

THE REPUBLIC OF INDONESIA
EXPERIENCES IN DEVELOPING POVERTY REDUCTION STRATEGY
The Regional Conference on “Poverty Monitoring In Asia”

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Poverty is a global phenomenon. Different countries may face different intensities of poverty problems, and may have different policies and experiences in poverty eradication.

Indonesia is the world's largest archipelago, comprising more than 17 thousand islands with a total coastline of 81 thousand km. It extends across a landmass of 741,101 square miles, has territorial water of 3.17 million sq. Km.

Indonesia's population 215 million people make it the World's Fourth most populous after China, India, USA. Its growth rate is less than 2 %. (slide 2-3)

The preamble of the Indonesian Constitution states that the major objective of the nation is to improve social welfare of the people. The social welfare among others can be materialized through poverty eradication. In order to reduce Poverty, it needed increasing income and reducing expenditure of the poorest households.

As a global phenomenon Reducing Poverty and Social Welfare depend on Economical, Political and Social Stability. Political and Social Stability depends on Economical Growth. (slide 4)

[The Incidence of Poverty]

Based on statistical data of Central Bureau of Statistics, the number of people under the poverty line in Indonesia in 2003 reached 37.4 million people or about 17.4 %. This implies that the incidence of poverty has decreased 6 % as compared to poverty (after economic crisis), 23.4% in 1999. (slide5)

The national poverty line has been nationally established based on the amount of Rupiahs required by an individual to pay the need of 2,100 calories per person/day and non-food needs such as housing, clothes, health, education, transportation and various other items. The cost for 2,100 calories per day is called Food Poverty Line (GKM) and a cost for minimum non-food needs is called Non-Food Poverty Line (GKNM). An individual with an expense below Poverty Line is called a poor person or a person below poverty line. (slide 6-7)

Based on statistical data of Central Agency of Statistic, as I have mentioned above the number of people living under the poverty line in 2003 has reached 37.4 million or 17.4% of total population. This implies that the number of poor people has decreased 1.1 million or 0,8% as compared to poverty incidence in 2002. Compared to the World Bank criterion of one dollar per day as a poverty line, the proportion of the poor in Indonesia is 7.4% of total population, but will reach 53.4% of total population if two dollar per day is used as the poverty line.

However, there are still many Indonesian families who are not currently categorized as poor but are vulnerable to falling into poor groups. This condition is due to a large number of families that live just above the poverty line. The Human Development Report 2003 has revealed that the population without sustainable access to an improved water sources in Indonesia was 22.0%, while those who live without access to improved sanitation was 45.0%, and births without being helped by skilled health personnel was 56.0%.

During the past three decades the development policy of Indonesia was based on the principle of the trickle down effect, centralistic, uniformity, and less consideration on socio cultural diversities. The approach towards Alleviation of Poverty was tending fragmented. (slide 8)

Learned from the previous approach we see the new paradigm that Poverty needs to be looked broadened beyond the traditional expenditure, the Poor are The Main Actors in The Fight Against Poverty; based on regional approach, therefore the Role of The Government, Donors, NGO's Society Should Facilitate The Poor to Overcome Their Problems But Not Attempt to Solve The Poverty Problem For Them. (Trans 9)

Based on the New paradigm, It is need a new Poverty Reduction Strategy, because Indonesia living in a new political environment of freedom and democratization. We are now setting up the new foundation to combat poverty based on regional approach and decentralization policy. Act No. 22 year 1999 on Regional Autonomy provides a greater role of local government at the district levels in eradicating poverty.

One important way to combat poverty is to create conducive climate to promote equitable development in every aspect of livelihood. It is realized that equitable development is a key factor in accelerating economic growth in the rural area, reducing poverty and increasing people's welfare. Emphasis on development growth alone is not able to solve the problem of poverty; development growth has to go at the same time with the principle of equity or the balance with the development of health and education services. They should also reach and have an impact on the poor people. The provision of job opportunities, safe water, affordable foods, and good quality of the environment, fair justice and court system, as well as better social cultural atmosphere should also be prioritized.(slide 9)

The Government of Indonesia has committed to place poverty reduction as the priority as shown by Act No. 25 year 2000 on National Development Program (PROPENAS). It was stated that the incidence of poverty has to be reduced by 4% within five years (2000-2004). However, it is realized that we may have difficulty to achieve this target, primarily because we have not been able to create conducive climate for investment due to domestic security problems. Fortunately, the recent achievement in macro-economic stability has shown good indicators to stimulate business and economic growth. The challenge now is how to bring the macro-economic stability to develop micro, small, and medium enterprises to grow that we believe will provide equitable development a key factor in reducing poverty and increasing people's welfare. (10)

Our past experiences showed that emphasis on economic growth itself is not sufficient to solve the problem of poverty. The policy on economic development should guarantee the provision of basic public goods and services such as health and education facilities, job opportunities, potable water, affordable foods and a good quality of the environment. Fair justice and court system, as well as better social cultural atmosphere should also be maintained.

Poverty Reduction Strategy

Indonesia already has Interim Poverty Reduction Strategy Paper (IPRSP). The IPRSP was developed by the Coordinating Team for Poverty Reduction Policy Formulation (TKP3KPK) that established by the Head of the Poverty Reduction Committee (PRC) involving comprehensive stakeholders on Poverty Reduction through serial coordinating meeting both locally and centrally. The current and future agenda of TKP3KPK will coordinate establishing process of PRSP. In this opportunity I would like to describe briefly Road Map to establish PRS based on IPRSP.

Indonesia applies two grand strategies on poverty eradication, they are:

- (1) increasing income through productivity improvement and provision of better access and opportunities for poor community to participate in social, economic, cultural and political activities, and
- (2) reducing the costs of basic needs, education and health services, as well as of public transportation. (Trans 11-12)

The two grand strategies are accomplished by means of four pillars strategic policies namely:

- a) Create wide opportunities in which the government along with private sectors and communities should make efforts to create as much business and employment opportunities for poor people.
- b) Community empowerment in which the government, private sectors and community should empower the poor people so they are able to attain their economical, social and political rights.
- c) Capacity building in which the government, private sectors, and community assist the poor people to enhance their capacity and capability to do the work and attain higher level of income.
- d) Social protection in which the government with the support of private sectors and communities provides social protection and security scheme to also cover the poor people, particularly the poorest groups such as senior citizens, neglected children and disabled persons, and the poor communities due to natural disasters, negative impacts of economic crises, and social conflicts.
(Trans 13)

More detail descriptions about four pillars stated above as follows. In creating employment and business opportunities, we need to have sustainable economic growth. The economic growth in Indonesia has been driven more by investment rather than by consumption. Economic growth of 6% per annum is expected to absorb about 2.5million labor force. Equitable economic growth and income distribution are equally important. About 78% of the poor people in Indonesia live in rural areas. Most of them highly depend on off-farm income

sources. Meanwhile, the poverty problems in urban areas are mostly related to a high unemployment rate, especially among women.

The problems in creating employment and business opportunity are mainly related to the lack of access to employment and factors of production. The Lack of access to employment is influenced by level of education and health, while lack of access to factors of production includes of access to working capital, market, and asset ownership. This is way the land management and policy, including land certification, is one of the main items outlined in the poverty eradication. In addition, several issues related to land tenure and poverty, such as forestry land, requires further attention.

Access to market and services to the poor can be improved through improving road infrastructure. The important consideration on this issue is how to ensure that the provision of road and other infrastructure will be actually benefits to the poor by reducing the cost of accessibility to basic needs. On the other side, effort to increase the income of poor people will mostly relate to the improving of farmer incomes through micro and small-scale agribusiness.

In many cases, the poor are not able to participate effectively in the decision making process. The consultation of projects arrangement that has impact upon their lives is a good example on this. Lack of access to decision-making process can be translated directly into lack of power. The condition become worst because the poor are often do not have suitable skills and organizational capacity, which make it more difficult to take advantage of potential economic and political opportunities.

Therefore, community empowerment should be focused on a demand-driven community development. The community, including the poor, women, and marginalized people can make coherent demands and contribute to the reform process. The community should have link to the service providers to get a higher quality and more access to basic services, such as education, health-care, and potable water facilities.

We also realize that the reduction of corruption and the improvement of the court and justice system will have on poverty. That is why the PRSP formulation

put a strong consideration in increasing the transparency and accountability, improving governance, and stimulating citizen voice at local level.

In the field of human capital and capacity building, we should improve the provision of health and education services. Poor health and educational condition will lead to lower productivity. Efforts to improve health and education conditions require better management and accountability in delivering different kind of services. The increase of budget for health and education sectors should be utilized not only to expand the programs, but also to improve the management, efficiency and quality of service delivery.

It is realized that until now only a very small percentage of poor families have access to have good basic medical services. Therefore, delivery system of health services should be improved and expanded.

In the field of education, most of primary school building and facilities were built in 1970s and 1980s. Now they need urgent renovation and rehabilitation. The quantity and quality of teachers, particularly at the eastern part of Indonesia should be prioritized. Basic education up to 9 years of schooling should be provided to all children including of poor family. Under decentralization, the responsibility to provide basic education services has been transferred to district level. This required the need to have quality standard of education delivery services, school managerial capabilities, and accountability of service providers. In bridging the world of education and the world of work, the extension of vocational training is very important, not only to provide skilled labor force to fill jobs at the modern sectors, but also to increase employability of the new entrants for self-employed and to run micro and small-scale enterprises.

The fourth aspect of PRSP formulation is social protection. The fact shows that the poor families are vulnerable to various social and economical shocks, such as increases in prices of goods, illness, and crop failure. Those vulnerability

as well as gender issues and women empowerment would be well addressed in the formulation of PRSP.

Removing or lifting-up the poor people above the poverty line should overcome the vulnerability of the poor. This can be achieved by designing sustainable and equitable economic growth, mitigating social conflict, avoiding natural disasters, and improving the distribution of safety net program, such as rice for the poor or RASKIN.

At present, Indonesia is preparing a comprehensive social security system that covered health insurance, work accident insurance, unemployment benefit, old age pension, and life insurance. It is also important to increase the awareness and ability of the people to have as much benefit as possible from available services for them provided by the Government, businesses, and communities.

These are among the crucial issues we need to consider in formulating the Indonesian PRSP. The remaining question is how to encourage all stakeholders to fully participate and give their valuable contribution to the process, and the implementation as well. This demands a mobilization of funds and other resources to cover all stakeholders in 32 provinces and 416 districts around the country.

Both macro and micro policies are designed to support the two grand strategies and the four pillars strategic policies. In this regard, the mainstreaming of various policies and programs is very crucial in order to improve efficiency and effectiveness of all programs on poverty reduction initiatives.

Mainstreaming is defined as an effort to place a right perspective and consistency on inter-policy and inter-program, as well as between programs and budgeting, between target formulation and its delivery system. The mainstreaming process should also be able to delineate redundancy but facilitate synergy among programs conducted by various institutions.

Mechanism on the Formulation of PRSP

The national Director of the PRSP formulation is the Committee for Poverty Alleviation (KPK). The Coordinating Minister for People Welfare chairs the KPK and the Vice Chairman of KPK is the Coordinating Minister for Economic Affairs. Members are Ministers and Heads of National Agency.

To coordinate the formulation of PRSP, the KPK has established a Coordinating Team (TKP3KPK) which members consist of senior officials, representatives of stakeholder including NGOs, professional organization, private sector, academic and other community organization.

Based on the four pillars principles in formulating PRSP, the Coordinating Team established 4 (four) Task Force. Member of each Task Forces represent governments, private sector, NGOs, community organization and academic. (slide 14)

The step for the PRSP formulation that should be followed by each Task Force are :

- Review previous policies and program
- Joint program for poverty Analysis
- Setting the indicator and target for poverty reduction
- Creating monitoring system and evaluation

The Coordinating Team (TKP3KPK) is also responsible to assist the region in preparing and formulating the regional PRSP. (slide 15)

The diagram describes the working mechanism between the national and regional PRSP formulation

Steps for Strategy Formulation

Participatory Poverty Assessment plays a very important role before the PRSP is formulated. The feedbacks from the PPA are very fundamental in giving consideration and analysis towards the poverty alleviation strategy.

The following step is to look at the previous policies and programs on poverty alleviation. For example, why the policies and program could not solve the poverty program. Where the problem is?

Other activity to support the PPA and policies and programs review is the policy research. It should be very selective. For example the research may be conducted on farmers in certain agriculture area or informal sector in certain urban area

The Role of Local Government

As has been mentioned earlier, acts on Regional Autonomy move the system from a centralistic government administration to a more balance distribution of power and functions between central and local government. The two new laws have officially been implemented starting January 1, 2001 and provide wide range autonomy to the district and municipal governments, among other full authority in planning and implementation as well as on local revenues and spending. (slide 16)

The laws also imply that local governments will play a greater role directly and indirectly on poverty eradication programs, which include:

- (1) the policy and regulations formulation,
- (2) the provision of public services, and
- (3) the provision of facilitation to support all institutions involved in the poverty eradication programs.

Moreover, in dealing with poverty eradication in rural areas, local government needs to apply the following principles. (slide 17-18)

- 1) Developing a food stabilization system as the part of economic crisis recovery, protection for impact of food-shortage crisis, and application of food resources diversification in rural areas;
- 2) Conducting a series of integrated efforts to accelerate the poverty eradication process and reducing the number of unemployment caused by the economic crisis rural areas, developing a food stabilization system for economic crisis recovery including food-shortage crisis and utilizing the opportunity for food resource diversification in rural areas;
- 3) Optimizing the utilization of natural resources under the environmental consideration and sustainable development principles;
- 4) Improving the community productivity through human resource development program and agricultural product diversification;
- 5) Developing the agribusiness sector through a working collaboration between production line and marketing lines under an equitable and open-competitive market mechanism and social expectations;
- 6) Developing agribusiness system towards an agro politan pattern on a global competition, by utilizing applied and advanced technologies;
- 7) Empowering communities especially peasants and fishermen through the provision of village facilities. The peasant and fisherman communities are involved in the development process from the planning stage through the utilization of the development results.
- 8) Improving the development implementation at village areas based on the decentralization principles and local regulations.
- 9) Implementing rural development transparently by developing and maintaining integration, among development activities across sectors and local areas, collaboration among all members of the society, self competence, business activities and self-reliance spirit in involvement community in the decision making process.

MONITORING POVERTY IN THE INDONESIA PRSP

Dealing with poverty eradication, the most strategic and important think is the availability of the poverty data and information accurately and timely. The Poverty mapping is the first step that could lead to the clear poverty situation. Based on information's drowned from the relevant and right data, the poverty reduction strategy could be formulated and implemented to address the poverty problems properly.

Inclusion part of the PRSP namely the medium and long-term goals for poverty reduction outcomes (monetary and non-monetary), indicator of progress, and a set of annual and medium-term targets. In this context, Indonesia committed to implement the Millennium Development Goals.

Indonesia PRSP put the monitoring and evaluation as a big consideration. To ensure the success of the poverty reduction policy and programs implementation and target achievement, a proper monitoring and evaluation system is necessary. The system shall be executed for policies/programs at macro level or national aggregate, at mesa level or regional aggregate, and at micro level or community. The development of the monitoring and evaluation system shall adopt the following principles: objective, transparent, participatory, accountable, prompt, sustainable and relevant to performance criteria/indicators.

The objectives of poverty reduction monitoring and evaluation system development are as follows:

❖ Development of Social Indicators to Monitor Poverty Condition

The expected result of this activity is establishment of social indicators-with universal or national/local perspective-to monitor the poverty condition. The monitoring result will beneficial as an input for accurate poverty reduction policy and program formulation. The development of social indicators to monitor poverty condition comprises:

- Development of aggregate or macro indicators based on universal reference- i.e. objectives and monitoring indicators such as mention in Millennium Development Goals agreed by the U.N. General Assembly in 2000- or national reference.

- Development of community – based or micro indicators directly absorbed from concepts and ideas at community level.
- ❖ Development of Performance Indicators to Monitor Poverty Reduction Policies/Programs.

The expected result of this activity is establishment of performance indicators to monitor poverty reduction policy/program implementation. The performance indicators shall be able to be utilized as a monitoring instrument for various important aspects in poverty reduction policy/program implementation, i.e. target achievement, efficiency, accountability, or any deviations that exist, including their causes. The performance indicators consist of input, process and output indicators.

- ❖ Development of performance Indicators to Evaluate Poverty Reduction Policies/Programs.

With regard to the MDG of eradicating extreme poverty that is plaguing much of the developing world today, besides the steps taken as mentioned above, The Government of Indonesia also made plans to improve food security, lower infant and child mortality, established a nine-year compulsory basic education program for schooling age children, increased to 20 percent the amount of government budget allocated for education expenses, and made plans to improve people's access to save drinking water. As a cornerstone of its poverty reduction plan, the government is currently working on a draft of the National Poverty Reduction Strategy Paper, in consultation with local governments, donor agencies, the private sector, and NGOs/ civil society organizations.

Better targeting and coordination by the government (both central and local) is needed to ensure that poverty reduction programs would truly meet their targets. Indonesia is still lacking a reliable institution that would lead the government effort to reduce poverty and to respond effectively to crises that could create adversarial impacts for the welfare of the poor and the near poor population (such as economic downturn, and natural disaster). Sharing of experiences in such an

institutional development and poverty alleviation programs with specific or broad based targeting will be of particular important in this regional countries.

It has been recognized that successful poverty reduction requires the implementation of good governance practices that improve government accountability to its constituents, and these need to be promoted both at national and regional level. Better cooperation with non-governmental stakeholders and the poor populace is also necessary in planning and implementing crucial policy decisions such as poverty reduction. Donors and International organization could assist and facilitate the strengthening of government-civil society partnership in poverty reduction effort.

Finally, once again I would like to thank to the Government of Philippines, ADB headquarter and All Parties for the cooperation and support to conduct this conference.

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