



# Summary of Poverty Reduction and Social Strategy

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Project Number: 40003  
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## INO: Poverty Reduction and Millennium Development Goal Acceleration Program

A Summary of Poverty Reduction and Social Strategy (SPRSS) is prepared in the early stage of the project cycle to assess the significance of social issues for a project. In accordance with ADB's public communications policy (PCP, 2005), the SPRSS is disclosed upon completion. The final summary poverty reduction and social strategy is included as an appendix to the project's report and recommendation of the President.

**Asian Development Bank**

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

### A. Linkages to the Country Poverty Analysis

<b>Is the sector identified as a national priority in country poverty analysis?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>Is the sector identified as a national priority in country poverty partnership agreement?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Contribution of the sector or subsector to reduce poverty in Indonesia:</b>			
<p>Indonesia is entering into a second generation of fiscal reforms. The Government of Indonesia (GOI) aims to enhance the quantity as well as quality of public expenditures; (ii) improve local government accountability, while maintaining the basic principles of regional autonomy; and (iii) adopt sound and sustainable resource allocation mechanisms to target poverty reduction and MDG acceleration in areas that lag behind. In recent years, fiscal consolidation has been at the center of GOI's macroeconomic management. Since the Asian Financial Crisis of 1997, GOI has instituted a number of structural reforms across different sectors to remove the distortions that led up to the Crisis in 1997. However, GOI has not been able to maintain its development expenditures, especially on education, health and infrastructure. For instance, public expenditures on health and education declined from about 4% of GDP in 1980s and 1990s to less than 2% at present.</p> <p>A lack of access to key basic services (e.g., health, education) and to economic opportunities have been identified as contributing factors to poverty in the Government's Poverty Reduction Strategy Paper (PRSP). The PRSP is incorporated into the Government's RPJM (or Medium-term Development Plan), 2004-2009, which aims to: (i) establish Indonesia's commitment to reduce poverty, (ii) build consensus on poverty eradication, (iii) underline commitment to achieving the MDGs, (iv) and synchronize poverty reduction activities.</p> <p>The proposed impact of Poverty Reduction and MDGs Acceleration Program (PRMAP) is to accelerate progress towards achieving the MDGs in education (MDG 2), health (MDGs 4, 5, 6) and contribute to poverty reduction (MDG 1), gender equality (MDG 3) and the reduction of regional and social disparities. The program will be implemented in accordance with the GOI's national priorities as reflected in the existing RPJM. The PRMAP provides budgetary support to the GOI to help implement national policy actions outlined in the policy matrix for health and education. The PRMAP is aligned with GOI's systems and assistance, and supports GOI's efforts to scale-up spending directed to MDGs. The proposed TA for enhancing social service delivery supports these actions and reforms at the national and at the district levels in the health and education sectors. The proposed PRMAP and the TA responds to GOI's request for assistance in the following areas: (i) assessment and improvement of existing Government programs; (ii) improving accountability at the local levels; (iii) infusing strong fiduciary management; and (iv) developing more effective monitoring and evaluation mechanisms. It fits within the overall broad macroeconomic context (see above and in the main text of the MOU).</p>			
<b>B. Poverty Analysis</b>		<b>Targeting Classification:</b>	
<p>Indonesia spans an archipelago of over 17,000 islands, of which about 7,000 are inhabited by approximately 235 million people in about 440 districts in 33 provinces. An estimated 742 ethnic groups/languages are found in Indonesia. It is believed that Indonesians often identify themselves with a specific language and/or island. Based on household survey data, poverty incidence has fallen from 23% in 1999 to 16% in 2005 (<i>ADB Outlook</i> 2006). According to the international poverty line (\$1/day), poverty incidence is estimated at 7% based on purchasing power parity. About 53% of the population lives on \$2 per day (2005). By 2009, the target is to reduce poverty to about 8.2%.</p> <p>Lack of access to key social services such as health and education is one of the main causes of poverty in Indonesia. Lack of access to basic education significantly decreases productivity and personal income. Lack of access to affordable health services affect the health status of individuals and poor health decreases productivity and personal income. The poor are more vulnerable to health shocks due to high medical expenses for treating diseases, lost school and work days for recovery, high transportation costs, and other access barriers. The opportunity cost of completing basic education is also greater for children, especially girls, from poor households.</p> <p>However, regional disparities exist between provinces and among districts within a province. National level progress of MDGs achievement obscures vast differences across regions and districts, rural and urban areas, income groups and gender. The <i>Indonesia Human Development Report</i> (2005) ranked Indonesia 110<sup>th</sup> among 177 nations in terms of the human development index<sup>1</sup> (HDI). In 2002, the HDI value for Indonesia was 0.66, but across regions, the range differed from 0.76 in Jakarta to 0.47 in Jayawijaya district in Papua. Indonesia's national Gender-related Development Index<sup>2</sup> (GDI) for 2002, shows male adult literacy rate as 93.5% while female rate was 85.7%. Variations across provincial and district GDIs and GEMs are also evident. In 2002, GDI in DKI Jakarta was 66.7, 47.7 in Bangka Belitung, 55.5 in Nanggroe Aceh Darussalam, and 31.2 in North Maluku.</p>			

<sup>1</sup> The HDI is a measure of average achievement in basic human capabilities.

<sup>2</sup> The GDI is a composite index measuring average achievement in the three basic dimensions captured in the HDI adjusted to account for inequalities between men and women.

During program preparation, the Policy Matrix for Poverty Reduction and Millennium Development Goal Acceleration Program was reviewed from the perspective of assessing (i) potential for adverse poverty and social impacts, if any, of the policy actions/reforms; (ii) areas for gender mainstreaming and/or enhancement through (a) additional actions, if any, or (b) rephrasing of actions that are more conducive to mainstreaming efforts; and (iii) areas for enhancing collection of regional and district level information to inform future policy actions. The policy actions in the Policy Matrix were also assessed to determine potential adverse impacts on deepening social and regional disparities. As a result of the assessment, some policy actions were refined and/or better explained in the accompanying sector write-up.

### C. Participation Process

**Is there a stakeholder analysis?**  Yes  No

The program and the TA have been prepared based on a large number of consultations with a wide range of government officials, development partners and other concerned stakeholders. Sector specialists have shared the policy matrix with respective development partners in sector forums (e.g., ESWG). BAPPENAS and other concerned line ministries have provided direction and suggestions, which have fed into the design of the PRMAP and the TA. Continued policy dialogue with the Government, development partners, and other concerned agencies will help refine the policy matrix and strengthen the impact of the proposed TA for enhancing social sector delivery.

**Is there a participation strategy?**  Yes  No

A participation strategy has been integrated into the policy actions framework. It identifies the lead line ministries responsible for achieving each policy action. The policy measures aimed at improving governance and monitoring systems focus on enhancing the potential benefits of decentralization by making social services more responsive to local preferences and making service providers more accountable to their clients.

### D. Gender Development

#### Strategy to maximize impacts on women:

The joint-donor Country Gender Assessment (CGA) for Indonesia (2006) provided the context for assessing the affects of the policy matrix on gender issues within the health and education sectors. Policy actions in the matrix were refined according to the methodology described above.

Accelerating progress towards the achievement of MDGs will directly benefit women. An increased focus on achieving MDGs requires designing interventions that target improvements in women's health and education (e.g., achieving universal primary education, eliminating gender parity in primary and secondary education, reducing maternal and infant mortality, and reducing HIV/AIDS). The policy measures under PRMAP improve (i) girls access to junior secondary education through integrated schools and transition scholarship schemes; and (ii) women's access to affordable maternal and reproductive health services through increased financing and technical improvements to the ASKESKIN program. To ensure greater transparency of education outcomes through enhanced community participation, the PRMAP supports policy changes to include women's representation of 40% on district education boards and school committees. Improved and more efficient delivery of basic education and health services will result in reducing the opportunity cost of women's time, improving health and nutrition status of families, lowering fertility, and reducing future gender disparities within the family.

The proposed TA on enhancing social sector delivery will include more specific actions for gender mainstreaming during implementation in about 15 districts that are MDG-deficit. The importance of disaggregating information by sex, and the need to consider specific gender challenges will be considered during TA implementation (e.g., supporting the implementation of laws that are conducive to increasing access to both health and education services).

**Has an output been prepared?**  Yes  No

A separate gender strategy has not prepared. However, specific action in health and education cater to the specific basic education needs of girls, and maternal and reproductive health needs of women. For instance, the PRMAP includes a policy action that mandates women's representation of 40% on district education boards and school committees. Similarly, the PRMAP includes policy actions aimed at increasing the supply of health providers in underserved areas through reimbursements for non-government providers (e.g., midwives) on a fee-for-services basis for comprehensive obstetric care and antenatal care.

<b>E. Social Safeguards and Other Social Risks</b>			
<b>Item</b>	<b>Significant/ Not Significant/ None</b>	<b>Strategy to Address Issues</b>	<b>Plan Required</b>
<b>Resettlement</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None	The PRMAP and TA facility is not expected to cause any land acquisition and resettlement.	<input type="checkbox"/> Full <input type="checkbox"/> Short <input checked="" type="checkbox"/> None
<b>Affordability</b>	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	Policy actions in the matrix aim at strengthening national policy reforms in health and education, and in improving delivery of social services at the district level (e.g., in administration units such as the <i>Dinas</i> ). National policy actions for health, for example, aim at providing affordable health services by improving delivery mechanisms for health financing and insurance through a third party (PT Askes). National policy actions for education, for example, include improving access to education by implementing a general subsidy for school operational support.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Labor</b>	<input checked="" type="checkbox"/> Significant <input type="checkbox"/> Not significant <input type="checkbox"/> None	The PRMAP, through its policy reforms, is not expected to adversely affect the labor market and/or displace individuals from their jobs. Through policy-support and TA support, the PRMAP helps to increase the number of teachers and contribute to their better recruitment and deployment. The PRMAP also helps to increase the number of health care providers (e.g., midwives) through reimbursement of emergency obstetric and antenatal health services for poor beneficiaries of ASKESKIN (health care fund for the poor) program.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Indigenous Peoples</b>	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	The PRMAP is not expected to adversely affect the ethnic population through the implementation of policy actions or the TA. GOI policies (e.g., Perpres 36/2005 and Perpres 65/2006 recognizes the traditional communal land ownership [ <i>Hak Ulayat</i> ] and usufruct rights) aim to protect the rights of ethnic people. Regional and social disparities are recognized as slowing down MDG achievement by 2015. The PRMAP aims to address these regional and social disparities. The indicative methodology developed for the selection of districts, eligible for support under the TA cluster, does not discriminate against any particular ethnic group or region. National policy actions and reforms have been assessed for their impact on poverty, gender and ethnic groups.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Other Risks and/or Vulnerabilities</b>	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None	None.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No