Coordinating Ministry for People's Welfare
Republic of Indonesia

The PNPM Generasi : Conditional Cash Transfer for Poor people Driven by Community For Better Health and Education In Indonesia

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Abstract

Poverty alleviation always is the one of development priorities in Indonesia year by year. Although many poverty alleviation programs have been designed and implemented on national wide since 1965 but poverty ranking in Indonesia did not show significance decreased. That is the one of reasons why government and any stakeholders continuously evaluate and prepare appropriate and accurate program design that can be effectively to decline poverty rate in Indonesia.

Although several programs have been implemented to reduce poverty, the effectiveness of programs remain low because of weak interrelation and coordination among programs. In 2005, the National Strategy on Poverty reduction has been launched. It shifts old paradigm on poverty reduction that affect previous programs into a more appropriate paradigm that put the poor should be considered as a subject of social asset and it should be empowered and their capacity to achieve their welfare should also be increased. The attention to increase better coordination among programs was paid intensively in the Government of the President Soesilo Bambang Yudhoyono. In 2005, after evaluating existing poverty reduction programs, the Government of Indonesia put the coordination among programs in all sectors is a must.

In accordance with this effort, new schemes were also introduced and implemented, the unconditional cash transfer and conditional cash transfer, integrated community

empowerment and soft credit to encourage micro and small economic activities are some of new schemes applied within the new policy framework.

The cash transfer implemented in Indonesia actually consist of ; unconditional cash transfer or BLT (Bantuan Tunai Langsung), conditional cash transfer or PKH (Program Keluarga Harapan), provides cash transfer to poorest and poor households having pregnant mother and children in elementary school age, and community cash transfer or " PNPM Generasi " that provide assistances for a better health and education service to community but planned, implemented and controlled by community through community empowerment process.

I. Introduction

Indonesia has prepared many efforts to overcome the poverty and its impacts to all sectors of people's life. Indonesia has joined and signed the MDGs global movement to halve the poverty in 2015 and to achieve MDGs targets in 2015.The adoption of MDGs has been done into the National Medium Term Development Plan, 2005 – 2009, after phase of reformation and reconciliation, post 1998 crisis.

In accordance with that, there was a fundamental paradigm shift in tackling the poverty in Indonesia. In the era of New Order regime, although some innovative programs have been started, the paradigm put still the poor as an object and not as an asset. In 2005, after 3 years completion process of public consultation, Indonesia has finalized and launched first National Strategy for Poverty Reduction (Strategi Nasional Penanggulangan Kemiskinan). This national strategy was put as a reference in designing in the Medium Term Development Plan 2004 - 2009. The paradigm behind this strategy is putting the poor as a social asset of the nation. The efforts should then be emphasized to increase capacity (capacity building), empowerment and open the access to resources rather than just giving social assistance from time to time. In this strategy, the efforts should be emphasized to fulfilling their basic rights. The poor should be given their ten basic rights in foods, shelter, water, sanitation, health, education, participation, land and natural resources, work, doing business, and security. Since this strategy, all policy and programs has been driven by Government and also local governments should refer to this paradigm and direction.

Trends of poverty rate in Indonesia can be seen on several periods. In the period of the President Soeharto's regime, the poverty rate has been declined until 1993 at 13 %.This was caused by several massive programs such as Backward Villages Block Grant or Inpres Desa Tertinggal (IDT), Inmas/Bimas or Assistances to Farmers, and other programs. After that, the poverty rate was increased due to instability in the country and toward the 1998 crisis.

The crisis hit in 1998 in Indonesia and the number of poor people has increased exponentially, close to 24% of the total population. It was 47 million of people affected by the crisis. In 2000, the Government of Indonesia has signed the global movement on halving the poor in 2015, under the MDGs Commitment. From 2000 to 2004, the government was instable and there were no significant progress on poverty reduction. However, some programs on poverty reduction based on community-driven development approach (CDD approach) were still continue, safeguarded and supported by multilateral and bilateral institutions. The Kecamatan (sub-district) Development Program (KDP) was started in 1998 and the Urban Poverty Program (UPP) was also started in 1999, with loans from the World Bank. These two CDD programs are the embryo for the PNPM Mandiri program, a massive national program on community empowerment.

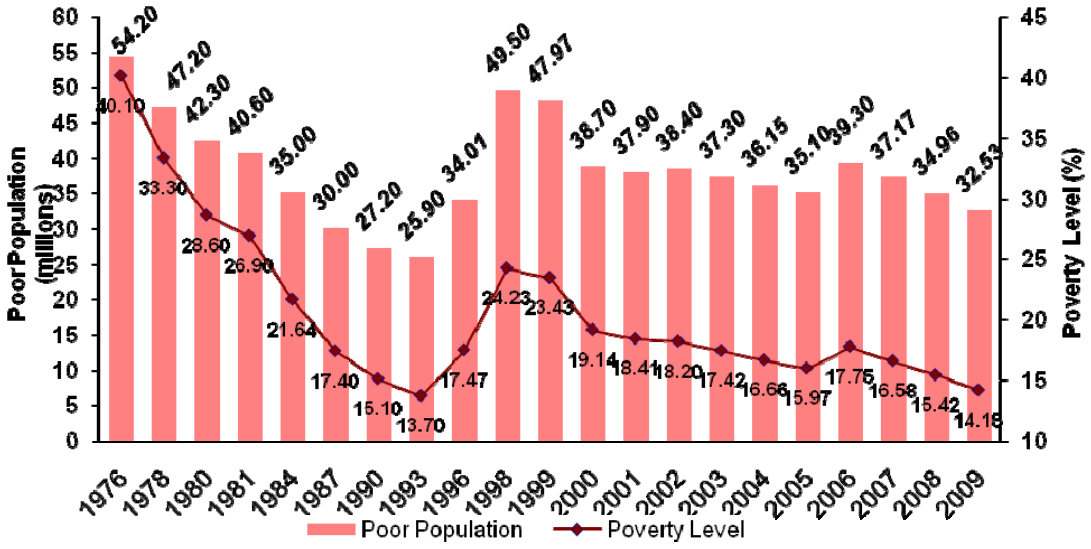
To overcome crisis impact to the poor, the Government has launched a Social Safety Net Program (Program JPS) in 2001. This SSN program had covered 21 million of poorest and poor people in the country. The SSN had been continued until 2005, and some parts of this program, in particularly on rural infrastructure development, health and education had also been modified and continued until 2007.

The intensive and well coordinated program on poverty reduction have been started and done since 2004 where President Soesilo Bambang Yudhoyono conducts the Government with his three agendas to reform and to revitalize the development in Indonesia. The agendas can be translated popularly in as: Pro Poor, Pro Jobs, and Pro Growth, the efforts on accelerating poverty reduction and creating jobs opportunity were, step by step and more well focused, coordinated and coherent each other.

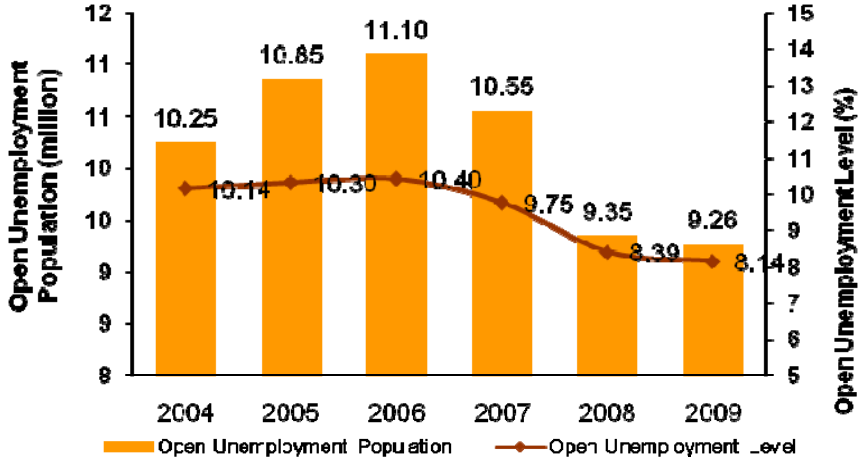
In 2004, the poverty rate was 16.66%. The tsunami and earthquake in Aceh and Nias in the end of 2004 has affected the country and its impact to the world, and gave new poor to the country. Almost 1.2 million new poor affected by the disaster has been added to the number of poor people in Indonesia. All natural disasters and social conflicts give always new poor people and new vulnerable groups to the country. The food and oil prices hike in 2005 and these also gave new poor people. The poverty rate in 2006 was increased to 17.77%. In

2005 for the first time, Indonesia has begun the UCT (Unconditional Cash Transfer) on giving cash money to poorest, poor, and near poor targeted households. The targeted households was surveyed and recorded by name and by address. Although some protest and complaints about the inaccuracy of data, the UCT has contributed significant support for the poor. The income of poorest households recipient of UCT has increased 1.3 times compared to non recipient. The UCT can be seen as new benchmark for Indonesia to introduce an Unconditional Cash Transfer as a sort of 'shock breakers' for the poor affected and hit by the crisis, in order to support their living standard for not being worsened by the crisis.

TRENDS OF POVERTY RATE, INDONESIA, 1976 – 2009



TRENDS OF UNEMPLOYMENT RATE, INDONESIA, 2004 – 2009



Source: Analyzed from Susenas (National Social-Economic Survey) Data, Central Bureau of Statistics (BPS), 2008.

II. The National Strategy for Poverty Alleviation in Indonesia.

In 2005, the Government declared the National Strategy for Poverty Alleviation (SNPK) as the base for all efforts on accelerating poverty reduction and creating jobs opportunity for the poor. The SNPK comprises 1) Strategies for Poverty Alleviation that consist of: making opportunity for the poor, strengthening community institutions and groups, capacity building for the poor, social protection, strengthening global partnerships on poverty alleviation, and 2) Action Plans on 2005 – 2009, consist of : macro-economic stabilization, fulfilling basic rights, implementation of gender equality, and reducing regional disparity.

The SNPK has been adopted and used as a reference on the National Medium Term Development Plan 2005 – 2009.

Based on this SNPK, in 2005 within the Office of Coordinating Ministry for People's Welfare, the National Team for Poverty Reduction Coordination (TKPK) was established, consists of 22 ministries and head of central institutions having programs related to poverty reduction. The TKPK is chaired by the Coordinating Minister for People's Welfare, and managed daily by the secretariat of TKPK, chaired by one of the deputy, ex-officio within the coordinating ministry.

The TKPK has a role to monitor implementation of poverty reduction policy, strengthening coordination in policy and programs level. The coordination effort is strengthened in a way of integration in the planning stage; synchronization in the implementation stage; and synergy among stakeholders.

At provincial and local level (districts and municipalities), it was established also the regional and local TKPK.

Since 2005, the Government has intensified the coordination and harmonization among poverty reduction programs. Since 2008, all programs dealing with poverty reduction were coordinated into 3(three) cluster of programs, in accordance with steps to be taken to provide basic assistances and capacity building to the poorest, poor and near poor people.

Cluster one is for Social Assistance and Protection, cluster two is for Community Empowerment, and cluster three is for Micro and Small Business Empowerment.

Cluster One: Social Assistances and Protection.

This cluster is addressed to reduce living cost and burden of poor people for food, shelter, water, sanitation, health, and education. The provision of assistance in this cluster is in form of cash transfers, subsidy, and assurances. The recipient of this cluster covers targeted households who comprise poorest, poor and near poor households. Each year, the Central Bureau of Statistics verifies and updates the data of targeted households (by name by address). In 2007, 19.1 million targeted households received assistances of this cluster, among them, 3.4 million poorest or extreme poor households. In 2008, 18.5 million of targeted poor households receive this and in 2009 this year, 17.1 million households receive such kind of assistances.

This cluster can be considered as giving a fish, following a Chinese proverb.

Cluster Two: Community Empowerment.

The program on this cluster is the PNPM Mandiri (the National Program on Community Empowerment). The PNPM Mandiri is a set of programs to increase income and capacity of poor community and to accelerate achievement of Millennium Development Goals. The PNPM time frame is in accordance with MDGs time frame that will be implemented until 2015. This cluster is provided to poor community groups and not to individuals. The poor should create a group to access a Community Block Grants and can be facilitated and empowered, trained by facilitators. The reason behind on giving to community group is to revive and to strengthen the Spirit of "Gotong-Royong/togetherness" among individuals, community and in the long term in nation. When struggling for independence in 1945, everybody in Indonesia has this kind of spirit to unify everybody to face common enemy, the colonial. This kind of spirit is then also used for all to face and to attack our common enemy, the poverty and impoverishment.

The goals of PNPM Mandiri are to create and strengthen community groups to be out of poverty circle, to become self-help community groups (Masyarakat Berdaya dan Mandiri).

The general objective of PNPM Mandiri is to improve the welfare of poor communities. Specific objectives to be achieved include:

1. Increasing participation of all community members, including the poor, women's groups, indigenous communities, and other community groups, that have not yet been fully involved in the development process;

2. Improving the capacity of community institutions that are locally based, representative, and accountable;
3. Improving local government capacity to provide public services especially to poor communities through development of pro-poor policies, programs and budgets;
4. Increasing synergy between communities, local government, and other pro-poor stakeholders (such as private sectors, associations, universities, media, NGOs, etc.) with a purpose for improving effectiveness of poverty reduction initiatives;
5. Enhancing the capacity and capability of the community and local government as well as local stakeholders in independently reducing local poverty;
6. Increasing innovation and the use of appropriate technology, information and communication in community development.

On April 30th, 2007, the Government has launched the PNPM Mandiri program or " National Program on Community Empowerment" in Palu City, Central Sulawesi province. At that time the PNPM Mandiri comprised of 2(two) CDD programs; the Kecamatan Development Program (KDP) and the Urban Poverty Program (UPP). This the base of integrated CDD programs on poverty reduction driven by line ministries and central institutions. In the PNPM Mandiri, the KDP and UPP have been scaled-up. From 500 sub-districts covered each year previously, the number of sub-districts, in particularly, poorest and poor districts, has been scaled-up up to 1,000 sub-districts each year. In 2007, 2,999 sub-districts have been covered by PNPM Mandiri. In 2008, 4,200 sub-districts have also been covered, and in 2009, all sub-districts in the country including new sub-districts have also been covered or 6,408 sub-districts.

The PNPM Mandiri, since its start-up in 1998 and 1999 up to now, it covers 41.3 millions of active participants. This huge number of participants is regrouped into more than 650,000 community groups, among this 12,000 community groups are economic activity driven by women groups (Kelompok Ekonomi Perempuan). These community groups have been or are being empowered and facilitated by almost 40,000 facilitators in the PNPM Mandiri.

Until 2008, there are more than 650,000 community groups receive and active as participants of PNPM Mandiri. This covers more than 41.3 million active participants in all regions of Indonesia. This cluster can be considered as to train poor people to fish, following Chinese proverb.

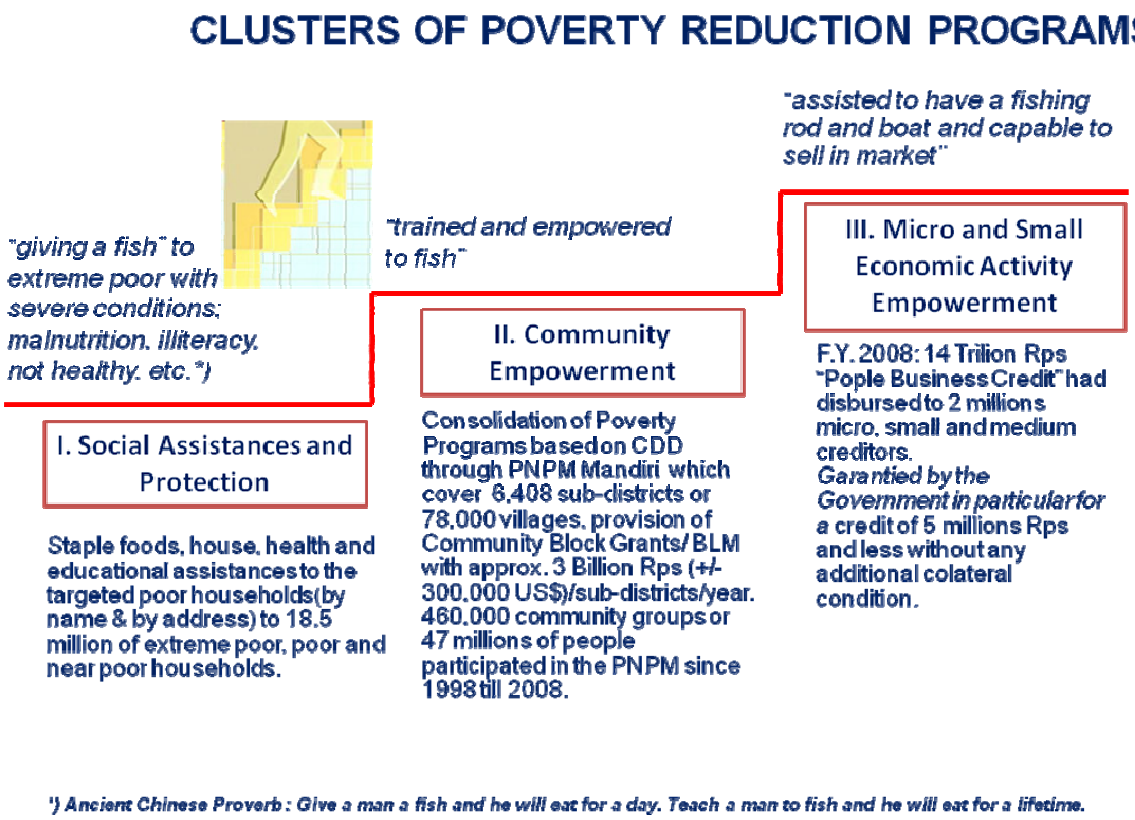
Cluster Three: Micro and Small Business Empowerment.

This cluster is addressed to individuals and group having micro and small business activity. The assistance is in form of soft credit to develop micro and small business activity. The program in this cluster is "Kredit Untuk Rakyat (KUR)" or The People's Business Credits. Based on regulation, the scale of activity in micro business can cover at maximum at 500 million Indonesian rupiahs (IDR), and small business can be from 500 million IDR to 2.5 billion IDR.

The Government assures the risk of this credits, pays claims for NPL from banks which execute this Credit Scheme, in particular for credits at 5 million IDR and below, however, the credits use public fund managed by banks. For credits at 5 million IDR and below, there are no additional collaterals applied by banks.

Since its launching in November 2007, up to 2008, 1.7 million creditors has received more than 13 Trillion IDR for KUR credit. This cluster is final step for the poor before they are released from any grant provided by the government. The eligible participants in this cluster are individuals or groups doing micro and small economic business, at least 6 months they have started their businesses. Although the credit is from the banking system with guarantee by the government, some facilitations and capacity building for such kind of creditor are still provided by the government through line ministries.

This cluster three can be considered as assisting the poor to have fishing rod and boat to let their activity can be more sustainable and they can reach their welfare.



III. The Cash Transfer Program in Indonesia.

Indonesia has implemented a cash transfer program for the first time in 2005. Beginning October 2005, the government raised the price of fuel (BBM) by an average of more than 120%. This policy was taken, among other reasons, in order to safeguard the national budget. The cash transfer program has an objective to ease the burden on the poor due to increased fuel price through reducing expenses for living for the poor. The cash transfer program is in form of Direct Cash Transfer (BLT/SLT) Program for poor households. This cash transfer is considered as Unconditional Cash transfer (UCT). A household categorized as poorest, poor and near poor household will be eligible to receive a UCT.

Eligible households were identified by Statistics Indonesia (BPS) through the use of a proxy-means testing methodology. Its program provide to every household to receive 100,000 IDR per month, paid quarterly for a period of one year. During the first distribution phase which was launched on 1 October 2005, the government provided funding of 4.6 trillion IDR for approximately 15.5 million households. The disbursement of funds was undertaken by PT Pos Indonesia or Post Offices via its network of branches.

Although, the UCT/BLT was appreciated by targeted households, the resistance to this UCT was increased in some parliament members, some NGOs, universities and also political parties. In fact, the UCT has become a political issue to criticize the government. An independent evaluation study done by 44 research centers in various universities shown that the UCT can significantly help the poor, in particular in period of crisis, however, this cannot help the poor households in longer term. It should be compensated with other cash transfer schemes that can assure the poor to have access to some basic assistances.

Besides of UCT, in 2007 the Government has launched a Conditional Cash Transfer (CCT) addressed to the same targeted households as in UCT, but with applying some criteria of eligibility. This CCT program called "The PKH (Program Keluarga Harapan)". The objectives of CCT/ PKH are:

- Reduce maternal mortality;
- Reduce child mortality;
- Ensure universal coverage of basic education and ;
- Reduce children worker and encourage children to school.

The eligible targeted poor household for this CCT/PKH is a household that have pregnant mother, children with 0-6 years age, and children on primary and high school age (6 – 17 years). The incentives will be given to household to do twelve indicators and cash money will be given for every 3 months to mother in the household.

Twelve indicators of CCT / PKH are:

A. Health Indicators:

1. Four prenatal care visit during pregnancy;
2. Taking iron tablets during pregnancy;
3. Delivery assisted by trained professional;
4. Two postnatal care visit;
5. Complete childhood immunization;
6. Ensuring monthly weight increases for infants;
7. Regular weighing for under-fives;
8. Taking vitamin A twice a year for under-fives

B. Education Indicators:

1. Primary school enrollment (7-12 years old);

2. Regular primary school attendance >85%;
3. Junior secondary school enrollment (13-15 years old);
4. Regular secondary school attendance >85%.

This CCT/PKH implemented in 7 provinces in 2007 as pilot areas, and covered 387,928 targeted households. In 2008, besides of previous provinces, the CCT/PK has been added to 7 new provinces and covered 237,171 targeted households. And in 2009, in total (2007 and 2008), the CCT/PKH covers 720,000 targeted households.

IV. The PNPM Generasi in Indonesia

The PNPM Generasi is a sort of conditional cash transfer but it's given to the community and managed by community groups. In other words, this can be called as community CCT. This PNPM Generasi will increase access of poor households to health and education services. The problem appears when almost of poor people cannot access these services because it's too far from their residences. The children should swim across the river to go to school, or the pregnant mother should walk 3 km to go to nearest health center, it will risk to her health and her baby, etc.

Through the PNPM Generasi, the local community can build a small health center, equipped by standard equipments or renovate nearest school building for their children, or building a bridge to let children not to swim across the river when they go to school. The PNPM Generasi will increase capacity of poor households to access and get health and educational services that already provided freely for them.

Since 2007, PNPM Generasi begun to implemented on 127 sub-districts in 20 district and up to 178 sub-district in 21 districts at 2008. Its covers approximate 3.1 million beneficiaries or 8.4% of total poor people in Indonesia.

The Community Conditional Cash Transfer Project, PNPM Generasi "Sehat dan Cerdas" (which means healthy and bright generation) is a unique initiative by the Government of Indonesia and the World Bank to develop a Conditional Cash Transfer mechanism most suitable for Indonesia. Through PNPM Generasi's participatory planning processes, communities will propose locally appropriate solutions to solve demand-side and small scale supply side problems, applying flexible, local targeting mechanisms. PNPM Generasi builds extensively on the project infrastructure and capacities developed through the experiences of the Kecamatan Development Project (KDP). PNPM *Generasi* is implemented as part of the

Government's new flagship poverty program, the National Community Empowerment Program or *Program Nasional Pemberdayaan Masyarakat* (PNPM) Mandiri. PNPM Generasi has objectives to accelerate the achievement of MDGs especially on:

By the program, poor communities will self-identify problems and seek solutions to improve 12 health and education indicators. The twelve indicators are the same with CCT/PKH and the objectives are also the same, but differently, PNPM Generasi is driven by the community and the approach is more CDD. The community will be helped by facilitators that be placed in every sub-district near to the community.

The commitment of the communities to improve these twelve indicators is a condition for their participation in PNPM *Generasi*. All participating villages receive facilitation or technical assistance in the form of facilitators and training, and an average village annual block grant of 8,400 USD.

Based on proposals raised by communities thus far, village funds are expected to fund activities such as:

- awareness raising activities;
- supplementary feeding for small children and school-aged children;
- transportation subsidies for midwives;
- subsidies for mothers using health services;
- infrastructure and tools for Village Health Posts (*posyandu*);
- school uniforms, books and stationery; and
- subsidies for transportation for junior secondary school students.

Assisted by facilitators, communities follow a cycle consisting of four main stages: socialization; village planning; village implementation; and performance measurement. A cycle takes 12 months to complete, with the village implementation stage taking 9 months.

Through social mapping on the first year of PNPM Generasi implementation, villagers have identified over 450,000 children under-five, 750,000 school-aged children, and over 90,000 expected pregnancies and deliveries in the coming year. They will directly get benefit from the PNPM Generasi funds and activities.

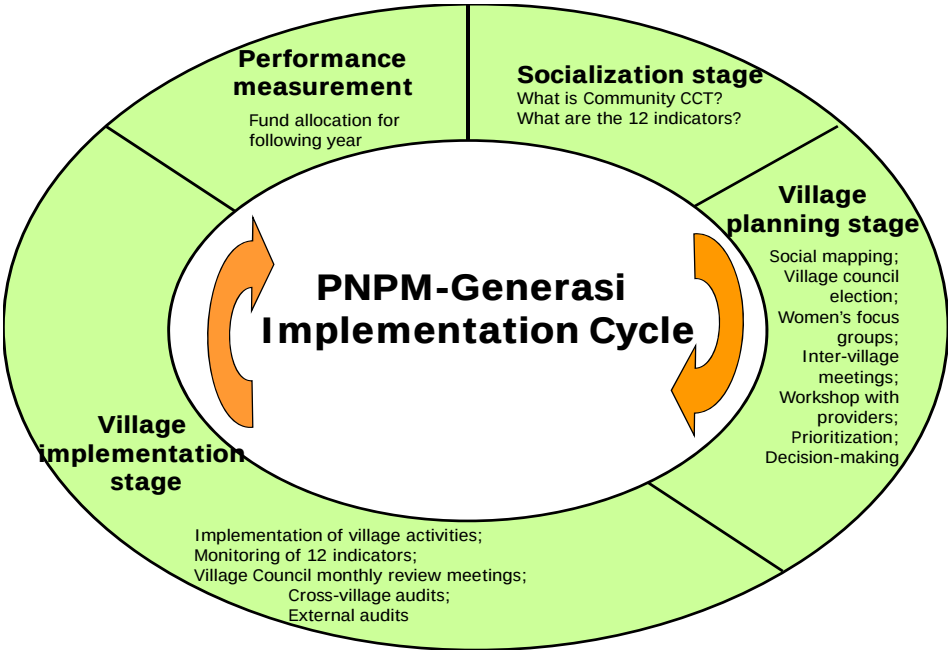
Participation in the community forum is high with just over 88% female and 67% poorer families participating at the hamlet (dusun) level. The disbursement of the grant in first year was about 98% from total budget approximately US$ 14 million. Villages also were contributed about 5% of total grant or amount US$ 720,000.

Education activities consumed more than health activities, it is about 56%:44%.

Educational activities funded in the first year fall into five categories: school materials, equipment and uniforms (59%); financial assistance for school fees and other needs (31%); infrastructure (5%); financial incentives for education workers (4%); and socialization and training (1%).

Health activities funded in the first year fall into six categories: supplementary feeding for underweight or malnourished children (40%); financial assistance for pregnant women and mothers to access health services (30%); infrastructure (13%); facilities & equipment (11%); socialization and training (3%); incentives for health workers (3%).

PNPM GENERASI DESIGN



Source : Susan Wong,"Evaluation of PNPM Generasi" , World bank, Jakarta, 2009.

Village representatives seriously evaluate the villages' performance with the twelve indicators. For example, mothers have their coupon books stamped by a health worker each time they receive a targeted health service; every month village representatives track school attendance; and conduct monthly meetings to discuss the progress, their performance according to the twelve indicators, and strategies for improvement.

Table below shows the evaluation activities on the one scheme on PNPM Generasi.

Month/Year	Activity
April and July 2008	Quarterly inter-village cross-audits. Village auditors will audit the 12-indicator performance and financial records.
May 2008	Inter-village meeting to kick-off the 2008 cycle planning activities.
Mid July - Aug 2008	Fielding of 2008 follow-up quantitative and qualitative survey.
Aug 2008	Recapitulation of village performance on the 12 indicators.
	Inter-village comparisons of scores according to the 12 indicators.
	Target disbursement date for the 2008 cycle community block grants.
Aug 2008 - April 2009	Implementation of village-level sub-projects

Preliminary finding of evaluation held by the World Bank in Health Activities shown:

1. Strongest improvement on health services, coverage: participation in growth monitoring, deliveries assisted by doctors or midwives, large increase in Posyandu (village health center) participation.
2. Long term health outcome, such as: large reduction in neonatal and infant mortality (although some small differences noted at baseline), some reduction on malnutrition among children under three.

V. The Lesson Learned From Various Cash Transfer Programs : UCT/BLT, CCT/PKH and PNPM Generasi.

Such as was faced in other countries on introducing and implementing cash transfer programs, some problems arise as follows :

1. Targeting: This is the most complicated items that every stakeholder in these programs should understand and be aware. The data should be updated and verified due to the mobility of poor people in searching work and other services. The cash transfer should be applied on the targeted individuals or groups, if needed, by name, by address.
2. Cash transfer mechanism: better targeting will support effective cash transfer mechanism. The management of time is very important because cash transfer should help the poor to fulfill urgent and basic needs. The delays of cash money to the poor will be fatal for them.
3. Interrelation with other poverty reduction programs: cash transfer program only cannot be sufficient. It should be designed in early phase to assure that all programs can be interrelated and to let the poor can have capacity to access such assistance and services.
4. The cash transfer programs is a short term program for the poor to help the poor not to be worsened by any crises impact and "shocks". But for longer terms, the poor should be empowered through CDD programs because in CDD, not only they will increase their income but also their characters will also be strengthened and improved.

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