



**KEMENKO PMK**  
KEMENTERIAN KOORDINATOR BIDANG  
PEMBANGUNAN MANUSIA DAN KEBUDAYAAN  
REPUBLIK INDONESIA



**LPEM FEB UI**  
Institute for Economic and Social Research

**FRIEDRICH  
EBERT  
STIFTUNG**

# POLICY BRIEF

May 2024

Policy Brief

May 2024

## Study of Potential Alternative Funding Sources for the National Health Insurance and Employment Social Security Programs

Law Number 40 of 2004 concerning the National Social Security System (SJSN) mandates social security provision for all individuals to ensure basic needs for a decent life. The SJSN implementation encompasses two primary programs: the National Health Insurance (JKN) program, managed by the Health Social Security Administering Agency (BPJS Health), and the Employment Social Security program, overseen by the Employment Social Security Administering Agency (BPJS Employment).

As two main pillars in the National Social Security System, BPJS Health (Healthcare BPJS) and BPJS Employment (Employment BPJS) face various challenges, ranging from suboptimal membership coverage to low contribution collection rates, which affect funding. These various challenges place significant pressure on the sustainability of social security programs in Indonesia. This demands innovative solutions and adaptive policies to strengthen the financial foundation of both social security administering bodies.

This policy brief presents policy recommendations related to alternative funding sources for the JKN program and the Employment Social Security program, with the aim of ensuring sustainability and developing effective procedures for collecting alternative funds for both programs. Conclusions and recommendations are reached by analyzing the costs and benefits of various alternative funding source

### Study on Social and Workforce Protection

Muhammad Hanri

Chairina Hanum Siregar

Andhika Putra Pratama

Nia Kurnia Sholihah

Calista Endrina Dewi

Utomo Noor Rachmanto



options for social security, taking into account regulatory and institutional establishment costs, as well as assessing benefits through indicators of potential revenue and sustainability of funding options.

This analysis produces four quadrants of policy options.: (1) low cost - low benefit, (2) low cost - high benefit, (3) high cost - high benefit, and (4) high cost - low benefit. Furthermore, a comprehensive analysis was conducted, encompassing the mapping of potential alternative funding sources, preparation of strategies for implementing these options, and an assessment of strengths, weaknesses, challenges, and threats. This analysis also included stakeholder mapping and a review of related regulations. To gather comprehensive insights on challenges, opportunities, and innovative strategies in social security funding, Focus Group Discussions (FGDs) and in-depth interviews were carried out, involving representatives from central and regional governments, as well as other relevant institutions and agencies.

### **Alternative Sources of Social Security Financing in Indonesia**

---

This study produced 17 options for social security funding sources, divided into five main categories. The first category is funding options through government budget (public expenditure), which includes: (1) Cigarette Tax, (2) Revenue Sharing from Tobacco Excise, (3) Revenue Sharing from Palm Oil, (4) Sugar-Sweetened Beverage Excise, (5) Carbon Tax, (6) Village Fund, and (7) Non-productive Subsidies.

The second category includes revenue from social security contribution (contributory revenue) which consists of: (8) ATP/WTP and (9) Adjustments to JHT contributions.

The third category is voluntary contribution, which includes: (10) Crowdfunding, (11) Zakat, (12) CSR, and (13) Grants and Transfers.

The fourth category is debt-based instruments which include: (14) Debt Restructuring and (15) Social Impact Bonds.

Finally, the fifth category is other market-based instruments, which include: (16) Sovereign Wealth Fund (SWF) and (17) Regional Endowment Fund.

From the cost perspective, calculations are based on two key indicators: regulatory costs and institutional formation costs. These indicators are evaluated using a scale of 1 to 5, with higher values indicating a greater need for regulation or the establishment of new institutions.

Based on the regulatory assessment results, the highest need is for policies that require specific rules, but to date there are no regulations governing them at all (valued at 5 points). Meanwhile, options that indicate the need for regulatory approval with legislative involvement fall into the 4-point category. Options that require revisions to existing regulations fall into the 3-point category. Furthermore, options that indicate the need for currently applicable regulations as a basis, but do not yet have derivative rules, thus requiring additional regulations, are in the 2-point category. Options that indicate minimal regulatory needs, i.e., not requiring additional regulations or revisions, receive a score of 1.

On the same scale, this study also assesses the costs for institutional establishment needs. The value will be higher (5) if the policy requires new or additional institutions to implement the option. Conversely, a low value (1) is given to policy options that do not require new institutions for their implementation.

The calculation of potential benefits from various revenue sources demonstrates significant support for social security programs. Cigarette taxes, currently contributing 37.5% of revenue, could be increased to 50%, generating an additional IDR 2.85 trillion. The Tobacco Excise Revenue Sharing Fund (DBH CHT), budgeted at 40% of total distribution, reaches IDR 5.9 trillion with a potential benefit of IDR 2.35 trillion. Additionally, the Palm Oil Revenue Sharing Fund shows promise, with a total potential benefit of IDR 1.24 trillion from palm oil workers' contributions. These combined sources present substantial opportunities to bolster social security initiatives.

Other financing sources can also come from sweetened beverage tax revenues, carbon taxes, and village funds. The potential revenue from sweetened beverage export taxes is estimated to reach IDR 1.58 trillion, while carbon taxes are expected to generate an additional IDR 78 billion per year. Village funds allocated for social protection and extreme

poverty alleviation have a potential benefit of IDR 1.6 trillion that can be used to finance social security programs.

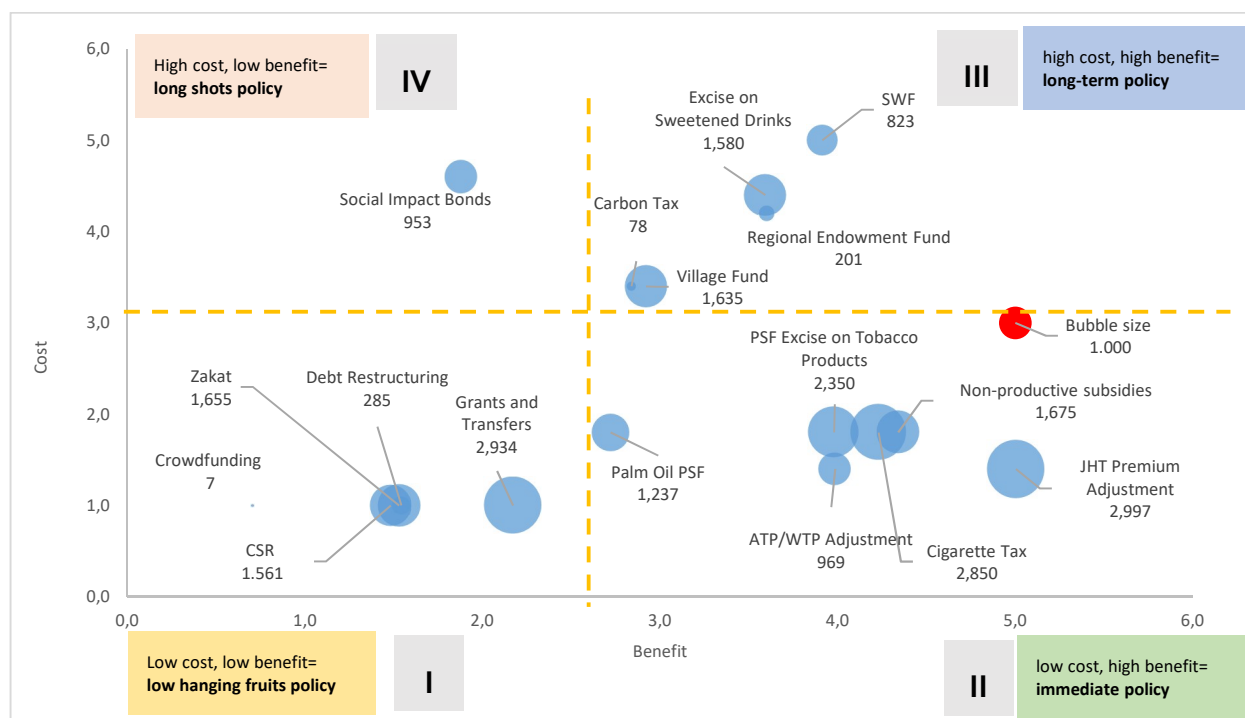
Other sources such as non-productive subsidies, adjustment of ATP and WTP schemes, JHT contributions, crowdfunding, zakat, CSR, grants and transfers, debt restructuring, social impact bonds, Sovereign Wealth Fund, and regional endowment funds also offer additional potential to support social security funding. Each has significant potential benefits. For example, non-productive subsidies can increase revenue by IDR 1.67 trillion per year, ATP-WTP adjustments have the potential to provide social security funds of IDR 0.97 trillion, while adjustments to JHT program contributions can contribute IDR 2.99 trillion per year. Crowdfunding is estimated to generate IDR 7 billion, zakat reaches IDR 1.65 trillion per year, CSR amounts to IDR 1.56 trillion, grants and transfers reach IDR 29 trillion, and social impact bonds amount to IDR 952.75 trillion.

### Mapping the Potential of Alternative Funding Sources for Social Security

This study categorizes 17 identified funding options into four quadrants based on calculated costs and benefits. Quadrant I (low cost, low benefit) is dominated by voluntary funding options, such as crowdfunding, zakat, CSR, and grant funds, as well as options for debt restructuring. The characteristic of this quadrant is funding options that tend to be unsustainable in the long term and can only assist in social security funding on a certain scale and for a specific period.

Kuadran II (*low cost, high benefit*) merupakan salah satu potensi sumber pendanaan lain jaminan sosial yang paling menjanjikan. Dari segi biaya, opsi-opsi ini cenderung rendah karena memerlukan regulasi yang terbatas. dalam hal keberlanjutan, opsi ini lebih berkelanjutan karena melibatkan reformasi pada skema iuran jaminan sosial dan alokasi pendanaan dari pemerintah melalui objek pajak yang memiliki eksternalitas negatif terhadap kesehatan yang tinggi, seperti pajak rokok, dan DBH CHT. Selain itu, realokasi subsidi non-produktif juga berpotensi menjadi salah satu sumber pendanaan jaminan sosial bernilai besar dengan biaya implementasi yang relatif rendah.





Mapping of Social Security Alternative Funding Options Figure

Quadrant III (high cost, high benefit) encompasses funding options with significant benefits and the potential to become sustainable sources of revenue for social security providers. However, these options require strong supporting regulations and institutions before they can be implemented. Therefore, medium and long-term planning is necessary to ensure that the benefits of these policy options can be realized. For example, implementing a Sovereign Wealth Fund and Regional Endowment Fund requires careful planning in preparing regulations and managing institutions so that the benefits of these policies can be used to increase social security funding in Indonesia. For other policy options related to state fiscal matters, such as excise taxes on sugary drinks, carbon taxes, and village funds, the political costs required for policy negotiations are very high, necessitating careful preparation and negotiation stages before becoming policy.

Quadrant IV (high cost, low benefit) is relatively unique because the limited potential benefits may not necessarily be commensurate with the costs required to ensure smooth



policy implementation. The funding option in this quadrant is Social Impact Bonds (SIB). This policy requires careful planning to ensure that all stages of SIB, from preparing funding proposals, evaluation indicators, to financing and evaluation mechanisms, are comprehensively arranged. On the other hand, the benefits generated are not annual and are estimated to be limited to less than 1 trillion Rupiah.

## Implementation Strategy Recommendations

As outlined above, the cost-benefit analysis mapping of 17 potential funding source options was conducted by considering the costs of regulation and institution formation, as well as assessing benefits through indicators of revenue potential and sustainability, which were divided into four quadrants. Some of the implementation strategy recommendations we have compiled include:

### 1. The need for policy facilitation for funding options in Quadrant I.

The focus of this quadrant is to facilitate policies that can be used for short-term social security funding. The social security administering body needs to conduct hearings to gather potential funding sources that can be utilized for short-term social security funding. Additionally, the social security provider also needs to minimize operational barriers so that these funding options can be quickly implemented for social security funding.

### 2. Accelerating policy implementation for funding options in Quadrant II.

Given the significant benefits and relatively low costs of policies in this quadrant, accelerated implementation is necessary. One way to achieve this is by expediting changes to schemes and regulations related to social security funding options in this quadrant. Considering that the required regulations are only at the level of ministerial regulations and social security provider regulations, accelerating changes to schemes and rules is crucial so that the benefits of these funding options can be realized immediately. Additionally, an expansion of the funding menu is also needed, especially for policies related to government expenditure items.



### **3. Preparing long-term policy interventions for funding options in Quadrant III.**

This quadrant includes policies that require long-term preparation and strategic planning. Therefore, the appropriate policy for funding options in this quadrant is to prepare for long-term policy implementation needs, as well as to design a roadmap for the use of these funding options and suitable management mechanisms for each policy option to be taken.

### **4. Re-evaluate long-term costs and benefits for funding options in quadrant IV.**

This quadrant is relatively unique because the limitations of its potential benefits are not always proportional to the costs required to ensure smooth policy implementation. Therefore, the strategy that can be taken is to prepare long-term studies or research to promote policy agendas related to funding options in this quadrant. In addition, an evaluation of best practices from Social Impact Bonds (SIB) in various countries is needed, as well as an analysis of how to minimize costs and optimize the benefits of this policy.

