

An Economic and Social Review on Indonesian Direct Cash Transfer Program to Poor Families Year 2005¹

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Abstract

This paper is to elaborate the result of surveys regarding the Indonesian Year 2005 Direct Cash Transfers (*Bantuan Langsung Tunai*) implementation. The survey name Susenas (National Census and Survey) was held across Indonesia in the aftermath of the program in 2006. The economic purpose of this government's welfare program is to dampen the increasing rate of poverty incidence in Indonesia due to the increase of gas prices.

Several issues featured in this paper are the achievement of the program in distributing the cash transfer, how the recipients use the fund they received, the impact of cash transfer on the recipient's working behavior, the socialization method of the program, and finally the problems that happened during the program implementation. The findings are that, besides the facts that the program was not properly prepared and was not properly organized; it achieves the goal in resisting the increase of poverty rate due to gas price increases.

JEL Classification: I38

Keywords: Cash Transfers, Welfare, Poverty

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Introduction

Bantuan Langsung Tunai (BLT- Direct Cash Transfers) is the program of Indonesian central government to subsidize poor families. The economic goal is to encounter the impact of increasing poverty incidence as a result of the increase of gasoline prices. The political goal is to prevent large mass demonstration, demanding for gas price decline. In Indonesia, gas prices are set at fixed prices by the central government.

The BLT program itself is first introduced under the administration of President Bambang Yudhoyono, and implemented for the first time in October 2005- the same month the government increased the gas price by 87.5 percent. BLT program was institutionalized by the Presidential Instruction No. 12/2005. The second BLT program is held on May 2008, the same month when the President increased the gas price again for the third time, this time by 33.3 percent, currently under operation. Since there is no result is available yet, the discussion in this paper will focus on the first BLT program, the one held in year 2005 and 2006.

BLT program is unique because for the first time since the independence of Indonesia in 1945, there is a cash transfer program to help the poor families in order to cope up with poverty due to the increase of gas prices. The fund is taken from the partial cut of gasoline subsidy, transferred into household subsidy. The Indonesian BLT program follows other conditional cash transfer programs (Table 1) like the one held in Mexico, called Progresa (Programa de. Educación, Salud y Alimentación). However, while the purpose of Progresa and most other cash transfer in South America is conditional for education, health support and nutrition improvement of the poor, BLT is only to encounter poverty increases due to gas price increases. There is no restriction on how the

BLT cash transfer is utilized. A pilot project for BLT program has been tested in the Jaringan Pengaman Sosial (JPS-Social Safety Net) program in year 2000, with only a small amount of cash transfer is distributed to poor families within three months period. In year 2005, the payments were made between two terms, one term for every three months period. For every term, a family received the amount of Rp. 300. 000, or Rp. 100.000 per month. The program held only for six month, from October 2005 to March 2006 and was suspended after that.

Table 1
Direct and Conditional Cash Transfer Program around the World

Country	Program Name	Starting Year	Target Recipient
Argentina	Programa Familias	2000	Children and pregnant women
Brazil	Bolsa Familia	2001	Children age 0 to 6 and pregnant women
Chile	Solidario	2002	Children age 0 to 6
Colombia	Familia en Acción	2000	Children age 0 to 6
Costa rica	Programa Superémonos	2000	Children age 6-12 attend school regularly
Dominican Republic	Solidaridad	2005	Children age 0 to 5
Ecuador	Bono de Desarrollo Humano	1999	Children age 0 to 5
El Salvador	Red Solidaria	2005	Children age 0 to 5 and pregnant women
Honduras	Programa de Asignación Familiar	1990	Children and pregnant women
Indonesia	Bantuan Langsung Tunai	2005	Families satisfying poor criteria
Jamaica	Program of Advancement through Health and Education (PATH)	2002	Children age 0 to 6

Country	Program Name	Starting Year	Target Recipient
Kenya	Cash Transfer Program for Orphan and Vulnerable Children	2004	Orphan and Vulnerable Children
Mexico	Progresa	1997	Children and Adults
Nicaragua	Red de Protección Social	1998	Children age 0 to 5
Paraguay	Tekoporã	2005	Children age 0 to 14 and pregnant women
Peru	Juntos	2005	Children age 0 to 5 and pregnant women
Turkey	Social Fund	2002	Educational and health grants
South Africa	Child Support Grant	1998	Children age 0 to 6
Zambia	Kalamo Cash Transfer Scheme	1999	Older people affected by HIV/AIDs

Source : Depkominfo (2008), Bassett (2007), Norbert and Araujo (2006),Palma and Urzúa (2005), Triegaardt (2004).

For year 2005, the definition of poor households is those whose per capita expenditure is Rp. 175.000 or less (around 17.5 USD per month at an exchange rate 1 USD =Rp. 10.000). The surveyor from Indonesian BPS (Badan Pusat Statistik- The Central Institutions of Statistics) set the benchmark by using expenditure proxy-means testing. There are 15.5 million households involved as recipients in 2005, fall into poor households category. This amount equals to 28 percent of the total households in Indonesia. Total households in Indonesia are roughly 55.5 million, with the mean 27.7 million households. Meanwhile, the nearly poor households category are 3.7 million people on the top of poor households category, make the sum of 19.2 million households, or 35 percent of the total households.

There are three institutions officially involved in the implementation of the BLT program. The first is the Indonesian central government, as they are the fund holder of the program. The second institution is the Central Board of Statistics (Badan Pusat Statistik-BPS), responsible for recording of the number of targeted poor families. BPS is also responsible for the distribution of Energy Compensation Card (Kartu Kompensasi BBM-KKB). Without the card, a family cannot get the transfer. The third institution is the post office. Local post office is responsible as a station for the poor families to come and get the transfer. However, during the implementation, there are a lot more parties get involved, such as local government, the head of village, local elites, local police, etc. These additional parties get involved without any initial coordination with the three institutions.

The purpose of this paper is to share the social and economic impact from the implementation of cash transfers program in Indonesia. The findings are interesting as Indonesia, as other developing countries, does not have infrastructures to support such a program; e.g. computerized lists of individuals and or households which fall into poor category. Achievement and problems arise here. Since the targets of the program are poor families, the Indonesian central and local government does not have the exact data regarding which household is included in the category of the poor. In order to gather such data, in 2005 the central government, helped by BPS, held a census called Pendataan Sosial Ekonomi Penduduk 2005 (PSE05). The purpose of the census is the mapping of the poor families in rural and urban area. According to the guidance, there are 14 criteria to map households into the government category of poor families. Having been recorded,

each household that fall into the poor category receive KKB card. This card is the identification for individuals to get the distributed cash at the local post office.

The government premises for the cash transfer implementation are illustrated in Table 2.

Table 2
A Simulation of Indonesian Poverty Level Changes
Due to Gas Price Increase and BLT

Details	Poverty Line (Rp/capita/month)	People live below the Poverty Line (percent)
Year 2004 BPS poverty rate base-line	110.353	16.66
Adjusted to Gas Price Increases ¹⁾	122.909	22.05
<i>BLT transfer Rp. 100.000/month/hh</i>		
- 100 percent target achieved		17.87
- 90 percent target achieved		18.23
- 80 percent target achieved		18.73
- 70 percent target achieved		19.11
- 60 percent target achieved		19.48
- 50 percent target achieved		20.05

Notes: 1). Gasoline price increase = 87.5 percent, Kerosene price increase = 185.7 percent, Diesel Fuel price increase = 104.8 percent

Source : Hastuti (2006.a) and (2006.b)

Table 2 shows that an increase of gas prices and its relevant product would increase the proportion of the poor by 5.39 percent or 11.5 million people. The number 5.39 percent is achieved by distracting the poverty rate after the increase of gas prices with the poverty rate before that (22.05 percent - 16.66 percent). This calculation is based on the year 2004 BPS poverty rate base-line. On the contrary, the BLT program could reduce the increasing rate of the poor individuals from 5.49 percent to 1.21 percent. This target is achieved by assuming that the BLT cash transfer aimed at 100 percent target is also achieved. The higher the mistargeting rate of BLT transfer is, the higher the increase of poverty rate level, up to 5.39 percent.

The Determination of Recipients

There are 14 main indicators to be used in determining whether a family deserves to be included as cash transfer recipients. Those 14 indicators are: the area of the house, the type of floor in the house, the sanitation facilities used in the house, the source of drinking water, light facilities, type of cooking fuels, weekly frequency of purchasing meat, poultry and milk; daily frequency of having meal, the amount of cloths purchased annually, access to *puskemas* (center of social health) and polyclinic, jobs, the education of the breadwinner, and asset ownership. In addition to the 14 main indicators, there are also additional 4 supporting indicators: the existence of children below 5 years old, the existence of children at school age, the participation in KB (family planning program) and whether the target candidate is a debtor of investment credit.

From the list of questions, actually there is a small probability that respondents do not reply accordingly to their own actual conditions; that way they replied underestimated of own actual condition in order to be “feasible” of cash transfer classification. In addition to that, there are some reports that BPS surveyor did not ask all of the questions, that they asked only 3-4 questions out of the 18 questions due to time constraint. This survey was held only for 1 month before the action and targeting 15.5 million households. Not to mention the type I statistical error (choosing families not feasible as recipients as cash transfer recipients) and the type II statistical error (not choosing the feasible poor families as cash transfer recipients) that the surveyor did made the survey have a lot of flawed information.

Next are the presentations of the result of the field survey on BLT implementation. This survey is called Susenas (National Survey and Census) 2006 and were held by BPS staff all over Indonesia.

The final result of the BLT target

From Figure 1, reader may see that from the first round of BLT payment in October 2005, 94.17 percent of recipients claimed that they received 100 percent of the transfer, while 5.83 percent stated that they received less than the promised amount. Meanwhile from the second round payment in January 2006, roughly 89.62 percent stated they received full payment, while 10.38 percent did not. If the claim is true, it means that the increase of poverty rate could be resisted into roughly 18.2 percent to 18.7 percent due to the increase of gas prices (Table 2). Without the direct cash transfer program, the poverty incidence would increase up to 22 percent. The BPS itself announced in March 2006 that the amount of people living below the poverty line reached 17.75 percent in March 2006 and 16.58 percent in March 2007 (Badan Pusat Statistik, 2006 and 2007). However, one cannot tell whether there is a decrease since the standard error of calculation and the methodology of calculation was not published.

Even though so, this prediction of poverty incidence still depends on how the family spend the cash they received. As will be discussed in the next session, many families receiving the transfer use the fund to service their private debt or other spending not related to their welfare. These spending activities actually did not increase their welfare at all, affecting the rate of poverty incidence.

The usage of BLT cash transfer by the recipients

How recipients spend the cash transfers are shown in Figure 2. More than 90 percent of recipients claimed that rice dominated most of the spending. Kerosene expenditure stood on number two in the list of expenditure. Number three is private debt service. Next on the list is health expenditure, while education expenditure is listed on number five. Interesting things are that some of the BLT received is also used for capital and other production cost, like gasoline, for household with motorcycle. The data gathered is more or less the same for the two rounds of transfers. Meanwhile, there are also other consumption activities, like cloth purchasing. These activities are relatively significant, only roughly 12 percent of respondents in the first round and 18 percent of respondents in the second round of payment. Other activities not related to welfare increase, like alcohol drinking and gambling, are not reported.

The information against the opinion that BLT cash transfer is not a good program because the government cannot control the way the recipients spend the money. The critics of this program stated that there is a high probability of moral hazards in the way the recipients spend the money.

The impact of BLT cash transfer towards the recipients' working hour

Table 3 illustrates the impact of cash transfer on working hour of the recipient households and non-recipient. There are three groups of household member are being surveyed: The head of household, the couple in the household and the other member in the household.

Comparing the head of households working hour, in year 2005 the recipients average working hour (39.2 hour per week) is lower than non-recipient's (41.0 hour per week). However, although there are 1.8 hour differences, the significance test on the two did not show any significance of differences. Comparing the households couple's working hour, in year 2005 the recipients average working hour (30.1 hour per week) is again lower than non-recipient's (33.2 hour per week). Although there are quite high 3.0

Table 3
The impact of BLT cash transfers
On Recipients Working Hour

Almost Poor Households and Below			
	2005	2007	Differences
Head of Family			
DCT	39.2	37.7	1.5**
Non-DCT	41	39.8	1.2**
Differences	-1.8	-2.1	0.3
Spouse (Husband/Wife)			
DCT	30.1	31.6	-1.5**
Non-DCT	33.2	33.4	-0.3
Differences	-3	-1.8	-1.2
Other Household Member			
DCT	37.8	35.6	2.2**
Non-DCT	39.1	37.5	1.6**
Differences	-1.3	-1.9	0.6
** Significant at 5%			

Source: Depkominfo (2008)

hour differences, the significance test on the two did not show any significance of differences. For other member of households working hour, in year 2005 the recipients average working hour (37.8 hours per week) is lower than non-recipient's (41.0 hours per week). While the differences are 1.8 hour, the significance test on the two did not show any significance of differences.

The survey is run once again in 2007 towards the same respondents and again, for the three groups of recipients and non-recipients, there are no significant differences.

Meanwhile, the significance test on the time series data year 2005 and 2007 of the three groups of recipients and non-recipients shows that the increase of gas prices in year 2005 really forced the poor family to work longer hour in order to maintain their welfare. Five out of six data tests show significance of differences at 5 percent significance level.

The information gathered regarding the recipient's working hour also challenge the critics of BLT program, that BLT program would make the recipients sloth after receiving the cash transfer.

The effectiveness of BLT source of information and media socialization

The recipient's sources of information about the BLT program vary (Figure 3). The initial source of information regarding the program is local civil servant and policemen (39 percent), electronic media/television (22 percent), BPS officer (17 percent), society and religious leaders (12 percent), social gathering (7 percent) and newspaper (3 percent). Roughly 88 percent of BLT recipient admitted that they knew how much amount of money they would receive, while the rest 12 percent admitted they did not know. The information confirms that two most effective media of information are local civil servant and television. Most recipient do not subscribe to newspaper that information from newspaper do not reach them.

Red-tapes problem and its actor

Since the transfer involved some amount of money, red-tape problem is a problem that one must expect. From Figure 4, the unofficial fund slash is administered through the following reasons: first, that the fund is equally distributed to other poor but not

registered by the BPS surveyor (stated by 57 percent of the first term recipient respondent and 77 percent of the second term recipient respondent). The second reason is for the transportation cost of the BLT administer (27 percent and 27 percent). Third reason is administration cost (15 percent and 0 percent). The next reason is for the maintenance of the public facilities (4 percent and 14 percent). The rest are for the honorarium of BLT administer (2 percent and 4 percent) and for security fund (5 percent and 6 percent). There are still some unclassified other reasons (6 percent and 6 percent).

The next question is, who are the actors of these unofficial fund slash? In Figure 6, most of respondents stated that it is the head Dusun (orchard) or RW (Rukun Warga, a unit of households consists of around 150 - 200 households) or the head of RT (Rukun Tetangga, a unit of households consists of around 40 - 50 households), both in urban and rural area. There are 42.6 percent statement of first term recipient respondent and 61percent statement of second term recipient respondent. Other actors are the head of villages or the head of or Kelurahan (unit of households consists of around 1000 households), stated by 17.8 percent of first term recipient respondent and 29 percent of second term respondent. Small other percentage stated that the actor are head of Kecamatan (unit of households consists of a few Kelurahan), BPS staff, and other person not involved in BLT distribution.

The information regarding the red-tape problems indicates that face-to-face BLT distribution method would induce the problem. In developing countries like Indonesia, many populations are not well-registered either by local government or central government. Many people do not have an ID card, do not have a bank account and do not have a good address. As a result, the only choice of distribution method for cash

transfer program like BLT is face-to face method. If only people have a good address, have a bank account and have an ID card, a bank transfer or a post delivery method would eliminate the red-tape problem.

Incidence and protest during the BLT implementation

Not well organized BLT implementation invited protests from the cash transfer recipients (Table 4). From the 2006 National Social and Economic Survey in 566 villages, protests took place as the highest percentage of incidence happened, 34.6 percent of the villages. The protest took place because the received amount is less than the promised amount. Another reason for protest is that there are many households who think that they deserve the transfer but do not receive it, either because they were not registered as recipient or because they failed the proxy-mean tested.

Table 4
Incidence in Direct Cash Transfers Distribution
Indonesia Year 2005 and 2006

Types of Incident	Percent of Villages
Protests	34.6
Injured Victims	14.9
Threats to Village Official	11.8
Threats to BPS Staff	4.4
Vandalism to Public Facilities	1.5
Conflict among Citizens	1.4

Source: Susenas Panel 2006 (Total Village: 566)

Injured, faint and dead victims took place in 14.9 percent of villages. The wounded victims fell as the distance between home and post office is significantly far. Many of the recipients do not even have a bicycle that they must walk to the post office

to get the transfer. In Figure 5, roughly 80 percent of the respondent stated that the post office is reached within one hour or less by walking. Meanwhile, 17 percent of the respondent admitted that they reached the post office within 1 to 2 hours. Two percent respondents stated that the post office is reached within 3 to 5 hours and one percent of respondents admitted that it took more than 5 hours to reach the post office.

The amount of faint victims is not recorded, even though the case is not rare. There are three dead victims in the whole program in 2005. The cause of the two cases is the same: The queuing person is too exhausted. Many of them are old men and women, 60 years old and older. In Figure 6, from the respondents of older men and women 60 years old and older, 49.7 percent claimed that they queued for 1 hour or less. Roughly 33.9 percent claimed that queuing time is 1 to 2 hours. Queuing time for 3 to 5 hours is claimed by 13.7 percent of respondents, while more than five hours queuing time is claimed by 2.7 percent of respondents.

Other incidences are threats to local civil servants and to BPS staff, took place in 11.8 percent and 4.4 percent of villages under investigation, respectively. The two threats came from unsatisfied people because they are not registered as recipients. Anarchies incidence like vandalism of government facilities and conflict among village member took place in 1.5 percent and 1.4 percent of villages under investigation, respectively. The cause is again, satisfaction differences between recipients and non-recipients who think that they also deserve the transfer (Figure 7).

Conclusion

While the program implementation was not properly prepared, the Year 2005 Indonesian Direct Cash Transfers was actually able to withstand the increase of poverty incidence due to the increase of administered gasoline prices. From the initial 16.66 percent poverty rate, the poverty rate increase could be resisted up to 18.7 percent compare to the predicted 22 percent without any welfare assistance program.

From the author of this paper point of view, since the government BLT program was not intended to reduce poverty, but to dampen the impact of gas price increase on the welfare of the poor household (economic purpose), and to prevent large mass demonstration due to the gas price increase (political purpose), the program has already achieved its purpose. The socialization of this program was helpful to reach this purpose, although the socialization was done within short time. In addition, there is no sign that the BLT program increase sloth among the recipients, meaning that the side-effect of the program was avoidable.

The problems in the implementation are household registration failure, red-tapes, distance from home to the post office where the fund is distributed, and queuing. With the current condition and infrastructure, queuing problem is the most probably to fix. The post office might divide the schedule of the recipients. Meanwhile, even though not difficult to fix, fixing household registration failure would cost additional significant government budget.

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Appendix I

Figure 1
The Result of the BLT Target

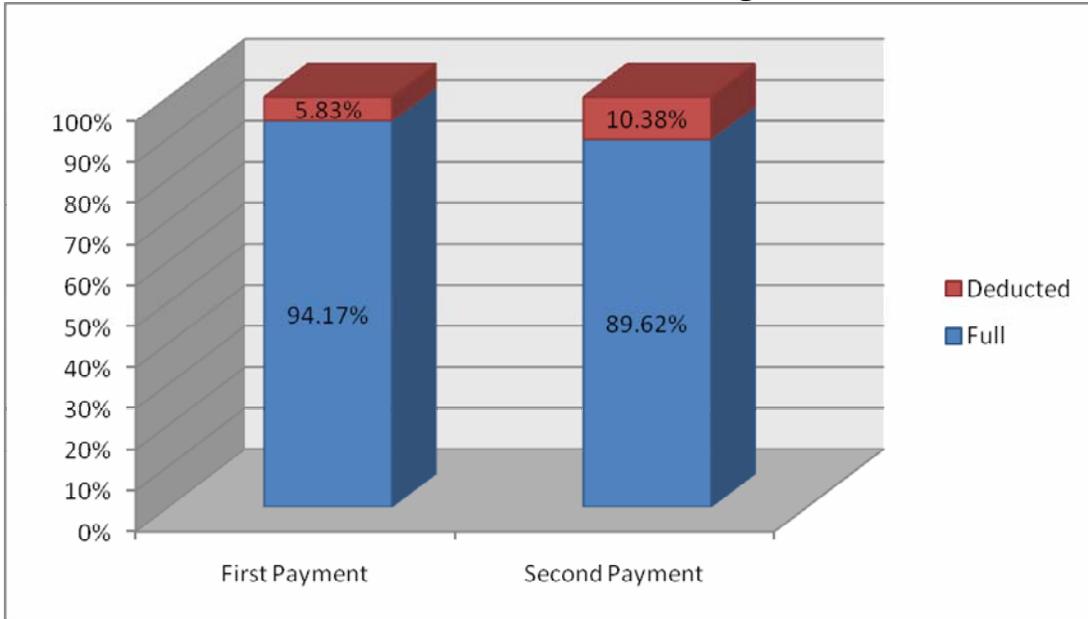


Figure 2
How the Recipients Spend the Cash Transfers

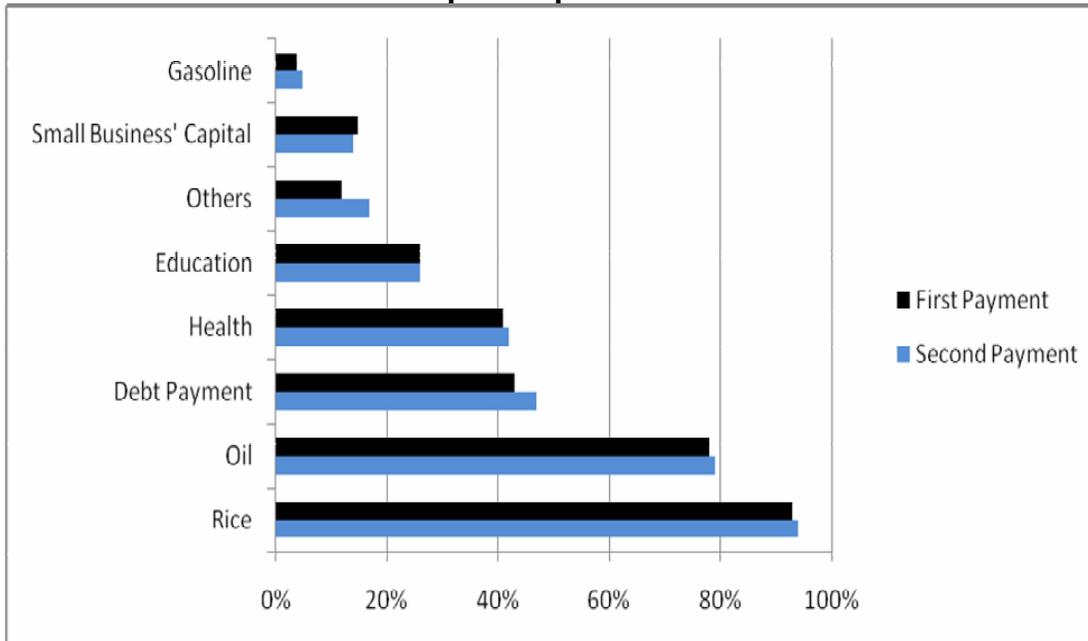


Figure 3
The Initial Source of Information Regarding the BLT Program

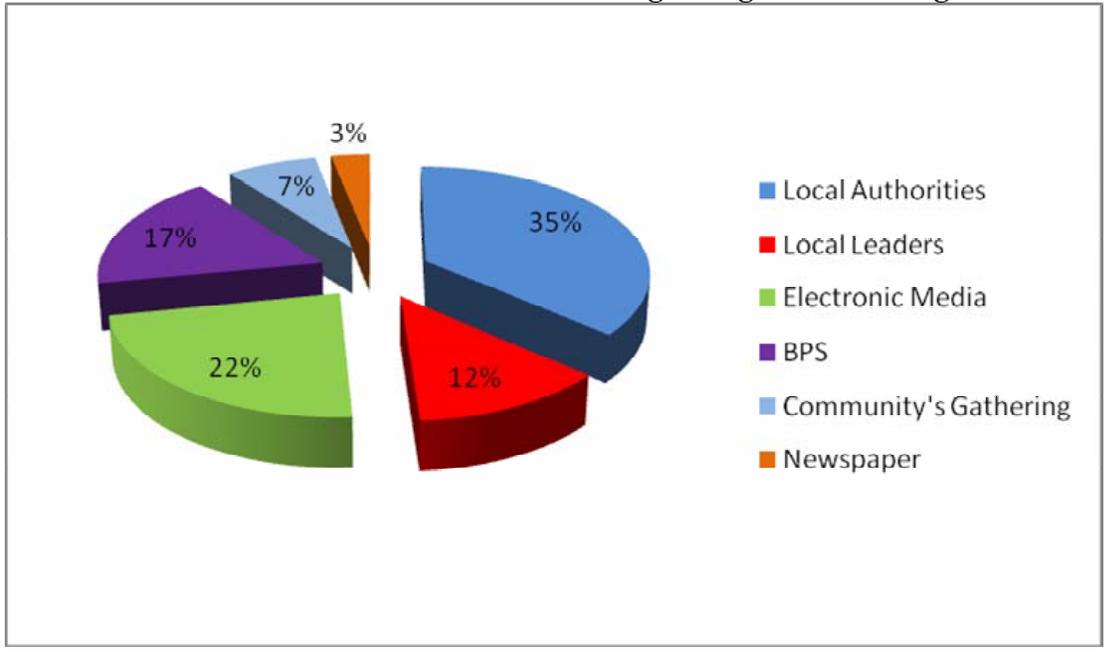


Figure 4
The Actor of Red-Tapes Action

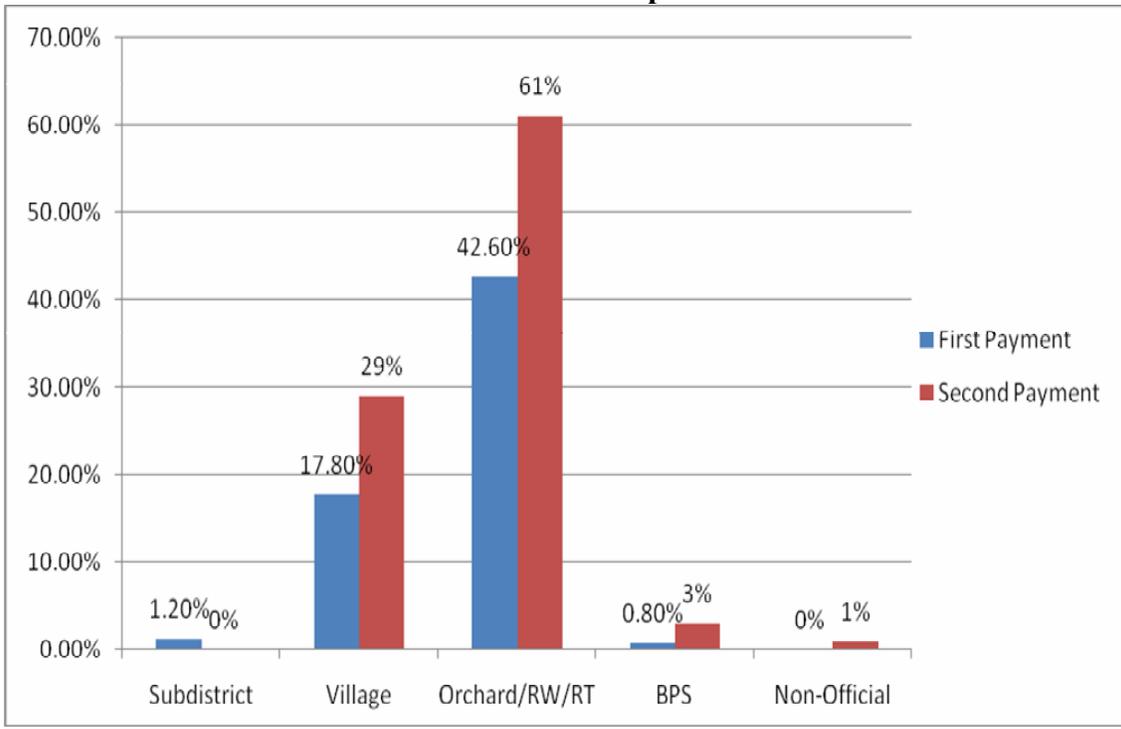


Figure 5
The Walking Distance between Recipients Home and Post Office

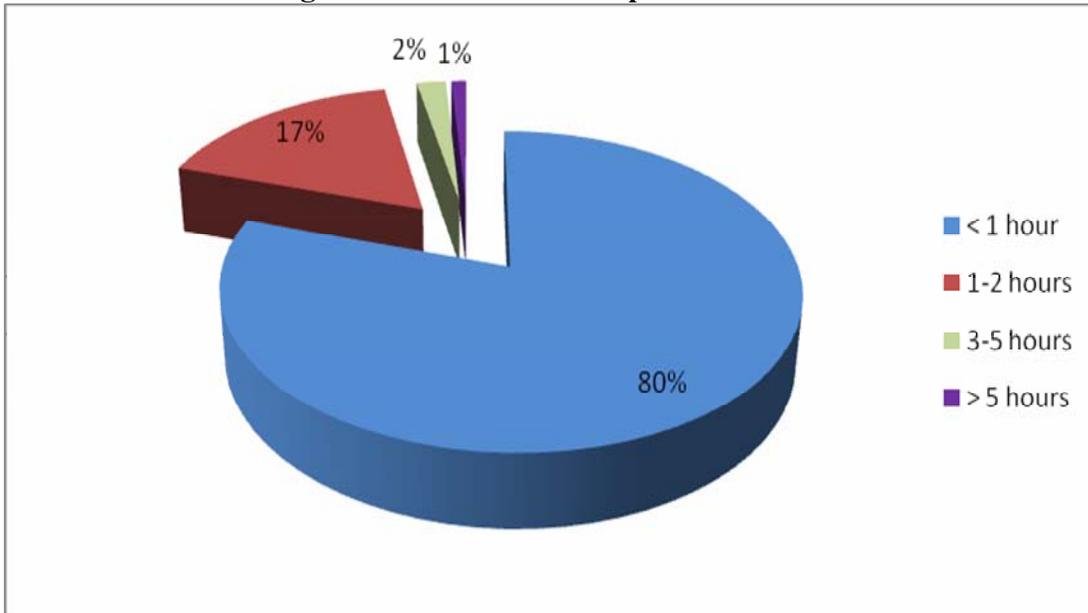


Figure 6
The Queuing Time According To Recipients Age 60 years and Older

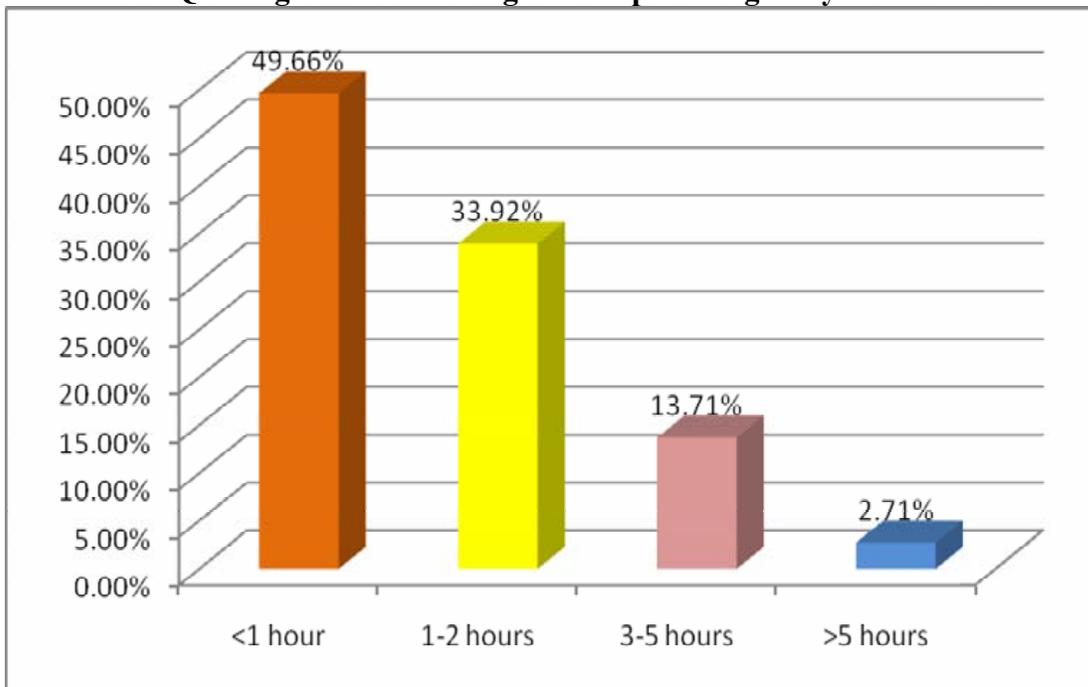


Figure 7
The Cause of Protest

