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Global Social Policy Actors and Factors in Indonesian Social Policy Making

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New Directions in Social Policy:
Alternatives from and for the Global South

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Introduction to Working Papers for New Directions in Social Policy: Alternatives from and for the Global South

This paper is part of a series of outputs from the research project New Directions in Social Policy: Alternatives from and for the Global South.

The project examines the emergence, nature and effectiveness of recent developments in social policy in emerging economies and developing countries. The purpose is to understand whether these are fundamentally new approaches to social policy or welfare systems which could offer alternative solutions to the critical development challenges facing low- and middle-income countries in the twenty-first century. This research aims to shed light on the policy options and choices of emerging/developing countries; how economic, social, political and institutional arrangements can be designed to achieve better social outcomes given the challenges of the contemporary development context; how the values and norms of human rights, equity, sustainability and social justice can be operationalized through "new" social policies; and how experiences, knowledge and learning about innovative approaches can be shared among countries in the South. For further information on the project visit www.unrisd.org/ndsp.

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Abstract

This paper explores the transnational dimension of social policy by examining the case of Indonesia, where social policy systems have shifted from community-based schemes for social protection and targeting of the poor to more centralized but broadly national coverage. Focusing on the health care system in particular, it draws on in-depth elite interviews and relevant policy documents to demonstrate how global policy diffusion pushed Indonesia towards universal health care provision. It argues that global actors, such as AusAid, WHO and various UN agencies, played an important role in this transformation, and they have done so in different ways. It further argues that this was made possible by qualitative changes in the relationship between the Indonesian government and global actors, especially AusAid, that broke away from earlier models of foreign intervention.

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Acronyms

AusAID	Australian Aid
AUD	Australian Dollar
BPJS	Badan Penyelenggara Jaminan Sosial (Social Security Administrative Body for Health)
BSM	Bantuan Siswa Miskin (Scholarships for the Poor)
CCS	Country Cooperation Strategies
CGI	Consultative Group of Indonesia
DFAT	Department of Foreign Affairs and Trade
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (German Corporation for International Cooperation GmbH)
GoI	Government of Indonesia
IDA	International Development Assistance
IGGI	Intergovernmental Group on Indonesia
ILO	International Labour Organization
IMF	International Monetary Fund
JICA	Japanese International Cooperation Agency
JPS	Jaring Pengaman Sosial (Social Safety Net)
MDGs	Millenium Development Goals
ODA	Overseas Development Assistance
OOP	Out-of-Pocket
PKH	Program Keluarga Harapan (Family Hope Program)
PRSF	Poverty Reduction Support Facility
RPJMN	Rencana Pembangunan Jangka Menengah Nasional (National Medium Term Development Plan)
SAPs	Structural Adjustment Programmes
SBY	Susilo Bambang Yudhoyono
SJSN	Sistem Jaminan Sosial Nasional (National Social Security System)
SDGs	Sustainable Development Goals
TNP2K	National Team for the Acceleration of Poverty Reduction
UHC	Universal Health Care
UNDP	United Nations Development Programme
UNICEF	United Nations Children’s Fund
UNRISD	United Nations Research Institute for Social Development
WHO	World Health Organization

Introduction

Social inequalities are of major concern within national and global policy debates. The discussion on the state of global inequality and appropriate measures for capturing inequality at various levels that arose around Piketty's *Capital in the Twenty-First Century* (2014) is only one example of the wide-spread contention concerning appropriate ways to move towards a more just world. One issue of concern, in this context, is economic adjustment without cushioning the social impact of economic transition in emerging economies. These countries in particular are subject to high levels of social stratification and income inequality, which have a significant impact on overall development and the well-being of their populations.

The development of social policy institutions is a key mechanism for addressing social inequalities, as such institutions aim to protect people in all situations of vulnerability—including old-age, illness, unemployment and so on. However, in emerging economies, especially in times of economic transformation, social policies tend to either privilege formal sector workers or merely focus on the very poor. Instead of employing universalist approaches that would include the needs of the middle classes, social policy responses to economic transformation in these contexts tend to favour certain groups within the population. This often means that even a short period of inability to work can lead to long-term impoverishment or that an unexpected health care expenditure for one family member might require cuts in other areas, such as school fees for younger members of the household.

National government responses to social issues and inequalities tend to be directed within their borders. It is primarily these national institutions which, in their preoccupation to formally address social inequalities from within, overlook the transnational dimensions of these issues. Not only is social policy development transnational in character, but it is subject to prescriptions and conditionalities from global social policy actors, which reflect the evolving goals and ideas of these actors. Thus, social policy is also the concern of overseas development actors who can be key drivers of social policy reform. In this respect, addressing social inequalities through social policy is considered to be a more socially responsible approach to development assistance than other forms of foreign investment.

This paper focuses on the case of Indonesia as one of the world's largest emerging economies. With a population size of an estimated 258 million, a complicated territory composed of thousands of islands and a diverse population, building comprehensive social policy in Indonesia is challenging. Thus, Indonesia is a particularly interesting case for understanding national and global perspectives on social policy development. Historically, the country's social policy system has shifted from community-based schemes for social protection to targeting the poor and to more centralized but broadly national coverage (Sumarto 2013). As we argue in this paper, global actors and factors played an important role in this transformation, and they have done so in different ways.

The research reported here is based on a qualitative approach to data analysis. To gather information, we conducted in-depth elite interviews and collected policy documents. Publicly accessible documents—including government reports, project documents of international organizations and media outputs (for example, relevant newspaper articles, governmental and international organizations' websites, and so on) —were used for analysis.

The organizations we studied include the World Bank, the United Nations Development Program (UNDP), the World Health Organization (WHO), the United Nations Children's Fund (UNICEF) and the International Labour Organization (ILO). For the AusAID case study, interviews were conducted with staff of the Australian Department of Foreign Affairs and Trade

(DFAT) in Jakarta and Canberra and with GRM International (now Palladium). Supporting interviews were also conducted with the Japanese International Cooperation Agency (JICA), Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) and Indonesia's National Team for the Acceleration of Poverty Reduction (TNP2K).

The following section describes the historical progression of social policy development in Indonesia in order to familiarize the reader with the context within which external actors have intervened. In the subsequent main section, we explore three distinct forms of influence on Indonesian social policy making by global actors:

1. The ideas and prescriptions of international organizations on social policy in Indonesia
2. Concrete cases of engagement by providers of overseas development assistance (ODA), part of which was intended to facilitate national social policy advancements
3. Global development goals, namely the Millennium Development Goals (MDGs) and the Sustainable Development Goals (SDGs), as an important contextual as well as ideational factor in guiding national social policy development

We focus particularly on the development of the health care system. To conclude, we discuss the progress made so far with the universalization of health care in the context of multiple global actors and factors influencing the national social policy-making processes in Indonesia. We argue, among other things, that while the quantity of foreign actors is likely to be reduced for the future, there is a qualitative change in the role of global agencies. While the Government of Indonesia (GoI) now directs the involvement of global agencies much more than it did in the past, the impact of global policy diffusion is clearly visible in that Indonesia, in many ways, abides by mainstream global discourses on appropriate social policy development, design and reform.

Social Policy Development in Indonesia

The national historical, societal, economic and political context within which Indonesian social policy development has taken place over the past decades is complex. Given the country's immense population, its diverse ethnic composition, wide range of education levels and a variety of formal and informal employment sectors and activities, it is a challenging environment for social policy. Moreover, the effects of colonization by the Dutch and the Japanese still reverberate today. During the Japanese occupation of the Second World War, Indonesia suffered severe economic hardship, when agricultural production declined sharply, leading to a food shortage in rural areas (Van der Eng 1992; Booth 1998) and bringing about considerable social problems. After independence from the Netherlands, in the years 1950–1959, the Soekarno Administration sought to support economic rehabilitation by restoring the devastated natural environment and infrastructure and pursuing intensive industrialization with import substitution and the nationalization of formerly Dutch enterprises (Booth 1998; Dick 2002).

In the following decades, the economic fortunes of Indonesia waxed and waned. In the first half of the 1960s, Soekarno radically reformed the political-economic system through the establishment of a socialist economic system, which was termed "guided democracy" Serious inflation led to the government increasing the supply of cash into the economy, which then led to a period of hyperinflation. During this period of economic austerity, Soekarno promoted anti-western sentiment and, in 1965, withdrew Indonesia from the UN, the IMF and the World Bank (Dick 2002; Thee 2002, 2007). In response some foreign governments pulled out their foreign direct investment,[1] which caused the inflation rate to increase further (Grenville 1981). Due to civil and political unrest, in 1966, Soekarno was compelled to transfer power to Suharto.

During the Suharto government, Indonesia's economic fortunes began to recover. Indonesia rejoined the UN, the IMF and the World Bank, which attracted prolific financial aid from international donors, such as the Paris Club (Engel 2010) and the Inter-Governmental Group on Indonesia (IGGI),[2] which was replaced by the Consultative Group on Indonesia in 1992 (Thee 2002). During that time (1965–1997), Indonesia achieved high growth rates of around 7.0 percent (Thee 2007) and came to be regarded as part of the "East Asian miracle" (Stiglitz 1996).

When Indonesia was hit by the Asian economic crisis in 1997, however, the growth rate declined significantly—reaching negative 6.4 percent—and the political situation changed dramatically, leading to severe sociopolitical problems and economic collapse. Many urban workers lost their jobs, particularly in the manufacturing, construction and service sectors (Thee 2002) and food prices soared, provoking protests. Eventually, Soeharto was forced to resign.[3]

The post-Soeharto period was characterized by a number of economic adjustment, including Structural Adjustment Programmes (SAPs) calling for price liberalization, privatization and decentralization. These adjustments were to be facilitated through reduced subsidies, including those for fuel. The decentralization component of these adjustments became particularly prominent in the late 1990. During this period, the provision of health services, for example, was explicitly included in the decentralization strategy and process, placing the responsibility to provide and govern local health services directly with local governments.

Since the beginning of the twenty-first century, with the Asian Financial Crisis behind it, Indonesia has begun to develop and expand its institutional capacity to deliver social protection, which has been increasingly regarded as a right Starting from a limited programme for civil servants, the social security system has evolved into a national social security system called Sistem Jaminan Sosial Nasional (SJSN). This system encompasses various social security schemes and represents a move towards universality and coverage of the entire population (see Sumarto 2013; Suryahadi et al. 2014). However, there remains a large informal sector that is not well covered by formal social protection programmes, which only covers around 60 percent of the total population.

The increasing realization of a right to social security, together with institutional changes and adjustments, reflects the commitment of the GoI to set up more comprehensive social protection. On one hand, universal health insurance has been developed, and on the other, targeted social protection schemes in the fields of old-age pensions and insurance against work