THE CHARACTERISTICS OF POVERTY AND ITS ALLEVIATION IN INDONESIA

Karakteristik Kemiskinan dan Penanggulangannya di Indonesia

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ABSTRAK

Makalah berjudul ini disusun berdasarkan telaahan (review) beberapa hasil penelitian, literatur dan data sekunder dari berbagai sumber. Selama lebih dari tiga dekade, berbagai upaya telah dilakukan untuk mengentaskan masyarakat dari kemiskinan. Sebelum krisis ekonomi, upaya keras tersebut telah berhasil menurunkan angka kemiskinan dari 40 persen tahun 1970-an menjadi 11 persen tahun 1996. Krisis ekonomi sejak 1997 telah melumpuhkan semua sector ekonomi. Akibatnya, angka kemiskinan meningkat menjadi 25 persen tahun 1998, meskipun turun lagi menjadi 16 persen tahun 2005. Peningkatan harga bahan bakar minyak tahun 2006 berakibat meningkatnya kembali proporsi penduduk miskin menjadi 18 persen. Sebagian besar penduduk miskin berdomisili di perdesaan dan sangat tergantung pada sektor pertanian. Oleh karena itu, sektor pertanian harus dibangun dalam bentuk pembangunan perdesaan terpadu. Strategi pengentasan kemiskinan melalui bantuan tunai, pangan, atau pinjaman dana bergulir terbukti tidak efektif dalam mengentaskan mereka dari kemiskinan. Penyediaan kredit lunak dengan prosedur yang sederhana, disertai dengan pembangunan infrastruktur mungkin lebih efektif. Pada saat yang sama, pemerintah pusat dan daerah hendaknya mendorong dan memfasilitasi swasta untuk berinvestasi dalam agroindustri di perdesaan. Selain itu juga membangun kemitraan usahatani yang saling mengun-tungkan antara petani dengan perusahaan agroindustri. Dengan strategi ini diharapkan keluarga miskin dapat meningkatkan kesejahteraannya melalui penjualan produk, serta dapat bekerja di pabrik pengolahan hasil pertanian, sehingga lebih banyak peluang memperoleh pendapatan, dan jumlah penduduk miskin berkurang.

Kata kunci : *kemiskinan, krisis ekonomi, pembangunan perdesaan, pengentasan kemiskinan*

ABSTRACT

This paper is written based on the review of some studies, literatures and secondary data from some sources. For more than three decades, some efforts have been done, and successfully reduced the number of poverty, from 40 percent in 1970s to 11 percent in 1996. However, the economic crisis started in mid 1997 has caused an increase in the percentage of people under poverty line to almost 25 percent in 1998, although decreased to 16 percent in 2005. An increase in gasoline price has resulted an increase in proportion of poverty to almost 18 percent of the population. Most of the poor are living in rural areas with marginal land, low quality of human resource, and poor infrastructures. On the other hands, they are strongly depending upon agricultural sector. Hence, agricultural sector should be developed in terms of integrated rural development. The strategy of poverty alleviation by giving the poor with *granted-cash, food aid,* or *revolving fund* is not the effective way to alleviate poverty. Instead, providing them with soft credit together with development of infrastructures might be more effective. At the same time, the central and local governments should encourage the investors to invest in agro-industry in rural areas. A fair partnership could be developed between farmers and companies. By these strategies, the poor families could help themselves to improve their welfare, through selling their products, as well as working in the agro-industrial sector. Thus, more income can be generated, so that the people living under poverty line will be reduced.

Key words : *poverty alleviation, economic crisis, rural development, poverty reduction*

INTRODUCTION

Poverty is an almost never ending problem of most of developing countries.

Some literatures defined poverty as a condition of people where they are not able to meet their basic needs (foods, clothes, and shelter). The people are said to be poor if they are living under poverty line. Poverty line is defined as

the minimum expenditure or income required to meet the basic needs (CAS, 2003 and 2004). The World Bank defined some characteristics of poverty, such as: hunger, lack of shelter, being sick and unable to visit a doctor, unable to go to school, illiterate, job less, fear for the future, losing a child due to illness brought about by unclean water, powerless, as well as lack of representation and freedom (World Bank, 2005). Pakpahan *et al.* (1995) argued that poverty is often characterized by one or a combination of: low income, high infant mortality, poor nutrition status, poor shelter, low education, and poor health status.

Indonesia is experiencing a fluctuation in number of people living under poverty line. The long economic crisis had caused a significant increase in number of people living under poverty line, from 22.5 million people in 1996 to about 49.5 million in 1998. Although this number reduced to 35 million people in 2005, however, it rose to 39 million people in 2006, due to increase in fuel price in the late 2005 and early 2006. It indicated the failure of Indonesia to alleviate poverty. In fact, the main objective of national development is to improve the welfare of its people. The failure to reduce poverty can be viewed as the failure of development.

This article is aimed to describe the profile of poverty and some efforts to alleviate poverty in Indonesia. Another objective is to formulate some policy alternatives to speed up poverty alleviation. This study is a review of some literatures, previous studies, and secondary data.

THE HISTORICAL PROFILE OF POVERTY

For the last three decades Indonesia was not able to escape out from the high rate of poverty. Economic crisis, natural disaster, and a sharp increase in fuel price have contributed to increase the number of people living under poverty line. The performance of programs to alleviate poverty was up and down, following the progress of development as well as the performance of social, economic, and political situation. This section will discuss the historical profile of poverty and the performance of its alleviation programs.

Number of People Living Under Poverty Line

The Government of Indonesia has launched some programs in order to alleviate poverty. Among those are: *Inpres Desa Tertinggal/IDT* (Development for Remote Villages), *Pembangunan Keluarga Sejahtera/ PKS* (Welfare Household Development), *Proyek Pembangunan Prasarana Pendukung Desa Tertinggal/P3DT*, (Development of Infrastructures Supporting Remote Villages), *Proyek Peningkatan Pendapatan Petani dan Nelayan Kecil P4K* (Small Farmers Income Improvement Project), and other related programs (Irawan and Romdiati, 2000; Yusdja *et al.* 2003).

Those efforts have been recognized, especially by FAO, successfully reduced poverty from 54.2 million people in 1976 to only 22,5 million people in 1996 (Hendayana and Darmawan,1995; Irawan and Romdiati, 2000). The factors contributed to reduction in poverty were the massive development of agricultural based and non agricultural based industries, construction, finance, and services during the era 1970s until 1990s. Although these developments were done by using foreign debts, however, they have created a lot of job opportunities. The social, economic, and political stabilities as well as high potential of domestic market have encouraged many domestic and foreign investors to invest in Indonesia.

The economic crisis, starting from 1997, has caused a serious negative impact on the welfare of people, and finally increased substantially the number of people lived under poverty line. Some factors, such as: sharp climb in prices of consumption goods, the contraction of real sectors, the decline in purchasing power for goods and services, reduction in agricultural productivity and income in rural areas, have significantly reduced the welfare of most people, especially those with low income (Irawan dan Romdiati, 1995).

This serious negative impact was indicated by the significant increase in number of people living under poverty line, from 22.5 million people in 1996 to 49.5 million people in 1998. Out of 49.5 million, about 31.9 million people (64%) were living in rural areas. The rest were in urban areas, as shown in Table 1.

Table 1. The Distribution Poverty in Indonesia, 1976-2006

Year	Poverty line *		Number of poverty (million)			Percentage of poverty (%)		
	Urban	Rural	Urban	Rural	Total	Urban	Rural	Total
1976	4.522	2.849	10,00	44,20	54,20	38,79	40,37	40,08
1980	6.831	4.449	9,50	32,80	42,30	29,04	28,42	28,56
1984	13.731	7.706	9,30	25,70	35,00	23,14	21,18	21,64
1987	17.381	10.294	9,70	20,30	30,00	20,14	16,14	17,42
1990	20.614	13.294	9,40	17,80	27,20	16,75	14,33	15,08
1996	38.046	27.415	7,20	15,30	22,50	9,71	12,30	11,34
1998	96.959	72.780	17,60	31,90	49,50	21,90	25,70	24,70
2000	91.632	73.648	12,31	26,43	38,74	14,60	22,38	19,14
2001	100.011	80.382	8,60	29,30	37,10	9,76	24,95	18,41
2002	130.499	96.512	13,32	25,08	38,40	14,46	21,10	18,20
2003	138.803	105.828	12,26	25,08	37,34	13,57	20,23	17,42
2004	143.455	108.725	11,37	24,78	36,20	12,13	20,11	16,66
2005	150.799	117.259	12,40	22,70	35,10	11,37	19,51	15,97
2006	175.324	131.256	14,29	24.76	39,05	13,36	21,90	17,75

* = Poverty line = Rp/cap/month
Sources: Irawan and Romdiati, 2000; CAS, 2003; 2004; 2006. Kompas: 2 Sept. 2006.

During the crisis recovery, the number of people lived under poverty line declined from 49.5 million people in 1998 to about 35.1 million people in 2005. Unfortunately, an increase in prices of consumption goods which were triggered by the doubling price of fuel in the early 2006, have lifted up the poverty. About two-third of the poor are living in rural areas. Therefore, the economic development should be reoriented toward rural areas, basically integrated agricultural based development, in order to alleviate the people from poverty.

Characteristics of Poverty

Some studies showed that at least there are two main problems that create poverty. First, land resource: marginal, unfertile, and not optimally utilized, cause a low productivity and then low income. Secondly, the low accessibility of the area, mainly due to poor transportation facilities, cause a low accessibility of the people to labor, inputs and products markets, and less access to public services. These two main problems lead to poverty, because most of people are not able to meet their basic needs. The determinant factors could differ from one to another location. Thus, the characteristics and dimension of poverty across region will be different.

Sudaryanto and Rusastra (2006) argued that poverty is changing over time following its dynamics. There are at least nine dimension of poverty need to be considered, such as: (1) inability to meet the basic needs (foods, clothes, and shelter); (2) low accessibility to other basic needs (health, education, sanitation, clean water, and transportation); (3) inability to do capital accumulation: (4) vulnerable to external disturbances; (5) low quality of human resource; (6) absent in society's activities; (7) lack of access to job opportunity; (8) inability to run a business, due to physical and mental disorder; and (9) social unfortunate.

Meanwhile, the characteristics of poverty are: (1) most of them are living in rural areas; (2) their family size are bigger than the average; (3) their main source of income is agricultural sector; (4) lack of resources; (5) low quality of human resource; (6) low income; (7) most of income is used for basic needs; (8) tend to have food insecurity (Sudaryanto dan Rusastra, 2006).

Taryoto (1995) reported that poverty is mostly found in rural marginal land. The poverty is mostly attributed to: (1) lack of

natural resources capacity; (2) lack of social and economics infrastructures; (3) lack of social and economic institutions supports; (4) low quality of human resource. Moreover, Simatupang *et al.* (2004) argued that poverty is attributed to: (1) marginal dry land; (2) low quality of human resource; (3) lack of cash capital; and (4) poor condition of transportation facilities. These four determinants have caused the poor are difficult to occupy the economic opportunities, and therefore, they are trapped in poverty. They are economically depending upon agricultural sector. Therefore, agricultural sector should be developed in an integrated way, included appropriate agricultural technology, in combination with provision of credit facilities, agro industry, and development of infrastructures to accelerate the rural economic activities.

Poverty Based on Economic Sectors

As mentioned earlier that the poor whose are mostly in rural areas, are highly depending upon agricultural sector. Most of them are either doing agriculture in a small land size, or doing a job as off-farm labor. Hence, their incomes are generally low. The dependency of the poor upon agricultural sector is shown by the high proportion of the poor whose are working in agricultural sector. During the period of 2000-2004, most of the poor (52% in 2000 and 59% in 2004) were working in agricultural sector, as shown in Table 2.

The poor working in industrial sector were declined from 14 percent in 2000 to less than 6 percent in 2004. In absolute number, they were also declined from 5.4 million in 2000 to about 2.0 million people in 2004. This decline was mainly attributed to two factors, namely: (1) substantial contraction of industrial sector, so that, its ability to absorb labor was also drastically declined; and (2) the quality of human resource was declined, due to inability of people to pursue higher education and skill training that needed by industrial sector. The poor working in services were slightly increased from 25 percent in 2000 to 27 percent in 2004.

Table 2 also showed the presence of transformation in job opportunity for the poor. There was a decrease in industrial sector, while an increase in agricultural sector. It could be that the poor who lost their job in industrial sector moved to agricultural sector. Therefore, agricultural sector has more burden to absorb the job-less labor from other sector. In order to improve its capacity to absorb more labor, agricultural development should be given a high priority.

Poverty based on Its Deepness and Severity

Two among other indicators used for measuring level of poverty are the deepness index or Poverty Gap Index (P1) and severity index or Distributionally Sensitive Index (P2). Mathematically, these two indices were

Table 2. The Number of Poverty by Type of Job in Indonesia, 2000-2004

Type of job	Number of poverty (000 persons and %)				
	2000	2001	2002	2003	2004
Job-less	3.599,63	2.348,96	3.072,03	3.061,80	3.067,70
(%)	9,26	6,33	8,61	8,20	8,49
Agriculture	20.108,95	23.374,61	20.604,60	22.250,60	21.265,50
(%)	51,73	62,99	57,75	59,59	58,83
Industry	5.380,01	4.401,06	4.470,50	2.147,00	2.024,80
(%)	13,84	11,86	12,53	5,75	5,60
Services	9.784,31	6.983,81	7.571,37	9.876,30	9.788,90
(%)	25,17	18,82	21,22	26,45	27,08
T o t a l	37.256,90	37.108,44	35.680,50	37.339,40	36.146,90
(%)	100	100	100	100	100

Source: CAS, 2003; 2005.

formulated by Foster-Green-Thorbecke (1984) in CAS (2003), as presented in Appendix 1.

Poverty Gap Index (P_1) is a measure of the average gap between expenditure of the poor and poverty line. The highest the gap, the worse is the economic condition of the poor. Meanwhile, Distributionally Sensitive Index (P_2) is to some extent shows the distribution of expenditure among the poor (CAS, 2003 and 2004).

For the last 5 years (2000-2004), the average Poverty Gap Index in Indonesia was 3.19 percent. It means that the average expenditure of the poor during 2000-2004 was 3.19 percent below the poverty line. In other words, they were able to meet about 97 percent of their basic needs. However, there was an improvement in poverty gap index from 3.51 percent in 2000 to 2.89 in 2004, or declined by 4.74 percent/year. Similarly, there was also an improvement in severity index of poverty, indicated by a decline in Distributionally Sensitive Index from 1.02 percent in 2000 to about 0.78 percent in 2004, as shown in Table 3. It also indicated a small variation of income among the poor.

Table 3. The Poverty Gap and Distributionally Sensitive Indices of Poverty

Year	Poverty Gap Index (P_1)	Distributionally Sensitive Index (P_2)
2000	3.51	1.02
2001	3.42	0.97
2002	3.01	0.79
2003	3.13	0.85
2004	2.89	0.78
Average	3.19	0.88
Trend	-4.74	-6.49

Source: CAS, 2003; 2004, computed.

Poverty Based on Human Development and Human Poverty Indices

Human Development Index (HDI) is also an indicator of poverty measurement that shows an achievement of human development. Human Development Index is measured in three dimensions, namely: (1) life expectation at birth; (2) level of formal education and literacy; (3) standard of living, represented by expenditure for consumption per capita per month (CAS, 2003). In contrast, Human Poverty Index (HPI) measures a failure of development in the same dimension with HDI. Mathematically, the formula for HDI is as presented in Appendix 2, and the result is presented in Table 4.

The live expectation was slightly increased from 66.20 years in 1999 to 67.60 years in 2004, or increased by 0.42 percent/year. Meanwhile, the literacy rate was relatively high, it was 88.40 percent in 1999 and 90.40 percent in 2004, or it increased by 0.45 percent/year. The average level of formal education was 6.70 years in 1999 and 7.20 years in 2004, or it increased by 1.45 percent/year (Table 4). Although increased, the level of education of the poor was still low, at the first grade of Junior High School. This level of education was far away from the requirement needed by non agricultural sector.

The per capita expenditure for consumption was relatively low. If the rural poverty line in 1999 was Rp 74.22/capita/month or Rp 891,260/capita per year, then the consumption of Rp 578,800/capita/year was about 65 percent of the rural poverty line. Even in 2004, the percentage of per capita consumption was lower than in 1999. In general, the Human Development Index (HDI) was 64.30 in 1999, slightly increased to 65.83 in 2002 and 68.70 in 2004, or it grew by 1.33 percent/annum.

Table 4. Human Development Index in Indonesia, 1999-2004.

Poverty Indicator	1999	2002	2004	Trend
Life expectation (years)	66.20	66.20	67.60	0.42
Literacy rate (%)	88.40	89.55	90.40	0.45
Level of education (years)	6.70	7.10	7.20	1.45
Consumption/capita (Rp 000/year)	578.80	591.20	614.10	1.19
Human Development Index (HDI)	64.30	65.83	68.70	1.33

Source: CAS, 2003.

In terms of Human Poverty Index (HPI), the formula is as presented in Appendix 3, and the result is presented in Table 5. The people dead before 40 years was declined from 15.20 percent in 1998, to about 11.20 percent in 2004, or it grew at a rate of -4.96 percent/year. It indicated an improvement, especially in health care. The illiteracy rate also declined at a rate of 3.10 percent/year during the period of 1998-2004, indicating the improvement of education.

wage rate in agricultural sector. Therefore, the household income from agricultural sector is increased, and hence, the people are able to gradually escape out from poverty. The second transformation enables people to obtain the formal status of job, and hence, higher household income.

The two patterns of transitions to enable people escape out from poverty are: (A) The transformation of subsistent agriculture

Table 5. The Human Poverty Index in Indonesia, 1998-2002

Poverty Indicators	1998	2002	2004	Trend
People dead before 40 years old (%)	15.20	15.00	11.20	-4.96
Illiteracy rate (%)	11.60	10.50	9.60	-3.10
People not access to clean water (%)	51.90	44.80	23.00	-12.68
People living in >5 km from public health service (%)	21.60	23.10	nda	1.69
Children below 5 years with low nutritional status (%)	30.00	25.80	28.00	-1.14
Human Poverty Index (HPI)	25.20	22.70	18.50	-5.02

Source: CAS, 2003; UNDP, 2005.

People not access to clean water and children below 5 years with low nutritional status were also decreasing at the rate of 12.68 percent and 1.14 percent per year, respectively. In general, the human poverty index declined by 5.02 percent/year, indicating the improvement in the welfare of the poor during 1998-2004

Strategies and Policy Approaches to Alleviate Poverty

There are some strategies and policy approaches needed, in order to be able to alleviate poverty efficiently and effectively. The World Bank (2006) in its study on "*Revitalizing the Rural economy: An Assessment of the Rural Investment Climate in Indonesia*" cited by Rusastra *et al.* (2006), proposed *two main roads* and *two transitions*, to enable people escape out from poverty. The two main roads are: (1) agricultural transformation from subsistent to modern and commercial agriculture; (2) transformation of activities from subsistent non-agriculture or non formal activities to formal activities which are more productive and profitable (Figure 1).

The first transformation enables farmers to improve productivity of agricultural resources through improvement of intensification, diversification, and improve

into informal non-agricultural activities in rural areas; and (B) Migration or rural-urban integration.

In the short run, the income improvement in the transition (A) is not significant. In the transition (B), the subsistent agricultural household and informal non-agricultural household in the rural areas will seek for the job in the urban areas (Figure 1).

The important lesson learnt from Figure 1 are that: (a) the strategy to escape out from poverty can be done by using multi-sector approach, and the role of agricultural sector remains dominant; (b) in the situation where both investment and development of non-agricultural sector are stagnant, then the short run transition strategy act as the safety effort that should be facilitated by government; (c) the development of modern commercial agriculture and non-agriculture sector in rural and urban areas are the long term strategy to escape out from poverty; and (d) the multi-sector approach needs an institutional coordination in both central and local government (Rusastra *et al.,* 2006).

In order to alleviate poverty effectively by using multi-sector approach, the Minister of State Affair at the central government and the Governor and Bupati/Walikota at Provincial and District level should lead and coordinate

poverty alleviation programs. This is relevant to the autonomy, where Bupati/Walikota has an authority to conduct development in their region. All of sector-by-sector development should be in one coordination, so that, all programs for poverty alleviation could be conducted in an integrated way. Therefore, the objectives of the programs could be achieved effectively.

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THE PERFORMANCE OF POVERTY ALLEVIATION PROGRAMS

Some programs to alleviate poverty in Indonesia have been done since 1970s. As a result, the number of people living under poverty line declined significantly until 1996. However, the long economic crisis that started in mid 1997, have caused a significant increase in number of people living under poverty line. The following section presents some programs launched by the government of Indonesia in order to alleviate poverty.

an inability of the poor to purchase food. On the other hands, OPK is a coping program during the scarcity of food. Initially, government provided a subsidy of medium quality of rice 10 kg/family/month with the price of Rp 1000/kg. Furthermore, the volume was increased to 20 kg/family/month. So that, this volume was approximately 40 percent of the rice needed by the poor family. In 2003, the government provided a budget of Rp 4.3 trillion, which was equivalent to 2.3 million tons of rice for about 9.8 million of households (Pasaribu, 2006).

Tabor and Sawit (2005) estimated that during 2002-2004, Raskin has distributed subsidized rice about 6.3 million tons or about 2.1 million tons/year in 46,000 points of distribution. About 55 percent was distributed in Java. The budget spent for Raskin program was about Rp 5.29 trillion/year during the period of 2002-2005.

The limitations of this program were: (i) households who were eligible to receive this
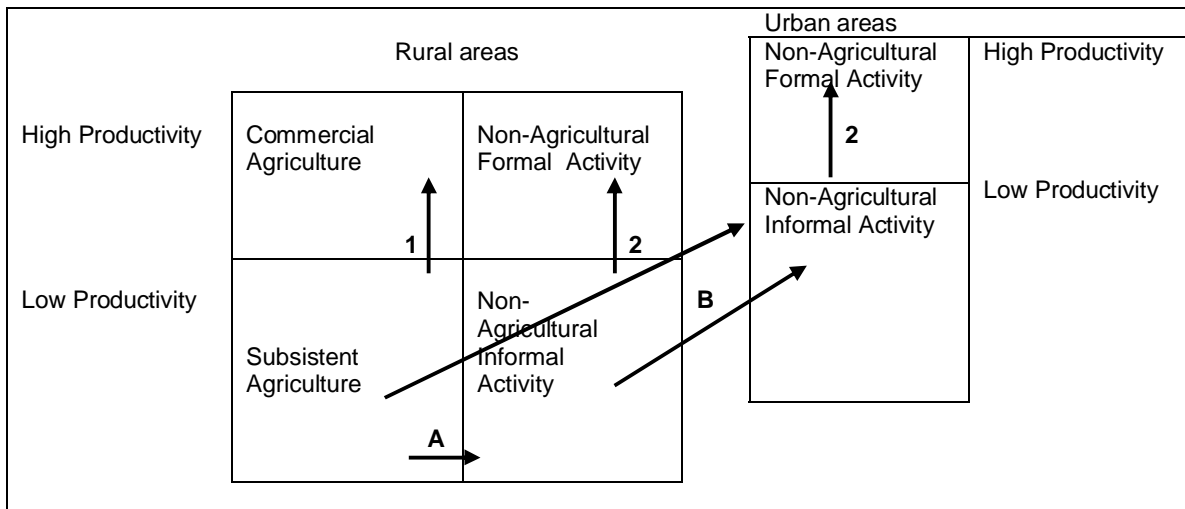
Source: World Bank (2006) in Rusastra et al., (2006).

Figure 1. Transition Pathway to Escape Out from Poverty

Program of Rice for the Poor (Raskin)

Food aid program in the form of rice for the poor (Beras untuk Rakyat Miskin/Raskin) was launched in 1998, as an effort to help the poor during the economic crisis. The objective of Raskin is to help the poor to reduce their expenditure on food. Different from special market operation (OPK), Raskin is a strategic prevention to overcome

subsidy did not able to fully purchase this rice; (ii) households who were not eligible wanted to get this rice, so that rice was distributed to all households, regardless their economic status; (iii) lack of budget to distribute this rice to the village level, so that the package was deducted by 1-2 kg/family.

Regardless its limitations, the Raskin program was thought to be helpful to the poor.

Therefore, Raskin was formally declared as one among other supporting system to the rice economy in Indonesia by Inpres No.9, year 2001. Furthermore, Inpres No 9, year 2002 was released to ensure rice stock and its distribution for the poor and people with food insecurity (Pasaribu, 2006). To strengthen the coordination of Raskin program, there was a joint decree No. 25, year 2003, between the Minister of State Affair and the DG of Bulog, and the general agreement among Governors in Indonesia regarding Empowerment of the Poor which was declared during the coordination meeting held on 21-22 June 2003 in Jakarta. In 2005, the implementation of the program was continued by releasing the Inpres No. 2, year 2005.

Cash Direct Grant (BLT) Program

Cash direct grant (Bantuan Langsung Tunai/BLT) was granted to the poor families, to compensate the increase in fuel price in 2005. This grant was distributed based on the Inpres No. 12, year 2005. The number of the poor families who granted this program about 15.5 million households. This grant was delivered every 3 months (Rp 100,000/family/month), through PT Pos. Initially, the distribution of this grant faced with the problem of determining the criteria of the poor families. For the second phase, the executing agency made some improvement. In 2006, the BLT was planned to be changed into productive economic activities, directed to empowerment of the poor (Pasaribu, 2006).

Conceptually, the BLT was thought as a good program to help the poor, especially to cope with their inability to meet their basic needs. However, its success was much depending upon management of implementation and awareness as well as understanding of the community, both those who are eligible and not eligible to receive this grant.

The Income Improvement for Small Farmers and Fishermen (P4K)

The Ministry on Agriculture launched an "Income Improvement for Small Farmers and Fishermen" in 1980, so called P4K Project. The objective of this project was to improve small farmers and fishermen capacity to access the facilities in order to improve their income and welfare. This project was a special project managed by the Ministry of Agriculture in collaboration with BRI (Bank Rakyat Indonesia) which directly oriented to poverty alleviation. The approaches used in this project were: (1) human development through empowerment of small farmers and fishermen, and (2) provision of micro finance to support micro business in rural areas. The credit delivery for joint business was done through group of beneficiaries (Kelompok Penerima Kredit/KPK) consisted of 8-12 persons. This project was relatively durable up to 2004, and was thought to be successful. Until 2004, this project has covered 64,247 KPK, has completed 132,682 proposals for joint business (rencana usaha bersama/RUB), with the total credit of Rp 902.5 billion. The repayment rate was relatively high (95.2%). In addition, about 53,333 KPKs had a deposit of about Rp 23.8 billion in BRI, 28,100 KPKs had a deposit of Rp 5.9 billion in their groups, and covering 9,646 villages in 18 provinces (Pakpahan et al., 1995).

The results of Impact Studies done by Central Agency of Statistics (CAS) and local Universities in some provinces in 2002 showed that P4K program have successfully improve the welfare of the KPKs members, hence only 8-9% of them remain lived under poverty line (Sinar Tani, 2004). However, this project was not without limitations. Its limitations were: sector based and overlapped with other programs within the same group of people.

Inpres for Undeveloped Villages (IDT)

Poverty alleviation through Inpres for undeveloped villages (Inpres Desa Tertinggal/IDT) program was implemented in 1993-1996. This program was done in the basis of multi-sector integratedly, and using regional and family approaches. The government provided the poor with credits and infrastructure, as well as supervision. The revolving fund of Rp 20 million/village/year for income generation activities was given to the society groups (Pokmas). The infrastructures, such as: roads, bridges, clean water, etc., were developed to support the business of the groups in the IDT areas. The constructions of these infrastructures were done by the villagers themselves, while the budget was provided by government.

Some institutions considered this program (especially in Java and Bali) was success to alleviate poverty, although in other regions was less success. The limitations of IDT program were lack of cooperation and solidarity among the groups (Pokmas), so that limited the progress of their business. Another limitation was lack of understanding and commitment among related local institutions, so that this program was not sustain.

Additional Food for Students (PMT-AS)

The program of additional food for students (Program Makanan Tambahan untuk Anak Sekolah/PMT-AS) was implemented in 1997, by some institutions using inter sector approach. The institutions involved in this program were: Ministry of State Affair, National Planning Agency, Ministry of Education and Culture, Ministry of Health, and the society. The target group of this program was Elementary School (SD) and Madrasah Ibtidayah (MI) in the poor areas, in order to improve nutritional and health status of the students for their better growth. The foods were originally taken from the local market. However, it was difficult to conclude whether or not this program improved the nutritional and health status of the students. The limitation was lack of promotion at schools and villages, as well as lack of coordination among sectors. The foods were not bought from the local market, so that no positive impact on the development of local economy.

Social Safety Net (JPS) Program

The Social Safety Net (Jaringan Pengaman Sosial/JPS) Program was launched to cope with poverty as a consequent of economic crisis started in 1997/1998. This program was temporally implemented, under coordination of the National Planning Agency (Bappenas). The objective of this program was to help the new poor, due to economic crisis, to meet their basic needs. The limitations of this program were too reactive, in hurry, and discontinue. There were many critics regarding the unclear target group, its implementation and monitoring, which full of bureaucracy, collusion, and nepotism, although some were successful. In the developed countries, the poor get continuous allowance from the government, although without job. This is not the case in Indonesia.

Labor Intensive Program

In 1998/1999 the government of Indonesia launched the labor intensive program in public work. This program was implemented through productive labor intensive in public work sector (Program Padat Karya Sektoral Pekerjaan Umum/PKPS-PU). The objective of this program was to create a job opportunity during the economic crisis. In 1999/2000, the PKPS-PU program was complemented with special initiative for women unemployment (SIWU).

The economic crisis has caused a contraction of economic activities, so that a lot of labor lost their jobs (Pemutusan Hubungan Kerja/PHK). In addition, the new labor forces were not able to find a job. Thus, the number of unemployment was substantially increased, especially in urban areas (Info URDI, 1999). The Central Agency for Statistics (CAS) estimated that there was about 6.2 million people fully unemployed and about 35 million people were categorized as half unemployment or worked less than 35 hours per week (Kompas, 20 April 1999 in Info URDI, 1999). An increase in number of unemployment will be followed by number of people live under poverty line and will create a social and political problem.

The PKPS-PU created job opportunity through development of basic infrastructures. Take note that, the creation of job opportunity through development of infrastructures was not a new thing. It has been adopted by USA and The Netherlands to cope with world economic crisis in 1930s. For example, the development of Tennese Valley Authority (TVA) in USA and dikes along the Netherlands beach (Info URDI vol. 3, January-March 1998 in Info URDI, 1999).

Poor Farmers Income Improvement Through Innovation Project (PFI3P)

Currently, there is an on going program to alleviate poverty, namely Poor Farmers Income Improvement through

Innovation Project (PFI3P). This project is implemented jointly between Ministry of Agriculture and Local Government. The source of fund is soft loan from Asian Development Bank (ADB) with the duration of 5 years (2003-2008). The target of this project within 5 years is 1000 villages in the 5 districts, namely: Blora and Temanggung in Central Java, Donggala in Central Sulawesi, East Lombok in NTB, and Ende in NTT. This project is aimed to empower the farmers through introduction of innovation, in order to enable them to solve their own problems. The target groups are farmers in the marginal dry land.

This project introduces some innovations which are relating and supporting to the development of agricultural sector. The types of innovations are based on the specific identified problems in each location, and focused more on development of infrastructures, agricultural technology, and improvement of human resource. The government provides budget for development of infrastructures, while the villagers are the one who do the construction, under supervision of local NGOs. By using this approach, it is expected that the people in the villages are able to conduct the development, based on their problems and needs, facilitated by the government.

In this project, the infrastructures being developed are village roads, bridges, dam and check dam, irrigation canals, wells, reservoirs, village warehouses, drying floor, etc. Meanwhile, the technology innovation being introduced are integrated farming system, demonstration of agricultural technology, information technology (IT) by using internet. In addition, the empowerment of human resource are conducted by doing some trainings, such as: technology on processing of agricultural products, marketing of agricultural products, the use of internet to access market information, and project management.

The specific objective of this project is to empower the villagers in order to be able to solve their own problems, especially transportation and marketing of their agricultural products, water shortage during dry season, and flood during rainy season (Swastika, 2005).

THE PERFORMANCE OF POVERTY ALLEVIATION PROGRAMS

Most of the programs launched for poverty alleviation were temporary and basically as the curative programs. The programs treated the poor as the objects, instead of placing them as the actors of empowerment. The types of supports given by the government, such as revolving fund, cash direct grant, or food aid, likely did not able to solve the problems of the poor. The revolving fund has never revolved to other groups. It finished at the first groups who received the fund. So that, the programs were not sustained.

The three good examples of programs that did not provide the poor with cash but developed infrastructure facilities were: IDT (1993-1996), Padat Karya (1998-2000), and PFI3P (2003-2008). These three programs can be used as a future model of rural development to alleviate poverty. However, the success of on going PFI3P will much depend upon appropriate implementation in the field. If the interest of the institutions or bureaucracy is more dominant rather than its mission to empower the poor, then the project will face with the similar failure to the old projects, and the poor is remains poor.

To speeding up the rural economic growth, the government has to encourage the investors to run an agro-industry in rural areas. Simplify administration procedures, reduce the bureaucracy that caused a high cost of investment, build and renovate infrastructures to support agribusiness in the rural areas. At the same time, government should encourages and facilitates the fair partnership between farmers and private companies, to ensure the continuous supply of raw inputs for agro industry and reasonable price of primary agricultural products.

By doing this strategy, farmers have a market guarantee for their agricultural products. The presence of factories (agro industry) in rural areas could create some job opportunities for most rural households or poor families. Therefore, the rural economy will grow faster. The impact of this economic growth is the improvement of rural household

income and welfare. As a result, both unemployment and poverty will be declined.

CONCLUSION AND POLICY IMPLICATION

Regardless some limitations of poverty alleviation programs launched by Government of Indonesia, they were taught to be successful to significantly reduce the rate of poverty until 1996. Unfortunately, the economic crisis started in 1997 has caused a substantial increase in number of people living under poverty line. During the period of economic recovery, the rate of poverty declined until 2005. Furthermore, the increase in prices of basic needs triggered by an increase in price of fuel at the end of 2005 and early 2006, have increased the number of people living under poverty line.

Most of the poor were living in rural areas, with the marginal land, low quality of human resource, low access to source of cash capital, and poor condition of infrastructures. They are highly depending upon agricultural sector. Therefore, the strategic policy to alleviate them from poverty is to develop agriculture in the form of integrated rural development.

For the last 5 years, there was a transformation of poverty from rural to urban areas. The number of people lived under poverty line in rural areas declined, while in urban increased. This was mainly due to the urbanization of the poor to look for a job. However, due to lack of skill and expertist, they could not find a job. Finally they remain poor and increased the number of the poor in urban areas.

Most of poverty alleviation programs launched by the government of Indonesia were basically short term and curative, rather than preventive. The Raskin, BLT, revolving fund, etc. did not create a self capability of the poor to help themselves to solve their own problems. The assistance in the form of soft and simple credit, creation of job opportunities through encouraging rural investment on agro industry, followed by development and renovation of rural infrastructures and partnership farming might be the more effective way to solve the problems of poverty. By doing this strategy, farmers can easily sell their products with a better price, hence they are able to adopt a modern technology. In addition, the presence of rural agro industry creates a job opportunity for family members of the villagers, hence, the number of unemployment and poverty will be declined.

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Appendix 1. The Mathematical Formula of Foster-Green-Thorbecke (1984) in CAS (2003), for Poverty Gap Index (P1) and Distributionally Sensitive (P2)

$$P_\alpha = 1/n \sum_{i=1}^{q} [(z - y_i)/z]^\alpha \quad \text{...} (1)$$

Where :

- α = 0, 1, 2
- z = poverty line (Rp/cap/month)
- y_i = average expenditure (Rp/cap/month) of people living under poverty line (i = 1, 2, 3, 4, ..., q)
- q = number of people living under poverty line
- n = number of population

If : α = 0, ➔ (P_0) is Head Count Index; α = 1, ➔(P_1) is Poverty Gap Index; and α = 2, ➔ (P_2) is Distributionally Sensitive Index.

Appendix 2. Mathematical Formula of the HDI

$$HDI = 1/3 [X_1 + X_2 + X_3] \quad \text{...} (2)$$

Where:

- X1 = Life time index
- X2 = Education Index, where: X2 = (1/3 X21 + 2/3 X22)
- X21 = average duration of formal education
- X22 = literacy of people with $\geq$15 years old
- X3 = Normal standard of living.

Appendix 3. Mathematical Formula of the HPI by UNDP (1997) cited by CAS (2003)

$$HPI = [1/3(P_1^3 + P_2^3 + P_3^3)]^{1/3} \quad \text{...} (3)$$

Where:

- P_3 = 1/3 (P_{31} + P_{32} + P_{33})
- P_1 = The opportunity of population to not survive until 40 years old.
- P_2 = Percentage of illiteracy of people with $\geq$15 years old.
- P_{31} = Percentage of household who are not using pipe water, or well water which location more than 10 meters from septic-tank
- P_{32} = Percentage of population living in more than 5 km from Public Health Service.
- P_{33} = Percentage of under 5 years children with low and medium nutritional status.