

# Institutional Coordination and Integrated Decent Work Strategies for Poverty Reduction: Indonesia

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## Introduction

This case study highlights the importance of coherent poverty reduction policies that target the different dimensions of the lives of people living and/or working under impoverished conditions. In this regard, it reviews an innovative effort by the Government of Indonesia to better integrate poverty reduction policies and coordinate programme implementation through the formation of the National Team for the Acceleration of Poverty Reduction, *Tim Nasional Percepatan Penganggulangan Kemiskinan* (TNP2K).

**Indonesia has made substantial progress in reducing poverty; yet, one in ten Indonesians still lives in poverty and 30 percent remain highly vulnerable to falling into poverty in any given year.**

During the past decade, Indonesia has made steady economic progress and improvements in living standards. Per capita income has increased and the overall incidence of poverty has fallen. However, despite these achievements, the absolute number of people living below

the poverty line remains of concern. Moreover, the pace of poverty reduction has moderated in recent years, along with the increase in the share of near-poor households that remain vulnerable to falling into poverty due to an external shock or crisis.

Recognizing these development challenges, President Susilo Bambang Yudhoyono has introduced various strategic initiatives during his second term, which commenced in 2009, aimed at simultaneously addressing the poverty challenge while promoting employment opportunities and inclusive and sustainable growth. In this regard, the Indonesia Medium Term National Development Plan (MNDP) 2010-2014 embodies four guiding principles and strategies, namely pro-growth, pro-employment, pro-poor and pro-environment.<sup>1</sup>

Freely chosen and productive employment – underpinned by rights, social protection and democratic participation as embodied in social dialogue – is key to poverty reduction.<sup>2</sup> In recognition, Millennium Development Goal 1 includes a target (Target 1B) to “achieve full and productive employment and decent work for all, including women and young people.”

Four indicators have been selected to track progress made on the Millennium Development Goal Target 1B:

- Growth rate of labour productivity (gross domestic product (GDP) per person employed);
- Employment-to-population ratio;
- Proportion of employed people living below the poverty line;
- Proportion of own-account and contributing family workers in total employment (vulnerable employment rate) (ILO, 2009).

This brief examines the establishment of TNP2K and the implementation of Presidential Decree 15/2010, a high-level drive towards better coordination of institutions, policies and programmes aimed at tackling the long-standing poverty challenge in Indonesia. The case analyses recent labour market and poverty trends in the framework of Millennium Development Goal Target 1B and other socio-economic indicators, and presents some lessons learned from the implementation of the policy initiative. Given its integrated and coherent approach, the initiative addresses multiple dimensions of poverty, including, among other things, nutrition and hunger, health and education, income generation and community empowerment.

**In order to accelerate efforts to reduce the rate of poverty, in 2010 Indonesian Government established a high-level national team with a view to coordinating poverty reduction efforts in a more coherent manner.**

### Situation analysis

Indonesia has made substantial progress in reducing poverty, particularly in the past five years (figure 1). In 2001, some 38.4 million Indonesians or 18.4 per cent of the population were estimated to be living in poverty. By 2011, the number of poor people had decreased to 30 million or 12.5 per cent of the population (BPS, n.d.).

These changes were driven in part by positive developments in the country's labour market. The unemployment rate declined from 9.1 per cent in 2007 to 6.6 per cent in 2011. Meanwhile, the vulnerable employment rate fell from 58.7 per cent in 2007 to 51.9 per cent in 2011 (figure 2).<sup>3</sup> In addition, labour productivity grew on average by 3.4 per cent annually from 2000 to 2010, outpacing neighbouring countries, such as Cambodia (2.5 per cent), Malaysia (2.7 per cent), the Philippines (1.9 per cent), Singapore (1.3 per cent) and Thailand (2.2 per cent) (ILO, 2011a).

Despite these promising gains, significant development challenges remain. Currently one in ten Indonesians lives in poverty and 30 per cent remain highly vulnerable to falling into poverty in any given year (World Bank, 2012). Notable geographical gaps persist as the poverty rate in 2011 was higher in rural areas (15.7 per cent) than in urban centres (9.2 per cent) (World Bank, 2012a). In addition,

consumption-based inequality increased from 6.2 in 1998 to 7.0 in 2010 (ILO, 2011)<sup>4</sup> and approximately 57 million workers were still engaged in vulnerable employment in 2011, often based in the informal economy in which legal and social protection is limited and earnings are too low to escape poverty (BPS, n.d.).<sup>5</sup>

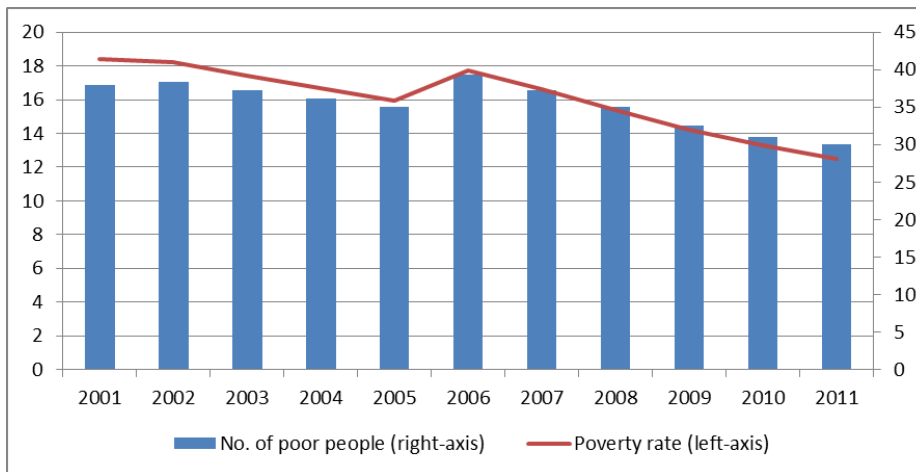
Against this background, the Government of Indonesia has recognized the need to accelerate efforts to reduce the rate of poverty, particularly given the large number of near-poor in the country and in order to meet the MNDP 2010-14 targets of reducing the poverty rate to 8 per cent and the unemployment rate to 5 per cent by 2014.

### Description of policy initiative<sup>6</sup>

The Government of Indonesia has implemented a number of the programmes to assist the poor and generate jobs over time. In 2009, it consolidated the poverty reduction efforts into three main clusters in order to improve the implementation of the poverty reduction programmes. Programmes under cluster I (social assistance) include,

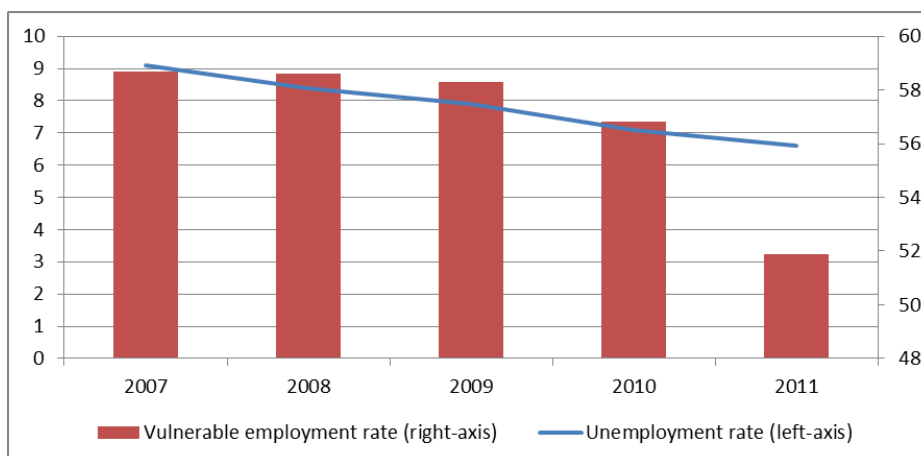
- A conditional cash transfer programme (*Program Keluarga Harapan (PKH)*) or Hopeful Family Program
- A subsidized rice programme (*Beras untuk Orang*

**Figure 1: Trends in poverty in Indonesia (2001-2011)**



Source: BPS (n.d.)

**Figure 2: Unemployment and vulnerable employment in Indonesia (2007-2011)**



Source: BPS (n.d.)

*Miskin* (Raskin)), or Rice for the Poor

- Health insurance for poor households (*Jaminana Kesehatan Masyarakat Miskin* or Jamkesmas)
- Scholarships for poor students (*Bantuan Siswa Miskin* (BSM))
- School operational support fund (*Bantuan Operasional Sekolah* (BS))

Under cluster II (community empowerment), a number of initiatives are being implemented under the broad umbrella of Program *Nasional Pemberdayaan Masyarakat* (PNPM Mandiri). This programme provides block grants to local communities to plan, design, implement and monitor development activities, including developing infrastructure, such as roads, sanitation systems, public health facilities, education facilities and equipment, and other public works. Through the development activities, the Government is aiming to create income-generating economic activities to improve the welfare of poor communities.

Under cluster III (credit to micro- and small-scale enterprises) the Government of Indonesia is supporting the development of the real economy, focusing on micro and small enterprises and cooperatives. Within this cluster, the *Kredit Usaha Rakyat* (KUR) programme provides credit guarantees to micro and small enterprises and cooperatives that do not have collateral and hence are not able to borrow from financial institutions. The programme is aimed at supporting micro and small enterprises, which are estimated to account for more than 90 percent of employment in Indonesia, to grow, become more sustainable and provide more and better employment opportunities.

The beneficiaries of some programmes are highlighted as follows. The PKH provides cash transfers to poor households linked to certain mandated behaviours including pre- and post-natal care visits.<sup>7</sup> In 2011, the programme assisted 1.1 million household recipients across 25 provinces with a funding allocation of 1.6 trillion Indonesian rupiahs (US\$167 million).

With a budget of around 11.4 trillion rupiahs (around US\$ 1.2 billion) in 2010, PNPM Mandiri was estimated to have provided 66.7 million hours of employment, for about 5.2 million workers during the year. The programme has not only increased local participation, including that of women, in the development process, but has also enhanced a sense of ownership within the community so that the maintenance of public facilities built under the programme are more likely to be sustainable.

Between 2007 and 2010, the KUR programme provided 34.4 trillion rupiahs (US\$ 3.6 billion) of credit to about 3.8 million enterprises, of which 62.3 percent were in the wholesale and retail trade sector and 17.2 percent in the agriculture sector.

Consolidation of poverty reduction programmes was a good start. Yet, during the first term of President Yudhoyono (2005-2009), the responsibility for managing national poverty alleviation efforts fell under the Coordinating Minister for People's Welfare while macroeconomic issues were overseen by the Coordinating Minister for Economic Affairs, despite the important and close linkages between economic policy and poverty reduction.

In 2010, Presidential Decree 15/2010 called for the establishment of the National Team for the Acceleration of Poverty Reduction (TNP2K) with a view to coordinating poverty reduction efforts in a more coherent manner. The Vice-President of Indonesia was appointed as the Chair of TNP2K, with the Coordinating Minister for Economic Affairs and the Coordinating Minister for People's Welfare serving as Vice-Chairs. This critical structural change from the very top level of the Government has strengthened the mandate for the coordinating institution, the Office of the Vice-President, to ensure coherence of all relevant activities and maximize synergy across the many line ministries associated with poverty reduction. This shows the high level of commitment of the Government in achieving its target in poverty reduction.

To accelerate poverty reduction efforts under Presidential Decree 15/2010, the need for integrated and coordinated interventions is also highlighted. Some of the strategies in the decree are the following: (i) well-designed, systematic and comprehensive steps and approach; (ii) integrated coordination among government, private sector and community in policy formulation and implementation; (iii) proper targeting, planning, programme harmonization, monitoring and evaluation, and budget effectiveness; and (iv) strengthened institutions at national, regional, and local level.

**Coordinating the poverty reduction programmes under TNP2K is expected to reduce overlapping tasks and budget allocations among line ministries.**

Coordinating the programmes under TNP2K is expected to reduce overlapping tasks and budget allocations among line ministries. For example, TNP2K recently compiled an integrated database (*Pendataan Program Perlindungan Sosial* (PPLS) 2011) consisting of information on about 97 million individuals, or 25 million low income households, who are likely to be the target population of the social assistance programmes (Cluster I).<sup>8</sup> TNP2K makes the data accessible to relevant ministries, agencies and local governments that work on social assistance programmes. Thus, this integrated database is intended, if used optimally, to improve programme implementation. It also allows TNP2K to trace the impacts of the programme on poverty reduction in a timely manner and suggest improvements in poverty reduction policies and programming.

## Conclusion

This case study on the recent initiatives in Indonesia that are directed at greater institutional coordination and enhanced coherence of poverty reduction interventions has sought to highlight the experience of one country in the Asia and the Pacific in taking forward an integrated decent work strategy for poverty reduction. Sustainable poverty reduction requires the defence of fundamental principles and rights at work that exclude child labour, forced labour and discrimination, and allows for an organization and voice which enables people living in poverty to mobilize and become active agents in shaping their future. It also requires investment in social protection that safeguards the security and well-being of all workers and their families, unlocking their productive capacity and increasing productivity.

While promising, the drive towards policy coherence in poverty reduction in Indonesia also faces challenges. Given the country's decentralized governance structure, it is critical that coordination in the process of policy implementation at the local level stay on course. To this end, Presidential Decree 15/2010 also calls for the establishment of the Coordinating Team for Poverty Reduction (*Tim Koordinasi Penanggulangan Kemiskinan* (TKPK) with similar tasks and responsibilities of the national TNP2K, but with a scope limited to the provincial and district or city levels. Other implementation measures, such as better engagement of local beneficiaries, improved impact monitoring and strengthened targeting systems, are also needed (Surrayahadi and others, 2010).

Similar policy and programme coherence is also needed for other sectors, such as nutrition and health. For example, to make progress in achieving the Millennium Development Goal 1 target on prevalence of underweight children under five years old, policy coherence among various ministries, such as ministries of health, education, agriculture and commerce, are critical. On one hand, ministries of health and education coordinate programmes to disseminate information on better nutrition practices through schools and communities. On the other hand, agricultural as well as commerce policies need to be in line with the promotion of nutritious food by securing staple and other essential food for everybody.

This case provides a good example of the coordination mechanism for a mix of policies and programmes, underpinned by a high-level of political commitment and could, therefore, be used as a resource for other countries facing similar challenges.

## Endnotes

- 1 The MNDP 2010-2014 is stipulated through Presidential Decree No. 5/2010, which consists of three books. [Book 1](#) outlines the strategy, general policy, and macroeconomic framework which reflects the vision, mission, and 11 national development priorities.
- 2 For further information on decent work and poverty, see ILO, [Working out of Poverty](#), the Report of the Director-General, International Labour

Conference, 91<sup>st</sup> Session, 2003.

- 3 For Indonesia, vulnerable employment is calculated as the sum of own-account workers, employers assisted by temporary or unpaid workers and contributing family workers in total employment.
- 4 Consumption-based inequality as measured by the P90/P10 ratio, which represents the ratio of the average consumption of households in the top percentile to that of households in the bottom percentile of the consumption distribution.
- 5 This information is available at [http://dds2.bps.go.id/eng/tab\\_sub/view.php?kat=1&tabel=1&daftar=1&id\\_subyek=06&notab=3](http://dds2.bps.go.id/eng/tab_sub/view.php?kat=1&tabel=1&daftar=1&id_subyek=06&notab=3).
- 6 This section is based in part on Djaja (2011). Also refer to ILO (2012).
- 7 Poor households must have a child aged 0 to 15 years, a child under 18 years who has not completed primary school, or a pregnant/lactating mother. Mandated behaviour includes (1) four prenatal care visits for pregnant women, (2) iron tablet consumption during pregnancy, (3) delivery assisted by a trained professional, (4) two postnatal care visits, (5) child immunizations, (6) monthly weight increases for infants, (7) monthly weighing for children under 3 years old and twice annually for children under 5 years old, (8) two annual vitamin A doses for children under-5 years old, (9) primary school enrolment of all children 6 to 12 years old, (10) minimum attendance rate of 85% for all primary school-age children, (11) junior secondary school enrolment of all 13 to 15 years old, and (12) a minimum attendance rate of 85% for all junior secondary school-age children. One of the aims of PKH is to reduce child labour.
- 8 This data is based on civil registration; people living on the streets may have been excluded even though they are among the poorest people in the country.

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## Disclaimer

The views and recommendations expressed are those of the author and do not necessarily represent those of the United Nations or its Member States.

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