

2006 | ASIAN DECENT
2015 | WORK DECADE



International
Labour
Organization

SERIES:

SOCIAL SECURITY EXTENSION
INITIATIVES IN SOUTH EAST ASIA



INDONESIA: CONDITIONAL CASH TRANSFER TO THE POOR

ILO Subregional Office for South East Asia



Decent Work for All

Asian Decent Work Decade

1. Introduction

The national poverty line in Indonesia is defined in terms of ability to afford a minimum food intake, and some non-food items. The poor are those who fall below this real income or consumption standard line. This is equivalent to US\$ 1.55 per day which is stricter than the conventional \$2 per day measure. The Indonesian national poverty measure identified 36.1 million people as poor in 2004, equal to 16.66 per cent of the population.

The most notable progress in social assistance is related to new initiatives in the cash transfer scheme for the poor. These new initiatives took place against a background of high price inflation accentuated by major fuel price increases which was increasing the financial stress on low income households. The source of this scheme is the budget surplus as a result of two oil price increases in 2005, which is estimated Rp. 89 trillion. The full year amount is estimated Rp. 137 trillion. If the oil price is further increased at the global market price, the potential budget surplus up to Rp. 180 trillion is expected.

2. The cash transfer system

2.1 Cash transfer programme for the poor in 2005

The second major initiative commencing in October 2005 was the issue of grants of Rp. 100,000 per month (US\$10) to households of poor and near poor families. The initial target was 60 million people in 15.5 million households, which was extended to more than 70 million people in 19.2 million households in the second round.

The mechanism of this programme is described as follows. The poor are to be initially identified by local authorities and classified by economic level on the basis of 14 criteria developed by BPS (Statistics Indonesia) (See Box). Local authorities at the lowest level produce lists of households of people identified to be poor. These households are then visited by a BPS enumerator who helps them fill out the assessment form. This is then sent to the local BPS office where the forms are graded and a list of poor households is developed. This list is then supplied to the Post Office, while entitlement cards are issued to the households assessed as poor. Cash transfers are made via the BRI Bank to the Post Office, which in turn makes payments in quarterly lump-sums to the designated households. These must produce their BPS card to receive payment. Payments are made in lump-sums of three months allocation at a time.

Box. Criteria for receiving cash transfers

1. Size of House (square meters)
2. Flooring Material of House
3. Material used for Walls of House
4. Sanitary Facilities in house
5. Source of Drinking Water
6. Source of Main Lighting
7. Kind of Fuel used for daily cooking
8. Source of Main Lighting
9. How many times a week the family buy Meat/Chicken/Milk
10. How many times per day the family eat
11. How many new clothes the family buy for majority of members per year
12. Financial ability to go to clinic (Puskesmas) if sick
13. Main Job of Head of Family
14. Possession of specified assets worth over 500,000 rupiah
(Savings, Gold, Colour TV, Livestock)

Other questions asked:

- a. Name of Head of Family
- b. Education Level of Head of Family
- c. Number of Family Members
- d. Children aged 7-18
- e. Females 10-49 in household, and if married

Source: Translation of BPS Form PSE05.RT.

This is a massive new undertaking which is likely to stretch the limits of the Indonesian administrative system. The cash transfers are estimate to cost 1.5 trillion rupiah (US\$150 million) per month.

This unconditional cash transfer is a one-year programme. The government has allocated Rp. 23 trillion, of which Rp. 15 trillion is for the payment of the first three quarters (benefits and administrative costs) in 2005.

Regarding the effectiveness of this system, the following issues can be pointed out:

- The accuracy of targeting, including poor people who miss out and leakages of assistance to non-poor people.
- Whether there should be some extra conditionality on the eligibility of assistance, such as children attending school, and medical vaccinations achieved.
- Tradeoffs between cash transfers and direct provision of services. The merits of a cash transfer approach as against the alternative of direct services delivery to the poor via health, education, and nutrition programmes.

- Whether payment should be made to the (usually male) Head of Family, or the mother of children in the household as has been the case with some of the Latin American cash transfer programmes (e.g. Mexico).
- The administrative effectiveness of the scheme.

It should be noted that the Ministry of Social Welfare (Depsos) considered that poverty was on the rise again in late 2005 in the wake of the major fuel price increases. It thought that the gradual downtrend of poverty visible in the BPS statistics up to 2004 would reverse in late 2005. It considered the cash transfer system to be a needed offset to this trend. The Ministry currently uses a poverty income guideline of Rp. 125,000 per person per month as a measure of the poorest of the poor, Rp. 150,000 for other poor, and Rp. 175,000 for the near poor. These guidelines would classify 15 million households containing over 60 million people as poor or near poor, representing about 28 per cent of the Indonesian population of nearly 220 million people. On this basis payment of Rp. 100,000 per month to a poor family of 4 would raise their income by 16 to 20 per cent.

2.2 Conditional cash transfer programme

In 2007, the (unconditional) cash transfer programme was replaced by a conditional cash transfer programme (Program Keluarga Harapan). In July 2007 the government launched pilot programmes in seven Provinces.

The target groups are poor households with pregnant women and children between 0 and 15 years of ages. These households receive cash for a maximum period of six years. According to the BPS data, 6.5 million households are estimated to be in this category.

The following Table shows the cash benefit of conditional cash transfer:

Table. Amount of conditional cash transfer programme

Cases	Annual amount per household
Fixed amount	Rp 200,000
a. Child below 5 of ages	Rp 800,000
b. Pregnant and feeding mother	Rp 800,000
c. Child in primary school	Rp 400,000
d. Child in secondary school	Rp 800,000
Average amount per household	Rp 1,390,000
Minimum amount per household	Rp 600,000
Maximum amount per household	Rp 2,200,000

Unlike the previous programme, the receipt of the cash benefits is payable as long as certain conditions on health and education are met¹. This programme has just started,

¹ There are 12 indicators described as follows:

Health indicators:

(1) Four prenatal care visits for pregnant women, (2) Taking iron tablets during pregnancy, (3) Delivery assisted by a trained professional, (4) Two postnatal care visits, (5) Complete childhood immunizations, (6) Ensuring monthly weight increases for infants, (7) Monthly weighing for children under three and biannually for under-fives (8) Vitamin A twice a year for under-fives

hence feedback on its effectiveness is limited. However, issues expected to arise with respect to ILO include:

- It is expected that the accuracy of targeting will improve compared to the previous unconditional cash transfer programme. However, the impact of this conditional cash transfer programme should be evaluated carefully. The programme should be reviewed regularly in the light of the impact evaluation.
- A well-functioning monitoring system of conditionality is a key to the successful implementation of this programme. In particular, ILO's child labour monitoring system in Indonesia can serve for the monitoring of the school attendance in the education component.
- Given that the maximum duration of the conditional cash transfer programme is six years, it is important to develop a suitable exit strategy from the programme. As income from labour is considered to be most sustainable resource to meet the household's basic needs, linkage should be sought with ILO's work in enterprise development and skills development, such as small business development projects, youth employment projects and local economic development projects.

Reference

ILO, *Social Security in Indonesia : Advancing the Development Agenda*, 2008

Education indicators:

(9) Primary school enrollment of all children 6 to 12 years old, (10) Minimum attendance rate of 85% for all primary school-aged children, (11) Junior secondary school enrollment of all 13 to 15 years old , (12) Minimum attendance rate of 85% for all junior secondary school-aged children.