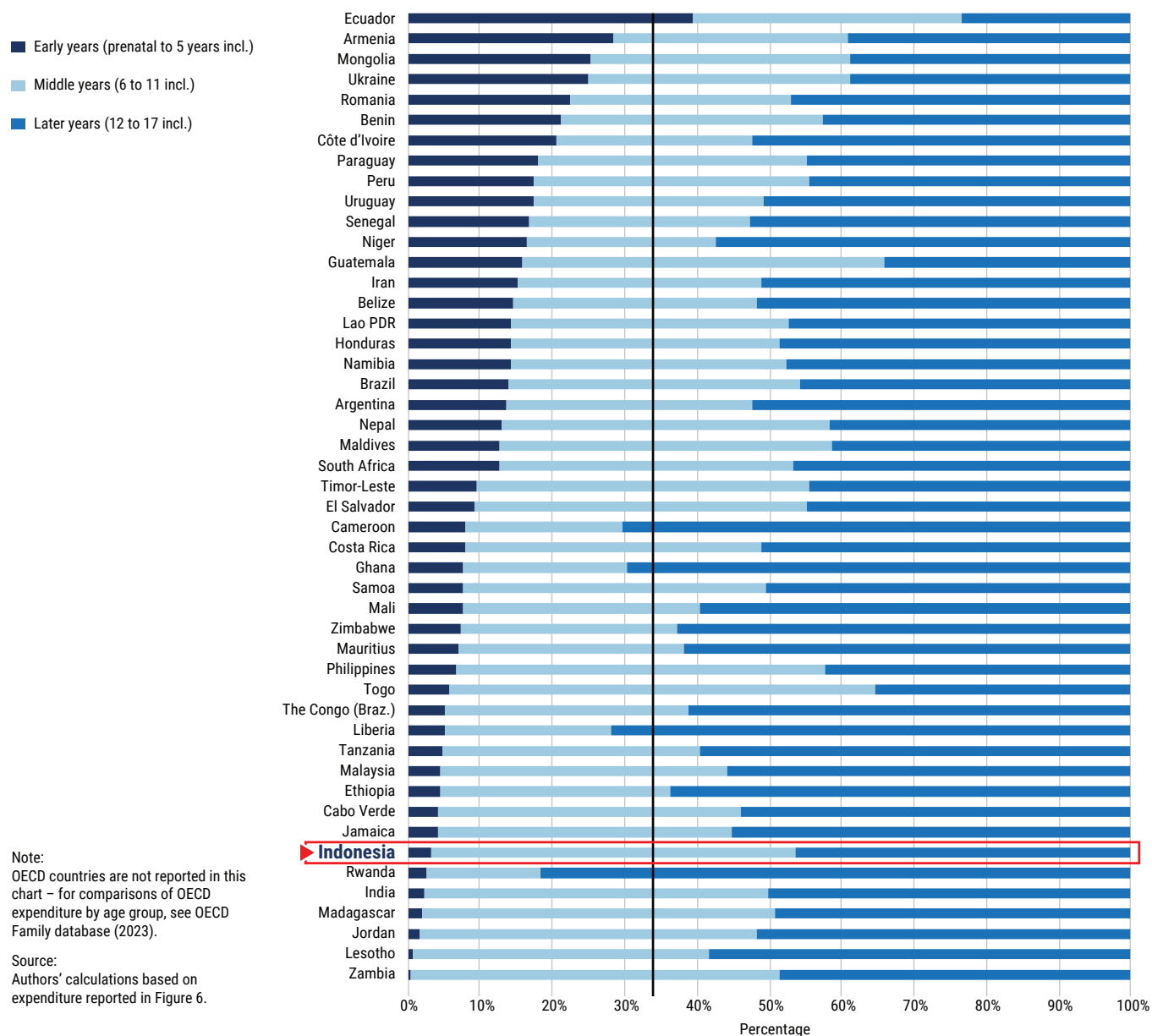
Issue 1: The percentage of government expenditure targeted at the early years in Indonesia is much lower than for other age groups

In 2020, it was reported that spending on social protection for children across the globe was lower than for other groups, even though child poverty remains high, and children are over-represented in poverty (ODI and UNICEF, 2020).

This finding was further developed in a 2023 study which found that globally, there is too little public support for children, and it arrives too late in the life course (Richardson et al., 2023). This report reviews the literature on the importance of investing in children to provide better outcomes for individuals and society, and highlights the **need for more spending on early years children in Indonesia** when compared with most other countries in the study, concluding that Indonesia 'would need to increase spending on the youngest children by more than 10-fold to achieve parity in age-spending' (See Figure 2).



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Figure 2. Expenditure on early, middle and later years, selected countries

Source: Richardson et al., 2023, p.39 (Figure 7)

Recommendation 1: Adopt a life-cycle approach in programme design and implementation

The poverty, vulnerabilities, and risks that people face vary across the different stages of their lives. Vulnerabilities and consequences that children face differ from those of adults. It is imperative that social protection is designed to respond adequately to and address risks and vulnerabilities across the life

cycle (UNICEF, 2019; TNP2K, 2018). Life cycle-based programmes have the dual purpose of reaching children directly with interventions and recognizing how children connect with adults at different stages of their lives. Childhood can be broken down into five phases: the first 1,000 days, ages 3 to 5, ages 6 to 11, ages 11 to 14, and adolescent/youth (UNICEF, 2019). Each phase requires different child-specific interventions. The early years (first 1,000 days and ages 3 to 5) are the most critical time and require appropriate investment.

Issue 2: Indonesia's spending on social assistance is lower than countries with similar levels of income

National government expenditure on social assistance was IDR 143.57 trillion in 2023 (Ministry of Finance, 2023). Additionally, regions have budgets for expenditure on social assistance locally, totalling IDR 10.8 trillion in 2023 across Indonesia.¹² Regional programmes are intended to complement national programmes, and the direction of regional fiscal policy is adjusted to conditions or characteristics of social responsibility in each region following the national strategy that has been formulated.

Nevertheless, it has been reported that 'the impact Indonesia's fiscal system has in reducing poverty and inequality remains one of the lowest in the world and only increasing revenue to invest in pro-poor policies can improve this. [...] **Despite recent increases, Indonesia's spending on targeted social assistance programmes is still lower than countries with similar levels of income.**' (World Bank and BKF, 2020: 64).

More specifically, it has also been identified that Indonesia spends proportionately less on children as a percentage of gross domestic product for health, education, and social protection compared to many other countries (Figure 3/Richardson et al., 2023, p.39).¹³



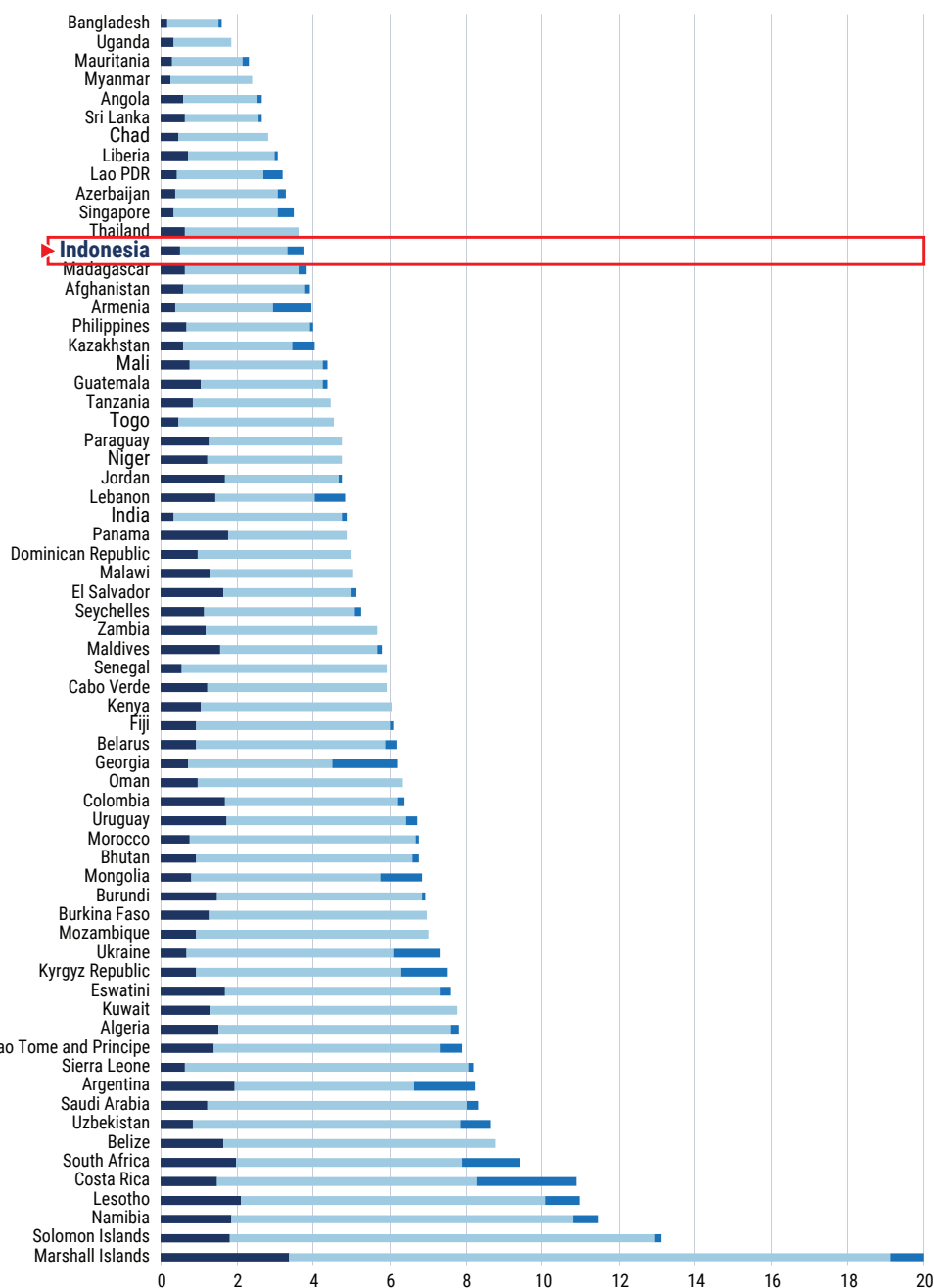
¹² <https://djpk.kemenkeu.go.id/portal/data/apbd?tahun=2023&provinsi=--&pemda=-->

¹³ Note that this is spending on children specifically, rather than on health, education and social protection as a whole. Dewi et al. (2023) show that for 2015 to 2021, Indonesia allocated 12-17.6 per cent of its total expenditure to social protection, higher than for health (3.8-7.8 per cent for the same period), but lower than for education (government is mandated to spend at least 20 per cent of its annual budget on education).

Figure 3. Estimated expenditure on 0-19 year olds, selected countries

Estimated expenditure on 0-19-year-olds based on national populations, 2019

- Health spending as % GDP
- Education spending as % GDP
- Social protection spending as a % GDP



Note:
For health and social protection, spending on children is estimated based on population ratios (proportion of children aged 0-19 in each country). Education spending is total spending.
Source:
World Development Indicators, 2022.

Source: Richardson et al., 2023, p.18 (Box 2 Figure A)

Recommendation 2: Increase spending on social assistance through reforms to the tax and benefit system

USP2030, the global partnership for universal social protection to achieve the SDGs (see next section),

has proposed a set of principles for the financing of universal social protection (see Box 1). There are also numerous recent reports which discuss social protection and fiscal space (see USP2030 Financing Working Group’s summary of literature on financing, 2023).¹⁴

¹⁴ Two outputs, in particular, focus on children. The first (Ortiz et al., 2019) provides practical guidance, alongside case studies, on how additional fiscal space for a universal social protection system can be created, with a focus on women, children and vulnerable groups. The second (UNICEF, 2022) was put together to support UNICEF staff and development partners in the selection, adaptation, and application of public financial analysis tools to achieve better results for children.

A recent United Nations Development Programme report outlined options for finding fiscal space, noting the challenge of the COVID-19 crisis that triggered a fall in government revenues due to economic headwinds seen across the Asia-Pacific region (Kidd et al., 2022). Referencing IMF (2021), the report outlines options for increasing taxation, each one underpinned by the notion of the wealthier members of society taking on the greatest responsibility. Ideas include increasing personal income tax (PIT) rates, implementing a wealth tax, expanding taxes on alcohol, tobacco, and gambling, and green taxes on fossil fuels. At the same time, greater enforcement of tax collection is needed with more people brought into national tax systems. However, the report argues that ultimately, it is economic growth that will play the greatest role in funding an expansion of the social security system.

Specific suggestions for Indonesia were made in a 2020 report (World Bank and BKF, 2020)¹⁵ that argued PIT was highly progressive and an important redistribution tool. The report notes that as Indonesia 'has a growing proportion of people in the affluent middle class, personal income taxes would also be an important source of revenue that could help expand the fiscal envelope available for effective poverty and inequality reducing instruments', and highlights that in Indonesia, 'personal income taxes account for just 7 per cent of the overall revenue, suggesting a significant under-utilization of this tool' (World Bank and BKF, 2020: 26).

Three additional changes to the tax and benefit system are proposed (World Bank and BKF, 2020):¹⁶

- *Energy subsidies could be redirected to social protection.*
Currently, more than 56 per cent of these subsidies go to households in the middle and upper classes.

¹⁵ See also World Bank (2019).

¹⁶ PIT was not included in the report analysis.

Box 1. Principles for financing universal social protection

I. The financing of social protection should take a rights-based approach and be guided by international social security standards.

II. The State is the key actor for social protection financing and implementation with six key priorities outlined for domestic resource mobilization (assign greater priority to social spending within government budgets; enhance the progressiveness and effectiveness of the tax system to increase tax revenue and ensure equity in financing; increase revenues from social insurance contributions by expanding coverage; improve the efficiency and transparency of public financing of social protection across government, agencies and partners; ensure adequate provision of shock-responsive financing; engage in inclusive social dialogue to determine the reforms and financing of the social protection system).

III. International resources should support the expansion of social protection systems in countries with limited fiscal space (through increased and better coordinated international financial support; debt relief and restructuring; international tax reform to increase revenues; coordinated international policy advice).

Source: Adapted from USP2030 Financing Working Group (2022)

- *Increase taxes on tobacco.*
As these taxes are lower than in many countries, they could generate significant additional revenue for social protection as well as the obvious health benefits of potentially lower consumption due to higher taxes.
- *Remove some VAT exemptions.*
Although important for the poor, their removal would generate significant extra revenues that could be used to compensate them with additional social protection measures. This is in accordance with a growing recognition that VAT exemptions are a blunt way of providing support for low-income households (Keen, 2013; Harris et al., 2018).

The recommendations of UNICEF, UNDP, Prospera and SMERU (2021), following the COVID-19 pandemic, included continuous reform of the social protection system through fiscal assessments and the streamlining of programmes. With regard to the latter, integration of the two main policies (PKH: conditional cash transfer and PIP: scholarship for the poor) for children was recommended as part of reforms to the social protection system in Indonesia (TNP2K, 2018).

Issue 3: Most social assistance benefits in Indonesia do not sufficiently take into account composition of the household

Most State-provided social assistance policies currently in place in Indonesia (see Table 1) provide a payment to the family/household or to an adult, from which children *indirectly* benefit. Support is

also provided at the community level, which also indirectly benefits children. **Two policies have elements with *direct child-specific targeting*:** the Family Hope Programme (Programme Keluarga Harapan, PKH) and the Smart Indonesia Programme (Programme Indonesia Pintar, PIP).

Research has shown that, with the emergency response to the COVID-19 pandemic in 2020, PKH had the greatest impact on reducing child poverty¹⁷, mainly due to its child-specific targeting criteria (BKF and UNICEF, 2021). Varying benefit amounts are paid for the different categories of eligible individuals (including pregnant mothers, disabled, elderly, and children - see Table 1), which are summed to give a total amount for the household. However, **it can be the case that school child payments do not form part of the combined household payment** as the amounts for school children are the lowest value of all categories and the benefit is only paid to four family members with the highest amounts (up to a maximum amount).

Although households may not receive child-specific payments, PIP is available to help with education costs for eligible individuals at different levels of schooling (see Table 1). There is no provision under PIP for pre-school children. However, the Indonesian education system recognizes *Pendidikan Anak Usia Dini* (PAUD, an early child development facility, funded by the government and community).

Gasior et al. (2022) note that both household size and, relatedly, the number of children in the household are factors when estimating the risk of a household being in poverty or vulnerable, reflecting the fact that **most benefits in Indonesia do not sufficiently take the composition of the household into account.**

¹⁷ PIP was not included in this analysis.

Table 1. Overview of main social assistance programmes in place in 2023

Benefit	Annual amount (IDR) – 2023	Level	Target group
Programme Keluarga Harapan (PKH)	<ul style="list-style-type: none"> • 3,000,000 per pregnant mother • 3,000,000 per toddler • 900,000 per elementary school student • 1,500,000 per junior high school student • 2,000,000 per senior high school student • 2,400,000 per person with severe disability • 2,400,000 per elderly person • Maximum of 10,800,000 per household 	Household	The poorest 10 million families/ households
Programme Indonesia Pintar (PIP)	<ul style="list-style-type: none"> • 450,000 per student at elementary school students • 750,000 per student at junior high school • 1,000,000 per student at senior high school • 40,800,000 for university students (maximum amount – depends on region and study programme) 	Individual	For school-aged children (under 18): Children in families with a Family Welfare Card (Kartu Keluarga Sejahtera, KKS), or in a PKH family, or orphaned, or with a disability, or affected by natural disasters
Bantuan Pangan Non Tunai (BPNT)/ Programme Sembako	2,400,000	Household	The poorest 18.8 million families/ households
Bantuan Langsung Tunai Desa (BLT)	3,600,000	Household	The poorest 8 million families/ households not already in receipt of PKH, BPNT or BST

Source: Own representation based on Barnes (2022) and updated to 2023 with colleagues at the Ministry of Finance.

Note: In 2023 the Kartu Prakerja (KP) initiative was retained for unemployed adults to enhance job-seeking activities if not in receipt of social assistance and not in formal education.

Recommendation 3: Expand social assistance for children, taking into account composition of the household

While reforms to the existing social assistance benefits can take into account household composition, an alternative approach would be the consideration of universal child benefits.

Universal social protection (USP) has featured prominently in policy debates following the 2030

Agenda for Sustainable Development and related SDGs, where social protection is promoted as one of the main tools available to governments for moving towards the achievement of the goals (ODI and UNICEF, 2020). Research has shown that the best means of tackling inequality is not by targeting social protection measures for the poorest members of society, but instead by investing in universal provision (Kidd et al., 2022). USP has been heralded as ‘an essential means to prevent and reduce poverty and inequality and is at the core of the social contract that connects the state

with the society, contributing to more inclusive, equitable, stable, and peaceful societies' (USP2030 Financing Working Group, 2022: 1). UNICEF supports the progressive realization of universal coverage (UNICEF, 2019).

A universal child benefit (UCB) has been defined as 'a cash transfer, universal to the population of children, unconditional and paid on a regular basis' (ODI and UNICEF, 2020: 12). UCBs can be more compliant with child rights, be highly effective in reducing child poverty and improving non-monetary outcomes, and promote the dignity of children by minimizing the risks of stigma and shame. In addition, UCBs are often cheaper and easier to administer, address exclusion errors, and typically command broader public support (ODI and UNICEF, 2020). Nevertheless, in practice, there are multiple policy options, and the full fiscal, demographic, and poverty landscape must be taken into consideration. There are a variety of trajectories towards UCBs and the narrative of progressive realisation is common.¹⁸

With reference to the COVID-19 pandemic, a recent study made a number of policy recommendations, including the expansion of social protection for all and consideration of a universal and unconditional child benefit (UNICEF, UNDP, Prospera, and SMERU, 2021).

Analysis has shown that a UCB for a 0-4-year-old in Indonesia could reach a sizeable share of the total population, boost the purchasing power of households and reduce child poverty, overall poverty and inequality (UNICEF, 2017; see also ODI and UNICEF, 2020 on the costs of UCBs versus means-tested child benefits). A new analysis using INDOMOD shows the poverty-reducing impact of introducing a universal child benefit of IDR 40,000 for each child in Indonesia, as an example of a CSSP reform. Such a benefit would cost IDR 40.7 trillion per year, increasing simulated expenditure

for social transfers by 25 per cent. It would cause overall poverty to fall by one percentage point and by 1.25 percentage points for households containing children. Inequality would also fall slightly from a baseline Gini of 0.379 to 0.375.

The sub-national governments in Papua and Aceh have implemented child-focused social protection programmes, including a UCB for the youngest age groups. These programmes were enacted through the Governor of Papua Decree and the Mayor of Sabang Decree (see Box 2).

Box 2. Locally-funded UCB in Papua and Aceh provinces

The Bangga Papua programme ran from 2018-2020. The programme provided an unconditional benefit to all Papuan families with children aged 0-4 years in the three districts of Lanny Jaya, Paniai, and Asmat. The amount of the benefit was IDR 200,000 per child per month and the payment was made through the Bank of Papua (recipients had to open a bank account).

The Geunaseh-Sabang programme in Aceh started in 2019 and continues to provide an unconditional benefit to all children aged 0-6 years. The programme is only currently applied in Sabang Municipality, although the intention is to cover many more districts in the province of Aceh. The amount of the benefit is IDR 150,000 per child per month and the benefit is transferred into an individual bank account of the main caregiver of the child.

¹⁸ See Stewart and Orton (2018) for a discussion of key considerations with UCBs, and ODI and UNICEF (2020) for a discussion of the benefits and limitations of UCBs and key issues and trade-offs.

Issue 4: Insufficiency of data to target social protection beneficiaries, including children

Indonesia has a range of databases used by different government ministries, including the Integrated Social Welfare Data (*Data Terpadu Kesejahteraan Sosial*, DTKS) and data for the Acceleration of the Elimination of Extreme Poverty (*Percepatan Penghapusan Kemiskinan Ekstrem*, P3KE).

However, analysis from simulations has shown that, in Indonesia, while the COVID-19 emergency social protection response benefitted poor and vulnerable children, it was insufficient to prevent a relatively sharp rise in temporary child poverty (BKF and UNICEF, 2021), partly because **newly poor or vulnerable children were not reached by the targeting mechanism**. The DTKS did not cover all families, reflect the situation at the start of the pandemic nor changes due to the pandemic (Asmanto et al., 2020; BKF and UNICEF, 2021). The fact that the database quickly becomes out-of-date and covers too small a percentage of the population was also identified as a problem by Gasior et al. (2022) when simulating a hypothetical natural disaster.

It has also been shown that, **even in non-emergency times, there is not a static group of poor children that can be easily targeted** with social protection interventions (via existing mechanisms) (UNICEF, 2017). Using panel SUSENAS data and looking at movements into and out of poverty over a five-year period, the study showed that many children experienced temporary episodes of poverty.

Recommendation 4: Improve the targeting mechanism

The World Bank (2019) has made several recommendations for improving the targeting mechanism, including expanding coverage of the DTKS, promoting dynamic data updating, facilitating administrative database linkage, and integrating with geographic information systems. Dewi et al. (2023) propose various actions to accelerate achievement of SDG 1 for children, including technical assistance to improve local government capacity to regularly update the database and make use of data at all stages of the policy cycle, and also improvements to birth registration processes to facilitate registration for social assistance.

A universal and regularly updated database, or other alternative combinations of approaches to targeting, would allow vulnerable children and families to be reached more effectively in normal times (taking into account the dynamics of poverty) and emergency situations (taking into account the newly poor).

It is encouraging to see the new One Data Initiative, a government data governance policy to produce up-to-date and integrated data that can be shared between central and regional government agencies. In late 2022, the Initial Socio-Economic Registration Data Collection (Regsosek) was carried out in all provinces in Indonesia. Regsosek is the collection of data on the entire population consisting of a demographic profile, social and economic conditions, and level of welfare, and is an attempt to build a single integrated population database or One Data.¹⁹

Furthermore, the list of DTKS beneficiaries is now being regularly updated using information from the local government, though the ranking has not been updated.

¹⁹ <https://www.bps.go.id/regsosek/>

CONCLUSION



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In the light of various global challenges, including the economic fallout from COVID-19, the cost-of-living crisis and the impacts of climate change, the need for social protection has never been greater (USP2030 Financing Working Group, 2022). This policy brief has highlighted the importance of child-sensitive social protection for Indonesia, showcasing the vital role that the current social protection system plays in reducing child poverty, including support to families during crises. The brief points to four ways in which social protection, particularly social assistance, in Indonesia could be improved further to contribute to the realization of the country's development vision through eradicating child poverty.

These recommendations are to adopt a life cycle approach in programme design and implementation and increase investment in the crucial early

years; increase equitable spending on social assistance either through reforms to the tax and benefit system or efficiency gains by integration of programmes; expand social assistance for children based on the composition of households; and improve the targeting mechanism through an updated social registry or the consideration of a universal child grant.

There is already extensive evidence on the role that social assistance plays in Indonesia. Future work could include assessing the efficiency gains of programme integration and determining the optimal way in which social protection can ensure that the eradication of child poverty is achieved. Further discussions and exchanges of ideas are also required involving multiple stakeholders, including policy-makers, national academic institutions, and civil society organizations.

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