ESSAYS ON THE UNINTENDED IMPACTS OF

TWO CASH TRANSFER INTERVENTIONS IN INDONESIA

By
Rima Prama Artha

Dissertation Chair
Prof. Alistair Munro

To achieve the millennium development goal (MDG), different approaches were applied by the Government of Indonesia (GOI) to eliminate both health and education demand and supply constraints. These efforts were translated into two cash transfer programs that were piloted in 2007 to target households and communities with the objectives of reducing poverty levels as well as investing in children's human capital. Thus, using randomization data collected by the World Bank to evaluate these two programs, this thesis analyzes three non-objective impacts of these programs in the following manner.

Regarding the demand side approach, the first study observes the impact of conditional cash transfer (CCT) or *Program Keluarga Harapan* (PKH) on local disharmony and conflicts. The results show that CCT does not generate any local disharmony and conflicts that can be observed by using the following measurements: mutual assistance participation, contribution and communal decision making processes, as well as violence and communal conflict and victim in the community. However, in the presence of ethnic diversity, we find some evidence that program implementation generated both disharmony and conflict in the community. This result suggests that it is important to take into account the potential for conflicts in the implementation of social programs that have human capital improvement as their core target in ethnically diverse areas.

Regarding the supply side approach, the second study investigates the impact of a Community CCT that gives block grants to communities with or without incentive of bonus performances on the local leader and household relationship quality, especially the leader relationship with the poorest households in the community. The relationship quality is represented by how closely households know their five different levels of local leaders. Our

finding shows no effect of Community CCT on household-leaders closeness, in either the overall sample or even considering only the poorest in the communities. In addition, we also observe two possible mechanisms on how household-leader relationship is generated. First, through the presence of interaction cost of ethnicity heterogeneity, we find that the program – especially where incentive payments were offered – improved the relationship quality between the poorest members of communities, regardless any types of local leader. Second, through household-leader participation changes as the result of program, results suggested that the program increases local leaders' participation in health and education initiatives and also the time spent by poor households on mutual assistance activity in their community. However, both poor household and leader participation do not improve in the presence of ethnic heterogeneity which suggests that there is some other channel that may explain why the closeness improves in such environments.

Regarding comparison of the demand and supply approach, the last study exploits both approaches' effect on women's autonomy and their participation in family planning, health and education counseling. The estimation of the effects focuses only on their overlapping area based on their supply side health and education facilities readiness. The results suggested that both programs positively increased women's autonomy in their freedom to buy. However, the other autonomy indicator on decision making is significantly decreased after the implementation of community intervention. This is probably due to program spillover on child related knowledge to other family members that induced their involvement in the decision making process. Thus, in term of participation, both programs significantly improved health counseling participation but not the usage of family planning. The participation in health counseling as the result of Community CCT was higher than CCT's impact. Finally, our results are almost the same as the previous studies that have evaluated program objectives. We found that household intervention gave more impact on women than Community CCT except for health counseling.