

Rural Poverty Alleviation in Indonesia: Programs and the Implementation Gap

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Abstract

Despite the impressive achievement in reducing the number of poor people during the New Order administration, the 1997/1998 monetary crisis had significantly increased the number of poor people in Indonesia. Although the government has launched many poverty alleviation programs, the decrease in the number of poor people is getting slower after the crisis. This article tries to analyze several prominent poverty alleviation programs implemented in Indonesia, which are Backward Village Program (IDT), Social Safety Net (SSN), Kecamatan Development Program (KDP) and Unconditional Cash Transfer (UCT), to understand why they are still not able to alleviate poverty effectively. Review on the related studies shows that the implementation gap was the main reasons why those programs could not achieve the expected goals. This article identifies that the implementation of poverty alleviation programs in Indonesia suffered from three main problems, which are incapable bureaucrats in delivering the programs, local elite capture and weak targeting mechanism.

1. Introduction

Indonesia is one of the countries still struggling with difficulties to overcome the poverty problem. Despite the impressive achievement in alleviating poverty before 1996, the 1997/1998 monetary crisis had significantly increased the number of poor people in Indonesia. The difficulty in alleviating poverty can be seen from the fact that the government needed about 13 years to make the number of poor people reach the level below that of 1996 or before the crisis. Moreover, the experiences also showed that poverty in Indonesia was very vulnerable to increase when facing such economic shock. At least, Indonesia experienced the rising number of poor people twice, in 1997/1998 due to the monetary crisis and in 2006 due to the sharp increase in fuel price. The fluctuation of the number of poor people indicated the fragility of government achievement in alleviating poverty.

The slow progress of poverty alleviation in Indonesia is contradictory to the fact that the government has since 1998 implemented many poverty alleviation programs. Poverty alleviation always becomes the main national agenda and the government has invested many resources in it. While the budget for the programs was only about IDR 0.43 Trillion in 1994, the amount increased to IDR 120 Trillion in 2011 (Daly and Fane, 2002; and Kompas Daily News, 2011, March 10). Data from Coordinating Minister of People's Welfare of Indonesia (2008) showed that in total there were about 53 national poverty alleviation programs in Indonesia in 2007. Nevertheless, those programs are still not able to alleviate poverty effectively. Some of them may be "trial and error," and the others may be "learning by doing."

Analyzing the implementation of the poverty alleviation programs in Indonesia becomes very important to understand what the main problems are faced in the field during the implementation of the programs. This article will review several

related studies to answer the main question “How poverty alleviation programs are implemented in Indonesia.” Chronological perspective will be applied to show the relation between them and the evolution of the programs.

2. The number of poor people in Indonesia

The official number of poor people in Indonesia has been available since 1976, the year when Indonesian Central Statistic Agency (CSA) started to keep statistics of poor people annually. It uses a consumption-based poverty line, which is set based on the minimum expenditure needed by a person to provide some basic food and non-food needs in order to live properly. Indonesian poverty line is equivalent to US\$ 1.55 Purchasing Power Parity (PPP) per people per day (CSA, 2009).

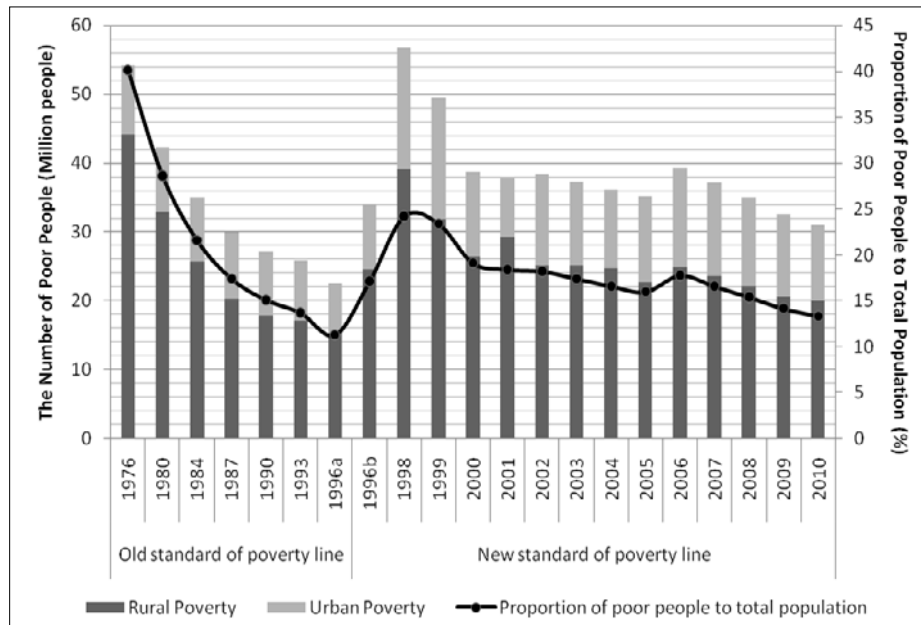


Figure 1. The number of poor people in Indonesia, 1976-2010
Source: CSA, 2010

Under the rule of President Suharto from 1968 to 1996, Indonesia was a country experiencing high economic growth with stable currency rate and low inflation. The average of Indonesian GDP growth between 1968 and 1996 was about 7.1% per year (CSA et al., 2001), a figure placing Indonesia as one of the fastest economically growing countries during this period. This rapid economic growth significantly contributed to the decrease in the number of poor people. The number of poor people decreased by 58% within 20 years, from 54.2 million in 1976 to 22.5 million in 1996 (CSA, 2010). Along with this progress, the health and education standards of Indonesian people increased significantly. Between 1960 and 1996, life expectancy rate increased from 41 year to 64.4 years, infant mortality rate decreased from 159 to 49 per 1000 births and adult illiteracy rate decreased from 61% to 14% (CSA et al., 2001).

Amidst all of the progresses as mentioned above, Asian monetary crisis hit the Indonesian economy in 1997/1998. The currency rate of Indonesian Rupiah (IDR) against US\$ contracted by about 400% and the GDP contracted by 13.7% in 1998 (CSA, 1999). The impact of the monetary crisis on the number of poor people was substantial. The number of poor people significantly increased by 152%, from 22.5 million in 1996 to 56.7 million in 1998 (CSA, 2010). The skyrocketing of commodity prices and the declining of real wages (Suryahadi et al., 2003) as well as the massive dismissal due to the bankrupt of many industrial enterprises (Mangkuprawira, 1998) were among the main factors causing the increase in poverty at the time. Data from CSA (1999) showed that the fall of IDR currency triggered general inflation by 78% and by 118% for food prices. At the same time, the real wages of employees declined by over 30% (Suryahadi et al., 2003) and about six million people loosed the job (Mangkuprawira, 1998).

The number of poor people gradually decreased to 35.1 million in 2005 after the government did macroeconomic stabilization and various poverty alleviation programs. However, this number increased again to 39.3 million in 2006 after the government raised the fuel price by 128% in the late 2005. In 2010, there were 31.02 million people living below poverty line (CSA, 2010).

The monetary crisis did not only increase the number of poor people, but also exacerbated the depth and the severity of poverty. Both of Poverty Gap Index¹ (P_1) and Poverty Severity Index² (P_2) significantly rose due to the crisis. Poverty Gap Index increased from 1.8 in 1996 to 5.0 in 1998 while Poverty Severity Index increased from 0.4 in 1996 to 1.5 in 1998 (CSA, 1998; and CSA, 2010). The same condition occurred in 2006 when the second wave of economic shock struck Indonesia. Poverty Gap Index increased from 2.78 in 2005 to 3.43 in 2006 while Poverty Severity Index increased from 0.76 in 2005 to 1 in 2006 (CSA, 2010). Up to 2010, both of the two indexes were still above those of before monetary crisis.

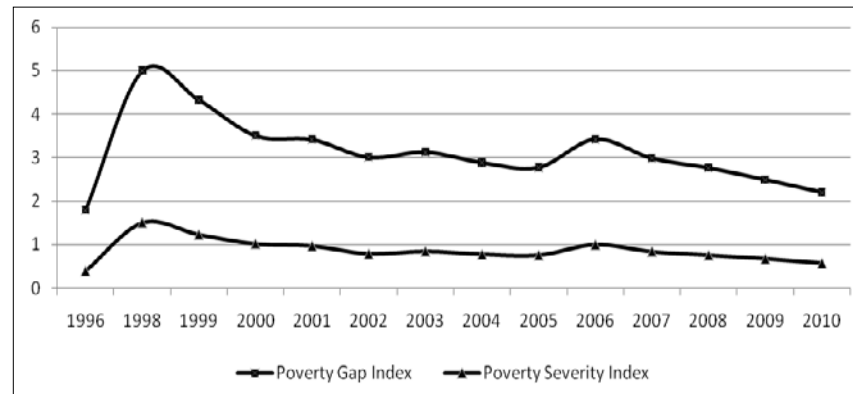


Figure 2. Poverty Gap Index and Poverty Severity Index, 1996-2010
Source: CSA, 1998; and CSA, 2010

Another important aspect to analyze Indonesian poverty is the phenomena of chronic poverty or the people earning less than US\$ 1 per day. In 1996, the number of the poor under chronic poverty people constituted 45% of the total poor people (CSA, 2009). The monetary crisis had significantly increased their number that in 1999, the portion of the chronic poor people increased to 52% of the total number of poor people (CSA, 2009). Data on CSA (2009) also showed that during the period of economic recovery up to 2001, the speed of the decrease in the number of chronic poor people was relatively slower than that of transient poor people. The high number of the people under chronic poverty indicates the more complex situation behind the current poverty incidence.

Rural poverty always constitutes the larger portion of Indonesian poverty. About 63% of Indonesian poor people in 2010 lived in rural areas (CSA, 2010). The number of backward villages in 2009 was about 32,379 villages or 45% of 70,611 total Indonesian villages (CSA, 2009). A village is classified as backward if lacking of basic service facilities such as main roads, area for business activities, schools, health facilities, telecommunications services, electricity, water and fuel supplies (CSA, 2009). Therefore, to alleviate poverty in Indonesia, the government should give more priority to rural areas.

3. The Indonesian government programs on rural poverty alleviation

Despite the impressive achievement in alleviating poverty under the New Order administration, government attention on the programs designed to target the poor directly was started just in 1994. In 1970s and 1980s, poverty alleviation in rural areas was done mostly through Green Revolution, which was the program to increase rice productivity. Although Green Revolution had been successful in increasing the rice productivity as well as the economy of many villagers, everything was clear in the beginning of 1990s that it would not be able to escape all villagers, mainly the landless farmers, out from poverty³. Perhaps in responding to this fact, the government in 1994 started to implement the poverty alleviation programs directly targeted to the poor.

This article notes that the annual government budget for poverty alleviation programs has always increased since 1994. The significant increase occurred in 1998 when the government for the first time launched social protection programs to help the poor cope with the monetary crisis and in 2006 and 2009 when the government cut the subsidy of fuel price and allocated it for poverty alleviation programs.

The subsequent part of this article will briefly discuss the poverty alleviation programs in Indonesia by emphasizing the purpose, the implementation and the result of the programs. This article will only present several programs deemed as the most prominent ones, especially in term of the amount of the fund used and the area coverage.

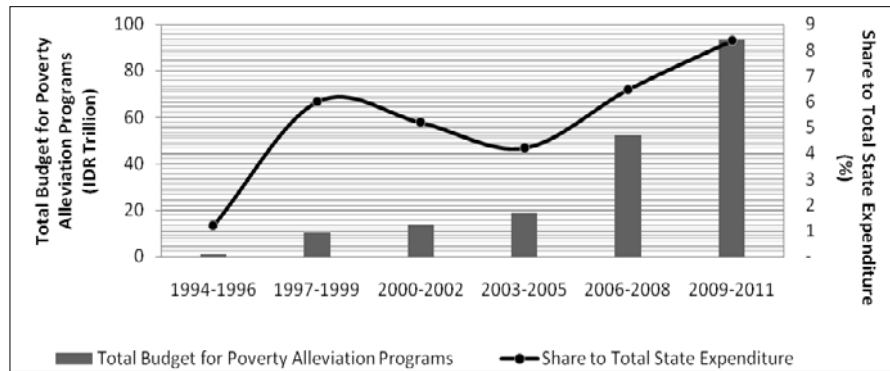


Figure 3. National Budget for Poverty Alleviation Programs in Indonesia, 1994-2011
 Source: Daly and Fane, 2002; Ministry of finance, 2010; Royat, 2007; and Kompas Daily News (2011, March 10)

3.1. Backward Village Program

The government in 1994 launched a program namely Backward Village Program or *Inpres Desa Tertinggal* (IDT). It was the program aiming to improve the income of the poor by channeling them working capital to begin small scale enterprises. It channeled each targeted village the fund worth IDR 20 million (about USD 8,700 at the time) per year from 1994 to 1996. The type of fund was block grant by which communities had full discretion to use the fund as far as they would follow the general guideline set by the government. The fund would then belong to the community group from which the poor could borrow the money. The borrowers had to repay the loan to the group so that other households could borrow it again. This mechanism intended to create IDT as a sustainable revolving fund. To manage the fund, the poor were organized into Community Group (*Pokmas*) consisting of 10 to 30 poor households per group (BAPPENAS, 1994).

The target of IDT was the poor living in 20,633 villages deemed to be left behind during the Indonesian rapid economic growth in 1970s and 1980s. This number constituted about one third of total Indonesian villages. The government selected the targeted villages based on various indicators of economic and social infrastructures available from Village Potential Survey⁴. The villages that had low score of economic and social indicators were categorized as backward and then became the target of IDT program. After the village received the fund, it was fully the authority of village government to determine the eligible households as well as the repayment scheme and the interest rate. The government intentionally did not impose any specific criteria of the eligible households. The purpose of this discretion is to encourage the using of local knowledge in managing development fund (BAPPENAS, 1994).

Many problems occurred in the selection of the eligible households within the villages. The deviations in selecting the eligible households were unavoidable since there were no specific criteria set by the government. Molyneau and Gertler in Guggenheim (2006) found that in many places, the IDT funds were lost due to rampant corruption within the bureaucracy. Moreover, village heads often preferred to give the money to the villagers having a good reputation of using money effectively rather than to the poor who are deemed not able to pay it back.

Yamauchi (2007) found that as far as the poor received IDT fund, they would in general invest the money for productive activities. About 80% of the recipients invested the fund in agricultural activities such as animal husbandry, crop cultivation and fishery while the rest engaged in trading, small-scale manufacturing and services.

However, the shadow of IDT failure had emerged since the first year of its implementation. The repayment rate of IDT fund had been so low since 1994, which was only about 22% of total loan, and the participation rate of the poor in the *Pokmas* revolving fund declined from 25% in 1994 to 11% in 1997 (Yamauchi, 2007). Study by Yamauchi (2007) also found that the main reason behind the low repayment rate of IDT fund was the failures of the poor in developing their business.

The factors causing the failures of many poor people in developing their business had been well documented by Sujono et al. (1998) in the in-depth study of IDT fund using in Java. Sujono et al. (1998) found that lack of agricultural infrastructures and market information was the main barriers for the poor in developing the enterprises established by IDT fund. Moreover, limited knowledge on how to organize the groups and how to collaborate on their businesses had hampered the expansion of the enterprises. Safitri and Rafael (2002) found the other factors why the *Pokmas* could not manage the fund sustainably. The village heads were too dominant in the management of *Pokmas*, hence making IDT could not trickle the power of decision making down to the poor. Even Safitri and Rafael (2002) also found that in many places, the *Pokmas* were formed only for the project formality. As a consequence, when the government stopped IDT program in 1996, the *Pokmas* were also

terminated.

The relatively low repayment rate of IDT fund and the decrease in the poor's participation in the *Pokmases* had practically made IDT program did not perform well. The government failed to create sustainable revolving fund through IDT since it functioned more as the grant than as the pure credit (Yamauchi, 2007). IDT actually still had the impact on increasing employment opportunities and improving the income of the poor (Yamauchi, 2007) as well as reducing the economic inequality both within the community and among different regions (Akita and Szeto, 2000). However, by investigating IDT effects in 1998, Yamauchi (2007) concluded that IDT impact was relatively small and sustained only in the short-run.

The lessons from IDT are substantial. Firstly, decentralizing poverty alleviation program does not mean to give the community full discretion in managing every aspect of the program. There should be still a general guideline in how to select the poor eligible and how to manage the fund. Secondly, it is true that lack of opportunity and lack of capital are the factors impeding many poor people to escape from poverty. IDT had tried to remove those obstacles by providing capital assistance for the poor. However, to escape from poverty, the poor do not only need the business capital, but also they need the assistance to manage the fund and the environment supportive for their business. The government had missed to provide the two latter, and IDT in general had been the failed program.

3.2. Social Safety Net Program

Responding to the massively increasing number of the poor people during the monetary crisis, the government in July 1998 launched a fast reaction program namely Social Safety Net (SSN). SSN intended to help the poor cope with the negative impact of monetary crisis. It was designed to have the characteristics of quick disbursement, direct financing to beneficiaries, transparency, accountability and encouraging participation of the society in monitoring its implementation (Sumarto et al., 2001).

SSN included several components (Sumarto and Widyanti, 2008), as follows:

1. Labor Intensive Project. The program provided temporarily job opportunity for the poor and the dismissed workers through labor-intensive infrastructure projects;
2. Rice for the Poor. The program distributed 20 kg of subsidized rice per poor household per month. The poor had to pay for the rice on IDR 1,000/kg when the market price was about IDR 2,500 to 3,000/kg;
3. Education Scholarship for the Poor. The program channeled scholarship amounting to IDR 10,000 for elementary school, IDR 20,000 for junior high school and IDR 25,000 for senior high school per student per month;
4. Health Insurance for the Poor. The program distributed the poor a health care card entitling the holder to free health care in the government medical facilities.

As the program was hastily formulated amidst the Indonesian economic and political instability, the government was not well prepared to implement it. Many criticisms were directed to the performance of the government institution in delivering SSN. Among all troubles in SSN implementation, it seems that the trouble on targeting mechanism was the most dominant one (Hastuti et al., 2008; Kusumastuti et al., 1998; Sumarto et al., 2001; Sumarto and Widyanti, 2008; and Suryahadi et al., 2010). The program suffered from two main problems, which were leakage and under coverage. While leakage meant that many non-poor people originally not the program targets became the recipients, under coverage meant that the program could not cover all poor people.

At the time, the database of the poor available in government institutions was only the data from National Family Planning Agency. This agency had categorized the households into three groups, which were Pre-Prosperous Family, Prosperous I Family and Prosperous II Family. Although this categorization was so vague and could not catch the real poor within the community as well as the newly poor due to the crisis, the government had no other choices except to use the data from this agency to determine the eligible households for Rice for the Poor, Scholarship for the Poor and Health Insurance for the Poor. Initially, those three programs were targeted only to the Pre-Prosperous Family⁵.

Sumarto et al. (2001) estimated that about 35% of SSN recipients were the non-poor households. The biggest leakage was on Rice for the Poor that reached the figure of 70%. In general, the main factors resulting in this targeting inaccuracy were a weak socialization campaign, unclear guideline about the role and relationship among various government agencies in the program implementation, problematic targeting methodology and the lack of complaint mechanism (Sumarto and Widyanti, 2008).

In labor-intensive project, there was no standard of wage rate nationally set by the government. In some regions, the wages from the program were higher than the standard of local wages, hence inducing those already having occupation to become the workers. Many of the infrastructures built by the program only slightly benefited the poor since the poor were not

involved in deciding the type of infrastructures (Sumarto and Widyanti, 2008). In Rice for the Poor program, many households feeling to deserve the rice but out of the recipient list made open protest to the village government. Pressed by mass, many village governments finally distributed the rice equally for all villagers to prevent social jealousy. There were often the cases that the poor could not provide IDR 20,000 to buy the 20 kg of rice allocation, and the village government sold the rice to other people who could afford the money (Kusumastuti et al., 1998). In Scholarship for the Poor program, since children enrolling to secondary level were usually from the non-poor households, the program could not cover the children from the poor households never enrolling to the school (Sumarto et al., 2001). The same as the other programs, Health Insurance for the Poor program also suffered from leakage targeting. About 69.42% of the health cards were allocated to the two poorest quintiles, while 20.51% were allocated to the two highest quintiles within community (Suryahadi et al., 2010).

According to Sumarto et al. (2001), the coverage of SSN to the poor households ranged from about 53% in the subsidized rice to only about 5% in the scholarship for senior high school student. Nevertheless, Sumarto and Widyanti (2008) concluded that SSN still benefited the poor by some degree. The labor-intensive projects had provided 12.7 million person days for the people. Households with at least one member becoming the workers in the labor incentive projects experienced an increase in their income 4% higher than those who did not become the worker. About 13% of scholarship recipients would have dropped out from the school during the period of monetary crisis unless they received SSN scholarship. The recipients of health cards experienced 4% increase in consumption compared to the non-recipient households. The total benefit of Rice for the Poor was about IDR 15,000-20,000 per month per household, or about 5% of the minimum expenditure of a household with four members at the official poverty line.

Social protection formally did not exist in Indonesia before monetary crisis. Momentum monetary crisis had introduced ideal conception to the government that social protection for the people was the responsibility of the state. Although the government initially launched SSN as a program to help the poor cope the economic shock, it continued program on Rice for the Poor, Health Insurance for the Poor and Scholarship for the Poor up to now. However, the same problem on targeting mechanism remains unsolved. Study by Hastuti et al. (2008) on Rice for the Poor program between 2005 and 2008 found that there were still many cases of targeting inaccuracy as well as the practice to distribute the rice equally for all villagers. This persistent implementation gap means the government cannot learn much to improve SSN effectiveness, and the future of the program may always suffer from the same problem.

If managed well, social protection through SSN program can play a key role in the poverty alleviation effort. It will ensure the poor have access to the basic needs including staple food, education and health service. Especially for Scholarship for the Poor, this program actually has potential to be a means of cutting the poverty chain by giving the poor children access to education. In this connection, the government should improve the management of SSN so that it can function not only as a temporary program to cope with the economic shock, but also as the sustainable program having clear purpose to help the poor escape from poverty.

The most crucial one the government should do is to improve the targeting mechanism so that the program will not suffer from under coverage and leakage. The ideal conception of social protection program, especially in education and health sector, is to cover all Indonesian people or at least all of the poor people. However, as far as the government still has no enough budgets to do universal coverage of social protection and has no capacity to manage the database of poor people accurately, it can improve the targeting accuracy by directly involving the community to select the eligible household. This mechanism will result a more accurate list of the eligible recipient that does not only refer to the government criteria but also accommodates to local flexibility. There also should be a free information dissemination and open decision-making process through the publication of recipient list as well as the clear mechanism of complaint for people not receiving the program.

3.3. Kecamatan Development Program

After the collapse of New Order regime in 1998, the government actively promoted programs applying Community Driven Development (CDD) approach to alleviate poverty in rural areas. As Narayan (2002) stated, the main idea of CDD was to give community the control of development decisions and resources. By involving people in local development process, it was hoped that community capacity in solving the social problem would increase. CDD has since 1998 become the prime approach of poverty alleviation programs aiming to increase rural infrastructure and develop local capacity in Indonesia.

Among all programs applying CDD approach, Kecamatan Development Program (KDP) was the largest CDD program in term of the area coverage and the fund used. In 2006, it covered about 34,000 villages over Indonesia or about a half of total Indonesian villages. Unlike the other CDD based programs that only channeled the fund to villages once, it channeled the fund continually every year. The amount of the fund ranged from USD 50,000 to USD 100,000 per sub district, depending on the population size. It had two main components, which were 70% fund for village infrastructure improvement and 30% fund for

community revolving credit. In the first component, this program applied open menu scheme in which community could use the fund to build various infrastructures according to the local priority, such as village roads, water and sanitation systems as well as education and health facilities. In the second component, the mechanism used was the same as that of in IDT program (Coordinating Team of KDP, 1998).

The government designed KDP mechanism as openly as possible to have a high degree of community participation and transparency throughout the whole KDP process. It was started from planning meeting held in the hamlet and village level in which community could submit up to three proposals of infrastructure development to the inter village meeting in sub district level. A verification team at sub district level that consisted of government staff and private consultant would review the proposals and presented the result to the inter village meeting attended by village delegations. Village delegations then selected the funded proposals through a consensus mechanism. To assist villagers in executing the program, the government assigned a private consultant in each sub district. Both consultant and government staff were formally prohibited from intervening the KDP process (Coordinating Team of KDP, 1998).

In the initial period of KDP implementation, it was found that the local bureaucracy dominated the KDP meeting and hindered the active participation of villagers. KDP also suffered from lack transparency due to insufficient information distribution (Safitri and Rafael, 2002). There was evidence of intervention from the local elite in deciding the type of infrastructures would be built, a practice that in turn resulted in the low participation of the poor in maintaining the outputs (Sumarto and Widyanti, 2008).

Edstrom (2002) reported that repayment rates in the KDP revolving fund were about 50% to 60%. The credit scheme also had played significant role in providing an alternative funding source for the poor. It became popular in many villages as the villagers used it to increase agricultural productivity, food processing and trading activities (Edstrom, 2002). If compared to IDT program that had a very low repayment rate, KDP revolving credit was relatively more successful due to the discipline of the borrowers in paying back the money.

Narayan (2002) reported that during the first two years, KDP had built many small scale rural infrastructures consisting of roads (62%), small bridges (10%), irrigation channels (8%) and clean water facilities (7%). In average, infrastructures built by KDP were 55% much more cost effective than that of government sponsored projects (Torrens, 2005). In term of program impact on poverty, Voss (2008) concluded that the proportion of households moving out from poverty was 9.2% higher in KDP areas than that of in non-KDP areas. Here, the longer the areas received KDP funding, the greater the impact on community economy.

McLaughlin et al. (2007) found that KDP impact on alleviating poverty was not achieved through targeting the poor group within community but through targeting all villagers. Within community, the poor group was still not the priority. The development of rural infrastructures itself in many cases more benefited the non-poor rather than the poor. Only if the main infrastructures within village had been complete, community would give priority to the poor. Because KDP usually applied voting mechanism in determining the use of KDP fund, the proposals from poor people often could not compete with those from non poor people.

As a kind of participatory development, the participation of poor people in KDP would determine whether the poor could use the program as media of learning or not. McLaughlin et al. (2007) concluded that village heads were the strongest factor influencing KDP implementation. On the positive side, they could organize villagers as well as encourage them to participate in the project execution. On the negative side, they could also dominate KDP by intervening the project team selection and by taking unilateral decisions in KDP meeting. McLaughlin et al. (2007) also found that KDP would be successful if the team was active in encouraging villager's participation. Moreover, the team would consistently perform well if it was democratically elected by villagers.

KDP and other CDD based programs have been successful in providing the small-scale infrastructure for rural areas and they may play a key role in the poverty alleviation effort in rural areas. The weaknesses of KDP and other CDD based programs are, firstly, they cannot be used for a large-scale provision of infrastructures involving more than one village. There is no mechanism on how different village can cooperate to build across village infrastructures. This weakness calls for a strong coordination among different institution in executing the project in the field. Secondly, KDP and other CDD based programs have no ability to solve specific administrative problem. For example, after the programs built some education or health infrastructures, there is no guarantee that the government will provide them the teacher or medical staff. Therefore, KDP and other CDD based programs in the future have to be incorporated with the other technical government programs. Thirdly, like IDT which applied geographic targeting mechanism, KDP and other CDD based programs are vulnerable to local elite capture, in which the programs just benefit the local elites and the non-poor rather than the poor.

3.4. Unconditional Cash Transfer Program

Economic shock struck Indonesia again in 2005 and 2008 when the government decided to cut the subsidy of fuel. The government increased the price of fuel in October 2005 by 128% and in March 2008 by 29% respectively. The increase in fuel price triggered inflation by 17.75% in 2005 and by 14.75% in 2008 (CSA, 2006; and CSA, 2009). The raising of fuel price, especially in 2005, had negatively affected the number of poor people in Indonesia. The number of poor people increased by 12% from 35.1 million in 2005 to 39.3 million in 2006.

Supplementing the existing SSN programs, in October 2005, the government launched Unconditional Cash Transfer (UCT) program for a year. The program aimed to prevent the increasing of number of poor people by strengthening the purchase power of the poor. It transferred cash assistance amounting to IDR 100,000 (about US\$ 10 at the time) for about 19.2 million poor households per month for a year (Ministry of Social Affairs, 2008). After increasing the fuel price again in March 2008, the government implemented UCT afresh for a year.

The eligible households were determined through an observation of CSA staff on 14 indicators of poverty set by the government. The indicators included, among others, asset holding, housing characteristics, education level of household head and household consumption pattern. Sumarto and Widyanti (2008) found that the enumerators often did not observe the whole village but only visited the households directed by village governments, a practice that resulted in many cases of targeting inaccuracy. The same as Rice for the Poor program, many people feeling to deserve the money but were out of the list pressing the village governments to distribute the UCT money equally to all villagers (Satriana, 2009).

Moreover, Satriana (2009) concluded that although in most areas UCT was free of corruptions, there were still many informal levies after the money reached the recipients. The reason behind the levies varied, including distributing the levied money to non-recipients in order to prevent social jealousy, funding for religious events, national independence celebration, road and other infrastructure development and incentive for village government officials.

Satriana (2009) concluded that the UCT fund had constituted 24% of total monthly expenditures for the poorest households in rural areas. The recipients generally spent the money for food consumption, mainly rice. About 95% of the recipients had food consumption in their expenditure list from UCT fund, and on average, it constituted 43% of total UCT fund. However, this program failed to prevent the increase of the number of poor people in Indonesia. As the effect of raising fuel price, the number of poor people increased by 12% in 2006.

The same as SSN, weak targeting mechanism and the government non-preparedness to deliver the program were among the factors causing troubles on UCT implementation. Moreover, UCT was a curative program by its nature. Even though it could protect the poor by some degree, it could not increase their capacity to be autonomous. When the government stopped it, the poor would remain poor. This program also has a potential to be destructive for the empowerment efforts having been developed by many institutions. While the empowerment approach through many CDD based programs tried to build the poor's capacity in developing business, UCT might result in the dependency of the poor on the government donation. UCT by design cannot be applied as a long-term poverty alleviation program.

4. Conclusion and recommendation

Although the government has increased the poverty budget as well as implemented many poverty alleviation programs, the speed of Indonesian poverty reduction was getting slower after the monetary crisis since the programs cannot achieve their goals effectively. Implementation stage always becomes a critical step of poverty alleviation programs, somehow making well-designed programs not able to achieve the expected results. Based on the previous literature review, this article concludes that poverty alleviation programs in Indonesia suffered from implementation gap due to problem on incapable bureaucrat to deliver the programs, local elite capture and weak targeting mechanism.

1. Incapable bureaucrat in delivering the programs

The change in Indonesian development system could be categorized as fast and radical. After experiencing long time application of top-down development model, the government suddenly implemented poverty alleviation programs that are decentralized and emphasized local participation. While in 1994 the program was only IDT, after the monetary crisis the number and the type of the programs increased significantly. The central government too aggressively pushed the local bureaucrats to implement many poverty alleviation programs. The difficulty in adapting the substance of many new programs as well as weak preparation for the implementation made the programs vulnerable to failure.

For the better implementation of poverty alleviation programs, it may be worth if the government always does a well preparation of the programs including socialization to both the street-level bureaucrats and community about the detailed

programs. In the further agenda, bureaucracy reformation has to be the integral part of poverty alleviation strategy. The short-term agenda that the government can do include training for the program implementers and strengthening the institution for poverty alleviation programs.

2. Local elite capture

The most important issue on current decentralized poverty alleviation programs may be the issue of local elite capture. The nature of IDT, KDP and other CDD based programs are to give the community discretion to manage the development fund. Study by Guggenheim (2006) and Safotru and Rafael (2002) in IDT program as well as McLaughlin et al. (2007), Sumarto and Widyanti (2008) and Safotru and Rafael (2002) on KDP program found significant cases on local elite capture. As long as the local elites are still too dominant in the planning process, the programs will just benefit the local elite more rather than the poor.

For strengthening the poor in local development process, it is important to give assistance to the poor so that they can have an equal position compared to the non-poor. The government can strengthen the position of the poor in local development process as well as the implementation of poverty alleviation programs by involving civil society organizations to assist the poor during the program implementation. This step is important since without equal position of the poor, poverty alleviation programs will only benefit the local elites.

3. Weak targeting mechanism

There is evidence that the government is still not able to make an accurate targeting mechanism. Studies by Hastuti et al. (2009), Kusumastuti et al. (1998), Sumarto et al. (2001), Sumarto and Widyanti (2008) and Suryahadi et al. (2010) concluded that poverty alleviation programs in Indonesia suffered from serious under coverage and leakage. More importantly, the problem on targeting mechanism struck the programs on social protection that were by definition very important in sustaining the poor's life. The government seemingly does not learn much since every time it launches social protection program, the trouble on targeting always emerges.

Considering the fact that the government capacity in managing the database of the poor is still weak, it may be worth if the government involve the community in selecting the people eligible for the programs, especially for the social protection programs. As Indonesia is the diverse country, the government should not impose any national standard to determine whom the eligible household within community. Involving the community in selecting the people eligible for the programs will provide the opportunity to develop the local flexibility in defining who the poor are. Despite that, program preparation such as publication of recipient list and clear complaint mechanism is very important to success of social protection programs.

Endnotes

¹ Poverty Gap Index (P_1) is a measure of the average gap between the expenditure of the poor and poverty line. The higher the value, the worse the condition of the poor is.

² Poverty Severity Index (P_2) is a measure of inequality among the poor. The higher the value, the higher the inequality among the poor is.

³ Axelsson (2008) and Barbier (1989) provided a deep analysis on Green Revolution and its impact on rural livelihood. In general, they found that although Green Revolution was successful in increasing rice productivity, there were only few economic benefits of Green Revolution for small and landless farmers in rural Java.

⁴ Village Potential Survey is a survey conducted by CSA every three years to measure the availability of social and economic infrastructures in all villages throughout Indonesia.

⁵ According to this classification, a household is Pre-Prosperous Family if it cannot meet one of the following criteria: 1) the floor made of non-land; 2) the members at least eat twice a day; 3) the members have different clothes for home and for working; 4) the members are able to pay medical charge; and 5) the members are able to do prayer (Sumarto et al., 2001).

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