

Results Profile: Indonesia's Community-Driven Development



DIRECT PARTICIPATION

Empowering Indonesian communities through developing infrastructure, services

Overview

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.

Full Brief—6 Pages

[Empowering Indonesian Communities through Direct Participation in Developing Infrastructure and Services—PDF, April 2010](#)

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.

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

MULTIMEDIA

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38,000

houses rehabilitated and reconstructed in Aceh, Nias, Special Province of Yogyakarta and Central Java.

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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.

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. 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

World Bank in Indonesia

- » Community-Driven Development
- » Indonesia: Local Community Participation is the Primary Element to Alleviating Poverty in Rural Areas

PROJECTS

- » National Program for Community Empowerment in Urban Areas (PNPM-Urban)
- » National Program for Community Empowerment in Rural Areas (PNPM-Rural)
- » PNPM II-Urban
- » PNPM II-Rural
- » PNPM III-Urban
- » PNPM III-Rural

participation of women and vulnerable groups.

Toward the Future

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. 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.

Partners

Indonesia's Coordinating Ministry of People's Welfare, 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. Governments of Australia, Canada, Denmark, The Netherlands and the United Kingdom

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