Improving the Distribution of a Subsidised Rice Programme in Indonesia

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Raskin: Subsidised Rice for the Poor

- Largest Indonesian social assistance program
  - 53% of all public social assistance (USD 1.5 billion per year)
  - Poorest 30% of households entitled to 15 kg per month at one fifth the market price
- Village heads responsible for Raskin distribution
- Delivery is **often ineffective**
  - Beneficiaries pay a 25% mark-up on price and only obtain one-third of their entitled quota
  - Thus, they only obtain 30% of subsidy
Program Challenges & Policy Questions

- Delivery faced many challenges:
  - Lack of transparency
  - Monopoly distribution

- Government of Indonesia wanted to know:
  - Does improved transparency through a Raskin card improve the targeting and distribution of Raskin?
  - Does allowing outsiders to bid for the right to distribute Raskin improve distribution?
**Timeline**

**Project Implementation**
- Raskin Card Pilot
  - Sept-Nov 2012
- Outside Bidding Pilot
  - April-Dec 2013

**Data Collection**
- Baseline
  - Jan-Feb 2012
- Midline
  - Oct-Dec 2012
- Endline (Cards)
  - Mar-May 2013
- Endline (Bidding)
  - Dec 2013 - Jan 2014

**Results Dissemination**
- Presentation to GoI
  - Dec 2012
- Presentation to GoI
  - June 2013
- Presentation to GoI
  - June 2014
Project 1: Raskin Card Pilot

- Research Questions:
  - Can providing greater information to households about their rights under Raskin reduce leakage and improve the amount of subsidy received by poor households

- Randomly assigned whether or not households received cards
  - 378 villages received cards
  - 194 comparison villages did not receive cards

- Implementation: Late-September to mid-November 2012

Raskin card with price information
Treatment Variation: 1) Public Information

- The 378 villages that received cards were randomly assigned further to two groups:
  - Standard Information (186 villages)
    - Received letter and list of beneficiaries sent to villages
  - Public Information (192 villages)
    - Received letter, list of beneficiaries, informational posters, public announcement, and socialisation to village leaders

A facilitator explaining Raskin Cards to village leaders in OKI, Central Lampung
Treatment Variation: 2) Price on Card

- The 378 villages that received cards were randomly assigned further to two groups:
  - Cards with price (187 villages)
    - Card contains official price of rice at distribution point (TD)
  - Cards without price (191 villages)
Raskin cards key results

Subsidy received per eligible household (Rp/month)

Comparison group: 28,605
Cards: 36,060
Public Information: Key Results

Increase in subsidy received per eligible household (Rp/month)

- Cards: 7,455
- Cards + Public Information: 9,666

Legend:
- Blue: Cards
- Orange: Cards + Public Information
Printing Price on Cards: Key Results

Increase in subsidy received per eligible household (Rp/month)

- Cards without price: 3,200
- Cards with Printed Price: 6,802
Distributing Raskin cards improved the programme by increasing take-up, reducing price mark-ups, and increasing the quantity eligible households obtained

- Eligible households obtained a Rp. 7,455 (26%) increase in subsidy compared to Rp. 28,605 in comparison villages
- This corresponded with no decrease in subsidy for ineligible households

Public information and printing price on cards further improved beneficiary subsidy

- Public information further increased subsidy by Rp. 4,827 (17%)
- Printing price further increased subsidy by Rp 3,602 (13%)
Through the scale-up of Raskin cards, we gained an estimate of 900 billion – 1.8 trillion in increased yearly subsidies
Project 2: Outside Bidding Activity Pilot

- Local officials collected Raskin from the distribution point and distributed to citizens
  - Created local monopoly over distribution process

- This pilot tested whether allowing private citizens the right to bid to distribute could improve Raskin distribution.
## Experimental Design

<table>
<thead>
<tr>
<th>Bidding</th>
<th>Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>191 villages</strong></td>
<td><strong>285 villages</strong></td>
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<tr>
<td>• Facilitate bidding activity at the village, where individuals can compete for the right to distribute Raskin</td>
<td>• No treatment</td>
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### Minimum Bids

**A subset of 96 villages**

• Encouraged to have a minimum of three bids
Bidding Treatment Increased Involvement but did not Always Change the Status Quo

- High level of participation in bidding process:
  - On average, 2.4 bidders per village
  - However, mostly local elites participated in the process

- Incumbent distributor not always overturned:
  - In 52% of bidding villages, the incumbent distributor won the bidding
  - Incumbent more likely to win when initial price charged was low and when initial satisfaction levels were high

- Overall, the bidding treatment led about 17 percent of villages to switch distributors:
  - Applicants who proposed lower prices and who had relevant experience as traders were more likely to be selected

- However, winners were prevented from delivering in some villages by other government actors
Outside Bidding Improved the Distribution

- The bidding treatment led to a 8% reduction in the mark-up paid by households
- Distribution quality did not decline in other ways to compensate for the lower price, and if anything households reported that the rice quality improved
- Much of the price reduction was driven by the minimum bid treatment
- On net, the card treatment was a much bigger effect, at a lower cost.....
Policy Scale-Up: Social Protection Card (KPS)

The Government of Indonesia scaled up Raskin cards as Social Protection Cards (KPS)
Conclusions

- Conducting a randomised evaluation allowed the GoI to rigorously test potential policies and to use the evidence to inform decision-making
  - Concepts from the Raskin card pilot were incorporated into national policy
  - Findings from the bidding pilot can help inform the direction of future possible reforms to the Raskin program
- The randomised evaluation was conducted through strong collaboration between government, researchers and donors, which allowed for it to be completed within a tight timeframe.
THANK YOU