PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA807

Project Name	ID-TF NATIONAL PROGRAM FOR COMMUNITY EMPOWERMENT IN RURAL AREAS HEALTHY AND BRIGHT GENERATION (PNPM GENERASI) (P132585)
Region	EAST ASIA AND PACIFIC
Country	Indonesia
Sector(s)	Health (34%), Primary education (33%), Other social services (33%)
Lending Instrument	Technical Assistance Loan
Project ID	P132585
Borrower(s)	Fiscal Policy Office, Ministry of Finance
Implementing Agency	Ministry of Home Affairs (MoHA)
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	14-Mar-2013
Date PID Approved/Disclosed	15-Mar-2013
Estimated Date of Appraisal Completion	01-Mar-2013
Estimated Date of Board Approval	01-Apr-2013
Decision	

I. Project Context

Country Context

1. The Indonesian economy has experienced positive economic growth and poverty rate has fallen from 23.4 percent in 1999 to 12.0 percent in 2012. During the global financial crisis, Indonesia outperformed its regional neighbors in terms of economic performance, joining China and India as the only G20 members recording growth in 2009. In 2011, 12.0 percent of households (32.5 million Indonesians) lived below the national poverty line of IDR 233,700 per person per month (around PPP$1.19 per day). However, much of the population is clustered just above this line, and earns about PPP$2.37 per day. Thus living standards remain low for many Indonesians, and relatively small shocks to income and consumption can send them into poverty. Of the poor, 65% currently live in rural areas.

2. Strong macroeconomic fundamentals have, however, brought only modest gains in health and education relative to other East Asian countries. Maternal mortality has fallen from 350 to 240 per 100,000 live births (between 2000 and 2008) in Indonesia; however the Indonesia rate remains far above the 2008 average rate of 89 for developing countries in the East Asia and Pacific (EAP) region. Likewise, under-five and infant mortality rates per 1000 births have fallen from 56 to 39 and from 40 to 30 respectively (between 2000 and 2009), but those figures remain far above the 2009

average of 26 and 21 respectively for developing countries in EAP. Rates of immunization, births attended by skilled health staff, and access to improved sanitation facilities also remain behind the EAP developing country average.

3. Substantial variation in poverty, health and education outcomes exists across regions, with rural areas lagging. The poverty rate in Maluku province, for example, at 27.4 percent, is more than double the national average of 12.0 percent. The prevalence of underweight children under five is 27.8 percent and 33.6 percent in Maluku and Nusa Tenggara Timur (NTT) provinces respectively, rates that are well above the national average of 18.4 percent. The seven provinces of eastern Indonesia account for 8.1 percent of children aged 7-15, yet these provinces' share of out of school children is 12.1 percent. In Maluku province, only 50.8 percent of one-year-old children are immunized against measles, a key preventative measure for child, infant, and neonatal mortality. In Bali and Yogyakarta fewer than 25 children out of 1,000 die before reaching their fifth birthday as compared to close to 100 in the province of Gorontalo in Sulawesi. Only 42 percent of births are assisted by a skilled provider in Maluku.

II. Sectoral and Institutional Context

4. PNPM: A nationwide CDD program. In 2007, the Government of Indonesia (henceforth GOI or Government) launched the National Program for Community Empowerment (Program Nasional Pemberdayaan Masyarakat, PNPM) through the scale up of the Kecamatan Development Project (KDP) and the Urban Poverty Project (UPP). The program covers all rural villages (PNPM-Rural) and urban wards (PNPM-Urban) in Indonesia and is one of the largest community-driven development (CDD) programs in the world. The program seeks to empower communities by giving them control over decision-making and management of their development needs through direct financial and technical support to improve basic infrastructure and access to services

5. PNPM Generasi. In 2007 the Government of Indonesia launched two large-scale demand-side pilots to accelerate the achievement of lagging MDGs in health and education. These are the conditional cash transfer program (CCTs) for individual households, known as the Hopeful Family Project (Keluarga Harapan Project or PKH), and an incentivized community block grant program, known as PNPM Generasi Sehat dan Cerdas (PNPM 'Healthy and Bright Generation'). PNPM Generasi contributes to the achievement of: MDG 1c - halve the proportion of people who suffer from hunger; MDG 2a - ensure that by 2015, children everywhere, boys and girls alike, will be able to complete full course of primary schooling; MDG 4a - reduce by two-thirds, between 1990 and 2015, the under-five mortality; and MDG 5a - reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

6. A PNPM Generasi impact evaluation, conducted between 2007 and 2010, found that on average, over the 30-month implementation period, PNPM Generasi had a statistically significant positive impact on the indicators it was designed to address. Childhood malnutrition fell by 2.2 percentage points, a 10% reduction from baseline levels. Education indicators also improved, with the largest improvement observed in school participation rates among primary school students. On average, the project was about twice as effective in areas with very low health and education status (10th percentile of service provision). The project had the greatest impact in areas with low baseline health and education indicators, e.g., East Nusa Tenggara Province where underweight and sever underweight rates fell by 20% and 33% respectively, against control areas. In the same province, stunting decreased by 21% against control areas. Junior secondary school enrolment rate also increased by 29% relative to control areas, while gross primary school attendance rates increased by 4% for 7-12 year olds against control areas.

7. PNPM Generasi Scale-up. In 2010, the Government began scaling up PNPM Generasi as part of its suite of demand-side health and education programs by expanding program coverage from the original 164 pilot sub-districts to at least 400 poor, rural sub-districts by 2014. The scale-up of PNPM Generasi supports objectives defined in the government's Master plan for the Acceleration of Indonesia's Poverty Reduction (MP3KI) by targeting assistance to rural areas with poor health and education performance. The MP3KI, currently in draft, outlines the government's poverty reduction targets through the year 2025. PNPM Generasi will support the achievement of MP3KI objectives, particularly in the area of improving access to basic services for the poor and vulnerable. The proposed project, which will cover 3,470 villages in 344 Indonesian sub-districts with low attainment in health and education indicators, will directly support GOI efforts to accelerate attainment of four MDGs: reducing maternal and child mortality, achieving universal primary education and poverty alleviation by incentivizing communities to utilize priority health and education services (see below).

8. AusAID, a key government and World Bank partner, is working with the National Planning Agency (Bappenas) to design a multi-sectoral program to improve frontline service delivery in the poorest provinces of Indonesia. The program aims to improve the performance of community health clinics (Puskesmas) by scaling up demand-side programs like PNPM Generasi and PKH (Hopeful Family Program), health services strengthening programs, local government support programs, and civil society strengthening programs in the same geographic areas.

9. The Government is in the final stages of a wide ranging consultation process to articulate the roadmap for integrating the operating principles of PNPM into regular government operations, thus strengthening accountability mechanisms at the community level, above and beyond the sphere of the program itself. Action areas currently described in the roadmap include: (a) effective integration of PNPM programs at the local level; (b) strengtheningthe roles and capacity of PNPM facilitators, including their linkage with sector agencies; (c) strengthening of capacity of local level institutions and clarification of the legal framework; (d) adoption of core PNPM principles in functioning of local government, which includes the integration development planning and budgeting; and (e) good governance and downward accountability. PNPM Generasi is an interface through which sectoral programs will be integrated horizontally into PNPM.

10. The National Development Planning Agency, Bappenas, and the Ministry of Health have identified PNPM Generasi as a demand-side pillar for projects under the Scaling Up Nutrition framework. Bappenas and the Ministry of Education and Culture (MoEC) are working with the Ministry of Home Affairs (MoHA) to pilot an approach to increasing use and access to ECED services through PNPM Generasi. The Ministry of Health will also coordinate the delivery of micronutrient supplements, and information and behavioral change campaigns in PNPM Generasi locations. MoHA, MoEC, and district education offices are piloting the use of a target indicator through PNPM Generasi to reward communities for increased participation in ECED services.

11. Bappenas and MoHA are considering ways in which PNPM Generasi can be leveraged to improve the collection, analysis and dissemination of data on local health and education status, thereby promoting greater accountability in local service delivery. PNPM Generasi is also part of government efforts to improve targeting and effectiveness of Cluster 1 household-based poverty reduction and social protection programs.

III. Project Development Objectives

The PDO is to improve access to and utilization of health and education services in poor, rural sub-districts in the project provinces through empowerment of local communities and improved community capacity to foster improvements in service delivery.

IV. Project Description

Component Name

Kecamatan (sub-district) Grants
Community Empowerment and Facilitation Support
Implemenation Support and Technical Assitance

V. Financing *(in USD Million)*

For Loans/Credits/Others	Amount
Borrower	7.00
Indonesia - Program for Community Empowerment	31.70
Total	38.70

VI. Implementation

Design innovations: incentivized kecamatan block grants. PNPM Generasi provides incentivized block grants to communities to achieve 12 education and health indicators related to maternal and child health and primary and junior secondary enrollment and attendance. The program is thus an incentivized community block grant program focusing on many of the same targets as traditional conditional cash transfer programs to individuals who comply with certain education and health requirements, such as school attendance, pre-natal visits, and immunizations. Communities receive a bonus kecamatan grant allocation during the second and subsequent years of participation in the program, based on progress towards improving target health and education indicators.

The performance bonus is structured as relative competition between villages within the same sub-district. Within a sub-district, in the project's first year funds are divided among villages in proportion to the number of target beneficiaries in each village; i.e., the number of children of varying ages and the expected number of pregnant women. In the project's second and subsequent years, 80 percent of the sub-district's kecamatan grant funds are divided among villages in proportion to the number of target beneficiaries. The remaining 20 percent forms a performance bonus pool to be divided among villages based upon their previous year's performance on the twelve Generasi indicators. Villagers are empowered to own and manage the monitoring of the indicators, and are not dependent on a third party such as the service providers. PNPM Generasi's impact evaluation found that after 30 months of implementation the incentivized kecamatan grants improved program performance in health, but not education

Institutional and implementation arrangements for PNPM-Generasi build on the successful elements of the existing structure of PNPM-Rural. PNPM-Rural and Generasi implementation occurs across five levels: national, provincial, district, sub-district, and village. A national Joint Secretariat is expected to be established in July 2013to facilitate the better integration of the management of the different PNPM programs, including PNPM–Rural, PNPM Generasi, and PNPM Green, under PMD.

Responsibility for project implementation will remain with the Directorate for Empowerment of Community Social and Cultural Institutions in PMD (PMD Sosbud), under MOHA. Communities will identify interventions and will be responsible for implementation and oversight. Guidelines for project implementation are detailed in the Operations Manual (POM) (last updated in September 2012), which will be updated following the upcoming revisions to the PNPM-Rural Operations Manual, as required, to reflect project needs as well as GOI and Bank requirements.

PMD will continue to mobilize additional technical assistance for PNPM Generasi in the form of dedicated health, education, financial management and MIS specialists; facilitators; and database managers at the national, provincial, district, and sub-district levels. At the village level PNPM Generasi mobilizes community members active in health and education service delivery, such as community health volunteers and school committee members, as village facilitators. In 2012 PMD mobilized additional financial management expertise at the national and district levels. In order to maintain integrated management and oversight systems, PNPM Generasi specialists at the national, provincial, and district levels will report to the consultant team leaders of PNPM-Rural at the corresponding levels.

VII. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	×	
Natural Habitats OP/BP 4.04		×
Forests OP/BP 4.36		×
Pest Management OP 4.09		×
Physical Cultural Resources OP/BP 4.11		×
Indigenous Peoples OP/BP 4.10	×	
Involuntary Resettlement OP/BP 4.12		×
Safety of Dams OP/BP 4.37		×
Projects on International Waterways OP/BP 7.50		×
Projects in Disputed Areas OP/BP 7.60		×

VIII. Contact point

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