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행정학 석사학위논문

개발도상국에서의 정책변동에 대한
정책이전의 역할:

인도네시아의 조건부현금급여 정책을 중심으로
The Role of Policy Transfer in Policy Change
in Developing Countries:
The Case of Conditional Cash Transfer in Indonesia

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Abstract

This study tried to identify the driving forces that enabled the change of the universal fuel subsidy in Indonesia and examine the dynamics of policy transfer of Conditional Cash Transfer (CCT) in the context of policy change. Although Indonesia was able to sustain a high level of the universal fuel subsidy until the 1970s, Indonesia encountered the demand for a reduction of the universal fuel subsidy since the mid-1980s because Indonesian oil production significantly declined and international oil prices soared in contrast. However, there was little progress in reforming the subsidy until the mid-2000s and this resulted in the notable decrease of national revenue and the emergence of a fiscal burden. As international fuel prices began skyrocketing in 2005 and the fiscal burden was intensified more, Indonesian government changed its position and started to reduce the volume of the universal fuel subsidy gradually. In addition to this, Indonesian government introduced CCT, which was the direct transfer of cash to poor households based on conditionalities mainly relating to education, health and nutrition, in this process of change.

Focusing on this case, this study focused on the question of why Indonesia started to reduce the amount of the universal fuel subsidy in the mid-2000s and how the policy transfer dynamics influenced the policy change of universal fuel subsidy. To answer these questions, this paper employs Kingdon's multiple streams framework because this framework can be applied to explain both policy change and policy transfer.

For research, secondary data relating to CCT in Indonesia was collected and, based on this data, interviews were carried out between February and April 2012 with policy actors involved in the policy transfer process of CCT in Indonesia through field work. In addition, afterward, several additional semi-interviews were conducted via e-mail.

To summarize the result of this study, Indonesia chose the introduction of CCT in order to gain legitimacy for the reduction of the universal fuel subsidy. Whereas policy, problem and political streams relating to CCT existed before its introduction, it was fiscal crisis occurred in 2005 that facilitated the coupling of three streams. Because of the crisis, the domestic policy demand for the reform of the universal fuel subsidy was strengthened and demonstrations caused by the reduction of the subsidy amount acted as a catalyst for making each stream favourable for the introduction of CCT. However, this was not the only reason for the introduction of CCT in Indonesia. Another reason was that substantial efforts were made by the policy community consisting of international organizations, the national government, and a subnational think tank. In other words, the policy community trying to transfer CCT to Indonesia seized the opportunity to introduce CCT with the fiscal crisis acting as a momentum. Also, this transfer played a significant role in the reduction of the universal fuel subsidy and particularly provided a choice opportunity for the change. Indonesian government tried to compensate economical burden on the people and resistance to the reduction of the fuel subsidy by launching CCT. In conclusion, the policy change of universal fuel subsidy and the policy transfer of CCT provided reciprocal choice opportunity to each other.

This result could provide implications for effective ways accomplishing policy reform in developing countries.

In conclusion, the transfer of CCT was facilitated by a social crisis caused by an attempt to reform the universal fuel subsidy and the significant efforts of the policy community at different levels.

This study, however, includes shortcomings along with the results. It is hard to generalize the findings of this research directly because it is a single case study. Also, this research mainly focuses on a very short period of time, from the mid-2000s to 2012, which could be too short to assess the significance of the policy transfer of CCT on policy change in Indonesia. Nevertheless, this research could serve as a good starting point for further research.

keywords : **Conditional Cash Transfer, Indonesia, Policy Transfer, Policy Change, Multiple Stream Framework, Social Protection**

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I. Introduction

1. Purpose of Study

Since the 1970s, Indonesia has highly subsidized staple commodities such as fuel and food to protect their citizens from social contingencies. Under the condition of the oil boom from the late 1970s to the early 1980s, in particular, the universal fuel subsidy was an effective policy instrument of distributing national revenue from oil exports to the public. However, in the mid-1980s, as oil prices dropped and oil production significantly declined, the sustainability of the universal fuel subsidy could not be guaranteed. Despite this demand for policy reform, the Indonesian government was reluctant to decrease the subsidy until the mid-2000s. However, when oil prices skyrocketed in the mid-2000s, Indonesia changed its position and reduced the volume of the universal fuel subsidy. In this process, Indonesia decided to introduce Conditional Cash Transfer (hereafter CCT), which was named hope for the poor (PKH: *Program Keluarga Harapan*), as a necessary policy instrument to change the policy arrangement.

This change of the universal fuel subsidy in Indonesia is considerable with regard to policy reform in developing countries. Indeed, developing countries are faced with the demand for policy reform because of their policy arrangement's inefficiency and non-transparency; however, it is not always easy to change the policy arrangement. This is particularly true when various interests are involved in the policy arena. The case of Indonesia also shows how

difficult it is to achieve policy reform. Although Indonesia encountered the demand for a reduction of the universal fuel subsidy since the mid-1980s, there was little progress in reforming the subsidy. In the mid-2000s, however, the Indonesian government started to reduce the amount of the subsidy gradually. Focusing on this change, this paper attempts to identify the driving forces that enabled the change of the universal fuel subsidy in Indonesia.

In addition to this, this case is worthy of notice in that the Indonesian government introduced CCT in the process of change, and this introduction was a policy transfer from outside of Indonesia. CCT has been a popular social policy in the developing society because of its distinctive feature: the direct transfer of cash to poor households based on conditionalities mainly relating to education, health and nutrition. Because of this unique feature, since CCT was first introduced in Mexico and Brazil in the mid-1990s, major international development institutions such as the World Bank and UNDP started to promote CCT in developing countries. As a result, CCT became a notable example of policy transfer in developing countries.

This policy transfer is significant in that the dynamics of policy transfer could influence the policy arrangement in developing countries. Nevertheless, little interest has been shown in the influence of CCT's policy transfer in developing countries. Most CCT researches have focused on the effectiveness of CCT in poverty reduction with a normative approach and have ignored the process of policy transfer and its influences in the policy arena in developing countries. In this sense, this paper tries to examine the policy transfer of CCT in the context of

policy change.

To analyse the case by integrating the policy change and the policy transfer, this paper mainly employs Kingdon's multiple streams framework. Although the framework was devised in order to analyse the agenda setting process (Kingdon, 1984), many studies have used this framework to analyse policy formulation, implementation, and policy change (John, 2003). Kingdon's framework has the strength of explaining a non-rational policy decision process because it places an emphasis on the randomness of multiple-streams' coupling. The randomness of the policy decision process can be understood as the logic of coupling varies in different cases rather than the decision as always being accidental. Thus, this paper tries to identify this case's distinctive logic of coupling along with the role of policy transfer.

2. Scope of Research

This study deals with the policy change process of reducing the universal fuel subsidy in Indonesia, particularly focusing on the period of the mid-2000s. During this period, Indonesia experienced political and economic turmoil. Most of all, because of the fuel crisis in 2005, Indonesia was inevitably hit hard and the rapid increase of international fuel prices threatened the national economy. Under such circumstances, Indonesia decided to reduce the amount of the universal fuel subsidy. Although there had been pressure to reduce the amount of the subsidy since the mid-1980s, it was not until around 2000 that Indonesia finally

showed signs of a significant reduction. This is the reason that this paper focuses on the period of the mid-2000s.

Also, in this process, the Indonesian government combined the reform of the subsidy with an expansion of the social protection system. Until that period, social protection in Indonesia had been heavily reliant on family members or community schemes based on the spirit of *gotong royong*, mutual cooperation (Bowen, 1986). Although the social safety nets were introduced at the onset of the Asian economic crisis in 1997-1998, they had lots of limitations because they were merely short-term risk coping mechanisms. It was not until the mid-2000s that Indonesia actively developed the social protection system. For instance, in 2005, the Health Insurance Programme (ASKESKIN: *Asuransi Kesehatan Masyarakat Miskin*) was established to provide aid to near-poverty groups, School Operational Assistance Programme (BOS: *Bantuan Operasional Sekolah*) was introduced to provide block grants to primary and junior secondary schools. The most notable change, however, was the introduction of the unconditional and conditional cash transfer programmes. The unconditional cash transfer was a temporary alternative to CCT because it took a while to develop the administrative arrangements necessary to introduce CCT. After these administrative institutions had been somewhat established, Indonesia introduced CCT in 2007. Although it was a piloting programme covering only seven provinces among a total of thirty-three provinces at first, the government of Indonesia often announced that the introduction of CCT was necessary for the reduction of the universal fuel subsidy. In this sense, this paper examines the reduction of the universal fuel

subsidy and the policy transfer of CCT, focusing on the period of the mid-2000s.

3. Methodology

This paper aims to examine policy dynamics relating to the policy transfer of CCT and policy change in Indonesia. Thus this paper chooses a single case study approach which aims at achieving in-depth understanding of the case under examination. The case study approach has the advantage of drawing holistic pictures by gathering qualitative information about the subject (Yin, 2009; Gerring, 2007). Although a single case study is difficult to generalize, it enables the researcher to not only analyse a certain case in a particular context but also to verify and develop an existing theory. Since this paper applies a specific theory to a single case and tries to elaborate the theory through it, this research has the characteristics of both an interpretative case study (Lijphart, 1971) and a heuristic case study (Eckstein, 1975).

Also, it uses the qualitative method to conduct research because it is very difficult to quantify the policy-making process. Qualitative research involves the interpretive approach with diverse empirical data. For data collection, this study employs literature review, field research and the interview process. As the first step, it collects and reviews secondary data relating to not only CCT in Indonesia but also the whole social assistance system. Based on the collected data, interview questions which reflect the case of Indonesia were selected (see

Appendix – Interview Questionnaire). Using those questionnaires, interviews were carried out between February and April 2012 with policy actors involved in the policy transfer process of CCT in Indonesia through field work. In addition, afterward, several additional semi-interviews were conducted via e-mail. Table 1 shows the list of interviewees; all of their names were intentionally omitted.

Table 1 List of Interviewees

Interview -ees	Position	Affiliation	Interview Date
1	Former Director of Social Protection and Welfare	National Development Planning Agency (BAPPENAS)	27th FEB 2012
2	Senior Economist	World Bank	27th FEB 012
3	Senior Research Fellow	SMERU	28th FEB 2012
4	Professor	Faculty of Public Health, University of Indonesia	28th FEB 2012
5	Senior Researcher	SMERU	Informal
6	Social Sector Specialist	Asian Development Bank	Informal

II. Literature Review and Analytical Framework

1. Policy Change in Policy Process

1) Concept and Classifications of Policy Change

The effectiveness of policy depends on the context and the period of time when it is implemented. Once the situation of a social problem or political and public support is changed, the policy should be changed or removed in order to respond to new conditions. In this regard, policy process is a dynamic and circular process and policy is frequently modified or terminated because in many cases, it is faced with unpredictable problems.

The definition of policy change has been a critical issue in the studies on policy change. Most policy change literature has considered that policy consists of policy objectives, policy instruments and the precise settings of policy instruments. In this regard, policy change refers to partial or entire change regarding these components. Based on this, some scholars have categorized different types of policy change.

Hogwood & Peters (1983) classified policy change into policy innovation, succession, maintenance, and termination. Policy innovation means that government starts to intervene in a new policy area and conversely, policy termination is when government intentionally stops intervening in a certain policy area. Policy maintenance refers to the situation when policy objectives and policy instruments are maintained but the specific settings of policy instruments are changed. For instance,

the budget or implementation process would be changed in response to a changing situation. In this regard, this is an adaptive measure while others are purposive ones. Last, policy succession is when the policy objectives are maintained but the policy instruments are changed. This sort of change includes the fundamental modification of a policy or the replacement of a policy with a new one.

Meanwhile, Hall (1993) considers policy change as being characterized by two different types: policy change that is a continuation of an existing institution and a paradigm shift. The former type denotes a change of policy instruments or its settings. Hall (1993) named the change of policy instrument settings 'first order change' and suggested incrementalism, satisfying, and routinized decision making as examples. The second order change means the changing of policy instruments as well as its settings. Thus it can be understood as the development of new policy instruments. In contrast to this, the latter type of change, a paradigm shift, is the change of not only policy instruments and its settings but also a change of overarching goals, which is known as the third order change. In this regard, this change is very rapid and punctuated.

2) Reviews on Different Theories of Policy Change

In the literature, policy changes can be divided into two types: abrupt and gradual. On the one hand, there are discontinuous changes in the policy arena. According to Baumgartner and Jones (1993), if

there is a policy monopoly where limited policy actors participate in the policy process, policy agenda is hard to change. However, when the policy monopoly collapses, rapid and discontinuous policy change occurs. The breakdown of a policy monopoly is facilitated when media attention increases and a new policy group mobilizes the policy instrument to change policy. This notion is in line with the argument of path dependence. Although many scholars have emphasized that certain courses of action, once introduced, are hard to reverse, some have pointed out that policy development is often punctuated by critical junctures (Collier and Collier 1991; Krasner 1989).

Hall (1993) pointed out that discontinuous change is started by the appearance of anomalies which cannot be dealt with by the existing policy paradigm. Once anomalies are accumulated, policy actors try to solve the problem by stretching the terms of the existing paradigm and experimenting with new forms of the policy. Nevertheless, if the attempts fail, the failure could facilitate a shift in the centre of authority over policy and a significant contest between competing paradigms may occur. As a result, new policy supporters may occupy the position of authority over policy and rearrange the organizations and standard operating procedure in order to institutionalize new policy.

Meanwhile, Baumgartner and Jones (2002) explained the cause of policy change by discussing two types of feedback. The reason that policy process is stable is that negative feedback works. When negative feedback enters the policy process, pressure from one side leads to pressure from a different side, which is a self-corrective mechanism. Thus, the system can remain in a steady state and policy change is

incremental. In contrast, once positive feedback is introduced, a self-reinforcing mechanism allows the increase of the feedback at the initial stage to be self-perpetuating. At this time, the attention shift from one policy to another could bring about rapid and discontinuous policy change.

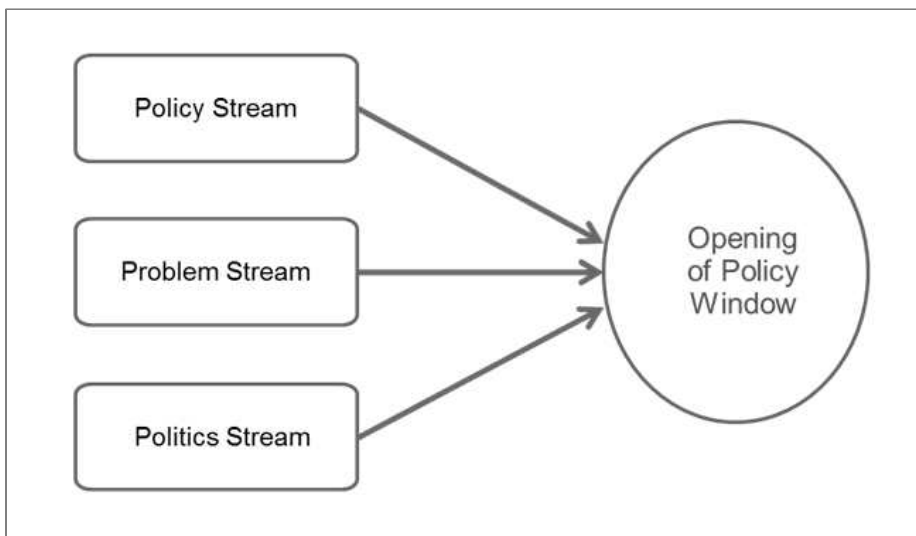
However, it is not true that policy change only refers to abrupt change. Although abrupt changes are more discernible, the actual policy decision arena is full of continuous policy changes. As it can be inferred from incrementalism or the satisfying model, policy making is influenced by existing policies and institutions due to the bounded rationality of policy actors and the complexity of the policy process (Lindblom, 1959).

Because policy modification or change constantly occurs in the policy process in order to solve newly emerging problems, policy change can be analysed by decision making theory despite there being room for different features of policy change from general decision making. For this reason, some theories have been used for analysing not only the general policy process but also policy change.

For instance, Kingdon's multiple streams framework (Kingdon, 1984) is based on the Garbage Can Model, which highlights the randomness of policy making. Although the multiple streams framework was established to answer the question of why only a limited number of agendas can enter the policy process, it has been used to analyse not only agenda setting but also policy change. In the framework, policy change is viewed as the coupling of three streams: the policy, problem and political streams (see Figure 1). During ordinary times,

each stream flows inter-independently under an uncertain situation. Specialized policy actors are engaged in the problem and policy streams respectively. Some actors cognize the certain issue as a social problem which should be solved and this process is the problem stream. Others develop policy alternatives and this process is the policy stream. The political stream does not depend on the policy actors but is influenced by the dynamics of political events. When the coupling of these three streams occurs, the policy window is opened and a new agenda is established. The coupling is strongly influenced by policy entrepreneurs' efforts to introduce new agendas and policies and the occurrence of certain triggering events.

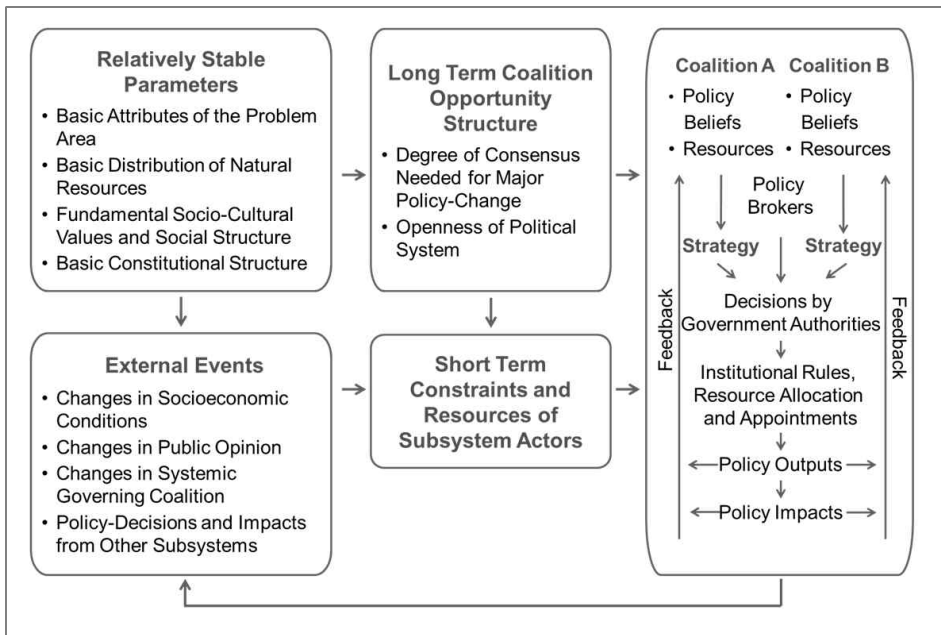
Figure 1 Multiple Streams Framework



Source: reconstruction based on Kingdon (1984)

However, if the randomness of coupling is overly emphasized, it is easy to overlook specific dynamics among policy actors and macro conditions. In this sense, Sabatier's Advocacy Coalition Framework can provide further improvements of the framework (Sabatier, 1988). Sabatier explains policy change as the dynamics of macro external factors and the interactions among advocacy coalitions (see Figure 2). An advocacy coalition has a shared belief system, and based on this belief, promotes certain policies to solve the problem. However, in the policy community, there are a couple of competitive coalitions that have different beliefs. Thus the interactions among those coalitions lead to the policy change mainly by policy-oriented learning, dynamic external factors, and internal shocks within the subsystem or negotiated agreements (Sabatier & Jenkins-Smith, 1999). In addition, there are other factors which influence the policy subsystem, such as relatively stable parameters and external subsystem events. The relatively stable parameters refer to the social problem's basic attributes, the distribution of natural resources, fundamental sociocultural values and social structure, and the basic constitutional structure. These parameters are stable over ten years and are likely to resist change. In contrast, external subsystem events such as changes of socioeconomic conditions, public opinion, the systemic governing coalition and other policy subsystems are dynamic factors and influence the policy change directly.

Figure 2 Advocacy Coalition Framework



Source: (Sabatier et al., 1999)

2. Policy Transfer in Policy Process

1) Importance of Policy Transfer in a Globalized World

Policy transfer has not suddenly been taking place only in our time, but it has been happening for a while now. Dolowitz (2000) pointed out that policy transfer has always existed, even in the Hellenistic (Hadas, 1959) and American Civil War (Waltman, 1980) periods. The occurrence of policy transfer is not surprising because a

rational policymaker constantly considers certain policies used in other regions that have suffered from the same social problem as potential policy alternatives. The simple reason is that the adoption of others' policies is the easiest way to make a policy. In this regard, Siegel & Weinberg (1977) said that "from the beginning of their existence, nations have sought to borrow and adapt structures and policies from other societies." In an emergent situation, notably, transferring a policy enables a fast policy decision. Moreover, politicians can achieve internal legitimacy by emphasizing the appropriateness of policy transfer (Scott, 1995; Meyer & Rowan, 1977). In the case of an organization, for instance, when the introduction of a new institution is recognized as an appropriate action, the institution can reinforce the legitimacy of the organization regardless of its effectiveness (Powell & DiMaggio, 1991).

Although policy transfer is not a new issue, policy transfer has been a more frequent phenomenon in the globalized world and these transfers have significantly influenced the adopter's existing policy arrangement. There are three reasons that policy transfer has frequently occurred all across the globalized world¹. First, information flow has been accelerated by the development of information and communication technologies as globalization has increased (Lee, 2008). This means that

¹ Policy transfer could occur between countries which have a similar policy environment with each other such as European countries (Lodge, 2003; Yang 2007) and English-speaking countries (Wolman, 1992; Dolowitz, 2000; Dolowitz, 1997; Pierson, 2003; Jacobs & Barnett, 2000). In addition to this, policy transfer could occur from developing countries to developed countries (Street, 2004; Gonzalez, 2007) and between countries that have different policy environments (Nakano, 2004; Yi, 2010; Kim, 2008; Jung, 2004) as well. Also, it can occur among sub-governments (Nakano, 2004) and through non-governmental organizations (Stone, 1999).

the success or failure stories of certain policies are easily transferred across borders. Second, in the recently globalized world, common public problems are emerging, such as environmental problems, international financial crises, terrorism and the spread of diseases. The same problems are likely to demand the same responses. In particular, international agreements on coping with certain common social problems play a significant role in policy transfer. Third, the emergence of a supranational organization has made it so that its members' policies converge². Particularly in the case of developing countries that receive aid from donors, certain policies may be imposed upon them by the donors, mainly as a conditionality of a loan or financial aid.

In this context, policy transfer becomes an important issue in the policy-making process. Many scholars have conceptualized the phenomenon of policies moving across nations as social learning (Hall, 1993), policy convergence (Coleman 1994; Drezner, 2001), policy diffusion (Majone, 1991), lesson-drawing (Rose, 1991), policy learning (Haas, 1992), policy bandwagoning (Ikenberry, 1990), emulation and harmonisation (Bennett, 1991), systematically pinching ideas (Schneider & Ingram, 1988), policy isomorphism (Radaelli, 2000) and policy mimesis (Massey, 2009). In general, these concepts refer to the “process in which knowledge about policies, administrative arrangements, institutions and ideas in one political setting (past or present) is used in the development of policies, administrative

2 See Yune (2006) emphasizing the important role of the WRO and the International Competition Network (ICN) in policy transfer, and Cowles (2001), Featherstone & Radaelli (2004), Tew et al. (2003) and Radaelli (2000) analysing the roles of supranational organizations and regional communities.

arrangements, institutions and ideas in another political setting” (Dolowitz & Marsh, 1996).

Nonetheless, most researches on policy transfer have ignored the aspect of policy change caused by policy transfer. Most explain only why a certain policy was introduced but do not mention further influences of policy transfer on the policy arrangements. However, policy transfer could be one of the ways to produce policy change. When a new idea or policy is transferred from outside of the polity, it provides opportunities for policy change and for existing institutions to be challenged (Blyth, 2001). This is because new policy ideas or instruments could act as stimuli leading to policy change. In particular, when policy transfer occurs between countries with different policy environments such as different macroeconomic conditions, political systems and policy priorities and paradigms, policy transfer is more likely to lead to policy change. In this sense, policy transfer could be considered as one way to lead to policy change.

2) Policy Decision-Making Theory and Policy Transfer

As policy transfer becomes an important policy phenomenon in the globalized world, studies on policy transfer have been actively conducted. The “Dolowitz and Marsh Model,” the starting point of many researches, contains almost all of the factors involved in the policy transfer phenomenon (see Table 2). The factors are based on the

following eight research questions: why the transfer occurs, who is involved in the transfer, what is transferred, from where the transfer originates, what the degree of the transfer is, what the constraints on the transfer are, how the policy transfer is demonstrated, and how the transfer leads to policy failure (Dolowitz & Marsh, 2000).

Table 2 Dolowitz & Marsh Model

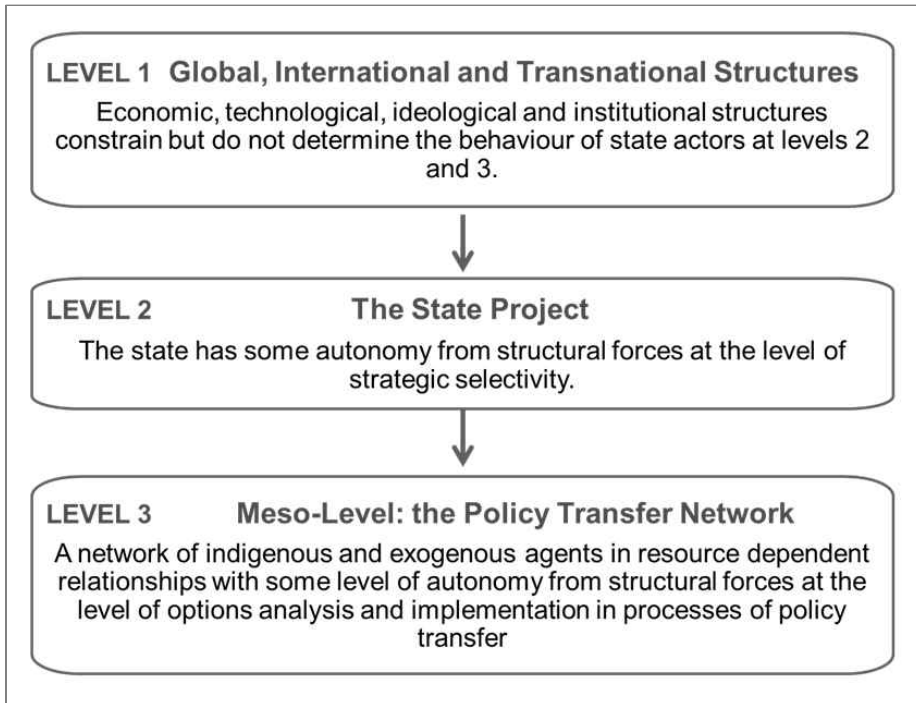
Eight Criteria
Why Transfer? - Voluntary; Mixtures; Coercive (Continuum)
Who is Involved in Transfer?
What is Transferred?
From Where - Past; Within-a Nation; Cross-National
Degrees of Transfer - Coping; Emulation; Mixtures; Inspiration
Constraints on Transfer
How to Demonstrate Policy Transfer
How Transfer leads to Policy Failure - Uniformed Transfer; Incomplete Transfer; Inappropriate Transfer

Source: reconstruction based on Dolowitz & Marsh (1996; 2000)

Taking a step forward, Evans, in his research with Davies (1999) and in his solo research (2009), tried to explain the policy transfer phenomenon as complex dynamics that occur at multiple levels. He criticized that policy transfer study had provided not an explanatory theory but an analogical model. He argued that, for theoretical building, it is necessary to aggregate the different analyses at multiple levels and integrate them with theoretical and methodological pluralism. In this sense, he tried to elaborate on the analytical framework by integrating

the agent-centred factor and structural one and suggested “multi-level action-based policy transfer analysis” (see Figure 3).

Figure 3 Multi-level Policy Transfer Analysis



Source: Evans (2009)

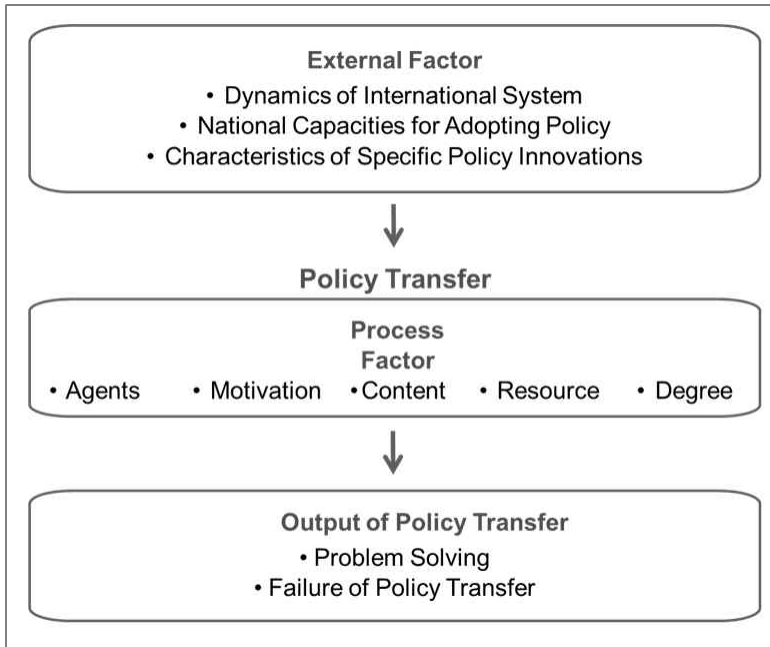
This model consists of global, international and transnational structures as a macro-level analysis, and a policy transfer network based on the policy network literature as a meso-level one. The reason that he tries to employ the concept of a policy network is to solve the methodological insufficiency of previous studies³. According to him, a policy transfer network is defined as “a network of indigenous and

³ See Stone (1999) and James & Lodge (2003).

exogenous agents in resource-dependant relationships with some level of autonomy from structural forces at the level of options analysis and implementation in processes of policy transfer” (Evans, 2009).

Meanwhile, Jung (2006) categorized the factors related to policy transfer into external factors, process factors and output of transfer; he viewed them as being engaged in a causal relationship (see Figure 4). First, the external factors are derived from the study of Tew et al. (2003), which consists of the dynamics of the international system, national capacities for adopting policy and characteristics of specific policy innovations. The dynamics of the international system which indicate the economic, political and societal linkages among nation-states are the channels and catalysts for the policy transfer. Also, the political, economic, societal and institutional capacities of a certain country are important factors because they affect the demand of a policy and its feasibility. The characteristics of a certain policy can affect the policy transfer as well, particularly in the case of an innovative policy. Second, the process factors involve agents, motivation, contents, resources and degree. Third, as the output of interaction among these process factors, policy transfer would either solve the targeted social problem or fail to do so.

Figure 4 Reconstruction of Policy Transfer's Components



Source: reconstruction based on Jung (2006)

Combining structure-centred factors with agent-centred ones, many policy transfer literatures highlighted the fact that a policy network plays a major role in policy transfer (Stone, 1999; James & Lodge, 2003; Evans, 2009)⁴. Originally, the concept of a policy network emerged as an alternative to explain the change of participants involved in the policy-making process. Previous researches on the policy decision-making process as a political decision can be categorized into two types: those that focus on the role of elites and those that focus on the role of pluralism. The former argues that policy making is completely the task of power elites (Mills, 1956; Hunter, 1963;

⁴ This is stemmed from the notion of an epistemic community, which is a network of experts based on knowledge that plays a major role in policy transfer (Haas, 1992).

Bachrach & Baratz, 1970) whereas the latter raises the counterargument that various interest groups can be engaged in the decision-making process (Truman, 1971; Ripley & Franklin, 1980). However, the changes of society caused by globalization, democratization, decentralization and the development of information technologies have enabled more various actors to participate in the policy decision-making process. In this regard, the concept of a policy network emerged to explain this change of situation (Kenis & Schneider, 1991).

In line with this, many policy transfer literatures explain a policy network as an entrepreneur of policy transfer. For instance, Evans & Davies (1999) highlight the role of a policy network and call for a 'policy transfer network'. According to them, "policy transfer networks are an ad hoc phenomenon set up with the specific intention of engineering policy change." (Evans & Davies, 1999) However, whether they are an ad hoc network or not, they share the causes of forming a network with policy network literature: the necessity of resource dependence (Deugbjerg, 1998; Hudson & Lowe, 2004), shared values (Sabatier, 1988) or consensual knowledge (Haas, 1992).

Despite many efforts, most studies on policy transfer have focused too much on description. Regarding theory building, many scholars have argued that it is necessary to consider both macro factors such as the influences of political economic conditions and micro factors such as the efforts of policy actors and their interactions. However, an appropriate and sufficient causal relationship among various factors that enables the process of policy transfer has yet to be identified.

3. Policy Transfer of Conditional Cash Transfer

1) Emergence of Conditional Cash Transfer

CCT first emerged in Mexico and Brazil in the mid-1990s. This emergence was related to the historical context of Latin America. From the beginning of the 1980s, Latin American countries experienced a severe economic crisis and they experienced structural reform. At that time, notably, they were required to reform their social welfare systems by cutting their social spending to recover their economy, a process that was recommended and/or imposed by international organizations, mainly the World Bank and the IMF, as part of a 'structural adjustment'. For this reason, they chose to implement social safety nets. However, as most social safety nets were only temporary programmes as instruments of social risk management in a period of crisis, a new social policy that would replace the former one over time was required (Barrientos & Santibáñez, 2009; Sugiyama, 2011). In this context, Mexico and Brazil first introduced CCT, which required compliance on conditionalities relating to human development in return for receiving benefits⁵.

However, the policy contexts of Mexico and Brazil, where CCT was first introduced, were different. Mexico commenced it in order to respond to political instability and the economic crisis that occurred in 1994 and 1995 (Niño-Zarazúa, 2010). Especially the peso crisis of

⁵ Although there is some controversy about which country CCT first originated in, international society mostly considers both nations as pioneers.

December 1994 led to the deterioration of not only economic indicators but also the worsening of the poverty situation. The poverty headcount ratio at the national poverty line soared from 52.4 percent in 1994 to 69.0 percent in 1996⁶. However, Mexico had little room to spend much of its budget on addressing the poverty problem. Moreover, general food subsidies, which accounted for a large portion of the national budget, exacerbated the income distribution because a large percentage of these subsidies were distributed to the non-poor (Levy, 2006). In this regard, Mexico introduced the Programa de Educación, Salud, y Alimentación (PROGRESA) as an instrument of policy reform. In particular, it aimed to reform the existing consumption subsidies. It was operated in rural areas in 1997 at first and expanded to urban areas in 2000, with a name change to Oportunidades. During this process, Mexico pursued CCT as a national initiative without any support from international donors.

In Brazil, in contrast, two subnational governments launched CCT in 1995 and CCT gradually spread to all nations. Since Brazilian subnational governments have had fiscal and administrative autonomy since the late 1980s, they have tried to develop a wide range of public policies to meet local demand and CCT emerged as one of these policy experiments (Sugiyama, 2011; 2012). In 1995, the Campinas started the Programa de Garantia de RendaMínima Familiar (Minimum Family Income Program) and Brasília introduced the Bolsa Escola (School Scholarship). These two programmes required the condition of children's

6 National Survey of Income and Expenditure Survey, Moderate Poverty Line (individuals); UN data (<http://data.un.org/>)

school attendance in order for the children's families to receive cash. In 2001, the Brazilian federal government developed a national CCT programme, Bolsa Escola Federal, on the basis of those two local CCTs. Whereas Bolsa Escola Federal aimed at increasing children's school attendance, the Lula government introduced Bolsa Família (Family Allowance) in 2006 by integrating Bolsa Escola, Bolsa Alimentação (Nutrition Grant for Maternal Health), Cartão Alimentação (Food Card Programme) and Auxílio Gás (Cooking Gas Voucher). Bolsa Família became the largest CCT programme in the world (Hall, 2006).

Despite the different contexts, their CCTs have been based on the same policy idea, which is to focus on long-term poverty reduction by investing in human development. Traditionally a concern surrounding social assistance has been that it addresses the problem of a short-term crisis by transferring cash or in-kind (Rawlings, 2004; Hall, 2006), and for this reason, it has been criticized for having less impact than social insurance. However, CCT was designed for establishing the linkage between cash transfer and investment in human capital. In doing so, CCT can raise not only the short-term consumption level of the poor but also their future productivity, which can be regarded as a foundation to end the transfer of the poverty problem from one generation to another. In addition to this materialistic perspective, Sen's capability approach provides further explanation about human development as the end of development. According to Sen's argument, development should be regarded as an improvement of one's ability to functionings, that is, one's freedom to achieve valuable beings and

doings (Sen, 1999). Based on this notion, the international development community has been interested in the instruments for the expansion of capabilities such as education, health, longevity and literacy, which were ignored by the income-dominated development paradigm in the past. For instance, the Human Development Index, which was developed by the UN, identifies capabilities in health, education, and income. In spite of the importance of human development, social services which are able to improve people's capabilities have been concentrated in the higher income group in developing countries (Hall, 2006). It is obvious that there should be more instruments to improve the capabilities of the poor because they are more vulnerable than the non-poor. For this reason, it makes sense that CCT, which focuses on the issue of the health and education of the poor, would receive notable attention from the development community.

Moreover, CCT has another notable feature: a demand-side intervention. CCT tries to produce desirable behaviour in the beneficiaries. Fiszbein & Schady (2009) suggest that this rationale is supported by Musgrave's notion of 'merit goods'. According to Musgrave (1959), when a society places more value on certain goods than individuals do, the society should provide incentives to its citizens in order to ensure the additional consumption of those goods. Particularly, when the actors' beliefs are erroneous, the actors are not rational but short-sighted, or there are conflicts among actors who should act as a unity, these incentives are more necessary (Fiszbein & Schady, 2009). CCT has the same rationale with this notion of merit goods. CCT assumes that the investment in human capabilities is

socially valuable but individuals do not invest enough in these capabilities. Under this assumption, CCT set the conditionality as an incentive for the beneficiaries to invest in themselves. In addition to this, most CCTs transfer cash to women in poor households in order to maximize the effectiveness of producing desired behaviour in beneficiaries. This is because it is considered that women are more likely than men to pay attention to the issues of education and health⁷.

These unique features of CCT correspond to the policy idea of human development advocated by international development organizations. For this reason, international organizations have promoted CCT in developing countries. However, these demand-side incentives could be ineffective as long as adequate services are supplied. Although CCT could change the behaviour of the poor, the accessibility to and quality of social services should be guaranteed for the poor. Also, a targeting system, distribution system and monitoring system are crucial to the success and effectiveness of CCT (Schady & Araujo, 2008; Farrington & Slater, 2006; Bastagli, 2008). Because most countries that implement CCT are developing countries, sometimes they should develop basic administrative institutions and CCT simultaneously. For this reason, many of them have failed to reach successful implementation (Schubert & Slater, 2006). In this regard, international development organizations have provided assistance to establish necessary institutions for operating CCT in many developing countries.

⁷ This feature can increase the bargaining power of women within the family as well (Schady & Rosero, 2007).

2) Diffusion of Conditional Cash Transfer in the 2000s

With active support from international development organizations, since it was started in 1997 in Mexico and Brazil, CCT has spread over a large number of developing countries and become an important social policy programme of transfer. This development has been mainly due to the active efforts of the international development community because CCT is suited for their new development paradigm of human-capital investment. International organizations and other international think-tanks have carried out the evaluation of CCT's impact by contracting with governments. In doing so, they have produced a large amount of empirical evidence supporting the positive impacts of CCT. For instance, in the case of Brazil, UNESCO and UNICEF jointly evaluated Brasília's Bolsa Escola in 1997 and after this evaluation UNESCO recommended that the WB and the IDB finance similar programmes (Lana & Evans, 2004). In addition, when Bolsa Família was established, the World Bank encouraged the integration of different programmes by providing investment loans (Handa & Davis, 2006).

As a result, CCT was transferred to almost all the countries of Latin America in response to the macroeconomic crisis of the 1990s; furthermore, it traversed beyond Latin America as a social policy and was transferred to nations all over the world. In over a decade, almost thirty countries had adopted some type of CCT by 2008. Apart from Latin America and the Caribbean, CCT is operating, for instance, in

Nigeria, Kenya, India, Bangladesh and Indonesia.

However, it is not true that all CCTs have identical features with each other. Some countries, such as Brazil and Mexico, operated CCT as a national programme whereas others, such as Indonesia, are in the piloting stage but have tried to expand its scale to the national level. Also, there are some variations of conditions among CCT programmes. In the case of Chile, for instance, their CCT programme, Chile Solidario, embraces comprehensive dimensions such as not only health and education but also employment, housing conditions, past income level and family dynamics. Meanwhile, the Primary Education Stipend Program in Bangladesh only focuses on the aspect of children's education. In spite of those variations, nonetheless, the size of each programme is generally increasing (Fiszbein & Schady, 2009).

4. Research Questions and Analytical Framework

This paper aims to understand the policy change process and the influence of policy transfer on the change of policy arrangements in developing countries. To fulfil these aims, this paper focuses on the case of Indonesia. It examines why Indonesia introduced CCT and how the transfer influenced the policy change of the universal fuel subsidy.

First of all, this research focuses on the question of why Indonesia started to reduce the amount of the universal fuel subsidy in the mid-2000s. Prior to this change, despite the constant demand for reform, little progress was made toward change. As Kingdon pointed

out, policy decision making covers only a limited number of agendas (Kingdon, 1984). In this regard, it is meaningful to examine the conjunctures that enabled the change.

Second, this paper tries to answer the question of how the policy transfer dynamics influenced policy change in Indonesia. The transfer process is not a black box but the product of the dynamics of policy action and the interaction between actors and macro structural influences. For this reason, it is necessary to consider the policy transfer as a process rather than a decision made at a certain time, and this paper tries to explore the dynamics among various factors. In this sense, with the hypothesis that policy dynamics around the policy transfer of CCT could influence policy change, this paper tries to investigate the policy transfer dynamics of CCT in the context of policy change.

To answer these questions, this paper employs Kingdon's multiple streams framework because this framework can be applied to explain both policy change and policy transfer. Although Kingdon formulated this framework to analyse the agenda setting process, it has been used to explain policy making and policy change as well. When it comes to policy change, a policy alternative to change can be regarded as a policy stream and the coupling of three streams indicates the decision to make a policy change. Also, a problem stream starts from the accumulation of anomalies. In this regard, although Hall used the concept for analysing abrupt change, from a broader view, it also can be applied to analyse continuous change.

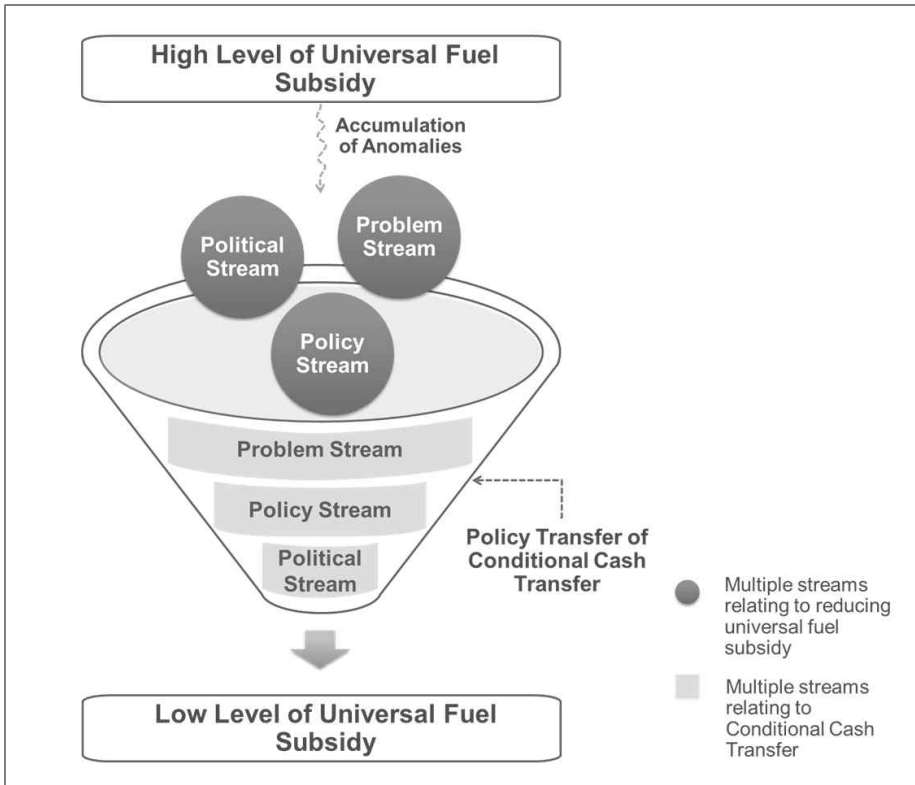
Moreover, this framework is useful for the analysis of the policy

transfer. As aforementioned, literature related to policy transfer has limitations for building a thick theoretical framework. If it employs policy-making theories, it could compensate for its weakness as a theory. The reason is that policy transfer can be understood as a policy-making process. To analyse this case, in particular, it is more useful to refer to policy-making theories based on the assumption that policy making is not the outcome of a rational choice but the result of a complex policy process. In this regard, the multiple streams framework could well capture not only the policy change process but also the policy transfer process.

It is noteworthy to point out that a triggering factor is necessary for the coupling of the three streams. Kingdon mentioned that a political stream such as the change of regime, majority party and public opinion is more likely to open the policy window (Kingdon, 2003). However, he also pointed out that an unavoidable accident also could facilitate the coupling. Also, Sabatier indicated that a relatively dynamic external event can cause the change of policy coalitions' dynamics (Sabatier & Jenkins-Smith, 1999). In this sense, it is necessary to investigate whether there are any exogenous triggering factors beyond the three streams.

Based on these discussions, this paper establishes the analytical framework as shown below (Figure 5).

Figure 5 Analytical Framework



III. Political Economy of the Universal Fuel Subsidy and Social Policy in Indonesia

1. Development of the Universal Fuel Subsidy

The emergence of the fuel subsidy in Indonesia can be traced way back to the 1960s when the communist regime of Sukarno was in power following Indonesia's independence in 1945. Under the government, colonial Dutch companies were nationalized and commodities' prices were controlled. In line with this, fuel prices were fixed with the government's subsidies since the 1960s. According to the Eight-Year Overall Development Plan (PENASBEDE: *Pembangunan Nasional Berencana Delapan Tahun*), which was adopted in 1960, the fuel subsidy was used for the stabilization of inflation. In this period, however, the economy severely deteriorated. Sukarno claimed to stand for 'Nasakom', an acronym of nationalism, religion and communism. With this political concept, the Indonesian economy was distorted by political purpose. In the mid-1960s, consequently, Indonesia's economic performance was very poor. Hyperinflation reached over 600 percent and foreign debt was recorded at 50 percent of the total government expenditure (Booth & McCauley, 1981; Robertson-Snape, 1999). Because of this failure of economic development, the president was overthrown in a military coup.

The next government (1965 - 1998) adopted liberal ideas to respond to the economic recession. In this context, the priority of the

successive president, President Suharto, was economic development. In particular, the government casted aside communism and pursued liberal ideas led by economic technocrats. In this period called the 'New Order', the economy was opened and foreign investment was promoted. As a result, Indonesia's economy saw normalization and inflation dropped to 12 percent in two years (Sundhaussen, 1995).

However, the fuel subsidy was maintained because it was directly linked with political and social stability. In the early period of the New Order, the fuel subsidy was still used as a macroeconomic policy. To maintain low domestic fuel prices, the government transferred a payment to the State Oil and Natural Gas Mining Company (PERTAMINA: *Perusahaan Pertambangan Minyakdan Gas Bumi Negara*), which managed all national oil production. Through this form of fuel subsidy, Indonesia could promote the development of industry.

Nonetheless, as international oil prices began increasing in 1973 and the period of the oil boom arrived in the early 1980s, the function of the fuel subsidy changed. In this period, the government revenue from the oil exports sharply soared. Because of the increase of the corporate tax for oil exports, the revenue from the oil exports accounted for approximately 60 percent in the 1970s and over 70 percent in the early 1980s (Hainsworth, 1980; Robinson, 1988). With this high profit, the fuel subsidy functioned to provide financial assistance to other industrial companies. Moreover, other export items could gain market competitiveness at lower prices through the use of subsidized fuel for production. This benefit was not limited to the industrial sector. The fuel subsidy could be an effective policy

instrument to redistribute the State's wealth to Indonesia's citizens, who could then buy necessary fuel for daily life such as kerosene at prices lower than the international prices.

2. Overall Structure of the Social Policy System

Until the mid-1990s, Indonesia did not have a comprehensive modern social protection system. Instead of government, family and community were the main providers of social safety. In many cases, people joined a community-saving scheme called *arisan* and when they were at social risk, they could receive money from other members. In addition, the Muslim tradition has been an influential traditional social protection mechanism in Indonesia. Every Muslim usually has an obligation to contribute a certain amount of food or cash and the rich should contribute more than others. The collected food and cash is distributed to poor Muslims at religious celebration events. This shows that *zakat* has been an informal distribution mechanism. Meanwhile, during the period of Suharto's government, the state emphasized the spirit of *gotong royong*, mutual cooperation for national development (Bowen, 1986). Under this slogan, Indonesia tried to achieve national development through mutual cooperation at the village level.

With these informal social protection mechanisms, the government executed social insurance programmes for formal workers since the late 1960s. ASKES (*Asuransi Kesehatan*), which has provided health insurance for civil servants and members of the armed forces, was

firstly introduced in 1968. In 1971, a social insurance for members of the armed forces, ASABRI (*Asuransi Sosial Angkatan Bersenjata Republik Indonesia*), was started; also, one for civil servants, TASPEN (*Tabungan dan Asuransi Pegawai Negeri*), was introduced in 1981. A social insurance for private sector employees was started in 1978 under the name of ASTEK (*Asuransi Sosial Tenaga Kerja*), and it applied to workplaces with 500 or more employees. In 2002, it changed its name to JAMSOSTEK (*Jaminan Sosial Tenaga Kerja*) and was expanded to be applicable to workplaces with 100 or more employees or those with a monthly salary of at least IDR 1,000,000, which is equivalent to USD 112 (Purwoko, 2010). However, the coverage of these social insurances has been very low. For instance, only 47 percent of formal sector workers were covered in 2008 (ILO & JAMSOSTEK, 2010).

Under these circumstances, a social protection mechanism for the poor barely existed. Most informal workers, accounting for approximately 61 percent of total workers, were not covered by social insurance. Moreover, poor and vulnerable people who did not have the ability to work or could not work for other reasons were excluded from social protection until the mid-1990s.

As the Asian economic crisis of 1997 hit the Indonesian economy severely, the government had no choice but to take a measure to protect its citizens, particularly the poor. At that time, the Asian economic crisis caused a severe economic recession. Most of all, the depreciation of the currency resulted in the soaring prices of basic necessities. For instance, food prices soared approximately 118 percent. (Suryahadi & Sumarto, 2003). Under these circumstances, it became

clear that the existing social protection system could not deal with the current social challenges because it only covered a very small formal sector. The poverty rate increased from 12.4 to 24.5 percent in the same period (Skoufias & Suryahadi, 2000). Also, almost 10 million had lost their jobs by early 1999 (World Bank, 1998).

In response to the economic crisis, relief loan and reform packages of the International Monetary Fund (IMF) were established in late 1997. Although Suharto's government did not implement the package until May 1998, as aforementioned, the IMF's reform package, such as bank reform and the retrenchment of public spending, was implemented by the interim government after the resignation of Suharto. The Social Safety Net Programme (JPS: *Program Jaring Pengaman Sosial*) was one of the reforms.

The JPS consisted of the rice subsidy scheme (OPK: *Operasi Pasar Khusus*), health card scheme (JPS-BK: *Jaring Pengaman Sosial - Bidang Kesehatan*) and educational programme. The OPK provided rice at a lower price than the market price to the poor. The JPS-BK (JPS-BK: *Jaring Pengaman Sosial - Bidang Kesehatan*) issued health cards to the members of poor households and allowed them to receive free medical treatment. The educational programme consisted of two schemes: the scholarship and school subsidy programmes (JPS-DBO: *Jaring Pengaman Sosial - Dana Bantuan Operasional*).

These programmes were introduced to reduce the negative impact of the crisis on the poor. However, even though these programmes marked the first attempt to institutionalize formal social protection programmes designed to help the poor, their scale was very low. For

these programmes, the Indonesian government received financial support in the amount of only 600 million USD from the IMF. For this reason, the supply level of each programme was also low. For instance, only IDR 1,043 million (equivalent to roughly 0.1 million USD) was allocated by the central government and ADB for running the JPS-BK during the fiscal year 1998/1999 (UNESCAP, 2001).

IV. Policy Change of the Universal Fuel Subsidy and the Introduction of the Conditional Cash Transfer

1. Policy Change of the Universal Fuel Subsidy

1) Accumulation of Anomalies in the Policy Area of the Universal Fuel Subsidy

Since the mid-1980s, Indonesia showed signs of a fiscal crisis. Until the early 1980s, the GDP growth rate of Indonesia was recorded at an average of 7 percent due to the increase of the oil revenue. After the end of the oil boom in the mid-1980s, however, the oil revenue started to decrease due to the sharp decline of international oil prices and the maintenance of the continuously low price. For this reason, oil export earnings dropped; while it constituted over 70 percent of the central government revenue in 1981, it made up less than 40 percent in 1986. In this context, the GDP growth rate also fell to around 3 percent in the mid-1980s.

In spite of the indication of a recession, the fuel subsidy was still affordable. At that time, there was no need to spend lots of money for subsidizing fuel prices because of the sharp drop of international fuel prices. From the onset of the Asian economic crisis, however, the situation changed. On the one hand, the international fuel prices had significantly increased. On the other hand, crude oil production in

Indonesia had declined at a very fast speed. For these reasons, the fuel subsidy began to be a fiscal burden for Indonesia.

Thus when the Asian economic crisis hit Indonesia, the International Monetary Fund (IMF) constantly emphasized the necessity of the gradual reduction of Indonesia's fuel subsidy during discussions for an assistance loan (IMF, 1997; IMF, 1998).

Although Indonesia tried to reform its budget structure based on the IMF's suggestion, the fiscal burden caused by a high level of government spending for the fuel subsidy still remained. Since 2000, the fuel subsidy has accounted for approximately 20 percent of the central government's budget. The reason for this is that Indonesia became a net oil importer since 2004. In this context, as international oil prices kept soaring, Indonesia could no longer benefit from the rent and was rather under much pressure because of its national budget. For this reason, there is a necessity for a nation to undergo institutional reform from a rentier state⁸ to a welfare state with a proper accounting system.

Despite the demand for reform, President Suharto, who held power in an authoritarian regime for over thirty years, did not make efforts toward the implementation of reform and rather delayed it (Engel, 2007). This was because he controlled not only the political but also the economic and social sectors and his relatives held positions at the head of major organizations such as state-owned enterprises and a

8 The concept of a rentier state refers to those 'countries that receive on a regular basis substantial amounts of external economic rent', particularly oil rent (Mahdavy, 1970).

national bank. His lack of effort exacerbated the economic situation, resulting in a series of mass riots that broke out in various regions in Indonesia. These riots were expressions of discontent with not only the economic turmoil but also the long-lasting authoritarian regime. As a result, Suharto had no choice but to be ousted from power, and the authoritarian regime that had reigned for over thirty years finally came to an end.

Under these circumstances, it became clearly important to stabilize the society and Suharto's successor had to follow the IMF's policy recommendations. However, the amount of the fuel subsidy still accounted for a large portion of the national budget because various interests were involved in the subsidy. Above all, the number of citizens who benefited from the subsidy was so large; thus it was difficult to reduce the amount of the subsidy because of concerns that such an action would be met with a high level of resistance.

2) The First Choice Opportunity and Its Failure to Open the Policy Window

In 2005, as international fuel prices increased rapidly, Indonesia's economy was inevitably hit hard. Because Indonesia provided a universal fuel subsidy, the skyrocketing fuel price led to almost 30 percent of the total government expenditure spent for the fuel subsidy. Thus the government had no choice but to reduce the fuel subsidy. After the government announced its decision to cut the subsidy, the

domestic fuel price was raised by 29 percent in March 2005 and by even 144 percent in October 2005 (see Table 3).

Table 3 Comparison between Domestic Fuel Prices and International Prices

		2005 JAN	2005 SEP	2005 OCT
Domestic Fuel Price (IDR)	Gasoline	1,810	2,400	4,500
	Diesel Oil	1,650	2,100	4,300
	Kerosene	1,800	2,200	2,000
International Fuel Price (IDR)	Gasoline	-	6,570	5,876
	Diesel Oil	-	6,470	6,225
	Kerosene	-	6,493	6,218
Domestic Price as % of International Price	Gasoline	-	37 %	77 %
	Diesel Oil	-	32 %	69 %
	Kerosene	-	11 %	32 %

Source: APBN 2005-2011 (Ministry of Finance, 2010)

This led to widespread riots in Indonesia again because people directly felt the negative effects. Immediately following the announcement of the cutback, student-led protests broke out in many cities. In Jakarta, the capital city of Indonesia, almost 3,000 students gathered outside the State Palace and called for President Yudhoyono to step down. Also, protesters took over a radio station and denounced the government's decision. According to a national opinion poll by the Indonesian Survey Institute, around 70 percent of the population disapproved of the cutback of the fuel subsidy.

3) The Second Choice Opportunity and the Coupling of the Three Streams

When the riots in opposition to the reduction of the fuel subsidy occurred in 2005, the government ought to have responded in a short period of time. Although the government was considering CCT, it was almost not plausible to introduce it in the short term because necessary institutions needed to be developed. For this reason, the government introduced a compensation programme for the reduction of fuel subsidies (PKPS-BBM: *Kompensasi Pengurangan Subsidi Bahan Bakar Minyak*). This compensation programme consisted of a healthcare programme, educational assistance and unconditional cash transfers for the poor.

The first two programmes were new versions of the existing health card scheme and educational programme. In terms of the health scheme, a health card scheme for the poor (JPS-BK: *Jaring Pengaman Sosial - Bidang Kesehatan*) had already been in existence since 1998. The JPS-BK aimed to issue health cards for the members of poor households in order to allow them to receive free medical treatment for outpatient and inpatient care at sub-district health clinics and third-class public hospitals. In 2005, it was transformed to the Health Insurance Programme (ASKESKIN: *Asuransi Kesehatan Masyarakat Miskin*) as one of the PKPS-BBM which covered near-poverty groups as well; even the poor who did not have identity cards could participate in the programme. Under this programme, the beneficiaries could obtain comprehensive health services, including tertiary care at IDR 5,000 per

month per capita. Through the introduction of this programme, the coverage had sharply increased from 8.3 million people to 15 million by 2006 (World Bank, 2012a)

Meanwhile, with regard to educational assistance, there was a scholarship programme for poor students since the period of the Asian economic crisis. Through this programme, students in poor households could receive financial assistance to enrol in schools. It covered around one-fifth of primary, one-eighth of junior secondary, and a tenth of upper secondary school tuitions per student, respectively (Sparrow, 2006). In 2005, in addition to this, the government allocated part of the fuel subsidy to newly introduce the School Operational Assistance Programme (BOS: *Bantuan Operasional Sekolah*). This programme was intended to reduce the burden of educational costs, particularly for poor students, by providing block grants for primary and junior secondary schools. While the scholarship programme aimed at only demand-side improvement, the BOS had the purpose of making improvements for not only the demand but also the supply side. Through the BOS, the government tried to achieve an education system that required a compulsory nine years.

The BOS has transferred funds to schools based on a per-student allocation mechanism. In 2005, the amount of funds per pupil was IDR 235,000 for a primary school student and IDR 324,500 for a junior secondary school student per semester (World Bank, 2007). The total budget for the programme in 2005 was over IDR 5.3 trillion and it was gradually expanded (see Table 4). Although the programme covered only schools at the district level when it was launched, in 2009, it

started to cover municipalities as well.

Table 4 BOS Funding Allocation and Budget Developments (2005-2009)

Issue		2005 ⁺	2006	2007	2008	2009
Allocated Funds (IDR thousand / a student / a semester)	Primary School at District	235	235	254	254	396
	Primary School at Municipality					400
	Junior Secondary School at District	324	324	354	354	570
	Junior Secondary School at Municipality					575
Total Budget (IDR trillion)		5.136 ⁺	10.28	9.84	11.2	12.2

Source: Ministry of National Education, 2005-2009; Hastuti et al. (2010)

⁺ The BOS budget for 2005 is only for one semester.

Although those two programmes played an active role in compensating for the fuel subsidy reduction for the poor, unconditional cash transfer (UCT, BLT: *Bantuan Langsung Tunai*) was brought to the fore because it was considered as an effective instrument to respond to social instability in a short period of time. Through the UCT, IDR 100,000 (equivalent to roughly 10.5 USD) was transferred to each target household each month and it covered 15.5 million households, which was approximately 25 percent of the entire population. The target group was identified by the government's data based on the proxy means test and a KKB compensation card was issued to the head of the target household. The card was presented in order to receive the

transfer at the post office.

At that time, however, the basic data identifying targets had not been completely gathered because the census of the poor was expected to be completed by January 2006. The introduction of UCT just before the complete verification of the targets resulted in a targeting problem. During the 12-month operation, the inclusion error was approximately 26 percent and the exclusion error was almost 60 percent (Satriana, 2008). This indicated that the effectiveness of helping the poor was not high. Nevertheless, the UCT was an effective instrument to abate the backlash against the fuel subsidy reduction.

While the demonstrations increasingly came to an end and the UCT was in operation, the government established the administrative institutions necessary for the execution of CCT. From the beginning, the government strongly believed that CCT would be more effective than UCT because UCT was a fiscal burden as well. Thus, the government tried to introduce CCT as soon as possible. To arrive at this conclusion, a complex process was required. In the next section, this process will be examined by using the multiple streams framework as well.

2. Policy Transfer of Conditional Cash Transfer

1) Problem Stream Caused by Poverty

Indonesia was confronted with a serious poverty problem. It was

true that Indonesia started to develop a social protection system for the poor more actively after the Asian economic crisis. The targeting system was partly improved and the coverage of each policy was increased. The Rice for Poor Households (RASKIN: *Berasuntuk Rumah Tangga Miskin*), which changed its name from the OPK in 2002, showed the most dramatic expansion. The government budget was noticeably increased from IDR 6.47 trillion in the previous year to IDR 11.66 trillion and the total amount of distributed rice tripled from 1.1 million tons to 3.3 million tons (ILO, 2011). At that time, beneficiary households could buy rice at IDR 1,600 per kg and a maximum of 15kg⁹. While the price was a little higher than the price of IDR 1,000 per kg in 1998, it was still quite cheaper than the market price, which was around IDR 5,000 per kg.

In spite of this development, poverty reduction policies were still temporary programmes as instruments of a risk coping measure in a period of crisis. Although those policies played an important role in mitigating the negative impacts of the economic crisis, the poverty problem was still serious. In the early 2000s, although the poverty rate had gradually decreased, some indicators of MDGs for Indonesia fell behind other Southeast Asian countries. For instance, Indonesia's maternal mortality rate was six times that of Malaysia and China and three times that of Vietnam in 2006 (World Bank, 2006). Also, only 72 percent of births were attended by skilled attendants during the same period (UNICEF, 2006). In terms of educational indicators,

⁹ As the crisis had ended, the maximum amount of purchasable rice was fixed at 13kg in 2010.

transition rates from primary to secondary school were a mere 65 percent even though there had been much progress regarding the primary school enrolment level, currently at 94 percent (Olken et al., 2008). In this context, it was necessary to come up with a fundamental solution for protecting the poor from risk and vulnerability.

2) Policy Stream of Conditional Cash Transfer

The policy stream related to CCT originated in the international development community. To illustrate the policy stream at the international level, it is first necessary to examine how social policy has developed in developing countries influenced by international organizations. This is because the diffusion of CCT has been significantly influenced by changes in global poverty discourses (Leisering, 2009). Therefore, its diffusion could be better understood in the context of the development of social policy in developing countries, which has been closely related to the policy activities of developmental agencies.

Until the 1980s, a modern social protection system barely existed¹⁰. Most social protection was based on family or community support and only a small portion of the population, mostly formal workers, was covered by governmental social protection programmes (Goodman &

¹⁰ There are different approaches to define social protection (See Midgley, 2012), but generally it means “public actions taken in response to levels of vulnerability, risk, and deprivation which are deemed socially unacceptable within a given polity or society” (Conway et al., 2000).

Peng, 1996; Gough & Wood, 2004). Moreover, as neo-liberal ideology prevailed as the predominant policy paradigm, developing countries focused on accepting market-oriented policy prescriptions. In general, this was closely tied to the conditionality and structural adjustment of aid provided by developed countries and donor organizations. In this context, most developing countries focused more on economic development rather than social policy and tried to reduce their public expenditure, for instance, by pension reform toward privatization in Latin America.

However, as Latin America underwent a debt crisis in the 1980s and Asian countries also experienced an economic crisis in the 1990s, neo-liberal ideology emphasizing the idea of market-driven development revealed its own limitations and, as a result, led to a fundamental change of the development agenda. At that time, most developing countries did not have a sufficient social protection system, particularly, for the poor who made up the majority of the population. As the recession caused by the economic crisis increased vulnerability and hindered economic growth and national development, the international development field shifted its position to emphasize social policy providing protection for the people.

Especially those who are vulnerable began to receive attention in developing countries (Barrientos & Hulme, 2009). This was in the context of major international organizations starting to make a commitment to poverty reduction and human development in the 1990s. For instance, the United Nations (UN) held several international conferences highlighting the agendas focusing on issues such as

children, nutrition and women. Also, as aforementioned, since 1990, the UN launched the Human Development Report and called attention to development based on human capital and human rights. Meanwhile, since 1999, the World Bank and the International Monetary Fund (IMF) required that Poverty Reduction Strategy Papers (PRSPs) be provided to developing countries when they received aid or debt relief. The Paper aimed at helping poor countries strengthen the impact of efforts on poverty reduction¹¹. In 2000, furthermore, at the United Nations Millennium Summit, world leaders declared that poverty reduction is not the problem of individual countries but a worldwide one and set the Millennium Development Goals (MDGs) based on human rights such as freedom, equality, tolerance and solidarity. These series of events led to the diffusion of the social protection agenda and the transfer of social policy, notably poverty reduction policy based on human rights, to developing countries.

As a result, a wide range of social policy transfer has occurred in developing countries, ranging from a complete set of policies to ideas and ideology backing a certain one¹². In this process, there are lots of actors at different levels engaging in the process: from supranational organizations to civil society and NGOs (Porter & Craig, 2004). These actors actively participate in the social policy-making process in developing countries and their engagement and interaction have a

11 Some argue that it still follows a strong liberal approach but is combined with the idea of social protection. In line with this argument, Porter & Craig (2004) refer to it as 'inclusive liberalism'.

12 Although different regions have slightly different approaches, generally it can be said that they are significantly influenced by the international development community in terms of developing a social protection system.

significant influence on policy formation and its outcome.

As the social protection agenda diffused among developing countries, many policy instruments suitable for the agenda began to appear. CCT was one of the key examples because it aims to provide income support for the poor in the short run and contributes to the development of human capital and escape from poverty in the long term, by transferring cash directly to the poor on the condition that the recipients fulfil certain obligations (Fiszbein & Schady, 2009)¹³. Because of these features, the idea of CCT was picked up by various international organizations. For example, the Inter-American Development Bank (IADB) and the World Bank collaborated in the policymaking process by the form of policy dialogue and played a key role in the development of CCT particularly in Latin America (Teichman, 2007). In the case of ILO, CCT has been treated as the vision of a ‘global social security floor’ (Cichon & Hagemeyer, 2007).

In line with this, the idea of CCT was transferred to Indonesia by the process of policy dialogue between international organizations and the government of Indonesia. In particular, the National Development Planning Agency (BAPPENAS: *Badan Perencanaan Pembangunan Nasional*) has served as a vehicle of the international development community’s policy idea. The main responsibility of BAPPENAS has been to establish a national development plan and coordinate inter-ministerial tasks. However, BAPPENAS also has played a

13 Although the specific policy target and conditionality is different based on the region, it generally aims to improve maternal health, children health and education for children.

significant role in coordinating donors and international development organizations in Indonesia. Although the Consultative Group on Indonesia (CGI)¹⁴, which was the regular meeting of the government and Indonesia's international donors, was disbanded in 2007, BAPPENAS is holding regular meetings with the former working-level subgroups in order to discuss the policy issue. In this process, the idea of CCT was transferred to Indonesia.

3) Political Stream Favourable for Social Policy

Until the late 1990s, the Indonesian government's response to making efforts toward coming up with a comprehensive social protection measure for the poor had been lukewarm. However, since the resignation of Suharto in 1998, there was political pressure to develop a more comprehensive social protection system. As aforementioned, when the IMF required Indonesia to comply with a series of reform packages in exchange for receiving their relief loan in 1997, President Suharto did not implement the conditionalities of the relief loan. Since his lack of effort made economic situation worse rapidly, a series of mass riots broke out in Indonesia and eventually, Suharto was ousted from power in 1998.

14 As a consortium of international donors, there was the International Group on Indonesia (IGGI), which was chaired by the Dutch government. However, the name of this group was changed to the Consultative Group on Indonesia in 1992. The new group did not include the Dutch government but was chaired by the World Bank. In 2007, the Indonesian government decided to disband the group because Indonesia had overcome its foreign debt problems.

After the resignation of Suharto, it became important for his successors to stabilize Indonesian society. To achieve political and societal stability, the government started to take an interest in the social protection issue and attempted to use social policies as instruments for social stabilization. For instance, Megawati's government tried to make a commitment to establishing a comprehensive social protection system. Moreover, since the presidential election with the national popular vote was started in 2004, it has become clear that the issue of poverty reduction is the main agenda of the Indonesian government. Because the government needs to win the voters' support, the issue of poverty reduction has been frequently discussed in election campaigns.

In this sense, the government of Indonesia started to reestablish the national development plan system. Most importantly, the Medium-term development plan (RPJM: *Rencana Pembangunan Jangka Menengah*), which was prepared under the Twenty-year long-term plan (RPJP: *Rencana Pembangunan Jangka Panjang*), has reflected the president's priorities because its five-year period corresponds with the president's five-year tenure. According to the first Medium-term development plan (RPJM) 2004-2009, the government placed high priority on social protection to fulfil national development. Moreover, a draft of the National Poverty Alleviation Strategy (SNPK: *Strategi Nasional Penanggulangan Kemiskinan*) was released in late October 2004. This document set up several poverty reduction targets and presented a detailed action plan related to food security, health and educational services, employment, housing and sanitation, provision of clean water, environmental quality, land rights, public safety, and

participation of the poor in decision making. This document revealed that the central government of Indonesia would be responsible for solving these poverty reduction problems.

These efforts of the government stemmed from the realization that Indonesia should deal with the poverty problem seriously; otherwise, not only economic but also political and societal problems would arise. Under this development plan, the government sought to develop adequate policy instruments beyond risk coping mechanisms by explicitly reflecting the public demand in their policy priorities. In this context, there was political consideration about the introduction of CCT. From the governmental side, it was clear that it would be more politically popular in the long run.

4) Critical Conjunctures and the Policy Community's Efforts for the Coupling of Multiple Streams

As aforementioned, the protests caused by the cutbacks to the universal fuel subsidy provided the opportunity to introduce CCT in Indonesia. Although the government felt it was necessary to introduce UCT as a quick response to the protests, after putting an end to the demonstrations with the introduction of UCT in 2005, the government started the preparations for switching UCT to CCT, which was named Hope for the Poor (PKH: *Program Keluarga Harapan*). In the preparation process, various policy actors at different levels formulated a policy network and played active roles in the introduction of CCT as

a policy entrepreneur.

First of all, international organizations provided technical and financial assistance. Accumulated knowledge about CCT in organizations such as the World Bank was directly transferred to the Indonesian government officials by technical assistance and indirectly by international conferences on CCT. Also, ADB provided about 2.6 million USD for about 18 months for the piloting of CCT. This financial support was not distributed to policy targets directly but used for technical assistance.

At the subnational level, SMERU, an independent think tank in Indonesia, produced policy knowledge about UCT and CCT. For instance, in 2005, SMERU was requested to evaluate the outcomes of UCT by BAPPENAS, and this evaluation was financially supported by the World Bank. The results of the evaluation were used to develop the foundation of CCT; that is, CCT was designed based on the lessons obtained from the evaluation. In addition, SMERU provided policy knowledge for improving the targeted system and strengthening the supply sides of social services.

With such assistance from the supranational and subnational levels, the government of Indonesia decided to introduce CCT. It was easy to receive the approval of the Cabinet and Parliament because the politicians expected that CCT would be an effective policy instrument to not only replace the high fuel subsidy but also raise political popularity. Under this circumstance, in April 2007, the president, during Cabinet deliberations, announced the mid-term priorities for his government as being pro-growth, pro-jobs and pro-poor. According to

this, in the President's Accountability and Budget Speech to the National Parliament, he announced that CCT would be introduced as soon as possible (BAPPENAS, 2008).

In this context, BAPENNAS took on the responsibility to devise a plan to introduce CCT. In fact, CCT was also an attractive policy instrument for BAPPENAS, who had searched for policy instruments to meet international benchmarks such as MDGs. In the organization, there were highly committed policymakers such as the Directorate for Poverty Reduction, the Directorate for Protection and Welfare Society and the Deputy for Poverty Reduction, Labour and SMEs.

5) Policy Output of the Introduction of Conditional Cash Transfer

Indonesia, in the same manner as other countries' CCT programmes, established the goal of CCT raising the average education level of poor children and improving the health status of poor perinatal women. Accordingly, the conditionalities which the policy targets should comply with are regular health check-ups and school enrolment and attendance (see Table 5).

Table 5 Conditionalties of CCT

Aims	Targets	Conditionalties
For health and nutrition	Prenatal Women	four prenatal care visits for pregnant women (minimum four times)
		taking iron tablets during pregnancy
		deliveries assisted by trained health professional
	Postnatal Women	postnatal care visits (minimum two times)
For education	Children aged 0-5 years	complete childhood immunisations
		checking weight increase monthly for children under three years
		biannually for children under five years
		taking vitamin capsules a minimum of twice a year
For education	Children aged 6-12 years	primary school enrolment of all children aged 6 to 12
		minimum attendance rate of 85 per cent for all children of primary-school age
	Children aged 13-15 years	junior secondary school enrolment of children aged 13 to 15
		minimum attendance rate of 85 per cent for all children of junior-secondary-school age

Source: Tim Penyusun Pedoman Umum PKH (2007)

The amount of money that a target household can receive per year is in the range of IDR 600,000 – 2,200,000 (equivalent to roughly USD 65 – 240). It depends on the family member composition (see Table 6). If the targets do not comply with the conditionalties, the amount of cash is reduced in stages and the money could even be fully suspended (Feberiany, 2010). One of the unique features of CCT

is that the mother has the responsibility of receiving the cash for her family. The reason is that women are expected to take care of themselves and their children better than male breadwinners.

Table 6 Amount of Transferred Cash

Conditions	Amount of Cash per Poor Family per Year (IDR)
Fixed transfer	200,000
Transfer or poor families who have:	
Children aged under 6 years	800,000
Pregnant/lactating mother	800,000
Primary school aged children	400,000
Junior high school aged children	800,000
Minimum transfer per poor family	600,000
Maximum transfer per poor family	2,200,000

Source: PKH General Guidelines (2007); World Bank (2012b)

The government of Indonesia introduced CCT in 2007 as a pilot programme that was implemented in only 48 districts in 7 provinces among a total of thirty-three provinces¹⁵. At that time, CCT covered 388,000 households and IDR 800 billion (roughly equivalent to USD 89 million) was spent to operate the programme¹⁶. From the very beginning, however, the government had planned to expand the coverage in stages to make CCT a national programme.

The budget and coverage have gradually increased (see Table 7). In 2010, the number of households receiving financial aid from the

15 West Java, East Java, West Sumatra, North Sulawesi, Gorontalo, East Nusa Tenggara and DKI Jakarta.

16 One thing worthy of note is that CCT is operating under only the central government's budget.

programme increased to 778,000 households in 20 provinces, and the amount of money distributed amounted to IDR 1.3 trillion. In 2011, the average amount of cash distributed to beneficiary households ranged from IDR 1.3 million to 2.0 million (World Bank, 2012a). While the absolute amount of the cash transfer was low, it was equivalent to 12 percent of the total household expenditure (World Bank, 2012b). In 2012, CCT became a national programme covering all 33 provinces and the government announced that the coverage would increase to 3 million households by 2014.

Table 7 Budget and Coverage of CCT (2007–2012)

		2007	2008	2009	2010	2011	2012
Gov't Budget [^] (IDR billion)		800	1,000	1,100	1,300	1,600	1,800
Gov't Expenditure ⁺ (IDR billion)		605	946	1,068	1,123	-	-
Target [^]	Household (thousand)	500	642	720	816	1,116	1,516
	Regions (provinces) [*]	7	13	13	20	25	33
Coverage ⁺	Household (thousand)	388	406	675	778	-	-

[^] *Ex ante estimation* - Source: Menkokesra; Hastuti et al. (2010)

⁺ *Ex post calculation* - Source: World Bank (2012b)

^{*} Total number of provinces = 33

Moreover, efforts to institutionalize CCT in Indonesia have been significant. First, financial sustainability is a key factor when a policy maker tries to develop a policy from the long-term point of view. In

the case of developing countries, in general, long-term financing is more important for the development of a social protection system since it is mostly international organizations or aid donors that are the financial and material source of support to the poor. Also, the feasibility of long-term financing is crucial for a social protection system to play a fair redistributive and reproductive role rather than be populism engaging in certain political actors' interests. In this sense, financial sustainability is an important issue when considering how well CCT has functioned in Indonesia.

The most important thing is that Indonesia has not accepted donor financing for their social protection programme since the period of the Asian economic crisis. Likewise, CCT has been totally financed by the central government's revenue because BAPPENAS has tried to avoid undue external influences from donor and international organizations. BAPPENAS has attempted to keep the line ministries independent from external influences and safe from having to agree to policy initiatives (Datta et al., 2011). For this reason, international organizations such as the World Bank and ADB have only provided technical assistance. This shows that Indonesia has a plan to develop CCT in the national administration and accounting system in the long term.

Second, it is necessary to consider the development of required institutions because the operation of CCT requires an administration system which enables the identification of policy targets and monitoring of compliance. On the one hand, such a system is very important to the quality of means-tested data used for target household selection in order to implement social assistance programmes well. In the case of

Indonesia, the government has eagerly tried to improve its targeting system. Until 2005, eligible households for social assistance were selected by the National Family Planning Coordination Board (BKKBN: *Badan Koordinasi Keluarga Berencana Nasional*), but the data did not contain all of the poor households. For this reason, during the Asian economic crisis, many poor households could not benefit from the social assistance programmes that should have been made available to them. To solve the problem, the government decided to collect Target Household data (RTS: *Rumah Tangga Sasaran*) through the Central Bureau of Statistics (BPS: *Badan Pusat Statistik*) in 2006. Nevertheless, there was still room for further improvement. The government launched a social protection data collection programme (PPLS: *Pendataan Program Perlindungan Sosial*) in 2011 which aimed to gather data on the poor and provide more accurate data for the government's poverty reduction programmes.

On the other hand, the monitoring system is an important component because beneficiaries' compliance with conditionality is a key factor to ensure the effectiveness of CCT. However, Indonesia does not have a formal monitoring and evaluation system. Instead, international organizations such as the World Bank and SMERU, a non-governmental think-tank, are actively processing the monitoring and evaluation of CCT. Although these are not governmental produced systems, the government has encouraged those organizations to execute the processes. This is the responsibility of the National Team for Accelerating Poverty Reduction (TNP2K: *Tim Nasional Percepatan Penanggulangan Kemiskinan*). In 2010, the government reorganized this

team in order to coordinate the poverty reduction programmes¹⁷. Although it has existed since 2005 under the Coordinating Ministry of Social Welfare (Menkokesra: *Kementerian Koordinator Bidang Kesejahteraan Rakyat*), its role has been limited and ineffective (Suryadarma & Sumarto, 2011). To see more initiative in the implementation of poverty reduction policies, the president bestowed the chair position to the vice president. Although the team is in charge of coordinating all of the poverty reduction programmes in Indonesia, its prominent task is to fulfil the further development of CCT. This reason is that Vice President Boediono has shown a strong commitment to the operation of CCT. Thus the TNP2K is developing a targeting system and encouraging international and national non-governmental organizations to evaluate CCT.

3. The Role of Policy Transfer in Policy Change

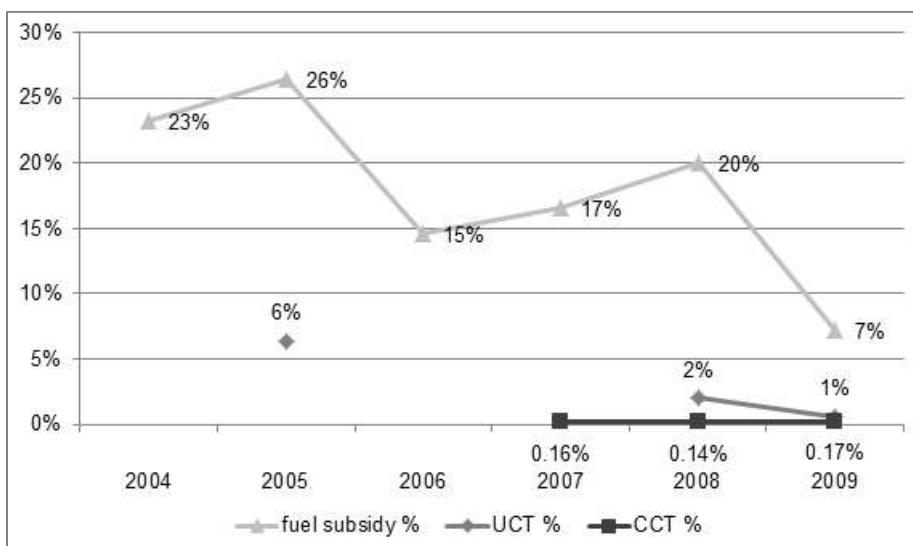
The consideration of CCT provided a choice opportunity for the reduction of the universal fuel subsidy. Although the fuel crisis in 2005 may have been an important choice opportunity, the government's announcement that it would reduce the subsidy turned out to be a failure that resulted in mass riots. Thus, the government considered the introduction of CCT in order to put an end to the riots and implement the reduction of the subsidy amount, which would be compensated by CCT. Although UCT was introduced first, it was only a provincial

¹⁷ The Presidential Regulation No.15/2010

programme and it was replaced by CCT as originally planned. Since its introduction, the amount of the universal fuel subsidy has gradually decreased and the coverage of CCT has significantly increased. This shows that the policy transfer of CCT provided a critical choice opportunity for the reform of the universal fuel subsidy in Indonesia.

Although Indonesia has started to reduce the amount of the universal fuel subsidy, there is still room for further progress. Figure 6 shows the budget for the fuel subsidy, with UCT and CCT as shares of the total central government's expenditure. In comparison, the universal fuel subsidy still has accounted for a large portion of the central government's expenditure while the budget for CCT has lagged far behind that for the fuel subsidy.

Figure 6 Share of Total Central Government Expenditure (2002–2011)

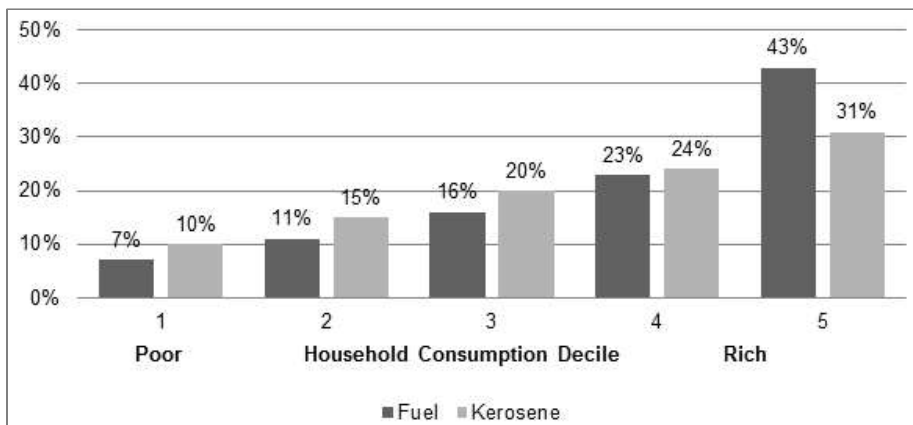


Source: Ministry of Finance (2012)

* The budget of UCT in 2005 was for 12 months, in 2008 was for 7 months and in 2009 was for 2 months.

However, there have been important implications of the policy transfer of CCT. The government could use the change of policy as an opportunity to set a more effective redistributive policy. The universal fuel subsidy has barely helped the poor because it has been more beneficial for the wealthy who are major fuel consumers (see Figure 7). Although an immediate response was not required, there is no doubt that this situation would have exacerbated the poverty situation and widened the gap between the rich and the poor. Under this situation, the policy transfer of CCT allowed the government to focus more on the poor and develop a more effective poverty reduction policy with long-term effectiveness.

Figure 7 Decile of Fuel Consumption



Source: Widanto (2007) (Calculation based on BPS 2002)

V. Conclusion

1. Summary of Findings and Policy Implications

Until the 1970s, Indonesia was able to sustain a high level of the universal fuel subsidy. The subsidy was partly used as an instrument to redistribute national revenue to the citizens of Indonesia. Since the mid-1980s, however, Indonesian oil production significantly declined and international oil prices soared in contrast. This resulted in the notable decrease of national revenue and the emergence of a fiscal burden. Nonetheless, there was no significant reduction of the subsidy until the 2000s.

As international fuel prices began skyrocketing in 2005, the fiscal burden was intensified. The universal fuel subsidy accounted for almost 20 percent of the central government's expenditure. Under this situation, the fiscal crisis facilitated the opening of the policy window for policy change. However, this attempt was met with demonstrations in response to the reduction of the subsidy. For this reason, Indonesia considered the introduction of CCT as an instrument to act as compensation for the reduction.

Before the crisis, the policy idea for CCT had existed at the policy decision-making table in Indonesia. This was because interaction with international organizations had provided knowledge to the Indonesian government about and for its consideration of CCT. Meanwhile, the political situation in Indonesia was changing to be favourable toward the issue of poverty reduction. For instance, the

Indonesian government was interested in achievements that would enable it to meet international benchmarks, not only regarding economic indicators but also social ones such as MDGs. Because the poverty problem in Indonesia was more serious than in other East Asian countries before and after 2000, the coupling of three streams was plausible at that time. However, these three streams were separate until the mid-2000s.

When the fiscal crisis occurred in 2005, it triggered the coupling of three streams relating to CCT. CCT was not a natural response to the fiscal crisis because CCT shed light on human development rather than on the fiscal dimension. It was considered as an effective policy instrument to avoid strong opposition and mitigate the negative impact of cutting the amount of the subsidy. In this situation, the coupling was partly facilitated by the policy community consisting of international developmental organizations, Indonesian government officials and a subnational policy think tank. Although UCT was introduced in advance due to the constraints on the policy making of CCT, CCT was introduced in Indonesia in 2007. Through this transfer of CCT, the government had legitimacy for the change of the fuel subsidy policy.

To sum up, Indonesia chose the introduction of CCT in order to gain legitimacy for the reduction of the universal fuel subsidy. Whereas there had already been multiple streams relating to CCT before the crisis, it existed independently. When the fiscal crisis occurred, the domestic policy demand for the reform of the universal fuel subsidy was strengthened and demonstrations caused by the reduction of the

subsidy amount acted as a catalyst for making each stream favourable for the introduction of CCT. However, this was not the only reason for the introduction of CCT in Indonesia. Another reason was that substantial efforts were made by the policy community consisting of international organizations, the national government, and a subnational think tank. In other words, the policy community trying to transfer CCT to Indonesia seized the opportunity to introduce CCT with the fiscal crisis acting as a momentum. Also, this transfer played a significant role in the reduction of the universal fuel subsidy and particularly provided a choice opportunity for the change. Indonesian government tried to compensate economical burden on the people and resistance to the reduction of the fuel subsidy by launching CCT. In conclusion, the policy change of universal fuel subsidy and the policy transfer of CCT provided reciprocal choice opportunity to each other.

This research could provide implications for effective ways accomplishing policy reform in developing countries. First, policy transfer can play an important role in policy change in developing countries. In particular, the case of Indonesia shows that the policy transfer of CCT provided a choice opportunity for the reform of the universal fuel subsidy. Although there had been a demand for the reform for a long time, it had been hard to implement. However, conjunctures made by the fiscal crisis and the consideration of CCT were facilitated by the coupling of multiple streams relating to reform. Moreover, the introduction of CCT in Indonesia contributed to the development of an administration system, by establishing service delivery and a targeting system. This fact suggests that policy transfer

can play a significant role in developing countries where a high demand for policy reform exists.

Second, when the policy transfer in developing countries is examined, it is necessary to consider the importance of domestic policy dynamics. In the case of Indonesia, the domestic policy demand played a key role in the change of their policy structure. In many researches of developing countries, policy transfer is only the story of dynamics at the international level. However, it is easy to find that there are many challenges involved in transferring the policy owing to complicated policy dynamics in developing countries. Regardless of development agencies' effort, policy transfer can be achieved or it can fail to do so because of the 'streams' at the national level. In this regard, this study shows the importance of examining multiple streams at the national level when the policy transfer is examined.

Third, this case shows that from the perspective of the policy actors, the close cooperation of policy actors at different levels is necessary in order to achieve substantial development in developing countries. The case of Indonesia reveals that the cooperation of not only development agencies but also the government, politicians and a think tank played the role of a policy entrepreneur in the introduction of CCT.

2. Limitations of the Research and Directions for Future Research

Although this research provides important policy implications, there were several limitations. First of all, it is hard to generalize the findings of this research directly because it is a single case study. Although there is no doubt that the case of Indonesia shows the process and influence of the policy transfer of CCT, it is necessary to prove the findings with other cases. However, this research is an attempt to suggest the main factors involved in the policy transfer of CCT.

Second, this research mainly focuses on a very short period of time, from the mid-2000s to 2012. This time period could be too short to assess the significance of the policy transfer of CCT on policy change in Indonesia. If it is considered that CCT requires sufficient time for the development of necessary institutions, with the passage of time, we could formulate a more explicit picture about the case. Nevertheless, this research could serve as a good starting point for further research.

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Web Resource

United Nations. National Income and Expenditure Survey
(<http://data.un.org/>)

Appendix - Interview Questionnaire

1. Please introduce the main task of this department (office) and your role in here.
2. Please briefly explain the social protection system in Indonesia.
3. What were the triggering factors to start poverty reduction programmes?
4. What are the main challenges to poverty reduction in Indonesia?
5. What is the role of international agencies in developing poverty reduction system in Indonesia?
6. Why Indonesia started to CCT and whose idea was it?
7. Who was core actors involved in policy making process? Please explain the relationship among policy actors and the decision making process.
8. Were there any groups who oppose introducing CCT? Why they opposed?
9. When it started in 2006, ADB provided about US\$2.6 million for technical assistance over about 18 months. Now, CCT is operating funded by only central government budget, or is there any aid from international organizations?
10. How decided to the amount of cash? Is the amount of cash affordable to school enrolment and receiving health care?
11. Please explain the targeting system.
12. How does it check the compliance of recipients and update their information?
13. What are the main obstacles to implement the CCT?

국문초록

개발도상국에서의 정책변동에 대한 정책이전의 역할:

인도네시아의 조건부현금급여 정책을 중심으로

김 우 림

행정학과 정책학전공

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본 논문의 목적은 인도네시아의 석유보조금 정책의 변화를 가져온 중요한 국면들을 밝히고 조건부현금급여 정책 도입의 영향을 정책변동의 맥락에서 분석하는 것이다. 인도네시아는 1970년대까지 높은 수준의 석유보조금을 유지할 수 있었지만 1980년대 중반부터 석유 생산량이 급격히 감소하고 국제유가가 폭등하자 석유보조금 감축의 요구에 직면하게 되었다. 그러나 2000년대 중반까지 석유보조금은 큰 변화를 보이지 않았고 이것은 국가 재정의 심각한 감소와 재정 부담을 야기했다. 2005년 국제유가가 폭등하고 재정 부담이 더욱 심화되자, 인도네시아 정부는 석유보조금에 대한 입장을 전환하여 보조금의 수준을 점진적으로 줄이기 시작했다. 또한 이 과정에서 교육 및 건강과 관련된 조건들에 의거하여 빈곤가구에 현금을 지급하는 조건부현금급여 제도를 새롭게 도입하였다.

본 연구는 해당 사례에 집중하여 인도네시아의 석유보조금 정책의 변화를 가져오게 된 상황적 요인과 이 과정에서 조건부현금급여

여 정책이전의 역할을 분석하고자 하였다. 이를 위해 정책변화와 정책이전의 사례분석에 모두 적용할 수 있는 킹턴의 정책흐름모형을 차용하였다.

연구를 위해 인도네시아의 조건부현금급여 정책과 관련된 2차 자료를 수집하였고 이를 바탕으로 인터뷰 질문을 작성하여 2012년 2월에서 4월에 걸쳐 정책관련자들을 대상으로 인터뷰를 실시하였다. 또한 이메일을 통한 약식 인터뷰도 추가로 진행하였다.

연구의 결과는 다음과 같다. 인도네시아는 석유보조금 감축의 정당성을 획득하기 위해 조건부현금급여 정책의 도입을 선택하였다. 조건부현금급여 정책이 도입되기 이전부터 이와 관련된 정책흐름과 문제흐름 및 정치흐름이 존재하고 있었지만, 세 흐름의 결합을 촉진시킨 것은 2005년의 재정위기였다. 재정위기로 인해 석유보조금의 개혁에 대한 국내적인 정책요구가 강화되었고 석유보조금의 삭감 결정에 반대하여 일어난 대규모 시위가 조건부현금급여 정책 도입의 촉발장치가 되었다. 뿐만 아니라 국제기구와 인도네시아 정부, 민간 씽크탱크로 구성된 정책공동체도 정책의 도입에 중요한 역할을 했다. 이 정책공동체는 재정위기를 조건부현금급여 정책의 도입의 기회로 삼았던 것이다. 이러한 조건부현금급여 정책의 이전은 다시 석유보조금의 변화를 위한 선택기회를 제공하였다. 인도네시아 정부는 보조금 삭감에 대한 국민의 경제적 부담과 부정적 여론을 조건부현금급여 정책의 도입을 통해 보완하려 하였던 것이다. 결론적으로 석유보조금의 변화와 조건부현금급여 정책의 이전은 상호적으로 정책결정 기회구조를 제공하였음을 알 수 있다. 이러한 결과는 개발도상국의 정책개혁을 효과적으로 달성할 수 있는 방향에 대한 함의를 제공해준다.

한편, 본 연구는 몇 가지 한계를 가진다. 단일사례연구는 연구의 결과를 다른 사례에 의한 검증 없이 바로 일반화시키는 것이 어

렵다. 또한 연구대상의 시간적 범위가 비교적 짧다고 할 수 있기 때문에 조건부현금급여 정책의 이전이 가져오는 영향을 파악하기에는 더 많은 시간적 범위가 요구될 수 있다. 그러나 개발도상국의 정책 변동과 정책이전에 대한 상대적으로 매우 적다는 사실을 감안한다면, 본 연구는 향후 더 깊이 있는 연구의 좋은 출발점이 될 수 있을 것이다.

주요어 : 조건부현금급여 정책, 인도네시아, 정책이전, 정책변동,
정책흐름모형, 사회보장

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