



REPUBLIC OF INDONESIA

**POVERTY ALLEVIATION
STRATEGIC PAPER
2001-2004**

SECRETARIAT OF COMMITTEE FOR POVERTY ALLEVIATION

Jl. Merdeka Barat No. 3 Jakarta Pusat 10110

Phone: (62-21) 3849845, 3850429. Fax: 3453055

POVERTY ALLEVIATION STRATEGIC PAPER 2001-2004

I. BACKGROUND

- Poverty is a main problem in development, which is indicated by vulnerability, incapacity, isolation, and inability to speak out aspiration. Furthermore, poverty can lead to: (i) a creation of community's social and economic burden, (ii) low-quality and unproductive local human resources, (iii) low participation of community, (iv) unfavorable public order, (v) people's distrust over bureaucrats who provide services to the community, and (vi) a creation of a lost generation.
- Measures to lower the degree of poverty – which have been carried out for three decades in Indonesia – turn out to be very vulnerable to changes in economic and political conditions, social conflicts, and natural disasters. This can be seen in the number of population under poverty line. In 1976 the number was 54.2 million (40% of total population) and decreased to 22.5 million (11.3% of total population). However, after the crisis, which began in 1997, the number increased steeply to 24.5% of total population (based on August 1998 data).
- Past experience shows some weaknesses, which have to be corrected fundamentally by adopting new paradigms, among others: (i) the orientation of development is still on macroeconomic growth rather than even distribution; (ii) policy centralization rather than policy decentralization; (iii) charity-oriented rather than transforming; (iv) people are placed as objects rather than subjects; (v) the standpoint on poverty alleviation is still oriented on charity rather than productivity; (vi) the problem assumptions and poverty solutions are often considered uniform rather than diverse.
- Challenges faced today in the measures to alleviate poverty are demands on applying new values, which are among others: (i) good governance; (ii) autonomy and decentralization; and (iii) development that sides with poor people.
- Based on the past experience and challenges faced today, it is necessary to perform significant means in alleviating poverty. Thus, it is indispensable to formulate comprehensive poverty alleviation policies. Those policies must be integrated among policies and central-local governments, along with civil society, private sector and local community groups.
- To put more focus on the poverty alleviation policies, the orientation of poverty alleviation shall be directed to: (i) measures to increase poor people's productivity in order to raise their income by means of local economic development, through bank financing and assistance; (ii) measures to lighten the spending burden of poor people through improving access to the needs for education, health, social protection, and local social economic infrastructure by means of central or local government intervention.

II. CONCEPTS AND GENERAL DEFINITIONS OF POVERTY

- Poverty is related to economic, social-cultural and political aspects. Therefore, the definitions of poverty are as follows: (i) inability to fulfill the basic needs (food, education, health, housing, clean water, transportation, and sanitation); (ii) vulnerability; (iii) incapacity; and (iv) inability to speak out aspiration.
- Poverty is categorized based on its causes, which are – among others – structural, cultural and natural. Structural causes are factors related to existing policies, regulations and institutions that hinder people's productivity and mobility. Cultural causes are related to unproductive values, low-level education, and low health and nutrition conditions, while natural factors of poverty is represented by natural and geographical conditions, for example, the remoteness of a certain region.
- Furthermore, poverty dimensions consist of four main points, which are: (i) lack of opportunity; (ii) lack of capabilities; (iii) low-level protection; and (iv) low capacity or empowerment.
- Poverty line is usually used to indicate poverty. It shows inability of a certain people to go beyond the poverty line. Poverty line is a measurement based on minimum consumption needs, food and non-food.
- Other than the common definitions of poverty, local definitions of poverty are also needed and defined by the local community and related local government. As a result, poverty criteria, poverty data collection, target establishment, problem-solving actions and other measures can be more objective and well targeted.
- The explanations mentioned above are emphasized more on poverty perceptions in material sense, although it is understood that there are other non-material ones. This is intended to gain poverty problem indicators in social, political, economic and cultural dimensions.

III. POVERTY MAPPING

Changes in the number of poor people¹ are as follows:

- During 1976-1996, the number of poor people decreased drastically (in 1976 it was 54.2 million people (40.1%), became 40.6 million (26.9%) in 1981, 27.2 million (15.1%) in 1990, and 22.5 million (11.3%) in 1996).
- By mid 1997 (during the economic crisis) the number of poor people increased and became 47.97 million people in 1999 (15.64 million in urban areas and 32.33 million in rural areas). The percentage of poor people in 1999 is close to the poverty conditions in 1981 and 1984.
- The number of poor people in 2000 (excluding Nanggroe Aceh Darusalam and Maluku) is 37.3 million people (18.96%), which comprises 9.1 million in urban areas and 25.1 million in rural areas.
- The spread of poor people according to the regions shows that more than 59% are located in Java-Bali, 16% in Sumatera and 25% in Kalimantan, Nusa Tenggara, Maluku and Irian Jaya. With poverty concentrated in Java-Bali, the residents of Java-Bali are also vulnerable to the economic crisis, so this causes an increase in the number of poor people.

Poverty Gap and Severity

- BPS data also show that the poverty gap index in urban areas increased from 2.548 in 1996 (before the crisis) to 4.351 in 1998 (during the crisis), while in rural areas it increased from 0.709 in Kalimantan, Sulawesi, Nusa Tenggara, Maluku and Irian Jaya regions to 1.267. The increase was higher than in Java, Bali, and Sumatera. The severity poverty index in urban areas increased from 3.529 to 5.005 and in rural areas from 0.956 to 1.475.
- In regional point of view, the degree of poverty gap and severity index indicates that the level and pattern of economic growth and social service in various areas are different.

Characteristics of Poor Households

- BPS data in 1999 show that most poor households had in average 4.9 family members. This number was higher than the average of family members of non-poor households (3.9). This shows that poor households have to bear a bigger burden compared to non-poor households.
- Other characteristic of poor households is that the heads of the households have low education level. BPS data show that 72.01% of heads of poor households in rural areas are not graduated from primary school, and 24.32% are primary school graduate. The same tendency is also illustrate in poor households in

¹ The poverty data are based on BPS data.

urban areas. Around 57.02% of heads of households are not graduated from primary school, while 31.38% are primary school graduates.

- The characteristic of poor households based on economic activity can be seen from the source of income. According to BPS data, in 1996 the main source of income of 63.0% of poor households was from agricultural activities, 6.4% from industrial activities, 27.7% from services including trade, property and transportation, and the rest was income receptors. In 1998 and 1999, the proportion of main source of income did not change.
- By distinguishing the characteristic according to rural-urban areas, most or around 75.7% of poor households located in rural areas depend on income obtained from agricultural sector. More than 75% of poor households in urban areas obtain income from other economic activities and only 24% of poor households depend on agricultural activities. This is consistent with household pattern in rural areas, most of which are agricultural households. More various urban economic activities give more diverse sources of income for poor households in urban areas.

IV. POVERTY ALLEVIATION STRATEGIC ISSUES

Strategic issues in poverty alleviation are considered as problems, which have to be solved, while also contained some opportunities to be taken for better condition in the future. There are four strategic issues in poverty alleviation, which shall be view integrally, as follows:

a. Opportunity constraint of poor people

This is related to the climate and external environment of poor people, which are less conducive for obtaining the same opportunity with other members of the society. This can be indicated by macroeconomic view which is not yet oriented to pro-poor growth, unreliable public governance which is indicated by collusion, corruption and nepotism in various activities, and provision of uneven and unfair public services, especially in education, health and basic-social means and infrastructure provisions for poor people.

b. Incapacity of poor people

The low capacity of poor people is caused by past development approach adopted centrally and top-downy. In the end, the ability of social, economic, politic and cultural organizations and institutions of the people, especially poor and marginal people, is weakened. Thus, their involvement in decision-making process of public policies is ignored. This is worsen by ignorance to strengthen the capacity of the human resources, so this deepens the incapacity of poor people compared to other members of the society.

c. Incapability of poor people

The characteristics of low-level-educated poor people are located in remote areas, low quality of health, subsisted sources of income, inability to access information and technology, high consumption burden, and inability to manage and organize production and marketing. These illustrate the basic incapability of poor people to perform productive activities to increase their income.

d. Low social protection for poor people

Social protection issue is easy to find in poor people by noticing various natural disasters, layoffs, conflicts and social riots in various areas, unsafe feeling of the society, and increasing number of request for social aids in various areas. The indicators show degradation in people's ability in obtaining social protection independently. Moreover, the government's ability to handle social protection, especially for the poorest people (the indigence, the elderly people, the abandoned children, the disable people) and for poor people caused by natural disasters, negative impacts of economic crisis, and social conflicts. The ability limit mentioned above becomes the consideration for low resources trust for social protection in private and other non-governmental organizations.

V. MANDATES, VISION, MISSION, OBJECTIVES AND TARGETS OF POVERTY ALLEVIATION

MANDATES

- Poverty alleviation measures are a constitutional mandate for achieving the national objectives described in the Preamble of Constitution 1945, which are protecting the whole people of Indonesia and the whole land of Indonesia, increasing people's welfare, improving people's cleverness, and participating in the world's order which are based on independence, eternal peace and social justice.
- Poverty alleviation is also related to a mandate under Constitution 1945, which is depicted in several articles, especially:
 1. Article 17 Subsection 2: "Every citizen has the right to have an occupation and living that are reasonable for humanity."
 2. Article 31 Subsection 1: "Every citizen has the right to obtain education."
 3. Article 34: "Every indigence and abandoned child is looked after by the state."

VISION

Accelerate the improvement of poor people, which shall be carried out independently and cooperatively between the community, the private sector and the government (working together to reduce poverty).

MISSION

- (i) Creating a climate and environment that are able to extend the opportunity of poor people to participate in economic, social, political, and cultural living, and obtain indiscriminative public services.
- (ii) Improving people's access and participation in policy making and public planning by means of improving the quality of human resources, and social, economic and political institution consolidation for poor people.
- (iii) Improving the basic ability of poor people to increase their income through health and education, business competence improvement, financing, infrastructure, technology, and market information.
- (iv) Developing a social protection system for poor people and those who are impacted by natural disasters, negative impacts of economic crisis and social conflicts.
- (v) Promote the creation of cooperation between the community, the private sector and the government to help poor people.

OBJECTIVES

- Accelerating the reduction of absolute poverty and protecting households and people who suffer temporary poverty from negative impacts of economic crisis, natural disasters, and social conflicts.²
- Reducing the number of poor people from around 18.95% (or around 37.8 million people) in 2000 to around 14.01% (or around 26.8 million people by the end of 2004).³

² This, by considering the measures to reduce poverty, is a reduction in the number of poor people in a long term (in the period of 2001-2015), which is related to international poverty alleviation targets, i.e. to accelerate 50% reduction of number of absolutely poor people from poverty index of 1999.

³ The level of target is relatively not different than the target of number-of-poor-people reduction in Proenas 2000. In Proenas, the target that is expected to be achieved in five years (2000-2004) is 4% reduction of the number of absolutely poor people from the level of poverty in 1999. With this reduction, the number of poor people in 2004 will decrease to 28.86 million people. This target is based on the following assumptions: (1) gradual unemployment rate decreases from 6.03 (6.4% of total workforce) to 4.7% in 2004; (2) national economic growth is 4-5% on average in 2001, 5-6% in 2002, 5-6% in 2003, and 6-7% in 2004; (3) inflation rate is 6-8% on average in 2001, 5-7% in 2002, 4-6% in 2003, and 3-5% in 2004; (4) central government and local governments are able to provide finance, and there are supports from the private sector and from donor countries/institutions.

VI. POVERTY ALLEVIATION TARGET GROUPS

- Based on the direction of poverty alleviation, i.e. to increase productivity and reduce poor people's expenditure burden, in general the target groups for poverty alleviation are based on age groups, as follows:
 - a. Not-yet productive age group (under 15 years old);
 - b. Productive age group (15-60 years old);
 - c. Unproductive age group (above 60 years old).
- The grouping is the main framework which is able to explain that the orientation of productivity improvement policies are intended to poor people under productive age group and the orientation of reducing people's expenditure policies are directed to not-yet productive and unproductive age groups.
- After that, in planning poverty alleviation policies and programs to be more operational, the target groups shall be determined based on objectives, program targets and local characteristics where the poor people live.

VII. POVERTY ALLEVIATION ORIENTATIONS, STRATEGIES AND POLICIES

ORIENTATIONS

The orientations of poverty alleviation strategies and policies are:

- a. Improving the productivity of poor people. They have opportunity, ability to manage, and security to obtain better result in various economic, social-cultural and political activities.
- b. Reducing the expenditure of poor people in accessing basic needs, such as education, health, and infrastructure that eases and supports social-economic activities.

STRATEGIES

The measures of poverty alleviation with the above-mentioned orientations can be carried out by policies that refer to four problems of poverty (less opportunity, low ability, incapability, and low protection). Thus, poverty alleviation policies shall be performed with four chosen strategies, which are:

- a. **Promoting opportunity.** This strategy is carried out to create fair and even macro economy, government, and public services to support the poverty alleviation efforts.
- b. **Community empowerment.** This strategy is directly aimed to poor people by increasing the quality of human resources, organization and social, politic, economic and cultural institution consolidation. Thus, it is expected that poor people can access and participate in policy making and public planning process.
- c. **Capacity building.** This strategy is performed by means of increasing the basic ability of poor people to improve their income through improvement in health and education, business skills, capital, infrastructure, technology, and market information.
- d. **Social Protection.** This strategy is done to provide protection and security to poor people, especially the poorest (indigent people, elderly people, abandoned children, disabled people) and poor people caused by natural disasters, negative impacts of economic crisis and social conflict. This is focused on the ability of the people in allocating their income through pooled funds mechanism.

POLICIES

In the framework of strategy implementation, poverty alleviation policies are categorized into 4 categories of policies, which shall be performed simultaneously:

- a. **Promoting Opportunity.** This relates to a creation of conducive environment in poverty alleviation efforts. The policies comprise:
 - (i) Increase the fiscal allocation for poverty alleviation;

- (ii) Create a just tax and subsidy system;
 - (iii) Promote investment in poor areas;
 - (iv) Improve monetary stability, especially that related to controlling the prices of main basic commodities needed by poor people;
 - (v) Improve the performance of public services;
 - (vi) Improve good governance in managing poverty alleviation policies;
 - (vii) Increase the responsibility of local government in poverty alleviation.
- b. **Community Empowerment.** This relates to organizational and institutional community empowerment in order to enable them to access and involve in setting up public policy and planning. The policy includes:
- (i) Management and information assistance to poor people's economic-social institutions;
 - (ii) Development of stakeholder forum in promoting communication and consultation between the government and community institutions, as well as inter-community institutions, in taking any public decisions;
 - (iii) Legal empowerment in preparing local community regulations – with respect to regional autonomy principle;
 - (iv) Empowerment of access to basic needs, i.e. education, health, housing, and communication and transportation infrastructure;
 - (v) Empowerment of local community institutions and organizations as to promote democracy, participation, and conflict resolution to put community social endurance on a firm basis.
 - (vi) Empowerment of financial access and financial capability, modern organizational capability, and industrial culture dissemination in industrialization process and business development;
 - (vii) Development of access to more fair labor markets (both formal-informal and male-female labor markets);
 - (viii) Development of cooperation network between community organizations, the government and private sector in order to enhance product marketing, political position strengthening, social strata and democracy etiquette.
- c. **Capacity Building.** This relates to an effort to improve the basic capability of poor people in increasing their income by means of improvement in health and education, business skills, capital, infrastructure, technology, and market information. The policies include:

- (i) Improvement of basic needs supply and service, which are directly aimed to poor people, especially food, education, health, clean water and other basic infrastructure.
 - (ii) Provision of fair and even price discount or subsidy in various basic social service;
 - (iii) Provision of social-economic infrastructure aids, which support poor people's productive economic activities;
 - (iv) Provision of education and training to build the capacity of poor people, micro- and small business, as well as to develop their business;
 - (v) Provision of banking policies, which increase access to credits with reasonable interest for poor people, micro-, small- and medium-enterprises.
 - (vi) Reinstatement of access and regulations that support the activities of micro-, small- and medium- enterprises, especially in local governments;
 - (vii) Development of micro-financing and banking institutions, which are accessible to micro-, small- and medium- enterprises;
 - (viii) Capacity building of micro-, small- and medium- enterprises by means of skill, capital, technology, information and legal enhancement;
 - (ix) Assistance to poor people or families in developing business and productive lifestyle;
 - (x) Promotion of production and marketing network between micro-, small- and medium- enterprises, in cooperation with the government and NGOs on the basis of local resources and demand driven.
- d. **Social Protection.** This relates to an effort to provide protection and security to poor people, especially the poorest (indigent people, elderly people, abandoned children, disabled people) and poor people caused by natural disasters, negative impacts of economic crisis and social conflict. This is focused on the ability of the people in allocating their income through pooled funds mechanism. The policies include:
- (i) Improvement of social security management for abandoned children and indigent people;
 - (ii) Management of poor people in remote and underdeveloped areas;
 - (iii) Capacity building and improvement of community's and local government's social protection institution network, especially of education and health;
 - (iv) Development of social security system, especially in local level, which is able to protect the community in protecting indigent people, elderly

people, abandoned children, retirement, natural disasters, economic crisis, and social conflict.

VIII. IMPLEMENTATION MECHANISMS

A. GENERAL FRAMEWORK

- Poverty alleviation basic principle is to improve the capability of poor people to independently struggle to be released from their poor situation. In line with the basic principle, poverty alleviation programs shall be implemented in decentralized way, especially performed by the community itself and supported by local governments, private sector and civil society as the stakeholders who understand problems they are facing and their region's specific conditions.
- Thus, the community, local governments and private sector are able to improve their participation in poverty alleviation. This includes improvement in local resources mobilization in poverty alleviation.
- In regards to the above-mentioned, regional networking empowerment is needed to optimize the partnership between the government, private sector, and civil society, and inter-regions.
- The mechanism of poverty alleviation policy implementation – micro or macro – shall adopt good governance principle, with division of roles among the stakeholders:
 - a. The people have the ability to state their opinions and to access decision-making process. They are also able to control/evaluate the suitability of plans to their implementation, in line with what they need. NGOs shall possess social accountability system, which is able to express the advocated community's aspirations.
 - b. The public institutions (executive and judicative) shall be able to translate their people's aspirations into realistic plans and implement them through effective and efficient budgeting.
 - c. The private sector shall be responsible to its main public, with attention towards small business, accountable production, and independent cooperation.
- The role of the central government in supporting poverty alleviation decentralization process is to formulate coordinated macro and micro policies among stakeholders (private sector, community and government), based on recent problems. In the end, comprehensive, consistent and mutual policies will be produced.
- Thus, coordination empowerment among stakeholders (private sector, community and government) – horizontally and vertically – is certainly needed. On the other hand, the coordination empowerment can encourage a better communication between central and regional stakeholders on poverty alleviation issues. It is expected that with better communication the poverty alleviation programs can be directly implemented to the target beneficiaries.

B. MODEL OF STAKEHOLDERS / PUBLIC-PRIVATE-CIVIL SOCIETY COLLABORATION

- According to the general framework of the above-mentioned poverty alleviation implementation mechanism, the model of collaboration between stakeholders and their roles is oriented towards how policy for poverty alleviation could become more comprehensive and integrated. This policy will be carried out by privat, public dan civil society as a stakeholder forum. This effort is to achieve the perspective of poverty allevation, which is empowerment of society independence – institutions and organizations – according to their own characteristics.
- The aforementioned challenges are not yet answered by community empowerment policies, which are initiated by the government or other institutions. This is because there is no sound coordination and cooperation between stakeholders yet. This is indicated by:
 - a. Poverty alleviation does not always become the priority of regional development;
 - b. Contribution sharing from all stakeholders including poor people does not yet become the general mechanism. Presently, it even shows a tendency of charity representation;
 - c. There is still less integration of poverty alleviation programs, from policy planning to their implementation (by taking into account local variations);
 - d. Community empowerment as an approach of poverty alleviation and community based development in poverty alleviation activities is not yet consistently implemented;
 - e. Poverty alleviation public forums, which are regularly facilitated by the government, are still limited;
 - f. Working network for poverty alleviation in all levels is not yet created. The network is needed for supporting the independency of the community in implementing poverty alleviation programs.
- Below is the model of collaboration between stakeholders as well as their respective roles:
 - a. The domain of poverty alleviation is based on respective authority of each player. Thus, the central, provincial, district and village domains are not considered hierarchically, but they are regarded as coexisting elements. It can be illustrated as follows:
 - (i) Central or national level is the abstract domain, which position is strategic, since it decides the policy's approach and plans. Involved actors in this domain are: (a) the government as the public agency, based on its role provided by the constitution; (b) the DPR (parliament) as the public agency, based on constituent representative role to represent poverty alleviation aspiration as the development priority; (c) the private sector as private agency, based on the fact that it is responsible socially to contribute in poverty alleviation; and (d) the civil society organization, based on

moral obligatory role which shall continuously support the poverty alleviation policies.

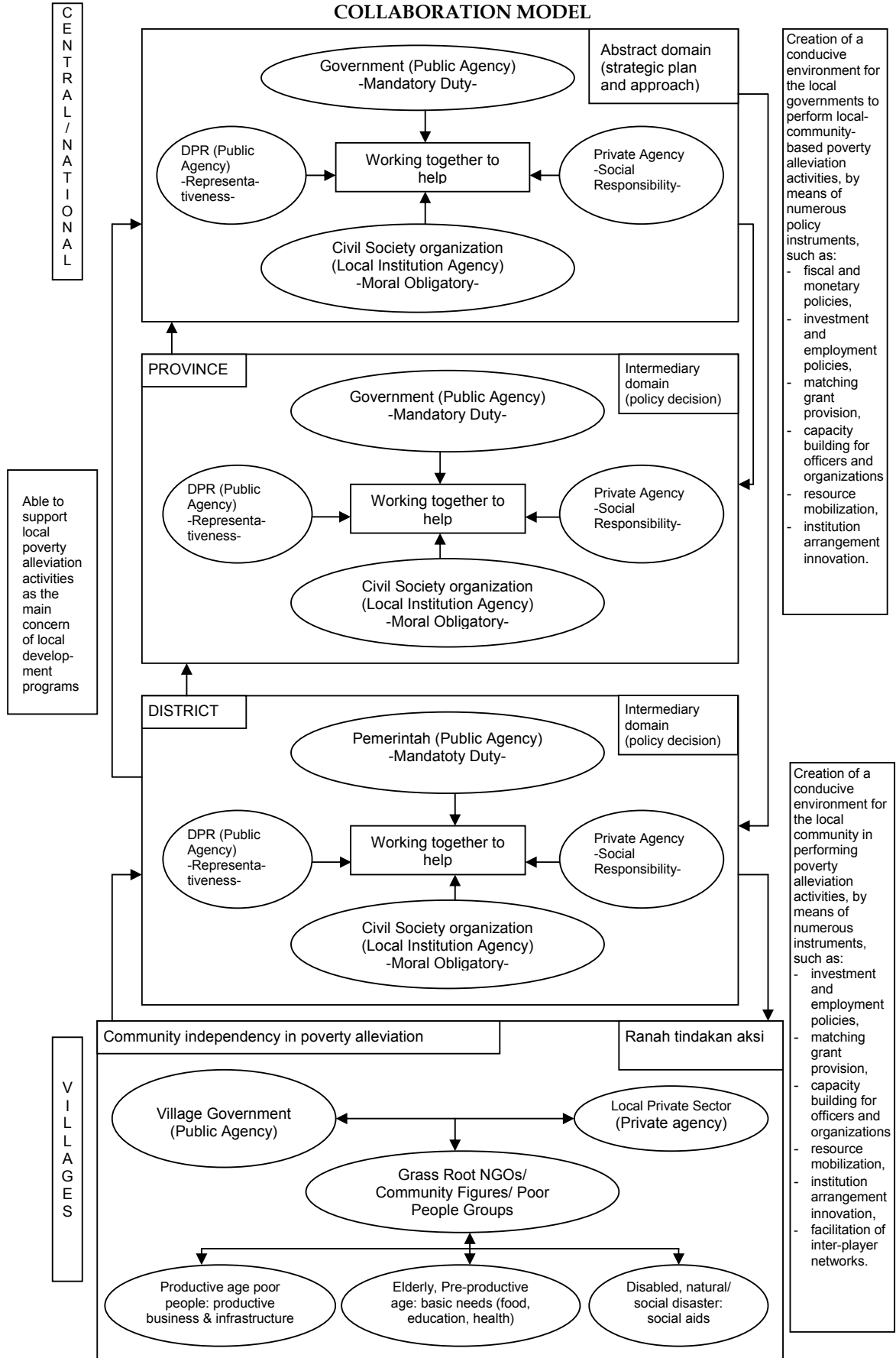
- (ii) Provincial and district levels are the policy decision domains, where strategic policies can be delivered, implemented, and responded by village community. Similar to the central/national level domain, the actors involved are: (a) the government; (b) the DPR (parliament); (c) the private sector; and (d) the civil society organization.
- (iii) Village level represents concrete action domain. In other words, the directly related players shall respond accordingly to various opportunity and accessible resources, in order to fulfill the needs of poor people. The subjects involved in poverty alleviation activities at local level are: (a) local (village) poor people, who can be divided into three categories, i.e. productive-age poor people who need productive business and infrastructure, above-productive-age (elderly) and pre-productive-age (school children in 9-year compulsory education age) – who require basic needs services such as food, education, and health, as well as poor people existed because of disabilities or natural/social disasters, who need social services; (b) facilitator or implementing agent for local poverty alleviation activities, such as grass root NGOs, traditional institutions, community and traditional figures, and poor people institutions – all of which have a role to access and mobilize relevant resources locally, regionally, nationally and internationally; (c) local private sector, which comprises individuals or local business organizations that possess relevant resources to be incorporated mutually or benevolently; (d) local public agent, i.e. village government (village representatives in cooperation with village government), whose obligation is to access and provide service for local poverty alleviation efforts.

b. Operationally, each actor has the following role:

- (i) The central government shall involve in the creation of a conducive environment for the local governments to perform local-community-based poverty alleviation activities. This can be done by means of numerous policy instruments, such as fiscal and monetary policies, investment and employment policies, matching grant provision, capacity building for officers and organizations, resource mobilization, and institution arrangement innovation. Thus, the local government can put poverty alleviation programs as the priority in its respective local development programs.
- (ii) Hence, the local government is able to create a conducive environment for local community by means of direct or indirect instrument. This is to support capacity building, involvement and responsibility of public officers, private sector, NGOs, mass media, and direct players in local poverty alleviation activities,

such as Posyandu, BMT, church congregations, Pesantren, orphanages, cooperatives, loan and savings groups, Karang Taruna, RT, RW, LKMD, poor people groups, traditional institutions, etc., in order to optimize their activities as well as to support local poverty alleviation activities as the main concern of local development programs.

DIAGRAM OF
STAKEHOLDERS / PUBLIC-PRIVATE-CIVIL SOCIETY
COLLABORATION MODEL



IX. BUDGETING STRUCTURE

- In general, poverty alleviation is the responsibility of all community elements as well as the state. Thus, it is expected that the community, the private sector and other NGOs shall involve in budgeting the poverty alleviation activities. Related to that matter, the government has an obligation to mobilize resources from central and local government budgets, private sector, community, NGOs and international donor countries/agencies.
- The sources of poverty alleviation activity funding are divided into two categories: (1) funds from banks and other financial institutions directed to poor people's productivity improvement; and (2) funds from government budget targeted to provide basic needs and social aids as an effort to lessen poor people's expenditure burden.
- In line with decentralization and regional autonomy, the funding of poverty alleviation activities is from general allocation funds (DAU) as block grant, special allocation funds (DAK) as specific block grant, and development funds from the central government as a manifestation of deconcentration and assistantship (*medebewind*) tasks.
- In principal, the fund channeling mechanism for poverty alleviation purposes is directly channeled to poor people groups through banks or other financial institutions.
- To guarantee the priority of poverty alleviation policies and activities – centrally or regionally – several concerns are required:
 - a. Instruments for poverty-alleviation-related DAU, DAK and DIP monitoring purposes shall be soundly created;
 - b. The central government shall develop a stimulative instrument to be provided to local governments by means of matching-grant funds and technical assistance. This is to ascertain that poverty alleviation programs are the priority in local development.

X. SUCCESS INDICATORS FOR POVERTY ALLEVIATION POLICIES

Success indicators for poverty alleviation policies are:

- **Promoting Opportunity Policies:**
 - a. Increase in fiscal allocation for poverty alleviation;
 - b. Creation of fair tax and subsidy system;
 - c. Investment increase in poor areas;
 - d. Monetary stability, especially that is related to basic needs price control;
 - e. Better performance of public services;
 - f. Better application of good governance principles in managing poverty alleviation policies;
 - g. Better responsibility of local governments in performing poverty alleviation activities.
- **Community Empowerment Policies:**
 - a. Improvement in management capability of and information access to poor people's social-economic institution;
 - b. Creation of stakeholder forums to accommodate sound communication and consultation between the government and community institutions or among community institutions in public decision-making process;
 - c. Empowerment of legality in formulating local regulations;
 - d. Better access to basic needs, such as education, health, housing, and transportation and communication infrastructure;
 - e. Better capacity of local community institutions and organizations in their effort to improve democracy process, people participation, and conflict resolution;
 - f. Better access and financial capability, better modern organization capability and improved industrial culture dissemination in industrialization process and business development;
 - g. Development of access to more fair labor markets (both formal-informal and male-female labor markets);

h. Development of cooperation network between community organizations, the government and private sector in order to enhance product marketing, political position strengthening, social strata and democracy etiquette.

- **Capacity Building Policies:**

a. Provision of fair and even price discount or subsidy in various basic social services;

b. Development of social-economic infrastructure aids that support poor people's productive economic activities;

c. Better capacity of poor people and better business development for micro- and small business;

d. Improvement of banking policies, which increase access to credits with reasonable interest for poor people, micro-, small- and medium- enterprises.

e. Reinstatement of access and regulations that support the activities of micro-, small- and medium- enterprises, especially in local governments;

f. Development of micro-financing and banking institutions, which are accessible to micro-, small- and medium- enterprises;

g. Better capacity of micro-, small- and medium- enterprises by means of skill, capital, technology, information and legal enhancement;

h. Assistance to poor people or families in developing business and productive lifestyle;

i. Promotion of production and marketing network between micro-, small- and medium- enterprises, in cooperation with the government and NGOs on the basis of local resources and demand driven.

- **Social Protection Policies:**

a. Improvement of social security management for abandoned children and indigent people;

b. Better management of poor people in remote and underdeveloped areas;

c. Better capacity and improvement of community's and local government's social protection institution network, especially of education and health;

- d. Development of social security system, especially in local level, which is able to protect the community in protecting indigent people, elderly people, abandoned children, retirement, natural disasters, economic crisis, and social conflict.

XI. CONTROLLING POVERTY ALLEVIATION POLICIES AND PROGRAMS

- The Committee for Poverty Alleviation (CPA) has a main task to coordinate poverty alleviation activities comprehensively and integrally. The CPA has the responsibility to control poverty alleviation policies and programs (up to 2004) and is in direct position under the President. Presidential Decree 124/2001 establishes the CPA.
- The main task of CPA is to coordinate poverty alleviation activities comprehensively and integrally in order to accelerate the reduction of the number of poor people in Indonesia.
- The policy and program coordination by CPA covers:
 - a. Human empowerment and capacity building, which relates to education, health, and improvement of other specific basic needs;
 - b. Human empowerment and capacity building, which relates to improvement of environment, settlement, housing, and supporting infrastructure;
 - c. Human empowerment and capacity building, which relates to business, job opportunity, and others that can raise people's income.
- The functions of CPA are:
 - a. Formulate poverty alleviation policies and programs as well as general guidelines needed for their implementation in the regions;
 - b. Monitor the implementation of poverty alleviation activities in the regions;
 - c. Assist poverty alleviation activities implementation in the regions;
 - d. Report the results of poverty alleviation policies implementation to the President.
- The targets of CPA activities are:
 - a. Creation of uniform viewpoint and perception on poor people as target beneficiaries and poverty alleviation players;
 - b. Creation of a conducive coordination system among poverty alleviation players;
 - c. Better attention from central, province, district and village governments to poverty alleviation issues;
 - d. Increased capability of central, province, district and village governments in poverty alleviation;
 - e. Better participation of all related stakeholders in poverty alleviation;
 - f. Growth of activities that lead to social protection for poor people;
 - g. Creation of conducive environment for good governance in poverty alleviation.
- In performing its task and functions as well as in an effort to achieve the objectives, the CPA has the following agenda for poverty alleviation policy and program coordination:

- a. Macro Planning, i.e. to support poverty alleviation policy and program planning performed by the government. Badan Perencanaan Pembangunan Nasional coordinates the macro planning empowerment.
- b. Financial Institution, i.e. to support poverty alleviation policy and program planning performed by financial institution, including banks. The financial institution empowerment is coordinated by Bank Indonesia with involvement of Bank Rakyat Indonesia (BRI) and Departemen Keuangan.
- c. National Business, i.e. to support poverty alleviation policy and program planning performed by national business, especially from the private sector (non-State-Owned Enterprises). The national business activities are coordinated by a consortium of private national business for poverty alleviation. The consortium is democratically appointed.
- d. Data and Information, i.e. to support data and information availability on poverty alleviation, performed by the government, national banks, and national business. Badan Pusat Statistik (BPS) with involvement of Kantor Menteri Negara Komunikasi dan Informasi and Badan Koordinasi Keluarga Berencana Nasional (BKKBN) coordinate data and information empowerment.
- e. Program Assistance, i.e. to provide program facilitation and management support in implementation of poverty alleviation policies and program by province and district governments. Departemen Dalam Negeri with involvement of other Ministers and Heads of Lembaga Pemerintah Non Departemen (LPND) as well as all Governors and Bupati/Walikota coordinates the program assistance activities.
- f. Research and Development, i.e. to support independent monitoring and evaluation as well as refinement of poverty alleviation policies. A consortium of poverty alleviation research and development institutions coordinates the research and development activities.
- g. Assistance, i.e. to support assistance to poor people groups that carry out the poverty alleviation programs. A consortium of poverty alleviation non-governmental institutions and a consortium of universities coordinate the assistance activities.

XII. MONITORING AND EVALUATION SYSTEM

- A sound monitoring and evaluation system shall be developed to guarantee the efficiency and accountability of poverty alleviation activities. The monitoring system needs to be oriented to ensure that poverty alleviation program implementation is according to plan. The evaluation system is needed to perfect on-going activities, assist the planning process, and formulate future activities and decision-making process.
- The monitoring and evaluation system in poverty alleviation strategy must be supported by sustainable **implementation mechanism** and **performance indicators** based on accurate and actual data. Thus, those indicators can indicate the objective and target achievement of a certain development program or intervention in every region – especially poverty alleviation program.
- Monitoring and evaluation implementation mechanism needs to involve various central and regional stakeholders by means of integrated coordination/working network coordinated by Committee for Poverty Alleviation. The stakeholders consist of governmental elements, NGOs, private sector, and scholars as the members of Poverty Alleviation Coordination Forum.
- Principles of monitoring and evaluation are as follows:
 - a. The implementation shall be done continuously.
 - b. Poverty Alleviation Coordination Forum at district level shall be responsible in coordinating monitoring and evaluation results done by each stakeholder or implementing unit.
 - c. Poverty Alleviation Coordination Forum at district level shall report the monitoring and evaluation results to Poverty Alleviation Coordination Forum at provincial level. Then, the Poverty Alleviation Coordination Forum at provincial level shall report the results to the Committee for Poverty Alleviation.
- **Performance Indicators** for developing the monitoring and evaluation system and poverty alleviation strategy are categorized into input indicators, process indicators, output indicators, and impact indicators.
 - a. Input indicators are:
 - (i) There are clear local government's policies on poverty alleviation. The policy is stated in an official document on local government's commitment in performing poverty alleviation activities, as indicated by local budget (APBD) and DAU allocation for pro-poor programs, i.e. for basic education and health.
 - (ii) There is an integration of vision and mission between various stakeholders (central government, local governments, NGOs and the community, and private sector) to jointly implement poverty alleviation programs.
 - (iii) There is an agreement among central government institutions in utilizing macro data, and between local governments and other

related parties in utilizing the same target data (micro/operational), as an effort to make the limited budget allocation efficient and reach the target beneficiaries in every district.

- b. Process indicators are:
 - (i) Execution of poverty alleviation programs according to schedule and budget;
 - (ii) Creation of a poverty alleviation system according to the government policy.
- c. Output indicators are success indicators for poverty alleviation programs, based on the number and percentage of households participated in the programs.
- d. Impact indicators are:
 - (i) Poverty and Poverty Gap Index:
 - (a) Head-count index, i.e. the number and percentage of people living under poverty line (level of income/expenditure);
 - (b) Poverty gap index, i.e. the average expenditure gap of each poor individual to poverty line;
 - (c) Severity poverty index, i.e. the distribution of expenditure among poor people;
 - (d) Gini ratio, i.e. the level of income/expenditure imbalance in a region/country, with 0 represents perfect balance (or even income/expenditure) and 1 represents severe imbalance level.
 - (ii) Human Development Index (HDI), i.e. the composite index to reflect how far the impact of program implementation to human resources quality improvement and people's participation in development, particularly people empowerment through poverty alleviation. The index consists of:
 - (a) Life expectancy number;
 - (b) Education index;
 - (c) Purchasing power parity index.
 - (iii) Human Poverty Index (HPI), i.e. the composite index to reflect the incapability of people to access basic living facilities. The index comprises:
 - (a) Percentage of people expected to unable to live at 40 years old;
 - (b) Illiterate level;
 - (c) Percentage of people without access to clean water and health facility;
 - (d) Percentage of children under 5 years old with poor nutrient status;

- (iv) Gender Development Index (GDI), i.e. index to reflect an effort to eliminate the gap between male and female in achieving a certain quality of life, by considering that female is the unfortunate compared to male. GDI comprises:
 - (a) Life expectancy index: male and female;
 - (b) Percentage of literate level: male and female;
 - (c) Average of duration at school: male and female;
 - (d) Percentage of income contribution: male and female.
- (v) Other household prosperity indicators, which consist of:
 - (a) Proportion of household index for food;
 - (b) Percentage of households living in houses with earth flooring;
 - (c) School participation number: primary, secondary and high schools.
- (vi) Education indicators, which are:
 - (a) Level of literacy or illiteracy: male and female;
 - (b) Percentage of people without access to health facilities;
 - (c) Average of duration at school: male and female;
 - (d) School participation number: primary, secondary and high schools.
- (vii) Health indicators, which are:
 - (a) Infant mortality index (IMI);
 - (b) Percentage of people without access to clean water;
 - (c) Percentage of delivery with help from midwives or health service officials.
- (viii) Manpower index, which consists of:
 - (a) Number/level of employment participation (TPAK);
 - (b) Number of open unemployment;
 - (c) Number of partly unemployment;
 - (d) Percentage of labor distribution according to sectors.
- (ix) Map of poor household targets. The source, time and coverage/ quality of data are from yearly Household Registration of BKKBN.
- To support the monitoring and evaluation system of poverty alleviation consistently and continuously, a comprehensive database and an information system shall be developed to create a Poverty Map, as well as analytical activities for planning purposes and evaluation of various poverty alleviation programs.

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