

Communications and Outreach in Social Protection

Experience with Indonesia's *Bantuan Langsung Tunai (BLT)* Unconditional Cash Transfer Program & Fuel Subsidy Reform*

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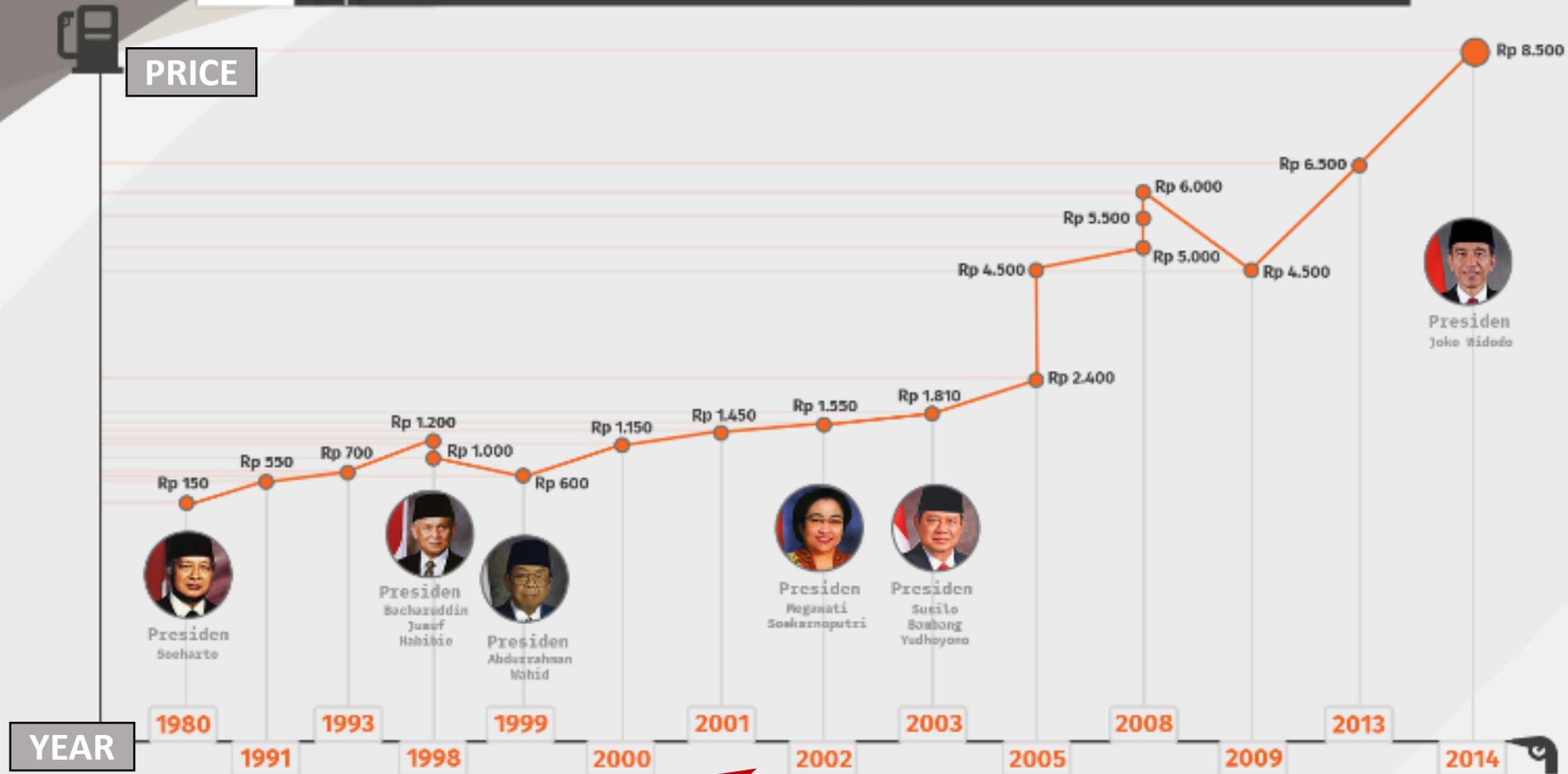
**Social Safety Nets Core Course
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*in internal presentation.



CONTEXT

History of Fuel Subsidies in Indonesia

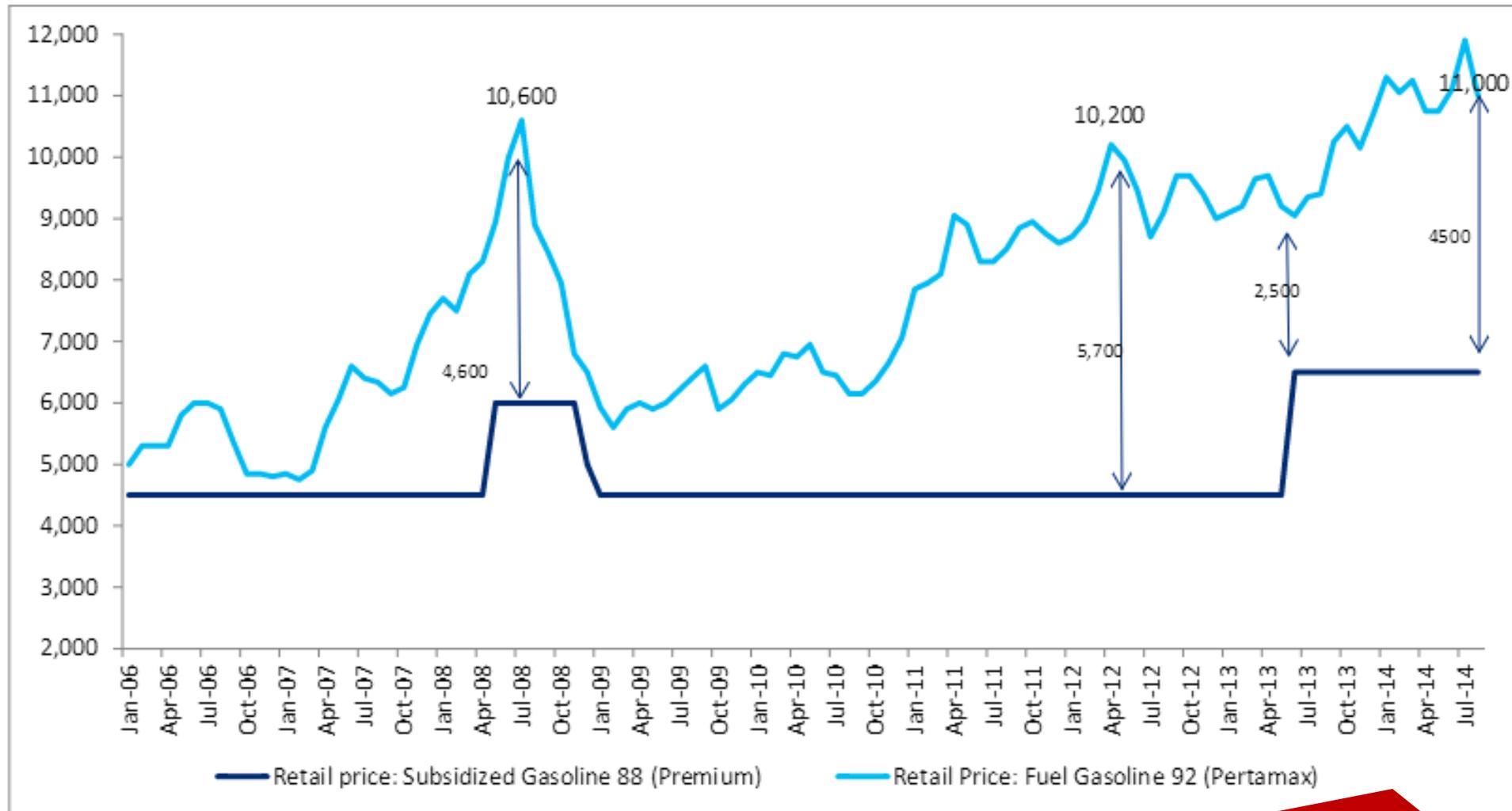


Since the discovery of oil in the Indonesian archipelago, governments have subsidized the retail price of fossil fuel, keeping it lower than international prices.

*Dari berbagai sumber

Historical Gap between Subsidized vs. Non-Subsidized Fuel Price

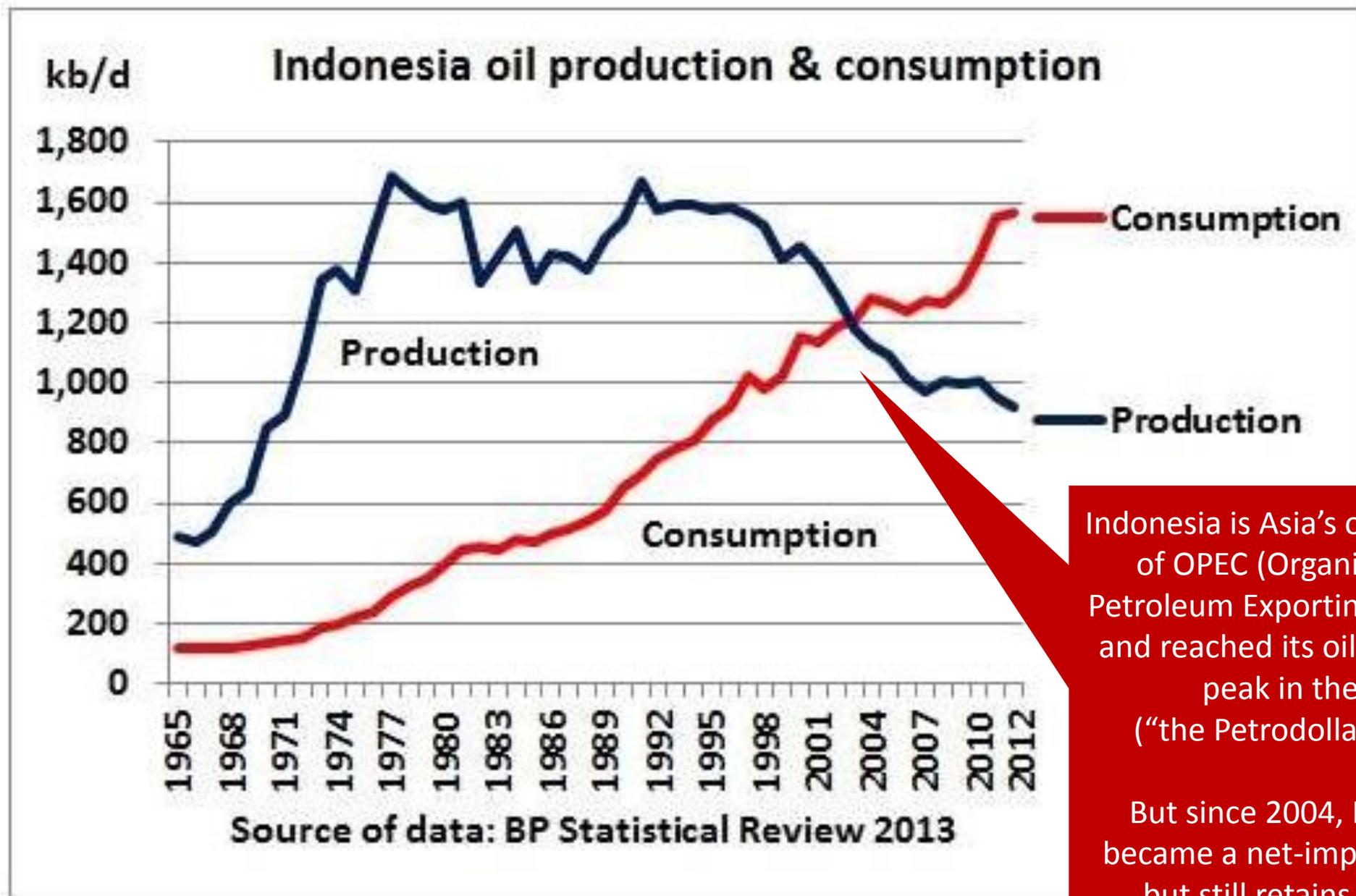
CONTEXT



Source: Citi Research, CEIC

The price gap between subsidized vis-à-vis non-subsidized fuel price can be striking. The regular gasoline (Premium with octane level 88) has been subsidized, while high-grade gasoline (Pertamax, octane 92) is non-subsidized.

CONTEXT

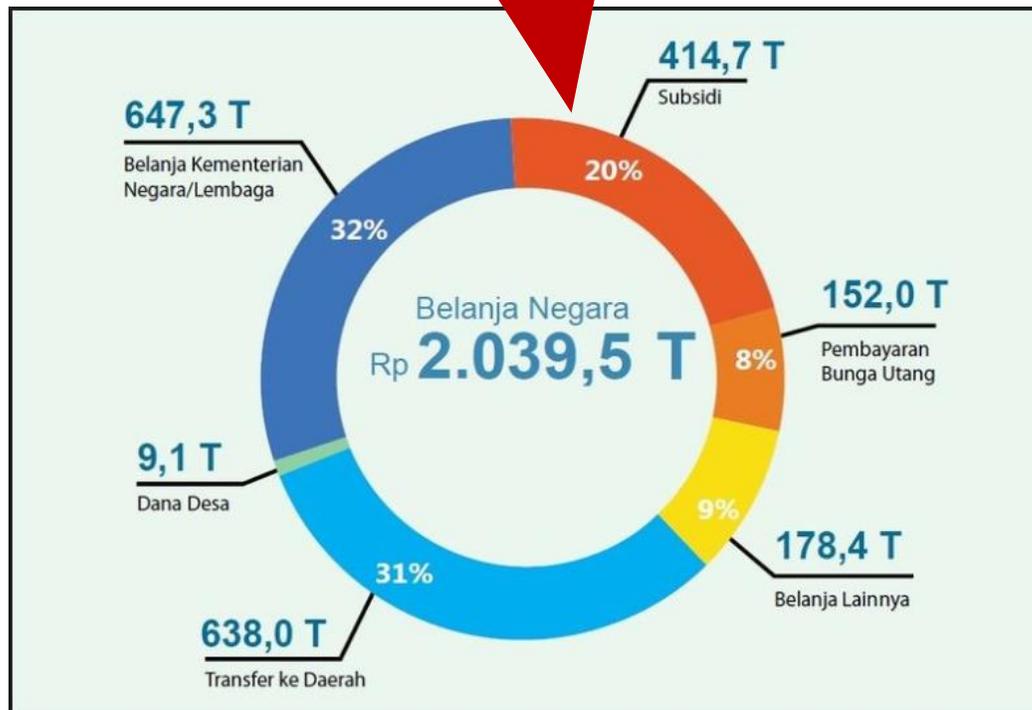


Indonesia is Asia's only member of OPEC (Organization of Petroleum Exporting Countries) and reached its oil production peak in the 70s ("the Petrodollar Years").

But since 2004, Indonesia became a net-importer of oil, but still retains its OPEC membership to this day.

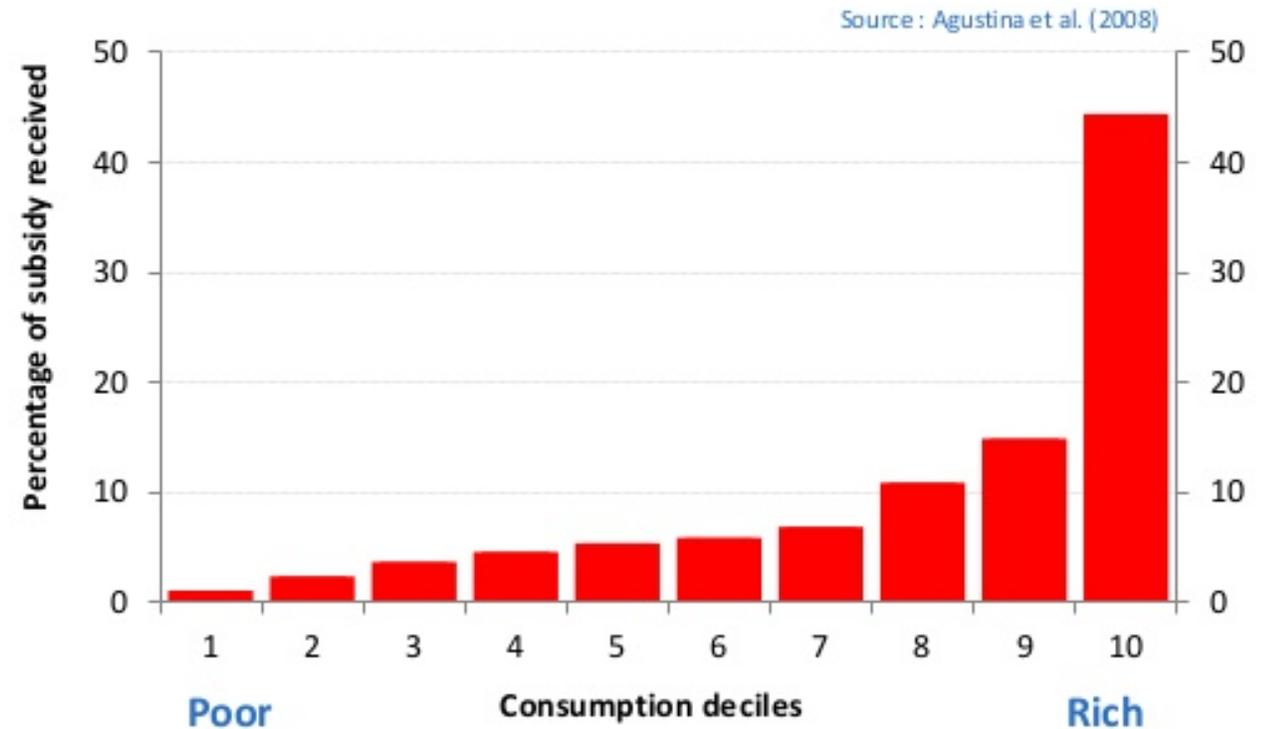
CONTEXT

Fuel subsidies pose major strain on the nation's budget. In 2015, it accounts for 20% of total government spending.



Source: Government of Indonesia, Katadata

Distribution of Oil Subsidies in Indonesia



Source: Agustina et al (2008), OECD

Oil subsidies in Indonesia also tend to be regressive. Richest 40% get 77% of subsidies, while poorest 10% get 1% of subsidies. Two thirds of the poor and near poor do not consume gasoline at all.

CONTEXT



Why not reduce or abolish fuel subsidies altogether?



BLT

- In 2005, armed with a fresh mandate, the newly-elected President Susilo Bambang Yudhoyono introduced a move to reduce fuel subsidies.
- To cushion the impact on the poor, the government reallocated the resources saved from fuel subsidy reduction and introduced a scheme called the **BLT**.



- **BLT** or *Bantuan Langsung Tunai* is Indonesia's first unconditional cash transfer program –targeting Indonesia's poorest.
- The scheme and its accompanying delivery infrastructure was put together in record time, but was not without its critics.

Strategic Communications

- **BLT** was marketed as a temporary compensation scheme to cushion the impact of fuel subsidy reduction on the poor. From the beginning, it was not introduced as a permanent program.
- The government also communicated future plans for various social programs financed by the savings from fuel subsidy reductions. These programs were gradually introduced, namely **BOS** or *Bantuan Operasional Sekolah* which paved the way for free primary-secondary education for all.

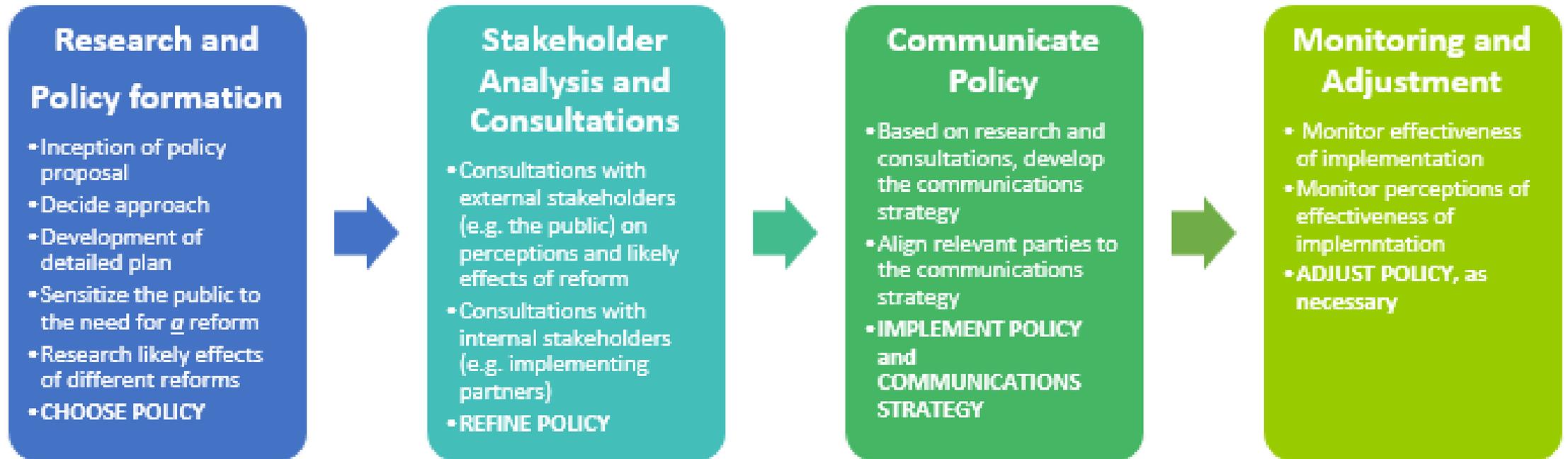
“Replace Fuel Subsidies with Free Schools”
read this banner.



Strategic Communications

- **The importance of internal communications**
- **Buy-in from prominent Indonesian and opinion shapers**
- **Stressing strategic key messages**
- **Preparing for the roll-out**
- **Using different channels of communications**
- **The media and transparency**
- **Post-mortem after the first roll-out**

Strategic Communications



Strategic Communications

Despite these tough measures introduced early in his first term in 2004/2005, President Susilo Bambang Yudhoyono was re-elected to a second term by a landslide victory.

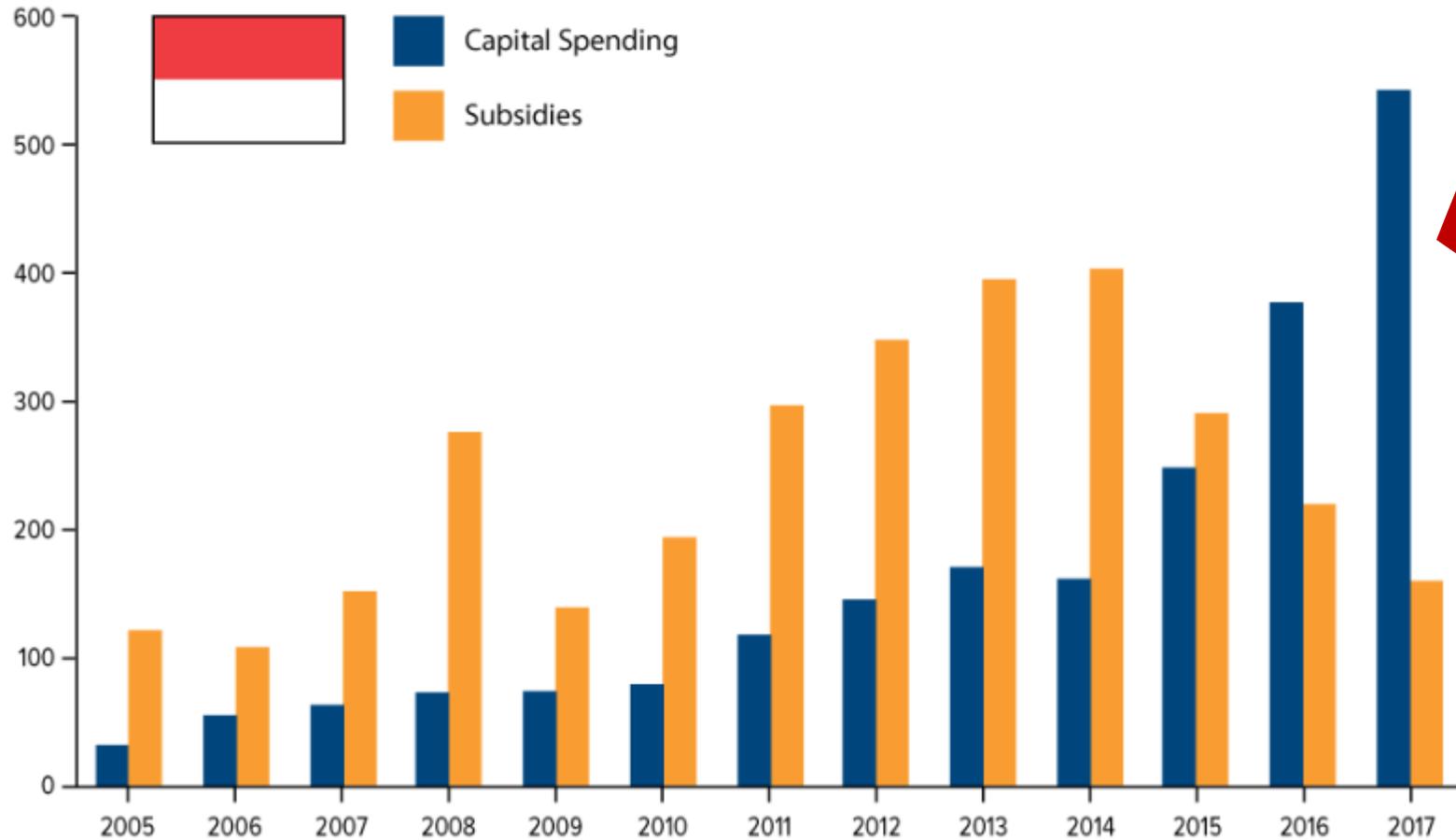
Being firm on reform –although unpopular, clear and consistent communications, supported by good policy execution does pay off.



**FAST
FORWARD**

Indonesia's Fuel Subsidy Cut Could Accelerate Infrastructure Investment Cycle

Trillion Rupiah



Source: Government of Indonesia, CLSA Estimates, U.S. Global Investors

In 2016, President Joko Widodo introduced the “fixed fuel subsidy scheme” –*subsidi BBM tetap*– which pegs subsidies to a certain limit.

The falling fuel prices helped minimize resistance towards the plan.

The government will use proceeds from the fuel subsidy cut to accelerate infrastructure investments.

FAST
FORWARD



Vice President Jusuf Kalla's reflection (April 2, 2016)

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THANK YOU

*An internal presentation. Photos taken from public domain.

