

ENERGY SUBSIDY REFORM IN INDONESIA: LESSONS LEARNT FOR POLICYMAKERS

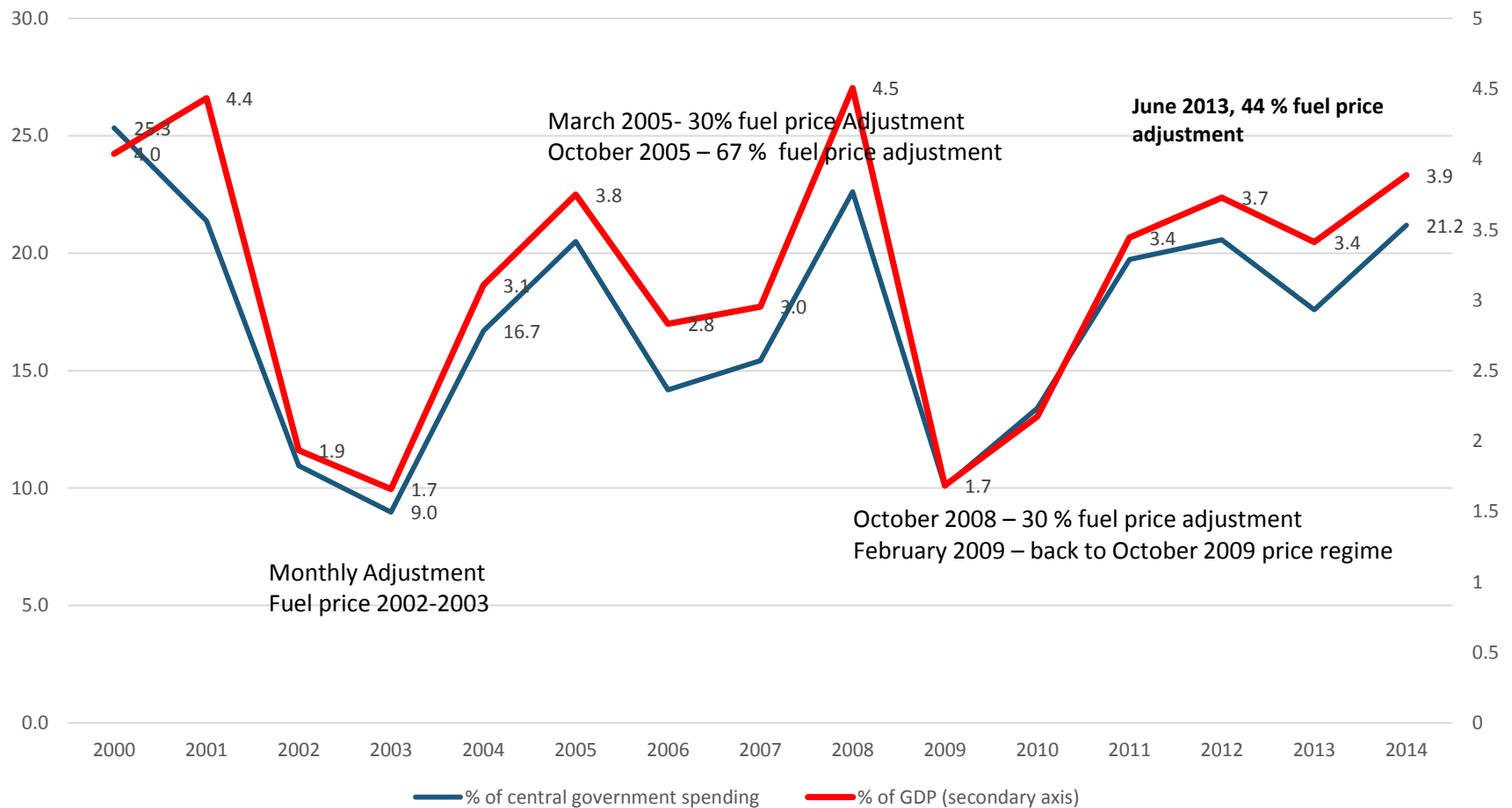
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Energy Subsidy in Indonesia: Burden to the Budget

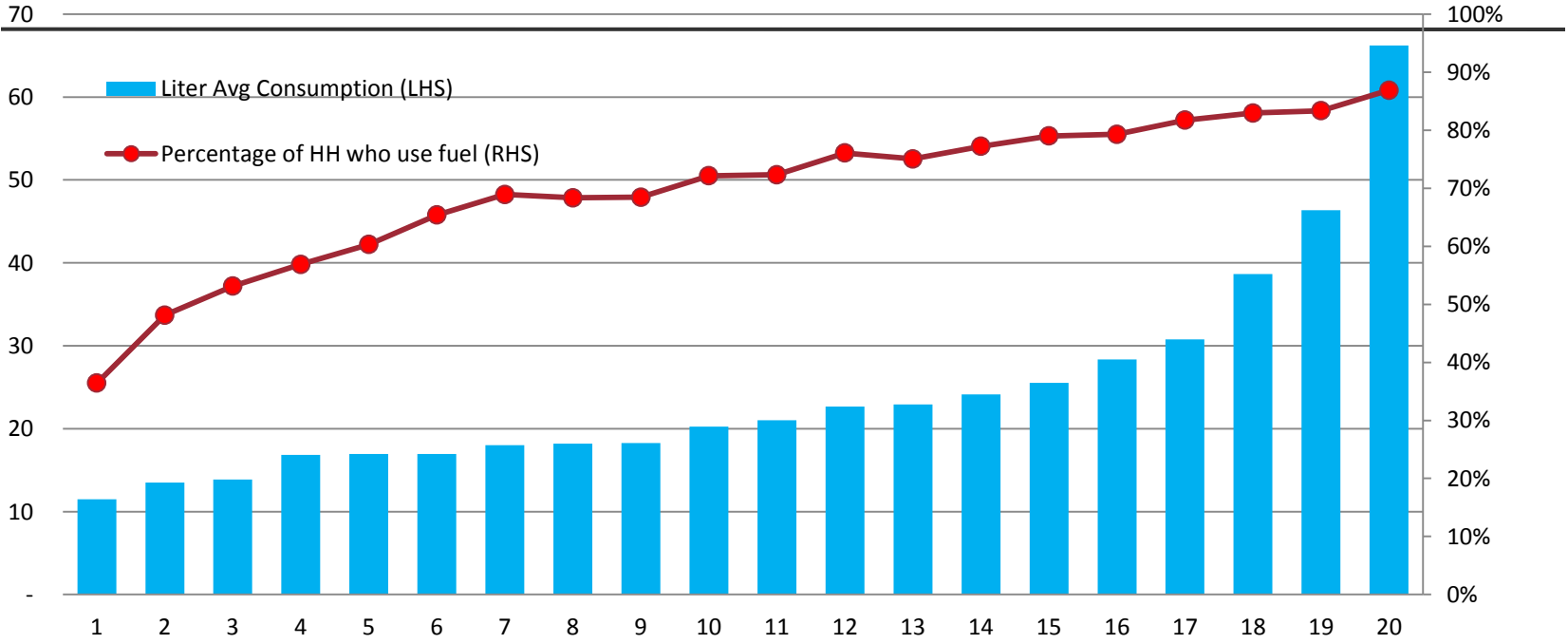
Energy Subsidy: Burden to the Budget, 2000-2014



Fuel subsidies are not fair: richer households are the biggest consumers of subsidized fuel.

- Only 40% of the poorest decile of households report that they consume gasoline.
- On average, households in the richest decile consumed about 5 times more gasoline each month than households in the poorest decile (56 liters compared to 12 liters).

Gasoline Consumption by Household Ventile

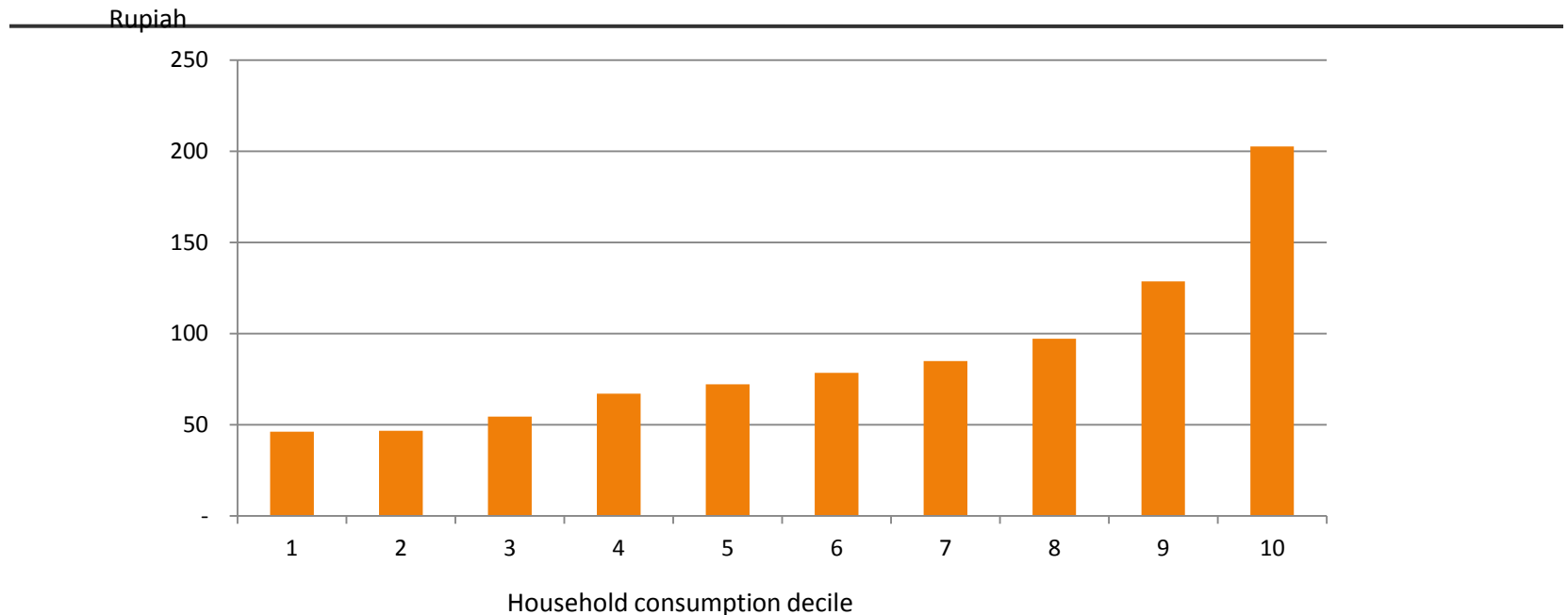


Source: Susenas March 2013, World Bank calculations

In result, the richest households benefit almost five times more than the poorest households from the subsidy.

- Benefit incidence of spending shows that fuel subsidies are highly regressive, with benefits channeled directly to wealthier households.
- Even after fuel subsidy reduction in June 2013, the gasoline subsidy transferred IDR 200,000 per month to the richest decile of households, and only IDR 45,000 per month to the poorest decile.

Fuel Subsidy per household per month

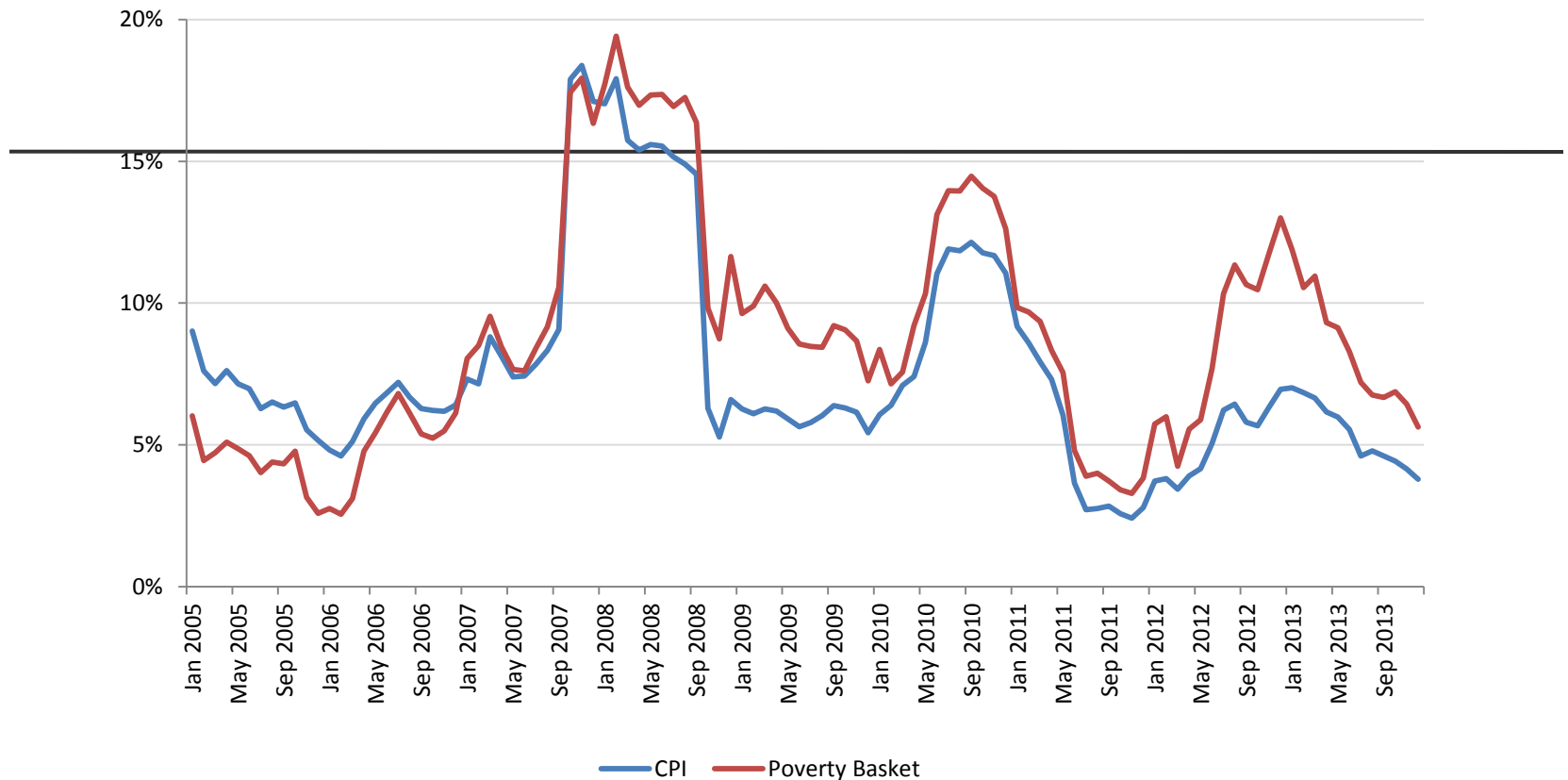


Source: Susenas 2013, World Bank calculations

Addressing this through fuel subsidy reductions, however, can hurt the poor by contributing to rising inflation...

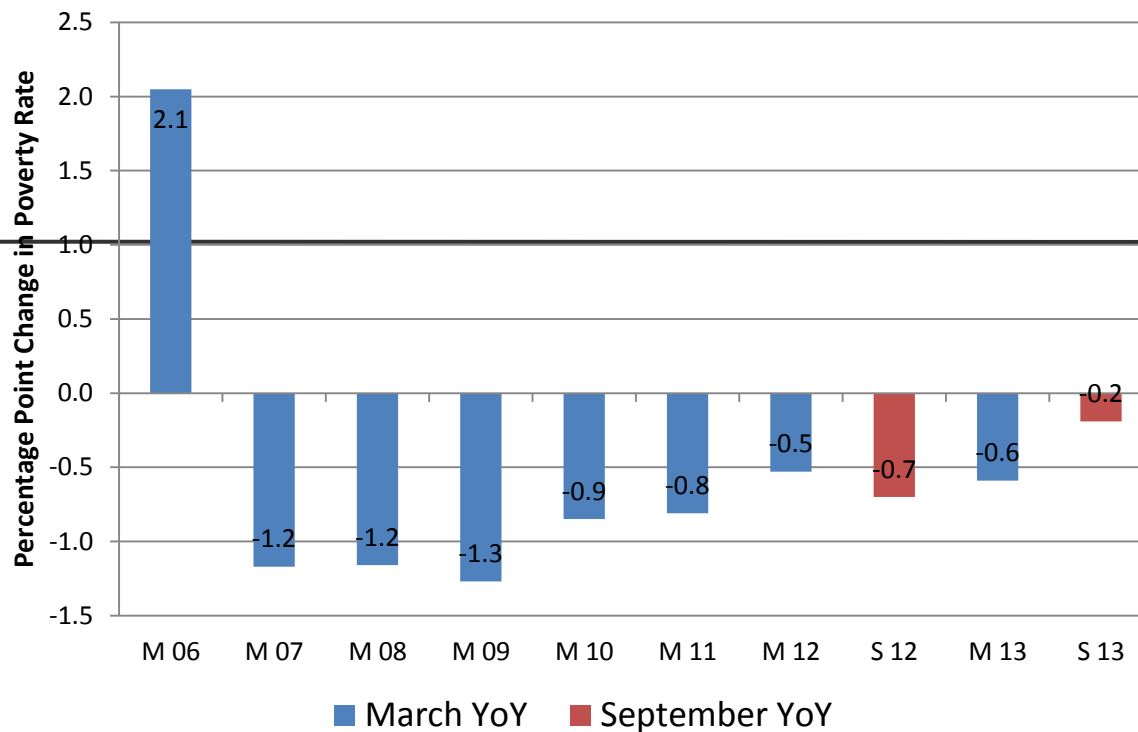
- Inflation dynamics over the last year of 2013 were dominated by the effect of June increase in subsidized fuel prices
- An increase in food prices contributed to rising poverty basket inflation

CPI vs CPI Poverty Basket (% YoY)



...which has contributed to the slowing pace of poverty reduction in Indonesia.

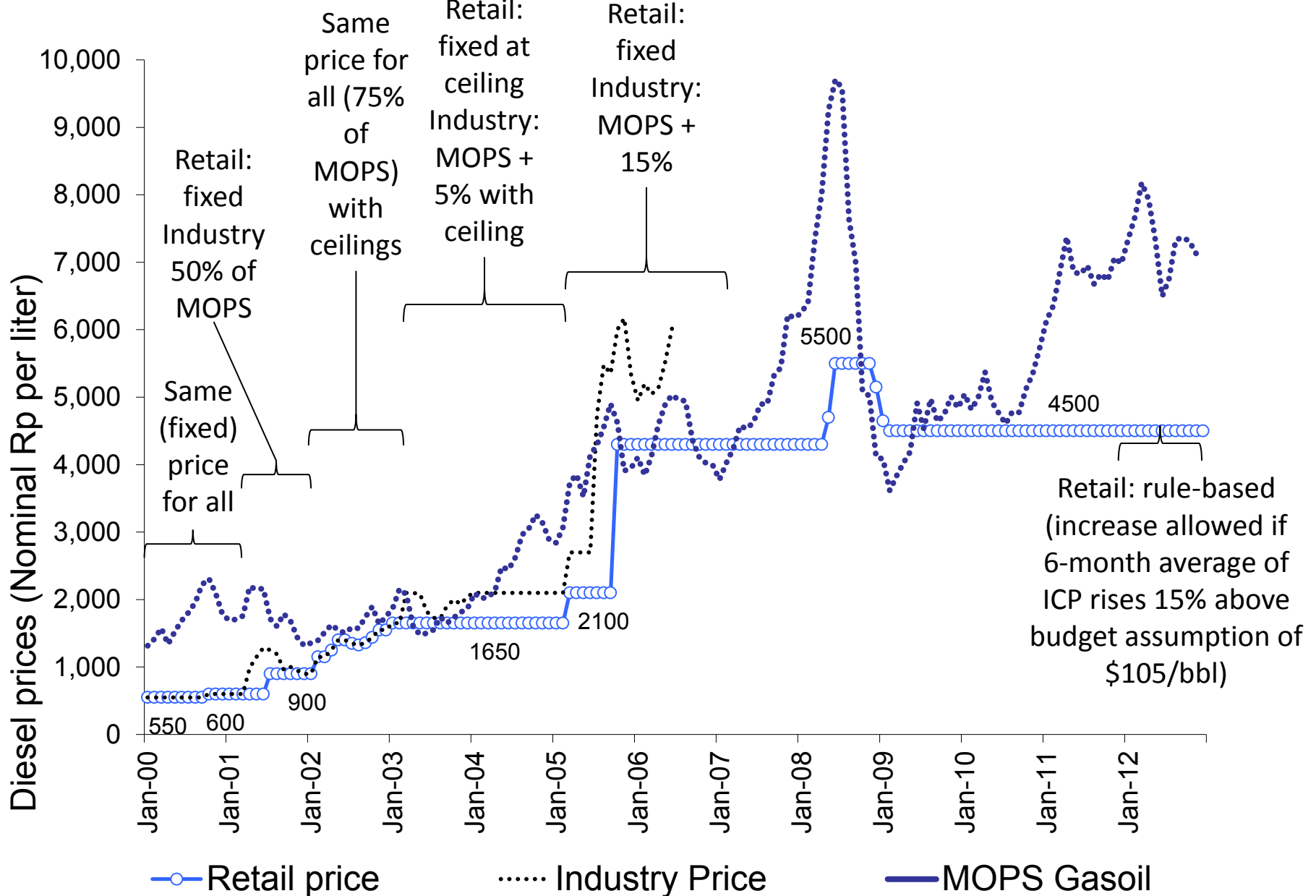
- Although the poverty rate (year-on-year) has been declining, the pace of reduction in September 2013 was the slowest since 2007 (of the three years September data)



Source: BPS, Susenas, World Bank calculations

Indonesia has tried many types of pass-through

Rule-based (with trigger) for retail; full pass-through for industry



Indonesia has tried to limit the energy subsidy by.... But mostly with a limited success

1. **Converted Kerosene into LPG**

- It has some impact for fiscal saving – due to cost substitution [LPG is cheaper per kerosene equivalent than kerosene] and diversion.
- However, LPG price is also moving along the oil price- and with fixed LPG price- resulting an increasing LPG subsidy from Rp xx in 2007 to Rp 40 trillion in 2014

2. **Fuel Diversification for Electricity Plants**

- Diesel consumption reduction from xx percent (2007) to xx percent in 2014
- Fiscal saving is not significant unless electricity tariff adjusted consistently to reduce the subsidy.
 - Energy prices have strong positive correlation

3. **Increase Biodiesel portion**

- The fiscal saving is neutral because price of CPO almost equivalent to price of diesel.
- but it has an impact to Balance of Payment since CPO is domestically produced.

4. **Quantitative and Targeted Restriction using RFID and Card**

- No working well since it is technically difficult to apply.

Energy subsidy and politics

Evidence has showed that energy subsidy is bad for efficiency, equity, environment, fiscal, and road quality

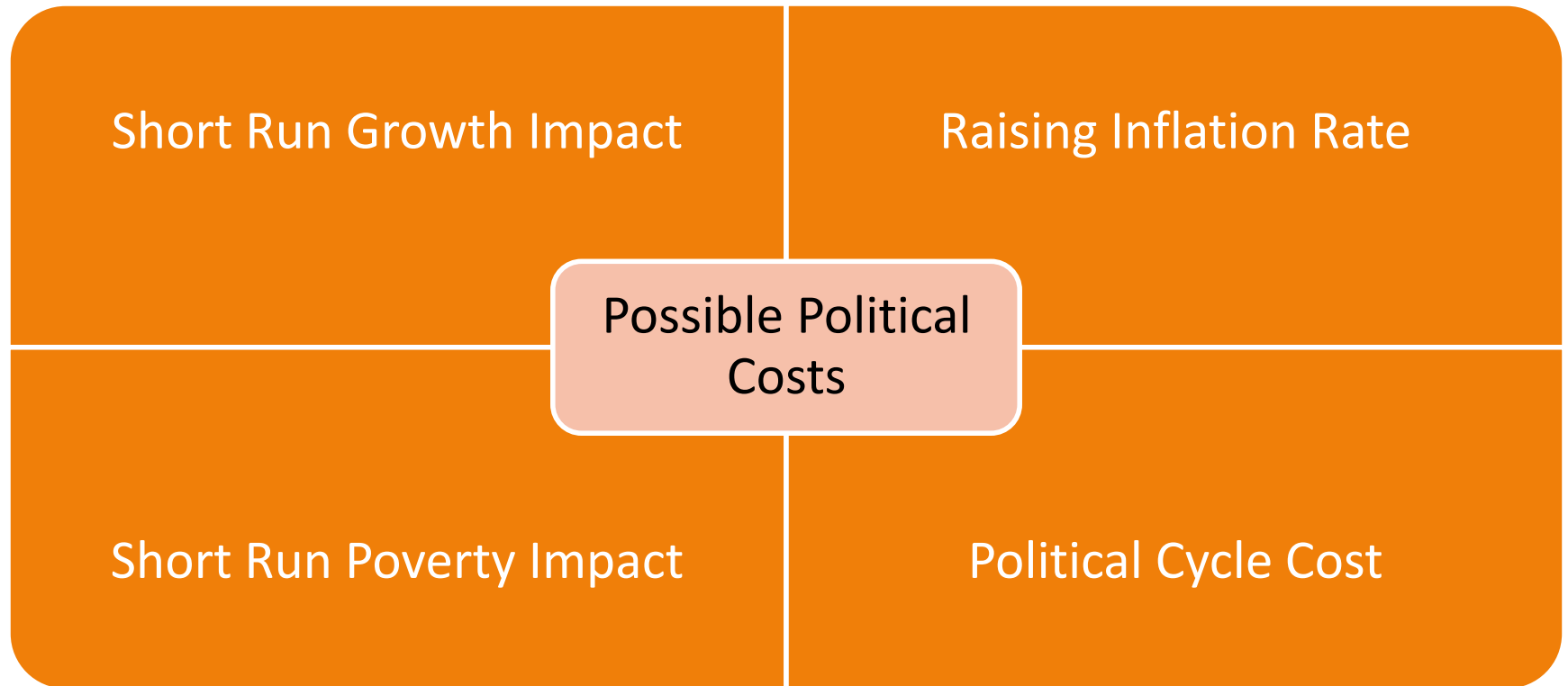
- Yet, energy subsidy remains huge and not easy to remove. Why?
- The answer is clearly not on economics, but more on politics.

Political economy is more relevant

Political economy analysis might be more relevant to explain the existence of energy subsidy.

- Economic analysis stresses on the long run positive effect of removing energy subsidy. But in the short run, the cost (including political costs) may exceed the benefit.
- The short run political costs vary accross political cycle. Regional dimension also plays some role. In urban, the cost would be higher than in rural.

The focus of policy design should be on how to minimize the short run political costs of implementing fuel price adjustment



Why compensation packages needed?

- The share of fuel expenditure are increasing in the consumption bundle of the low income household.
 - The poor and near poor need to be compensated otherwise they could fall into the poverty trap.
 - We need to avoid long term impacts of this fuel price adjustment since the poor and near poor may cut health and education spending as a coping mechanism.
- The middle class obviously are the losers in the short run. They usually use the poor as “ a scape goat” to block the reform
 - Well compensated package can be use as a counterargument and exclude this popular issue.

- The adjustment has cost(s) in short run – inflation increases and poverty may rise through poverty line escalated and possible suppressed nominal expenditures through aggregate demand and labor market adjustment
 - It raise political costs – a compensated package is an essential policy tool to reduce political cost of the ruling government.

Selecting Compensation Options: Types and Criteria

First Question: Should compensation measures consist of short-term safety nets and/or long term investments?

Type

Temporary Safety Net

Long-term Investment

Purpose

1. Maintain welfare level
2. Avoid negative coping mechanisms

Use reform opportunity to make long-term investments in poverty programs

Past Examples

- Additional 15kg Raskin allocation in 2013
- BLT in 2005 and 2008, BLSM in 2013
- Extra PNPM allocations for labor intensive projects

- 2013 expansion of PKH and increase in benefit levels
- 2013 expansion of BSM and increase in benefit levels

New Ideas

Public works, gas vouchers

Promoting Early Childhood Education, providing support for the elderly

Second question: How can we select the best set of measures for Indonesia for a 2014 fuel price increase?

There are a range of potential compensation mechanisms to choose from:

Active: PKH, BSM, PNPM, Raskin, Padat Karya

Can be re-activated: BLSM

New ideas: Public works, fuel vouchers, maternal and child health, nutrition services

So how to choose between these options? They can be assessed against the following criteria

1. **Reaching the right people:** Does the program reach those most affected by a fuel price increase?
2. **Adequate benefits:** Does the program provide sufficient benefits to offset the shock or change long-term behaviors?
3. **Timely delivery:** Do benefits reach beneficiaries at the time needed? Can programs be quickly deployed?
4. **Politically and socially feasible:** Is there political support for the programs during an election year? Will programs cause conflict at the community level?

For consideration: The extent of savings from the fuel subsidy will affect the viability of individual options. Some options can be adjusted to fit the savings, while other options are less flexible and require a substantial investment to be worthwhile.

Compensation options:

Raskin

PKH

BSM & Bidik Misi

BLSM

Cash for Work

Fuel voucher

MCH and Nutrition Services

Raskin aims to provide 15kg of subsidized rice each to 15.5 million households, through community distribution. An additional 45kg was allocated over the three months during the 2013 fuel price increase.

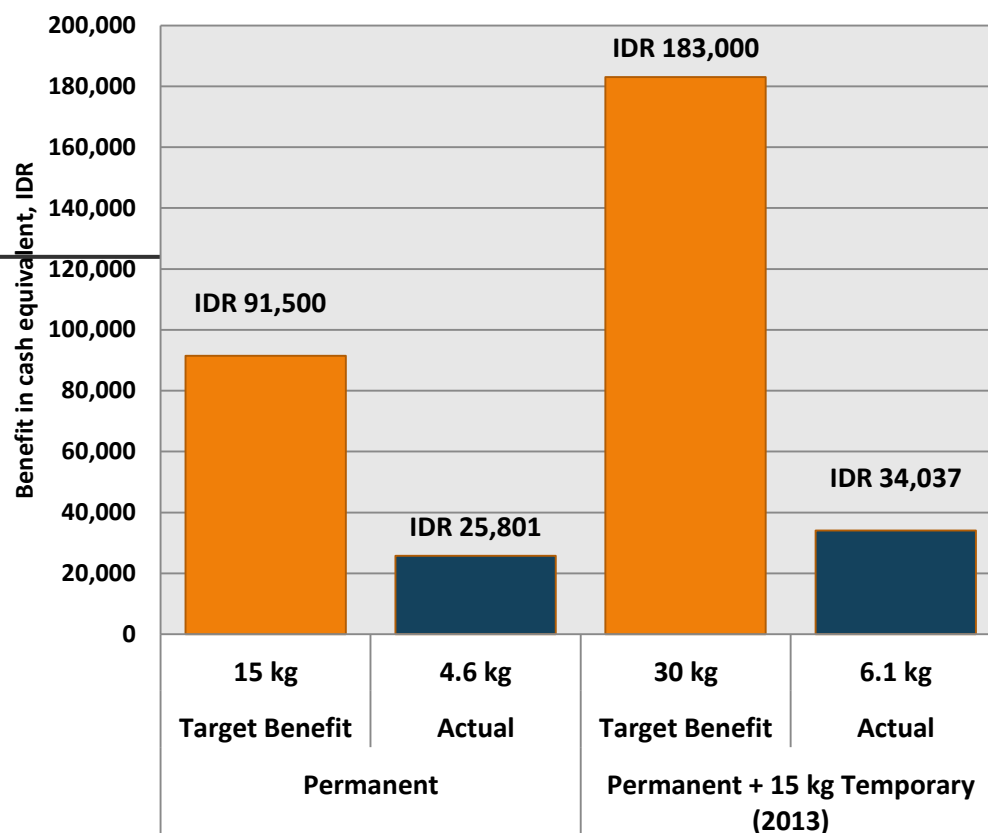
Raskin reaches most targeted households, but substantial leakages reduce benefits to the poor.

Covers most of the poor: In 2013, over three quarters of households in the bottom 30 percent received rice.

Low actual benefit levels: Weak delivery channels and community re-distribution dilute actual benefits levels for targeted households. Of the additional 15 kg/month given in the 2013 safety net, target HHs received only 1.5 kg.

Unlikely to provide adequate protection: A benefit of Rp 100,000 would require an extra allocation of 71 kg per household (at current leakage rates, actually delivering 18 kg). This is equal to a total rice procurement of 1.1 million tons per month.

Targeted Benefit vs. Actual Benefit among Targeted Households



To be an effective compensation mechanism, Raskin's delivery system requires significant reform.

- Using Raskin as a safety net is problematic because the current delivery system is unable to efficiently transfer in-kind benefits.
- When used as a safety net in 2013, 48.2 percent of the rice did not reach the intended beneficiaries.
- Compensating for the problems with the current delivery system, a 2014 safety net response would require increasing rice allocations beyond actual household needs, which would strain stockpiles and delivery capacity.

Time period	Official Benefit <i>(kilos per HH)</i>	Est. Kg Procured, National <i>(in millions)</i>	Realisasi Beras <i>(in millions)</i>	Total Kg Purchased <i>(in millions)</i>	'Missing rice' <i>(in millions)</i>	Missing Rice as a share of Realisasi Beras
Dec 12-Feb 13	45	697.5	684.945	419.62	265.325	38.7%
Jun-Aug 13	75	1162.5	1141.575	591.45	550.125	48.2%

Source: BPS, Susenas and World Bank calculations

'Missing rice' refers to the difference between the amount of rice that should have been procured to meet program needs and the estimated amount of rice purchased by households, as reported by Susenas March and September 2013 surveys.

Compensation options:

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BSM & Bidik Misi

BLSM

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Fuel voucher

MCH and Nutrition Services

PKH is a conditional cash transfer that currently reaches 2.4m very poor households (defined as 0.8 times the poverty line). They receive Rp 800,000 - 2.8m, based on family composition and meeting vital health and educational behavioral conditions .

Providing a one-off bonus through PKH is an ineffective safety net because of limited coverage.

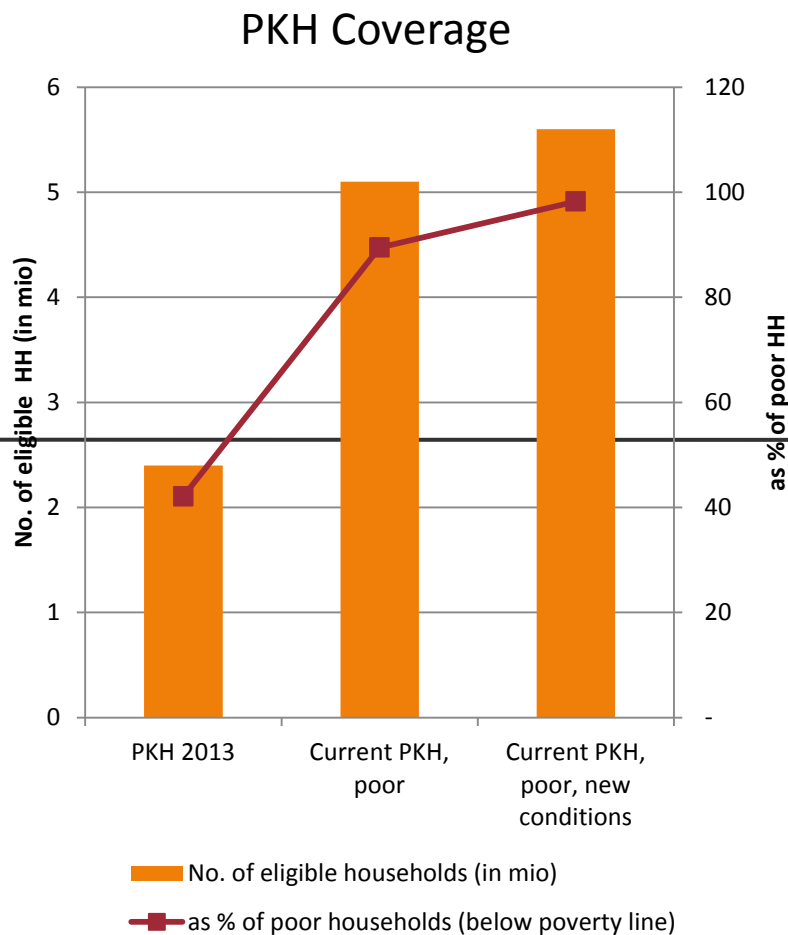
This option provides temporary additional cash payments to compensate PKH beneficiary households from a shock. Delivery can be relatively easy using current payments channels through PT Pos.

But the challenges outweigh the benefits:

- **Low coverage as safety net:** PKH currently reaches only 2.4 million poor households or 42 percent of poor households.
- **Timing Challenges:** Since PKH transfers are quarterly and require verification, may not reach beneficiaries in time to mitigate the fuel subsidy reform shock.
- **Politically and socially infeasible:** Since PKH is not yet reaching all poor households (exclusion errors), providing additional funds to few beneficiary households may trigger community conflict.

Global Experience: Mexico and Brazil have used this approach to temporarily smooth consumption. Using another approach, Chile temporarily expanded CCT program coverage to the bottom 40 percent and gave two extra benefit payments in 2009. A temporary expansion may not be appropriate for Indonesia, which is already preparing for a major scale-up.

Subsidy savings can be reallocated to expand the permanent program and accelerate PKH scale-up.



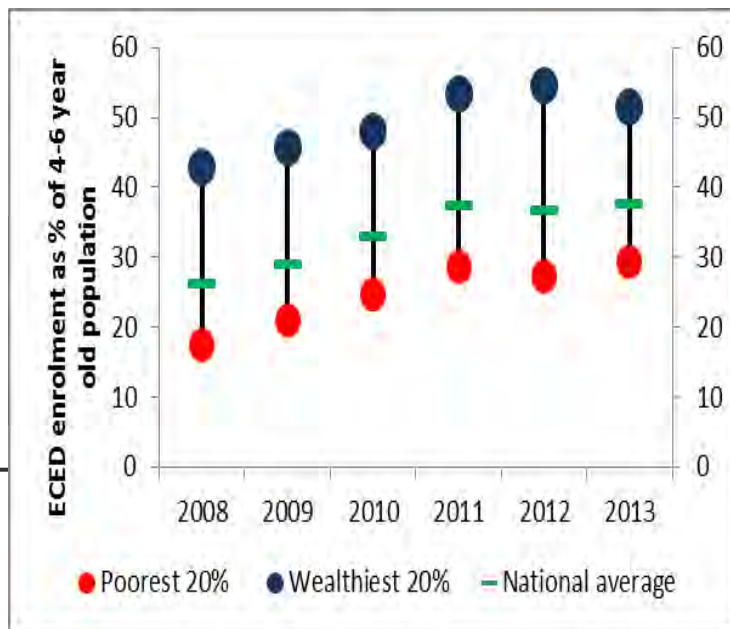
- **Improving Coverage:** Scaling up addresses exclusion issues since PKH currently covers only 44 percent of poor households. Expansion can be done relatively quick using the unified database (UDB).
- **Using new conditions, PKH can cover 98% of poor households.** Target all poor households who meet current requirements, and expand eligibility to families with children in SMU. The elderly poor can also be covered by PKH (as in Mexico’s CCT) or JSLU.
- **Supply constraints remain in some rural and remote areas,** and quality and distribution need to be improved.
- **Requires time to prepare:** Logistical capacity is a challenge as facilitators must be recruited and trained.

Source: PKH and BPS, Susenas 2013 World Bank Staff calculation

4

Expand
ECED access
to PKH
households

Subsidy savings can be reallocated to PKH to cover additional critical behaviors such as ECED enrolment.



- Impact evaluation results in Indonesia show that early childhood education development (ECED) centers raise child development outcomes, improve school readiness and generate large economic returns.
- While access to ECED has improved, large gaps in access for the poor and marginalized children.
- Extending CCT conditionalities to ECED has worked in Jamaica and Bolivia to stimulate demand, but needs to be complemented with supply side improvements.

Demand
side

- Extend PKH to 3-6 year olds and include conditions on attendance at play group (KB) and kindergarten (TK).
- Launch complementary awareness raising activities.

Supply
side

- Community based block grant (e.g. through PNPM) to establish/upgrade ECED centers based on existing MoEC approach.
- Support for operating expenses, including teachers, through existing ECED block grant (BOP).
- Additional support from district/community to finance and manage.

Compensation options:

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PKH

BSM & Bidik Misi

BLSM

Cash for Work

Fuel voucher

MCH and Nutrition Services

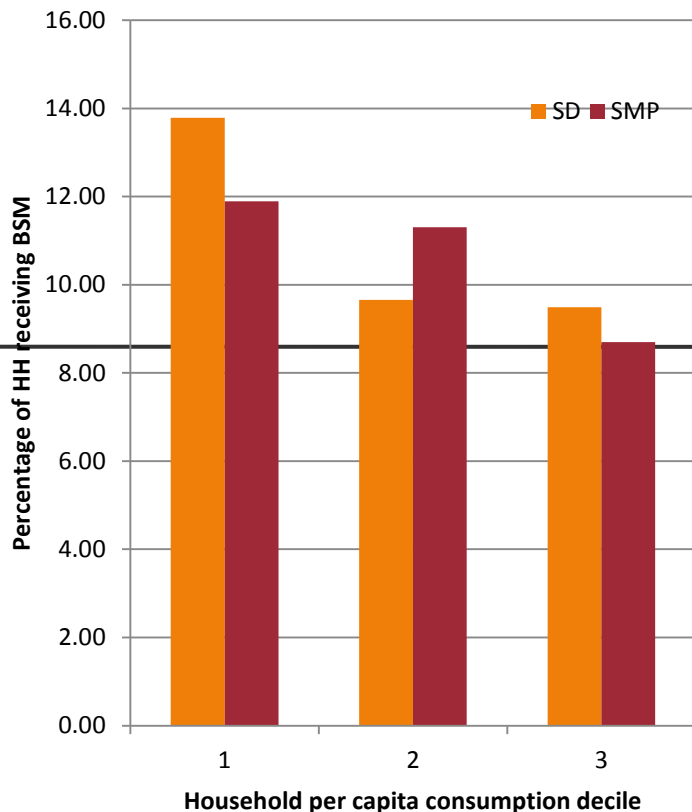
BSM provides cash transfers to 16.6m students from households in the bottom 25 percent.

- Rp 360,000 per year for SD students
- Rp 550,000 per year for SMP students
- Rp 780,000 per year for SMA students

~~**Bidik Misi** provides 150,000 students from poor households with Rp 9m per student per year to cover tuition and limited living costs for higher education.~~

A one-off bonus to current and new BSM students will not provide a wide safety net function.

HH with enrolled children receiving BSM



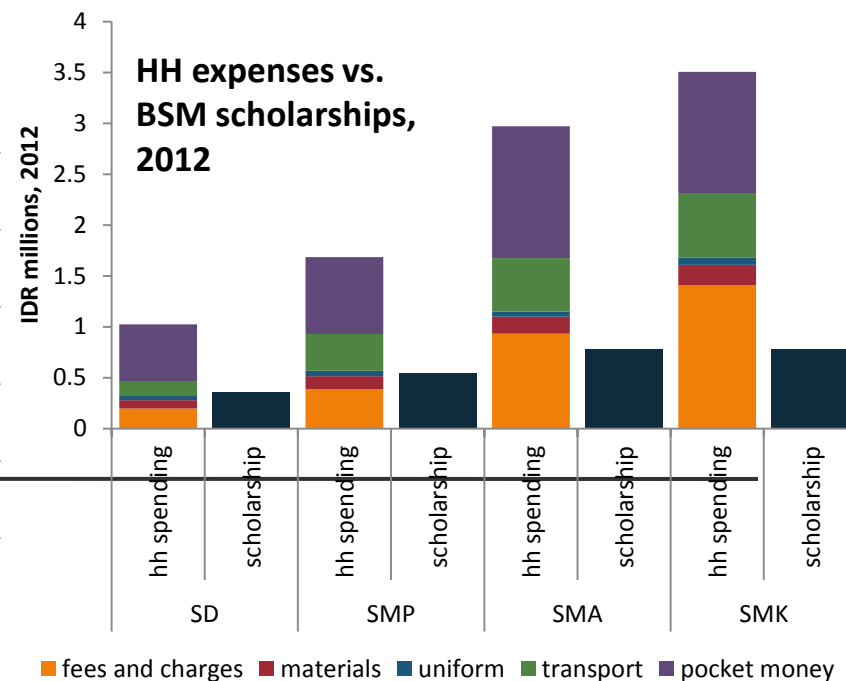
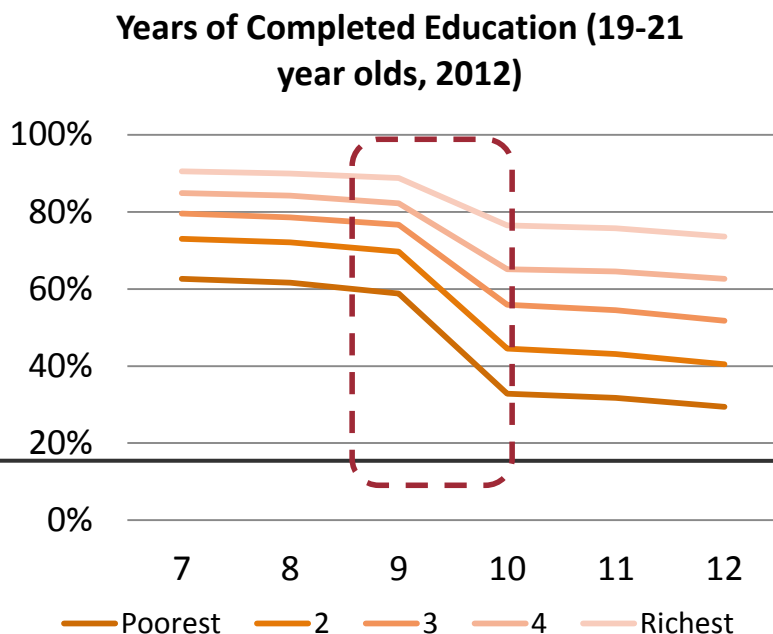
Source: BPS, Susenas 2013, World Bank Staff Calculation

High exclusion because many poor children still do not receive BSM.

- In 2013 around 12m students received BSM which is around 57% of poor students (bottom 25% aged 6-18, Susenas 2013).
- Less than 14% of the poorest HH with children enrolled in SD receive BSM.
- Less than 12% of the poorest HH with children enrolled in SMP receive BSM.
- Out of the bottom 25% HH, BSM covers only 8.3%, PKH covers only 4.8% and only 1.3% receive both.

Politically and socially infeasible: With high exclusion rates, providing additional funds to few students may trigger social conflict.

Increasing BSM benefit levels can help achieve universalization of senior secondary school.



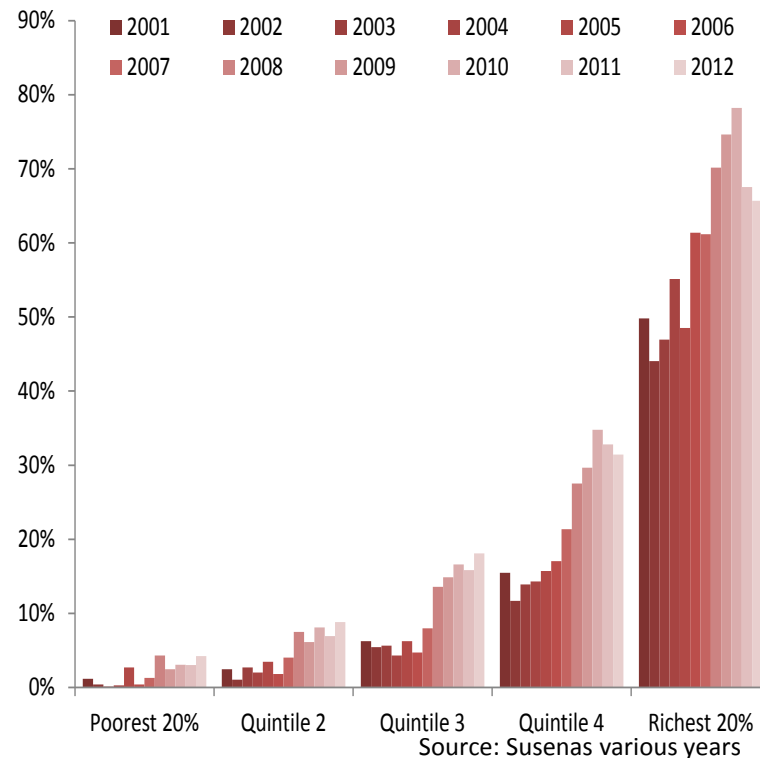
Source: Susenas 2012

- **Low coverage of high-school age students:** Enrolment drops occur in transition years, when students graduate from a level of school.
- **Benefit levels fall short of students' actual costs.** Provide assistance that matches actual incurred expenses (including transportation) and is delivered before school registration.
- **A transition bonus can encourage enrolment in the next level.** Mexico's Oportunidades provided strategic incentives to overcome student attrition at critical moments in the school cycle.

Subsidy savings can be used to increase the adequacy of Bidik Misi scholarship levels and future coverage.

- Low rates of transition:** Though 29% of the poorest 20% graduate high school, less than 5% attend university.
- Low coverage.** Government scholarships benefit only 2-3 percent of the total number of students from the disadvantaged group . Bidik Misi covers only 150,000 students, with a trend of a declining percentage of recipients coming from Eastern Indonesia.
- Poor uptake.** Less than 15 percent of higher education enrollment comes from the poorest two quintiles. Bidik Misi needs to be better socialized among SMU students to motivate them to continue to higher education.
- Inadequate benefit levels:** Scholarships (Rp 9 million per year) do not adequately cover the average annual costs of higher education (Rp 11.7 – 14.3 million per year), and often arrive late.

Trend in Higher Education Enrollment 2001-12



The effectiveness of education safety net programs will require improving the uptake of new students.

Increasing uptake is crucial. Although all KPS holders are entitled to BSM benefits, few are aware of this. As a result, only 8.3% of bottom 25 percent of households actually receive financial assistance. To increase program uptake:

- **Improve timing of delivery.** Distribution of KPS cards happened after the beginning of the school year in 2013, which contributed to low program participation rates. BSM benefits need to be made available and socialized during April-May to reduce the risk of dropping out.
- **Intensify socialization.** Use more channels for socialization and begin socialization early. An impact evaluation of BOS socialization methods found that TV commercials and direct school-parent interactions (school meetings, text messages, and school notice boards) were successful in building awareness.

Compensation options:

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MCH and Nutrition Services

Unconditional Cash Transfers have been a part of Indonesia's fuel subsidy compensation programs of the last decade. In 2013 Indonesia spent IDR 9.3 trillion on Bantuan Langsung Sementara Masyarakat (BLSM). 15.5 million households received IDR 600,000 each in three payments. The program was also deployed in 2005 and 2008.

Though BLSM has been effective in the past, it is not politically feasible during an election year.

With the 2013 fuel price increase, poverty was projected to increase by 2.5 percentage points. With the BLSM, the actual increase was 0.1 percentage points.

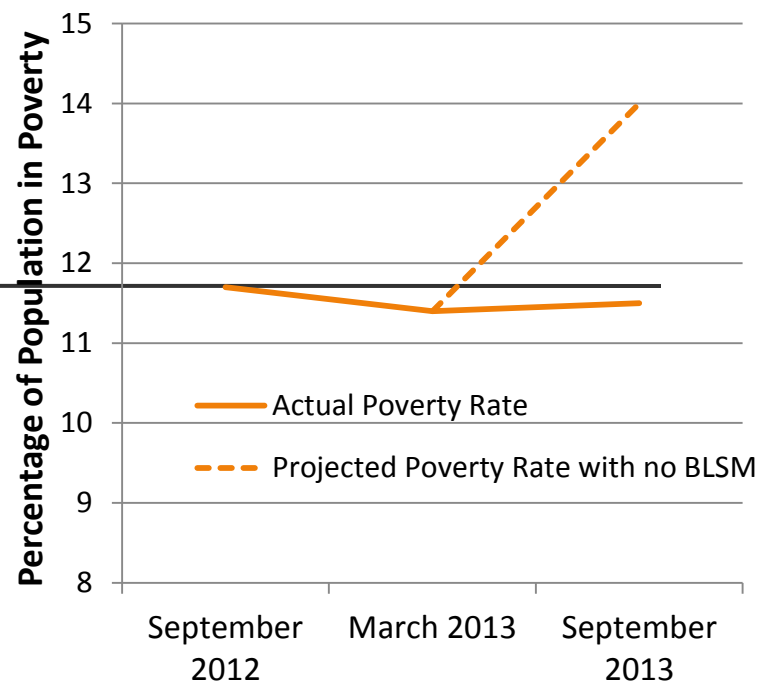
BLSM is effective because:

- More accurate targeting of the bottom 25 percent of the population using UDB.
- Benefit levels are set high enough to adequately compensate for the shock.
- Easy to re-activate, quick delivery channel.

However Temporary UCTs can be highly politicized:

- BLSM was perceived as way to influence voters in 2008, therefore unlikely to be approved again during an election year.

National Poverty Rate



Source: BPS, Susenas and World Bank calculations

Compensation options:

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MCH and Nutrition Services

Cash for Work programs are temporary or long-term employment creation programs to boost income for low wage workers. Current programs with cash for work features include PNPM and a range of small *Padat Karya* programs in various ministries.

PNPM can effectively boost income for poor and vulnerable workers through short-term labor intensive projects,

Additional allocations through PNPM for community infrastructure projects with paid labor component, can provide a temporary safety net function.

Pros:

- **Wide coverage:** PNPM is present in every sub-district and kelurahan.
- **Community and self-targeting the poor:** By offering wages at levels lower than market rates for unskilled labor, the program attracts poor workers without disrupting local labor markets. Decisions regarding participants and wage levels are made in a community meetings based on mutual agreement.
- **Projects identification:** Projects can be selected from the existing list of community-proposed labor intensive projects including in the Musreimbang-des.

Challenges:

- **Implementation instruction and guidance:** Require clear instructions and operational guidance for PMD to oversee implementation at the local level as a short-term cash for work projects.
- **Additional facilitation:** Additional facilitation must be provided to implement the new guidance, for example in selecting the most effective labor intensive projects.

Other public works program (Padat Karya) implemented by independent ministries are fragmented and small scale, making it difficult to mobilize resources for a national safety net program.

Compensation options:

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MCH and Nutrition Services

Fuel vouchers is an alternative solution that involves giving households vouchers that can be redeemed for fuel or a discount on fuel purchases, as a way to temporarily compensate for lost purchasing power.

Fuel vouchers may be an effective alternative to an unconditional cash transfer.

- **Well-targeted:** Vouchers can be distributed to all HHs or targeted more narrowly using the UDB
- **Transferrable:** Having the vouchers be transferrable between HHs allows HHs without motor vehicles to sell the vouchers for cash
- **Timely distribution:** Distribution of the vouchers can be done using PT Pos.
- **Adjustable:** Vouchers can be short-term (with fixed cash values) or longer-term (with a percentage discount), and can be easily adjusted.
- **Slow to set up:** Counterfeit prevention mechanisms take time to set up, meaning that the program cannot be implemented immediately.
- **Public acceptance may be varied:** Vouchers may be perceived as being similar to cash transfers, and may be controversial if targeted narrowly.

Compensation options:

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PKH

BSM & Bidik Misi

BLSM

Cash for Work

Fuel voucher

MCH and Nutrition Services

Maternal and Child Health (MCH) and Nutrition services are delivered through Puskesmas, clinics, and hospitals. Investments that benefit the poor and vulnerable can be made on the supply side (improving quality of facilities) or the demand side (improving access to MCH ~~services through universal health~~ coverage, PNPM and/or PKH).

Poor maternal and child health (MCH) and nutrition services are a consequence of under-served facilities

Indonesia has poor maternal and child health (MCH) & nutrition outcomes, particularly among the poor:

- Maternal mortality is very high at 220 per 100,000 live births.
- Stunting affects 37 percent of children between the ages of 0 and 5.

This is partly explained by supply-side deficiencies in delivering general health services:

- Puskesmas had, on average, only 7 out of 10 minimum general service items (71%), covering: essential medicines, diagnostic capacity, standard precautions, basic equipment and amenities.

- High inter-provincial inequalities: Maluku index = 53%; DI Yogyakarta = 87%.

... and maternal health services

- Puskesmas had, on average only 6 out of 10 items (62%) for basic obstetric care.
- Shortages of medicines, staff, and relevant training were common.
- High inter-provincial inequalities: Papua index = 40%; East Java = 73%.

This is partly the result of very low levels of public health spending

- Health's share of central government expenditure over 1995-2011 averaged 2.3% .
- Public spending on health across all levels of government in 2011 was US\$32 per capita, (about 0.9% of GDP), making it the 3rd lowest in the world after Myanmar and Pakistan.

Fuel subsidy savings can be used to help improve access of the poor to quality MCH and nutrition services

How to improve access for the poor?

Demand side	<ul style="list-style-type: none"> • Through the National Health Insurance program (JKN) to attain Universal Health Coverage including for MCH Services by 2019. • PNPM and PKH provides financing to improve access of the poor to MCH and nutrition services
Supply side	<ul style="list-style-type: none"> • Allocate more DAK (temporarily or permanently) to fulfill the minimum service standards for MCH and nutrition services at public facilities including equipment, drugs, and micronutrients). Focus first on districts with the largest deficiencies (according to Rifaskes). • Complement with additional MoH APBN funds to (i) incentivize doctors to work in underserved areas, and (ii) train physicians and midwives.

But will need to address DAK weaknesses:

- Expedite DAK allocation decisions to allow timely implementation by districts.
- Build on existing data instruments (e.g., Rifaskes) to improve planning and evaluation of proposals from districts for DAK funding.
- Improve monitoring of DAK implementation.
- Use incentives for districts to deliver results (e.g., as in DAK infrastructure).
- Whenever appropriate, consider centralizing procurement of equipment, drugs, and micronutrients.

Summary of Recommendations

Cash transfer is the best available temporary safety net that is both ready-to-use as long as politically feasible.

Assessment based on Effectiveness Criteria

	Well targeted	Adequate benefits	Timely delivery	Politically feasible
Best Fit				
8. BLSM	Yes. Easily targeted to HHs in bottom 40% with the UDB.	Yes. Benefit levels can be set at level to offset impact.	Yes. Easy to set up and deploy the program as needed.	No. Highly politicized during elections.
9: Additional PNP Allocation	Yes. Self-targeting through sub-market wages, and community participant selection.	Yes. If projects labor intensive enough to generate sufficient income.	Maybe. Need time to issue instructions and prepare facilitation.	Yes. Low risk of politicization.
11. Voucher	Yes. Easily targeted using UDB, can also use self-targeting.	Yes. Benefit levels can be set to offset anticipated impact.	Yes. Easy to deploy using PT Pos but time to produce counterfeit-safe vouchers.	Likely. Public reaction if vouchers are narrowly targeted.
2: One-time PKH bonus	No. Reaches extreme poor, but misses poor and vulnerable.	Yes. Bonus can be adjusted based on needs.	Yes. Easy delivery through existing mechanisms.	No. With low coverage will cause conflict with non-beneficiaries.
5: One-time BSM bonus	No. All KPS holders, but low uptake limits coverage.	Yes. Bonus can be adjusted based on needs.	Yes. But benefits need to be socialized and delivered before June school start.	No. With low coverage will cause conflict with non-beneficiaries.
Worst Fit				
6: Additional Raskin allocation	No. Leaky targeting due to community sharing.	No. Actual benefits levels are low due to poor delivery.	No. Needs major reforms in delivery system, stockpile limits.	Yes. Low risk of politicization .

key reforms in permanent social assistance programs.

Assessment based on Effectiveness Criteria

Best Fit

Worst Fit

	Well targeted	Adequate benefits	Timely delivery and Institutional set-up	Politically feasible
3. Expand PKH coverage	Yes. Easily targeted to all eligible poor households with UDB.	Yes. Adjust benefit levels if expanded to include SMA students.	Yes. But expansion will require time for set-up and facilitators.	Yes. Low risk of politicization.
12. MCH and Nutrition Services	Yes. Areas with poor services can be directly targeted.	Yes. Transfers amounts can be calculated based on service gaps.	Maybe. Revising allocation guidelines will require time.	Yes. Expected support from local governments for additional resources.
10. Integrated Public Works	Yes. Self-targeting through wages, and geographic targeting.	Yes. If projects are labor intensive can generate sufficient income.	Yes. But needs long-term horizon for institutional set-up.	Maybe. Needs strong leadership working across agencies.
6. BSM transition bonuses	Yes. Easily targeted to households with the KPS.	Yes. Increase levels for SMA, introduce transition bonus.	Yes. But benefits need to be socialized and delivered before June.	Yes. Low risk of politicization.
4. Increase PKH benefit levels	Yes. Already targeted using UDB. Can also expand as per Option 2.	Yes. Benefit levels will be increased.	Yes. Uses current delivery mechanism. No changes needed.	Yes. Low risk of politicization.
7. Bidik Misi	Yes. Easily targeted to households with UDB.	Yes. Increase benefit levels to meet actual needs.	Yes. But benefits need to be socialized and delivered during SMA.	Yes. Low risk of politicization.

Reasons for Providing Cash Transfer as Compensation for Rising Fuel Prices

- Recipients of cash transfers can benefit immediately.
- Cash is easier for beneficiaries when making adjustments in their consumption needs.
- In terms of programme implementation, giving cash is more efficient and the distribution costs are cheaper.

Why Cash Transfer?: It is the most effective in the short term

Instrument option	Preparation time (day)	Effective coverage	Possible administrative leakages	The effectiveness of mitigating poverty incidence		Flexibility for the participants	Implementation administration (***)
				Jangka Pendek	Jangka Panjang		
UCT	Less than 30	√√√	√√√√	√√√√	√	√√√√	√√√√
CCT	84	√√√√	√√√√	√√√√	√√√√	√√√√	√√
Labor Intensive Program	100	√*)	√√	√√	√√√√	√√√√	√√√
Rice for the Poor	60	√√	√	√√√	√√	√	√√√√

*) only effective if conducted during off harvest period.

**) Including addition information may be required and complexity of the implementation administration

Cash transfer may not be enough

- Our experiences show that cash transfer may not be enough.
 - Possible misuse of cash for non essential spending – tobacco or cellphone
 - Even though relatively low incidence, some participants not received all amount of compensation.
 - Second round effect of inflation may be above the projection
 - Avoid the long term impact like an increase in drop-out rate.
- A package of compensation program is the best
 - Cash transfer plus
 - Additional Scholarship plus
 - Additional food assistances program

Conclusion

1. Setting domestic fuel prices is a subsidy program
 - It should be judged on its merits as would any other development program.
 - Should consider marginal costs and benefits of expenditure program.
2. We should learn from our own experiments – good and bad.
3. Take into account political economy aspects.
 - Public understanding is essential.
 - Designing the adjustment
4. Investing in empirical analysis is essential.
 - It allows you understand what you are doing and the implications of the policy change.
 - It also helps convince others of the merits of the policy change.
5. Without a price adjustment, any rationing program would be more difficult to implement.
6. Finally, economic theory is the easy part but putting theory into practice is the hard part.

Finally

- To design a good compensation program, investment in :
 - Database – regular updated is required
 - Communication strategy is essential
 - Building knowledge and experiences among the stakeholders is important to smoothing the implementation process.