



LPG Subsidies in Indonesia How can they be targeted to those in need?

Today's LPG subsidies in Indonesia are regressive in nature. Anyone can buy low-cost 3-kg LPG cylinders, and a disproportionate share of LPG subsidies tends to be captured by higher-income households, who have more buying power.

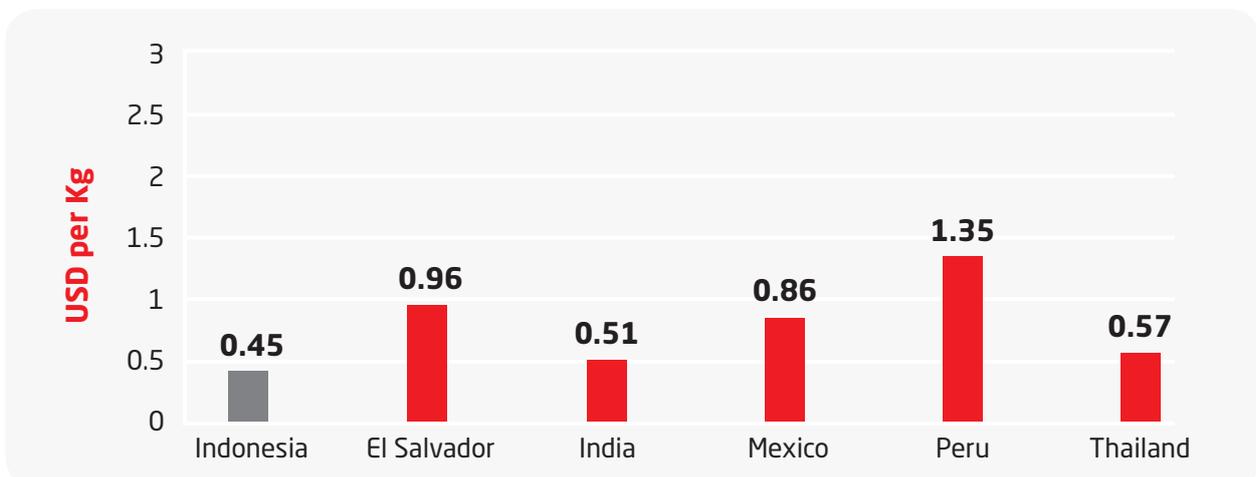
Yet, government expenditure to provide these subsidies continues to increase.

How much does Indonesia spend on LPG subsidies?

	2010	2011	2012	2013	2014
LPG Subsidy in IDR trillion	14.85 (USD 1.63 billion)	22.59 (USD 2.48 billion)	32.85 (USD 3.61 billion)	30.98 (USD 3.40 billion)	48.97 (USD 3.91 billion)
LPG Subsidy/ State Expenditure	1.43%	1.74%	1.74%	1.74%	2.76%

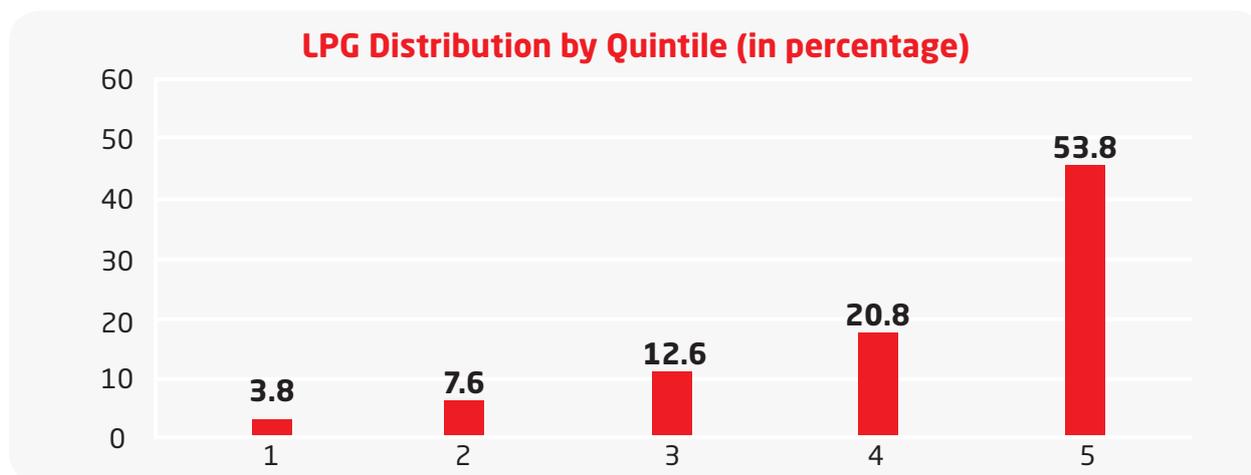
How much does LPG cost in Indonesia compared with other countries?

LPG retail prices in Indonesia are relatively lower compared to other countries.



Who benefits from LPG subsidies?

International studies show that only 3.8 per cent of LPG subsidies reach the lowest income group.



From rich to poor - targeting LPG subsidies

LPG subsidies do not have to disproportionately benefit wealthier households. Effectively targeted LPG subsidies could significantly improve the performance of LPG subsidies, making them an effective policy tool for the promotion of clean cooking among poor and vulnerable households.

How other countries target LPG subsidies?

El Salvador

LPG beneficiaries are targeted via electricity consumption. Beneficiaries buy subsidized LPG directly at registered vendors who validates eligibility in real-time via a mobile phone system.

India

The volume of subsidized LPG that registered households are allowed to purchase is capped. Subsidy payments are linked to individual bank accounts to cut down on corruption and leakages.

Mexico

The price of LPG was gradually increased to reduce subsidies. Supplemented by a large social safety system which has a specific component dedicated to help households meet their energy needs.

Peru

Recipients targeted via electricity consumption and household income. LPG subsidies provided via a voucher on the electricity bill.

Thailand

Beneficiaries targeted via electricity consumption. Volume of subsidized LPG per household is capped too.

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