



Improving the Distribution of a Subsidised Rice Programme in Indonesia

Sudarno Sumarto
Policy Advisor, TNP2K and
Sr. Research Fellow, SMERU Research Institute

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

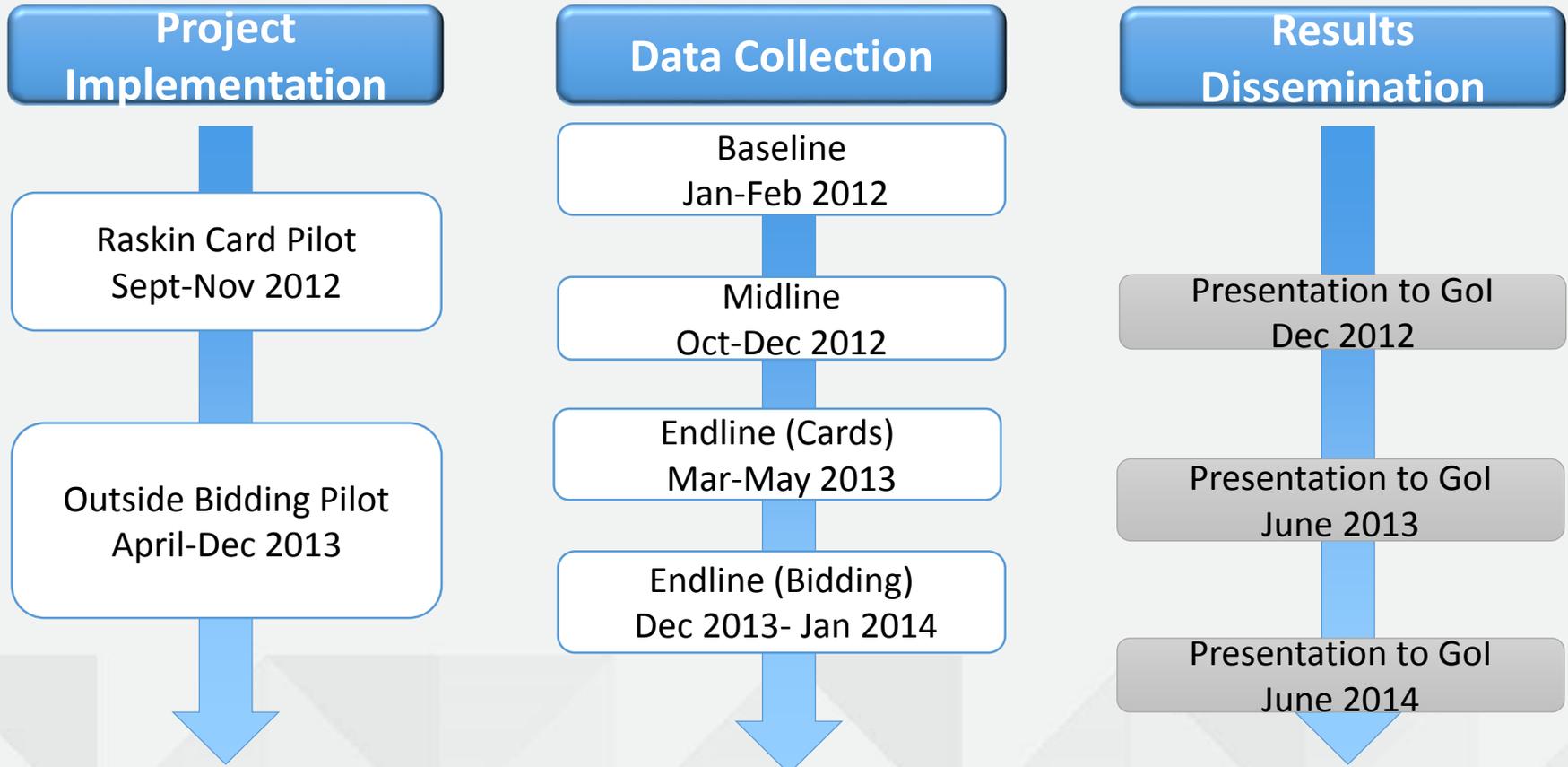


Program Challenges & Policy Questions

- 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 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

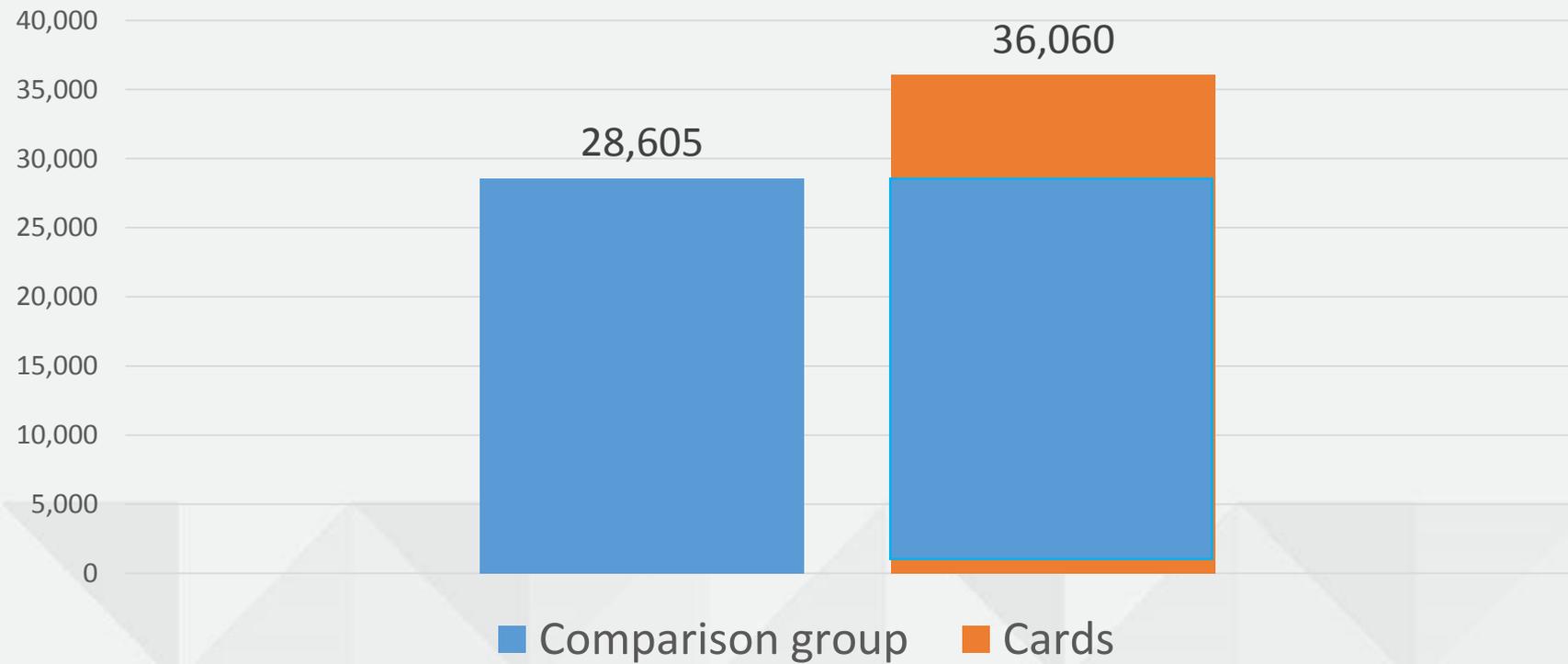
Treatment Variation: 2) Price on Card



- 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)

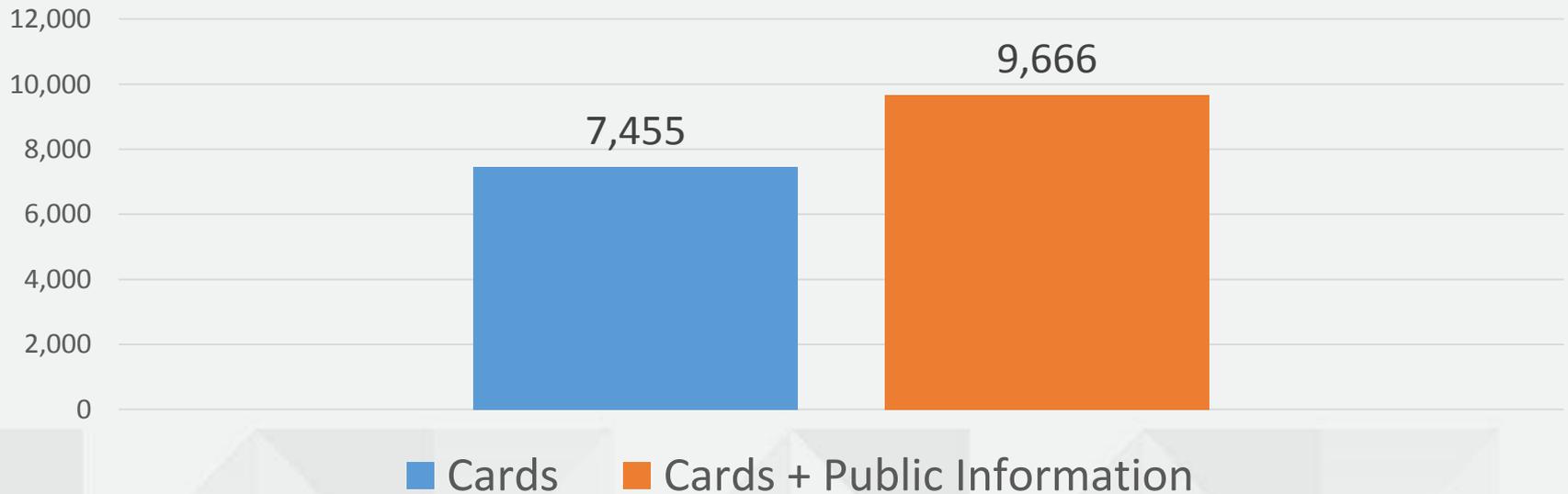
Raskin cards key results

Subsidy received per eligible household (Rp/month)



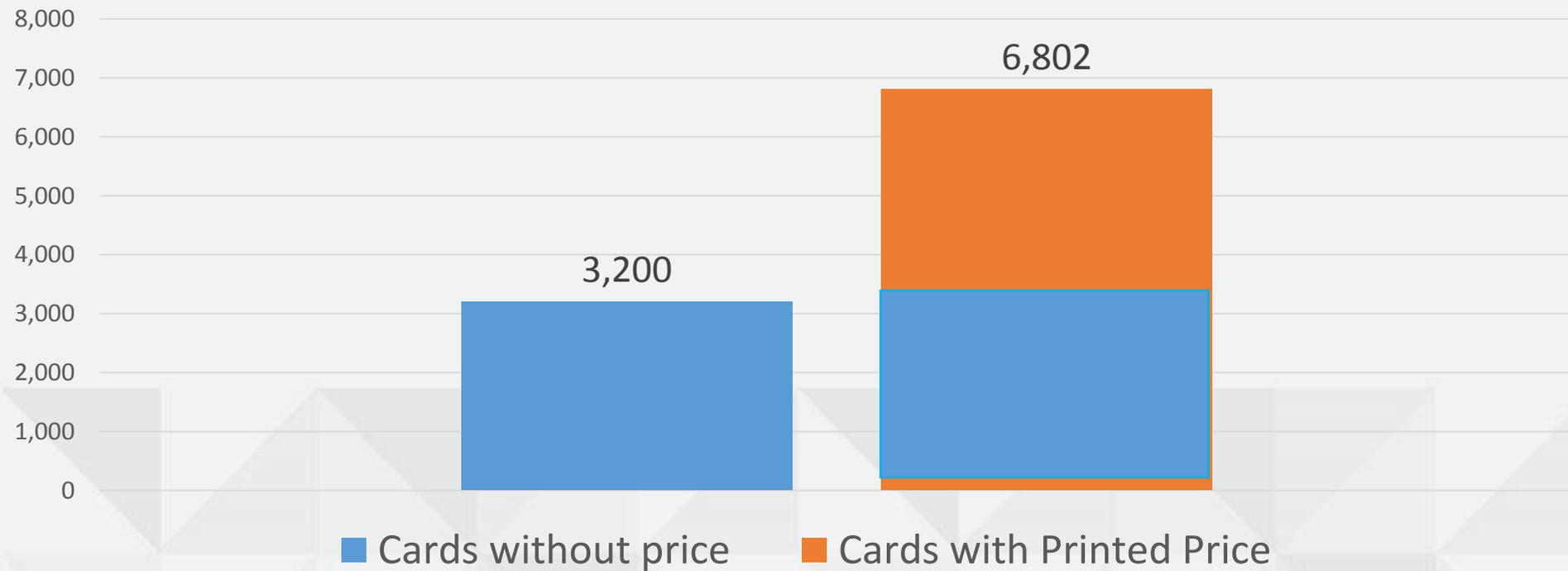
Public Information: Key Results

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



Printing Price on Cards: Key Results

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



Raskin Cards Improved Overall Delivery of Subsidised Rice

- 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 Rp3,602 (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

Bidding	Comparison	
<i>191 villages</i>	<i>285 villages</i>	
<ul style="list-style-type: none">Facilitate bidding activity at the village, where individuals can compete for the right to distribute Raskin	<ul style="list-style-type: none">No treatment	
Minimum Bids		
<i>A subset of 96 villages</i>		
<ul style="list-style-type: none">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