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Part I: An Overview

I.1. Perspective, Objectives and Methodology

1. The Context –Addressing Poverty, a Global Challenge

The issue of poverty has been globalized with the Millennium Development Goals (MDGs) being endorsed by the comity of nations that constitute the United Nations. There is a commitment to halve it by 2015. The MDGs provide directions for changes in several social sector activities that have direct relation with poverty improvement\(^1\). The declarations are like yardsticks for performance monitoring of the achievement of the countries in respect to poverty and help establishing their claims to development inputs.

In fact, the last decade of the last millennium had come out with a wide range of global initiatives and commitments which seek to bring in a society that will be free from hunger, poverty deprivation, socio-economic inequities, corruption, et al, and install a high level of transparency, accountability, and efficiency in governance. The common slogan of development and external support agencies is the eradication of poverty, and their efforts are now in operation for over two decades. All their development initiatives are shown to be invariably linked to addressing this challenge. Eradication of poverty is also high on the development agenda of most countries in the South; however, some of them like India have recognized the ground reality to change the focus to poverty alleviation.

It is in this context, that some researchers have started wondering on a few critical issues. Do we have a credible estimate of global poverty, how relevant is the $1/day cut off level\(^2\) for defining extreme poverty in real terms, and is this norm still relevant across the comity of nations, cities, villages more than a decade later. Has an effective system of coordinating activities of the global, national and local partners been put in place, other than periodic meetings of the dominant partners to decide, basically their financial contribution to the poverty funding pool and selecting significant roles for themselves in designing and managing the programs. Is this approach realistic?. Do we have in hand an effective system of assessing the final outcomes.

\(^{1}\) The first expert evaluation of the MDGs made by a Team of Experts lead by Jeffrey Sachs, Special Adviser to UN Secretary General, has provided a rather unsatisfactory assessment of achievements in the first four years of its operations. See, UNDP 2005, Investing in Development: A Practical Plan to Achieve the Millennium Development Goals –Overview.

\(^{2}\) Fixed in 1993 and subsequently adjusted for purchasing power parity.
We have very few answers to these concerns. The general response is that the situation is improving and often some statistics are provided on numerical coverage of the poor through various poverty reduction programmes, with little evidence on the sustainability of the impact of the poverty reduction strategies. Jeffrey Sachs recent evaluation report on the implementation of the MDGs, introduced in 2000, provides a good assessment of the present poverty status and the impact of the interventions of governments and international agencies. After considerable research and consultations by over 250 experts in 10 special Task Forces, the Report assesses that one major constraint to evaluate the progress and the impact is the inadequacy in the data base. It therefore concludes that while the MDGs are important, “we are falling short” and the experts are concerned to find the “why” for this situation (p.2). In view of the inadequacy in performance, the Sachs Report recommends working back from the 2015 targets and timelines. To quote the Report (p.24): “Rather than strategies to “accelerate progress toward the Goals,” we need strategies to “achieve the Goals.”

The Jeffrey Sachs package of 10 key recommendations on strategies to address the poverty challenge provides mainly some directives and broad guidelines and identifies some approaches. Its major weakness is that the recommendations are neither new or of an innovative nature. Most of them are directives or old wine in new bottle-type strategies. The manner in which a strategy may be designed to address specific types of poverty and seek to go beyond attaining some numerical target is missing. The need of the day is a set of information-based strategies, which do not reintroduce the conventional components under new names, as is often the case in poverty alleviation schemes in several countries, or seek to focus on computerization of records, strengthening the administrative system, inducting a participatory process, among others. The requirement is of innovative ideas, approaches and toolkits that fit into the local-specific dynamics of poverty and related challenges.

2. LOGOTRI Research Study

In this context, the idea of a Study on Innovative Approaches to Poverty Reduction was proposed by Society for Development Studies (SDS) at the Annual General Meeting of the Network of Local Government Training and Research Institutes in Asia and the Pacific (LOGOTRI) in New Delhi in February 2002. The SDS had highlighted in that forum a contour of one of its action research studies on Poverty Reduction within a medium term

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3 The focus on the numerical game is seen in for example, in the MDG targets of lifting more than 500 million people out of extreme poverty, over 300 million from hunger, saving 30 million children and 2 million mothers (p 1)
4 A mix of skills, credit, sometimes, work place, market tie up are uniformly included and in the area of skills, the thrust is on tailoring for girls and mechanic skills for boys
framework, which evoked interest among a large number of LOGOTRI members on account of its visible logic of sustainability through the results on the ground level. The theme was selected as one of LOGOTRI research projects and SDS was selected as the principal/lead research institution for this study. Two LOGOTRI member institutions, Urban and Regional Development Institute (URDI) from Indonesia and China Training Centre for Senior Civil Servants (CTCSCS) in Beijing came forward to be partners of the Project.

The broad contours of the Project were drawn up by SDS in consultation with the selected partner institutions during interactions in New Delhi. The major issue that needed to be clarified before the start of the Project was the concept of innovative approach, which at that time appeared to be equivalent to a new approach, reflected in operational principles which had not been adopted earlier in poverty alleviation programmes in the partner countries. Further, in view of the generally adopted traditional one-component intervention in the developing world, the concept of an innovative Programme was decided to having a multi-dimensional integrated approach, which would include interventions across more than one sector/component/activity area and would seek to integrate the flows from multiple stakeholders to have sustainable impact on the poor. The integrated approach was likely to build the holding capacity of the poor and the strategy cuts across the rural-urban barrier. This multi-dimensional approach was then considered as innovative, as this approach is generally not evident and is evident in a few poverty reduction initiatives.

Eventually, the CTCSCS in Beijing expressed its inability to participate in this Study due to some circumstantial difficulties and the present study is the outcome of the initiatives of two institutions, SDS in India and URDI in Indonesia.

3. Objectives of the Study

The basic objective of the Study is to share country experiences and contribute to the knowledge base of the developing world for addressing one of the major global challenges. In particular,

- To highlight the Indian and Indonesian perspectives of poverty situation and approaches to poverty reduction
- Identify Innovative Poverty Reduction Programmes and their components and trace the sustainability issues in them
• Explore the possibility of emulating the good practices in the Indian and Indonesian context and elsewhere.

4. **Methodology**

The principal methodology adopted in undertaking this study is literature survey and examination of secondary data. The basic issues of poverty, such as definition and measurement of poverty, the components of the poverty reduction strategies are based on literature search that includes official documents and reports as well as published and unpublished studies. Interactions with poverty experts also formed an important component of the methodology. Field visit to a few projects that had developed innovative approaches was also included as part of the research methodology.\(^5\)

5. **Scope of the Study**

The scope of the study encompasses analysis of major poverty issues and programmes, implemented by various tiers in the system of governance – national, regional/state, local-- as well as by other stakeholders in the society. An important component of the study is to identify a few innovative approaches that have been developed/tested to alleviate poverty and improve the quality of life of the poor, and to bring together the major components of the innovative approaches.

6. **Presentation of the Study**

The Study is presented in three parts. Part I presents the objectives, methodology and scope of the study and a Overview of the outputs of the country case studies. Parts II and III present the case studies on India and Indonesia.

Part I and II are prepared by the SDS and Part III by the URDI. In each case, a team of researchers undertook the research work.

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\(^5\) SDS and URDI had decided to visit also some innovative projects in the partner country, using the LOGOTRI research funds. While SDS researchers visited projects in Indonesia, URDI researchers were not able to visit Indian projects.
I.2. Major Findings and Recommendations

1. Incidence of Poverty

The findings of the two country studies are interesting from several standpoints. The first point is the poverty incidences of the two countries are within a narrow range of difference, 26 per cent in India and 23 per cent in Indonesia around 1999-2000 A.D. However, one should hasten to add that it may not give any idea of actual poverty positioning of the two countries as the measurement rods are not identical. Indonesia has adopted a liberal definition that could embody all the characteristics of poverty manifestations. In contrast, the official definition of poverty in India is judged by the per capita calorie value of food intake and converted to income poverty by price deflators. It may be interesting to explore the prospect of working out a comparable formula.

A few striking similarities are evident in the poverty reduction approaches in the two countries. These are evident in the operational constraints as well as in the emerging changes in the poverty alleviation strategies and processes of implementation of the interventions.

2. Major Operational Constraints

The inadequacy of effectiveness of poverty reduction interventions is a critical concern. A causative factor analysis of the weak impact has brought out several operational constraints that are, in varying degrees, evident in the research outputs in the two case study countries. These are directly linked to the departmental approach of providers of poverty reduction inputs. There is often a tendency among stakeholders/partners to attain their specific goals, and the outcome is that the interest of the main partner, the poor, gets neglected or overlooked. Some of the causative factors for this situation that have emerged from the country case studies are:

i. Low awareness of the principle of pro-poor development
ii. Target-driven, focus on numerical coverage and not on sustainable impact
iii. Resource supply-driven, not need-driven
iv. Sustainability issue not a priority concern of project implementing agency.
Innovative Approaches to Poverty Reduction – Experiences in India and Indonesia

Society for Development Studies (SDS), India & Urban and Regional Development Institute (URDI), Indonesia

May 2005

v. Training component, target-driven and not linked to activities that facilitate use of the training inputs and translated into an income-generating venture or facilitated vertical mobility on the income ladder.

vi. Negligible coordination and ineffective convergence of flows of inputs.

vii. Institutional network a totally top-down infrastructure.

viii. M & E extremely weak component.

ix. Weak professional capacity at designing and implementing points.

x. Financial component generally inadequate, disbursal not timely and recovery system only notional.

3. Innovative Developments

The innovative approaches in India and Indonesia have sought to address some of the operational constraints in on-going poverty reduction programmes and ensuring that community-based initiatives are coupled with upstream support to assist all levels of government in the planning and implementation of poverty reduction initiatives. and induct components that would be directed towards attaining sustainable impact on the poor. A few of the illustrative initiatives are:

i. Gradual shift from the top-down directional development approach to ground upwards empowerment approach.

ii. Building trusts among local communities and the local government.

iii. Shift from centralized approach to decentralized approach, shifting implementation, decision making and management responsibilities to local/regional governments by empowering them with appropriate authority.

iv. Recognising the inefficacy of the public sector approach to poverty reduction in terms of fulfillment of targets to inducting other stakeholders and particularly the communities.

v. Shift from one or few components strategy to a multi-dimensional integrated strategy.

vi. Developing new and situation-specific norms and standards rather than continuing to adopt norms from a completely different socio-economic and development scenario.
vii. Encouraging the local communities and the local government to contribute to the financing of the program and whine out the subsidy syndrome.

viii. Developing local data base for designing programmes and building up a strong M&E system, with active involvement of the community.

4. Integrated Approach

The experiences of innovative practices in India and Indonesia have established the desirability of developing an integrated approach to effectively address the multi-dimensional scenario of poverty. This is essential to simultaneously address all the manifestations or tiers of poverty, rather than one or two components that may be the responsibility of specific departments of the government or in the development agenda of international development agencies. A multi-sector integrated approach enables addressing the key causative factors of poverty. While the components may vary in different socio-economic situations, the approach provides a framework that can be adopted to fit in specific types of interventions.

The integrated approach requires the components to be decided upon the local poverty scenario and the key causative factors. The strategy components should seek to address these factors and take into account the poverty dimensions. A need-based programme has to be designed rather than a funds supply based programme. The capability of implementing agency has to be accordingly strengthened with technical assistance and capacity building inputs. The participatory process has to be the operational principle to provide for effective partnerships among all local stakeholders. There has to be a clear understanding of the issues within the implementing agencies and an “attitude to serve the poor”. The lack of these qualities are key deficiencies and high-risk factors for the sustainability of poverty alleviation programmes. A new institutional mechanism or a radically reoriented mechanism is a high priority need. This has been the experience of SDS in several parts of India and in many other countries in Asia and Africa.

The integrated approach required the creation of economic opportunities, improvement in the delivery of social services, strengthening the habitat, empowering women, and integrating good governance and participatory approaches to decision-making. This approach brought out specific innovative features that made the intervention more effective than the usual package of poverty reduction interventions.
Part II  Innovative Approaches to Poverty Reduction in India
II.1. Poverty Scenario in India

1. Introduction

Over fifty years after independence, India harbours one of the largest number of the poor that any country has in the world. As in 1999-2000, over two hundred million people, approximately accounting for 26.1 percent of the population in India, lived below the poverty line standard; 74 per cent of them in the rural areas, quite close to the distribution pattern of rural population. (Planning Commission, September 2001). It is both the cause and the result of a number of social problems, a combination of socio-economic, demographic, political and cultural factors working against the weaker sections and the inadequacy of the resource base to effectively address the growing causative factors. Constant efforts are on from all stakeholders in the country to reduce the degree of poverty. India’s achievement in this front is remarkable: it has brought down the poverty incidences from 54.5 percent in 1973-74, to 26.1 per cent in 2000. In absolute numbers, also the magnitude of the poor has declined, especially in rural India.

In contrast to the decreasing rural poverty in India (both in terms of ratio and number), the number of the urban poor has increased over the last three decades, in spite of a lower population growth rate. This is often considered to be the result of higher growth rate of the poor than of the general population in the urban areas. Keeping in view the strong rural to urban migration pattern in India, urban poverty is considered as a spill over of the poor from the rural areas. It is only in 1999-2000, that the poverty monitoring by National Sample Survey Organization (NSSO) showed a marked reduction in urban poverty. The number of urban poor has been reported to have gone down by 12.0 per cent, along with the number going down from 76.3 million to 67.1 million during the last six years of the nineties. (Table II.1.1) While the overall fall in poverty ratio in India has raised a number of controversies, there is a large agreement over the lower poverty incidence in recent years due to the series of initiatives towards economic reforms.

2. Definition of Poverty

There are innumerable definitions of poverty, based on the perceptions of the social scientists academics, policy makers and influenced by the personal experiences and country specific situations. It is a multi-dimensional concept. The bottom line of all such definitions is the recognition of deprivation in specific consumptions. i.e., not enough to keep the
Table II.1.1: Poverty Scenario in India

<table>
<thead>
<tr>
<th>Year</th>
<th>Rural</th>
<th>Urban</th>
<th>Total</th>
<th>Rural</th>
<th>Urban</th>
<th>Total</th>
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<tr>
<td>1973-74</td>
<td>56.4</td>
<td>49.0</td>
<td>54.9</td>
<td>261.3</td>
<td>60.0</td>
<td>321.3</td>
</tr>
<tr>
<td>1977-78</td>
<td>53.1</td>
<td>45.2</td>
<td>51.3</td>
<td>264.3</td>
<td>64.6</td>
<td>328.9</td>
</tr>
<tr>
<td>1983</td>
<td>45.7</td>
<td>40.8</td>
<td>44.5</td>
<td>252.0</td>
<td>70.9</td>
<td>322.9</td>
</tr>
<tr>
<td>1987-88</td>
<td>39.1</td>
<td>38.2</td>
<td>38.9</td>
<td>231.9</td>
<td>75.2</td>
<td>307.1</td>
</tr>
<tr>
<td>1993-94</td>
<td>37.3</td>
<td>32.4</td>
<td>36.0</td>
<td>244.0</td>
<td>76.3</td>
<td>320.3</td>
</tr>
<tr>
<td>1999-00</td>
<td>27.1</td>
<td>23.6</td>
<td>26.1</td>
<td>193.2</td>
<td>67.1</td>
<td>260.3</td>
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Source: Planning Commission: Tenth Five Year Plan (2002-2007)

body and soul in healthy condition. A broader definition of poverty is the lack of command over minimum amount of basic commodities that would degrade the quality of life beyond an acceptable limit. A still more classy definition is based on the potential of the poor to function in the society. Social discrimination, and cultural practices do not allow groups of people to have access to different facilities that one would expect to have an access in normal course. Thus poverty is associated with vulnerability, social and political deprivation. Failure to meet these minimum needs results in core poverty which has been described by Robert S. McNamara as “a condition of life so characterized by malnutrition, illiteracy, disease, high infant mortality and low life expectancy as to be beneath any reasonable definition of human society.” However, the imperative of an accepted definition of poverty cannot be ignored in view of the socio-economic as well as political considerations.

The official definition of poverty in India is based on per capita consumption expenditure as the measure of standard of living and the variable in terms of which absolute poverty is measured. It is the minimum per capita consumption expenditure which would satisfy the basic calorie needs of an individual for carrying out an active life. The National Sample Survey Organisation (NSSO) in India, which operates under the Ministry of Statistics and Programme Implementation, Government of India, estimates the consumption standard of the people on the basis of all-India household surveys every five years. The consumption expenditure on basic and some non-basic food groups only are considered and the estimates are made on basis of monthly per capita expenditure (MPCE) with different reference periods. (Sarvekhana, Vol.XVIII No. 2 Oct-Dec, 1994). Official estimates of incidence of poverty are based on the minimum required consumption levels of food. A calorie norm of
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2400 per capita per day for rural areas and 2100 per capita per day for urban areas is taken as the basis, a norm fixed four decades ago. The poverty is estimated on head count basis.

3. Measurements of Poverty

Poverty is normally measured with respect to a poverty line, a cut-off point on the line of consumption or income distribution, which divides the population as poor and non-poor. In India, the poverty line is defined as minimum per capita consumption expenditure that could satisfy the basic calorie needs of an individual for leading an active life and depending on individuals needs, gender and occupation, separate poverty lines are estimated for persons in rural and urban areas. The Task Force on Projection of Minimum Needs and Effective Consumption Demand (1979) had defined the Poverty Line (PL) as the per capita expenditure level at which the calorie norms were met on the basis of the all India consumption basket for 1973-74. This was equivalent to Rs. 49.09 and Rs 56.64 per capita per month for rural and urban areas, respectively, at 1973-74 prices. The PL thus defined is updated from time to time to take care of the price changes. The private consumption deflator, derived from the National Accounts Statistics (NAS), is used for this purpose.

The actual number of poor is estimated by the Planning Commission of India by introducing some adjustment factors in the NSS sample data on distribution of households by consumption expenditure levels. This exercise on adjustment is undertaken to smooth out the differences in the aggregate private consumption expenditure estimated by the NSSO and the NAS. Thus the poverty population is estimated by applying the updated poverty line to the corresponding adjusted NSSO distribution of households by level of consumption expenditure. Later, the all-India consumption basket has been supplemented with State specific consumption baskets. Nevertheless, calorie contents still remains the only determining factor in poverty measurements.

4. Methodological Issues

The last few years have witnessed a significant controversy over the poverty estimates for period of the late nineties. The release of official estimate of poverty by the Planning Commission of India in 2001 observed that, during the 1990s, India recorded one of the fastest reduction in poverty level, among the developing countries. According to this estimate, poverty incidences fell from 39 per cent in 1993-94 to 26 per cent in 1999-2000. The official estimate indicated that poverty head count ratio declined by approximately 10 percentage points between 1993-94 (50th Round) and 1999-2000 (55th Round). The
estimates were based on successive household survey data collected over a period of 50 years. In fact, the NSSO provides one of the longest time series data on poverty in the world.

The centre of controversy was the survey methodology used by the NSSO in its 55th round in 1999-2000, for calculation of household consumption expenditure and consequently, per capita consumption, which was different from the earlier methodology used for estimating per capita consumption and hence the results of the two Rounds could not be comparable. (Planning Commission, ‘Official Poverty Estimates for 1999-2000’ Press Release, February 22, 2000).

The specific issue in the controversy was the recall period for estimating consumption expenditure in different rounds of the survey. The NSSO survey has traditionally been based on 30 day uniform recall period (URP) for all goods, an approach adopted by NSSO in the early fifties, based on some experiments undertaken and on the advice of eminent Indian statistical experts (Mahalanobis and Sen, 1954) The 55th Round in 1999-2000 used a different recall period. It canvassed on compulsory basis, Multiple Reporting Periods (MRP), that could not be compared with earlier methods of URP. However, after a number of statistical adjustments, an unambiguous evidence of decline in poverty rates was found.

A broad consensus now exists on the decline in the poverty in the late 1990s, The difference in the magnitude of poverty remained controversial but some of them were accepted after validation of the process of estimation. The all India rural and urban poverty incidences, both in terms of Head Count Ratio and Poverty Gap Index, also clearly indicate the declining trends in poverty in the nineties (Table II.1.2).

Keeping in trend with the world wide practice of using shorter recall period of 7 days, for high frequency consumption goods such as food items, NSSO had also compared, on experimental basis, the results of the three recall periods, namely, 7, 30 and 365 days, using alternately the different recall periods in the 51th to the 54th Rounds (1990-1994) of surveys and found that on an average, all the methods generated higher reported expenditure and that reduced the poverty rates by one-half.
Table II.1.2. All India Head Count Ratio and Poverty Gap Indices (Rural and Urban)

<table>
<thead>
<tr>
<th></th>
<th>1987-88</th>
<th>1993-94</th>
<th>1999-00</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HCR</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PGI</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>1. Rural</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Official Estimates</td>
<td>39.4</td>
<td>37.1</td>
<td>26.8</td>
</tr>
<tr>
<td>Adjusted Estimates</td>
<td>39.4</td>
<td>37.1</td>
<td>30.0</td>
</tr>
<tr>
<td>a. Adjusting to changes in questionnaire</td>
<td>39.4</td>
<td>33.0</td>
<td>26.3</td>
</tr>
<tr>
<td>b. Adjusting to the Poverty Line</td>
<td>39.4</td>
<td>33.0</td>
<td>26.3</td>
</tr>
<tr>
<td><strong>2. Urban</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Official Estimates</td>
<td>39.1</td>
<td>32.9</td>
<td>24.1</td>
</tr>
<tr>
<td>Adjusted Estimates</td>
<td>39.1</td>
<td>32.9</td>
<td>24.7</td>
</tr>
<tr>
<td>a. Adjusting to changes in questionnaire</td>
<td>39.1</td>
<td>32.9</td>
<td>24.7</td>
</tr>
<tr>
<td>b. Adjusting to the Poverty Line</td>
<td>22.5</td>
<td>17.8</td>
<td>12.0</td>
</tr>
</tbody>
</table>

Sources: 1. Planning Commission
2. Deaton, Angus, & Dreze, Jean: Poverty and Inequality in India, EPW, Sept 7-13, 2003

Note: HCR- Head Count Ratio      PGI - Poverty -Gap Index

5. State Level Poverty Situation

A comparison of the official and estimated poverty incidences in the 15 states between the 50th. and the 55th. Rounds of NSSO surveys on an URP of 30 days, do not show significant divergences (Tables II.1.3 and II.1.4). The adjusted rural poverty estimates are slightly higher than the official estimates on 30 days basis, whereas the urban estimates are typically very close to the official estimates. On the whole, therefore, the estimates in the rural and urban areas suggest that the estimates on 30 days recall basis are not misleading.

The analysis of the state specific Head Count Ratio on a uniform recall basis of 30 days provides interesting results. The richer states have been able to achieve a higher poverty reduction than the poorer states. In fact, a further analysis shows concentration of poverty has increased over time and that 76 per cent of the poor were found to be living in the nine poorer states (per capita income less than average of all India) in 2000, compared to 70 per cent in 1983. Richer states have been able to shed off the poverty baggage significantly (Table II.1.5).
The average per capita income in the States varied from Rs 15,000 (1997-2000) in the richer states to Rs 7,500 in the poorer states. In terms of crucial development indicators, such as health, education, drinking water and sanitation, the disparities in their status is also reflected in the disparity in income levels. These results reiterate that growth of the economy is among the contributory factors to reducing poverty.

Table II.1.3: Headcount Poverty Ratios (Rural India)

<table>
<thead>
<tr>
<th>State</th>
<th>50th Round</th>
<th>55th Round</th>
<th>55th Round</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Official</td>
<td>Estimate</td>
<td>Official</td>
</tr>
<tr>
<td>1. Andhra Pradesh</td>
<td>15.9</td>
<td>15.9</td>
<td>11.1</td>
</tr>
<tr>
<td>2. Assam</td>
<td>45.0</td>
<td>45.2</td>
<td>40.0</td>
</tr>
<tr>
<td>3. Bihar</td>
<td>58.2</td>
<td>58.0</td>
<td>44.3</td>
</tr>
<tr>
<td>4. Gujarat</td>
<td>22.2</td>
<td>22.2</td>
<td>13.2</td>
</tr>
<tr>
<td>5. Haryana</td>
<td>28.0</td>
<td>28.3</td>
<td>8.3</td>
</tr>
<tr>
<td>6. Himachal Pradesh</td>
<td>30.3</td>
<td>30.4</td>
<td>7.9</td>
</tr>
<tr>
<td>7. Karnataka</td>
<td>29.9</td>
<td>30.1</td>
<td>17.4</td>
</tr>
<tr>
<td>8. Kerala</td>
<td>25.8</td>
<td>25.4</td>
<td>9.4</td>
</tr>
<tr>
<td>9. Madhya Pradesh</td>
<td>40.8</td>
<td>40.7</td>
<td>37.1</td>
</tr>
<tr>
<td>10. Maharashtra</td>
<td>37.9</td>
<td>37.9</td>
<td>23.7</td>
</tr>
<tr>
<td>11. Orissa</td>
<td>49.7</td>
<td>49.8</td>
<td>48.0</td>
</tr>
<tr>
<td>12. Punjab</td>
<td>12.0</td>
<td>11.7</td>
<td>6.4</td>
</tr>
<tr>
<td>13. Rajasthan</td>
<td>26.5</td>
<td>26.4</td>
<td>13.7</td>
</tr>
<tr>
<td>14. Tamil Nadu</td>
<td>32.5</td>
<td>33.0</td>
<td>20.6</td>
</tr>
<tr>
<td>15. Uttar Pradesh</td>
<td>42.3</td>
<td>42.3</td>
<td>31.2</td>
</tr>
<tr>
<td>16. West Bengal</td>
<td>40.8</td>
<td>41.2</td>
<td>31.9</td>
</tr>
<tr>
<td>All India</td>
<td>37.3</td>
<td>37.2</td>
<td>27.1</td>
</tr>
</tbody>
</table>

Notes: The ‘official’ estimates for the 50th and 55th round are those published in the Planning Commission’s press releases. The ‘estimate’ in columns 2 and 4 are calculations by Angus Deaton from the unit record data. These differ from the official numbers because the latter are extrapolated from published tables rather than directly calculated from the data. The last two columns show the adjusted poverty estimates using the procedures detailed in the text, together with standard errors calculated from 100 replications of a bootstrap that takes into account the cluster structure of the data, but ignores stratification.

Table II.1.4: Headcount Poverty Ratios (Urban India)

<table>
<thead>
<tr>
<th>State</th>
<th>50th Round Official</th>
<th>50th Round Estimate</th>
<th>55th Round Official</th>
<th>55th Round Estimate</th>
<th>Adjusted</th>
<th>St. Error</th>
</tr>
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<tbody>
<tr>
<td>Andhra Pradesh</td>
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<td>26.6</td>
<td>27.2</td>
<td>27.7</td>
<td>1.45</td>
</tr>
<tr>
<td>Assam</td>
<td>7.7</td>
<td>7.9</td>
<td>7.5</td>
<td>7.5</td>
<td>8.3</td>
<td>1.23</td>
</tr>
<tr>
<td>Bihar</td>
<td>34.5</td>
<td>34.8</td>
<td>32.9</td>
<td>33.5</td>
<td>33.8</td>
<td>1.77</td>
</tr>
<tr>
<td>Gujarat</td>
<td>27.9</td>
<td>28.3</td>
<td>15.6</td>
<td>14.8</td>
<td>16.0</td>
<td>1.69</td>
</tr>
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<td>Haryana</td>
<td>16.4</td>
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<td>10.0</td>
<td>10.0</td>
<td>9.5</td>
<td>1.45</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>9.2</td>
<td>9.3</td>
<td>4.6</td>
<td>4.6</td>
<td>4.5</td>
<td>0.68</td>
</tr>
<tr>
<td>Karnataka</td>
<td>40.1</td>
<td>39.9</td>
<td>25.3</td>
<td>24.6</td>
<td>25.5</td>
<td>1.96</td>
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<td>20.3</td>
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<td>18.7</td>
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<td>Madhya Pradesh</td>
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<td>37.9</td>
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<td>26.7</td>
<td>28.1</td>
<td>1.49</td>
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<td>40.6</td>
<td>42.8</td>
<td>43.5</td>
<td>41.4</td>
<td>3.80</td>
</tr>
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<td>Punjab</td>
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<td>5.8</td>
<td>5.5</td>
<td>6.3</td>
<td>0.42</td>
</tr>
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<td>31.0</td>
<td>19.9</td>
<td>19.4</td>
<td>22.8</td>
<td>2.23</td>
</tr>
<tr>
<td>Tamil Nadu</td>
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<td>39.9</td>
<td>22.1</td>
<td>22.5</td>
<td>24.4</td>
<td>1.21</td>
</tr>
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<td>35.1</td>
<td>30.9</td>
<td>30.8</td>
<td>30.4</td>
<td>1.64</td>
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<td>West Bengal</td>
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<td>14.7</td>
<td>19.5</td>
<td>1.24</td>
</tr>
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<td>0.68</td>
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<tr>
<td>All India</td>
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<td>32.6</td>
<td>23.6</td>
<td>23.5</td>
<td>24.7</td>
<td>0.41</td>
</tr>
</tbody>
</table>

Notes: The sources and explanations are same as in Table 3.
Innovative Approaches to Poverty Reduction – Experiences in India and Indonesia

LOGOTRI Research Study

Society for Development Studies (SDS), India & Urban and Regional Development Institute (URDI), Indonesia

May 2005

Table II.1. 5: Concentration of Poverty in India #
(% of total number of poor)

<table>
<thead>
<tr>
<th>Year</th>
<th>Poor states*</th>
<th>Richer states**</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>70</td>
<td>27</td>
<td>3</td>
<td>100</td>
</tr>
<tr>
<td>1987/88</td>
<td>70</td>
<td>28</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>1993/94</td>
<td>71</td>
<td>26</td>
<td>3</td>
<td>100</td>
</tr>
<tr>
<td>1999/00</td>
<td>76</td>
<td>22</td>
<td>3</td>
<td>100</td>
</tr>
</tbody>
</table>


Notes: * includes Andhra Pradesh, Assam, Bihar, Kerala, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and West Bengal

** Gujarat, Haryana, Karnataka, Maharashtra, Punjab and Tamil Nadu

# based on Planning Commission, Government of India

6. Millennium Development Goals

In terms of performances in related sectors to poverty, India has a mixed bag of achievement. The Planning Commission of India recognizes the importance of MDGs in the total context of poverty reduction and has specifically set the goals and monitorable targets in its Tenth Five Year Plan. Regarding the likelihood of India’s achievement in poverty reduction and reaching other development goals by 2015, it appears that on the poverty front, it would be possible to achieve the desired goal within the stipulated period. In the area of literacy and school enrollment at the primary level, keeping in view the improvement in these two aspects in the 1990s, the pace of growth has to be increased. In fact, these development indicators had led to an opinion in some quarters that India had halved the poverty even before the MDGs were announced. The poverty incidences have fallen by 1.2 percentage points annually during that decade and the enrolment rate among primary school going children grew by 1.0 percentage point every year during the same period. A comparison between the actual progress made in the 1990s and the needed progress to achieve MDG by the target dates indicate target reductions in poverty could be achieved if it continues to fall by a minimum rate of 0.7 percentage points a year. The need for accelerating the primary school enrolment rate to 1.5 percentage points seems to be imperative for reaching the MDG in time. In quantitative terms, the gap between enrolment ratios for boys and girls reduced...
from 11 to 8 percentage points for age group of 7-10 years old and for age group of 11-14 years old, it reduced from 17 to 10 percentage points between 1993-94 and 1999-2000.

The progress in health indicators was much slower as compared to education and poverty behaviour in the 1990s and as such, a rapid acceleration is necessary in this sector to reach the MDG by 2015. It is interesting to note that all 15 larger States, accounting for 90 per cent of population and three larger and poorest States such as Uttar Pradesh, Bihar and Madhya Pradesh have shown an overall reduction in poverty and considerable improvement in the social indicators.

As has been observed earlier, the better performing States have made faster progress in poverty and illiteracy reduction. The baggage of the poverty and illiteracy have been concentrated in India’s large and poorest States. It is now clear that the MDGs will not be achieved, without enhancing economic opportunities and reducing the roadblocks for more rapid poverty reduction and better human resource development in the poorest States. (World Bank, 2002).

7. Growth and Poverty

The discussions on growth and distribution of its fruits across the country clearly brings out the close relationship between growth and poverty. The studies on poverty in a number of countries have established a close link between poverty and aggregate economic growth. The cross-country data find poverty incidences respond strongly to economic growth. (Hasan Rana & Quibria, M. G, Poverty and Patterns of Growth:2002, ERD Working Paper series No. 18, ADB). The poverty trend in India during the second half of the nineties tend to support the findings.

The growth-poverty relationship becomes more meaningful with the findings that the growth-poverty relationship is stronger in the agriculture sector than in other sectors. In fact, this finding in India and some other countries has given rise to a viewpoint that agriculture should be accorded the highest priority for poverty reduction. In the case of India, the growth in primary sector has been found to have strong impact on poverty reduction, more than the growth in the secondary sector, which in fact had no impact on poverty in rural and urban areas. (Ravallion and Datt, 1996). In the case of Philippines, similar findings strengthen the sectoral growth relation to poverty reduction. It is found that a one per cent increase in growth of agriculture has led to the reduction in poverty incidences by a little more than one per cent. The corresponding growth in service and industry sectors was accompanied by less than one per cent, around quarter to a one-third of one per cent reduction in poverty (Kakwani, 2001).
However, it is not the case for all countries. There are countries where it is the industry and service sectors that could be related to the overall growth of the economy.

The general explanation of the overall economic growth responsible for significant poverty reduction in the nineties in India may not stand a close scrutiny. While there is no unanimous view about the association of growth in agriculture sector to poverty reduction, the strong correlation between the increase in real agricultural wages and poverty indexes is found to have ample empirical evidences. Invariably an increase in real wages in agriculture has led to decline in poverty and vice versa, which is responsible for lowering of the poverty rates in rural India. According to some experts Dreze and Sen (2002), growth in real agricultural wages appeared to be sufficient condition for substantial poverty decline in all states where the growth rate in wages was more than 2.5 per cent per year in the nineties. The same views are supported by many other experts (Angus Deaton and Jean Dreze, 2002, Poverty and Inequality in India).

At the same time, the empirical data of some other states show uneven growth and prosperity and further, the worsening of the poverty situation. From the stand point of poverty management, therefore, inequality in development interventions needs to be controlled and a balanced approach to development interventions is called for. The most shocking information that accompanied the growth findings, was the decline in calorie intake along with improvement in income poverty, an anomaly that requires an indepth examination of the ground level data and reforms in methodology regarding calorie norms, the foundation for drawing the income poverty line.

8. Reforms in Statistical Methods

While estimates of poverty is important for its evident policy implications, the actual significance of it lies in monitoring of poverty behaviour over time and across the country and this requires standard norms for comparison. India grossly lags in this respect. The second important reason that calls for reforms in statistical methods is the comparability across the major statistical data sources on expenditure at the country level. There are significant moves in this direction in recent years. (Angus Deaton (2003) Adjusted Indian Poverty: Estimates for 1999-2000 in EPW Vol. XVIII No. 4 2003.)
9. Need for Recognition of Multiple Characteristics of Poverty in Official Estimates

While the official measurement of poverty incidences is calorie-converted per capita income level, and majority of the national poverty programmes are employment-oriented, government of India recognizes that other aspects of poverty to be considered such as shelter, health, education, basic services and physical assets. These characteristics of poverty are considered along with the income of households for considering their eligibility to participate in poverty alleviation programmes. The need for recognizing these characteristics in macro level poverty estimates in India have been brought out time and again by various expert groups but so far no move has been taken in this direction.

Indian’s Poverty Alleviation Programmes (PAP) are run by Government of India, the state Governments, and the District and local authorities. The total amount spent on PAP is 6-7% of total Government of India budgetary expenditure and less than 1% of GDP. Food subsidy programmes make about 55% of total PAP spending. The largest programme in this category is the Public Distribution System (PDS), which provides subsidized cereals and cooking medium to the poor and since 1997 is targeted to the very poor and renamed as Targeted PDS (TPDS).

Self-employment programmes account for about 5% of total PAP expenditure and the Integrated Rural Development Programme (IRDP) account for about one-third of the PAP spending. The two main employment programmes are Employment Assurance Scheme and Jawahar Rojgar Yojana, now renamed as Jawahar Gram Samridhi Yojana and these have been redesigned in two aspects. The first one is to be exclusively implemented by the Gram Panchayats (Village Councils) and the second one is on infrastructure development with employment generation relegated to a secondary objective. The thrust of rationalization of PAP is to provide a greater role to rural governments in selection of the beneficiary, implementation and monitoring. While the reforms stress on transparency at the implementation level, there is very little sign of these elements being inducted.
### Table II.1.6: Calorie Intake and Poverty Situation

<table>
<thead>
<tr>
<th>States</th>
<th>Average Calorie Intake Per Capita Per Day (Kcal)</th>
<th>Median Calorie Intake Per Capita Per Day (Kcal)</th>
<th>Head Count Ratios (Per Cent Consuming below 2,400 Calories Per Day)</th>
<th>Head Count Ratios of Poverty (Per Cent with below OPL Incomes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Andhra Pradesh</td>
<td>2204</td>
<td>2021</td>
<td>1988</td>
<td>1955</td>
</tr>
<tr>
<td>2. Bihar</td>
<td>2189</td>
<td>2121</td>
<td>2081</td>
<td>2034</td>
</tr>
<tr>
<td>3. Gujarat</td>
<td>2113</td>
<td>1986</td>
<td>1988</td>
<td>1904</td>
</tr>
<tr>
<td>4. Haryana</td>
<td>2554</td>
<td>2455</td>
<td>2325</td>
<td>2313</td>
</tr>
<tr>
<td>5. Himachal Pradesh</td>
<td>2636</td>
<td>2454</td>
<td>2499</td>
<td>2307</td>
</tr>
<tr>
<td>6. Jammu &amp; Kashmir</td>
<td>2569</td>
<td>2631</td>
<td>2480</td>
<td>2577</td>
</tr>
<tr>
<td>7. Karnataka</td>
<td>2260</td>
<td>2028</td>
<td>2097</td>
<td>1905</td>
</tr>
<tr>
<td>8. Kerala</td>
<td>1884</td>
<td>1982</td>
<td>1749</td>
<td>1904</td>
</tr>
<tr>
<td>9. Madhya Pradesh</td>
<td>2323</td>
<td>2062</td>
<td>2175</td>
<td>1932</td>
</tr>
<tr>
<td>10. Maharashtra</td>
<td>2144</td>
<td>2012</td>
<td>2012</td>
<td>1926</td>
</tr>
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<td>11. Orissa</td>
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<td>2119</td>
<td>1995</td>
<td>2051</td>
</tr>
<tr>
<td>12. Punjab</td>
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<td>2479</td>
<td>2221</td>
</tr>
<tr>
<td>13. Rajasthan</td>
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<td>2425</td>
<td>2324</td>
<td>2292</td>
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<tr>
<td>14. Tamil Nadu</td>
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<td>1720</td>
<td>1727</td>
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<td>2399</td>
<td>2327</td>
<td>2252</td>
<td>2176</td>
</tr>
<tr>
<td>16. West Bengal</td>
<td>2027</td>
<td>2095</td>
<td>1902</td>
<td>2009</td>
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</table>
II.2: Approaches to Poverty Alleviation in Indian Planning

1. Approaches in Indian Plans

Since the independence of India, the approach to addressing major issues and providing the planning and policy framework on crucial aspects of the economy are given shape through the Five Year Plans. The focus of the first four Five Year Plans (1951-1973) was on economic development, along with equity and justice. It was in the Fifth Five-Year Plan (1974-1979) that poverty removal was addressed as a principal objective but the Plan did not approach the issue directly. Although the issue of defining a poverty line was first addressed by a Working Group of the Planning Commission (constituted in 1962), it was the Task Force on Minimum Needs and Effective Consumption Demand (constituted by Planning Commission in 1979) that considered the age, sex and activity profiles of population together with average calorie norms. For the first time, it was officially recognized that despite the sizeable gains in economic development and improvement in the living standards, consumption levels of the bottom 30 per cent of the population accounted for only about 14 per cent of the total private consumption and there were wide disparities in the consumption levels, posing a “potential threat to the unity, integrity and independence of the country”.

The Task Force on Minimum Needs and Effective Consumption Demand defined the poverty incidences through consumption baskets and its calorie contents. The requirements were placed at 2,400 calories for rural areas and 2,100 for urban areas (Nutrition Expert Group and the Indian Council of Medical Research). In monetary terms, this worked out at 1973-74 prices, to a per capita monthly expenditure of Rs.49.09 ($6.54) and Rs. 56.64 ($7.55) for rural and urban areas, respectively. At the price level of 1989-90, the poverty line would be Rs.153.04 ($8.50) for rural and Rs. 176.65 ($9.81) for urban areas. The relevance of calorie intake as the only criterion for determining poverty has been questioned since then, as it does not take into account regional variations and leaves out other manifestations of poverty, such as lack of access to basic amenities like water, and services like health or education and even a basic need like shelter. Therefore, the need for evolving alternative methodologies focusing on the quality of life was stressed.

The Fifth Plan did not formulate any special strategy for poverty removal; it sought to reduce its incidence through the economic growth processes and ongoing programmes like the Minimum Needs Programme, and public procurement and distribution of essential goods. The Fifth Plan also made no distinction between rural and urban poverty.
During the Sixth Five-Year Plan (1980-85), the limits of ‘income growth’ approach to reduce incidence of poverty was recognized. It placed ‘poverty reduction’ on high priority and emphasized on identification and measurement issues of poverty, development of realistic targets, and formulation of specific programmes to meet the targets. It identified specific poverty groups to substantially bring down the poverty incidence in the country. An integrated approach in terms of interventions for sustainability, was introduced through a programme known as Integrated Rural Development Programme (IRDP), that had capacity building components in terms of employable skills and credit components. It laid foundation for direct attack on urban poverty by establishing a centrally sponsored programme called the Environmental Improvement of Urban Slums (EIUS), slum improvement and up graduation, and sites and services projects in several cities. It provided for moving nearly six million urban poor above poverty line, essentially through provision of additional consumption benefits, access to better and more equitable distribution of health, education, sanitation and drinking water and slum improvement and environmental improvement programmes.

The Seventh Five-Year Plan (1985-90) made the first conscious attempt to directly address the urban poverty. It explicitly noted the growing incidence of poverty in the urban areas and the rapid growth of slums caused by persistent rural-urban migration, overcrowding in relatively unskilled and low paid jobs in the informal sector. The Plan proposed multi-prolonged strategies for provision of gainful employment to the unemployed, raising earnings of low-paid jobs, and improving access of urban poor to basic services such as education, health care, sanitation and safe drinking water. Two programs were launched to directly assist the urban poor namely, Urban Basic Services (UBS), and Self Employment Programme for Urban Poor (SEPUP). The UBS concentrated on provision of basic services at the settlement levels and the SEPUP was to pull up the low skilled, whose demand was still significant in the lives of the citizens.

The Eighth Five-Year Plan (1992-97) strategy included expansion of employment opportunities and augmentation of productivity and income levels of both the unemployed and under employed. Integration of the existing special employment programmes with sectoral development programs was taken as a measure to achieve sustainable employment. Enhanced outlay was allocated to ‘rural development,’ for which resource utilization for building up rural infrastructure was considered necessary. Existing special employment programs namely the IRDP and JRY were extended to generate short-term employment for the unemployed and the under employed in the rural areas. A reduction in the dependence on the administration for development was marked by encouraging greater self help by the people and their participation in programmes through Panchayati Raj Institutions (PRI), cooperatives and other self managed institutions.
The Ninth Five-Year Plan (1997-2002) recognized the importance of basic services in poverty alleviation and special emphasis was placed on seven basic minimum services (safe drinking water, primary health facilities, universal primary education, nutrition to school and pre-school children, shelter for the poor, road connectivity for all villages and habitations, and the Public Distribution System). Special efforts were made to achieve a minimum level of satisfaction in providing these services in partnership with the State Governments and PRIs. The involvement of PRIs, voluntary organizations and community based Self Help Groups was encouraged in the process of poverty eradication and economic growth. The IRDP was continued as a major self-employment programme targeted to families living the below poverty line in the rural areas of the country. The employment programmes for the unemployed and underemployed in the earlier Plans (NRY, PMIUPEP and UBSP) were phased out by a new single programme Swarnajayanti Sahari Swarozgar Yojana (SJSRY) and special emphasis was given to self employment through micro enterprises and skill development and development of women and children.

The Tenth Five-Year Plan (2002-2007) has placed the thrust on enlargement of self employment and wage employment programmes and their effective delivery is considered as imperative to achieve reduction in poverty. NGO participation and formation of Self Help Groups are important components of the strategy. The IRDP continues to concentrate on individual beneficiaries and Swarnajayanti Gram Swarozgar Yojana (SGSY) lays emphasis on social mobilization and group formation.

2. An Evaluation of the Approaches

The entire range of planned interventions spanning over a period of five decades indicate a wide range of experiments, from macro level to micro level, from regional development to settlement development, a combination of re-distributive policy and individual income development and access to infrastructure services and community approach to minimizing the leakages in all possible manner for mainstreaming the poor. The grossly neglected aspects were the consistency in the approaches and a direction for sustainability in the programme outputs. The claim for integrated approach, which became a fashionable jargon in development theory, was often a combination of disjointed components of accepted anti-poverty programmes, and monitored mainly in terms of numerical target achievements. As such, in spite of decline in the poverty rates, there is no account on share of the poor in and around the poverty lines. The major poverty programmes are mainly administered by Government of India, often through the state governments and sometimes also the local governments.
II.3: Poverty Alleviation Programmes and Strategies

1. Poverty Alleviation Programmes and Strategies

The Poverty Alleviation Programmes (PAP) initiated during the Five Year Plans were a part of the planned interventions, and may be broadly classified into three categories, namely, self employment, wage employment and infrastructure development and were directed towards both the rural and urban areas. The first serious intervention to address the poverty issues was made with the observations of the Planning Commission’s Task Force on Minimum Needs (1979) that the high disparity in the distribution of development support may impact the unity, integrity and independence of the country. In 1980, the Sixth Plan introduced the individual level self employment schemes were introduced in the Poverty Alleviation Programmes (PAP).

2. Rural PAP

a. Integrated Rural Development Programme (IRDP), 1980

The first rural Self Employment Programme was known as the Integrated Rural Development Program (IRDP) and was launched in 1980. The IRDP intended to fill up the acknowledged need for skill formation, along with credit intervention. It also recognised the leakage factors that did not allow the full benefits of PAP to be reaped. The scheme was designed strictly for BPL rural households, especially small and marginal farmers, other rural poor, backward communities such as scheduled castes (SC) and scheduled tribes (ST), and women.

The absence of basic technical and entrepreneurial skills among the rural poor was addressed with the merging of an existing skill development Programme, the Training of Rural Youth for Self-Employment (TRYSEM) with the IRDP. It provided basic technical and entrepreneurial skills to the rural poor in the age group of 18 to 35 years for enabling them to take up income generating activities, and also provided them tool kits and linkages with assistance under the IRDP. A small stipend was also paid. To avoid leakage problems, the credit for setting up self employed enterprises was not handed over in cash, but the productive assets of the equivalent value of the assistance was provided.

The scheme covered a large number of rural poor through their family enterprises and enabled them to cross the poverty line. The Scheme, however, suffered from
administrative deficiencies that encouraged corrupt practices and the lack of suitable infrastructure linkages, which negatively affected the operations. The Programme also suffered from inadequate monitoring of the interventions and the impact. This was partly due to the inexperience of the government in managing the PAP on such a big scale. It was one of the earliest PAP of the Government of India (1980) launched across the country.

b. Development of Women and Children in Rural Areas (DWCRA), 1982-83

Corresponding to the IRDP, the DWCRA was introduced to offer self-employment opportunities to BPL women, according to their ability, skill and local situation, so that they can become socially independent and economically self-reliant. There is an indirect feature to develop poor children also.

The DWCRA was introduced in 1982-83 in 50 districts. The eligible participants were to be supported to acquire productive assets to generate additional incomes. However, unlike the IRDP, the DWCRA was a group based credit scheme for women groups of 10-15 members. To introduce self confidence among the women, there is a provision for a Revolving Fund of Rs.15,000 to support management activities and to acquire working funds. Within a period of five years, a total of 28,000 women groups were organized.

This scheme was subsequently extended to all the districts of the country. Each women group was entitled to an amount of Rs. 25,000 for enhancing income earning capability of the group members. The Central Government, State Government, and UNICEF shared the total budget of the programme in the ratio of 40:40:20.

c. Wage Employment Programmes

i. Jawahar Rozgar Yojana (JRY), 1989

Recognising the limited skill spectrum of a large percentage of the rural people, and the imperative of infrastructure development for growth in the rural economy, the JRY was introduced. The JRY components included generating employment opportunities for both the unemployed and the under-employed men and women in the rural areas, construction of assets in support of the rural poor, mainly scheduled castes (SC) and the scheduled tribes (ST), and to develop overall quality of life in rural areas through construction of community and public assets. The programme targeted the rural poor (BPL), with special preference to SCs, STs and bonded labourers. The programme reserved 30 percent of its total employment opportunities for rural women. The Programme could initiate works under the Yojana at any period of the year, but they should, as far as possible, be taken up during the lean agricultural period, with a view to provide scope for employment throughout the year.
The scheme was centrally sponsored, with the funding share being 80 percent by the Government of India and 20 percent by the respective State government. The scheme could be an effective means of employment generation through decentralised implementation and could spread consistently in all parts of rural areas. Also, unlike the earlier schemes, the roles of contractors and middlemen resulting in the misuse of funds and food grains were eliminated in this programme. The evaluation of the JRY brings out clearly the disadvantages of decentralised approach, without accountability. The monitoring of the Programme was infrequent and ineffective. As a result, even in terms of physical infrastructure, the Programme did not facilitate the development process. The public assets constructed during the Project period were also not long lasting and could barely add to the process of sustained capital formation.

Also, the employment period under the Scheme, was far too short a period to generate visible impact on the living conditions of the poor in the rural areas.

**ii. Million Wells Scheme (MWS), 1988-89**

The million wells scheme was launched as a sub-scheme of the National Rural Employment Programme (NREP) and the Rural Landless Employment Guarantee Programme (RLEGP) during the year 1988-89. After the merger of the two programmes in April 1989 into the JRY, the MWS continued as a sub-scheme of JRY till December 1995. The MWS was de-linked from the JRY and made into an independent scheme with effect from 1996.

The objective of the scheme was to put eligible beneficiaries with marginal land on a path of sustainable development. Where geological conditions do not permit digging of wells due to hostile terrain or inadequate underground water resources the provision can be used for constructing other water bearing structures provided they satisfied the prescribed norm of labour intensity (60:40). 30% of the total outlay allocated to JRY is reserved for MWS out of which outlays for SC/ST beneficiaries should not be less than 20%.

A total of 6.39 lakh wells have been dug under MWS during the period 1988-93 at a cost of Rs. 1,785 crores.
3. Urban PAP

The first notable urban PAP was for improving the living conditions, which are in stark contrast to that in mainstreaming settlements. It is to be noted that the issue of poverty was not calorie contents of food or income generation as a means to achieve that. Poverty in the urban areas encompasses many other deprivations with environment of their habitat being one among them.

a. Environmental Improvement of Urban Slums (EIUS)

Started in early 1980s and initially funded by Government of India, the aim of the Programme was to improve the living conditions of the slum dwellers, with provision of basic facilities such as water supply together with drinking water taps, proper drainage system, community bathrooms and latrines, widening and adequate cleaning and maintenance of roads and street lights. The Scheme was applicable for notified slums only. The Government of India provided special monetary support of Rs. 525 per slum resident in a city with population of more than 3,00,000 people. During the early phases of this programme, nearly 9.4 million slum dwellers benefitted from the programme and another 9.8 million during 1985-90, as per official estimates.

However, the Scheme did not generate active interest of the slum community, as they were not involved in the process of identifying specific works programmes to be undertaken. As a result, the community did not have ownership approach to the infrastructure created through the Scheme and expected the municipal authorities to maintain them, although through the Schemes, the municipal authorities had granted de facto security of tenure. This gave rise to the sense of ownership in a different manner to the residents as provision of services by municipal government is perceived as an act of recognition of the poor. A large percentage of slum dwellers upgraded their shelter in the wake of improved access to services and reduced fear of eviction. However, due to the absence of a properly designed monitoring system, there is no account of the nature of benefits accrued by the slum dwellers. A oft noticed phenomenon in these slums is the ‘sale of residences’ that put the actual owners back to the foot path. This has been found to be caused due to lack of holding capacity of the shelter in the absence of regular income generation opportunities.

b. Urban Basic Services for Poor (UBSP)

Launched in 1986, the UBSP is one of the best designed programmes of Government of India and has covered over 10 million urban poor in 296 cities in 25 states and 6 Union Territories. Basic social services are provided such as, non formal education, health care,
nutritional supplements, and activities are also undertaken for promoting communal harmony, national integration and civic consciousness.

The scheme was initially a scheme for urban basic services, but was subsequently modified into UBSP, in the light of experiences gained. As a national programme, Government of India had committed Rs. 10 billion and the State Government contribute additional funds on a 60:40 basis. The UNICEF has supported certain activities related to training, documentation and demonstration activities.

c. Nehru Rozgar Yojana (NRY)

The NRY was launched in 1989-90 an urban employment programme, designed as a counterpart of the IRDP, and targeted at the individual poor in the BPL category. It had three components:

- Scheme of Urban Micro Enterprises (SUME)
- Scheme of Urban Wage Employment (SUWE)
- Scheme of Housing and Shelter Upgradation (SHASHU)

SUME provides the urban poor are provided with training and necessary infrastructure to undertake a micro enterprise, for which a 25 percent subsidy is provided. Government of India facilitates the entire expense on training. The self employment component is open to all urban poor in all urban settlements.

SUWE is operational in urban local bodies with less than 100,000 population. The objective was to create community centres, markets, low cost water and sanitation services, street paving, among a select list of services. SHASHU provides training in shelter technology and building activities to the economically weaker sections of society, as also subsidy and credit for housing upgradation by the urban poor.

The NRY encountered several operational problems. First, Government of India funds were limited and declined since its inception. Secondly, the low budgetary allocation was one of the reasons for lack of interest in the Scheme at the municipal government level. Third, the Programme required links with banks for the credit component, but there were delays in release of the loans as the banks are compelled to handle many similar schemes within prescribed annual ceilings. Fourthly, the eligibility criteria and loan ceiling under NRY and other employment oriented schemes are quite different, although they are targeting the
same population. Fifthly, there was a lot of duplication in targeting, skill based training and credit disbursements, resulting in confusion at the local level about the various eligibility criteria.

d. Prime Minister’s Integrated Urban Poverty Eradication Program (PM IUPEP)

PMIUPEP was launched in 1995 to address urban poverty problems, especially in the small towns (Class II urban agglomerations with a population ranging between 50,000 and 100,000), which lacked resources for planning their environment and development. Programmes. The only eligibility condition was that elections to local bodies had been held.

e. Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

The SJSRY was launched during the Ninth Plan (1997-2002) by phasing out NRY, UBSP and PMIUPEP. The key objective is to provide employment opportunities to the urban poor and the jobless by encouraging them to set up self-employment ventures or by providing different possibilities of wage employment. The funding pattern is based on 75:25 ratio between Government of India and the State Governments.

An unique characteristic of SJSRY is that it was to be based on community empowerment and in this respect the Programme was different from the others. It was also designed to encourage and create community organizations and structures to supply supporting and facilitating inputs for local improvement.

The SJSRY mainly consists of two special schemes, namely,

i. Urban Self Employment Programme (USEP)

The USEP component of the SJSRY is implemented in all urban towns with particular stress on urban poor clusters, with the objective to support the urban poor, especially the under-employed and unemployed youths, to start self-employment enterprises. These micro-enterprises were planned to cover small business, servicing, petty business and manufacturing. The USEP also offered assistance to the urban poor women in a group of at least 10 to set up their self-employment ventures by selecting an economic activity according to their skills, training, and the local market conditions and demand. The objective is not only to generate income but also to make themselves independent. This sub-scheme is known as The Scheme for Development of Women and Children in the Urban Areas (DWCUA).
The USEP also includes training to prospective beneficiaries and other persons connected with the urban employment programme. A variety of services, local skills and local crafts are covered to equip them to start their own small enterprise or secure salaried employment.

The USEP targets all BPL people in an urban area, with special preference to urban poor women, physically disabled, and persons belonging to the SC and ST. In the self-employment component, the programme take account of people educated below IX standard to avoid duplication with the ongoing Prime Minister Rozgar Yojana (PMRY). As regards the wage employment component, no educational qualification is needed and necessary training will be given in any activity that requires skills.

Joint methods of selection of beneficiaries was to be carried out with the involvement of community structures like CDSs and through detailed house-to-house survey to identify the urban poor.. However, households headed by widows, divorcees, single women or household where women is the sole prime bread earner, are given upper rank in the priority list.

**ii. Urban Wage Employment Program (UWEP)**

The UWEP component of the SJSRY is operational in cities with population of less than 500000, and seeks to provide wage employment to BPL people in the urban areas by utilising their work for creation of socially and economically useful public assets.

**f. Self-Employment Programme for Urban Poor (SEPUP)**

The goal of the SEPUP, launched in 1986, is to provide economic support of Rs.5000 to the urban poor and consists of bank credit at 10 percent interest rate and subsidy of 25 percent to start their own small self-employment venture and improve their living condition. As a result, the programme has assisted an incredibly large number of beneficiaries in urban areas and helped several of them to cross the poverty line.

A few operational problems include misuse of the inputs by beneficiaries, low refund rates, high rates of past dues and lack of support, which are considered to be the key factors for limited impact.
II.4: Innovative Approaches and Practices

1. Perspective

There are numerous poverty alleviation programmes all over India, which have experimented, outside the standard programmes of Government of India and State Governments, with innovative approaches. These have been designed and implemented with different focus groups and having objectives, that are invariably related to addressing the challenges of poverty in various dimensions. Generally the government sponsored programmes are top down in approach, and the components and designs are largely pre-determined, and may often have no relation to the ground level realities. In the case of the private sector and the NGOs, the latter often carries out programmes on behalf of the government, and the initiatives and the specific designs have originated from the felt needs of the deprived sections and therefore, these have developed a bottom up approach. In majority of cases, the Programmes have single component and one focused objective. There are however, Programmes with multiple objectives and multiplier impacts. To choose from these host of the PAPs, is a difficult job, mostly because of access problems to information and the adopted definition of an innovative Project for the present Paper.

We have therefore concentrated on the impact of the Project/Programme on the poverty situation and the main criterion has been the sustainability of the impact, after the withdrawal of the Project/Programme support partners. As per the adopted criteria, one is the less disseminated Projects. This has therefore been the second criterion for selection of the Projects. The sources of information are varied. They are a mix of secondary information including publications and personal interviews.

2. Criteria for Project Selection

Within these constraints, SDS first listed the prospective projects that could satisfy the innovative criteria, and then delved into the critical issues of poverty in them and documented a few of them that would fit the innovative criteria. A list of 16 illustrative innovative PAPs is presented according to their main component/activity area and the project components and strategies of 6 of them (marked with * in the list), that bring out innovative approaches and their outcomes are examined in section 3 of this Chapter.
a. Income and Housing
1. Integrated Urban Housing, Income Generation and Empowerment Strategy – Experiences of a Secondary Town, Alwar, Rajasthan*
2. Initiative towards Housing for All-Two Million Housing Programme, New Delhi
3. Basket Weaver’s Housing Project at Coimbatore
4. Mahila Milan, Mumbai*
b. Infrastructure Services
1. Bio digesters Initiative, Lucknow
2. Environmentally Sound and Productive use of City Garbage, Bangalore
c. Urban Governance
1. Participation of Poor in Governance-CDS system of Kerala*
2. Innovative governance for improving living standards of Labour force in Kerala
d. Women
1. Self Employment Women’s Association (SEWA) Bank, Ahmedabad, Gujarat*
2. Community-based Women-oriented initiative to fight poverty, Kerala
3. Social and Financial Empowerment of Poor Women in India
4. Empowering Tribal Women through Leadership and Entrepreneurship, Orissa
e. Rural and Tribal Areas
1. PANI ROKO AISHIYAN (Water Conservation Campaign), Shivpuri, Madhya Pradesh*
2. Ecological Conservation and Economic Prosperity through the building of JOHADS, Rajasthan
3. DHAN (Development of Humane Action) Foundation, Madurai, Tamilnadu *
4. Pragathi Bandhu Model For Integrated Village Development, Dharmasthala

3. Approaches, Components and Practices of Innovative Approaches
   i. Integrated Urban Housing Strategy – Experiences of a Secondary Town, Alwar

a. Introduction
This innovative Indian poverty alleviation strategy is based on the principle that to address poverty effectively, the strategy has to be responsive, inclusive and dynamic, taking into perspective the emerging new dimensions of poverty in a functionally integrated manner.
The new challenge is to shift away from the project-oriented approach of the government and donor agencies that in effect often ends into target-hunting activities. The strategy that was developed for this project by Society for Development Studies (SDS) and then implemented seeks to provide an alternative route to poverty reduction that breaks the tentacles of dependency, builds the capacity of the community through access to information and replaces targets with sustainable impact.

The SDS approach is a composite approach that seeks to develop a sustainable livelihood, based as far as possible, on the existing human, social and economic capital of the vulnerable community and makes full use of the growth potential through building effective co-ordination and convergence of partners responsible for flow of the requisite inputs including information and knowledge, in planned sequences and dosages. Leveraging the internal and external resources for achieving the maximum impact is another critical component of the approach. An indicator of the success of this approach is non-dependency of the community on public agencies or NGOs for managing their own affairs.

The project focuses on the process of urbanization in smaller towns where poverty is manifested in income deprivation. The challenge is to transform the secondary town of Alwar into a dynamic urban growth centre. The growth process cannot be through the usual route of large industry and commerce alone and may require other growth stimulus.

The employment characteristics of majority of the people in the secondary towns are traditional economic activities, handed over through generations and carried out as a way of life rather than as economic activities involving entrepreneurship. The poverty is more due to inadequate employment, the over supply of labour for the activities in the context of the local economy and lack of other income earning opportunities. This has led to stiff competition among the suppliers for capturing the limited market demand, resulting in further lowering of the incomes.

b. Launching and Implementation Period: September 1999- July 2003

SDS had prepared an Integrated Development Strategy for Alwar in the early 1990s on behalf of the National Capital Region Planning Board, the regional planning and development agency of Government of India, to promote an induced growth in Alwar. The issue was not creating employment, as the poor were already employed, but recognizing that the

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employment was not appropriate in the context of effectively alleviating poverty and seeking to address this aspect of poverty.

The strategy was to promote and support value added component in economic activities and thereby raise productivity of the people rather than provision of subsidized inputs and grants. Taking this strategy a step further, SDS policy research outputs on informal sector, poverty alleviation and housing for the poor, came to the conclusion that for implementation of the strategy and obtain an impact that will be self-sustainable, an integrated housing and economic development approach was probably the most effective and sustainable route for low-income households to access adequate, safe and secure shelter and come on to the path of economic empowerment.

c. Objectives
   i. Short Term Objectives
      • To create improved income opportunities for the vulnerable and below poverty line segments of artisan community, specifically the project partners chosen from these groups.
      • To facilitate other micro-entrepreneurs in accessing the development inputs such as composite credit, marketing network, technology and skill training.
      • To improve the basic shelter and work place facilities with the enhanced income of the project partners and in coordination with the District Administration.
      • To document the process of successful integration of income and shelter programmes and disseminate the same.

   ii. Long Term Objectives
      • To upscale the experiment for developing the secondary towns in India and reducing the scale of migration to the major urban centres, often the consequence of poverty in the secondary towns and rural areas.
      • To improve productivity and enhance the standard and quality of life of the project communities
      • To integrate sustainable patterns of income generation with housing upgradation and programs for provision of basic facilities

Three hundred households were selected for the required output of 200 skilled participants, who would have improved income with the help of project interventions and would upgrade the housing condition.
d. Integrated Strategy and Operational Principles

It is an integrated income and shelter programme that planned to bring about sustainability in the well being status of households, who have been on able to cross the poverty line through the route of income and housing upgrading, in that order. The uniqueness of the project is that both income upgrading and housing improvement was achieved with the same groups of households, which is not the case with majority of integrated poverty project.

The general experience is that an exclusive income generation programme suffers from the lack of a stable habitat, resulting in lack of motivation to save and spendthrif habits tend to be developed. In the case of the informal sector economic activities, lack of habitat exposes the workers to the critical problems of storage of inventory materials, semi-finished and finished products, forcing duress sale and loss of income.

In this perspective, the SDS Integrated Poverty Alleviation Strategy includes: Economic infrastructure, Composite credit instrument, Productivity-enhancing technology, Skill development, Materials bank, Marketing intelligence, Institutional mechanism, Integration of Housing and Income Generation, using part of incremental income to upgrade shelter.

The key operational principles included:

- Initiating the programme with an open mind
- Weaning the vulnerable groups from the dependency and subsidy syndromes and develop the capacity to own the projects
- Nurturing community unity for negotiating and accessing development inputs
- Accessing community to information and knowledge on all aspects of development
- Using information and knowledge to facilitate coordination, convergence and resource leveraging, specific to selected activities and locations

e. Major Approaches and Components

The followings have been the major approaches and components of the Project.

i. Inter-dependency among components

The objective of the project is to reduce urban poverty in a sustainable fashion through the routes of income and housing, the two most important voids in the lives of the poor. The hypothesis behind this approach is the empirical evidences that show the general
increase in the hold-on capacity of the poor and the quality of life, when one has access to adequate shelter for the simple reason that it not only provides environment for human capital formation and workplace, but also provides a collateral base for higher income generation activities. In turn, higher income helps retaining the house and access services to it.

The action research brings out the inadequacy of providing only secure tenure and access to housing credit to the poor, without being accompanied by income enhancement strategies.

**ii. Turning the Poor into a Visible Force**

The most critical challenge was to institutionalize the participants into common interest groups. The objective was to make their presence felt in the district administration and in the open market. However, acute shortage in the demand for services in comparison to the supply, has led to a state where the social network among the community members has been totally damaged and it was difficult for them to sit together and think in terms of common objectives. To change this mindset, SDS adopted the method of group savings that needed a number of joint decisions on the saving related issues and lending to the group members. The skill-training centre offered the scope of learning together. The social benefits were no less interesting. The child mortality and pregnancy rate rates were reduced significantly.

**iii. Value Addition and Productivity**

The notable capacity building components having direct impact on the participants, included diversification and upgrading of occupation skills for the same and new products, adoption of new technology (electric wheel in place of hand wheel, upgraded kiln, to reduce rate of breakage and wastage, electric sewing machine in the place of hand machines), training for entrepreneurship and sustainable saving habits, multiple credit management and general banking. Apart from these, capacity enhancement strategies such as registering the participants with the Government of India and State governments institutions for benefits of marketing the products, networking with other development agencies in the state for design and technology related information and study visits were adopted.

**f. Outputs**

**1. Project Community: Income and Shelter Development**

i. 21 Self-Help Groups covering 283 partners

ii. Upgradation and diversification of skills of 250 project members

iii. 90 profitable micro enterprises
iv. 300 trained low-income people with improved income levels attained through income generation project components
v. Use of new technology and equipments
vi. Ownership of new equipments
vii. Public & Private Market Linkage to 60 percent of project partners
viii. 200 improved housing
ix. Over 100 Participated in Exhibitions, Fairs, Exposure Visits

2. Project Community: Human Capital Formation
x. Reduced dependency syndrome
xi. Change in mind-set: from subsidy and grant habits to market oriented
xii. Empowering women partners through literacy, skills and income earning training inputs
xiii. Training in accounting and negotiation and pricing strategies
xiv. Building self-confidence to interact with buyers, government officials, donor agency (DFID) and other partners (ITDG)

3. Sustainability of the Project Outputs
xv. Continuation of the Self Help Groups after one year of withdrawal of Project support
xvi. Efforts to convert joint ownership of houses to individual ownership for legal recognition of it as collaterals.

4. Knowledge Dissemination Process
xvii. Research Papers on urban development, low-income housing, poverty alleviation, employment and planning – Contributions to Literature
xviii. Dissemination of project strategies and outputs through papers, seminars, workshops, media, Expert Committees across India and abroad
xix. Alwar Local Urban Observatory

5. Policy and Strategy Documents
xx. An Urban Poverty Reduction Strategy that is self-sustaining, without a subsidy component and fully managed by the community
xxi. A Secondary Town Development Model, that would be relevant to urban growth process where large-scale industrialization route is not feasible
xxiii. An Empowerment Strategy for the poor and marginalized communities and wean them away from the dependency syndrome.
g. **Outcomes**

1. The first stage of the project is indicative of an element of sustainability of impact of the project inputs of group formation, knowledge dissemination among the project partners, building of savings and loaning practices, linkages with the formal banking system, exposure to new technology, skills and markets, and most significantly, building the self-confidence of the people.

2. The improved income status has already initiated the process among the project partners to now consider shelter upgradation components. The potters, who require shelter-attached work place, are exploring the prospects of acquiring land at the town periphery to develop new integrated shelters and workplace, which would have fuel-efficient kilns and better storage facilities. They have gradually recognized the ground reality of getting out of the subsidy syndrome.

3. One community 8-seat toilet complex in *Budh Bihar* has been developed to provide low cost sanitation facilities to 25 project partners and over a 100 members of the community. This has been undertaken through a participatory process. The community members have provided some common land for this purpose, and have entered into an MOU with SDS regarding land, finance, and management of the complex, while the Nagar Parishad (Municipal Council) has agreed to extend water supply from a nearby source to this facility.

4. The Project has already upgraded/diversified the skills of 300 project partners through continuous training on different aspects of individual trades, focusing on enhancing productivity and diversification. Four-fifth of these partners are women.

5. Skill upgrading was linked with building potential market networks for prospective products of the project partners. Community members were in the forefront in direct negotiation and sale of their products during two District *Mela* (exhibition) in Alwar. Women partners were exposed to such an experience for the first time and learnt the art of price negotiation. An encouraging feature of the Jaipur exposure was the first export order received by SDS project partners.

6. There has been an improvement of 150-200 percent in incomes in the case of over 35 percent of the project partners and for the rest; the improvement is in the range of 40-50 percent.

h. **Conclusions**

The Alwar experience clearly brings out the fact that relationship between income generation and housing upgradation is not as straight or simple as was originally assumed in the Project. The last three and half years’ experience in dealing with nearly 300 low-income households in Alwar brings out the urgent necessity of generating a substantially higher
income level in a sustainable manner if the project objective of housing upgradation is to be achieved.

Apart from the need to have more housing units, a lesson that has come out from this policy research work, is the immediate challenge to address the several deficiencies in terms of services, both on-site and off-site, in traditional housing of the poor in secondary towns.

The Integrated Housing Project, initiated and implemented in collaboration with ITDG-DFID, provides an alternative route to poverty reduction that breaks the tentacles of dependency, builds the capacity of the community through access to information, and replaces targets with sustainable impact. Putting aside tight pre-determined strategies, targets and time lines and inducting flexibility in these components within a broad agreement on goals and time frame is an important policy contribution.

ii. National Slum Dwellers' Federation and Mahila Milan (Women Together), Mumbai

a. Introduction

The National Slum Dwellers' Federation (NSDF) and Mahila Milan (MN, Women Together) were initiated by Society for Promotion of Area Resource Centre (SPARC) to find workable solutions for housing of the community of pavement dwellers in Mumbai, a growing segment of the poor in the city.

b. Innovative Approach and Components

i. The Approach

The NSDF and MN have tried to sensitize policy makers and the city administration to the plight of the pavement-dwellers and for this purpose, women pavement dwellers have been brought together as a group to develop a lobby for negotiating with local and state governments over a wide range of issues that affected them. In effect, the strategy sought to empower the women to find their own solutions through negotiations with the service and support providers.

ii. Shelter Training Programme

Capacity building in key operational areas that concerned the development and empowerment of the women, was a key component. In the first cycle of the training developed by SPARC and women pavement dwellers in 1986-87, public meetings were
organized to discuss critical issues like impending demolitions and evictions, and to work out strategies to avert or deal with them. The first training programme was conducted for 600 women participants. Women's participation was seen as a *need* rather than a *right*. The next stage was to develop alternative shelters for which the crucial issue is the availability of land. Vacant stretches of land were identified in the development plan of the city. The land was, however, not officially available to the poor.

**iii. Group Building**

A process of identifying collective leadership amongst the groups began. One woman was chosen from every 15 houses and these representatives together formed Area Committees. They conducted regular meetings with the members of the 15 houses and served as a link of communication among them, and with the group, and the rest of the community. They received support and feedback on their work from SPARC and other members of the community.

SPARC’s experience shows that an enumeration survey can be used as a powerful tool to mobilize people. The women got a sense of accomplishment and boost in their confidence. It also developed a team spirit, which formed the basis of a collective leadership in place of traditional leaders.

**iv. Participatory Design**

The women analyzed the existing allocation of space for various functions in their dwellings. On the basis of this analysis, the requirements of the individual dwelling units were worked out along with architects and engineers.

The training programme also included a discussion of existing public housing schemes for the poor. Officials from the housing authority were invited to make presentations before groups of women and SPARC organized visits by a core group of women to public housing projects in Bombay and other cities. These exercise involved:

* an analysis by the pavement dwellers of their own lifestyles and their means and resources to arrive at a relevant dwelling and settlement design, articulating their design choices for professionals and defending their decisions.

* the development of prototypes dwellings with the help of professionals, the collection of information on public housing schemes and the assessment of their suitability.
Subsequently, full-scale model dwellings were built by the women. In the first training programme, the women used timber, cloth and paper; in subsequent programmes, other materials such as brick and concrete were also used. An exhibition was organized which was visited by slum-dwellers, professionals and government officials. Women showed and discussed the model dwelling with the visitors who had diverse interests in the exhibition. The women learnt about building materials, were trained in construction techniques, started saving money for their future homes and have been negotiating with the state authorities for land - the most valuable and scarce urban resource.

c. Outputs and Outcomes

The intervention of SPARC has resulted in the organization of women pavement-dwellers of Bombay and the articulation of their shelter needs. SPARC and its partner organizations have demonstrated that pavement dwellers have the capacity not only to save to provide for their housing, but also to provide tangible inputs into the design and construction of their homes.

Through the intervention of SPARC and Mahila Milan, 600 families living on the pavements of Byculla in Central Mumbai have been encouraged to save. Over the years, they have managed to put aside Rs 1,600,000, which they use whenever they need small loans to overcome a crisis. About 1,800 individuals have been given loans for various productive purposes by using external lines of credit, and each family has saved about Rs 5,000 towards their future housing.

iii. Participation of Poor in Governance-CDS System of Kerala

a. Introduction

The system of Community Development Society (CDS) was evolved during the convergence of centrally assisted poverty alleviation programmes in the 1980s, and the Community Based Nutrition Programme (CBNP) of UNICEF and the Self Help Group Programme promoted by NABARD during the 1990s. It was made operational in February, 1993.

b. Innovative Approach

The system is based on participatory bottom up planning approach, adopted through a three-tier process.
1. The Neighbourhood Committee prepares the micro plan based on the felt needs of the community.
2. Area Development Society consolidates these plans into a ‘mini plan’ at ward level.
3. Several mini plans are integrated into town level plan of action by the CDS with assistance from the Municipal officials.

The specific problem that is addressed of bringing the benefits of poverty reduction programmes to the target groups, without any intermediary resource leak. The whole process focuses on improving the quality of life of women and children. Urban Basic Services (UBS) Schemes have been operational in the State of Kerala since 1987-88. In 1992-93, community based impact study of Alappuzha town (in Allepey district of Kerala), considered one of the best performing UBS towns in India, revealed that the community participation was not effective and the benefits were not reaching the poorest of the poor, and that women's and children's needs were not addressed.

The Alappuzha CDS model was jointly developed by the State Government and the UNICEF, in co-operation with Alappuzha Municipality and the Community of Alappuzha. This paved the way for the initiative to become an empowerment movement of poor women.

c. Outputs and Outcomes

1. The programme got a direct political support after the evolution of a draft approach. The Municipal Chairman and Municipal Councilors with a social commitment, and the Minister and Secretary to Government Local Administration Department at State level participated at various stages to refine the approach and strategy.

2. The Alappuzha CDS model has been replicated in all the 58 urban towns and in one rural district of the State of Kerala. It has now 3.68 lakh of poor women members representing the 2 million poor of the State.

3. The programme has influenced the State Government to prepare a massive, community based poverty eradication programme in partnership with National Bank of Agriculture and Rural Development (NABARD), with a 10-year agenda to eradicate poverty from the State. This is expected to benefit 10 million poor of the State.

4. The Government of India have adopted salient features of the CDS strategy and system for all the urban areas of the country through the national poverty alleviation scheme known as Swarna Jayanti Shahari Rojgar Yojana (SJSRY).
iv. PANI ROKO AISHIYAN (Water Conservation Campaign), Shivpuri, Madhya Pradesh

a. Introduction

Pani Roko Abhiyan or Water Conservation Campaign is a campaign to orient people towards water conservation and to assess, plan and take up conservation works with their participation. It aims to solve the community water problems, mainly in the rural areas. Water shortage is caused by depleting water table, less rainfall, shortage of surface water, etc. These are to be tackled by increasing ground water recharging, construction/renovation of tanks, construction of check dams/stop dams, etc.

b. Innovative Approach and Components

The initiative started in 1998, with a strategy that was distinct from the traditional government approach of doling out resources. The Campaign is community oriented and participative. The District Administration of Shivpuri reached out to the villages/hamlets to help the community ascertain the problem and demand the solution, with their assurance to contribute to and implement the works. The local people and the local authorities were mobilized to contribute monetarily as well as physically to make the project successful.

c. Outputs and Outcomes

- The programme developed the people’s participatory process and covered 1054 villages in 2000-01.
- Works to the tune of $4.581 million have been executed, of which $4.415 million (96.4%) has been contributed by Local Bodies and Community Based Organizations. The people of the District contributed $0.12 million (2.6%) in the form of cash or kind inputs.
- 13,579 works were taken and completed. About 11039 works are on going. There is a marked improvement in the water levels in the areas where works are taken up. The Campaign continues with the overwhelming support of the people and with excellent ground results, it is going to achieve the sustainability it deserves.

v. DHAN (Development of Human Action) Foundation, Madurai, Tamilnadu

a. Introduction

The Development of Humane Action (DHAN) Foundation, a non-profit making development organization, was established in October 1997 and incorporated under Indian
Trusts Act (1882), in January 1998. DHAN foundation is a spin off institution of PRADAN (Professional Assistance for Development Action) based in New Delhi, one of the country's development agencies. The Foundation’s mission is to build institutions that would enable development innovations and create opportunities that would improve the livelihood of the poor communities.

b. **Innovative Approach**

DHAN Foundation strategy has two integrated components:

1. **Community Banking Programme** - the main objective is to establish an alternative banking system for the poor that would ensure better access to credit from the formal sector.
2. **Tank-fed Agriculture Development Programme** - the major objective is to develop tank based agriculture through conservation and self-management of irrigation tanks.

c. **Outcomes**

i. Reached out to over 100,000 poor women from 6,500 SHGs (Self Help Groups/Kalanjiams) and 50 federations.

ii. Covered over 25,000 poor farmers from about 500 Farmers' Associations, who depend on rain-fed agriculture for their livelihood.

iii. All the SHGs and the Farmers Associations are member owned, controlled and self-managed, providing the evidence that the poor can solve and manage their problems on their own, with little facilitation and capacity building inputs from others.

iv. The outcomes are visible changes in the member's livelihood, overcoming of gender discrimination and recognition of women in the society.

vi. **Self Employed Women’s Association (SEWA) Bank, Ahmedabad, Gujarat**

a. **Introduction**

The Self-Employed Women's Association (SEWA) was formed in December 1971, and registered as a trade union in April 1972. Thereafter, SEWA brought about a confluence of three movements, relating to labor, cooperatives and women. SEWA grew with the labor
movement on the premise that the self-employed, like salaried employees, have a right to their wages, decent working conditions, and protective labor laws.

The SEWA Bank was established in 1974 as a specialized bank of the poor, self-employed women workers and was an initiative of 4,000 self-employed women workers. These self-employed women workers included hawkers, vendors and home-based workers (like weavers, potters, beedi-, agarbatti-, pappad-rollers), manual laborers and service providers. One of the main requirements of these workers was credit at reasonable rates, which they were unable to obtain from the formal banking system.

b. 

Innovative Approach

The SEWA Bank was started with the specific objective of providing credit to the self-employed women with a view to empower them and also to minimize the uncertainty of availability of credit through money sharks at exorbitant interest rates. Over time, it has integrated several activities, which together induct sustainability in the activities of poor women.

The SEWA Bank provides all finance-linked supportive services to its members and also has a work security insurance scheme and a housing programme. The Bank is now actively expanding into the rural areas through savings and credit groups. They stay operational by making use of the surplus to promote developmental activities of SEWA.

c. 

Outcomes

i. The SEWA bank has created assets for nearly 60,000 depositors and a working capital of Rs 200 million (US $ 6.6 million).

ii. Has been a catalyst of many changes in laws and practices in addition to the changes in institutional arrangements and processes. It is the first bank of its kind in India and was able to demonstrate that poor women do save, use loans productively and repay loans in a timely manner (in fact better than others). Based on this example, many other groups have taken training at the SEWA Bank and have subsequently started saving and loaning cooperatives, for instance, the Cooperative Development Foundation, Working Women's Forum and Indore Mahila Cooperative, among many others.
Another silent revolution is the method by which the Bank acts as an instrument to transfer assets to the names of women. SEWA also recovers mortgaged agricultural land of the family and puts it in the women's name as part of its asset-building programme. In this way, houses have been transferred in women's names.

Drinking water is another area where SEWA women have taken the lead. Gujarat being a dry, and in some regions, desert state, water is a major issue for most people. SEWA has helped women to build their own water structures -- wells, ponds, and hand-pumps-- and helped them to manage these through their own water committees. Thus SEWA gives poor women control of natural and financial resources.

A major policy change brought about by SEWA Bank is the change in the Reserve Bank of India policy to allow the Bank (which is registered as an Urban Cooperative Bank) to extend its activities to the rural areas. This is the first time that a women's bank in India has been allowed to operate in rural areas. Now, because of this, approximately 200 savings groups of SEWA from eight districts of Gujarat will link up with the Bank.

By establishing a relationship of trust and getting involved with the borrowers daily life, high recovery rates have been established. This has not only enabled the members to come out of the clutches of private moneylenders, but has also enabled them to develop the skills of dealing with formal organizations. In the process, their self-confidence has been enhanced. The vicious circle of indebtedness and dependence on middlemen and traders has been broken. This has changed the bargaining position of these women. They can now organize themselves, bargain for higher wages and, in case of a need, form their own economic units like cooperatives. Most importantly, the Bank provides its members with monetary security (as the members have savings accounts in the Bank) and gives them the control over their own incomes. It has also provided the badly needed banking infrastructure that serves the self-employed and small businesses.

Gradually the members are trained in the habit of banking. This inculcates a sense of thrift and the members learn to make their money more productive.
Part III

Innovative Approaches to Poverty Reduction in Indonesia

Urban and Regional Development Institute
III.1. Introduction

1. Background

This research paper presents the efforts in Indonesia to eradicate poverty and finding ways for people to escape from poverty. It identifies innovative approaches in Indonesian cities to reduce poverty in their own ways. The role of national and international agencies is examined in order to provide the basic framework of the country’s efforts in poverty eradication. The city case studies are the focus as these analyse the successes and failures of approaches adopted by the different cities. The lessons learned from each city contributes to the poverty eradication efforts amongst developing countries.

In developing countries, where more than one person in five subsists on less than $1 day, poverty shows a cruel face. Poverty kills, and in extreme cases people end their own lives to escape from poverty. However, there has been progress. The World Bank (2005) documentation has shown that since 1990 poverty in developing countries has fallen from 28 percent to 21 percent. Over the same time the population grew 15 percent to 5 billion people, leaving 1.1 billion people in extreme poverty. If economic growth rates in developing countries are sustained, global poverty will fall to 10 percent—a striking success. But hundreds of millions of people will still be trapped in poverty, especially in Sub-Saharan Africa and South Asia and wherever poor health and lack of education deprive people of productive employment; environmental resources have been depleted or spoiled; and corruption, conflict, and misgoverned public resources discourage private investment. Even as the first target of the Millennium Development Goals appears in sight, the effort to eliminate poverty must be renewed. An estimated 800 million people in Asia live in poverty, in accommodations that are less than basic. Over 260 million from among them reside in urban areas (UN-Habitat 2004)7. The World Development Indicators of 2005 has grouped Indonesia as one of the countries on track to achieve the Millennium Development Goals, with a total number of people living in extreme poverty below 10 million in 2001, and population living below $1 a day of 7.5% in 2002 (World Bank 2005)8.

However, poverty changes from place to place and across time. Urban and rural areas in a given country require different measure to determine the level of poverty. One reason is that food staples tend to be more expensive in urban areas. So the urban monetary poverty line should be higher than the rural poverty line (World Bank 2005).

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In Indonesia, geographical area differentiates the characteristics, culture and development of cities in the western, central and eastern parts of the country. Relative distance to market and trading centers add to the levels of poverty in each city. Society and social structure are also changing. High rates of criminality and loosened social bonding have influenced socio-economic conditions in urban as well as in rural areas. On the other hand, economic and political crises i.e. macroeconomic correction in Latin America, sub-Saharan Africa and India in the 1980s and early 1990s, and the Asian economic crises in the late 1990s have changed relationships between the state and the market, as well as the government and society (Pugh 1997; UNDP 2003)\(^9\).

The collapse of the Indonesia economy in the mid 1997 has major affects in the country’s banking system and exchange rates, as well as foreign debts of both the government and the business sector. All these developments occurred relatively at the same period. The crisis had brought broad impacts affecting country’s economy, particularly the modern economic sectors that characterized the urban spatial distribution. A considerable economic contraction had decreased, and in some cases even stopped, the various economic activities in the real sector. The fall of *rupiah*\(^10\) value and the high interest rates had simultaneously increased production costs and led to serious problems for growth of the urban economy and business sectors. The impacts of such condition had increased problems of employment and poverty in the country.

Compared to other Asian crisis countries political factors played a more compelling role in Indonesia. The political uncertainty and deteriorating economic conditions sparked riots, causing serious disruption in the distribution of major food commodities. This, along with massive amounts of liquidity supports injected into the banking sector (BLBI) caused hyperinflation in 1998. The resulting increase of poverty line price (by more than 70\%) eventually caused poverty incidence to increase (Azis 2002). Consequently new policy research is a priority for governments to cope with these changes.

2. Aims and Objectives

This research aims at interpreting available information on poverty alleviation program in Indonesia and the implementation of the programs in selected urban localities in the

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\(^10\) Indonesian currency

*Society for Development Studies (SDS), India & Urban and Regional Development Institute (URDI), Indonesia*

*May 2005*
country in order to learn from the relevant local governments’ experiences for better future policy implementation. With these in mind, the objective of the research covers the following points:

- To identify poverty alleviation efforts implemented at the national and local levels in Indonesia.
- To explore further and obtain a better understanding of the selected innovative approaches at the local level and explore possibilities of applications in other localities.

The research relies on published and unpublished information on poverty alleviation programs from various ministries and international donors in the country. Information from selected local governments was utilized to seek for new approaches implemented. The information was then analyzed to determine levels of success (or failure) and sustainability as well as conditions that supported the achievement of the programs.

3. Understanding Poverty in the Indonesian Context

In general, definition of poverty in the early 1990’s had been developed, on level of income, disadvantages in health, education, and housing as reflected in Government Regulation (Peraturan Pemerintah) no. 42 of 1981. According to the regulation the poor is individual/families with insufficient source of income to support a decent living. According to the government regulation the poor has the following characteristics:

1. Low income or below the poverty line, which is less than Rp.42,380 per person per month for those living in the urban areas, and Rp.33,590 per person per month for rural areas, excluding non-food requirements\(^1\).
2. Low level of education, not graduated from Junior High School, and no extra skills.
3. No decent living space, including no toilet and bathing facility.
4. Very limited assets and low value of assets.
5. Limited social relations, low involvements in community activities.
6. Limited access to information (print or electronic media).

However, the difference of living costs amongst cities and villages in the country and political changes at the turn of the millennium have changed the definition of poverty. Currently, the understanding of poverty includes vulnerability, disempowerment and disability

\(^1\) In 1981 US$1.00 is approximately equal to Rp.400.
to express aspirations as appeared in the decision letter of the president no. 124 of 2001. In
general the poor are indicated by:

1. Basic needs deprivation: inability to fulfil basic needs i.e. food and nutrition,
clothing, housing, education and health.
2. Unproductiveness: inability to conduct productive efforts.
3. Inaccessibility to social and economic resources.
4. Vulnerability: inability to determine own destiny, discriminated, feelings of fear
   and suspicions, as well as apathy and fatalistic attitude.
5. No freedom: inability to be free from cultural poverty and mentality as well as to
   have low self esteem and pride.

The most popular definition in Indonesian localities is a condition of a person that
cannot afford the nutrition standard of 2,100 calorie per capita (Statistics Indonesia). The
BKKBN\(^{12}\) defines a poor family when the family (i) is not able to conduct religious routines
according to their religion; (ii) is not able to have two meals a day; (iii) does not have different
clothing for work/school and other activities; (iv) lives in a house with soil flooring in most of
the rooms; (v) cannot afford the cost of health facilities. These suggest three major aspects in
the definitions: economic, socio-cultural, and political aspects. Poverty is also related to lack
of opportunity, low of capabilities, low level of security, and low capacity of communities
(Coordinating Ministry of Public Welfare 2005)\(^{13}\).

After Law no. 22 and no. 25 of 1999 on decentralization, the roles of the local
government are much broader, including reducing the level of poverty. As mentioned earlier,
the most popular and used definitions of poverty are the ones developed by BPS and BKKBN,
but some others have determined their own definitions of poverty based on the condition of
their regions, such as in Balikpapan and Bogor. Adopting a local definition of poverty is
important to address the root of poverty in a particular region.

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\(^{12}\) BKKBN stands for Badan Koordinasi Keluarga Berencana Nasional or the National Coordinating Body for
Family Planning. This agency provides valuable information of poverty in the country.

\(^{13}\) Coordinating Ministry of Public Welfare (2005) Final Draft of the Poverty Reduction Strategic Paper, February
III. 2: The State of Poverty in Indonesia

1. The Poverty Scenario

Traditionally, poverty has been described based on income and consumption level of the poor and neglecting the other non-physical aspects. The World Bank considers poverty has many dimensions i.e. income dimension (levels of income and consumption), non-income dimensions (social indicators: education, health, access to services and infrastructure), and other dimensions: risk, vulnerability, social exclusion, access to social capital. Different dimension adopted would certainly yield different figures.

The following table is based on income levels (country or national poverty line) and Purchasing Power Parity (PPP) or relative purchasing power of currencies across country (international poverty line).

<table>
<thead>
<tr>
<th>Year</th>
<th>Based on Country Poverty Line</th>
<th>Based on less than US$1 a day</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Incidence (%)</td>
<td>No.of poor (Million)</td>
</tr>
<tr>
<td>1990</td>
<td>15.1</td>
<td>27.1</td>
</tr>
<tr>
<td>2001</td>
<td>23.4</td>
<td>49.3</td>
</tr>
</tbody>
</table>

Source: ADB, Indicators of Developing Asian and Pacific Countries 2001

The data indicate that on the basis of the country poverty line, level poverty in Indonesia declined. Number of the poor in 2001 is accounted for 49.3 million – 23.4% of the total population, which means that nearly one in four of the population falls below poverty line. It has roughly doubled from the figure of 1990 as of 27.1 million or 15.1% of the total population.

The 1997 economic crisis in Indonesia has had severe impact on the poor and vulnerable groups (especially women, infants and children), such as unemployment, social deprivation and the increase number of street children in the urban area. The crisis has also aggravated and escalated the complexity of social problems faced by urban local governments, such as social disturbances and rioting, the harassment of marginal and minority groups in the...
community, vandalism among school students, the decline of public security, and the increasing number of drug addicts. The profile of Indonesia’s poor and vulnerable is shown in Box 1.

Box 1
Profile of Indonesia’s Poor and Vulnerable in 1999

Characteristic of those in expenditure poverty and where they live …
- 86% of the poor live in households in which the head of households has only a primary education or less only 5% of poor have secondary education or better
- For almost 60% of the poor, agriculture provides the main source of income (whether from labor or land)
- More than 75% of poor live in rural areas
- Most of poor (61%) live in Java
- The poorest regions, all rural, are scattered and include parts of eastern islands (Irian Jaya, East Nusa Tenggara, Maluku and West Nusa Tenggara), but also other areas (Southeast Sulawesi, East Java, Lampung, West Kalimantan and Central Java)

Other ways in which poverty is experienced …
- Expenditure poor households are also much more likely to be “human investment” poor, but a significant share of the non-expenditure poor households also lag in human investment; 22% of poor children between 6 and 18 years who have yet to complete basic education are not enrolled in school, while for non-poor households the share is 9%.
- 78% of the poor, and 51% of non poor, lack access to “improved” water sources. Access to sanitation even more limited.
- When people are asked to defines who are “the poor” in open-ended terms, the breadth and variety of responses is striking; from the common idea of not having enough eat, to not having enough participation in community life, to being despondent of “having lost faith in God” (from Consultations with the poor in Indonesia, 1999).


Official government statistic showed unemployment rose from 4.20 million in 1997 to 6.03 million in 1999 (BPS-Statistics Indonesia 2000)\(^{14}\) while 27 percent of the country’s population were classified as living below the national poverty line in 1999\(^{15}\) (World Bank 2004). As indicated by the National Country Report for Habitat II (Istanbul +5), the incidence of poverty mostly doubled in only two years period, from 11 percent in 1996 to 18-20 percent in 1998. Meanwhile, there are many characterized as “near poor”, as a relatively small upward adjustment of the poverty line, increased the poverty rate to 24 percent or some 50 million Indonesians.

\(^{15}\) Data compiled in the World Development Indicators is based on data of 1999. Based on data of 2002, percentage of population living on less than US$1.00 per day is 7.5 percent and less than $2.00 per day is 52.4 percent (World Bank 2004). World Development Indicators. Washington, The World Bank.
Table III. 2.2 The Incidence and Number of Poor in Indonesia

<table>
<thead>
<tr>
<th>Year</th>
<th>Poverty Incidence (%)</th>
<th>Number of poor (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Urban</td>
<td>Rural</td>
</tr>
<tr>
<td>1996</td>
<td>9.71</td>
<td>12.30</td>
</tr>
<tr>
<td>1996a</td>
<td>15.63</td>
<td>21.27</td>
</tr>
<tr>
<td>1998</td>
<td>21.93</td>
<td>25.72</td>
</tr>
<tr>
<td>1999</td>
<td>19.5</td>
<td>26.1</td>
</tr>
</tbody>
</table>

Notes: 1996a = the number of 1996 which was adjusted by Non-food bundle 1998
Source: Indonesia National Country Report for Habitat II (Istanbul +5)

In 1999, the situation has not improved. There were still 23% of people who fall below the poverty line. Similar trends are found either in urban or rural areas, but the incidence in rural areas has been slightly higher. Meanwhile the incidence has been varied across regions but the trend of poverty incidence is likely to increase in most regions (see Table III.2.3).

Although listed as the fourth item on the National Development Program PROPENAS, poverty has been and still is the central issue in social and cultural development policy (see Propenas 2000: II-4-5)\(^{16}\). The following section elaborates government’s main perspective on how to address poverty has focused on social approach to providing welfare for its citizens, often by offering subsidies through formal government institutions. The unbalanced allocation of resources in rural, urban and peri-urban regions, have caused an urban bias in development (Lipton 1977; Lipton 2003)\(^{17}\). Migration of the poor from rural to urban areas in developing countries also caused the shift of poverty to urban areas. Because development policy is geared towards urbanization, the ‘urbanization of poverty’ has added to the socio-economic problems of cities (Nijkamp 1994)\(^{18}\). This is reflected in the increasing trend of urban poverty in the country and has accelerated the speed of urbanization. The process of urbanization, as stimulated by economic development, has also led to divisions in growth

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between cities in terms of employment, education and social service availability; and amongst social groups (Mehta 2000; Ravallion 2000). With the high level of urbanization in Indonesia this study focuses its attention to urban poverty. In addition, it is important to note that in this study the emphasis is on programs at the local level due to the recent shift from the centralized to a decentralized system of governance. This shift has brought new responsibility to local government, including poverty alleviation effort.

Table III.2.3 Poverty Incidence by Province in 2000 and 2001

<table>
<thead>
<tr>
<th>No</th>
<th>Province</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Jakarta</td>
<td>4.96</td>
<td>3.14</td>
</tr>
<tr>
<td>2</td>
<td>Aceh</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
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Note: *) Excluding Aceh and Maluku **) Excluding Aceh
Source: BPS 2001

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Society for Development Studies (SDS), India & Urban and Regional Development Institute (URDI), Indonesia

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2. Poverty Reduction Strategy in Indonesia

In Law 22 and 25 of 1999, and in the National Development Program (PROPENAS) the government declared that in five years (2000-2004) it would reduce the number of absolute poor in the country by 4% from the 1999 level. Such reduction implies that the number of the poor in 2004 will be about 28.86 million people. This will be accomplished through (1) enhancing productivity of the poor community to obtain a better opportunity, management capacity, and protection in economic, social, cultural, and political activities as well as security; (2) lower the cost for access basic needs such as education, health, and infrastructure to support social and economic activities.

The strategy of poverty eradication program covers the nationwide programs managed by the National government and local based programs managed by the relevant local governments. Before the 1998 crises the nationwide poverty eradication program includes IDT (Inpres Desa Tertinggal or the Presidential Instruction for undeveloped villages); P3DT (infrastructure provision in the poor villages); Aladdin program (roof, floor, and wall improvement program) and Lantainisasi (flooring) program, which provides technical assistance and micro-credit schemes to poor community as well as grants for housing and infrastructure improvement. There were also food and nutrition diversification programs to increase small-scale farmer’s income.

In the health sector, the strategy is to increase health condition of the poor to become productive. There was Village Community Program, which operates local health centers (Puskesmas and Posyandu) both in rural and urban areas. Other supporting programs include TAKESRA (Welfare Family Saving Scheme) and KUKESRA (Welfare Family Business Credit Scheme) aimed to increase the income of poor families. Poverty alleviation efforts have also been promoted through developments of SME (small medium enterprises) as reflected in programs such as Small Investment Loan (KIK), Small Business Loan (KUK), Permanent Work Capital Loan (KMKP), Rural General Loan (Kupedes). To support economic linkages between urban and rural areas a pilot project to test the concepts and approaches to strengthen rural-urban linkages in selected provinces and districts, Poverty

3. Poverty Alleviation through Rural Urban Linkages (PARUL)

Between 1998 and 2001 the Government created a number of new programs addressing the economic crisis under the Social Safety Net programs. The rescue program played a key role in the recovery process. The strategy is to achieve food security, provide social protection in education and health sector, and generate productive employment. The
program includes PDM-DKE (Empowerment of Regions to Overcome the Impact of Economic Crisis), CRP (Community Recovery Program), P2KP (Urban Poverty Program), and PPK (Kecamatan Development Program).

At the local level poverty reduction programs strategies are directed towards improvements of living conditions of small communities such as the Comprehensive Kampung Improvement Program in Surabaya City (C-KIP) and Poverty Alleviation Programs (PAP) in Balikpapan City. Both programs were initiated by the city government, covering developments of community facilities, land management and home loan by mobilizing available local resources.

4. Institutional Issues

In the presidential letter of decision Keppres number 124 of 2001 and Keppres number 8 of 2002, the Government of Indonesia established Poverty Reduction Committee led by Coordinator Minister of People Welfare and Coordinator Minister of Economic affairs as its deputy. The main task of the Committee is to coordinate the formulation and implementation of poverty reduction program by engaging not only government institutions but also other development actors in each level of government as well as-legislative agencies, NGOs, university, professionals associations, private sectors, and civil society.

The Committee is responsible to determine key approaches in poverty alleviation by: (1) reducing economic cost burden of the poor, and (2) increasing the Poor’s income and affordability.

Guidelines for pro-poor development policies include: (1) maximized utilization of the national and local budget or APBN and APBD; (2) focused program; (3) synchronized planning and programming, set targets and implementation as well as monitor and evaluate poverty reduction; (4) involve NGOs in program monitoring and evaluation; (5) improve micro credit provision for small and medium enterprises by bank or other institutions and technical assistance provision and institutional strengthening as a result of the Government and the Bank of Indonesia agreement.

In accordance with the Good Governance principles such as democratization, participation, transparency, and accountability, the government needs to synchronize poverty reduction strategy as an integral part of a long-term development policy framework by engaging all relevant institutions.
5. Poverty Reduction Strategy Paper (PRSP)

The PRSP includes: (1) identification of poverty problems; (2) evaluation of poverty reduction policy and program; (3) strategy and policy (4) formulation of program and its delivery system and (5) evaluation of policy and program implementation. Starting from 2000 the government intended to implement the following agenda of poverty reduction program:

(i) Prepare a guideline for local institutions to formulate pro-poor development program and its budgeting procedure and provide technical assistance for these institutions to implement the program and policy in a decentralized manner.

(ii) Evaluate the effectiveness of all poverty reduction programs according to the policy framework, to make decision in the policy delivery.

(iii) List foreign grant allocation for every poverty reduction program to ensure that the compatibility of the various programs. Government must publicize the list and findings in the participatory method to the poor.

(iv) Conduct a policy analysis to assist in policy and program delivery for pro-poor, credible and accountable regulation and financing.

(v) Continue the process of PRSP formulation as an integral part of a long-term development policy framework.
III. 3: Government Policies and Initiatives

1. Government Initiatives

The government, NGOs as well as the community, with or without donor assistance, have undertaken various actions and initiatives in poverty alleviation, before as well as after the economic crisis. The intensity of actions to alleviate poverty has increased during the last few years. The programs conducted vary in scale (national, local, and community), scope and duration. However, at the community level, trust towards government’s and NGOs’ services and programs aimed at poverty reduction are low. The ineffectiveness and failure of services and programs to reach the poor are attributable to the lack of transparency and corruption within the relevant institutions (World Bank 2003). These institutions provide little information about the programs and services to the urban poor, and engage poorly with communities in the delivery of services and program preparation and implementation leading to unsustainable development outcome.

Over the last three decades, the Government of Indonesia has undertaken many initiatives to reduce poverty through various policies and programs with the main objectives to provide basic needs such as (1) food, (2) education and health services, (3) job opportunity, (4) agricultural infrastructure assistances, (5) business credit for the poor, and (6) infrastructure assistance for urban slums.

Such initiatives include: Program Inpres Desa Tertinggal (IDT), a special central government’s grant for poor villages; Pembangunan Prasarana Pendukung Desa Tertinggal (P3DT), infrastructures development in poor villages; Kecamatan Development Program (KDP); and The Urban Poverty Program (Program Penanggulangan Kemiskinan Perkotaan, P2KP), as well as Jaring Pengaman Sosial (JPS) or Social Security Net during the 1998 economic crisis.

However, as will be demonstrated later, despite their success to reduce the number of the poor, these programs failed to substantially solve the very basic problem of poverty. The declining number of poverty is still vulnerable to changes in the macro-economic situation, political conflict, social disturbances and conflict in some regions, and natural disasters. In addition, there were many contradictory macro policies to increase people welfare. Program implementation, for example, has been very sector-based, failed to address the needs of the poor, and lack of public participation.

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With the implementation of local autonomy in 2001, poverty reduction started to be executed in a decentralized system by continuously encouraging the active role of local governments and communities to ensure that poverty reduction is implemented through a comprehensive, integrated, and sustainable framework.

A wide range of poverty reduction projects and programs has been implemented in Indonesia. Some have been targeted towards achieving specific goals, such as the creation of micro credit, health and education facilities, small irrigation, road infrastructure, housing improvement, etc. Others have been more broadly aimed at assisting local specific program through the transferred grant to local governments (Inpres\textsuperscript{21}). Following are the programs undertaken by the Government of Indonesia in the context of poverty reduction and balanced regional development.

2. **IDT Program**

The initial *Inpres Desa Tertinggal* (IDT) or the Presidential Instruction for villages that were ‘left behind’ program was a unique national level program in the way it allowed poorer village communities to succeed in their efforts to free themselves from poverty. The IDT program was created to improve the conditions in the poorest villages of Indonesia. Under this program, several community groups in each poor village were provided with Rp.20-60 million over three years as capital for group economic activities. The groups of poor people determined the activities they would invest their money in, and the funds in turn should then have been revolved to other groups.

A total of 98,047 IDT community groups (*Kelompok Masyarakat*) have been formed as a result of the IDT program. These link together around 2.8 million households or 14 million persons. To achieve optimum use of resources the program uses group member training and provision of facilitators to disseminated information and guidance. In a single financial year (1994/1995) special training for government and target group personnel was conducted to some 103,165 people; some 51,813 facilitators were appointed; 67,323 village cadres were mobilized; and 2,417 persons of TKMP (*Tenaga Kerja Mandiri Profesional* or Independent Skilled Professional Workers) assisted IDT community groups in the management and development of small local enterprises.

\textsuperscript{21} Inpres stands for *Instruksi Presiden* or the presidential instruction. It refers to a special grant on top of the national ‘development budget’ established for local governments. Under the New Order regime, the Inpres was administered by the Ministry of Home Affairs, not the technical ministries who were responsible for the ‘development budget’.
The IDT program still acts as a focus for poverty reduction efforts in Indonesia. In essence it combines three main inputs:

1. Capital injection at 20 to 60 million rupiah per village. By 1996 over 28,000 villages had received the capital grants. These grants were used by the community groups in villages (Kelompok Masyarakat, POKMAS), which report on a monthly basis to the relevant village council (LKMD).

2. Facilitators were assigned to assist the community groups. These facilitators were local professionals (teachers, health workers, social workers, etc) or specially assigned young graduates. Many of these facilitators were later employed by local government, NGOs and the private sector. Their practical experience of working with ‘grass roots’ development concept was proven useful in other projects.

3. Infrastructure development was also linked to the IDT program because of the relationship between poor quality (or non-existent) basic infrastructures and poverty. Until 2002, basic infrastructures have been constructed in over 10,500 villages and it is hoped that all 28,000 IDT villages will eventually receive some form of this assistance in the future.

Table III.3.1 shows the number of IDT villages by province. The increased number of IDT villages between 1994/95 and 1996/97 reflects a change in the targeting methodology as well as the desire of the government to implement broader coverage area of the IDT program to accelerate poverty reduction.

<table>
<thead>
<tr>
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<th>Fiscal Year 94/95</th>
<th>Fiscal Year 95/96</th>
<th>Fiscal Year 96/97</th>
<th>Urban 94/95</th>
<th>Rural 94/95</th>
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The success of the IDT program in its efforts to bring more equitable welfare conditions has been dependent on the active concern of all of the community themselves. The poor must be motivated to overcome their own problems and change their fate; planning and implementation agencies must be fully dedicated to poverty reduction, and active participation is also required from universities, non-government organizations, the press and other institutions to enable and enhance the success of the program. Collaboration amongst various actors occurred by way of utilizing the IDT funds, which was made direct to the relevant village community groups through a bank at the sub-district (kecamatan) level and with the assistance from government and non-government agencies.

The IDT funds were made available to groups according to their needs as documented in a DIKK (Daftar Isian Kegiatan Kelompok = list of group activities), the DIKKs are discussed in group meetings, agreed at a UDKP (kecamatan/sub-district) meeting, and ratified by the village head (lurah). Based on the DIKK, the village community groups were able to obtain the required funds according to their needs and in line with the preparations by the individual members. The IDT funds are also the source of seed capital for small business ventures, and they were useful for productive socio-economic activities. The provision of
infrastructure within the IDT program (discussed in greater detail below), allows the community to do the construction themselves or with support from contractors.

The support from various agencies in the implementation of the program is an effort to integrate all government agencies and institutions, the people, and the business communities, to support the implementation of the poverty reduction program. All of these measures are aimed at improving the economies of the poor through the improvement of various activities in underdeveloped villages and provision of special assistance funds. The amounts of money spent on the IDT over three years in Rp. 1.380 billion.

Despite concerns of inappropriate use of funds in some areas, the IDT program is considered as one of the innovative programs. However, greater support to this program is needed. One of the concerns is training, which is required to ensure better implementation capacity (especially for lower level civil servants, facilitators, and village group members). Not all of the facilitators have been effective, problems are often just reported and not being solved immediately, therefore, monitoring and supportive follow-up improvement are required.

Infrastructure development efforts need to be continued, improved and expanded. If the ultimate aim of a fairer distribution of development gains is to be achieved then aspects such as production and marketing, the development of financial institutions and the development of rural technologies and industries must all be integrated into the IDT program. The IDT program has begun to prepare the community to collaborate with the private sector. This preparation has been through community participation to handle funds, take responsibility of management and establish a revolving fund by repaying the loans. However, private sector investment has been slow in responding to the proven needs of IDT villages. This is mainly because of the nature of the business activities performed by poor household are small scale, located in remote areas, making it less attractive to collaborate with the communities. The local governments are mostly unprepared to support this arrangement.

The village infrastructure development component is an initial effort in strengthening rural-urban linkages. This is the advantage of the block grant that could be used for infrastructure provision including road construction and improvement. In certain poor villages, this has strengthened the linkage between rural and urban areas that increased flow of goods and benefited household income. However, creation of new road does not necessarily improve access to markets, facilities of services and information. Nevertheless, rural and urban areas are increasingly connected and benefited development and poverty reduction. This has helped encouraged and strengthened local rural-urban linkages and benefited both rural and urban populations, and supporting a sustainable and socially just development process.
Public-private partnership links were insignificant, presumably due to the fact that IDT program is allocated in undeveloped villages while private business sectors may be more interested in more developed areas. However, greater cooperation and coordination between government and private business sector bodies is slowly being achieved through a wide range of projects within the poverty reduction program. These activities include the monitoring of government programs by universities and Non-Government Organizations (NGOs), joint training programs as well as closer links to the industrial, business, and banking sectors.

3. P3DT (Pembangunan Prasarana Desa Tertinggal)

The Pembangunan Prasarana Desa Tertinggal (P3DT) or Village Infrastructure Development project is related to the IDT program. The program emphasized on rural empowerment and the provision of public infrastructures in underdeveloped villages. These infrastructures were developed to enhance economic benefits and reduce constraints to trade and transport in rural areas including improvement of the community health. P3DT was developed around six objectives:

1. To strengthen the community participation and management approach in development by empowering village communities to decide, plan, organize, and implement the works. Experiences show that transparency in funds utilization and community’s sense of belonging, and project sustainability can be enhanced.
2. To provide public infrastructure in villages to enhance economic benefits and reduce infrastructure constraints to trade and transport in rural areas, and also to improve community health.
3. To create employment for underemployed villagers by constructing public works infrastructure especially in dry season.
4. To transfer skill for constructing small public works, engineering assistance was provided to villagers to assist them in sub-project design and achieve high quality works.
5. To build the capacity of rural government institutions and community organizations to conduct development programs.
6. To accumulate sufficient capital in the village to support a new investment and production.

The P3DT has three types of assistance: (1) in Java and Madura, standard block grants of Rp. 120 million for infrastructure development have been given to selected underdeveloped villages with assistance from a loan from World Bank since fiscal year 1995-1996. During
fiscal year 1997-1998 the scope of the project was increased to encompass Java, Madura and Sumatera; (2) the Overseas agencies provided a loan for the P3DT project. The loan has supported activities outside of Java and Bali with an allocation of Rp. 130 million per selected village during the fiscal years 1995-1996 and 1996/1997; (3) At the beginning of fiscal year 1997-1998 a third type of P3DT project was implemented purely from the National Government Funds.

A key element in most P3DT projects is the increased emphasis on village levels participation. In the IBRD project the local village councils (LKMDs) actually received the infrastructure block grant funds directly. Careful provision of technical assistance and, in the case of the OECF project support from civil works, contractors, ensures that the sub-projects are of good standard as well as appropriate to the needs of the villagers.

The main types of infrastructures concerned in these projects were roads and bridges, in particular upgrading dirt roads and footpaths to cobbled/stone surface roads; creation of simple jetties or piers where this will improve access by sea or by river; and, creation and repair of potable water systems and communal sanitation systems. The scope of the infrastructure and it’s cost over three years can be seen in this table.

4. **KDP (Kecamatan Development Program)**

In line with goals of the IDT program, the government has recently developed another project known as the KDP (*Kecamatan* Development Program) or PPK (*Program Pengembangan Kecamatan*). The program aims to accelerate poverty reduction in rural areas. The scope of the KDP will eventually be nationwide it will be target approximately 350 *kecamatans* (sub district) for the first year.

The KDP is the third evolution of the IDT program and it was build upon prior innovative aspects of the IDT program. The KDP used the a variant of the VIP (Village Infrastructure Project) funding mechanism by distributing funds directly to communities, and to empower LKMD (village council) as the organizer at the village level. The KDP also use a longer-term approach to increase the effectiveness of the participative planning process within the village and at the sub-district (*kecamatan*) level.

Beneficiaries candidate as a group can submit their proposal to LKMD forum and its proposals can be openly discussed and evaluated at the village level. While a Sub-district Community Development Forum (UDKP) in the *kecamatan* act as a coordinating agency to conduct the appraisal function of several proposals which are submitted to the UDKP by
LKMD. A financial management unit is established by UDKP to conduct the administrative work in fund allocation and recovery audit of the disbursed investment to the LKMD. At the kecamatan, a facilitator is provided to assist the KDP management process.

The KDP will improve targeting and efficiency by allowing an ‘open menu’ of economic activities and infrastructure addressing the needs of the poor. The KDP thus aims to encourage ‘healthy competition’ between villages within a kecamatan for its resources. To achieve these aims, the KDP must build stronger village-kecamatan linkages that allow lower-level decision-making and action. It must increase the transparency, efficiency and appropriateness of funding management. It must also strengthen the kecamatan level, and to a lesser extent, the upper levels of government with appropriate management and technical inputs.

Location criteria for kecamatan to be included in KDP are:

1. Significant numbers of backward villages in the kecamatan
2. High percentage of poor people
3. LKMD (village council) and UDKP (Unit Daerah Kerja Pembangunan/sub-district Community Development Forum) are already established and utilized.
4. No more than 5 villages receive P3DT or other similar program in the same fiscal year.
5. The kecamatan population has to have more than 15,000 people for outside Java and 25,000 people for Java.

The fund to be allocated to each kecamatan during the first fiscal year (1998-1999) is determined by population:

1. Kecamatan in provinces outside Java with population between 15,000 and 24,999 received Rp.500 million. Kecamatan in Java with population between 25,000 to 49,999 also received Rp.500 million.
2. Kecamatan in provinces outside Java with population greater than 25,000 received Rp. 750 million. Kecamatan in Java with population greater than 50,000 will receive the same amount.
3. Kecamatan in East Timor with population between 5,000 and 14,999 received Rp.250 million (these provinces unusually have small kecamatans).

At the present it is estimated that around 1,500 kecamatans have benefited from KDP, which covered approximately 22,500 villages.
The following elements are emphasized in KDP:
1. Increasing community participation in sub-project planning;
2. Reaching the poor, with emphasis on productive infrastructure and economic activities;
3. Encouraging ‘healthy competition’ between all villages within a kecamatan for KDP;
4. Increasing transparency, efficiency and appropriate management of funding systems;
5. High quality, cost effective works using labor-intensive technologies, and good economic activities.

5. Urban Poverty Program (P2KP)

To reach urban poor in Java, an urban counterpart to the KDP was developed and started in the second quarter of 1999. The Program Penanggulangan Kemiskinan Perkotaan (P2KP) or Urban Poverty Program’s objective is to empower local communities to assist urban residents to overcome poverty. The Urban Poverty Project ID-P055821 was appraised and approved on 19 April 1999. The project was designed as an urban poverty alleviation project to address the 1998 economic crisis. Drawing upon the lessons learned the project incorporated the principles of democracy, participative development, transparency, accountability, and decentralization as stated in the Project Manual for the first Urban Poverty Program (1999). Using a bottom up and transparent approach to design, the project covered basic infrastructure improvements and sustainable income generation for its poor urban residents. Most of these were long term poor, whose incomes had been eroded by high inflation or loss of employment.

The project provided revolving capital within the community for sustainable income generation by groups within the jurisdictions and the individual urban poor. The project provided funding for sustainable economic activities demanded by the community groups themselves. Funds for the support of private economic activities had to be repaid within two years with interest at commercial rates. Half of the interest repayments will be made available and used to help finance maintenance of local public infrastructure. It also funded development of community-selected basic infrastructure and related employment generation activities in low-income urban areas. Funding for small public infrastructure in the local communities will be on a grant basis. Workers building or repairing public infrastructure were paid based on the local minimum wage.

With the majority of the poor concentrated in Java Island, the first phase of the project was designed to cope with the poverty of urban populations living in major cities, especially Jakarta. The project initially targets the poor in some 60 local government jurisdictions in the

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22 Java was the first target of the project. In Jakarta, the project covered a total of 201 poor kelurahan units. The Second Urban Poverty Project approved and started in May 2002, covering urban areas outside Java.
northern half of Java, especially in Yogyakarta, Malang, and Bandung where most of the country's dense urban areas and small industry are located. The total population of these targeted areas is about 24 million (World Bank 1999)\(^{23}\).

The project also aimed at strengthening the capability of local agencies to assist poor communities; mobilize informal and private sector local institutions and expertise; encourage broader participation in decision making about community matters; and provide equal opportunity to men and women. The Second Urban Poverty Project (2002-2008) has included greater dialogue between the communities and the executing agencies (Ministry of Settlement and Regional Infrastructure) over selected projects and training programs (World Bank 2002\(^{24}\)).

6. SSN (Social Safety Net)

During the economic crises, in 1998 the International Monetary Funds (IMF) imposed a program targeted at economic recovery and poverty reduction. The World Bank provided a loan of $600 million to implement the Social Safety Net Adjustment Loan (SSNAL, Loan 4471-IND) during 1999-2000 (Sumarto, Suryahadi et al. 2002). The scope of activities included in the program are shown in Table III.3.2

<table>
<thead>
<tr>
<th>Safety Net Area</th>
<th>Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food security</td>
<td>OPK program: sale of subsidized rice to targeted households</td>
</tr>
<tr>
<td>Employment</td>
<td>Padat karya or labor intensive: a loose, uncoordinated, collection of several ‘labor-intensive’ programs in a variety of government departments</td>
</tr>
<tr>
<td></td>
<td>PDM-DKE: a ‘community fund’ program that provides block grants directly to villages for either public works or revolving fund for credit</td>
</tr>
<tr>
<td>Education</td>
<td>Scholarships and block grants: provides • Scholarships directly to elementary (SD), junior high (SMP), and senior high (SMA) school students • Block grants to selected schools</td>
</tr>
<tr>
<td>Health</td>
<td>JPS-BK: a program providing subsidies for • Medical services • Operational support for health centers</td>
</tr>
</tbody>
</table>


One of the significant impacts that occurred was the decreasing quality of life of the people, due to the dwindling income generation of the people as results of the lessening of employment opportunities. To overcome the problem, the government, through the National Planning Agency (Bappenas) to assist its efforts to strengthen the implementation of social safety net programs in Indonesia. There are several programs implemented:

7. **Crash Program (Padat Karya)**

*Padat Karya* or labor intensive programs have long been part of government efforts to stimulate employment and income during tough economic times. Traditionally, *Padat Karya* was administered by the Ministry of Manpower and applied to socially useful projects with intensive use of labor inputs at wages not exceeding the market rates for unskilled labor. In 1994 the central government ended all its *Pada Karya* programs.

The prolonged drought and unprecedented economic crisis revived *Padat Karya*. As part of the Social Safety Net (SSN) program, the project identified risks on the possibility of resistance from Civil Society groups during the loan preparation. The Government of Indonesia and the World Bank to reduce project risk, held consultations with Civil Society including spoke persons advocating for the poor. Bappenas assumed planning functions for the renewed effort and level two governments were given primary responsibility for the selection of areas and projects, identification of beneficiaries, and expenditure of budgets (Rp 33 billions) under the first phase of the Crash Program. The Grant was transferred to local governments via the standard mechanism of Inpres. The project focused on Java and especially on the 10 principal urban areas surrounding Jakarta, Surabaya, and Bandung, as well as other urban areas affected by the economic drought.

In the area of employment creation programs, the Government expanded its *Padat Karya* programs aimed at maintaining or upgrading existing infrastructures such as tertiary irrigation networks, local schools, drainage systems, and local roads in both rural and urban areas. The program also encouraged small business to start-up and (re-) hire as many of the newly

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unemployed as possible. Special emphasis was on environmental rehabilitation to support food security, the development of local ‘people's economies’ in both urban and rural areas, and the re-training of recently unemployed skilled workers, in addition to the traditional labor intensive efforts in public works (for settlements, roads, and irrigation). In addition, many of the traditional Inpres related programs have been re-geared to support labor-intensive initiatives.

The Padat Karya program provided many unemployed and poor Indonesians jobs in various projects, but the implementation of the program provided was difficult. The World Bank ‘Indonesia Country Assistance Strategy’ (CAS) progress report of 1999 noted that ‘disbursements on the major labor-intensive public works employment programs has been slow as many of these programs were new, vulnerable to implementation constraints, and prone to corruption. They also needed to be better targeted geographically to meet the needs of the urban poor’ (Sandstorm and Woicke 1999)\(^\text{26}\). The program was considered a failure as reflected in the sharp reduction of budget allocation between 1999-2000, to about 50 per cent of the allocation from the previous year as stated by ILO (1999):

> The Padat Karya Program has suffered from a number of problems, both in design and in implementation. Multiple and un-coordinated programme objectives, poor targeting, lack of co-ordination among implementing agencies, inept fund management, virtual absence of proper programme monitoring, and above all, the pervasive influence of collusion, corruption and nepotism have been cited as some of the reasons for programme failure (ILO 1999)\(^\text{27}\).

Other evaluations on the project identified the lack of a bottom-up participation process. Data assumptions in the project preparation were misleading and did not capture the real situation of the poor. There was poor information dissemination, leading to a lack of participation by residents. It was too bureaucratic, poorly targeted and led to widespread of corruption, collusion and nepotism (KKN) (Gunawan 1999; Muhammad 2000)\(^\text{28}\).


8. PDM-DKE

Following the labor intensive program, PDM-DKE (Pemberdayaan Daerah dalam Mengatasi Dampak Krisis Ekonomi) or The Empowerment of Regions to Overcome the Impact of Economic Crisis, a program using the community-based approach, which transferred funds directly to the communities affected by the crisis. The project was implemented both in urban and rural areas to address income generation. Learning from its predecessor, the project emphasized more on principles of quick disbursement, transparency, accountability, and sustainability. More specifically, the program generated wider spread of employment and income amongst those hardest hit by the crisis and improved the socio-economic infrastructure to reinvigorate local economies across the entire country.

The model of the program was designed based on five basic principles: targeting accuracy, fast financial disbursement and project implementation, sustainability, accountability, and transparency.

a. Targeting Accuracy
The program focuses on the unemployed and/or impoverished in both rural and urban areas. It uses both geographic and self-selection targeting methods to identify appropriate beneficiaries. Direct funding allocation to local governments in a transparent manner and based on levels of unemployment and poverty in the communities. Local community organizations plan, implement, and manage the projects, with support from local governments. Targeted activities include the rehabilitation of infrastructure and the development of small and medium scale private sector activities.

b. Fast Financial Disbursement and Project Implementation
The project stresses on quick disbursement funds through standard Inpres mechanisms directly to local community organizations. Funds are disbursed in the nearest banks or other financial institution and accessed directly by community groups given the existence of implementable activities, as determined by the local government. In addition, the project enlists the support of a wide range of local management consultants and facilitators to speed up project implementation. Management consultants, recruited from consulting firms and local community organizations, are made available at central, provincial, and local levels to help government implement the program, as well as provide independent monitoring and evaluation. Facilitators are provided at the kecamatan and village levels to assist project beneficiaries in planning and management of.
c. Sustainability

This generation of jobs and the stimulation of economic activity are aimed at enhancing short-term purchasing power of beneficiaries and, at the same time, help to establish necessary conditions for long-term economic recovery and development. The program thus explicitly attempts to provide a link between the crisis and recovery periods, thereby enhancing sustainability of local efforts.

d. Accountability

PDM-DKE stresses the need for increased accountability. The program focuses especially on development of a sound performance monitoring system with open and participative to the society. Such civil society participation are implemented through the use of ‘regional monitoring boards’, i.e. comprised of representatives from important local religious associations and/or other non-profit groups. The objective of developing a sound monitoring system are twofold: first, ensure that the projects are useful, and second, to assure ‘feedbacks’ into the system to improve program performance. Such a system would allow the Government to swiftly make corrections and shift priorities as necessary during the program's implementation period. Given the scarce resources, success needs to be rewarded and failure eliminated. Furthermore, in the spirit of reform, NGOs and community groups are consulted for assistance in managing and monitoring the programs. The monitoring system should produce timely and accurate information regarding a wide range of variables: disbursement of funds, employment created, wages paid, unit costs, and type and implementation progress of local projects. Moreover, the information produced by the monitoring system should be verified by external audit. Such an audit procedure might be implemented through the use of local level ‘spot checks’ carried out by an independent evaluator.

e. Transparency

In addition to its enhanced monitoring efforts, PDM-DKE redoubles its initiatives to make the effort more transparent and publicizes its efforts widely and to assure that identified problems receive attention. In this regard, wider use of information boards, radio and television programs, town-hall meetings, and perhaps even the Internet to keep the public informed. A complaint resolution mechanism, is developed and implemented. Such a tool helps ensure that interests of the public are addressed.

f. Policy Implications

The program needs a structural adjustment in government - private sectors - community engagement. The right and responsibility of community to make their own decision together in finding means to rescue the poor in their community, access of local community to
resources, technology, information and capital will strengthen their capacity to deal with their problems and negotiate with bureaucracy, and legal support provided by the constitution. These lead to real democracy at the grass root level. In this situation, behaviors of bureaucracy are forced to change in dealing with the people, more open to public participation in making decision, and responsive to social control to make a better government at every level.

9. Food Security

The food security program was implemented through four schemes: food reserves, food assistance program of Operasi Pasar Khusus (OPK) or the Special Market Operation, crash program on food production intensification, and fertilizer and capital subsidies. The food reserve scheme consists of (a) essential food price subsidies and (b) food procurement with assistance from The World Food Program and bilateral programs from Australia, Japan, Thailand, China, Vietnam, Singapore, and the United States of America. Bulog (National Logistic Agency) and Ministry of Finance oversee food subsidies. Subsidized foods included in this scheme are rice, sugar cane, cooking oil, flour, and soybean. The World Food Program contributed grain, rice, and blended food.

Regarding food assistance, the Special Market Operation (OPK) provided a special distribution scheme of essential food addressed to help the poor in natural disaster areas. The price is subsidized for a certain time of operation. In the fiscal year of 1998/1999 every poor family is entitled to 10 kilograms/month at the price of Rp.1000/kilogram. In December 1998 the ration was increased to 20 kilograms per family. The target group of OPK is 7,354,052 families based on 1998 data from the Office of State Minister for Population. From July to October 1998 the amount of food assistance supplied amounts to 156.78 thousands tons.

The Ministry of Agriculture implemented the crash program on food production intensification. The program consists of provision of seed, fertilizer, and other production materials, and dissemination and technical assistance implemented by the Ministry of Agriculture, Ministry of Cooperatives, and The Bogor Institute of Agriculture (Institut Pertanian Bogor, IPB). It employed 5,000 students and fresh graduates from IPB. Rice field expansion was implemented in some areas in Indonesia; through September 1998 the program has covered 12 provinces and 105 districts.

The fertilizer and capital subsidies program consists of: fertilizer and capital subsidies. The fertilizer program is implemented by Ministry of Finance through import subsidy for fertilizers. The capital subsidy program or Kredit Usaha Tani (KUT) was intended to assist the

The OPK was regarded as one of the successful program amongst the Social Safety Net programs especially the rice subsidy program (Jaquand 1999). However there are weaknesses in its implementation, for example in public information extension and targeting to the needy. The further communities located from the decision maker the less likely they were to receive the programs (SMERU 1999).29

10. Social Protection

One of the greatest fears is that many families will be forced by economic circumstances to keep their children out of school either because of cost considerations or because they need the income that their children might otherwise earn. This desperate private prediction contrasts sharply with the needs of society at large: the potential income gains of a child, in an environment of high unemployment, are extremely limited in an aggregate sense; and a child's absence from school at such a critical stage, might well destine him or her to a lifetime of lower productivity and earnings - and this is something that might have drastic consequences for the country as a whole. Social Safety Net (SSN) program in education were based on three policies: (i) maintaining the level of students' enrollment and preventing drop-outs (ii) maintaining the continuation rate, and (iii) maintaining the quality of teaching and learning. The policies translate into a series of activities: (i) provision of scholarships (through subsidies) to students who come from low income families; (ii) provision of operational subsidies to schools serving poor communities; (iii) the supply of food supplements for students; (iv) provision of principal text books; (v) provision of equalization subsidies for private schools; and (vi) renovation and rehabilitation of deteriorated school buildings. The primary targets of the scheme were students from poor families and schools serving poor families. Jacquad (1999)30 considers the Back to School program as the most impressive of all SSN programs. Targeting was efficient and the program also served tangible assistance to the poor.

The general objective of the health and nutrition sectors in the SSN programs is to improve or maintain the status of health and nutrition among the poor families through (i) providing financial support for basic health and referral services; (ii) providing nursery and nursery referral services free of charge for pregnant mother, delivering mother, and nursing-

30 Jaquad, M (1999) Poverty Alleviation in Indonesia Since the Economic Crises: Beyond Immediate Relief The Indonesian Quarterly Vol.XXXVII/1999/, No.4. CSIS, Jakarta
mothers; (iii) providing supplementary food for pregnant mother, nursing mothers, baby (6-11 months) and child (12-23 months); and (iv) consolidating food and nutrition watch systems. Specific activities that continued under this program include: health services, midwifery services, nutrition improvement, and community health maintenance. Health services operations for the poor were implemented through Puskesmas and District (kabupaten/kota) Hospital.

11. Small and Medium-Scale Enterprises

In the area of development of small and medium enterprise, the Government initiated various activities to ensure the creation of a fair and productive business environment. This program is far more complicated than others, especially given that the role of Small and Medium-scale Enterprise (SME) was looked for quite sometime. Moreover, it also touched on very critical issues related to the enhancement of basic microeconomic principles. The program relied on the formulation of a ‘competitive business’ law, re-orientation of various financial and non-financial delivery mechanisms for SME, and the use of non-banking financial institutions as a stop-gap measure to fill holes created by the revitalization of the banking sector. At the macro level, it was noted that the general policy environment has jeopardized the development of SME, both directly and indirectly. To this end, several efforts related to streamlining business-licensing requirements and import-export procedures have been undertaken.

Some of the SSN (Social Safety Net) programs have achieved early success, but others suffer from implementation delays, fund leakage, budget allocation issues, and inadequate and inappropriate design. Some of the poor missed out from the program because the data used for targeting did not reflect the real effects of economic crisis. (Indonesia National Country Report, June 2001). Other reports show that SSN programs (with the exceptions of scholarship and food distribution program) were poorly coordinated and conducted on an ad-hoc basis. More important, empowerment of the poor was not enhanced, and local implementers did not take advantage of local resources (Aziz 2002)\(^3\)\. Many NGOs in Indonesia rejected the SSN loan program from the start, especially when they found irregularities in the implementation of the program. It did not have an adequate prevention measures for leakage and corruption.

12. KPEL (Partnership for Local Economic Development)

KPEL is the Partnership for Local Economic Development or Kemitraan bagi Pengembangan Ekonomi Lokal (KPEL). It is an approach to stimulate local economy

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development through: setting up public-private-community partnerships; focusing on developing clusters of economic activity; responding to market demand and opportunities; focusing on linking rural locations to urban markets locally, nationally and internationally. Started in 1998, the project was initially called the Partnership for Urban Rural Linkages (PARUL). In 2001 PARUL was merged with the GOI BAPPENAS Local Economic Development (PEL) and Community Local Economic Development (PEMD) projects under the KPEL banner. KPEL funded jointly by United Nations Development Program (UNDP), the United Nations Human Settlements Program (UN-Habitat). A small National Project Office (NPO) leads project implementation.

KPEL adopts a two-pronged strategy namely (1) Facilitating partnership forums, at each tier of government, involving all the key stakeholders, to dialogue around economic development. Through these forums participate in government planning, policy formulation, delivery and decision-making; (2) Developing economic clusters, as a means to promote income-generating opportunities. This is achieved through the identification of market opportunities and the development, diversification and marketing of selected commodities.

**Figure 1: 13 Steps of KPEL**

Source: KPEL Brochure
The objectives of the program are to:

1. Formulate a methodology for promoting local economic development, test the concept in six areas and document the lessons and models for wider propagation.
2. Establish, and capacitate with the necessary information, know-how, and competence, a coalition(s) of implementing institutions to undertake practical measures for promoting local economic development.
3. Create and institutionalize the instruments that will enable implementing institutions to undertake the range of tasks necessary to facilitate and promote local initiatives for economic development led by public-private partnerships.
4. Replicate the model, through Bappenas’s KPEL program, nation-wide, with a focus on 18 districts in 2002 & 2003.
5. The KPEL approach to local economic development assumes that economic growth is dependent on four conditions namely:
  6. A region needs to identify its products and services and succeed in selling these to markets locally, nationally and even globally.
  7. The region needs to have the infrastructure, systems and human resources in place to support the sales.
  8. The region needs to be linked to markets and urban centers
  9. Earnings from the sales need to return to the local economy either to purchase inputs or as household spending.

Local economic development requires a focus on poorer households, small and medium enterprises and the informal sector. Other requirement is collaboration between the public sector, private sector, producer groups and community interests. Public-private-community partnership brings together the public sector (which includes government officials and elected politicians), the private sector (comprising business, financial institutions, traders and producers) and the community sector (citizens, NGOs and other supporting institutions) in a vehicle where they share responsibility and power.

The benefits of partnership at the local level are:

1. Expansion of the market for the selected cluster through research, expansion of the networks and direct marketing
2. Expansion of economic activities in the selected cluster by producers to increase incomes and jobs in the local community
3. Assist local authorities compile a local economic development strategy
4. Harnessing resources and expertise to meet the market demand
5. Equipping stakeholders with the skills and capacity to meet the demand
6. Lobbying for an appropriate policy framework
7. Mobilizing resources

13. Critical Review of Poverty Alleviation Programs

Each activity has its own view in defining poverty. Consequently, there are different ways of measuring poverty, finding the target groups, as well as adopting the approaches. Some have effectively reached the objectives but some have failed due to various reasons ranging from inappropriate target groups to a failure of approach to meet the roots of the problems.

Numerous new initiatives on poverty reduction have been undertaken but relatively limited efforts have been done in identifying and obtaining a deep understanding of those initiatives, e.g. in terms of defining and measuring poverty, selecting approach and the target groups, and evaluating its impact. Participation of the poor is one of the main targets of the poverty alleviation programs. However without improved capacity it is difficult to see communities participate in the programs. One alternative to materialize this is through community empowerment that as planned and to a lesser extent conducted in three steps. Firstly, by creating an environment that enable the community’s potential to be developed. Secondly, by nurturing community’s potentials to support the community’s livelihood. Thirdly, by protecting the weak from becoming weaker in a sustainable manner, this is possible through advocacy.

Programs that used community participation and to a lesser extent empowerment approach are: *Inpres Desa Tertinggal* (IDT) program and improved in *Pembangunan Prasarana Desa Tertinggal* (P3DT) program. The programs were then improved through the implementation of *Program Pengembangan Kecamatan* (PPK) and continued under the Social Safety Net Program. PPK and P2KP focused on development managed and conducted by the community in partnership with the non-governmental organization at the *kecamatan* and *kelurahan* level. PARUL (Poverty Alleviation Rural Urban Linkages) is a follow up from the previous programs, which focuses on local economic development close to development centers by developing patterns of cooperation between developed and undeveloped regions. The predecessor of PARUL, KPEL, put more emphasis on economic development, which is meant to be the vehicle to community empowerment.

In summary there are three important findings:
a. Earlier development programs successfully alleviated poverty, but only in a national aggregate dimension. In spatial dimension, the programs were not effective. This implies that in the future follow-on programs special emphasis on inter-provincial and particularly rural-urban equitabilities should be made.

b. Ineffectiveness of the earlier poverty programs and projects is related to their approaches which mainly emphasized on national aggregate policy, with significant consideration on local specific factors. In order to make the programs or projects more effective in the near future the program or projects should be designed to have two major components such as common component and local specific component.

c. Low decreasing rate of population under poverty line is significantly correlated with hampering tradition, norms and ethos of works and limited off-farm employment opportunity. Therefore, to speed-up poverty reduction in rural and urban villages, follow-on projects should be designed with full consideration on these issues.
III.4: Looking at Cities: Some Innovative Practices

1. Case Studies

This chapter looks at some innovative practices for poverty alleviation in three cities: Balikpapan (East Kalimantan), Bogor (West Java) and Bandar Lampung (Lampung). Balikpapan has the lowest poverty rate in Indonesia, only 10% of its population is below the poverty line. Even so they have an innovative poverty program that requires the 90% ‘well-off’ population to support the 10% ‘poor’ population. In Bogor the ‘Garda Emas’ program (literally translated as Golden Guard) has been successful in lowering the population under the poverty line. This Bandar Lampung has a program targeted for poor communities called PKP, Pemetaan Kemiskinan Partisipatif or Participatory Community Mapping, which was introduced by URDI as a pilot program and now used as a tool for development planning.

Poverty alleviation in Balikpapan

2. Poverty Alleviation in Balikpapan

a. Balikpapan at a Glance

Balikpapan consists of 5 districts (kecamatan) and 27 sub-districts (kelurahan). While it is not the capital city of the East Kalimantan Province, the city of Balikpapan functions as a major service center for its resource-rich hinterland. Balikpapan has a strategic location as it faces the Strait of Makassar, and is a frequently utilized by international sea-route. Its Sepinggan Airport is the aerial gateway to Kalimantan and has regular domestic and international connections. The city is safe, quiet and relatively clean.
Balikpapan has a population of about 407,000 people (BPS 2001)\textsuperscript{32}. The average rate of population growth between 1990 and 2000 was 1.7% per annum. Densely populated developed areas—only at 11% of the total city area—are concentrated around the city center (World Bank 2002)\textsuperscript{33}. The city seems to be predominantly middle class, but some 10% of households (9,000 households or 34,000 people) fall below the official poverty line (BKKBN data). Prior to the economic crisis, the city had only 375 poor households.

Balikpapan does not have any marginalized settlements (slums). Previous attempts at tackling the housing problems for the poor have evolved around community-based housing initiatives. The only existing slum area, Gunung Sari Ilir Project, has been transformed into a modernized settlement by a committee from the community itself with some technical assistance from development consultants.

Major oil companies such as Pertamina, Total and Unocal reside in Balikpapan. The East Kalimantan Province is one of the richest provinces with a gross domestic product of more than Rp. 87 trillion (Kompas, ‘Rebutan Properti di Balikpapan’, 15 Januari 2004). Even so, the local government has established the Integrated Economic Development Area of Samarinda, Sanga-sanga, Muara Jawa and Balikpapan, known as KAPET SASAMBA, to prepare the city for the ‘post oil period’, where other resources are developed to sustain its economic development.

The vision of the city of Balikpapan is to establish itself as an industrial, trade, service and tourism center in the context of a ‘moral’ city. Its medium and long-term efforts are to ensure that the city retains its comparative advantage as the premier service provider in the Eastern Kalimantan context. This also means that the city must attract investment and human resources that will ensure the improvement of the quality of services, and thus the quality of life for its citizens (and visitors). The city’s goal is to improve their human resources and provide accessible services that are environmentally friendly. The city’s good infrastructure is its best asset and has made Balikpapan more competitive than other cities in East Kalimantan.

b. General Policies for Poverty Alleviation

There are several programs to eradicate poverty covering health, education and business development, such as the Poverty Alleviation Program (PAP, using local resources), the social safety net program (JPS, which includes education, health, city labor programs), the PDMDKE program (Regional Efforts to Overcome the Impacts of the Economic Crisis), and the PMT-AS

\textsuperscript{32} BPS (2001) Statistics Indonesia available online: http://www.bps.go.id/sector/population/table1.shtml
Members of the PAP team include heads of local offices: Education, Health, Industry, Trade & Cooperation, Manpower, Vocational Training, Agriculture & Fishery; Economy, Social Welfare and Public Relations.

Although BKKBN (The National Family Planning Coordination Board) conducted a poverty survey in July 2001, an additional survey was conducted to crosscheck the results of the BKKBN survey. BKKBN classifies the poor into pre-welfare families (Keluarga Pra-sejahtera) and welfare families (Keluarga Sejahtera I). The local government assigned Mulawarman University in Banjarmasin to conduct a survey at 18 sub-districts. The combined data was used to develop the poverty alleviation program.

The general policies for poverty alleviation in Balikpapan are as follows: i) the program should not create dependency on aid; ii) the program should improve the social and economic structure of the poor; iii) the poor should be treated as subjects rather than objects; and iv) the program should involve all parties including the well-off population.

c. Special Poverty Alleviation Programs

The following are some of the poverty alleviation programs:

i. An innovative approach: the ‘Nine carry One’ program

The ‘Nine carry One’ program means that every nine better-off people should support one poor person. The support of the better-off people is mainly through donations (see section on Support of Civil Society further below).

The municipal government issues a social security identification card for the poor. The card entitles the cardholders to obtain health, education, and other subsidies. The system is managed at the district and sub-district levels to ensure that assistance reaches the attended target groups. The card specifies the holder’s occupation such as street vendor to psychologically stimulate a sense of upward mobility and create a desire to escape from the social stigma attached to certain professions.

The card is meant to empower the poor by building on their self-esteem rather than their dependency on charity. The municipal government also encourages grassroots social care attitudes amongst its citizens.
ii. Educational Aid Program

This program is aimed at providing educational aid to children of poor families attending elementary up to senior high school. The program is implemented by the PAP Team: Bappeda in co-operation with the City Education Office, NGOs, and local schools.

The annual aid for a student ranges from Rp. 500,000 (for elementary students) to Rp. 1,000,000 (for senior high school students). This aid is intended to pay for school uniforms, shoes, stationary, books, etc. The school operational expenses are financed by the school through operational aid fund under the Social Safety Net program (SSN). For schools that are not covered by the Social Safety Net program, the operational expenses for the poor children are financed by DBO (Dana Bantuan Operasional) or the operational grant/subsidy for schools under the City Government Budget.

The aid is issued every 6 months—in the beginning of the new academic year (July and August) and the next six moths (December and January)—by the PEP Coordination Team through the nearest Payment Point or Post Office.

iii. Health Service Program

The Health Service Program for poor families is aimed at providing health service and medication for those who are suffering from either minor illness or serious accident/diseases, requiring services from Puskesmas (Community Health Center) to the General Hospital.

Health management

The municipal government through the City Health Office appoints a Task Force to manage this program and coordinate with the PAP Coordination Team. The job of the task force includes: i) managing the data base of registered poor households; ii) supplying information on health packages; iii) maintaining cooperation with Puskesmas and the General Hospital; iv) monitoring the implementation of health services to the poor; v) managing financial matters and settling payment to Puskesmas and the General Hospital; and vi) writing periodical reports to the Mayor (submitted through the Head of the City Health Office and PEP Coordinator).

Health Services

Health services at the Community Health Center (PUSKESMAS) include: general check-up, dental examination and action, basic laboratory examinations and basic medicine. Services at the General Hospital include: out-patient facilities, emergency treatment, 3rd class...
in-patient treatment, surgical treatment, diagnostic support (laboratory, radiology, EEG, ECG etc) and basic medicine.

PUSKESMAS services are based on zoning, where each PUSKESMAS has been assigned to serve the poor within their sub-district. Each of the assigned PUSKESMAS has a database of the poor families living within their area. Participants of the health program can only seek assistance at the appointed PUSKESMAS. To obtain health services from the General Hospital, a patient must obtain a reference letter from the appointed PUSKESMAS (except during emergency cases).

iv. Capital Aid Program

The Capital Aid Program is designed to provide access to capital or business facilities for the poor families. It is hoped that with this grant-in-aid the families will be able to have a business activity, which can promote their income, and reduce their dependency on government support or any other donor support.

The capital aid for micro-business is issued in the form of a loan with zero interest. The loan is maximum Rp. 2 million, which is released through the Bank Muamalat, Balikpapan branch, or any other financial institution recommended by the sub-district. The borrower can pay back the loan in monthly instalments, up to ten times.

v. Skill Upgrading Program

The skill upgrading program is conducted for the poor, who want to increase their income but have limited skills. The Sub-district/LPM (Lembaga Pemberdayaan Masyarakat, or the Community Empowerment Institution) should make inventory of the skills levels of the poorest population, so that the program could be designed to reach the target group. The program is implemented by the PAP Team (Bappeda in cooperation with LPM, Industrial and Trade Office, and Manpower Office).

vi. Support of Civil Society

The support of civil society can be in the form of i) donating funds to support the above programs though the City Government/PAP Coordination Team or directly to poor families; and ii) providing assistance in the form of programs supporting existing programs, such as training programs. Direct donations should be adjusted with the existing programs and the cost standards that are fixed by the City Coordination Team.

d. Program Performance Indicators
The success of the five-year poverty alleviation plan in Balikpapan can be measured using the following performance indicators:

- The decreasing number of the poor families from year to year.
- The progress of the PAP performance in the following programs:

  - Education Aid: availability of education data on the beneficiaries, the correct usage of aid for the children needs, the decrease of drop-out rates, increased grade-point average of beneficiaries, and proper administration of education funds.
  - Health Service: availability of health data of the beneficiaries, proper administration and health services: clear standards and procedures of health services, the number of complaints or claims from patients, on time schedule of services at PUSKESMAS and the General Hospital and the accurate reporting system.
  - Training: on-hand data of household jobs and skills required by the respective sub-district, availability of course activities by instructors, the satisfactory information and reporting system
  - Capital Loan Reporting: on-hand data of household heads (occupation and capital loan in need), nominees of capital loan receiver who have already understood the capital loan program, flow of the capital aids based on the fixed program, no complaint concerning the loan services to the poor, capital aids being utilized accordingly, and debt payment being on time, with no amount overdue.

3. Poverty Alleviation in Bogor

a. Bogor at a Glance

Figure 3 Location of Bogor in West Java Province
Bogor is one of the towns within the constellation of JABODETABEK (Jakarta–Bogor–Depok–Tangerang–Bekasi). It is about 60 kilometers from Jakarta. Bogor covers an area of 11,800 hectares, consisting of 6 districts (kecamatan) and 68 sub-districts and villages (kelurahan and desa). Among the 37 villages, five are considered to be under-developed (desa tertinggal). In the past, Bogor was well known as a rest–town (Buitenzorg) for residents of Jakarta. This is because of its fresh air, scenic trees and relatively close location. The botanical park, Kebon Raya is located in Bogor. However, Bogor has changed much because of the high increase of population as the impact of high access to Jakarta and its regional duty as the capital city’s buffer. The hottest issue about Bogor concerns the problems of traffic jam, street vendors, environment cleanliness and sanitation, education and poverty.

The population of Bogor is 745,666 (BPS 2004). About 250,000 people are daily commuters of Bogor–Jakarta, because they work in Jakarta. Presently, there are 20,956 poor families (12.36%) that spread out in the urban and rural sub-districts. In urban areas the poor families usually live in slums and work in the informal economy as street hawkers or labor workers. In rural areas the poor usually work as farmers or as workers in small home-based industries.

b. Poverty Alleviation Programs

The local government of Bogor runs its program based on the basic concept of Prakarsa Kota Bogor, which has been developed and strengthened as a local regulation (PERDA). The Local Development Program (Propeda) focuses on five aspects: environment and physical development, human resource development, socio-cultural and religious development, economic and political development.

On June 20th, 1999 the city of Bogor launched the Garda Emas program, which involves the cooperation of nine local government offices, NGOs, micro-finance institutions and local stakeholders.

i. The Garda Emas Program

Garda Emas, is the abbreviation of Gerakan Pemberdayaan Ekonomi Masyarakat or the Community Economic Empowerment Program. The goal of the Garda Emas program is to improve the quality of life and welfare of poor communities in Bogor through a holistic approach focusing on economic development. In its implementation, the Garda Emas program employs a ‘new’ paradigm, in which the government gives their TRUST to local communities in planning, realizing and evaluating the program. The principle held by the government is tut wuri handayani, or supporting the community from behind. The government officials focus on empowering and directing. Community participation is not ‘forced’ through government programs rather it is encouraged at the grass root level.
There are four priorities in the Garda Emas program: (i) strengthening micro-finance institutions (Lembaga Keuangan Masyarakat or LKM) through management training and capital assistance, (ii) empowering small entrepreneurs through capital (revolving funds) and technical assistance, (iii) tackling unemployment by providing training (skills enhancement and on-the-job training) and business guidance and (iv) poverty alleviation programs for poor households (keluarga pra-sejahtera, keluarga sejahtera I, disabled and the elderly) through productive economic business development.

Funds for capital assistance come from the government’s budget and a special credit referred to SKIM Kredit Garda Emas, which is available at a local bank assigned by the government.

There are several programs being implemented by the Garda Emas Program to improve the local economy, as well as increase job and business opportunities i.e. i) empowering financial institutions, ii) empowering small business enterprises and iii) reducing unemployment. These are described below:

(i) The financial institution empowerment program is aimed to revitalize and to empower financial institutions in society (cooperation, LPED, EUD-SP, BMT) so that it can be an economic pillar in the system of social economy.

(ii) The small enterprise empowerment program is aimed to develop small industry sectors by opening their access to the larger market, introducing new kinds of products, increasing capital access, strengthening industrial management, using an effective and efficient technology, developing a market and even increasing the quality and consistency of product by ISO 9000 standardization.

(iii) The unemployment alleviation program is an apprenticeship program in a productive enterprise. After they completed the program, the apprentices are expected to form their own business through a pattern of wira-usaha baru (WUB, or the New Entrepreneurship).

After four years, the Garda Emas program showed positive results. The program assisted 9,157 people and absorbed 17,769 workers. The number of poor households decreased from about 34,500 households in 1999 to 16,258 households in 2003. The initial credit launched was about Rp. 2.84 billion and after four years it increased to Rp. 4.5 billion with a return rate of 60.81% (CLGI website, accessed 12 May 2005).

In addition to the Garda Emas program, Bogor also implements other programs to support poverty alleviation such as house and infrastructure upgrading and free health services.
to poor families that includes assistance during pregnancy and birth, and food support for children suffering malnutrition.

4. Poverty Alleviation in Bandar Lampung

a. Bandar Lampung at a Glance

Bandar Lampung is the capital of Lampung province. It covers an area of 192.2 km². Because of its location facing Selat Sunda, Bandar Lampung is the transit point between Java and Sumatera. The city was formerly two separate towns, Tanjungkarang and Telukbetung. In the course of development these towns have spread out to become one single city. The population of Bandar Lampung is about 860,172 (BPS 2002). The population under the poverty line is quite high. Nearly 50% (412,857 people) of the population are considered to be poor (keluarga pra-sejahtera and sejahtera level 1).

Figure 4 The province of Lampung in Bandar Lampung

Lampung is famous for its handicraft, such as the woven cloth interwoven with gold threads referred to as kain tapis. Agriculture (farming, plantations and fishery) is the main income to its population. Lampung is also famous for its coffee.

b. Poverty Alleviation Programs

Alleviating poverty has become one of the main agenda of the local government. However, past programs have not been effective or appropriate, mainly because there was lack of coordination amongst relevant local government offices and no clear short-term and long-term program to tackle poverty comprehensively.

In one of their technical coordination meetings (Rakorteknis) involving local government offices, stakeholders and communities, it was agreed that there should be efforts to identify target groups for poverty alleviation programs and designing an integrated program for community empowerment in poverty alleviation. The programs include data collection and
mapping on poverty and environmental infrastructure deficiencies. The program is known as *Program Pemetaan Kemiskinan Partisipatif* (PKP), or Participatory Poverty Mapping.

c. Participatory Poverty Mapping Program

In 2003, the Urban and Regional Development Institute (URDI) obtained a grant from TUGI UNDP to conduct the participatory poverty mapping in three of the poorest districts of Bandar Lampung: *Kecamatan* Teluk Betung Barat, *Kecamatan* Teluk Betung Selatan and *Kecamatan* Panjang. Three thematic maps were to be produced for each district: (i) map of infrastructure and physical environmental condition, (ii) map of local economic potentials and (iii) poor household profiles.

The expected outputs of PKP are: (i) to produce a model to identify poor households that could be used as reference to select the target group, and (ii) to provide data and profiles of poor households, including their needs for basic infrastructure and supporting facilities within the target area.

In each phase of the process, direct and active participation of the community is expected. This is reflected in the activities conducted in the preparation and implementation phase. The activities in the preparation phase consist of training of facilitators, introducing the program at the city level and identifying the neighborhoods (RT/RW).

There are two major processes in the implementation phase: 1) introducing the program and selecting cadres and 2) participatory mapping. The first process consists of i) introducing the program to the *Kelurahan*, ii) rembug or discussion of the community’s preparedness for participation and iii) the process of selecting cadres or volunteers at the *Kelurahan* level. This is followed by iv) training the cadres to become facilitators.

The second process consists of i) *rembug* or discussion and reflections on poverty at the RW level, ii) survey on economy, social and infrastructure at the RW level and iii) prioritizing and agreements of the list of poor households at the RT level, iv) interviews with the poor households, and v) agreement on results of each level (RT, RW, kelurahan and City level). During the *rembug* at the RW level, participants agree on the criteria of priorities that become the list of priorities at the kelurahan level. The priority lists and criteria agreed at the kelurahan level become the priorities of the city level.

The final phase is inputting the data into the GIS system and promoting the mapping results to the public. The PKP produces authentic data on the needs of poor households. However, the PKP needed to be followed by an applicable program, which was soon realized...
through the P4K (*Perencanaan Program Partisipatif Pengentasan Kemiskinan*) or the Participatory Program Planning for Poverty Reduction, which was supported by URDI and sponsored by the Asian Development Bank. The aim of P4K is to assure that the results of PKP are accommodated by the local government in their local budget, the private sector and community.

The community could participate in the P4K process by i) joining the *Kelurahan* Development Planning Team (TPPK) or the *Kecamatan* Development Consolidation Team (TKPK), ii) formulate development goals, constraints and strategies at the *kecamatan* and *kelurahan* level through the TPPK and TKPK, iii) formulate mid-term and annual programs for the kelurahan and Kecamatan.

The expected outputs of P4K are that: i) poverty alleviation programs are included in the goals and strategies of the *kelurahan*, *kecamatan* and municipality, ii) the availability of information on poverty at the three levels of government, iii) the availability of clear procedures, mechanisms for implementation and output of development planning at the *kelurahan* and *kecamatan* level, iv) the availability of criteria or benchmarking to monitor priority programs, v) clear procedures and mechanisms of TPPK and TKPK for the development of the area and vi) the implementation of poverty programs in each *kecamatan*.

The P4K has been quite successful. The Bandar Lampung development program shows that 50-60% of the community’s proposals were accommodated, with one proposal accepted for each *kelurahan*. Priority activities for the fiscal year 2005 include i) the upgrading of basic infrastructure (water supply, roads, solid waste disposal), housing quality improvement, poverty alleviation, urban management, ii) socio-cultural programs to improve community welfare, assure the balance of spiritual and physical needs, safety and public order, iii) economic development programs to support and improve the community’s productive economic activities.

In general there have been fundamental changes within the Lampung community and local government. In the past, the meetings at the *kelurahan* level were just formality and communities were represented by the head of the *kelurahan*. By forming the TPKP, the community’s role becomes larger. From the community’s side there has been increased willingness to improve their lives, increased confidence to speak out in public, improved capability of the community to assess and analyze their environment, and increased understanding of the people of government’s funding limitations. From the government’s side, government officials have become more aware and serious in realizing community proposals. By involving relevant stakeholders in the programming and planning processes (RUPK and
RKPK), the government can gain a better understanding of the problems and issues faces by local communities, and become more willing to find appropriate solutions together. By involving the local community in mapping and development planning, both sides become encouraged to create a participatory environment. There has been a change of paradigm within the government and community, because both are willing to work together, share roles and responsibilities. There is more room and opportunity to propose programs and monitor the process of development (URDI-TUGI, 2004).

5. Conclusions

a. Major Findings

Similar to other Asian countries that experienced the financial crises and major political shift, the Indonesian government has made significant efforts in dealing with poverty using the Millennium Development Goals (MDGs) as the guiding framework. At the national level government many programs have their success and failure depending on the evaluator’s points of view. At the local government levels of success or failure of the programs determine the relevant governments’ performance on the eyes of the national government, but more importantly from the beneficiaries’ point of view, the communities. This is in line with the implementation of decentralization laws in Indonesia, which provided the local governments with wider authority and opportunity to determine their own programs.

The national government poverty alleviation programs implemented in most local governments were subjected to various party involvements. The programs tend to be on the broader basis and performed in mass-scale projects. The Social Safety Net (SSN) program delivery is an example where conflicting interests from three major parties have neglected the main subject of the program that is the poor. The central government intended to alleviate poverty and decentralized policy delivery to the local level. The local governments saw this as a project that would determine their performance to carry out central government’s project, therefore had to answer to the national government. The communities saw this program as their chance of survival therefore tried to gain as much as they can resource allocations from the program. This has caused the closest communities to decision maker to benefit the most of the program. All these reflected the low awareness of all parties to the principle of pro-poor development endorsed by the United Nation Development Program (UNDP)34:

It must couple community-based initiatives with upstream support to assist all levels of Government in the planning and implementation of poverty reduction initiatives. These

34 See for example http://www.undp.or.id/programme/pro-poor/index.asp (visited: May 2005)
initiatives must address the multi-dimensional roots of poverty through the creation of economic opportunities, improvement in the delivery of social services, empowering women, as well as integrating good governance and participatory approaches to decision-making (UNDP website: Pro-poor Policy Reforms visited: May 2005).

In urban areas, the experiences of program implementation were different from those in villages. The urban programs were more complex because of the pluralistic character of urban population that influenced the interests of the relevant stakeholders. Local governments therefore have their own different approach in dealing with these. However, they share several similarities in conducting the poverty alleviation programs and yet innovatively came up with programs of their own.

b. Lessons Learnt

Major lessons learned on the similarities in the program implementations are as follows.

i. Engagement
The success of poverty alleviation depends on the active engagement of relative stakeholders, and in particular the local community in the process. The examples showed that building awareness of the seriousness the problem of poverty is necessary at all administrative levels (city, district and sub-district up to neighborhood level) were necessary to engage the local community and make everyone aware that tackling the problem of poverty was an effort that should be shared together. This was evident in all of the cities, although they shared a different process to reach that commitment. In Balikpapan and Bogor, the awareness grew from civil society, and was immediately realized in their programs of Nine Carry One and Garda Emas. In Bandar Lampung, the failure of past approaches in tackling poverty created the necessity for a different approach. However, the process of engagement was developed through donor-supported programs to enhance participation and also went through various steps.

ii. Funding
Balikpapan and Bogor were two cities that were able to gain support and finance from the public to support their poverty alleviation program. This is possible when the majority of city population is from the middle to upper-middle income bracket. In cases where poverty is a major problem, such as in Bandar Lampung, it was necessary to gain support of NGOs and donor agencies. This could open opportunities for donor agencies to support such programs in other cities where poverty is a major issue. However, the main drive to explore and generate resources should come from the relevant local government as implemented by the selected case study cities.
iii. Changing Paradigms
Building the awareness of local stakeholders to participate in poverty alleviation programs also depended on the willingness of the government to change their ways of thinking and approaching the problem of poverty. As an example, Balikpapan did not readily accept the standards/criteria set-up by the government (BKKBN) in defining the poor. Instead, they employed a local university to conduct another study on poverty, and combined the results with the government standards for their program. In Bandar Lampung, the local government staff and stakeholders changed their ways of formulating plans that were able to accommodate the proposals of local communities. This was not an easy process, as it involved dialogues and meetings at various levels of government to build the commitment of all local government offices, stakeholders and the community.

iv. Trust
Gaining trust from local communities and giving trust to local communities is an important element to encourage participation and increase empowerment. This was evident in Bogor in the Garda Emas program. The local government was able to fully trust the community in planning for their area and support them with the necessary funds and assistance to realize these plans. Building a platform of trust was needed before anything else to improve general conditions of the community.

v. Comprehensiveness
Although economic empowerment was the main focus to alleviate poverty, the programs were implemented comprehensively with other programs such as health, food support, infrastructure and house upgrading and education. The danger of dependency amongst programs was eliminated by improving communication amongst the relevant stakeholders in the intensity and quality of meetings. This is evident in the PKP program in Bandar Lampung. Comprehensiveness in funding has also been beneficial for communities. The city of Balikpapan’s experience in education has provided innovative action learning process to provide additional funding under the local budget to fill in the gaps from the national sponsored program that was not able to provide funding for every school in the city.