Poverty Reduction Programs in Indonesia

Sustainable Livelihood
Welfare belongs to all
GOOD REPAYMENT RATE
TEMPORAL LABOR WORKING IN VILLAGE PROJECTS
Generating $50 Million for Working Days
DISCOUNT 50%

Social Protection is a Must!
50% PARTICIPANTS ARE WOMEN

Micro Credits

Others

Young Entrepreneurs

90% are still good

Trade

2,000 MARKETS

11,000 VILLAGE HEALTH POSTS

100,000 BRIDGES

22,000 SCHOOLS

100,000 KILOMETERS

22,000 IRRIGATION SYSTEMS

39-68%

THE PROJECT IS VERY POPULAR...
POVERTY REDUCTION CHALLENGES IN INDONESIA

HIGH POPULATION GROWTH

FARMERS WITHOUT LAND

THE POOR WITHOUT COLLATERAL

VILLAGERS

THE MARGINALIZED

DEVELOPMENT
The disparity of poverty rate between urban and rural areas

Poverty Rate 2004-2014

Percentage of poor people by areas, 2004-2012

Percentage of rural poor households by source of main income, March, 2010
INDONESIA FOUR-TRACK DEVELOPMENT STRATEGY

**Pro-Growth**
- Bureaucracy Reform & Good Governance
- Education
- Health
- Poverty Reduction
- Food Resilience
- Infrastructure
- Investment and business Climate
- Energy
- Environment and Disaster Management

**Pro-Job**
- Less developed, remote, & post conflict areas
- Culture, Creativity, & Technology Innovation
- Public, Law, and Security
- Economic
- Social Welfare

**Pro-Poor**
- National Economy Recovery and Sustaining the Welfare of the People

**Pro-Environment**
- RKP 2010 (Government Annual Work Plan)
  - National Economy Recovery and Sustaining the Welfare of the People
- RKP 2011 (Government Annual Work Plan)
  - Acceleration of the Economic Growth Supported by Strengthened Good Governance & The Synergy of Central-Local
- RKP 2012 (Government Annual Work Plan)
  - Expansion of Fair and Inclusive Economic Growth for Increasing People’s Welfare
- RKP 2013 (Government Annual Work Plan)
  - National Economy Recovery and Sustaining the Welfare of the People
- RKP 2014 (Government Annual Work Plan)
  - National Economy Recovery and Sustaining the Welfare of the People
GOVERNMENT POLICY TO REDUCE POVERTY

MACRO ECONOMIC POLICY

ASSISTANCE & SOCIAL PROTECTION PROGRAM: rice subsidy, CCT, health insurance, scholarships, UCT (in crisis), etc

COMMUNITY EMPOWERMENT BLOCK GRANTS & FACILITATION THROUGH PNPM TO INCREASE COMMUNITY CAPACITY & SELF-RELIANCE

SMEs EMPOWERMENT MICRO CREDITS PROVISION ( < Rp 5 million) THROUGH BANKS & OTHER TYPES OF FINANCIAL ASSISTANCE

Clusters of Poverty Alleviation Programs

1st CLUSTER [Provide fish]

2nd CLUSTER [Facilitate with fish rod]

3rd CLUSTER [Assist to have fish-rod & boat]

Gradually Improvement of the poor's social & economic status

SELF RELIANCE

Target: the poorest, poor & near poor

Target: poor communities of subdistricts

Target: SMEs

1. Housing
2. Transportation
3. Clean water
4. Electricity
5. Fishermen livelihood
6. Marginal group in urban areas

1. Scholarships
2. Health Insurance
3. Rice Subsidy
4. CCT
5. UCT (when needed in crisis)
6. Different kind of social assistance

1. PNPMP for Rural
2. PNPMP for Urban
3. Supporting PNPM

1. Housing
2. Transportation
3. Clean water
4. Electricity
5. Fishermen livelihood
6. Marginal group in urban areas

Focus in urban areas, less developed regions, and coastal areas

POLICIES and STRATEGIES

TARGET: The Poorest, Poor, Near Poor
Social protection framework is necessary to respond to various types of risks and vulnerabilities. It constitutes policies and programs that seek to reduce vulnerability to risks and enhance status and rights of marginalized group by protecting livelihood and promoting employment.

Social Protection refers to the system of protective measures designed to assist individuals, households and communities to manage risks and economic shocks, and to provide support to the critically vulnerable.

Social insurance is a component of social protection and includes the key social insurances, including health insurance, pension insurance, unemployment benefits, work injuries and disability grants (mainly financed by contributions, while government will support with premium subsidy for specific target group).

Social assistance and social safety nets includes non-contributory measures targeted at vulnerable groups/individuals, such as poor, children, elderly, or disabled persons (mainly tax-financed).

- Rice for the Poor Households (Raskin) is aimed at reducing the expenditure or the burden of poor families through the rice provision for the poor households.
- Health Care Guarantee Program (Jamkesmas) is aimed at protecting the poor families against financial risks during illnesses or health problems.
- Scholarship for the Poor (Bantuan Siswa Miskin - BSM) is aimed at developing the quality of human resources through the provision of the scholarship for school-aged kids from poor families.
- Family Hope Program (Program Keluarga Harapan - PKH) is one of social protection programs which is using the conditional cash transfer approach (CCT) to change the behaviour of very poor families to access the healthcare and education basic services more.
The Government of Indonesia has taken major steps, particularly through the implementation of Law No.11/2009 on Social Welfare and Law No.40/2004 on the National Social Insurance System (SJSN), which provides the legal basis for universal social protection coverage. The enactment of law No. 24/2011 on the Institutionalization of Social Security (BPJS) has endorsed the government to integrate and expand the current social insurance that are fragmented in several institution.

PNPM is an umbrella policy for programs using community empowerment approach which attempts to increase community capacity and self-help to create jobs and achieve better standard of community welfare.
Community Empowerment Cycle in PNPM Mandiri

1. Introduction & Community Meetings
2. Identifying Poverty Issues
3. Mapping of Community Contribution
4. Community Organizing & Mobilization
5. Planning
6. Implementation of Activities
7. Utilization & Maintenance

For PNPM Urban, community participation is considerably high.

Planning

Gotong Royong

Community Participation Level

39%

PNPM RURAL ACHIEVEMENTS
PNPM Rural aims at reducing poverty and improve local-level governance in rural areas of Indonesia through the provision of investment resources to support productive proposals developed by communities, using a participatory planning process.

2011: 63,000 villages/5,020 sub-districts/393 districts

5 years on: Achievements and Lesson Learned

years on: 5
9.1% Per capita consumption Increase
households in PNPM Rural areas compared to non-PNPM Rural areas

For the poorest: 20% of households consumption increase

PNPM URBAN ACHIEVEMENTS
PNPM Urban works to ensure that the urban poor benefit from improved socio-economic and local governance conditions.

2011: 10,948 urban wards in 268 cities/districts

39% Community Participation Level

Gotong Royong

Improved capacity of community organizations

RESULT OF PNPM

Good quality infrastructure exceeded 70% of target

women participation level and the poorest community members’ participation level

40%
INFRASTRUCTURE ACTIVITIES

Sagara Manik Bridge, Cipancar Village, Sumedang District, West Java using the grant about IDR 75 million and community contribution about IDR 100 million

SOCIAL ACTIVITIES

Activity of Posyandu (integrated service for children under 5)

BKM is providing free medical service

ECONOMIC ACTIVITIES

Women entrepreneur groups are weaving traditional clothes

Micro-credits for women entrepreneur groups
Objective: increase C-MSMEs' access to finance
Target: feasible but non-bankable C-MSMEs

The program was launched by Indonesian President in November 2007.
**KUR Types**

- **KUR Micro**
  - Max loan of 20 million IDR;
  - Credit interest up to 22 percent effective per year;
  - Not require to be checked for Debtor Information System (Sistem Informasi Debitur – SID).

- **KUR Retail**
  - Loan between 20 million IDR to 500 billion IDR;
  - Credit interest up to 14 percent effective per year;
  - Require to be checked for Debtor Information System (Sistem Informasi Debitur – SID).

- **KUR Linkage**
  - Credit volume up to 500 billion IDR for channeling scheme, with interest rate similar to KUR Micro and Retail;
  - Credit volume up to 2 trillion IDR for executing scheme with interest rate up to 14 percent for linkage institution and 22 percent for end users (C-MSMEs) effective per year.

- More than 100.2 trillion IDR KUR have been disbursed to more than 7.8 million C-MSMEs since November 2007 until 31 January 2013.
- Most of KUR disbursed to C-MSMEs in trade, restaurant and hotel sector (57.25% of total KUR volume, and 67.50% of total debtor); and agriculture sector (16.93% of total KUR volume, and 14.28% of total debtor).
- The number of debitors of KUR from 2007 to Jan. 31, 2013 is 7.85 million.

**Current capacity**

- Large Enterprises
  - Feasible for IPO: ~4,438 units
  - Feasible and bankable: ~42,631 units (0.08%)

- Small Enterprises
  - Feasible but not bankable: ~573,601 units (0.01%)

- Micro Enterprises
  - Not feasible, not bankable: ~53.21 million units (98.5%)

- Low business capacity and survivalist: ~3.0 million units

**Financial Services**

- Capital market
- Commercial credit
- Business alliance
- Other sources

- Commercial credit
- KUR and other credit programs
- Revolving fund
- Business alliance
- Leasing
- Factoring
- Venture capital
- Other sources

- Microfinance
- Various grants for microenterprise development
- Analyst investor
- PNPM

**Programs**

- PKPM
- Microfinance
- Various grants for microenterprise development
CLUSTER 4

Focus in urban areas, less developed regions, and coastal areas

**Targets**

**Cheap houses:** In 2012, there will be 141,983 units (IDR 6 millions each).

**Affordable transportation:** In 2014, the public transportation with less than 1000cc will be available.

**Clean water:** 2011-2014, clean water will be available in 205 selected coastal areas and 200 villages.

**Affordable electricity:** In 2011-2014, there will be 28,933 electrical grids directly to poor houses.

Although there was an economic crisis, the poverty rate was still declining in 2009 because of the poverty reduction programs with four-clustered affirmative policies.
“Increasing Access to Clean Water Using Microfinance”

Expanding piped water services does not by itself guarantee increased access to clean water, as there is a substantial upfront cost that many families around the country cannot afford. On average, new customers must pay a connection fee of approximately US$ 150 to tap into a municipal piped water system. This charge can be as high as US$ 300, in cases where the pipe network has to be extended in order to reach neighborhood.

Indonesia Urban Water, Sanitation, and Hygiene (IUWASH) ramp up an approach implemented under the Environmental Services Program (ESP), whereby new customers can amortize cost of a new connection through a partnership between the water utility and local microfinance institution (MFI). This is an innovative and affordable way for the community to access basic services using financial inclusion.

PKH group at Serpeng and Kranggan Gunungsari develop unique activities to help each other. At Serpeng, they first create a fictitious rotary-saving clubs. They imagine getting a big loan. However, they pay the installments for real. This way, they manage to raise funds to start real saving and loan activity. Meanwhile, at Kranggan, the rotary-saving club is not in form of cash saving. The group uses sachet of soap as a mean of saving.

By: Theresia Ratnawangi
PKH facilitator in Semanu sub district, Gunung Kidul, DI Yogyakarta

“Sorry Miss, I Have a Lots of Kids”

The PKH group informed me that Tri Wardani, who had already seven kids, was pregnant again. She refused to check her pregnancy to the Puskesmas. Her eldest child was suspended from school. I and the group leader came to meet her. We manage to persuade Tri Wardani that, since she was a PKH recipient, she has to check the pregnancy and get on the birth control program. She understood and apologized for all the things that happened.

“I'm sorry mam, for I have lots of kids,” she said.

By: Deswandi
PKH facilitator in Kampar sub district, Kampar, Riau
Dollar Producer Tub
In Kolese, a sub district in Bau-bau, Southeast Sulawesi, 126 poor families make their living from seaweed breeding. Those citizens then suggested using funds from PNPM Mandiri Urban to build a seaweed washing tub. The infrastructure would ease and accelerate their work. The poor citizens are now able to breed more seaweed than before. The harvest doubled and their income increased.

By: TF 15
PNPM Mandiri Urban facilitator in Bau-bau, Southeast Sulawesi

After Dark, Rise the Light in Watusampu
In Watusampu, a sub district which is located only 13 kilometers from the city of Palu; people are still living in darkness. In 2010, the residents used a 3 million rupiah funds from PNPM Mandiri Urban to purchase equipment to build a micro hydro power plant. However, they still had to collect 6 million rupiah and worked hand in hand to build the installation. In January 2011, they managed to electrify 30 houses. Now, they plan to build the second power plant.

By: Babul Jannah Sri Hafsa
PNPM Urban facilitator in Palu, Central Sulawesi

Twittering Bird Breeding
Mrs. Supiyah and two friends from the SPP group received a loan - Rp. 3 millions (equivalent US$ 310) from PNPM Mandiri Rural since 2006. At the beginning, the three women used the money to produce birds food. Later on, they decided to breed twittering birds. After 6 years getting financial support (micro-loans) from PNPM Mandiri and their desire to expand their business to cater growing demand on twittering birds which required larger capital, they decided to get a larger loan – Rp. 40 million (over US$ 4000) from Bank Rakyat Indonesia (BRI). She now has 6 permanent labors and 10 temporary labors with revenue around Rp. 20 million (US$ 2000) per month with total assets around Rp. 1.0 billion (US$ 100K).

By: Mrs. Supiyah
Women’s Loan and Saving group of village Banyuaeng, Karangnongko sub-district, Klaten, Central Java.
SCENARIO TO ACCELERATE AND TO EXPAND POVERTY REDUCTION IN INDONESIA

STAGES OF MP3KI IMPLEMENTATION

RECONSOLIDATION (YEAR 2013-2014)
- Reduce Poverty Rate to 8% - 10% in 2014;
- Synergize existing Poverty Alleviation Programs
- Implementation of Sustainable livelihood and its link with the MP3EI
- Completion of BPJS of health sector in 2014.

TRANSFORMATION AND EXPANSION (YEAR 2015-2020)
- Poverty Alleviation Program transformation;
- Expand the coverage of social safety to reach universal coverage;
- Completion of BPJS of employment security sector;
- Strengthening sustainable livelihood

SUSTAINABILITY (YEAR 2021-2025)
- Strengthening the integrated Poverty Alleviation Program;
- Universal coverage of Social Safety Program;

WHAT NEXT: MP3KI

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<th>Year</th>
<th>GDP (USD Billion)</th>
<th>Income/capita (USD)</th>
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<tbody>
<tr>
<td>2010</td>
<td>700</td>
<td>3,000</td>
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<tr>
<td>2025</td>
<td>4,5-5,5 Trillion</td>
<td>14,250 - 15,500</td>
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<tr>
<td>2045</td>
<td>15-17,5 Trillion</td>
<td>44,500 – 49,000</td>
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One of the main challenges in poverty reduction programs is to identify correctly the target groups which will receive the programs based on program objectives and beneficiaries. The effectiveness of the targeting will impact directly towards the success of the social protection and poverty reduction programs.

To support the development of unified data base for social protection and poverty reduction programs, the National Team to Accelerate the Poverty Reduction in Indonesia (TNP2K) at Vice President’s office, cooperates with the National Bureau of Statistics (BPS) to conduct the survey and develop the methodology.

The national unified data base covers 24 million households with the lowest 40% socio-economic conditions. The number and the percentage in each region are different based on the poverty level in each area. Besides names and addresses, information related to household condition, household level characteristics or individual poor can be obtained in the unified database. In the future, the unified data base will be linked with the local poverty data and participatory poverty data identified by the communities.

**Beneficiary Criteria of Social Protection Program & Poverty Reduction Programs**

Decided by Related Ministries or Local Governments

The criteria will be applied to unified data base

List (by name, by address) for the target group of each program

**Unified Data Base**

- Health Care Program
- Education Program
- Conditional Cash Transfer
- PNPM Mandiri
- Other Poverty Reduction Programs

**MDGs Scorecard**

Poverty Mapping

**Chart Priority**

Database
WHAT WE CAN OFFER:
SOUTH TO SOUTH COOPERATION
KNOWLEDGE SHARING

1980
Participant Bali, in July
Facilitate Cooperation
Host high-level meeting “Towards Country - Led Knowledge Hubs”

1980
2012

SIMPADU PNPM MANDIRI
INTEGRATED MIS FOR PNPM MANDIRI:

SIMPADU has the overall objectives to capture all PNPM sectors data on the form of unified database to improve program synergy, monitoring and evaluation.

http://simpadu-pnpm.bappenas.go.id

GoI’s effort to generate and exchange knowledge gained from Indonesia’s own development experiences, in particular related to Indonesia’s flagship community empowerment program (PNPM Mandiri).

Exchange of knowledge can be conducted in the form of workshop, field visit, and training.
WHAT WE CAN OFFER:
SOUTH TO SOUTH COOPERATION
KNOWLEDGE SHARING

WHAT WE CAN OFFER:

SOUTH TO SOUTH COOPERATION
KNOWLEDGE SHARING

ABOUT BAPPENAS

Bappenas has four interrelated roles in the Government of Indonesia: as policy maker, as coordinator, as think-tank, and as administrator.

1. POLICY MAKER
Bappenas determines policies and programs in long-term national development plan (RPJPN), medium-term national development plan (RPJMN) and annual national development work plan (RKPD). For RKPD, this includes the government budget estimates. In addition to the tasks as policy maker in planning/planner, BAPPENAS also plays role in determining large-scaled and urgent policies, such as the handling of natural disaster and climate change.

2. COORDINATOR
Bappenas has role to coordinate the development stakeholders, both in planning context and other tasks assigned by president/government.

3. THINK-TANK
Bappenas conducts studies and evaluation of development policies, as well as inputs for the national development plan preparation and the formulation of other strategic policies.

4. ADMINISTRATOR
As an administrator, Bappenas manages planning documents, including loans and grants (PHLN); prepares and manages reports of the development plan monitoring and implementation; prepares and manages national development evaluation reports.

Contact Info:
Kementerian Negara PPN/BAPPENAS
Jl. Taman Surapati No. 2,
Jakarta 10310
Telepon/Fax: 021-3915227/ 021-3925595
www.Bappenas.go.id

ABOUT NATIONAL DEVELOPMENT PLANNING MINISTRY/
NATIONAL DEVELOPMENT PLANNING AGENCY (BAPPENAS)
**Capital City:** Jakarta  
**Population:** 206,264,595 – 237,641,326 (2010)

**Poverty:**  
Poverty Rate (US$1 PPP): 8,50% (2006) – 0,95% (2011)  

**Disparity:**  
Poverty Saverity Index: 1,00 (2006) – 0,47 (2012)  

**Human Development Index:** 70,10 (2006) – 72,77 (2011)