



POVERTY REDUCTION EFFORT THROUGH COMMUNITY EMPOWERMENT (PNPM)

**Workshop “Innovative Solutions to Poverty Reduction and
Empowerment of the Poor”**

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Ankara, Turkey - June 27th, 2013

OUTLINE

1. Poverty and its challenges
2. Government's Poverty Reduction Agenda and Strategy
3. PNPM MANDIRI
4. Program Transformation

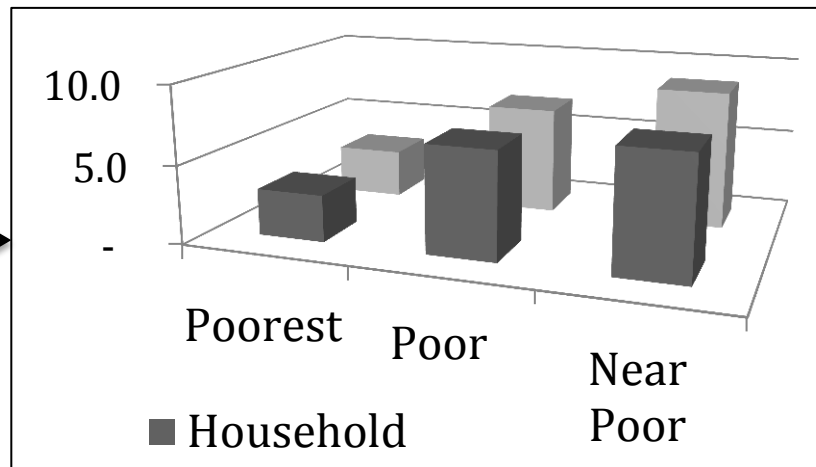


THREE MAIN CHARACTERISTICS OF POVERTY IN INDONESIA

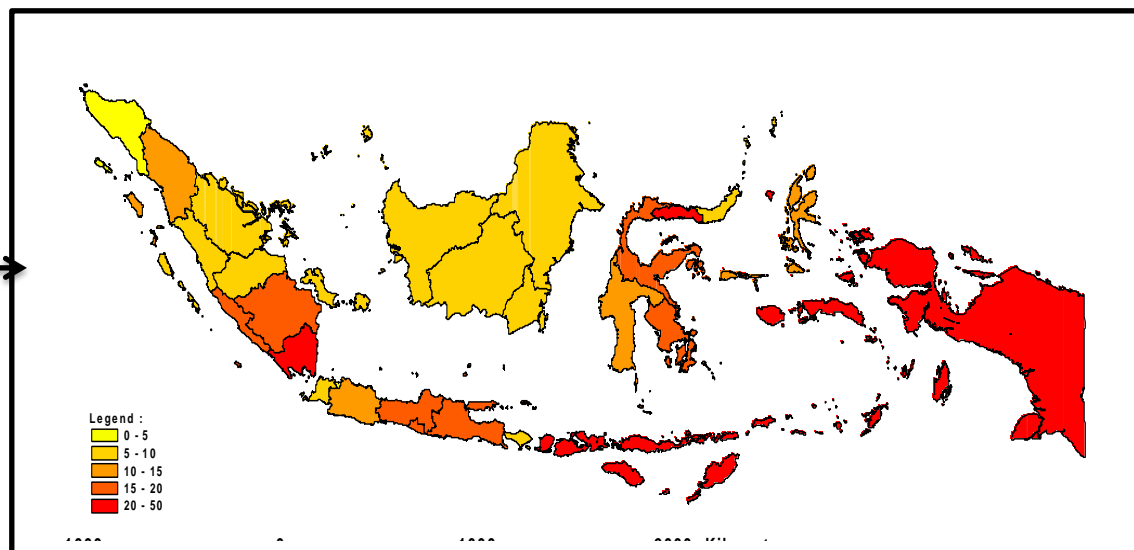
1 Non-Monetary Poverty

Access inequality in health, nutrition, education, water & sanitation, etc., especially in remote and isolated areas

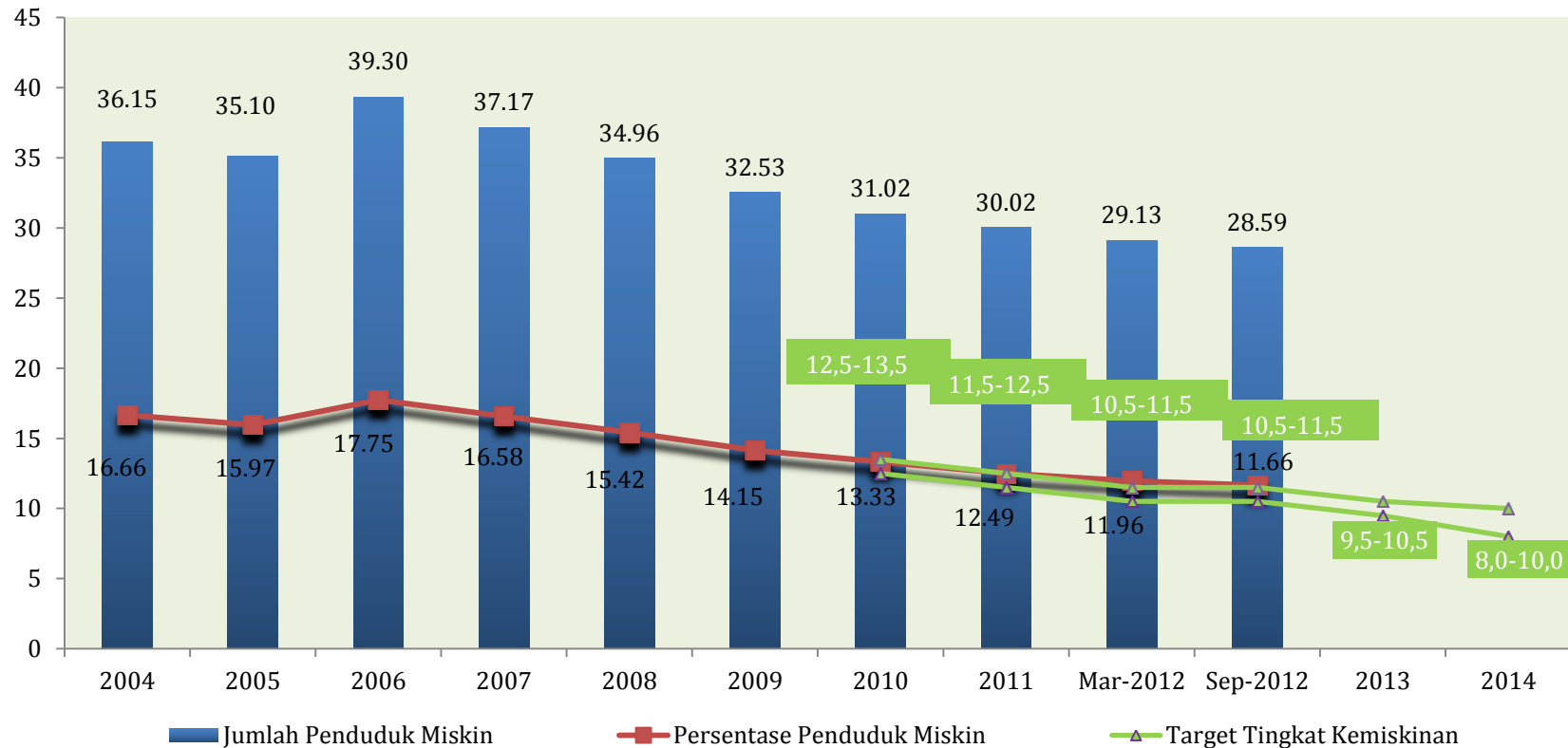
2 Significant vulnerables



Inter-Regional Diversity



TREND OF POVERTY REDUCTIONS



Since 2010, there is a deceleration of poverty reduction. Only less than one million poor population were reduced per year. Poverty level is around 11,66% in September 2012 (target RKP/Government Annual Plan 2012 was 10,5%-11,5%)

MOVEMENT OF NEAR-POOR AND POOR POPULATIONS

vulnerability among the near poor population are persistent



		2010 (%)				
		Poor	Near Poor	Almost Not - Poor	Not Poor	Total
2009 (%)	Poor	44.30	20.21	15.14	20.34	100.00
	Near Poor	21.52	22.66	21.76	34.06	100.00
	Almost Not - Poor	11.54	15.16	23.90	49.41	100.00
	Not Poor	2.94	4.71	9.74	82.61	100.00

Source: BPS (Central Bureau of Statistics)

Notes:

Poor : Below Poverty Line (PL)
 Near Poor : Between 1 - 1,2 PL
 Almost Not Poor : Between 1,2 - 1,5 PL
 Not Poor : Above 1,5 PL

Between 2009 and 2010:

- Around 55,7%  poor population in 2009 is out of poverty in 2010.
- On the other hand, some significant number of non-poor population  also moved becoming poor.



Out from poverty



Became Poor



Stay at the same categories

TARGETED HOUSEHOLDS

Vulnerable to be poor

TARGETED HOUSEHOLD (RTS)	2005 (PSE 05)		2008 (PPLS 2008)		2011 (PPLS 2011)	
	THOUSAND RTS	%	THOUSAND RTS	%	THOUSAND RTS	%
POOREST	3.894,3	20,4	2.989,9	17,1	3.013,8	19,4
POOR	8.237,0	43,1	6.828,8	39,1	3.198,9	20,6
NEAR POOR	6.969,6	36,5	7.665,3	43,8	9.318,1	59,9
TOTAL	19.100,9	100,0	17.484,0	100,0	15.530,0	100,0

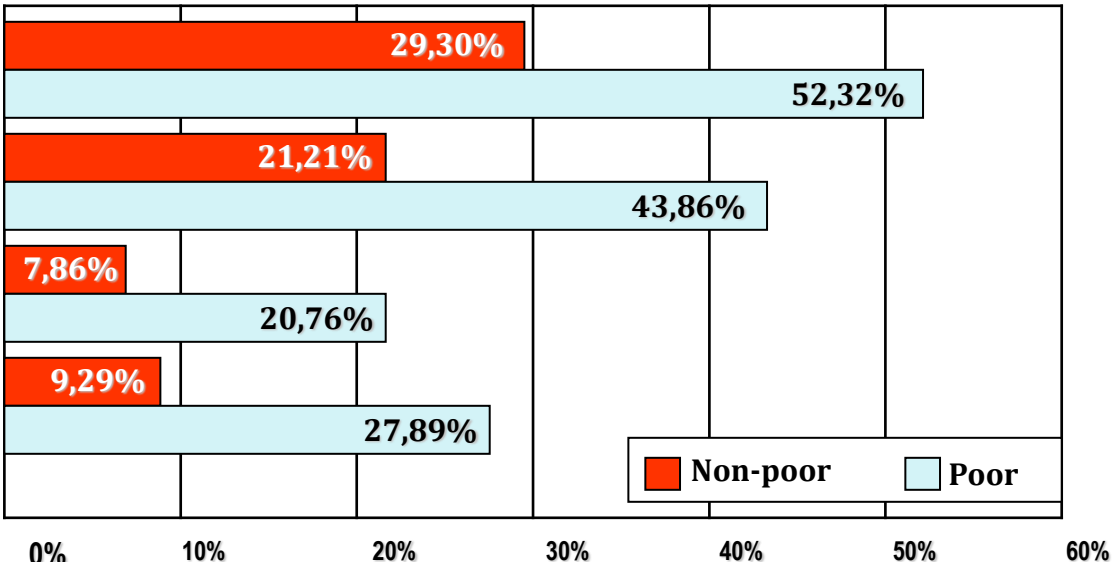
Source: Pendataan Sosial Ekonomi (PSE) 2008 & Pendataan Program Perlindungan Sosial (PPLS) 2008, BPS



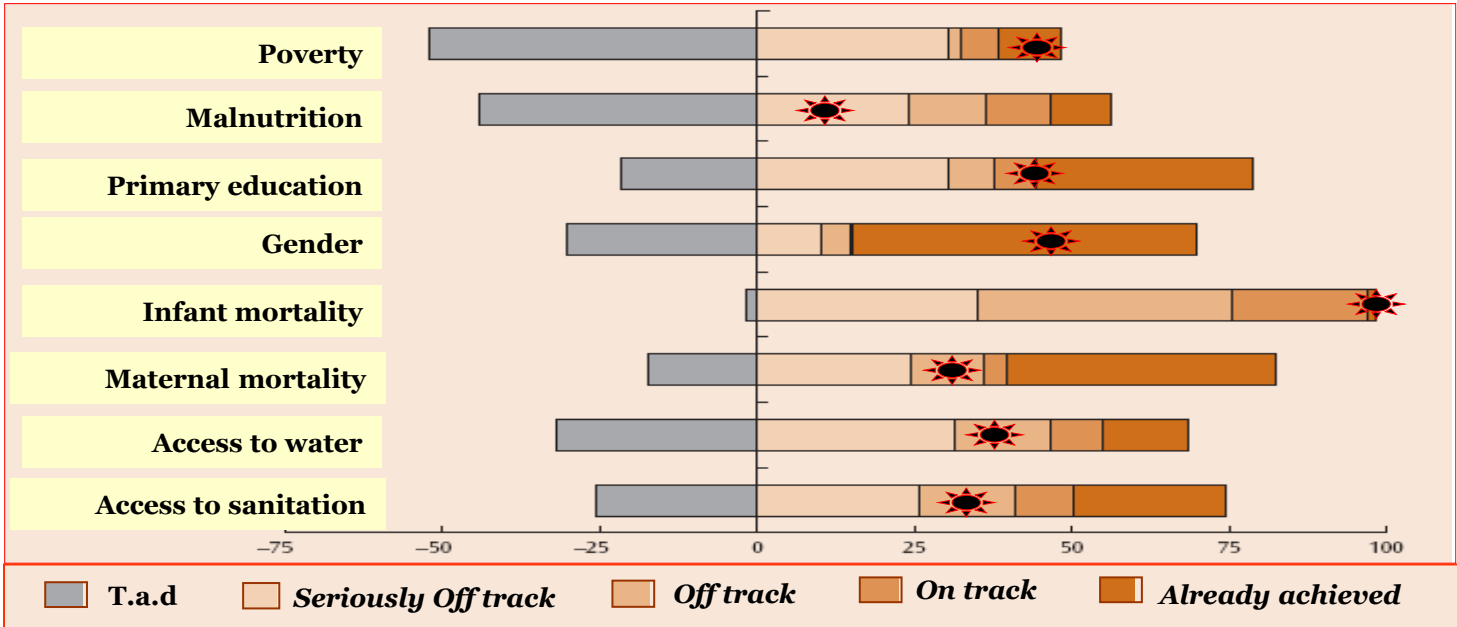
INEQUALITY TO ACCESS OF BASIC NEEDS FACILITIES

Kementerian PPN/
Bappenas

Household without access to safe water
 Household w/o access to sanitation
 Household with children aged 12-15 not enrolled in junior high school
 Household with birth attended by traditional paramedics



Source: SUSENAS 2005, BPS



Indonesia's achievement in MDGs indicators, among other countries

LABOR FORCE AND UNEMPLOYMENT

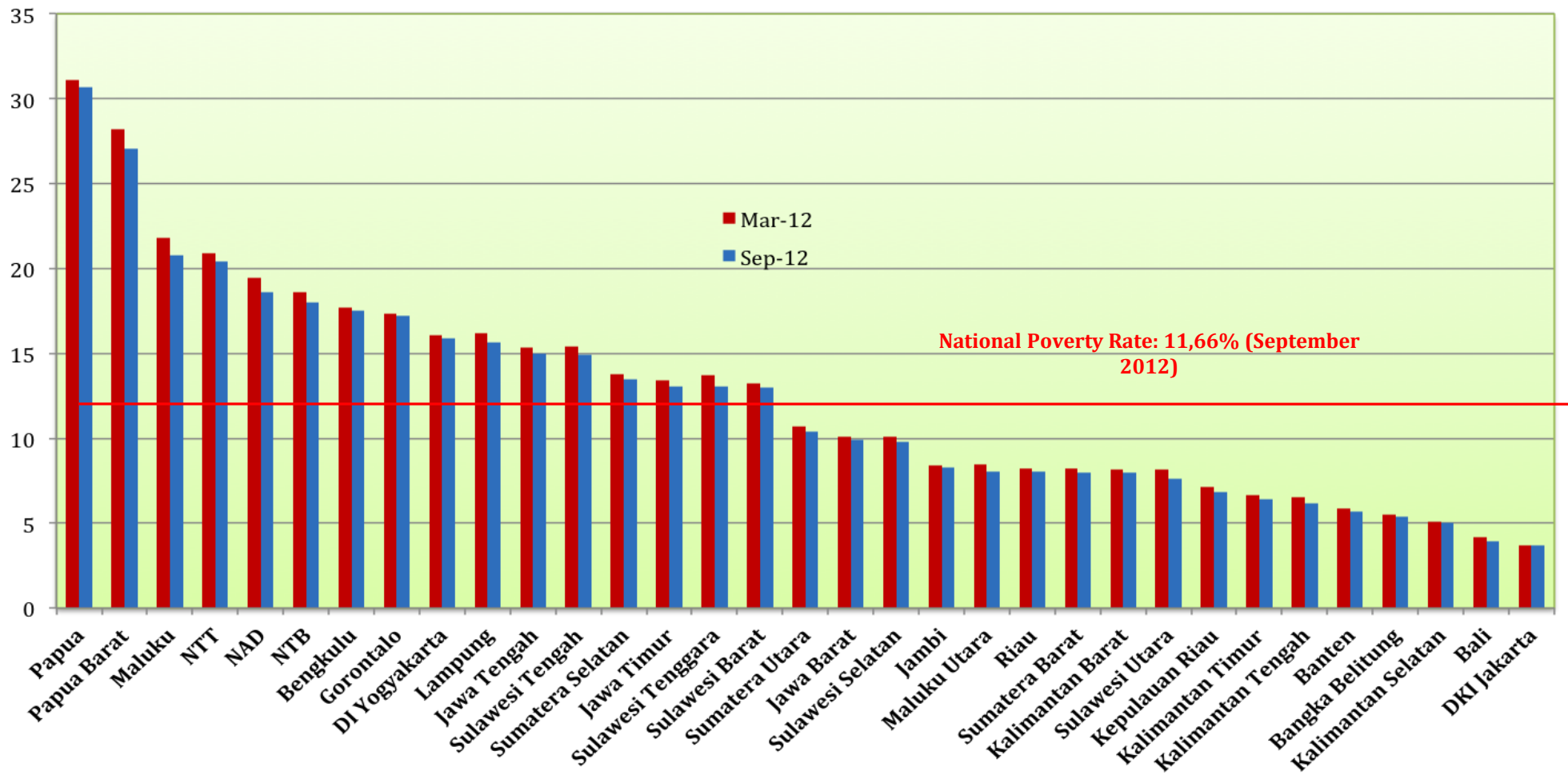
Economic Activity	Feb 2005	Feb 2009	Feb 2010	Feb 2011	Feb 2012
Labor force (million)	105.80	113.74	116.00	119.40	120.42
Labor Force Participation Rate (LFPR)	68.02%	67.60%	67.83%	69.96%	69.66%
Open Unemployment Rate	10.26%	8.14%	7.41%	6.80%	6.32%

Source: National Labor Force Survey (Sakrenas BPS), various years

HIGH DISPARITY OF POVERTY RATE AMONG PROVINCES

(16 provinces out of 33 provinces still above national poverty line)

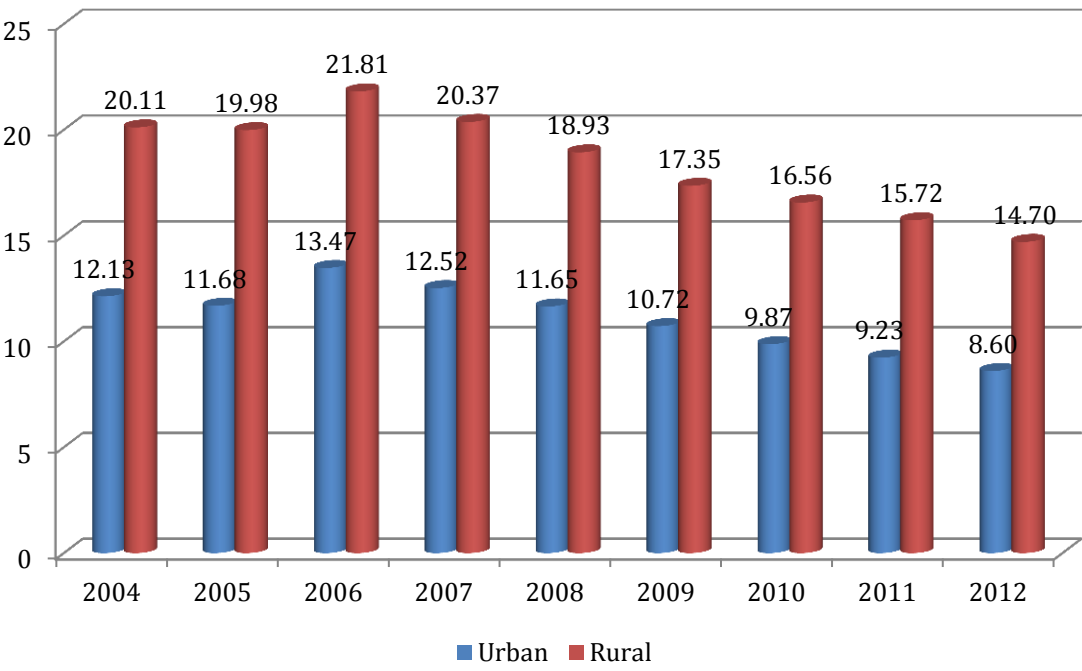
Poverty Rate by Provinces March 2012 and September 2012



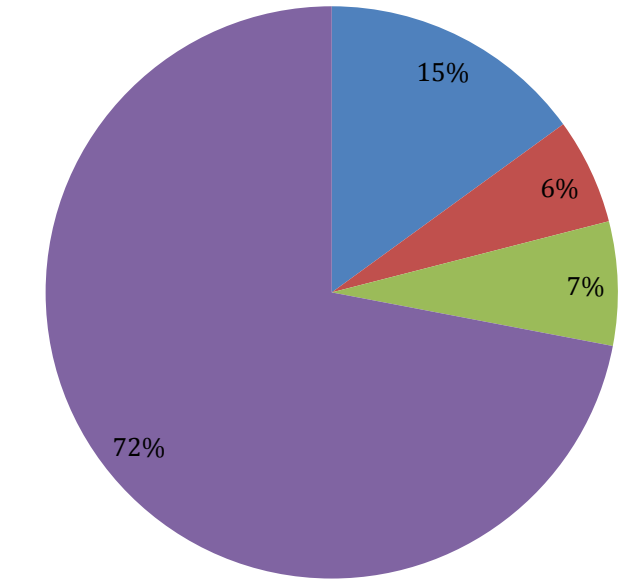


DISPARITY BETWEEN URBAN AND RURAL AREAS

Percentage of poor people by areas, 2004-2012



Percentage of rural poor households by source of main income, March, 2010



Most of rural poor households working in agriculture sector

Others Industry Unemployment Agriculture

DEVELOPMENT CHALLENGES

INTERNAL

- Absolute poverty is still high.
- Disadvantaged areas.
- Lack of infrastructure development
- Inefficiency bureaucratic process



Strengthening the participatory and inclusive development and implementing *affirmative policy* to reduce poverty and inequality

EXTERNAL

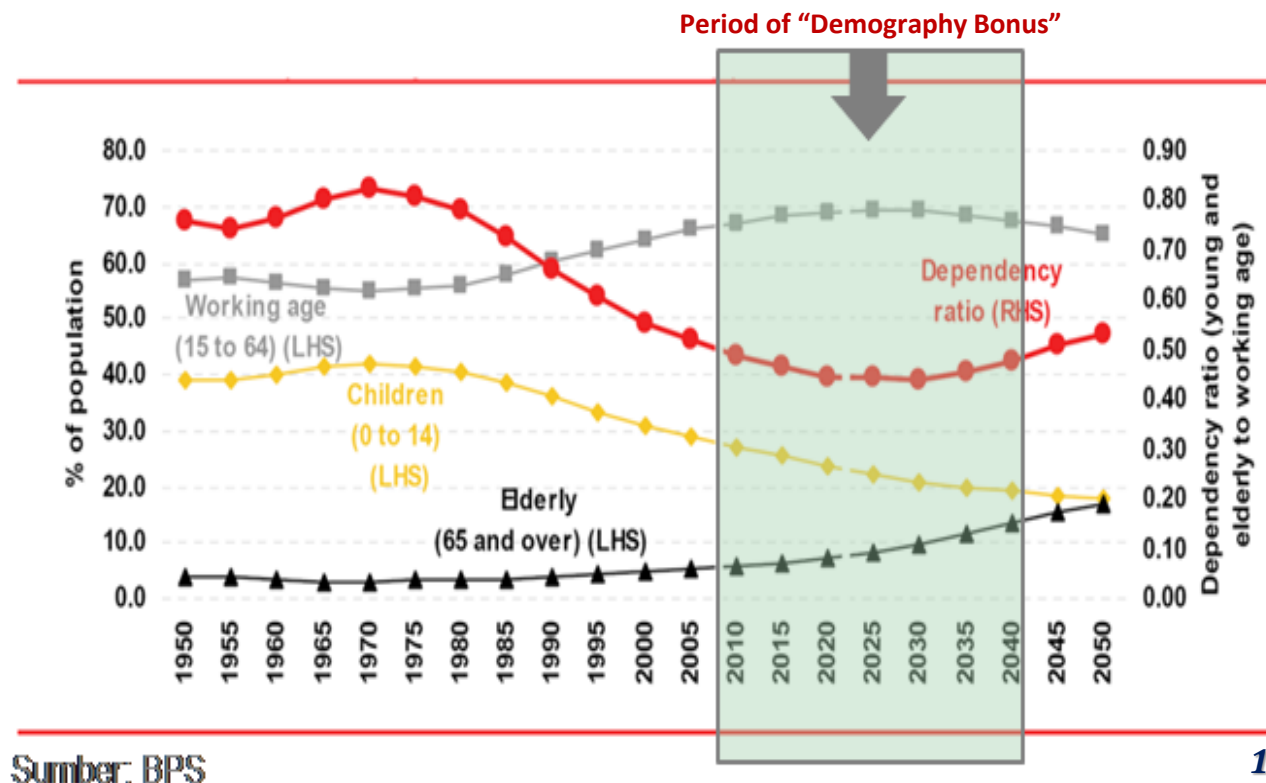
- Global Uncertainty
 - High international commodity prices
 - High energy (oil) price
- Political Crises in the Middle East
- Fiscal and Debt crises in Europe
- Climate Change and Extreme Weather



Acceleration and Expansion of Economic Growth and Achieving Food and Energy Securities

MORE CHALLENGES ON POVERTY AND UNEMPLOYMENT

1. Global crisis increases the vulnerability of the poor.
2. Climate change affects most to the poor including uncertainty in planting and harvesting period, and declining water availability.
3. Within the next 20 years, productive age (25-39 yrs old) becomes the majority. This will bring challenges to create jobs opportunity, higher competition in resources, and possible new poor.



***GOVERNMENT'S POVERTY REDUCTION AGENDA
AND STRATEGY***

Create nation that is self-help, progressive, and prosperous

“To be a country among the big 10th global economies in 2030 and among big 6th economies in 2050 through “High Inclusive and Sustainable Growth”

* *Proyeksi Goldman Sachs*

** *Proyeksi tidak resmi dari pemerintah*

PDB nominal: ~US\$ 3,76 – 4,47 B
PDB nominal/kapita: US \$ 12.855 – 16.160

2025

2030**

2050*

PDB nominal: ~US\$ 26,679 B
PDB nominal/kapita: \$78,478

Kekuatan ekonomi 6 besar di dunia

PDB nominal: ~US\$ 6.460 B – 8.152 B
PDB nominal/kapita: \$20.600 – 25.900
Kekuatan ekonomi 10 besar di dunia

2014

PDB nominal: ~US\$1.206 B
PDB nominal/kapita: US\$ 4.803
Kekuatan ekonomi 14 besar di dunia

Asumsi: pertumbuhan riil antara 7 – 8% per tahun

NATIONAL MEDIUM TERM DEVELOPMENT PLAN (RPJMN) 2010-2014

- | | |
|---|---|
| 1 Bureaucracy Reform & Good Governance | 8 Energy |
| 2 Education | 9 Environment and Disaster Management |
| 3 Health | 10 Less developed, remote, & post conflict areas |
| 4 Poverty Reduction | 11 Culture, Creativity, & Technology Innovation |
| 5 Food Resilience | |
| 6 Infrastructure | |
| 7 Investment and business Climate | |

RKP 2010 (Government Annual Work Plan)

NATIONAL
ECONOMY
RECOVERY AND
SUSTAINING THE
WELFARE OF THE
PEOPLE

RKP 2011

ACCELERATION OF
THE ECONOMIC
GROWTH
SUPPORTED BY
STRENGTHED GOOD
GOVERNANCE &
THE SINERGY OF
CENTRAL-LOCAL

RKP 2012

EXPANSION OF
FAIR AND
INCLUSIVE
ECONOMIC
GROWTH FOR
INCREASING
PEOPLE'S
WELFARE

RKP 2013

STRENGTHENING
DOMESTIC
ECONOMY TO
INCREASE AND
EXPAND
PEOPLE'S
WELFARE

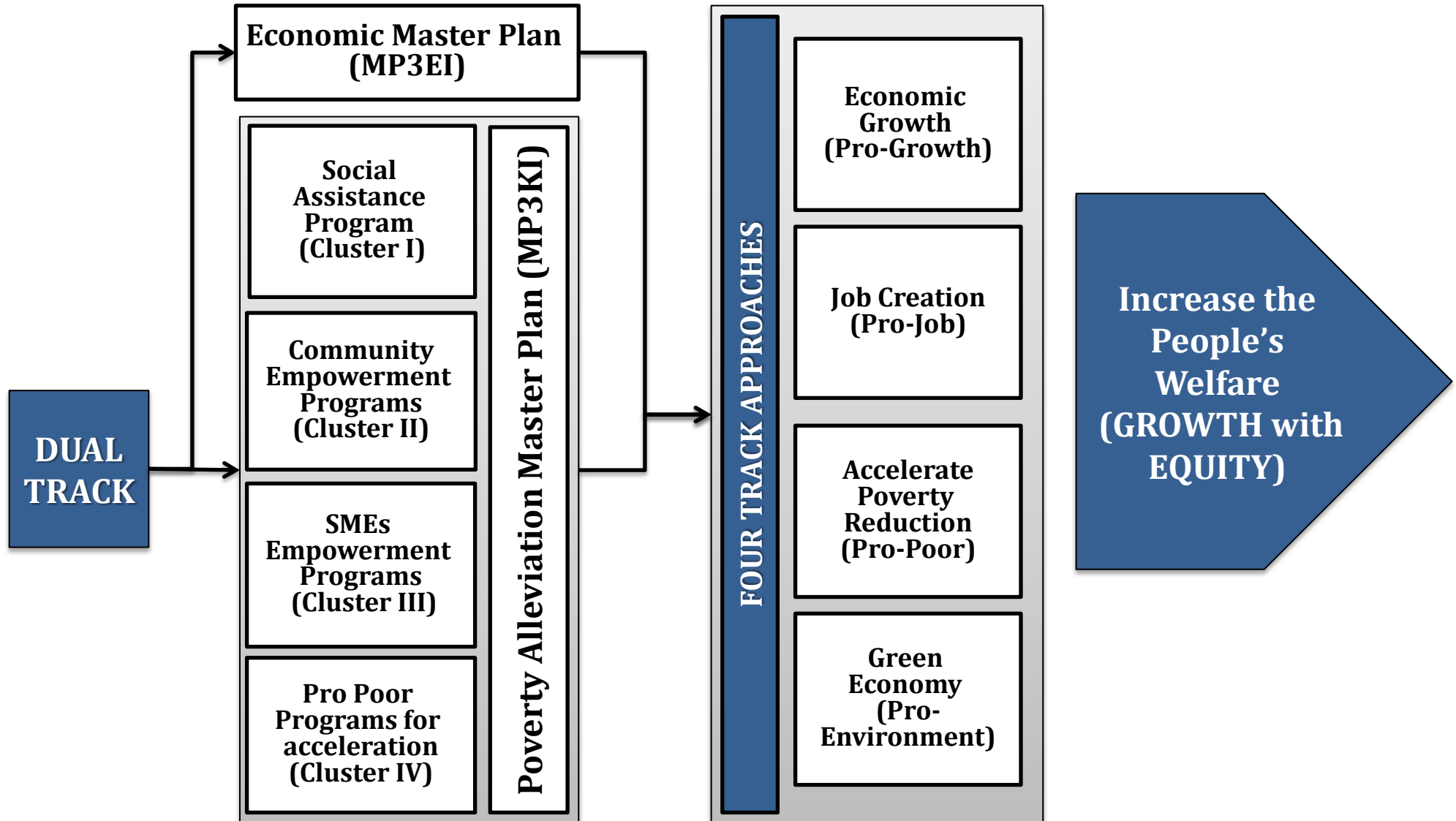
RKP 2014

STRENGTHENING
THE NATIONAL
ECONOMY TO
INCREASE
PEOPLE'S
EQUITABLE
WELFARE

	2010	2011	GWP 2012	2012	Projection 2013	Projection 2014
Growth:	6,1%	6,4 %	6,5%-6,9%	6,20	6,7%-7,4%	7,0%-7,7%
Unemployment	7,1%	7,0 %	6,4%-6,6%	6,14	6,0%-6,6%	5%-6%
Poverty Rate	13,3%	12,5%	10,5%-11,5%	11,66	9,5%-10,5%	8%-10%

DUAL TRACK STRATEGY:

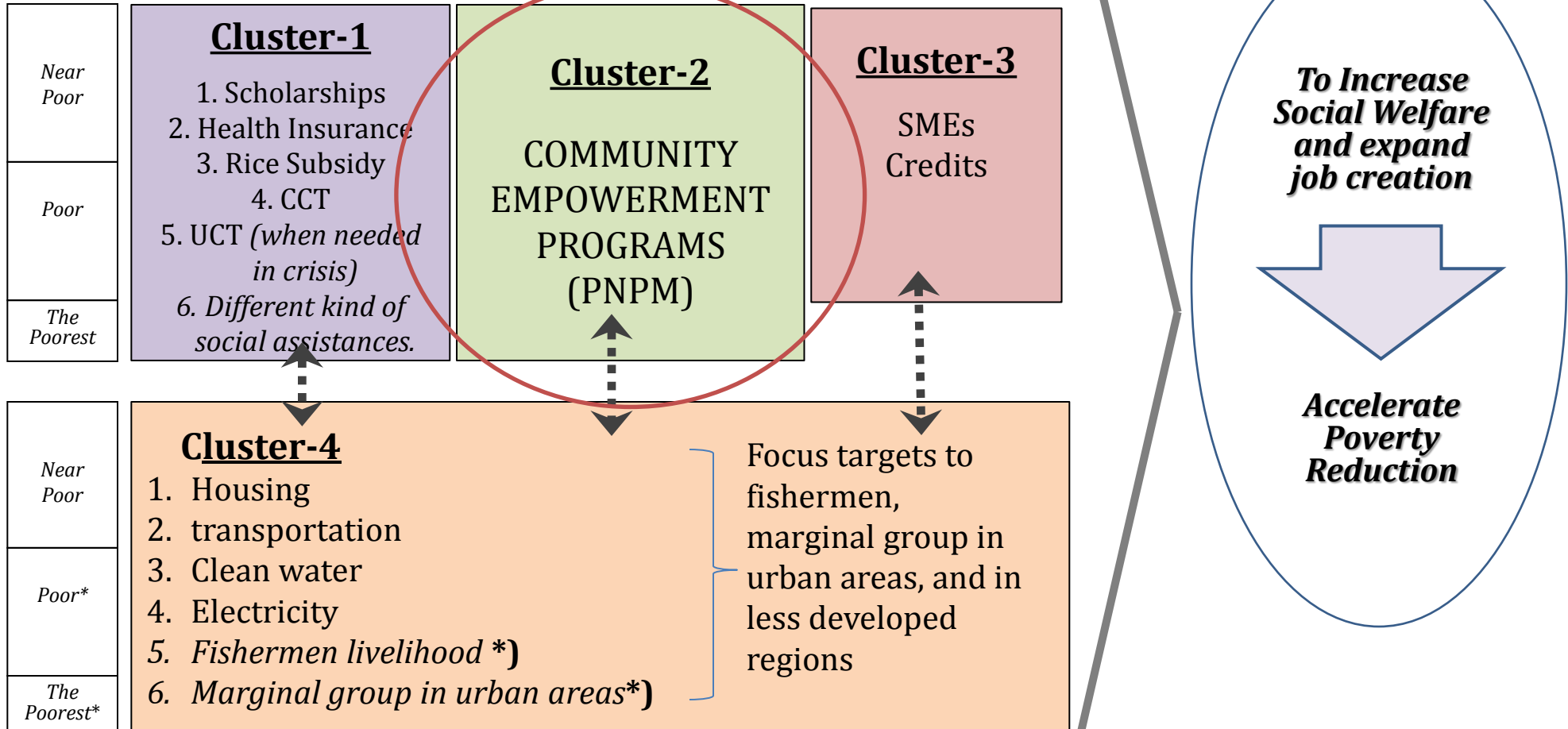
Synchronize *Master Plan Economy* and *Affirmative Actions*



GOVERNMENT POLICY TO REDUCE POVERTY

Strengthen and Expand Pro-Poor Program, while maintaining the stability of macro economic

MACRO ECONOMIC POLICY



POVERTY REDUCTION THROUGH COMMUNITY EMPOWERMENT

Responsive Government/
Empowered Communities

- Strengthening bottom-up planning and budgeting
- Improving local government representation and responsiveness
- Improving social service delivery to the poor
- Pro-poor planning and budgeting

Market Linkages

- Microfinance Development
- Non-bank (micro-credit institution)

Social Protection

- Women's participation
- Justice for the Poor
- Helping Marginal Groups
- Budget transparency
- Community trust funds
- Sustainability



**Block Grant's
Transfer to the
Poor
Communities**

PNPM

an umbrella policy of Community Driven Development (CDD) program approaches, that attempt to increase community capacity & self-help

- PNPM consists of:

a.

	Core programs	Coverage	Executing Agency
1	PNPM Rural (formerly KDP)	69 %	Ministry of Home Affair
2	PNPM Urban (formerly UPP)	20 %	Ministry of Public Work
3	PNPM for Special and Disadvantage Area (SPADA)	2 %	Ministry of Public Work
4	PNPM Rural Infrastructure Support (RIS/USRI)	6 %	Ministry of Public Work
5	PNPM Regional Infrastructure Socio-Economic Development (RISE)	3 %	Ministry of Development Disadvantage Region

b. Support programs: PNPM for rural agribusiness, PNPM tourism, PNPM fishery and marine, PNPM Generasi, PNPM Green → goes to related villages, may overlap the core's locations.

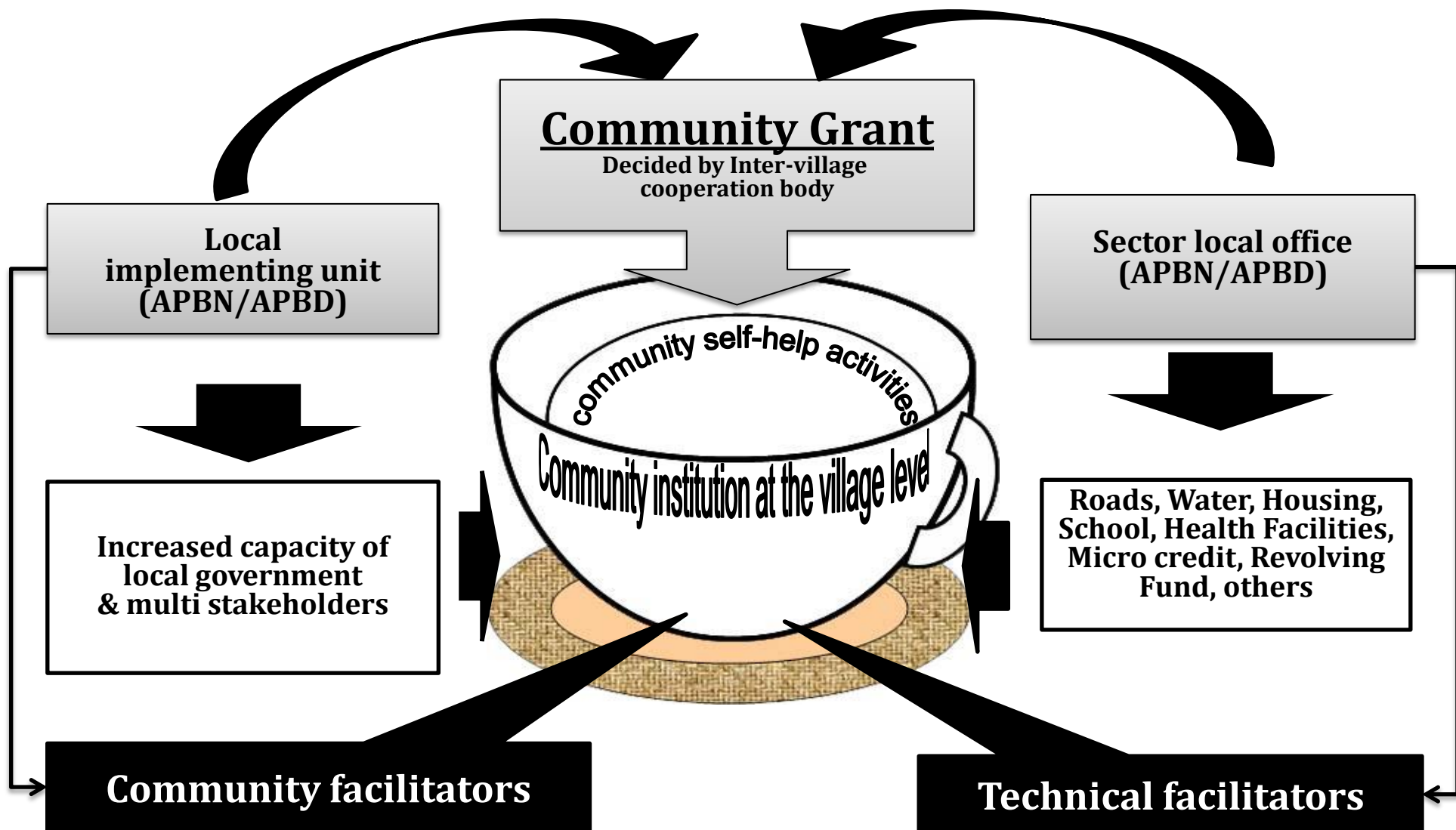
- Common features: on-budget, direct transfers to community, private sector facilitators, public goods, community procurement, accounting, & oversight
- Scaling up in only two years (supported by World Bank, ADB, JICA, IFAD, IDB and several bilateral donors) and covers all 6,400 sub-districts

WHY PNPM ?

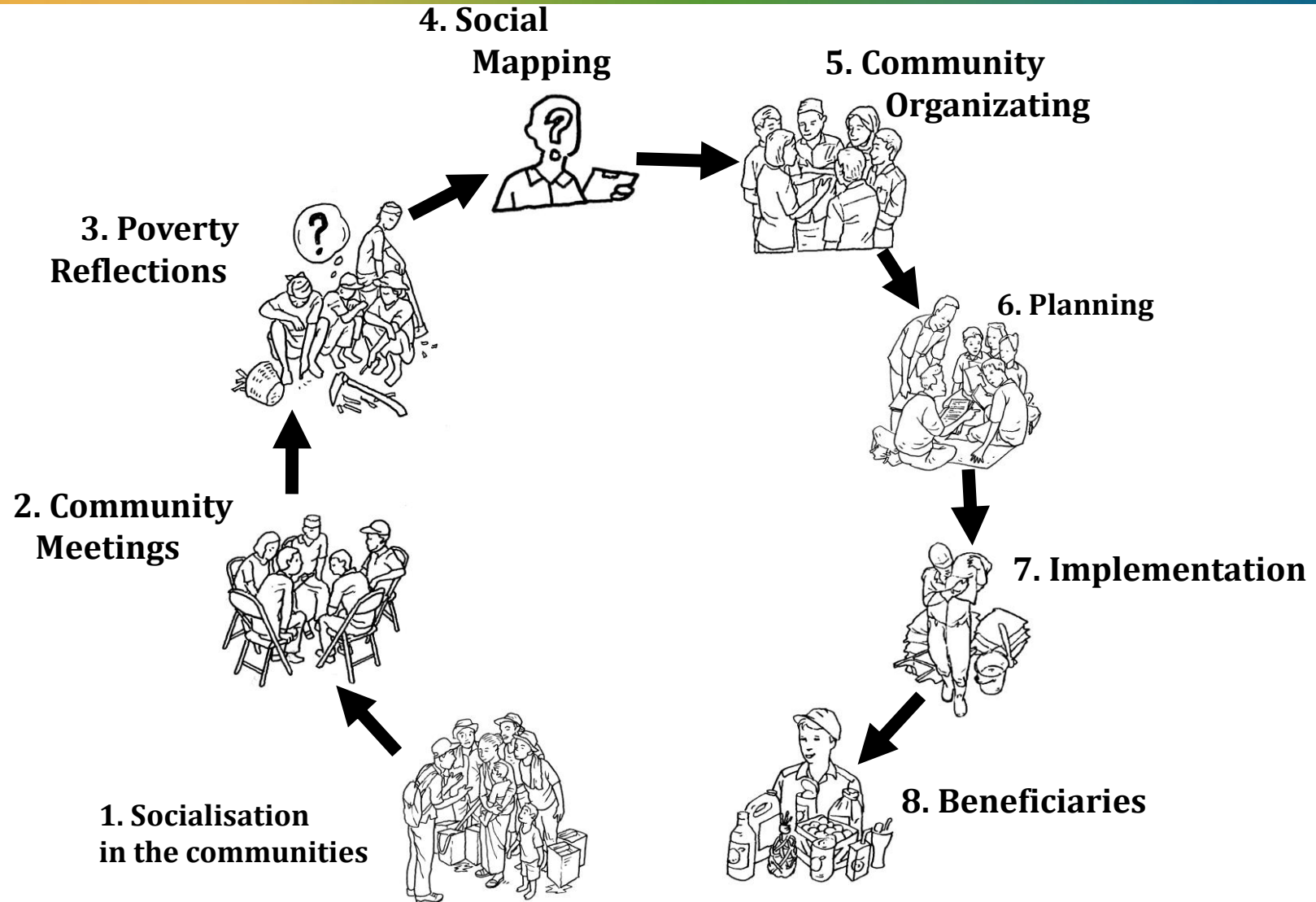
1. To solve difficulties in reaching the poor and fulfill people needs, particularly in remote & isolated areas due to imperfect market.
 - Current decentralization doesn't guarantee local governments perform participatory and pro-poor approaches.
2. To avoid inefficiency & confusion of overlapping activities, procedures, & institutions formed by different kind of empowerment projects conducted by different line ministries.
3. PNPM attempts to harmonize:
 - Location by targeting poor sub-districts
 - Principles & performance indicators.
 - Simplifying procedures (planning, disbursement, facilitation training, and unit costs).
 - Community institutions as a forum for community decision making



PNPM MANDIRI MECHANISM

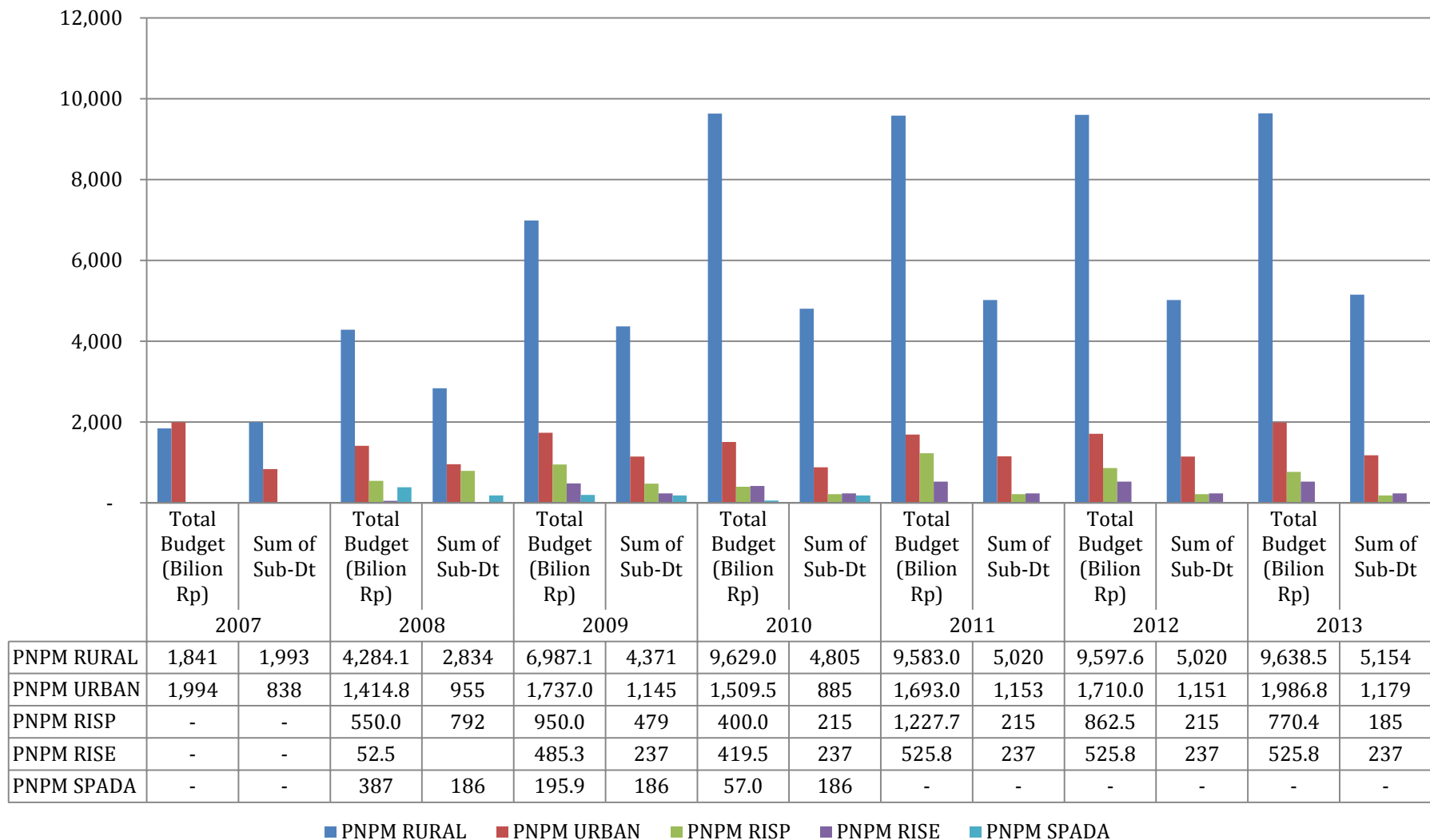


THE EMPOWERMENT PROCESS MECHANISM





THE TOTAL BUDGET FY 2007-2013



INFRASTRUCTURE HAS BEEN BUILT BY COMMUNITY 2008 - 2011

Type of Sub-Project	Rural PNPM	Urban PNPM
Road	68.821 km	31.100 km
Bridges	8.142 unit	
Irrigation system	6.527 unit	
Clean water system	29.701 unit	
Drainage system		8.800 km
Public toilets and washing system	16.101 unit	
School building built or rehabilitated	21.855 unit	
Scholarship for the poor	1.101 unit	
Health facilities	10.839 unit	9.450 unit
Housing for the poor		126.800 unit
Rural electricity	1.401 unit	
Waste disposal and sanitation system		164.800 unit

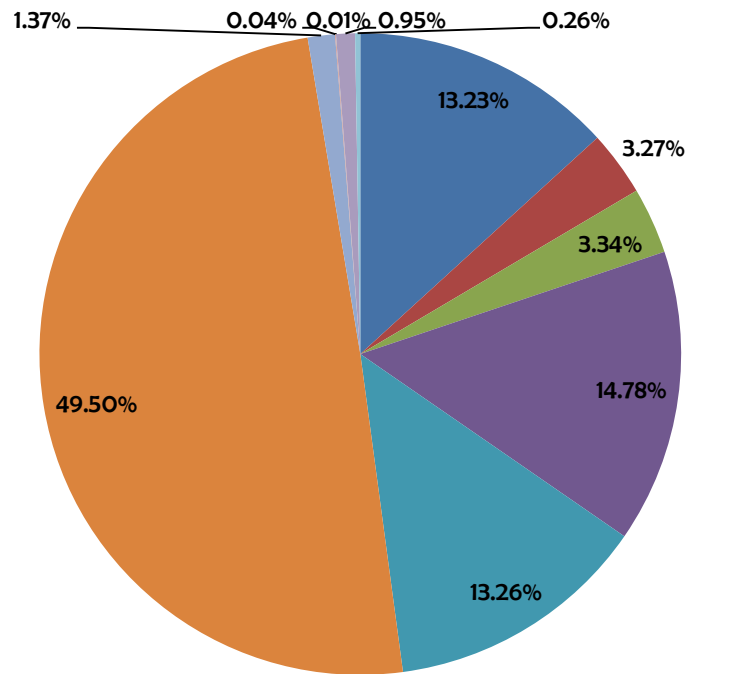
Others facilities consist of :

- Waste disposal system,
- Irrigation system
- Electricity for public road
- Boat moorings
- Education and health activities supported,
- Trade activities supported

Source:
PSF Progress Report 2011

THE UTILIZATION OF COMMUNITY BLOCK GRANTS

infrastructure is the main activities community needed



- Education
- Social
- Agriculture
- Health
- Economy
- Transportation
- Others
- Tourism
- Local Government
- Energy
- Environment





LESSONS LEARNED

Output

- Build high (good to very good) quality basic infrastructure (MIS; Ekart, et. al, 2004; Torrens, 2005)
- High economic returns of rural infrastructure projects (EIRR 39-68%) & significantly lower costs 56 % than equivalent works built by government contractors (Dent, 2001; Torrens, 2005; Alatas, 2005)

Open Employment Opportunities

- Provided more 62 work-days of short term employment from infrastructure activities & more than 1.3 million villages established/ expanded their micro & small enterprises (MIS)
- Households in poor kecamatan were 9.2%-11.7% more likely to move out of poverty than households in control areas (Voss, 2007).
- Unemployment rates in control areas increased by 1.5% more than in PNPM areas (Voss, 2007)



LESSONS LEARNED

Community Participation

- Better capacity in project planning & implementation (McLaughlin et. Al 2007)
- High community participation:
 - Women participation in meetings & activities ranges from 31-46% (Barron, et.al, 2006). Women participation is greater when decision making is at the lower level ie. neighborhood or groups
 - Approx. 60% of attendance & 70% of the poorest community labour (MIS)
- People participation expands the community capacity
 - Participatory decision making process & trainings increase community self-esteem & willingness to cooperate.
 - Ignorance of complaint handling, especially when the project runs well



LESSONS LEARNED

Good Governance

- Low corruption rates, <1% of total program costs (Price Waterhouse; Moore's Rowland, BPKP, MIS)
- Good governance practices support reform at the village level
 - Village head has a strong influence in people participation, project legitimacy, & transparency (when people's presence is low, the village head can be very dominant)
 - Collective action is bigger at the neighborhood rather than at the village

Coverage

- Covering 34.000 poor villages & 60-70% poor in the community (Alatas, 2005)
- The activities identified are consistent with the community needs or village problems.
 - Open the opportunity of villagers to help the needy/poorest, although the vote mechanism isn't always benefiting groups who live far from the village center (ie. irrigation, health post, etc)
- The willingness toward CDD's principles need support of external change

CHALLENGES FOR PNPM MANDIRI

- Positive Impact, less significant for non-poor sub-district.
- PNPM Mandiri, in some cases, not fully reach the poor, especially the vulnerable and marginalized groups.
- Block Grant could not create sustainable job and productivity of community.
- Capacity of facilitator need to be improved.
- Less attention from local government to maintain infrastructure and other PNPM assets
- Scattered planning between participatory planning within regular planning local government.



IMPROVEMENT OF FUTURE IMPLEMENTATION

1. Improve the design and mechanism of the program to increase participation for the poor and marginalized people through:
 - a. Adding difficult criteria for sub-district, in determining block grant allocation for remote and isolated area.
 - b. Optimize block grant for local economic product.
 - c. Strengthening activities especially for women, as head of household, vulnerable community, accelerate MDG's targets that is not achieved.
2. Strengthening integrated participatory planning and regular planning through pro-poor planning and budgeting, reward & incentives for local gov't.
3. Capacity building for facilitator
4. More intensive coordination and communication between central and local government
5. Strengthening the capacity of community and its institution to reduce local elite domination through implement good governance principal



PNPM MANDIRI ROADMAP



POLICY DIRECTION OF THE ROAD MAP

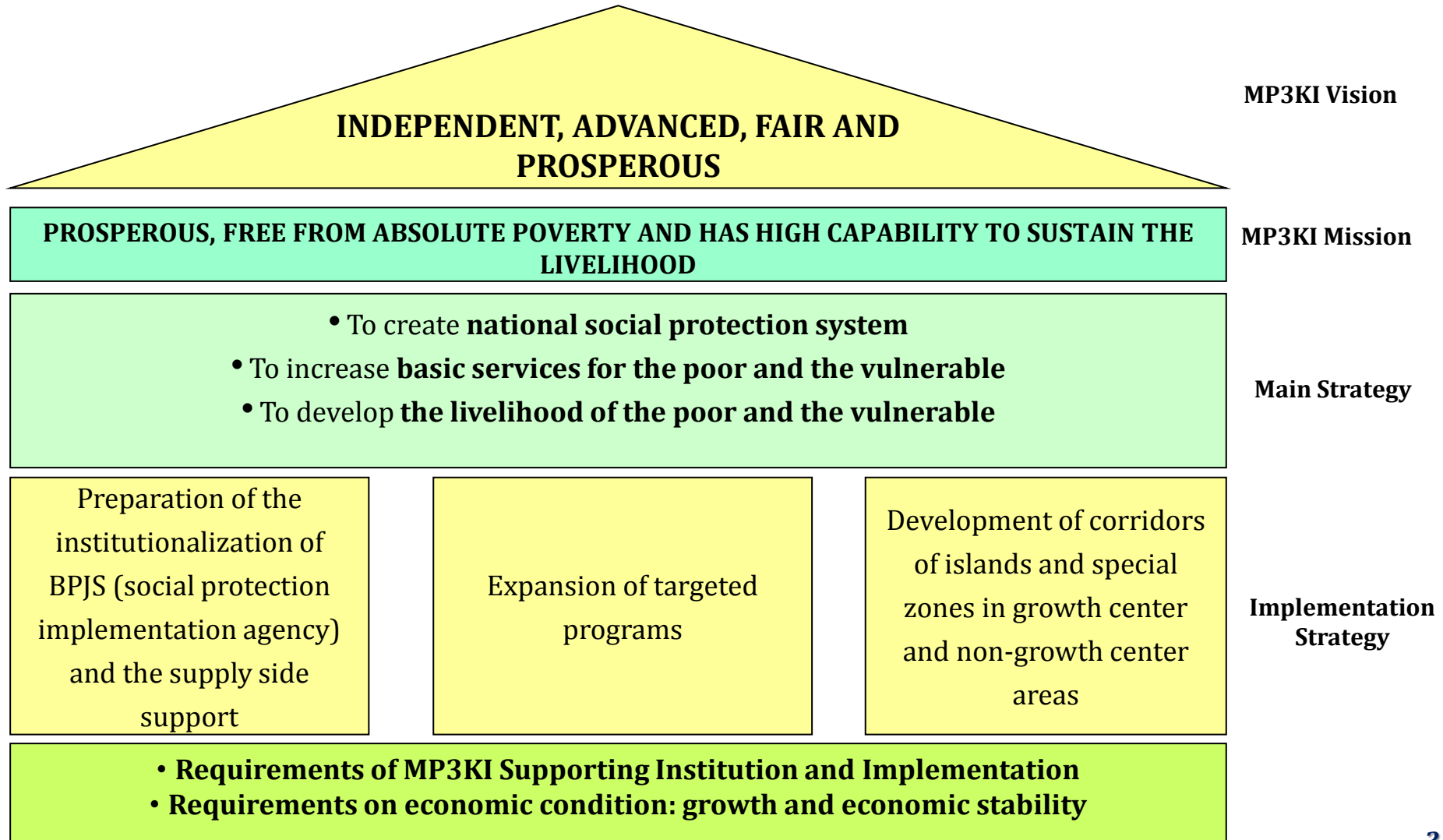
5 Pillars of Policy Direction of Community Empowerment Programme

- Good Governance and Anti Corruption : *zero tolerance for corruption*
- Integration: *One village one plan*
- Facilitator: *part of the development investment , not a cost*
- Enhancing the leadership and roles of local government
 - Functioning TKPKD in Monitoring, Backstopping, Coordination
 - Handling of F&C by Local Govt
 - Increased Funding contribution,
 - Capacity Building for Village & Community Orgs.
- Capacity building & strengthening the legal status of community-level institutions

THE WAY FORWARD: CONTINUING SUSTAINABLE POVERTY REDUCTION

1. Continuing more integrated and well coordinated poverty reduction programs within each clusters and among clusters
2. Promoting pro-poor economic growth:
 - Promoting growth in sectors that have significant impact on poverty reduction;
 - Utilization of local resources to promote local economic activities;
 - Improve the capacity of pro-poor planning and budgeting;
3. Improve the effectiveness of poverty reduction program at the local levels, including:
 - Empowerment of informal sector, SMEs, and cooperatives at the local level
 - Diversification of businesses in rural areas through agroindustry supported by utilization of local resources and rural infrastructure
 - Promoting development in the remote and border areas
4. Carefully design the expansion:
 - PNPM: refocus the intervention toward the poor (incl. the marginalized groups).
 - PKH: prioritize areas where health & education indicators are low
5. Promote greater involvement—and responsibility—of other stakeholders (LGs, NGOs, CSR)

DESIGN FRAMEWORK OF MP3KI



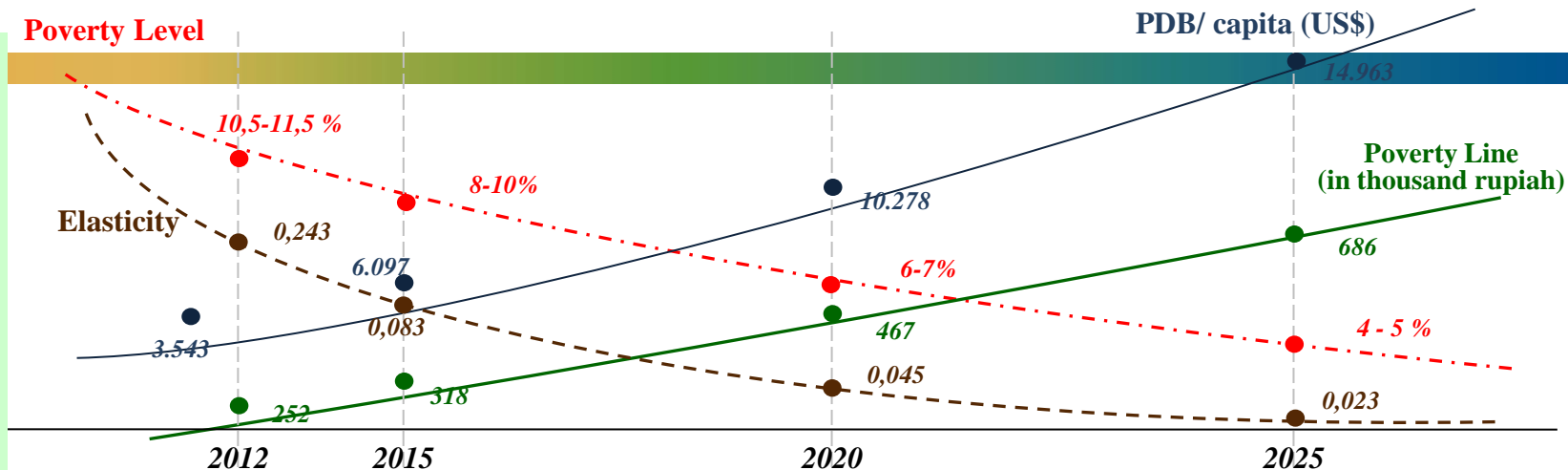


SCENARIO TO ACCELERATE AND TO EXPAND POVERTY REDUCTION IN INDONESIA (P3KI)

Kementerian PPN/
Bappenas

Outlook of Economy and Poverty Target

1. PDB/Capita: MP3EI target - is increasing
2. Poverty Level: Long-term development plan (RPJP) target - is decreasing
3. Poverty line tends to increase
4. Elasticity of poverty level to PDB/ capita growth tends to decrease



Poverty Alleviation Strategy

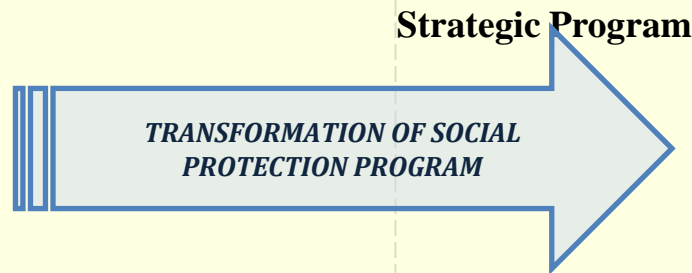
EXISTING POVERTY ALLEVIATION PROGRAMS

Cluster I
Social Protection/ Security and Social Assistance

Cluster II
Community Empowerment

Klaster III
Credits for Small and Medium Enterprises

Klaster IV
Pro-People Programs
Near poor HH, poor HH and very poor House Holds (HH) (the lowest 40 % of PPLS 2011)



SOCIAL PROTECTION PROGRAM

Social Security:

- Health Insurance
- Death Insurance
- Old-Aged Security
- Pension Plan
- Accident Insurance

Social Assistance:

- **Temporary** (economic crisis, natural disaster)
- **Regular** (food security, scholarship the poor, etc.)

Target Groups

The lowest 30 % of PPLS 2014/2017

The lowest 20 % of PPLS 2017/2020

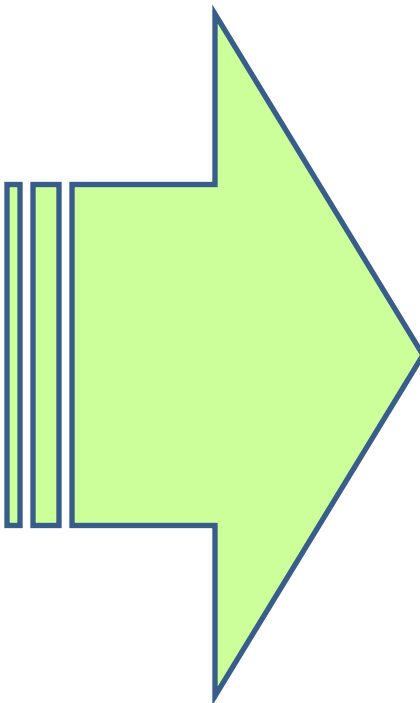
The lowest 10 % of PPLS 2023



TRANSFORMATION OF KLASER II, III, IV (PNPM)

2012 Cluster II, III, IV

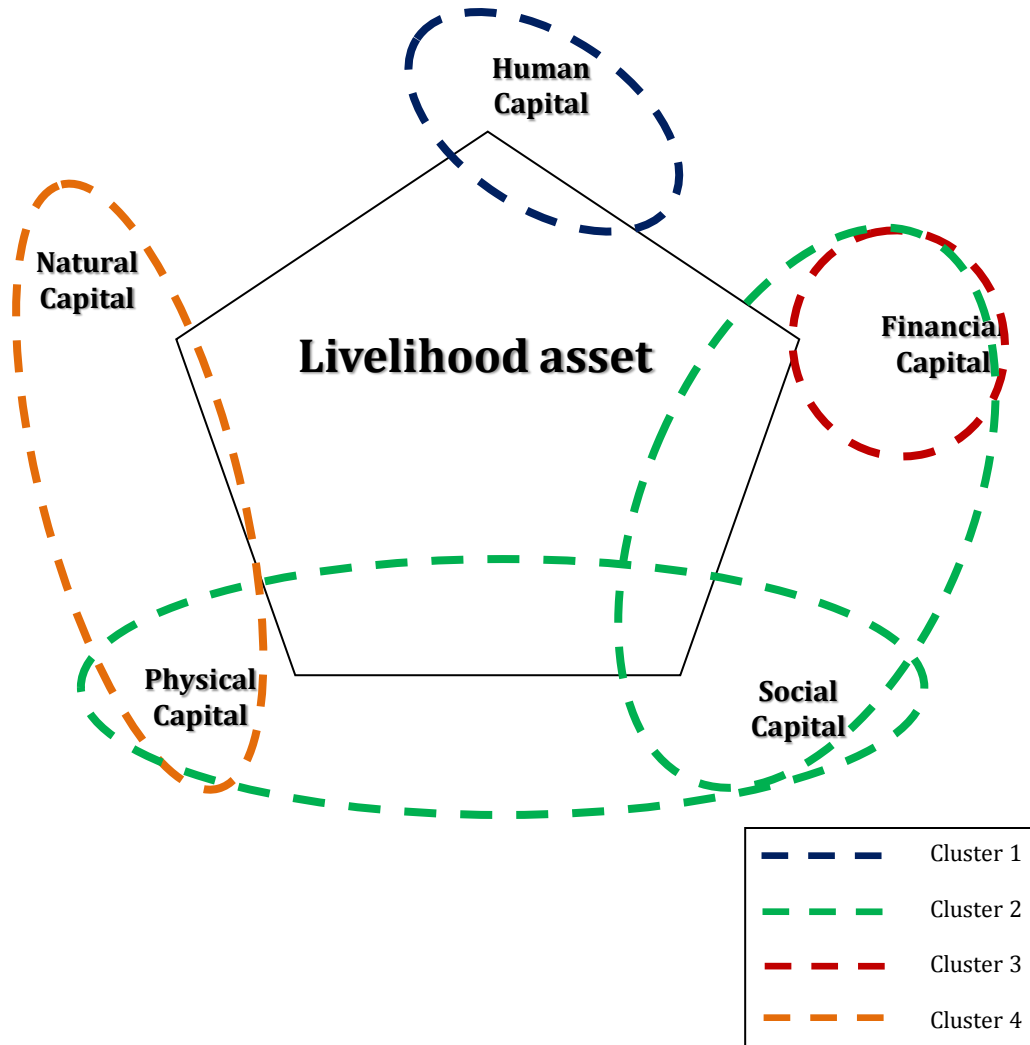
- PNPM
- Small Credit
- Housing for the poor
- Clean water for the people
- Low cost electricity for the poor
- Provide public transportation for the people
- Increase coastal livelihood
- Increase livelihood for urban poor



2025 *Sustainable Livelihood*

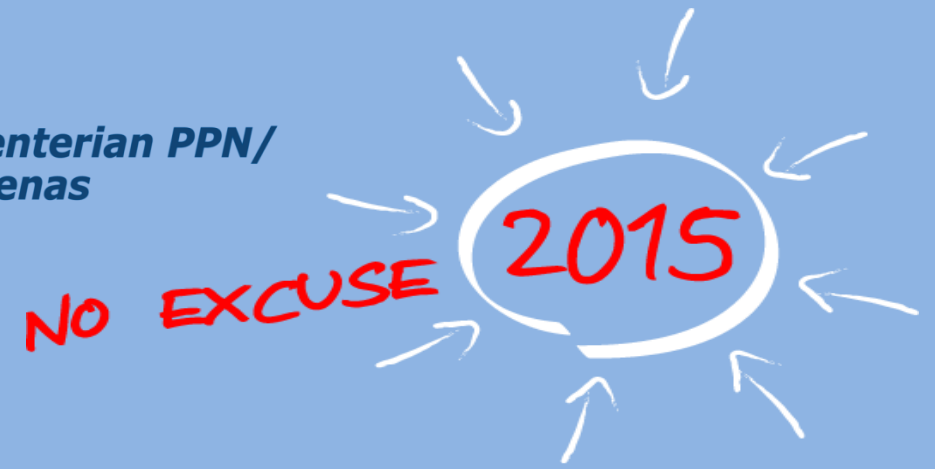
- Credit assistance, Training for small enterprise, and market integration (**financial asset**)
- Labor worker training (in collaboration with Industry, Certification, Universal Education (**human asset**))
- Village improvement, easy to use electricity and clean water system (**infrastructure asset**)
- Environment protection and pollution overcome (**natural asset**)
- Participatory planning for community (**social asset**)

POVERTY ALLEVIATION AND SUSTAINABLE LIVELIHOOD: FUTURE PNPM



Main Principle

- Reducing vulnerability (increasing resistance to shocks and crises).
- Maintaining existing assets (social and natural).
- Focusing on improving the livelihood asset accumulation, especially productivity.



VOICES AGAINST POVERTY

THANK YOU

