

INDONESIA: SOCIO-ECONOMIC CRISIS

appeal no: 09/99
17 March 1999

***THIS APPEAL SEEKS CHF 2,663,000
IN CASH, KIND AND SERVICES
TO ASSIST 580,000 BENEFICIARIES FOR 12 MONTHS***

Summary

The economic crisis currently affecting many countries in Southeast Asia is having a disproportionate impact in Indonesia, forcing many millions to live below the poverty line, particularly vulnerable groups who lack, or have exhausted, essential coping mechanisms. Economic forecasts indicate that it will take 3 to 5 years before economic reforms may restore economic growth, but not before causing further suffering, dislocation and associated unrest. This appeal on behalf of the Indonesian Red Cross (PMI) presents an initial strategy intended to safeguard acceptable nutritional and health standards among some of the most vulnerable of Indonesia's urban poor, and to be ready to respond to emergency needs during this period of political and economic uncertainty by providing immediate emergency assistance and longer term support through PMI's network of recently established 'Crisis Centres'.

The Situation

Since the Asian economic crisis struck almost one and a half a years ago, the people of Indonesia have seen a dramatic decline in their quality of life. From a situation of steady improvement over several years, millions of people are now on the verge of dire poverty. In a study commissioned by the World Bank and released in January 1999, it was estimated that 38 million people are now below the poverty line compared to 22 million before the onset of the crisis.

The Indonesian rupiah has lost almost 60 per cent of its pre-crisis value, and continues to be under pressure of depreciation, many banks and companies have closed; inflation stands at over 65 per cent per annum, loans are unavailable and unemployment levels are estimated to be above 20%.

The economic crisis has been compounded by the worst *El Niño-induced* drought in 50 years, resulting in a reduced rice yield, the main staple in Indonesia. The burden of the food shortage has

fallen primarily on the poor as rice accounts for 25% of the family budget of poor households (World Bank figures). This created a need to import 4.35 million tonnes of rice during the 1998/99 season (an amount almost equal to 25% of the world rice trade). The imported rice has to be paid for by a hugely devalued rupiah, and the cost has more than doubled from the pre-crisis level.

The combination of massive unemployment (an estimated 20%), a weak currency, high inflation (annual inflation in 1998 was 60%) and serious political instability with frequent outbreaks of violence in many parts of the country has created a situation of profound insecurity for the Indonesian people. Their purchasing power as well as access to basic services have been dramatically reduced, forcing people to draw on various coping mechanisms. Substituting rice for cheaper and less nutritious foods and reducing the number of meals eaten per day is common. Many families take their children out of school as educational fees can no longer be afforded, and children are needed to contribute towards the family income. Access to health care is rapidly diminishing for large sections of the population with an increase of 200 to 300 percent in drug prices between November 1997 and March 1998. Moreover, a reduction in "health service expenditures...will threaten priority public [health] programmes" (World Bank, 1998).

Unemployment is highest and coping mechanisms are least developed in urban areas. At the same time, as many of the unemployed urban workers have returned to the rural areas, the size of the available labour pool in these rural areas has increased dramatically. The result is that there is less demand for daily labour which is the main source of income for the rural landless.

As a result of the complex crisis, there are increasing levels of malnutrition - UNICEF estimates that 4 million children under two years old are severely malnourished, as well as anaemia among women and small children; a clear need for food aid among the urban poor has also been identified (FAO/WFP Crop & Food Supply Assessment Mission, October 1998).

Not only has the economic crisis made basic social and health care less affordable for the poor, but it also impacts on essential services such as blood supply. The Indonesian Red Cross which is the sole provider of blood through its 159 blood transfusion centres is threatened by dwindling resources and increasing costs. As blood by law has to be made available at cost, and this cost is largely determined by the high dependency on imported consumable supplies like blood bags and reagents to screen for communicable diseases, the Blood Transfusion Service is being priced out of reach of about 70% of its potential clients.

In conclusion, 1999 is a critical time for the people of Indonesia; the socio-economic crisis threaten the livelihoods of many millions of people and there is a real danger of further unrest. Loss of purchasing power and spiralling unemployment mean that recent improvements in health and social standards are being eroded, not least among the urban poor. Assistance is urgently needed to support PMI to help those among the poor who are most exposed to the crisis.

The emergency programme presented in this Appeal is based on a locally initiated Red Cross response to a crisis that started in May 1998.

The Response so far

Red Cross/Red Crescent Action •

During the riots that took place in several cities in Indonesia in early 1998, the Red Cross Branch of Surakarta (Central Java) initiated a 'crisis centre', which provided first aid, food relief and medical

deepened, the crisis centre gradually re-focused its attention to the poorest section of the population, providing rice, cooking oil, clothing, and other essential items at subsidised prices, as well as providing basic health care for those without access to government health services. The Central Java branch and Blood Transfusion Unit (BTU) collected and distributed clothing, and also made available blood and blood products without a service charge to those in the poorest section of the population. All resources for the crisis centres are mobilised locally.

With the facilitation of the International Federation, the Indonesian Red Cross held a workshop in October 1998 in order to exchange experiences among Provincial Red Cross Chapters on how to deal with the crisis, and to discuss the possibility of providing extensive support to selected beneficiary groups through the crisis centre mechanism. It was found that the crisis centre model was suitable for replication in 52 district Red Cross Branches and 12 provincial Red Cross Chapters.

Therefore, in view of the scale of the operation, the number of vulnerable people not being reached by other interventions and the limited local resources, it was decided that the International Federation would assist PMI in developing an Emergency Appeal to support the Centres. Given the need for food, negotiations were started immediately with the World Food Programme and a contract for 11'000 mt of rice is to be signed (however agreement for the release of the rice from the government of Indonesia has yet to be obtained). A contribution of 200 MT of rice has also been pledged through the Japanese Red Cross. Further significant quantities of rice are currently being negotiated for with WFP, the European Union, and other donors.

In another initiative, and as a prime example of inter-regional Red Cross collaboration, the Singapore Red Cross Society has assisted and continues to assist Palang Merah Indonesia (PMI) to provide food relief parcels to over 60,000 families located in 9 provinces.

Other Agencies' Action •

The Government of Indonesia (GOI) has, since August 1998, implemented a subsidised food marketing programme (Operasi Khusus) that reaches approximately 6 million families from all of the 27 provinces in the country with an estimated 5 million MT of imported rice. Under this programme low income families (referred to as 'pra-sejahtera') are allowed to purchase 20 kg's of rice per family (at a fixed price of Rp. 1,000 per kg) each month.

The World Bank in July 1998 extended a \$1 billion Policy Reform Support Loan (including the purchase of food and essential drugs) and has also reviewed its overall strategy in the health sector to address the immediate and medium term needs of the poor. The Bank will prioritise projects which provide basic health care to the poor.

Since August 1998, WFP has been providing emergency food aid to Indonesia, targeting 5 million people over 13 months with 340,000 MT of rice (ref. UNDP). With the drought easing, WFP and the Government agreed to redirect food, which was originally targeted for drought-affected islands in the east of the Indonesian archipelago, towards the victims of the economic crisis, who are predominantly located in Java and the larger urban areas of Sumatra and Kalimantan. The intended beneficiaries are children under 5 as well as pregnant women and lactating mothers. WFP also supports food-for-work projects in rural areas, and free food distribution in the urban areas. It is expected that WFP will programme further emergency aid for urban areas during 1999. WFP is also working with national and

Catholic Relief Services also intend to begin a relief food distribution programme in Central Java, working through interfaith groups. This USAID-supported programme will provide 12.5 kg's of rice per family each month for six months.

Co-ordination •

The Indonesian Red Cross, together with the International Federation, is a member of the WFP-initiated Food Aid Co-ordinating group in Jakarta. Other members include the World Bank, UNDP, Australia Aid (AUSAID), USAID, World Vision International (WVI), Catholic Relief Services (CRS), MSF, and Caritas. This co-ordinating body meets once a month.

The GOI estimates that there are currently 17 million families in the 'pra-sehjatera' (see 'Assessment of Needs' below) group. PMI targets beneficiaries in consultation with local authorities to avoid selection of families and individuals who already benefit from other assistance. The PMI works closely with the local Government authorities, thus ensuring that the operation is planned and implemented in line with GOI strategy. A careful review of the geographical spread of the beneficiary groups selected has also been carried out together with WFP to ensure that there is no overlap with other programmes.

The Intended Operation

Assessment of Needs •

The results of the annual countrywide household welfare survey (February 1998) by the government's 'National Family Planning Board' formed the basis of the needs assessment. This classifies families into one of five welfare levels using criteria based on housing, school access, income and ability to perform obligatory religious charity. For this operation, PMI will select beneficiaries entirely from the lowest welfare group, or the 'pra-sejahtera'. As this group is estimated to be 17 million people, it is considerably larger than the number of beneficiaries the PMI has the capacity to assist. Therefore the size of the operation is not dictated by the size of the needs, but by the implementing capacity of PMI. The operation will therefore focus on the people from the 'pra-sehjatera' group that have difficulty accessing assistance from other schemes (e.g. food-for-work projects). Assistance will be provided to the most vulnerable such as female-headed households, the elderly living alone, institutionalised orphans and the physically disabled.

Immediate Needs •

Due to diminishing employment and very high inflation figures over the past one and a half years, purchasing power by those people in the 'pra-sejahtera' group, has been considerably reduced. These increasingly marginalised people continue to experience serious difficulties in accessing sufficient food as well as in gaining access to basic health services (including the supply of blood). For this group, therefore, there is a need to address the provision of food (rice) and access to basic health care. Additionally, in readiness for the approaching national election campaign (elections take place on 6 June 1999), there is a need for the national society to have adequate emergency equipment to respond to any unrest that could take place, as well as to consolidate preparedness for natural disasters.

Anticipated Later Needs •

While it is difficult to predict at this point how long the economic crisis will continue, economic analyses indicate that it will take three to five years for the Indonesian economy to recover to the extent

stable situation). Therefore, this Appeal will build in a component that not only enhances the capacity of PMI but that also enables PMI to look at longer term and more sustainable solutions to the crisis.

Red Cross Objectives •

The goal of the programme is to help safeguard acceptable nutritional and health standards among some of the most vulnerable of Indonesia's urban poor and to be ready to respond to emergency needs during this period of political and economic uncertainty. This Appeal will seek to support the PMI 'Crisis Centres' initiative in 12 provincial chapters and 52 district level branches, mainly in Java and Sumatra, and will compliment the assistance that is already mobilised from within the local community.

This Appeal has the following specific objectives:

- ◆ To provide initial subsidised emergency food assistance to 580,000 people.
- ◆ To provide access to free medical consultations and basic drugs for 400,000 people.
- ◆ To safeguard the PMI blood programme and to provide blood to an estimated 25,000 people with no service charge.
- ◆ To strengthen PMI institutional and emergency preparedness capacity.
- ◆ To assist PMI in defining a longer term and more developmental response to the crisis.

Types of assistance•

1. Food relief to 580,000 beneficiaries: 120,000 female headed household families from the pra-sejahtera group will receive 10 kg's rice per month for 12 months. 65,000 elderly persons (those over 60 years of age) from the pra-sejahtera group and living alone will receive 5 kg's of rice per month for twelve months. The same amount for the same period will be given to 15,000 institutionalised orphans and disabled persons. Rice will not be purchased but will be secured as goods in-kind; negotiations in this respect are underway with the EU and a contract is expected to be signed with WFP for 11'000 mt (though the agreement of the government is also sought in order to release the food), however, other donors are also requested to provide support.

2. Medical assistance to 400,000 beneficiaries: Beneficiaries will receive free medical consultation (up to a maximum of Rp. 20,000 per patient per visit) and local generic drugs. 100,000 of the beneficiaries will receive their medical check-ups and medication from the Red Cross Hospital in Bogor, the rest through health posts under the management of crisis centres.

3. Blood and blood products to 25,000 beneficiaries: An estimated 100,000 units of blood or blood components (this represents 10% of the total blood collected annually) will be made available to people from the pra-sejahtera group on a no-service charge basis (assuming an average of 4 units per beneficiary, this amounts to 25,000 beneficiaries). This will directly meet people's needs and will help safeguard the PMI blood service.

4. Institutional strengthening and emergency preparedness measures: It is anticipated that this emergency operation will considerably increase and broaden the operational capacity of the National Society. Training will be provided for staff and volunteers and some specialist staff will be recruited to ensure professional guidance and monitoring. An inherent difficulty for a National Society operating in such a large country, with more than 200 million people living on 13,700 islands, is to maintain a cohesive network and close relations between the national headquarters and its branches. The present nation-wide operation will have as an important additional benefit, to forge closer links between all parts of the Society. Within the framework of ongoing support for institutional development from the International Federation, where the current socio-economic and political crisis requires PMI to review its mission and role in Indonesian society, the emergency operation will contribute important new perspectives for setting of priorities to reach the most vulnerable.

In emergency preparedness (this compliments the PMI disaster preparedness programme) 40 branches will each receive 1 standard (as per PMI specification) emergency preparedness kit consisting of a field kitchen (1), first-aid kit (1), field kit (1), stretcher (5), Generator (2), Megaphone (2), Kerosene lamp (4) and water pump (2). This will enable the branch to provide first-line medical assistance and evacuation to those people most effected by any unrest.

5. Longer term solutions: In line with the needs identified at branch level, PMI assisted by the Federation will use data collected during this operation to develop a longer term strategy for addressing the social dislocation. The strategy could, amongst other initiatives, include poverty alleviation projects focused particularly at income generation (e.g. poultry production, handicraft production and baby sitter training).

National Society/Federation Plan of Action

Duration of the operation •

The operation, which is basically an extension of ongoing PMI activities, will begin as soon as resources are available and will last for an initial period of 12 months. As the operation is implemented, it is likely that additional specific responses to the current unrest and to longer-term social needs will continue to be developed.

Selection of beneficiaries •

The selection of beneficiaries will be fully based on the criteria and data established at a national level. The 'National Family Planning Board' survey, which is currently recognised as the most reliable source of information, will form the basis of the selection. This information will be verified and complimented by information collected by PMI from the local authorities and also from the PMI volunteers who come from within the communities. Through central and local co-ordination, all efforts will be made to ensure that beneficiaries are not also benefiting from other similar schemes. All beneficiaries will be from the pra-sejahtera group with female-headed households, elderly persons living alone and institutionalised orphans prioritised for assistance. Full records detailing beneficiary type and number will be kept and a comprehensive system of standard operating procedures (see M&E below) has been developed to help ensure full transparency and accountability.

Procurement & Distribution •

Donors will be requested to provide grade III rice. Currently an amount will be obtained from WFP through the state logistics agency, with PMI branches collecting the rice from the district warehouses and arranging for transportation (by commercial transport companies) and warehousing to the distribution points. Basic drugs will be procured in Jakarta and distributed to the different crisis centres (1 shipment every 2 months). Blood and blood products will be made available through the existing PMI blood transfusion network in the country.

Distributions will be carried out by local PMI Chapter and Branch staff and volunteers under the guidance of the co-ordinators from the PMI national headquarters. The Chapters and Branches will be responsible for co-ordination with local authorities, organising the distribution system, as well as monitoring and reporting (full distribution costs of rice and medical supplies is budgeted in this Appeal).

Public awareness and visibility•

At the launching of this phase of the operation and at other intervals, the International Federation (from its Kuala Lumpur Regional Delegation) will assist PMI to target the international and national media. The Federation will also assist to strengthen the capacity of PMI's Information Department.

Chapters and Branches will be responsible for announcing the objectives and operational details of the programme to the public through the local press. To help ensure accountability and transparency, PMI will continue to provide extensive reports (detailing quantities, locations, number of beneficiaries, etc.) to the local press on a weekly basis.

During distributions, PMI staff and volunteers will maintain a high degree of visibility by displaying the Red Cross logos on vests, T-shirts, and caps. The coupons distributed to selected beneficiaries will also display a Red Cross logo.

Capacity of the National Society •

PMI was established in 1945 and has chapters and branches, supported by 900,000 volunteers, throughout the Indonesian archipelago. As an auxiliary to government, PMI is highly recognised for its disaster management role (including disaster preparedness), however, it also manages the country's blood programme and contributes through, inter alia the Bogor Hospital, to the country's health services. As a charitable organisation, PMI is highly dependant on voluntary contributions at the branch level and on government support. The national society's strengths are its countrywide coverage and volunteer network (based on highly active university and school volunteer corps). Areas requiring improvement are its varying capacity (from branch to branch) and limited funding base. The National Society's 1999 General Assembly is part of a critical process in positioning the National Society during this period of rapid economic and political change. The crisis centres typify how the PMI is adapting to this changing reality.

PMI is the primary non-governmental emergency response organisation in the country and is a member of the government's disaster management co-ordination bodies at national and provincial levels. PMI has a long tradition of emergency response against floods, earthquakes, volcanic eruptions and armed conflict. It has worked closely with ICRC in East Timor and in Irian Jaya and is currently developing a role in Ambon. Its ambulances and first aiders played a prominent role during the many violent demonstrations in Jakarta and other cities during 1998.

In 1967, the Indonesian Red Cross was appointed by the government as the sole recruiter, collector, and screener of blood and blood components. It has an extensive network of blood transfusion units. There are an estimated 1 million donations per year (increasing yearly) and of this number 20% are replacement donations and 80% voluntary donations -- an exceptionally high figure in a developing country. By law, blood has to be made available at cost. This cost is largely determined by the very high quantities of expensive imported consumable supplies like blood bags and screening reagents. It is because of this that at least 70 % of potential blood recipients can no longer afford the services and blood transfusion units occasionally make blood available free of charge, if their own budgets allow. The program therefore aims to enable blood transfusion service units to make 10% of their annual amount of units available, free of charge, to the poorest in need of blood. In addition to the blood programme and disaster management activities, PMI is increasingly embarking on developmental activities, particularly in community-based disaster preparedness and health promotion and education activities. During last years smog and haze emergency, PMI conducted the only preventive health education programme in the affected provinces.

This operation will require PMI to strengthen its human resources. 10 field monitors and 3-5 additional staff will therefore be recruited at the National Headquarters for monitoring and technical support. Additional institutional support will be provided through the operation.

Present Capacity of the Federation in Indonesia •

Since the establishment of an International Federation Representative in Jakarta in January 1998, the Federation is working closely with the Society in promoting its institutional and branch development. Substantial technical support is provided from the Regional Delegation in Kuala Lumpur. A Federation Relief/Development Delegate will also be recruited for this operation and will be based in Jakarta.

The monitoring and evaluation system will be co-ordinated from PMI National Headquarters and implemented at the province level. PMI Chapters and Branches will submit monthly distribution and financial reports to national headquarters, which will be consolidated for a monthly operations report. A programme review will be conducted after four months to ensure that the systems in place are achieving the objectives. PMI national headquarters will be in charge of providing overall guidance and the provision of project guidelines to Chapters and Branches.

Continuous guidance and support will also be provided by the Federation delegation in Indonesia, especially through the assistance of a Relief/Development Delegate, whose main task will be to help PMI firmly establish its monitoring system, further develop standard operating procedures (SOP's), as well as to provide guidance to the monitoring section in the preparation of reports. The draft operational plans, SOP's and operational protocols have been developed with assistance from the Regional Delegation in Kuala Lumpur.

Budget summary

This Appeal seeks CHF 2,663,000 to undertake a twelve-month socio-economic relief programme.

Conclusion

The socio-economic crisis of south-east Asia has been particularly severe in Indonesia, causing disruption in the lives of millions of families, and hitting especially hard those vulnerable groups that already faced hardships in pre-crisis times.

This Appeal is initially intended to support an indigenous response to the situation, where the National Society is drawing on its extensive grassroots presence to mobilise local resources to meet some of the needs of Indonesia's most vulnerable during the crisis and during the wider difficulties expected to face the country throughout 1999. Assistance from the international community is urgently needed to compliment and to extend the role of the Indonesian Red Cross during this critical time.

Margareta Wahlström
Under Secretary General,
Disaster Response & Operations Coordination

George Weber
Secretary General

This and other reports on Federation operations are available on the Federation's website: <http://www.ifrc.org>

BUDGET SUMMARY
INDONESIA: Socio-economic crisis

APPEAL No. 09/99
IN CHF

ANNEX 1

RELIEF NEEDS

Basic Drugs (<i>local procurement</i>)	1,223,000.00
Blood bags/test-reagents for haepatitis A, B, C	765,000.00
Emergency parcels (stock & equipment)	100,000.00

TOTAL RELIEF NEEDS **2,088,000.00**

Capital equipment

Computers (5 units)	15,000.00
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Transport, storage & vehicle costs

Warehousing	10,000.00
Airfreight/transport by land	55,000.00
Vehicles	15,000.00

Personnel

Personnel (1 expat staff x 6 months)	60,000.00
Personnel (local staff)	79,000.00

Administrative, office & general expenses

Travel & Accomodation	155,000.00
Printing Costs/Information (Leaflets/Manual/Training material)	42,000.00
Audit Fees	18,000.00
Secretariat operational support	96,000.00

TOTAL OPERATIONAL NEEDS **575,000.00**

TOTAL APPEAL CASH & KIND

2,663,000.00

LESS CASH ON HAND

0.00

NET REQUEST CASH & KIND

2,663,000.00

All items are going to be purchased locally