Indonesian Experience in Energy Subsidy Reform: Implementation Perspective

Bambang Widianto
Special Staff to Vice President | Executive Secretary TNP2K 2010-2020

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Main Idea: Convert General to Targeted Subsidy

❖ Commodity-Based Subsidy
  • Simple but unfair
  • Unfairness for the poor
  • Big Burden to our Budget
  • Price Disparity both domestic and international

❖ Shifting from Commodity-Based Subsidy to ➔ Direct Targeted Household Subsidy
Political Economy of Energy Subsidy Reform

1. Subsidy Reduction or Elimination
   - Subsidies are reduced or revoked. Poor and vulnerable groups are given a safety net within a certain period of time (BBM subsidy reduction policies 2005, 2008, 2013 and 2014).

2. Restrictions Use of Subsidies
   - Subsidies are limited to poor households. Self-targeting can be an alternative to limit the use of subsidies only for poor families.

3. Direct Household Targeted Subsidy
   - Subsidies are given directly to poor households to buy energy commodities. Integrated with the social assistance mechanism.
Towards the Policy Recommendations for Targeted Subsidy

2014–2016
Study and development of targeted subsidy policy model

2017
Implementation of targeted electricity subsidy policy for HH with 900 VA

2018
Development of a trial design for the direct targeted LPG subsidy disbursement

2018-2019
Direct targeted LPG Subsidy trial in 7 cities/districts involving > 14,000 HH

2019-2020
Direct targeted subsidy trial in 3 locations. combined LPG, electricity and food assistances

Policy Recommendation

Aspects of Direct Targeted Energy Subsidy Study

Policy Aspect

Disbursement Mechanism

The use of technology
Policy Reform Recommendation for Household Based Energy Subsidy

<table>
<thead>
<tr>
<th>Direct Targeted Subsidy</th>
<th>Economical Price</th>
<th>Fixed Monthly Subsidy</th>
<th>Integrated</th>
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<tbody>
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<td>Shifting from commodity-based subsidy to direct targeted subsidy</td>
<td>Energy commodities are sold at economic prices to avoid price disparity</td>
<td>The amount of the subsidy is given in a fixed amount every month and transferred directly by the Government to the beneficiary’s account.</td>
<td>Using the same data and transfer mechanism as other targeted social assistances</td>
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- **Direct Targeted Subsidy**: The amount of the subsidy is given in a fixed amount every month and transferred directly by the Government to the beneficiary’s account.
- **Economical Price**: Energy commodities are sold at economic prices to avoid price disparity.
- **Fixed Monthly Subsidy**: The amount of the subsidy is given in a fixed amount every month and transferred directly by the Government to the beneficiary’s account.
- **Integrated**: Using the same data and transfer mechanism as other targeted social assistances.
Is Indonesia Able to Implement The Policy Reform?

**Data**
- Indonesian Government has Unified Database For 40% below social income status (Poor and vulnerable)
- The UDB has been used for Several Social Assistances Programmes: Conditional and non-conditional Cash Transfer, Non-cash food assistance
- Has been used for electricity subsidy reform (95% accurate)

**Mechanism & Technology**
- Electronic transfer mechanism involvement banking saving account and electronic transaction is available
- The use of fintech technology has been tried out with with satisfactory result

**Experience**
- Conditional cash transfer program since 2017.
- Transformation of Rastra into non-cash targeted food assistances
# Indonesian Experience in Targeted Social Assistance Program

<table>
<thead>
<tr>
<th>Year</th>
<th>Program</th>
<th>Beneficiaries</th>
<th>Transfer Mechanism</th>
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<tbody>
<tr>
<td>2005</td>
<td>Non-Conditional Cash Transfer (BLT)</td>
<td>18 Million HH</td>
<td>Postal Service</td>
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<td>2008</td>
<td>Non-Conditional Cash Transfer (BLT)</td>
<td>18 Million HH</td>
<td>Postal Service</td>
</tr>
<tr>
<td>2013</td>
<td>Non-Conditional Cash Transfer (BLSM)</td>
<td>15.5 Million HH</td>
<td>Postal Service</td>
</tr>
<tr>
<td>2014</td>
<td>Non-Conditional Cash Transfer (PSKS)</td>
<td>15.5 Million HH</td>
<td>14.5 Million HH using Postal Service, 1 Million HH using SIM Card transfer</td>
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<tr>
<td>2017-now</td>
<td>Conditional Cash Transfer (PKH)</td>
<td>10 Million Families</td>
<td>Debit Card</td>
</tr>
<tr>
<td>2017-now</td>
<td>Non-Cash Food Assistance (BPNT)</td>
<td>18.6 Million Families</td>
<td>Debit Card</td>
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Things To Do Next

**Beneficiaries Data Improvement**
- Matching existing data with personal identity number (NIK)
- Improvement of Updating mechanism
- Improvement of Complaint handling mechanism

**Regulation**
- Regulation for facial biometric from financial/banking authorities
- Regulation for the biometric data registration and data management
- Revision of some regulations related to energy subsidy

**Infrastructure Preparation**
- Industry standard for facial biometric
- Server for biometric data

**Education and Socialization**
- Intensive education and socialization for the beneficiaries and general public.
Thank You