



# THE INDONESIAN EXPERIENCES IN DEVELOPING POVERTY REDUCTION STRATEGIES

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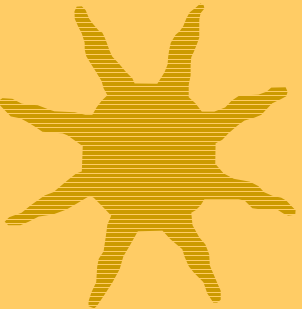
by  
**DJOHARIS LUBIS**

Deputy Poverty Reduction  
Coordinating Minister of People's Welfare  
Republic of Indonesia



# *Introduction*

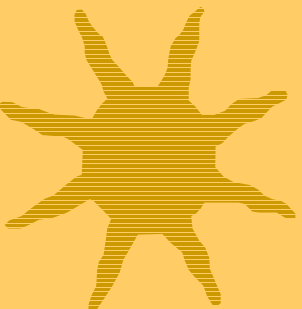
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Indonesia:

A Country of Many Splendor Things

- Many islands. The largest archipelago on earth;





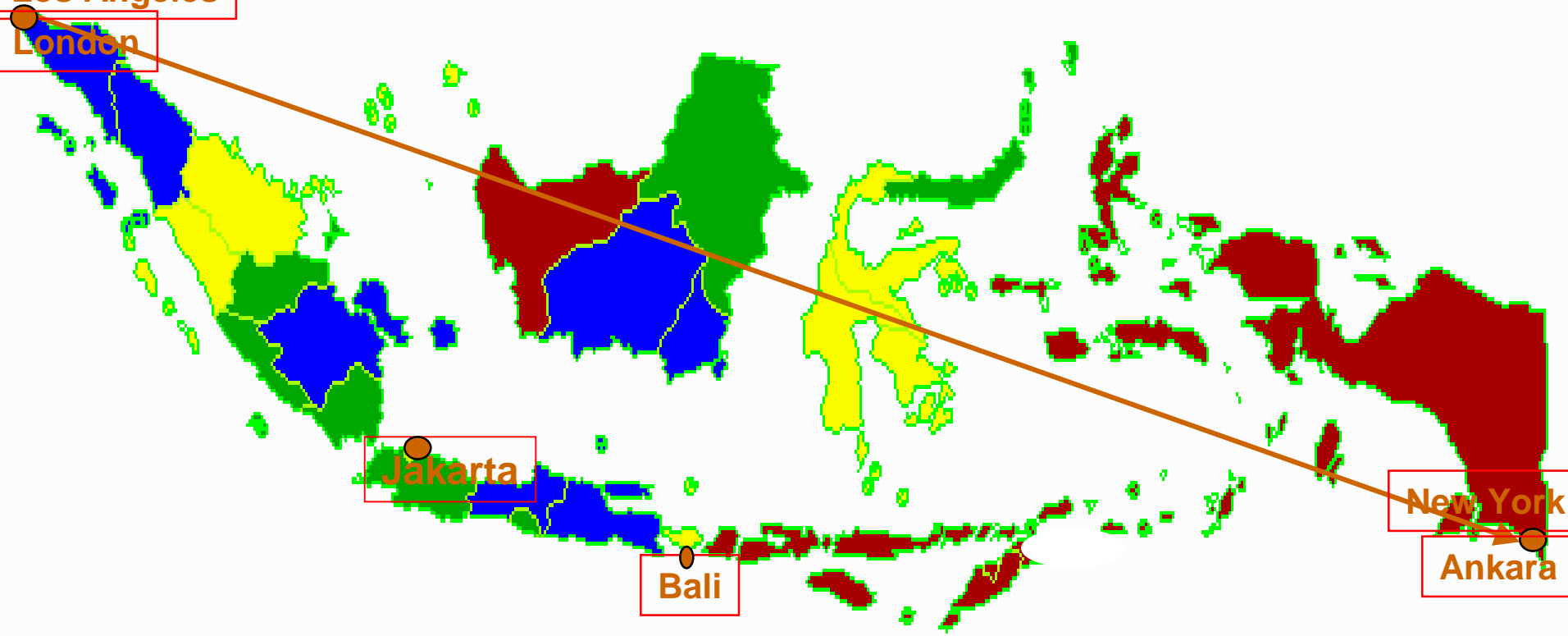
# INDONESIA

Los Angeles  
London

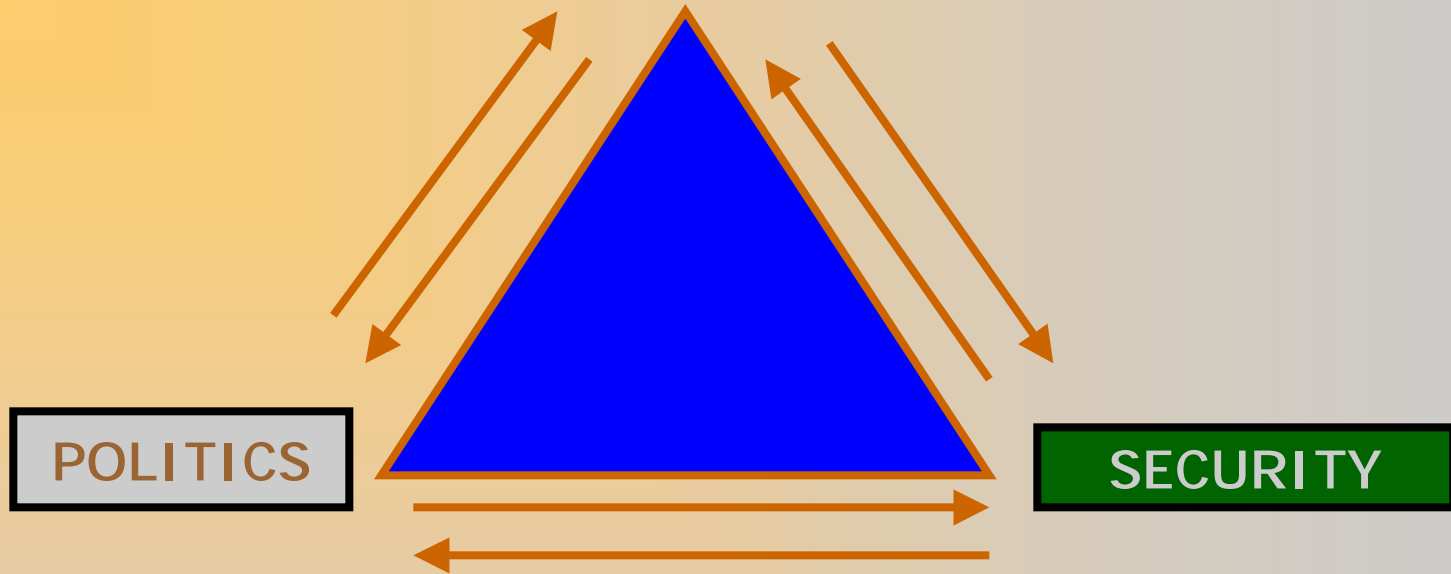
Jakarta

Bali

New York  
Ankara



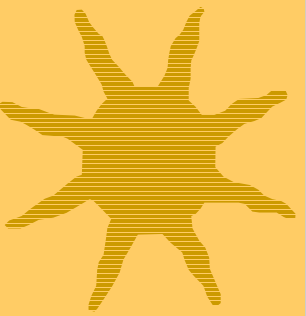
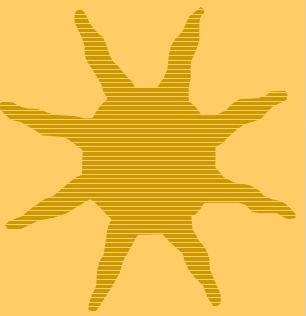
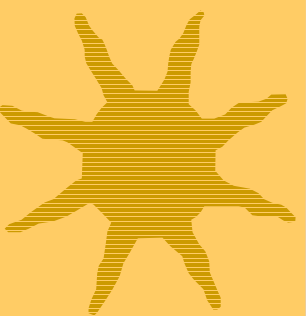
# SOCIAL WELFARE & ECONOMIC GROWTH



- Social welfare can be improved by reducing poverty
- Poverty can be reduced through economic growth
- Economic growth depends on political and social stability
- Political and social stability depends on economic growth



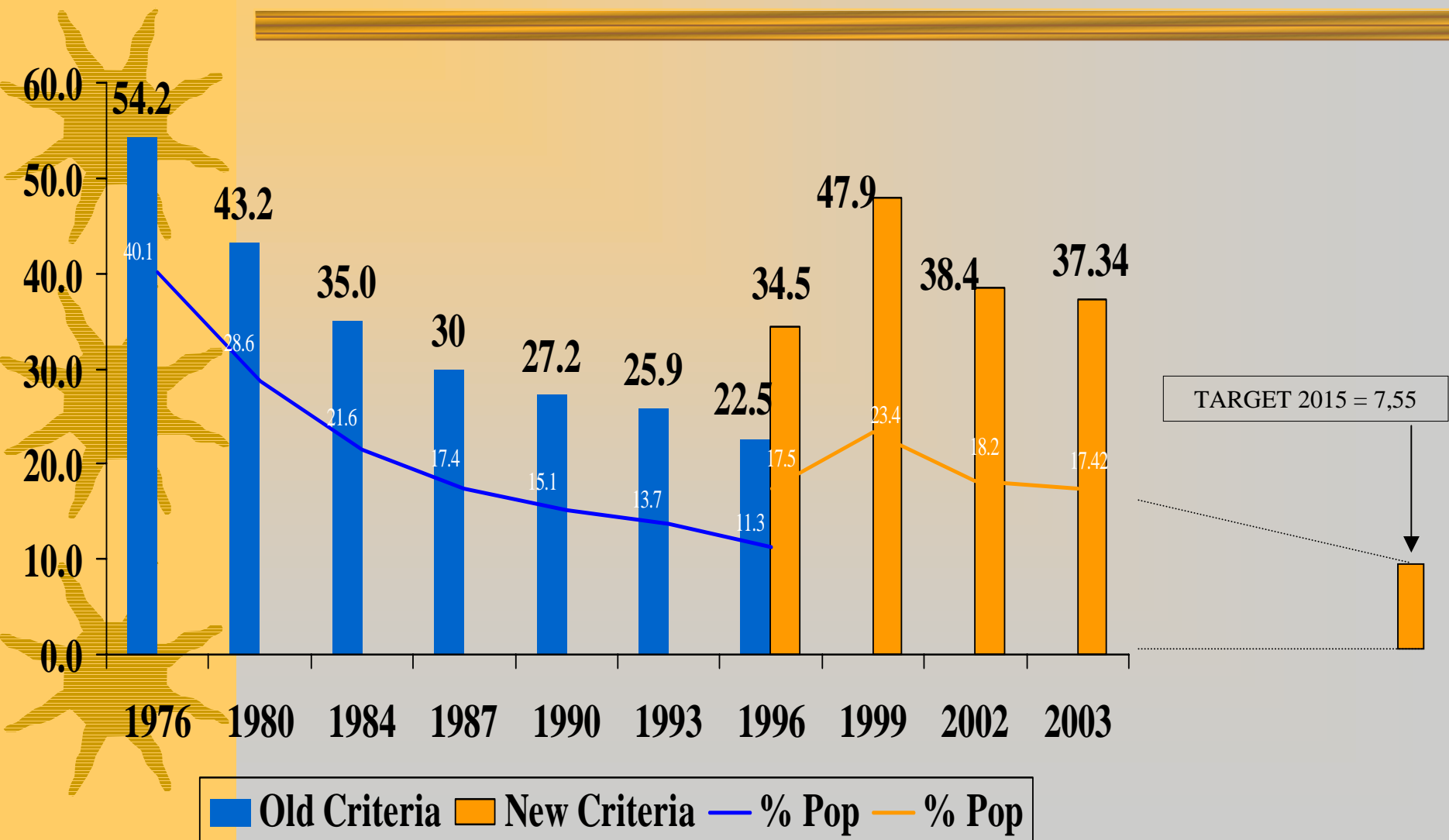
# NUMBER AND DISTRIBUTION OF POOR PEOPLE



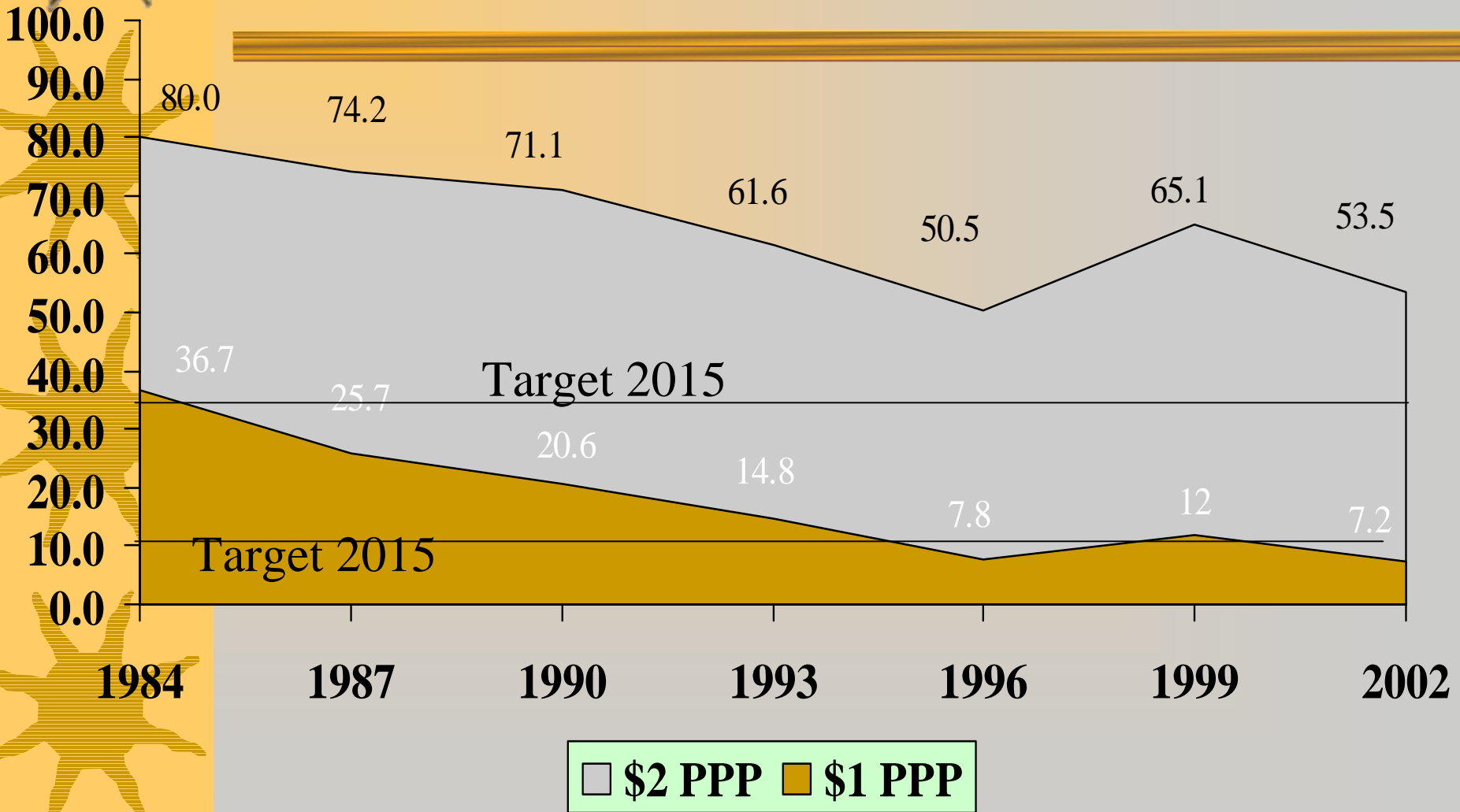
No.	Year	Number of the poor (million people)	Percentage of total population (%)
1.	1976	54,2	40,1
2.	1996	22,4	11,3
3.	1998	49,5	24,2
4.	2003	37,3	17,4



# Poverty Trend : Indonesia 1976-2003



# Poverty Trend : Indonesia 1984-2002 (International Standard)





# ***The Past Poverty Reduction Approach***

- ◆ **Trickle Down Effect**
- ◆ **Centralistic**
- ◆ **Uniformity**
- ◆ **Less Consideration on Socio-Cultural Diversities**
- ◆ **Top-down Approach**



# *The New Paradigm of Poverty Reduction*

- ◆ **The Definition of Poverty Needs to be Broadened Beyond The Traditional Expenditure**
- ◆ **The Poor are The Main Actors in The Fight Against Poverty**
- ◆ **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**
- ◆ **Centralistic to Decentralization**
- ◆ **Trickle down effect Approach to be Regional Approach**
- ◆ **Government as facilitator and mediator**
- ◆ **Government more rowing rather than steering**



# GOVERNMENT COMMITMENT

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Act No. 25 year 2000 on National Development Program (PROPENAS):

“Incidence of poverty has to be reduced by 4% within five years (2000-2004)”



# *TWO GRAND STRATEGIES*

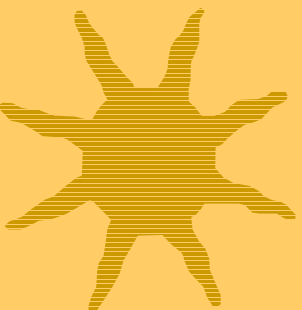
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**1. Increasing income of the poor.**



**2. Reducing expense of the poor.**





# *FOUR STRATEGIC PILLARS*

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**1. Promoting and creating opportunities.**

**2. Community empowerment.**



**3. Capacity building & human resources development.**

**4. Social protection.**



TO IMPROVE PEOPLE'S WELFARE

POVERTY REDUCTION

INCREASING INCOME

EXPENCE REDUCTION

-TO SYNCHRONIZE  
MACRO AND MICRO POLICY STRATEGY  
-TO SYNCHRONIZE  
-MACRO AND MICRO OPERATIONAL POLICY

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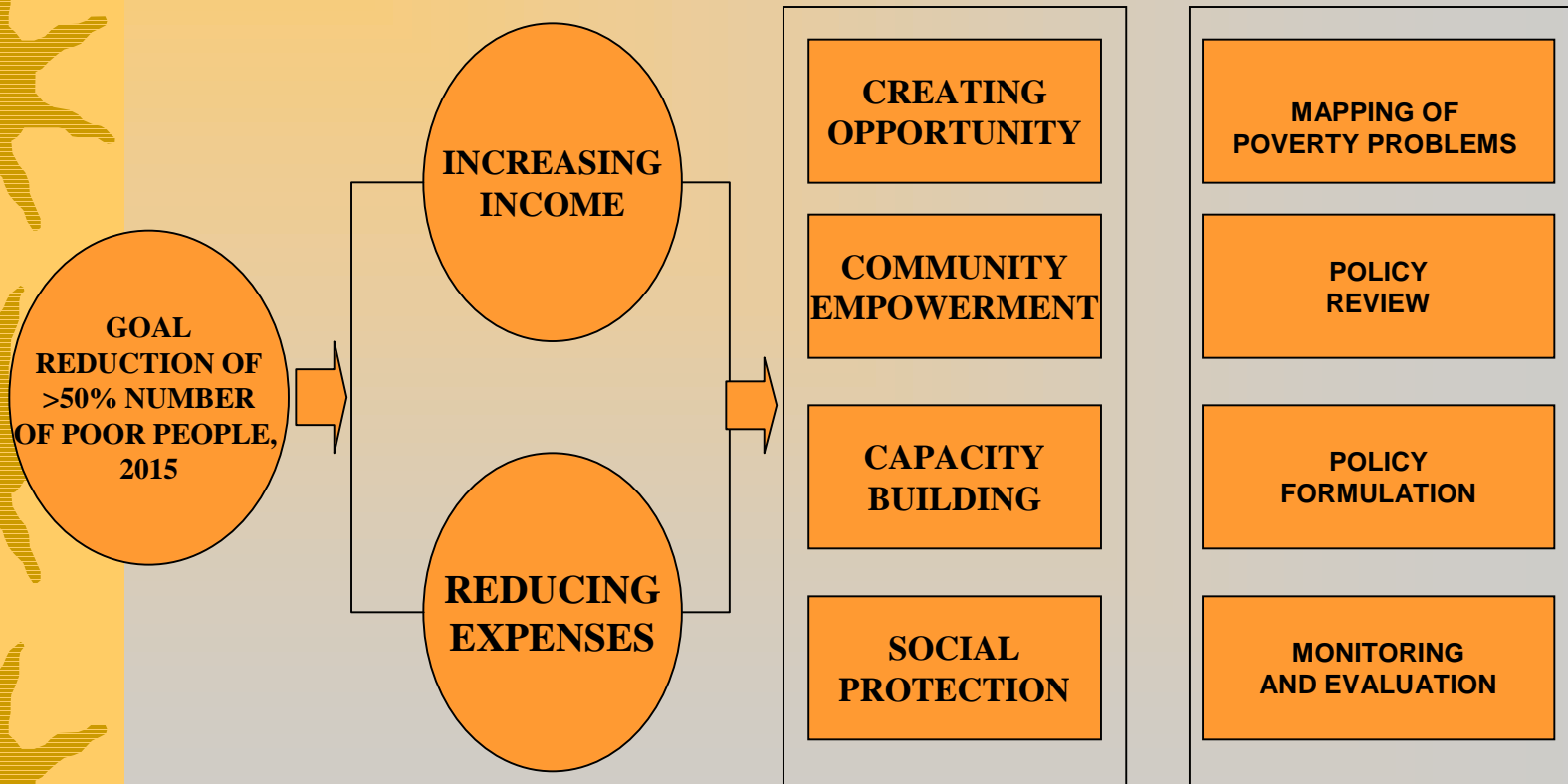
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Meanstreaming Poverty Reduction as an effort to place a right perspective  
And inter-policies consistency, Inter-programs, budgeting, targeting and  
delivery system



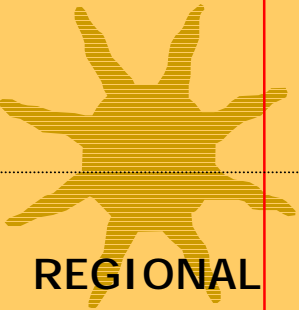
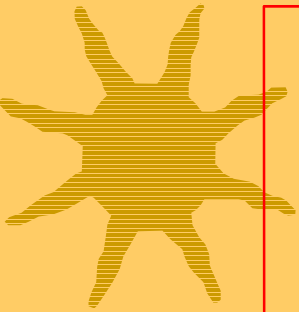
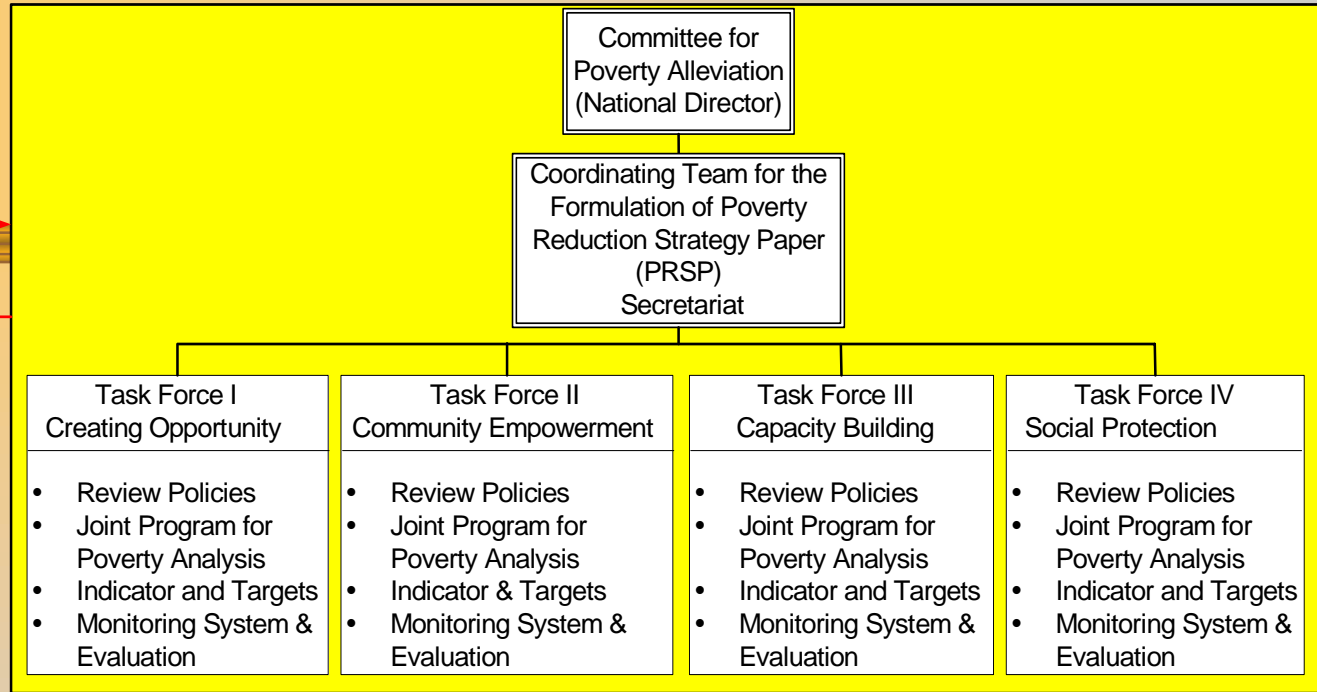
# *FORMULATION FRAME WORK FOR LONG TERM POVERTY REDUCTION STRATEGY*



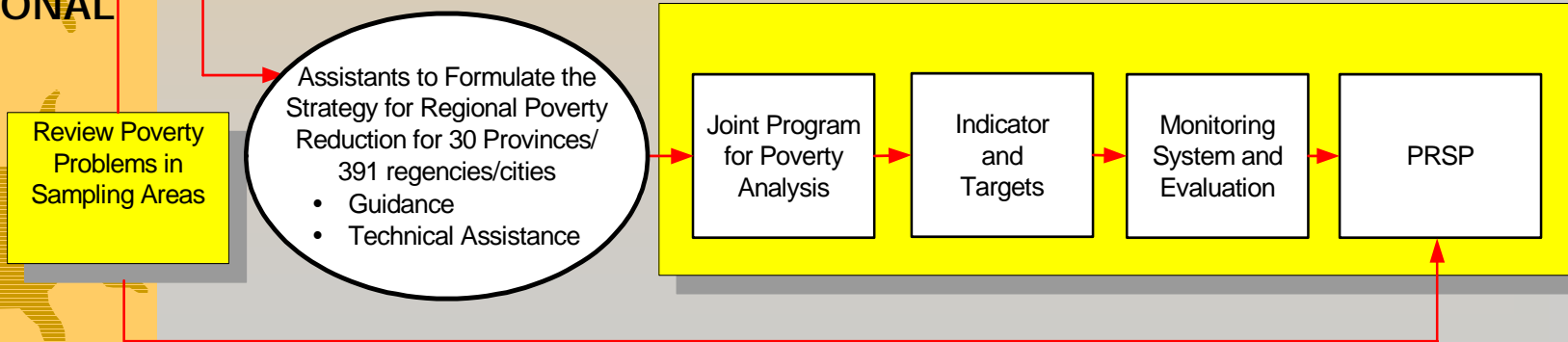
# MECHANISM IN FORMULATING PRSP



**NATIONAL**



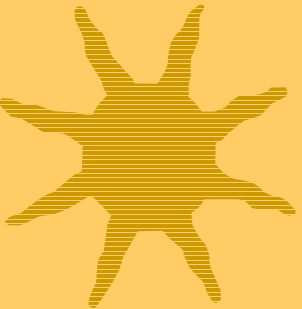
**REGIONAL**



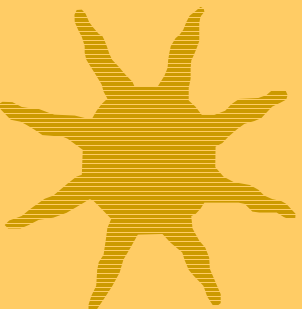
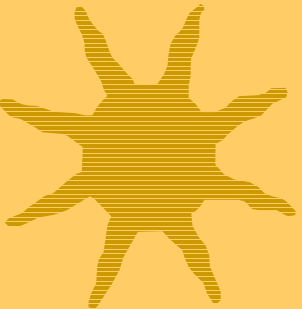


# *The role of local government*

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- ★ Local Policy and regulation
- ★ Direct role on combating poverty and delivery services to the poor.
- ★ Facilitating and supporting wider participation in the combating poverty effort
- ★ Implementing common principles in dealing poverty eradication.





# *POVERTY REDUCTION PROGRAMS*

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**1. Provision of basic needs for the poor to help them with food, basic services in health, education and shelters.**



**2. Development entrepreneurship and skills of the poor.**



**3. Development of Social Security System.**

**4. Partnership.**





The first program includes activities for :

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**1. Provision and sustainable stocking of basic needs;**



**2. Control of the prices of basic items;**



**3. Provision of basic services, especially in health and education;**



**4. Expansion of distribution networks for basic needs, and**

**5. Improvement of residential environments including supply of save water.**



The second program includes activities on :

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- 1. Development of business education and training;**
- 2. Advocacy through guidance and consultations;**
- 3. Development of business collaboration networks supported by local community organizations, local government, private sector and universities;**
- 4. Opening of accesses to resources;**
- 5. Provision on infrastructure and facilities for business of the poor, and**
- 6. Establishment of new transmigration location for farmers and agricultural laborers (non-land farmers).**



The third program includes activities on :

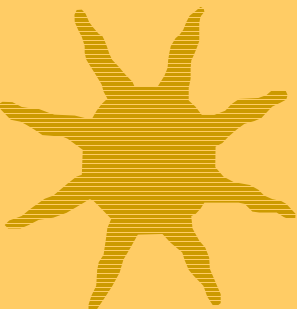
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- **Development of effective Social Security System suitable with local customs;**



- **Consolidation of the existing social security system, and**
- **Strengthening of regional government capacity and population in social security management.**





# *Activities conducive to Transparency and Participation*

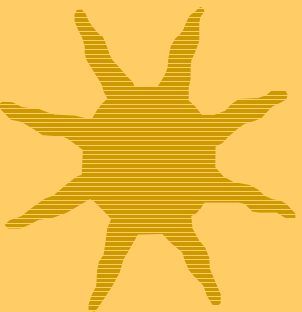
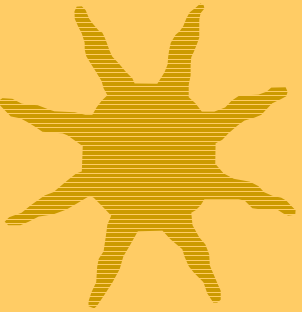
**Dissemination of Data**

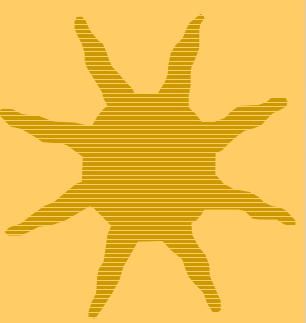
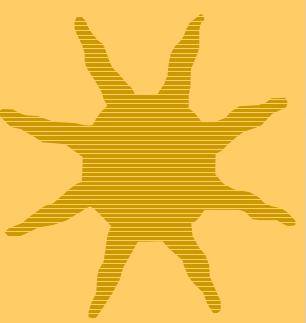
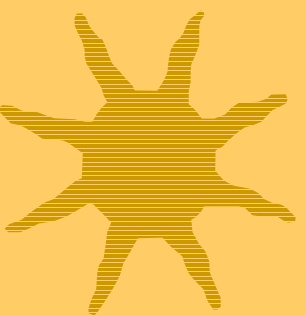
**Involve Public  
in Monitoring**

**ACTIVITY**

**Feedback from  
the Public**

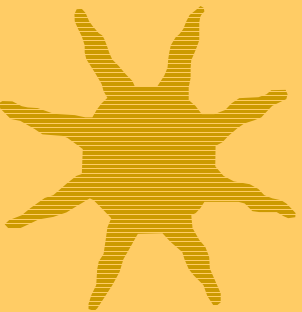
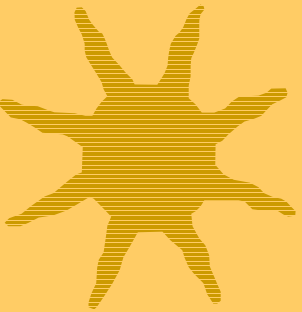
**Increased  
Budget Transparency**

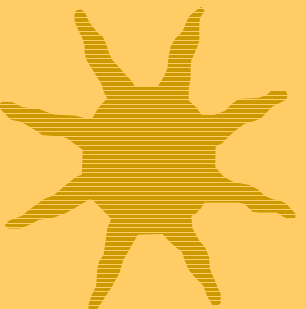
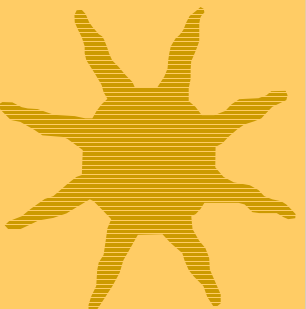
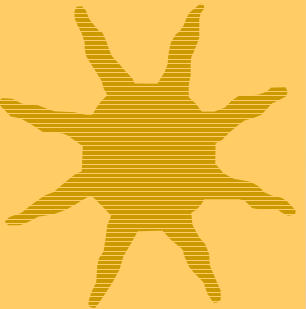




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THANK YOU

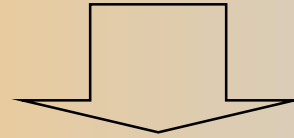




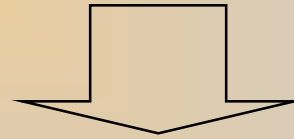
# CHALLENGE 1

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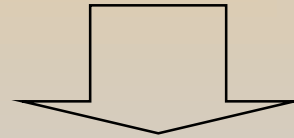
Macroeconomic stability



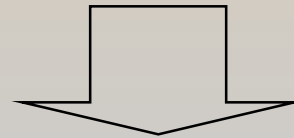
Development of micro, small, and medium enterprises



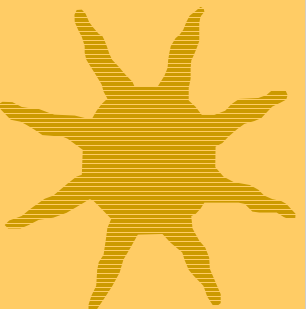
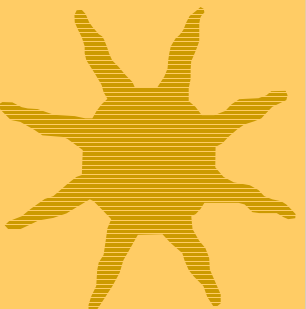
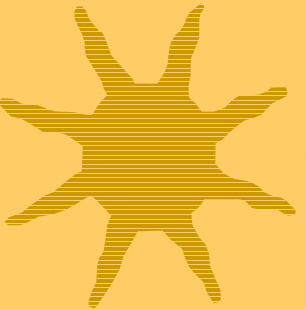
Equitable development



Provision of basic, social, and economic goods and services



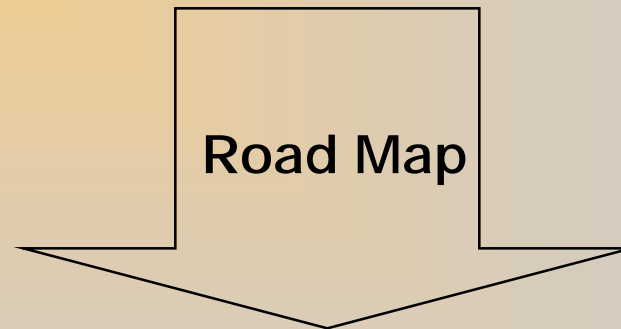
Reducing poverty



# PRSP Formulation

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Interim PRSP



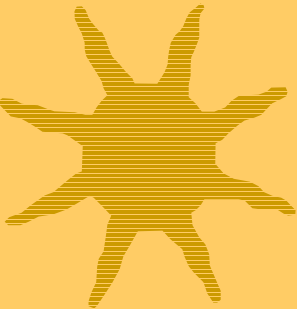
Full PRSP  
(May 2004)

Based on Participatory Approach



# PILLARS OF PRSP

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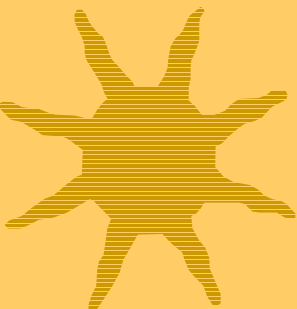
## **Promoting Opportunities:**

The government, private sectors, and communities should make efforts to promote as much business and employment opportunities for poor people.



## **Community Empowerment:**

The government, private sectors, and communities should empower poor people to be able to attain economical, social, and political rights.



## **Capacity Building and Human Resource Development:**

The government, private sectors, and communities have to assist poor people to enhance their capacity and capability.

## **Social Protection:**

The government, private sectors, and communities should provides social and security schemes to protect poorest groups.



# GRAND STRATEGIES OF PRSP

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1. To increase the productivity and income of poor people.
2. To reduce the cost of poor people to meet basic needs.

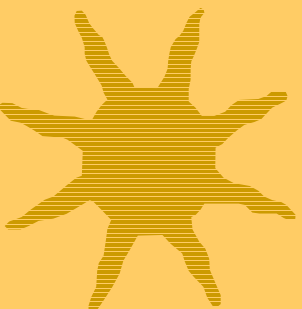
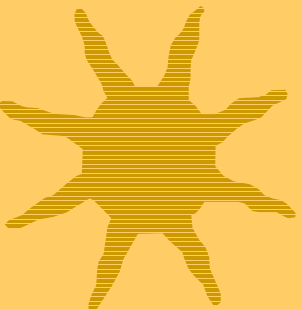
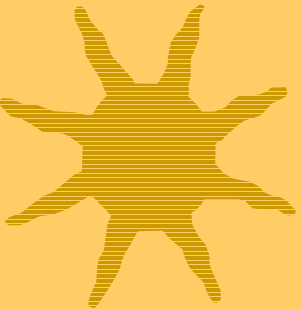
# CHALLENGE 2

New strategies on poverty reduction

Encourage  
(harmony and consistency)

Sectors and region policies and programs

Basic needs of poor people,  
gender and social disparities





# BUDGET ALLOCATED FOR POVERTY PROGRAMS

No.	Year	Budget Allocation (Rp trillion)	Compesation of oil subsidy (Rp trillion)	Commercial banks (Rp trillion)
1.	2002	16.5	2.3	37.0
2.	2003	11.9	4.4	42.0



# DECENTRALIZATION

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**Act No. 22 year 1999 on Regional Economy provides a greater role of local government at the district levels in reducing poverty.**



# STRATEGIC ISSUES ON PROMOTING OPPORTUNITIES

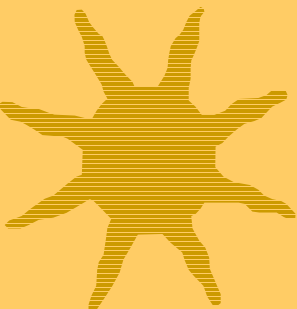
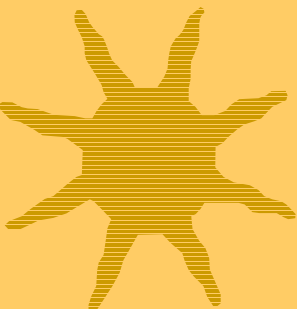
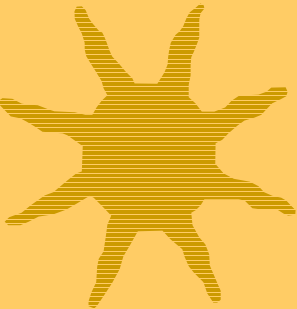
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1. Sustainable economic growth is crucial to promote employment and business opportunities.
2. Lack of access to employment (education and health).
3. Lack of access to factors of production (working capital, market, and asset ownership).
4. Provision of public infrastructure to improve the accessibility of poor people to basic, social, and economic needs.



# STRATEGIC ISSUES ON COMMUNITY EMPOWERMENT

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1. The poor are not able to participate effectively in the decision making process.
2. Community empowerment will be focused on a demand-driven community development.
3. The community should have better access to basic services.
4. Strong consideration in increasing the transparency and accountability, improving good governance, and stimulating citizen voice at local level.
5. Women empowerment.



# STRATEGIC ISSUES ON CAPACITY BUILDING AND HUMAN RESOURCE DEVELOPMENT

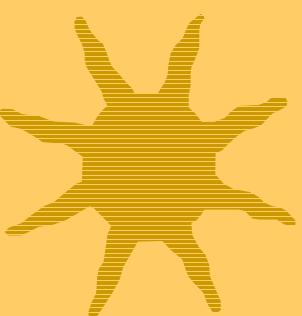
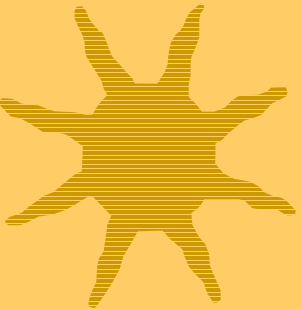
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1. Improvement of the provision of health and education services as efforts to increase the productivity.
2. Better management, efficiency, quality, and accountability in delivering kind of health and education services.
3. Renovation and rehabilitation of health and education facilities.
4. Provision of teachers, especially in eastern part of Indonesia.
5. Quality standards of educational delivery services, school managerial capability, and accountability of service providers under decentralization.



# STRATEGIC ISSUES ON SOCIAL PROTECTION

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1. Poor families are vulnerable to various social and economical shocks.
2. Design of sustainable and equitable economic growth, mitigating social conflict, avoiding natural disasters, and improving the distribution of safety net program.
3. Indonesia is preparing a comprehensive social security system.
4. Increase the awareness and ability of the people to have as much benefit as possible from available services.



# *Socio-Cultural Structure*

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Indonesia:

A Country of Many Splendor Things

- Many islands. The largest archipelago on earth;
- Many ethnic groups and races. A melting pot of cultures;
- Many cultures, including social systems, socio-cultural organizations, architectures, religions, rituals & practices, norms and values;



# *Socio-Cultural Structure*

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- Many religions: Islam, Christian (Catholics & Protestants), Hinduism, Buddhism. Constitutional guarantee;
- Many differences and similarities “Unity in Diversity”;
- Many changes, big and small.  
Impact of National Development, Global Interchange of ‘Culture’ in many aspects of life.

CONSTITUTION  
PREAMBULE

PEOPLE  
WELFARE

REDUCING THE  
INSIDENCE OF  
POVERTY

INCREASING INCOME :

- Employment Opportunities
- Business Opportunities

REDUCING EXPENDITURES :

- Education
- Health
- Infrastructure