The global financial crisis has placed an additional burden on Indonesia, which was already facing problems such as a large foreign debt, corruption and macroeconomic policies that have failed to take concrete action towards poverty elimination. The severest effects have been felt by workers, since companies lay off their employees as a first option to save their assets. Civil society insists that the Government must take strategic steps to integrate poverty elimination into the national budget.

**An additional obstacle to poverty elimination**

Before the global crisis hit the Government had increased its poverty elimination budget from Rp 51 trillion (USD 5.5 billion) in 2007 to Rp 58 trillion (USD 6.3 billion) in 2009. Unfortunately, the level of results does not match the size of the budget: poverty was reduced by less than 2%.

2. Ibid.
8. Ibid.
10. Ibid.
laid-off in host countries such as South Korea and Malaysia.\(^\text{11}\)

The Government wrongly expected that remittances sent from abroad by migrant workers would provide an alternative source of revenue during the crisis. Some analysts and policy makers even argued that the Government should seek to increase the number of those earning overseas so that remittances could help reduce volatility in the Indonesian rupiah.\(^\text{12}\) Indonesia expected remittances from its overseas workers to rise to around USD 10 billion in 2010.\(^\text{13}\)

The MDGs in Indonesia

Recently, the National Development Planning Institute recognized that Indonesia would not achieve the Millennium Development Goals (MDGs) by 2015, especially those related to maternal mortality rates, HIV and the environment.\(^\text{14}\) According to UNDP – Indonesia:\(^\text{15}\)

- More than 35 million people or 15.4% of the population live below the national poverty line.
- The proportion of the population with sustainable access to clean water and sanitation has not increased significantly.
- More than 30% of people in urban areas and 50% in rural areas do not have access to piped drinking water.
- Indonesia’s maternal mortality rate of 307 per 100,000 remains one of the highest in Southeast Asia.
- HIV and AIDS infections are accelerating sharply across the country, with Papua and high-risk urban areas of particular concern.
- Approximately 95% of children enrol in primary school but only 81% continue to secondary school.
- Between 1997 and 2000 Indonesia lost 3.5 million hectares of forest annually.

Tackling poverty: more efforts needed

Besides the increase in budgeting and fiscal stimulus, the Government has taken some steps in order to reduce poverty including Law 40 2004 regarding the National Social Security System.\(^\text{16}\) This law aims to provide social security for all citizens, not just those who are registered as poor in the National Statistics Office. It establishes five national social security programs covering health insurance, work accident insurance, old age pensions, pension insurance and life insurance. The law calls for a mechanism to be set up to collect funds from compulsory contributions to ensure that all citizens are able to provide for their minimum basic life needs, including access to health care. However, the Government has only applied one regulation, concerning the procedures and organization of the Social Insurance Committee, while other important aspects – such as establishing the Social Insurance Administration Office to implement the law – were ignored. Thus, the old insurance system is still working as usual.

Poverty has been reduced very slowly and without leading to improvements in human development in 2009 and 2010. In the 2009 UNDP Human Development Report,\(^\text{17}\) Indonesia is considered a country with several problems and a decreasing quality of life for its population. Its ranking in the Human Development Index has slipped from 107 in 2005 to 111 in 2009, worse than the Philippines (105) and Palestine (110).

The Government must take strategic steps to tackle this situation. First, it must integrate poverty elimination into the national budget, supporting the efforts of civil society organizations and avoiding overlapping and ineffective programs. Second, Government reforms must include the eradication of corruption and the establishment of good governance. The existence of a strategic plan for debt reduction and efforts to avoid new indebtedness are fundamental to facilitating sustainable development.\(^\text{18}\)


\(^{13}\) Ibid.

\(^{14}\) “RI to miss MDGs target”, The Jakarta Post, 20 April 2010.

\(^{15}\) See: <www.undp.or.id/mdg/>.
