

A Note on Social Protection Policies

- Improving the quality of teachers is important to increase the quality of education. The teacher assessment and incentive systems need to be designed so that teachers are motivated to make students interested in the learning process. One of the ways we can do this is by strengthening community involvement through parents and community leaders.
- Access to higher education should be increased, since higher education is instrumental in increasing social mobility. This should start with focusing on early age of a child.
- Other priorities include the improvement of nutrition for children from low income families because of how important nutrition plays in a child's cognitive development.
- Access to finance is plays a role in increasing welfare. There is a need for better coordination in terms of regulating and implementing financial inclusion programs.

According to World Bank standard, Indonesia belongs to the group of middle-income countries. Unfortunately, a comparison of several indicators of health and poverty with other low-income countries shows that Indonesia are really no better. In some malnutrition indicators such as severe wasting, which are the ratio of height to weight abnormalities, Indonesia scores three times higher than Cambodia.

This fact shows that low-income groups cannot enjoy an increase in per capita income alone through economic growth. There are some urgent problems in the socio-economic scope:

- Poverty is experiencing a downward trend, however the rate is slowly declining especially when using international standards.

- We are highly vulnerable to poverty. According to the data, a rice price increase of 1% could potentially pull 300 thousand people into poverty.
- Despite a large allocation for education budget, our education is still considered not pro-poor and low in quality;
- The health quality of Indonesian people on average is still low, especially with regard to the nutritional quality of children under five and maternal mortality rates;
- Inequality has risen alarmingly. The rise of Indonesia's inequality in recent years is among the highest compared to other developing countries

INDONESIA	2010	2012	2013	2014
GNI per capita, Atlas method (current US\$)	2,530	3,580	3,740	3,630
Poverty headcount ratio at national poverty lines (% of pop.)	13.3	12.0	11.4	11.3
Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of pop.)	15.9			
Prevalence of stunting, height for age (% of children under 5)	39.2		36.4	
Prevalence of severe wasting (% of children under 5)	5.4		6.7	
CAMBODIA	2010	2012	2013	2014
GNI per capita, Atlas method (current US\$)	750	880	960	1,020
Poverty headcount ratio at national poverty lines (% of pop.)	22.1	17.7		
Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of pop.)	10.0	6.2		
Prevalence of stunting, height for age (% of children under 5)	40.9			32.4
Prevalence of severe wasting (% of children under 5)	2.8			2.3

Source: World Bank's World Development Indicator, retrieved 17 January 2016

The old way of thinking, that social inequality is inevitable to achieve high economic growth, should be abandoned. In the long run, countries with high social inequality tend to have lower economic growth.

The problem of social inequality is a problem relating to making equal access for basic health care (including nutrition), quality education and entrepreneurial skills. These are all early investment components to the human capital.

Access to Quality Education

Indonesia has recorded a very rapid progress in terms of reforming the education system over the last ten years. According to Tobias et. Al (2014), public investment in education sector is also being conducted on various aspects such as the achievement of universal primary school attainment and the level of sustainability of the school from primary to secondary school. This has significantly increased reading abilities of children (according to PISA), as it has steadily improved between the years 2000-2012. However, there are several challenges that need to be overcome. These include, low enrollment middle school students in Eastern Indonesia and low mathematics and science performances of Indonesian students.

Teachers have a key role in improving the quality of basic education in Indonesia. The quality of teachers is deeply related with these three aspects: (1) substance knowledge, (2) pedagogical knowledge, and (3) motivation. The third aspect, motivation, is very important as it directly affects the transmission of substance knowledge from teachers to the students. A proper incentive system will motivate teachers to encourage their students to learn and improve their abilities.

Health: Improving Childhood Nutrition

One of the country's urgent needs is to solve the immediate problem of children malnutrition. The period of 2007 to 2013 have seen an increase in stunting. This is highly correlated with the intake of nutrients, which includes protein that is vital to a child's brain growth. Since the consequences towards the quality of the intelligence in adulthood is apparent, it is clear that social mobility will be hampered. Thus, there is a high chance that poverty will be inherited from generation to generation.

James Heckman, a Nobel prize holder economist from the University of Chicago, explained clearly so important to invest in human capital at an early age (0-3 years). The main reason is simple; the age range is very sensitive towards brain development, especially in cognitive and social skills. Low coverage Indonesia's child nutrition may also contribute to the poor quality of cognitive school students in Indonesia.

One program aimed at reducing stunting is called the Family Hope Program (PKH), which has been given to 3.2 million low-income families. The program itself intends to transfer money to the families of the recipient but requires pregnant mothers to come to health centers and pre-school children to be monitored and given a nutritional supplement. Studies show that as a result of this program, severe stunting was reduced by 2.7%. However, given the large number of low-income families, there is a strong needs to still expand the scope of the program towards other areas.

Access to Business Financing

The benefits of financial inclusion to develop the economy is not confined to helping low-income groups to manage the risks and mitigate the impact of potential financial shock, but also helps create the foundation of strong economic growth through job creation and increased investment in the education sector. In reality, low income citizens are still experiencing barriers to access formal finance through banks and financial institutions, lack of socialization and the absence of financial instruments that are suitable for their needs.

In 2013, Bank Indonesia began a project pertaining to branchless banking. This is greatly helped by high mobile phone usage in Indonesia. Government assistance programs such as the Family Hope Program, Cards Healthy Indonesia, Indonesia Card Smart Card and Family Welfare have gradually started to channel through the Financial Services Digital LKD, along with the change of cash assistance to non-cash in 2014. The Financial Services Authority (OJK) also issued a regulation, which addresses specific guidelines for branchless banking.

The problems that arise are mainly due to lack of information. This causes confusion among the financial institutions and agents, which includes both banks and non-banks. The coordination between the two institutions, specifically the regulators and supervisor of the financial systems, is also lacking. Various programs that were launched in the framework of financial inclusion are inconsistent with each other, especially in its implementation.