

RESOLVING NUTRITION EMERGENCY AS PRECONDITION TO INCLUSIVE GROWTH

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This policy brief is the result of an activity entitled “Economic Policymaking in Indonesia” which is jointly conducted by Centre for Strategic and International Studies (CSIS) and Economic Research Institute for ASEAN and East Asia (ERIA). This activity is a contribution from research community that is expected to assist the government in formulating more effective economic policies in the future. In this activity, CSIS and ERIA invited 16 economists with specific fields of expertise from some leading research institutions to conduct in-depth discussions on seven strategic issues facing Indonesian economy (infrastructure development, competitiveness, investment climate, food policy, services sector policy, fiscal policy, and social protection policy), which is then summarized into policy briefs covering each of the topics.

Dissemination of the findings and recommendations produced by this activity is conducted through several channels. First, this activity has made efforts to engage the relevant government officials through some Focus Group Discussions (FGD), the publication of High Level Policy Notes, and hearings with some strategic policymakers with regard to each of the strategic issues mentioned above. Secondly, this activity also conducts widespread public disseminations through Public Seminars on each of the strategic issues, along with publications of the Policy Briefs and supporting multimedia that can be accessed online through www.paradigmaekonomi.org.

INDONESIA: MIDDLE INCOME COUNTRY WITH POOR NUTRIENT STATUS

Comparison of some welfare indicators between Indonesia and Cambodia indicates a number of highly disturbing anomalies (Table 1). Indonesia is a country that falls under the middle income countries group based on World Bank standard, while Cambodia is included in the low income countries. Indonesia's income per capita is far higher than Cambodia, almost 3 times higher. The poverty rate (based on national poverty line) also indicates that Indonesia is relatively more prosperous. However, comparison of health indicators, in this case, toddlers' malnutrition, indicates that Indonesia is not better than Cambodia. For malnutrition indicator such as severe wasting (the proportion of abnormal body height-weight), Indonesia could almost reach 3 times higher than that of Cambodia. Comparison with Cambodia suggests that Indonesia's robust performance of income per capita and national poverty rate does not correspond very well with its malnutrition indicator.

Table 1. Comparison of some welfare indicators between Indonesia and Cambodia

INDONESIA	2010	2011	2012	2013
GNI per capita, PPP (constant 2011 international \$)	8,234	9,017	9,394	9,725
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			
Poverty headcount ratio at \$3.10 a day (2011 PPP) (% of pop.)	46.3	41.7		
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	
Prevalence of wasting (% of children under 5)	12.3		13.5	
CAMBODIA	2010	2012	2013	2014
GNI per capita, PPP (constant 2011 international \$)	2,397	2,647	2,777	2,924
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		
Poverty headcount ratio at \$3.10 a day (2011 PPP) (% of pop.)	42.4	37.0		
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
Prevalence of wasting (% of children under 5)	10.8			9.6

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

The story goes on a different way if the poverty rate comparison is based on international standards, not national poverty line. It appears that Indonesia is not better than Cambodia. The moderate poverty rate is the population proportion whose income per capita is lower than \$3.1 (using Purchasing Power Parity base). This poverty line of \$3.1 (PPP) is equivalent to around Rp13.000/day. By this definition, in 2012, 41.7% of Indonesia's population were categorized as poor, compared to 37% in Cambodia. Therefore, unlike the previous case of income per capita and national poverty standard, Indonesia's poor performance by international poverty standard does correspond with its malnutrition indicator.

The poor nutrient status of national toddlers' (under 5-year-old/*balita*), which is not consistent with aggregate achievements such as growth in income per capita and the relatively low poverty rate according to national standard, indicates at least two important things. First, the poverty line that is used by the government is too low. Hoy (2016) discussed that Indonesia's current official poverty line is only a little higher than the poverty line in 15 poorest countries

in the world. Secondly, Indonesia also suffers from high income inequality. In the last decade, Indonesia has experienced a steep rise of inequality, one of the steepest among developing countries (Yusuf et al, 2014).

THE CHILDREN’S HEALTH QUALITY AND EQUITY PARADIGM FOR GROWTH

Not many people fully realize that the quality of children’s health, especially those in low income group, may jeopardize the sustainability of economic growth. The low quality of children’s health is a signal of an inequality in the human capital distribution, and it will move in line with the income inequality in general. Recent studies have shown that the countries with high inequality are identical to countries with low economic growth¹. This happens because countries with high income inequality tend to have low diffusion of human capital, which in turn leads to low innovation potential, a main generator of modern economic growth. It is a concept which has been long explained in the new growth theory.

As a result, social equity should become a precondition to economic growth. The most acceptable indicator of social equity in a wide political spectrum is the equal opportunity for developing human capital, in which access to health and nutrient at growth phase are of paramount importance² (Figure 1). This is where the government should play a major role, since access to those two basic services depends very much on the initial condition. One cannot choose where he or she would be born.

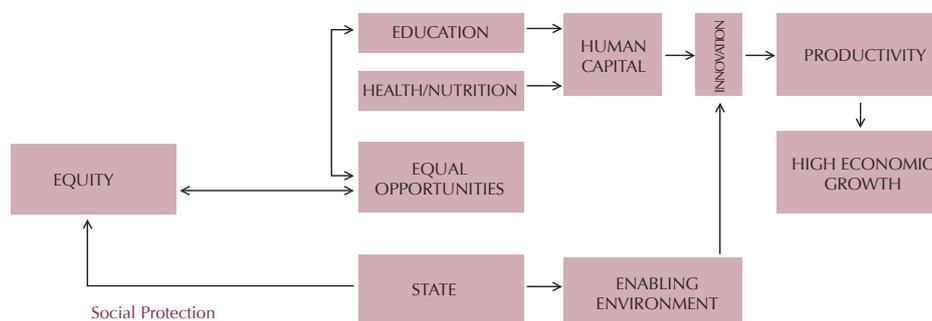


Figure 1. Equity paradigm for growth (Source: author’s adaptation)

Aside from many other things needed to be done, it is clear that one of the most urgent policy problems is to immediately improve the currently poor nutrient status of Indonesian children. At times of robust economic growth over the period of 2007-2013, stunting surprisingly rose³. Indicator of low nutrient, such as stunting and wasting, is highly correlated with nutrients intake, including protein which is vital to children’s brain development. Given its vital consequence to the intelligence quality at mature age, poor nutrient in children will hamper social mobility. As a result, poverty will be inherited across generations.

James Heckman, a noble-winning economist from Chicago University, explained clearly the importance of investing in human capital at early age

1 Example Berg et al (2012)

2 Obviously aside of access to education.

3 Ministry of Health’s Strategic Plan, 2014-2019

(0-3 years). Human capital investment has a higher return of investment, compared to other investments targeting children at older or mature age (see Figure 2).

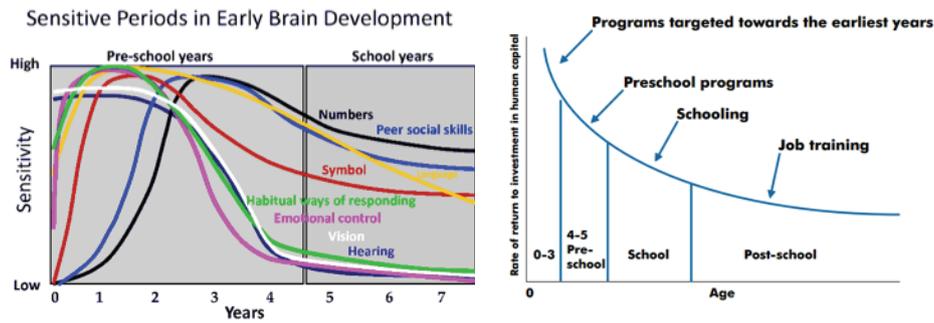


Figure 2. The importance of HR investment at early age (Source: heckmanequation.org)

The main reason is simple, as age 0-3 is a very crucial period for children’s brain development (Figure 2), either cognitively such as the understanding of numbers, symbol, or socially. In the absence of adequate nutrient intake, Indonesian children whose parents are poor will not have any opportunity to improve their economic status when they grow up. SUSENAS data from March 2015 indicates that there is 29.9% of Indonesian population still living under the international poverty line (PPP \$3.1/day), with income per capita per month of Rp 450.000⁴. This means that at least, there are still about 20 million families, whose children are vulnerable to lack of nutrition. The futures of these children are in need to be saved.

The low intake of Indonesian children’s nutrients is also very likely to have contributed to the low cognitive quality of Indonesian students. In PISA test (In mathematics, science and reading), which is conducted by OECD in many countries, Indonesian children almost always fall among the worst performers (in 2012, Indonesia’s score was the second lowest of 64 countries). Without immediate government intervention, our opportunity to have a future innovative generation which will contribute to economic growth, is as good as gone.

THE URGENCY OF INTERVENTIONS TO ADDRESS POOR CHILDREN’S LACK OF NUTRITION

The aforementioned explanations suggest that Indonesia is lagged behind, in terms of national nutrition quality, especially among low income families. The problems may have been deeper than statistics, since a third of Indonesia’s population are still poor. This unfortunate condition not only assaults the equity aspect, but also jeopardizes the distribution of equal opportunities and eventually the economic growth itself. Current government interventions will need to be re-evaluated in terms of its efficiency; as there is no evidence of significant improvement occur as a result of the interventions. Intervention in form of nutrition development for pre-school children in those of low income families, for example, must be optimized immediately. The allocated budget may need to be increased, considering the fact that our health expenditure is relatively low compared to other types of expenditure, such as education and infrastructure. The effectiveness of such program should not be doubted.

⁴ Source: Author’s calculation using SUSENAS data of March 2015

Literatures have shown plenty of scientific evidence that intervention program for poor (and almost poor) children's nutrition, are effective to improve the welfare of the poor. A convincing study (because of its longitudinal nature for almost 30 years) in Guatemala shows that the intervention in protein intake for poor children improved their income by 46% when they grew up (Alderman et al, 2006)⁵. As a result, intervention in form of nutrition improvement for poor and almost poor children will help them in enlarging their opportunities in gaining benefits from social mobility. Economic disparity will be reduced, and thus, a high and inclusive economic growth will be achieved.

This does not mean that such programs do not exist in Indonesia. But the problem usually lies at the scope and effectiveness of such programs. In Indonesia, for example, one of the programs made to reduce stunting prevalence is Family Hope Program, also known as *Program Keluarga Harapan* (PKH). PKH is a program that targeted 3.2 million very poor families its target⁶. This program transfers an amount of money to the recipient families, but requires the pregnant women to visit Puskesmas and the pre-school children to be monitored and given nutrition supplements. A study⁷ has shown that as a result of this program, severe stunting has decreased for 2.7%. However, considering the high number of poor and almost poor people in Indonesia (more than 70 million people), then in order to have a positive impact, the government may need to consider scaling-up such program immediately, along with the evaluation of currently available programs. In addition, the government also needs to devise and implement innovation in the design of the program. There is no such thing as waiting. The longer we wait, the more jeopardized our children's future welfare becomes. Our response to this urgent problem of children's nutrition is part of our accountability to future generations.

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5 Study involves 1,424 individuals in Guatemala (aged 25-42 years old) from 2002-2004. Among subjects of the study, 60% of the 2,392 children (aged 0-7) were provided with high-protein nutrients in the intervention program during the period of 1969-77.

6 Starting from 2016, the targeted recipient household will receive twice as much.

7 Conducted by TNP2K. Source: Dr. Elan Satriawan's presentation (2016).