



Empowering Indonesian Communities

through Direct Participation in
Developing Infrastructure and Services

IBRD Results

SYNOPSIS

With poverty alleviation among Indonesia's highest priorities, the country has centered its focus on community-driven development programs. The overall National Program for Community Empowerment encourages local communities to participate in the planning process; provides financial support to the communities to allow direct and transparent funding of poverty-alleviation activities; and enhances the partnership of central and local governments to best provide services where most needed.

Challenge

In 1998, Indonesia faced political upheaval and financial crisis. The country was marred by its graft-ridden political and administrative systems and poverty had increased tremendously. The devaluation of the domestic currency, the Indonesian Rupiah, by more than 50 percent and the shutdown of many manufacturing shops had a tremendous impact on people's incomes. Programs that would bypass the graft-prone top layers of government were sought by the new Government to increase the people's trust.

Community-Driven Development: Reaching out to poor areas where resources are limited.

The CDD approach allows communities to get involved in the development process. With funds received through a CDD-type project, communities plan, implement and maintain the roads, schools and other small infrastructure that they need the most, working with local governments to ensure that the projects are in line with government's planning.

With 17,000 islands and millions of villages across the archipelago, Indonesia had to reach out to its poorest areas to ensure that these populations enjoy an equal opportunity to grow and develop. Non-income poverty is a serious problem in terms of high malnutrition and maternal mortality rates, inadequate access to safe water and sanitation, and education outcomes. Furthermore, inequality is increasing and disparities between regions remain high. Poverty alleviation has become a priority for Indonesia.

Approach

Despite significant progress over the past several years in reducing poverty, many people remain poor and vulnerable. Sustained economic growth has helped many Indonesians to escape from poverty by creating jobs and permitting increasing public expenditures for health, education and infrastructure. Poverty has fallen from 16.7 percent of the population in 2004 to 14.1 percent in 2009. Although these gains are significant, more than 32 million Indonesians currently live below the national poverty line, which is the equivalent of US\$21 per month, and approximately half of all households remain clustered around it.

To accelerate Government efforts to reduce poverty and to ensure equity and inclusiveness, on August 16, 2006, the President of Indonesia, Susilo Bambang Yudhoyono, announced the National Program for Community Empowerment (*Program Nasional Pemberdayaan Masyarakat - PNPM*) as the policy and operational umbrella for all community empowerment programs in the country. The PNPM builds primarily upon the previous ten years of successful experience with the Kecamatan Development Program (KDP) and the Urban Poverty Project (UPP), now the PNPM-Rural and PNPM-Urban, respectively. Adopting a community-driven development (CDD) approach and with technical and financial assistance from the International Bank for Reconstruction and Development (IBRD), the PNPM is now a national program covering all villages and cities in the country.

The overall PNPM objectives are being achieved through: (a) communities participating in an open planning process; (b) the provision of grants to communities directly and transparently to finance an open “menu” of poverty-alleviation activities; and (c) enhancing the capacity of central and local governments to partner with community organizations in the provision of services.

The KDP started in 28 villages on a pilot basis in 1998. The KDP went national with full Government ownership only after consistent achievements in economic returns in the 30–40 percent range, strict discipline in penalizing poorly-performing districts (*kecamatan*), and the sanctioning of village leaders in several communities for trying to embezzle money.

The UPP began in 1999 in response to the rapid rise in urban poverty triggered by the financial crisis. Through its innovative and flexible approach to learning, the UPP has successfully involved a growing number of communities and local governments in shaping the development of Indonesia’s national-level urban poverty plan. The communities, with the support of local governments, have implemented a successful CDD program, supported by thousands of volunteers from the communities themselves.

The PNPM-Rural and the PNPM-Urban have also been instrumental in delivering the IBRD-supported capacity building and governance program at the local level. They

have increased community participation in governance and have found creative new ways to combine formal and informal anti-corruption programs. Being subjected to the most intensive independent audits and public scrutiny, they have become an attractive choice for leading the country’s national poverty reduction strategy.

Results

From 1998 to 2006, the KDP and the UPP reached more than 50,000 urban and rural villages and benefited more than 11 million families with significant achievements. A rigorous 2008 impact evaluation of the KDP showed that real *per capita* consumption gains were 11 percent higher among poor households and the number of households moving out of poverty in poor sub-districts was 9.2 percent higher in KDP areas compared with control areas. The evaluation showed that, as a result of KDP participation, vulnerable households near the poverty line were less at risk of falling into poverty and that the longer a sub-district received KDP funding the greater was the estimated impact on rural household expenditure. The KDP reduced unemployment by 1.5 percent in comparison with control areas.

As of October 2009, the combined KDP/PNPM-Rural and UPP/PNPM-Urban Programs have built or rehabilitated over 62,000 kilometers of roads, 11,000 clean water supply units, 11,000 irrigation schemes, 6,500 kilometers



of drainage, 17,500 village health posts and 10,000 new schools. Also counted in addition to these projects are more than 30,000 other types of economically-productive infrastructure activities. Some 90 million work-days have been created from KDP/PNPM-Rural and 20 million work-days from the UPP/PNPM-Urban. During a visit to Manado and Gorontalo on Sulawesi Island in December 2009, the Vice President of Indonesia, Boediono, remarked that overall the PNPM-*Mandiri* has progressed well in all areas: *“For example, the provision of clean water in North Minahasa, Sulawesi, which only cost approximately US\$30,000 can reach 3,000 people or 900 families.”* *“Effectiveness to reach the mass should be the priority in choosing projects.”* Economically productive KDP-built infrastructure has resulted in expanded business opportunities and employment. Economic rates of return on sample infrastructure sub-projects have ranged from 39 to 68 percent. Independent technical evaluations rated the quality of the infrastructure as 91–93 percent “good” to “very good”. An independent evaluation found that village infrastructure built through KDP/UPP/PNPM cost significantly less – on average 56 percent less – than equivalent works built through government contracts.

Community participation in PNPM-Rural and PNPM-Urban is high. The participation of women in PNPM meetings averaged 45 percent. Nearly 60 percent of those who attend these meetings are from the poorer segments of the community. The 2008 impact evaluation and gender review did find, however, that the PNPM could do much more to promote the participation of women and vulnerable groups.

IBRD Contribution

The PNPM distributes US\$1.6 billion each year to approximately 79,000 villages in poor areas. The total contribution of the IBRD and IDA so far has been US\$2.299 billion to the PNPM-Rural and US\$915 million to the PNPM-Urban.

Partners

In implementing the PNPM, IBRD works with the Coordinating Ministry of People’s Welfare, which chairs the PNPM

Program Steering Committee, an inter-ministerial coordinating body. The Steering Committee comprises representatives from the Ministries of Disadvantage Areas, Public Works, Finance, Home Affairs, People’s Welfare, Cooperatives and Small Medium Enterprises, Agriculture, Communications and Information, Marine and Fisheries, and Industry and Trade. The Coordinating Ministry of People’s Welfare also chairs the Government’s National Poverty Reduction Coordination Committee. Overall project oversight is a function of the Ministry of Home Affairs for PNPM-Rural and the Ministry of Public Works for PNPM-Urban, while day-to-day coordination is undertaken by project management units assisted by administrative units (*satuan kerja* or ‘*Satker*’) at central, provincial and district levels.

The PNPM includes major operational pilots or sub-programs funded through grants from bilateral donors (including Australia, Canada, Denmark, The Netherlands and the United Kingdom). All of these pilots build upon the main PNPM platform and principles of community participation. These programs include the PNPM-*Generasi* (Millennium Development Goals achievement grants or conditional cash transfer pilots) in 178 sub-districts in five provinces across the country for the achievement of education and health outcomes; Green PNPM to support natural resource management and renewable energy initiatives; PNPM-SADI supporting agricultural development initiatives to provide technical assistance and financial resources for smallholder farmers; PNPM RESPEK, which supports Papua and West Papua’s customized approach to adapting the PNPM to the distinct conditions of those two provinces; Aceh Multi-Donor Trust Fund for post-tsunami recovery and PNPM-specific adaptations for Aceh and Nias; and the Creative Communities pilot in 30 sub-districts aimed at cultivating a cultural approach to poverty reduction.

AusAid has extended its support for the PNPM by providing additional financial resources of approximately US\$200 million over the period 2009–2014, in which part of the contribution will be targeted toward the far east of Indonesia, Papua. Approximately US\$100 million will be contributed to PNPM-*Generasi* as to provide block grants to communities to achieve health and education Millennium Development Goals.

Good Practices Developed/ Replicated

The KDP and UPP models were adopted by the Community-Based Settlement Rehabilitation and Reconstruction projects (CSRRP) for rebuilding houses and community infrastructure in Aceh in 2005 and in the provinces of Yogyakarta Special Region, Central Java and West Java in 2006 in the aftermath of the tsunami and earthquakes. The projects were financed through the Multi-Donor Fund (MDF) for Aceh and Nias and the Java Reconstruction Fund (JRF). Also supported by the MDF, the Kecamatan Rehabilitation and Reconstruction Project for Nias is using a similar community-based approach. At the initial stage of the MDF, the then-Head of the Agency for Rehabilitation and Reconstruction of Aceh (BRR), Kuntoro Mangkusubroto, saw this approach as *“high impact, with benefits immediately trickling down to the people”*. The CDD-based model also required less supervision and involvement from the overwhelmed BRR, which had a lengthy agenda to tackle. The MDF was considered the best platform to fund CDD-based projects. The CDD-based models were also adopted by the Government as a flagship of the poverty reduction program, PNPM.

Next Steps

The CDD-based projects will remain the major models in alleviating poverty in Indonesia. The Government has discussed continuing the PNPM until 2015 in two phases. The current phase (2007–2009) is the scale-up to full national coverage of all 79,000 villages and urban wards. After the scale-up, the PNPM would shift into a more self-sustaining mode whereby local governments will take on greater responsibility for financing. Some local governments have actually replicated the model, using their own funds, to implement investments in areas that have not had previous interventions. For example, based on the Community Settlement Planning of CSRRP, local governments chose to help villages that were not affected by the earthquake in Java to plan required infrastructure that would fit into the sub-national planning. Also over time, small poverty-reduction initiatives will be folded into the PNPM to make programming at the community level more streamlined, coordinated and responsive to beneficiaries' needs.

LEARN MORE

In-depth information (such as project documents)

- Projects under PNPM
- Decision Note – PNPM Regional Management Review Meeting dated Dec 20, 2007

Country/sector work

- Overview of PNPM Rural

Link to Government Web-sites

- PNPM Mandiri Web (in Bahasa Indonesia)

More on Project/Sector/Country

- Borrowing History

<http://web.worldbank.org/external/projects/main?Projectid=P105002&theSitePK=40941&piPK=64302772&pagePK=64330670&menuPK=64282135&Type=Financial>

LEARN MORE *(continued)*

– Data & Statistics

<http://web.worldbank.org/external/projects/main?Projectid=P105002&theSitePK=40941&piPK=64302789&pagePK=64330676&menuPK=64282137&Type=Implementation>

Contact Us

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Key Statistics and Results

- US\$1 billion per year to be transferred to communities.
- 11 million families benefited from CDD-based models, not including those who benefited from disaster trust funds.
- 70,000 villages per year are reached by the National Program for Community Empowerment Project.
- 38,000 houses rehabilitated and reconstructed in Aceh, Nias, Special Province of Yogyakarta and Central Java.

MULTIMEDIA

Bridge development in Ambarawa - Central Java



Hanging Bridge built through PNPM in Jambi – Sumatra



Health Center built through PNPM in Subang - West Java

LEARN MORE *(continued)*

Road project in Tabanan – Bali



Irrigation project in Jombang - East Java



PNPM road built over muddy field in Dompu - West Nusa Tenggara



Beneficiary of Women Headed-Household Program for income generation in West Java