Indonesia’s Program for Community Empowerment (PNPM), 2007–12
How to Scale Up and Diversify Community-Driven Development for Rural Populations

In Brief

- **Development Problem:** In 2005, Indonesian President Susilo Bambang Yudhoyono announced that he wanted the government to halve the national poverty rate from 16.7 percent to 8 percent by 2009, the end of his term.

- **Program Solution:** The government of Indonesia scaled up its National Program for Community Empowerment (Program Nasional Pemberdayaan Masyarakat Mandiri or PNPM), which provides block grants to rural communities to combat poverty, with the aim of achieving a presence in every village across Indonesia’s sprawling archipelago by 2009.

- **Program Results:** PNPM went beyond being an antipoverty program to empower communities and to give poor people voice and agency in the development process; the program was able to extend its reach to remote areas and marginalized groups. PNPM increased household consumption among the poor and near poor, funded basic infrastructure, and reduced childhood malnutrition rates and increased primary school enrollment in some areas.
Executive Summary

How can a community-driven development program be scaled up to reach remote locations, encompass new activities, and better serve stigmatized and disenfranchised populations? This case study focuses on this question to examine the implementation and scaling up of Indonesia’s National Program for Community Empowerment (Program Nasional Pemberdayaan Masyarakat Mandiri or PNPM). PNPM grew from and was based on the successes of the Kecamatan Development Program (KDP). This case study examines KDP’s expansion, diversification, and evolution into PNPM Rural.

In 2005, Indonesian President Susilo Bambang Yudhoyono announced the goal of halving the national poverty rate in four years, building on the government’s most successful social programs. Analysis showed that 2 of the government’s 52 fragmented social programs outperformed the rest. One of these, KDP, provided block grants for poor rural communities, which could use the money for almost any purpose of their choosing. KDP was already one of the world’s largest community-driven development programs, active in roughly half of rural Indonesian villages. In August 2006, the president unveiled an ambitious plan to combine the KDP and other community-based poverty programs into PNPM.

PNPM would provide block grants to communities and empower the communities to determine their own development needs. The proposals and planning for the block grants would take place in a participatory process at the village level. PNPM would build on KDP gains and lessons in an attempt to achieve total coverage.

PNPM implementation began with outreach to district and subdistrict governments, with varying degrees of success. The Ministry of Home Affairs reached out to district and subdistrict governments that had not participated in PNPM Rural and explained how the program worked and the local government’s funding and oversight roles. Local government sector support was considered critical. Some districts were more resistant to the program, and this variation was attributed partly to different levels of commitment from local governments to the community empowerment principles on which PNPM was based.

The majority of program funding came from two main sources—the central government and development partners—and specific funding levels were detailed in agreements with government entities. The central government and development partners (including the World Bank) provided about 80 percent of the money for each block grant. National and subnational governments had to sign agreements in which both sides committed to specific funding levels.

Citizen participation—encouraged by local facilitators—was a key driver. Empowerment facilitators built the capacity of villagers through training and regular consultations. Technical facilitators with backgrounds in civil engineering reviewed project design and monitored public works projects. From 2006 to 2009, the Ministry of Home Affairs tripled the number of facilitators to 1,249 at the district level and 9,810 at the subdistrict level.

Monitoring and oversight were important program components, as implementers sought to ensure effectiveness and avoid financial leakage and corruption. To guard against corruption, the Ministry of Home Affairs conducted regular financial and compliance audits of subdistricts, which were also increasingly examined by the Audit Board of Indonesia. Publicizing the audit results in villages was particularly effective. Moreover, the PNPM Support Facility (PSF) conducted a variety of field visits and financial and compliance audits, allowing the ministry to take action when necessary.

PNPM Rural implementation worked, in part, by connecting the program’s national and local levels through a detailed organizational effort. An extensively organized process, both nationally and locally, was required as well as coordination with the assistance of external development partners.

Several implementation challenges emerged within the massive organizational process as not all parts of this arrangement always worked as planned. The program was thinly staffed at its Jakarta headquarters. As a result of its small size—compared with the magnitude of the task it faced—the directorate sometimes struggled to respond quickly to issues.

Addressing Delivery Challenges

Extending the PNPM model was not easy in all parts of Indonesia as reaching remote areas involved intensive recruitment and training programs as well as longer project cycles and larger transportation allowances. The eastern provinces of Papua and West Papua presented
Indonesia’s Program for Community Empowerment (PNPM), 2007–12

a particular challenge and necessitated adaptation and intensive recruitment and training programs where there were not sufficient numbers of highly trained staff. The ministry responded to the dearth of trained professionals by implementing its own training program in remote areas.

PNPM Rural responded to the common bias for communities to prioritize physical infrastructure, by creating PNPM Generasi, a new variant that focused on health and education spending. Beginning in 2007, the PSF Joint Management Committee developed several pilot projects to expand PNPM to disenfranchised groups and new activities. The subsequent program, PNPM Generasi, aimed to reduce maternal and infant mortality and increase primary school enrollment in underperforming areas; villages could use its grants only for health and education projects.

By launching PNPM Peduli in 2011, civil society organizations led implementation, rather than the government, and PNPM Rural expanded its narrow geographic conception of community, emphasizing the need to reach certain population segments. PNPM Rural’s expansion included not only new funding to promote underprioritized types of village activities, but also new methods to empower marginalized populations.

Science of Delivery Lessons Learned

The use of evidence and adaptive implementation informed PNPM. For example, a significant share of PNPM’s budget was allocated to monitoring activities and collecting both qualitative and quantitative evidence that was used to inform and modify program implementation as needed. Moreover, the program repeatedly underwent modifications to respond to emerging challenges and to handle issues that had not been initially planned for, such as the needs of marginalized communities.

Development Challenge: How Can the Poverty Rate in Indonesia Be Halved?

At a 2005 cabinet meeting, Indonesian President Susilo Bambang Yudhoyono asked how the government could halve the national poverty rate—from 16.7 percent to 8 percent—by the end of his term in 2009 (World Bank n.d.). “At the time, we had 52 poverty programs driven by 27 central ministries, but there was no linkage between them,” said Sujana Royat, deputy minister for poverty alleviation in the Coordinating Ministry for People’s Welfare, which coordinated efforts between the government ministries that planned, monitored, and analyzed social welfare programs. In response, Minister Aburizal Bakrie prepared two graphics—the first showed five of the government’s largest programs ranked by effectiveness; the second provided five estimates for how the independent expansion of each program would impact poverty. The results were clear. Two related programs—the Kecamatan Development Program (KDP) and the Urban Poverty Program—outperformed all the others in the analysis. The KDP provided block grants for poor rural communities, which were free to use the money for almost any purpose of their choosing.

The KDP Model: Project Funding, Development, Implementation, and Scale

KDP funding responsibility evolved over time. At program inception, the World Bank provided almost all the funding, with a nominal contribution from the government of Indonesia (GoI). However, by the project’s end, the central government, local governments, and development partners, such as the World Bank, were contributing funds for the grants on a roughly 60-20-20 basis. These grants were issued in three general size categories, with community population density, poverty incidence, and remoteness all taken into account to determine whether the grant received was small, medium, or large.

Villagers determined communal needs through open discussion, then developed project proposals, selected the best proposals based on their feasibility and likely impact, and implemented projects. Projects included the construction of roads and irrigations systems or the purchase of school materials. Because women had been underrepresented in Indonesian decision making, KDP rules required that two-thirds of proposals come from women’s groups, such as women’s revolving loan fund associations. To promote transparency, project and budget details were posted on village public information boards.
By the mid-2000s, KDP was already one of the largest community-driven development programs in the world, active in roughly half of rural Indonesian villages. Indonesia’s economic growth buoyed national tax revenues; the government had additional funds available to address poverty on a broader scale. KDP’s rapid expansion to support areas that were affected by natural disasters—such as the Aceh region following the devastating December 2004 tsunami and the Nias region following the March 2005 earthquake—added to the program’s visibility and popularity.

**Combining KDP with Other Community-Based Programs to Reach Every Rural Village**

Persuaded that KDP was achieving significant gains, President Yudhoyono decided to ramp up the program in August 2006, when he unveiled an ambitious plan to combine KDP and other community-based poverty programs in a National Program for Community Empowerment (Program Nasional Pemberdayaan Masyarakat Mandiri), called PNPM Mandiri. (In Bahasa, Indonesia’s official language, mandiri means self-reliant and independent.) Under the president’s plan, the KDP (renamed PNPM) would expand into every rural village across the nation’s sprawling archipelago by 2009. This rural expansion became known as PNPM Rural. Table 1 lays out a detailed timeline of the expansion and diversification of the PNPM program.

**Delivery Challenge: How to Expand Community Development Programs in Indonesia’s Diverse and Fragmented Territory**

By examining KDP’s expansion, diversification, and evolution into PNPM Rural, this case study covers the actions related to service delivery processes, namely how PNPM Rural was organized and implemented, and its outcomes. Contextual conditions inevitably make these processes unique, but service delivery lessons can be useful and relevant to other situations. To this end, in addition to describing how service delivery transpired and its outcomes, the case study addresses three research questions, as follows:

**Q1**: How can a successful community-driven development program be extended to hard-to-reach and remote geographic locations?

**Q2**: How can the community-driven development program focus be expanded beyond physical infrastructure to address social needs, such as health and education?

**Q3**: How can a community-driven development program be reformed to better serve stigmatized and disenfranchised population segments?

**Table 1 PNPM Timeline, 2006–12**

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<tr>
<th>Year</th>
<th>Event</th>
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<tr>
<td>2006</td>
<td>President Susilo Bambang Yudhoyono announced plans to expand the Kecamatan Development Program (KDP) and combine it with other projects under the PNPM Mandiri umbrella.</td>
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<td>2007</td>
<td>The president launched PNPM Mandiri in Palu, Central Sulawesi.</td>
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<td>2007</td>
<td>The GoI, World Bank, and other partners established the PNPM Support Facility (PSF) to provide operational and financial support to PNPM Mandiri.</td>
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<td>2007</td>
<td>PNPM Rural reached 33,000 villages, 1,971 subdistricts, and 343 districts.</td>
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<td>2007</td>
<td>The GoI piloted PNPM Generasi in 1,605 villages and 5 provinces.</td>
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<td>2008</td>
<td>PNPM Rural reached 34,405 villages, 2,447 subdistricts, and 336 districts.</td>
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<td>2008</td>
<td>PNPM Green was established to adapt the PNPM Rural model to address environmental sustainability.</td>
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<td>2009</td>
<td>PNPM Rural reached 57,266 villages, 4,371 subdistricts, and 379 districts.</td>
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<td>2009</td>
<td>There were 106 high school graduates trained as technical facilitators in the Papua region in the second phase of Barefoot Engineers, a program to recruit and train technical facilitators in Papua.</td>
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<td>2010</td>
<td>PNPM Rural reached 61,000 villages, 4,791 subdistricts, and 385 districts.</td>
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<td>2011</td>
<td>The PNPM Peduli pilot project was initiated and grant agreements signed between PSF and three national civil society organizations.</td>
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<td>2012</td>
<td>The PNPM Rural impact evaluation found that the program raised household consumption for poor families by almost US$4 per person per month between 2007 and 2010.</td>
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Indonesia’s progress in managing these issues highlights how it is possible to tackle tough problems with careful attention to political and institutional positioning, reform of technical and managerial procedures, expansion of capacity for different actors at different levels, and strategic implementation efforts.

**Contextual Conditions: How the Growth of KDP Led to PNPM Rural**

KDP started in 1998, at a turning point in Indonesian history, when the 1997–98 Asian financial crisis reversed decades of economic growth and poverty reduction and changed civil norms. The crisis reduced incomes, bred public demand for more effective and accountable government, and spawned an era of Reformasi (reform). Public anger over corruption, financial collapse, and rising poverty forced President Suharto from power after 32 years of authoritarian rule. Following decades of repression, media and civil society groups could speak more openly about corruption and transparency in government programs for the first time in many years. Far-reaching reforms included a 1999 "Big Bang" decentralization law that devolved many services to district governments. Emerging policy directions—together with a long-standing pro-rural bias in Suharto regime policies—prepared the ground for KDP, which effectively built on these institutional frameworks.

From its inception, KDP sought to empower villagers by giving them a chance to determine investment priorities and by helping villagers to monitor project performance. The program tried to ensure that resources reached intended beneficiaries by depositing funds directly into community bank accounts. It sought to promote participation, transparency, and accountability, beginning at the community level, building on Indonesia’s strong tradition of reciprocity and sharing. The principles of gotong royong (joint bearing of burdens), in which community members voluntarily assisted each other with tasks such as home repairs, and musyawarah (community decision making through consensus) were foundations of communal life (Geertz 1983). Several other community-driven development initiatives, such as the Program for Left Behind Villages (Inpres Desa Tertinggal or IDT), began building on these ideas in the mid-1990s.

Between 1998 and 2006, the KDP initiative grew rapidly and made significant progress in meeting its community empowerment and poverty reduction goals (Voss 2008b). By 2006, 34,233 villages (about half of Indonesia’s total of 70,000) in 1,983 subdistricts (out of more than 5,000) in nearly every province were participating, though not all in the same project cycle. Much research has been published about the various KDP features, especially its importance as a community-based initiative (see Bebbington et al. 2004; Beard and Dasgupta 2006; Dasgupta and Beard 2007; and Fritzen 2007). Program evaluations showed that large numbers of villagers attended village forums, participated in village committees, and received leadership and technical training (McLaughlin, Satu, and Hoppe 2007). In addition, studies found that communities maintained the new infrastructure years after completion. A government contract with media groups to report on KDP—including exposure of any program corruption—was another important factor in the program’s success. Furthermore, in this period it was possible to assemble high-level political support for a program that paid little heed to long-standing patronage systems.

Although KDP built an extensive grassroots base, the program drew heavily on high-powered Indonesian management talent, consulting firms, and civil society organizations and citizen participation in aspects of its design. Suahasil Nazara, in the Office of the Vice President, said PNPM’s later success in attracting citizen participation in village forums and project committees was partly due to the congruence between the program design and existing norms. “We have this setup that the community must function [in], not only the individual or household. This is where PNPM fits in,” he said. If these values had frayed or if they had not been present, it might have been harder to engage citizens in the program.

To respond to the president’s decision to scale up PNPM Rural required the ministry to address four broad challenges, namely to:

- reach populations that had not adequately benefitted from the program,
- extend its network of functional and oversight staff to thousands of additional subdistricts, many in remote areas,
- maintain the program’s sound record on preventing corruption, and,
• deepen its engagement with elected local governments, helping to build PNPM participation, transparency, and accountability principles in local government administration.

At the same time, it was also important to maintain past gains in community empowerment and poverty reduction.

The Four Stages of PNPM Rural: Organization, Planning and Prioritization, Community Decision Making, and Project Implementation

PNPM Rural derived its community-driven development process directly from KDP, empowering communities to determine their own development needs; its process involved four main stages that transpired over 12 to 16 months (Box 1).

As detailed in the subsequent section, five major actions were integral to moving forward PNPM Rural implementation across the four stages of community-driven development. The subsequent subsections present a detailed discussion of implementation, evidence of citizen outcomes, and ongoing prospects for PNPM.

Working to Double Project Coverage Using a Step-by-Step Approach

In April 2007, President Yudhoyono officially launched PNPM Rural in Palu city in Sulawesi Central Province, more than 1,600 kilometers northeast of the capital city of Jakarta. The choice of location was apt. Sujana Royat described the Palu mayor as “hungry about being effective” and eager to try out “the great innovations in combating poverty” in Palu.

Throughout 2007 and 2008, the Ministry of Home Affairs worked to double project coverage by 2009. With support from the PSF—a partnership and trust fund that was established to channel donor funds to PNPM while also providing technical support and assistance to PNPM programs—the Ministry of Home Affairs had to build a national network, hire and train thousands of new facilitators, and prevent corruption from taking root.

Ministry of Home Affairs Builds Critical Ties with the Local Government. For the Ministry of Home Affairs, the first step was to reach out to district and subdistrict governments that had not yet participated in PNPM Rural, to explain how the program worked and the local government’s funding and oversight roles. Local government support was considered critical to PNPM Rural.

The central government and the World Bank provided about 80 percent of the money for each block grant, with the government prefinancing these grants in their entirety, and the World Bank reimbursing a share from the loan. Districts were required to contribute about 20 percent from their own budgets; this represented a significant decrease, as previous levels of local government contributions had been up to 70 percent of the total. Concurrently, there was a sizeable increase in the funding proportion that the central government and the World Bank provided. Though KDP had had similar matching fund arrangements, under PNPM Rural, national and subnational governments had to sign agreements in which both sides committed to specific funding levels.

Ministry of Home Affairs former Director General of Community Empowerment Ayip Muflich said local governments generally responded well to the ministry’s overtures, but noted that it was easier to win acceptance in some districts than in others. He attributed the variation partly to local governments’ different degrees of commitment to the principles of community empowerment. He said some local governments resisted PNPM Rural because of the perception that there were limited opportunities to benefit from corruption due to heavy monitoring of project funds and the program’s ban on the use of contractors. Some local officials also appeared to play more active roles in organizing project stakeholders and using their local influence to support PNPM, such as in the Purwakarta district, while others merely met the minimum funding and administrative requirements.

Expanding the network of facilitators to boost citizen participation. Citizen participation in PNPM was largely a function of facilitators’ communication abilities, coaching skills, and commitment to the community empowerment principles. “If facilitators are not good enough, then it influences the implementation process,” said Bito Wikantosa of the Ministry of Home Affairs. From 2006 to 2009, the Ministry of Home Affairs tripled
Box 1 Four Stages of Community-Driven Development: From Organization to Implementation

Stage 1 began with organizational meetings and workshops that helped to define the role of officials and other stakeholders in the process; it also placed a limit on the ability of officials to modify the development priorities of the communities. The Ministry of Home Affairs organized provincial and district workshops to announce a new round of block grants and to ensure a grassroots understanding of the grant qualification process. During this one-to-two month process, the ministry reached out to local government officials, community leaders, and representatives of the local media, universities, and civil society groups. The PNPM's subdistrict facilitators convened forums attended by government officials, respected community members, and about three to six representatives from all villages in a subdistrict; the PNPM cycle was explained, and stakeholders agreed to a schedule for moving ahead. This sensitization or socialization phase was then extended to the villages through large open meetings. At these meetings, villagers elected two volunteer facilitators—a man and a woman—and a village council. Typically, 50 to 100 people attended village meetings. The PNPM's district and subdistrict facilitators trained village and inter-village teams and provided support at every stage of the process.

Stage 2 involved planning and prioritization at the subdistrict and village levels over a two-to-three-month timeline. Subdistrict and village facilitators led planning discussions about communal problems and needs—road access or school materials, for example—and collected project ideas. Women's groups met separately to develop their own proposals. At a second village meeting, villagers debated proposals and collectively decided on three priority needs, two of which had to come from women's groups. At the same time, villagers selected people from their village to produce a written record of the proposal information, using simple templates that included each project's location, the expected number of beneficiaries, and a rough cost estimate. A subdistrict verification team—including village leaders as well as the PNPM subdistrict facilitators and technical staff—reviewed the proposals for feasibility, technical quality, and likely impact.

Stage 3 was the selection phase, when the merits of the village proposals were reviewed and ranked, detailed design plans and cost estimates developed, and projects selected. The inter-village forum reconvened to discuss the merits of the village proposals, based on verification team findings. The forum ranked village proposals based on feasibility, impact, how well villages had maintained previous projects, contributions from villagers, and other factors. Facilitators helped communities whose proposals had received high marks to prepare detailed design plans and cost estimates. The PNPM's technical facilitators evaluated proposals, and a district engineer inspected the designs. Next, the forum reconvened and selected winning proposals, seeking consensus. The forum also elected an inter-village financial management unit to oversee project funds.

Stage 4, project implementation, covered the details of the funding process and the multiple signatures needed to release funds. First, the head of the activity management unit, the subdistrict facilitator, and elected village representatives opened a joint bank account. The subdistrict head ratified (menetapkan) the selected subprojects, and the subdistrict or district authorized staff signed an "instruction to disburse" letter to the closest Treasury's branch to release the block grant to the joint bank account. Then the funds were released to the account in installments (40–40–20), based on the disbursement status; from the subdistrict, funds were channeled to the village based on the status of the work, as needed. To withdraw funds, the facilitator, activity management head, and village representative all needed to sign a form.

Procurement of individuals and staff followed exacting procedures and ensured accountability. Elected village implementation teams contracted with the suppliers and recruited villagers at slightly less-than-going-wage rates, which ensured a self-selection of villagers who needed jobs. Procurement of supplies exceeding 15 million rupiah (about US$1,500) followed simplified competitive bidding procedures. The teams reported on project progress at village accountability meetings many times throughout the project cycle. District engineers had to certify that projects were finished before the Treasury released the final installment (20 percent). Following completion of the projects, village implementation teams presented results and accounted for funds to villagers, while villages selected operation and maintenance teams to sustain the projects.

the number of facilitators to 1,249 at the district level and 9,810 at the subdistrict level (Ministry of Home Affairs 2009). The ministry advertised facilitator positions through local media on a province-by-province basis. Bito Wikantosa said it was fairly easy to recruit social facilitators because they could come from a variety of backgrounds. However, technical facilitators had to have knowledge of civil engineering and that requirement posed a challenge in less developed parts of Indonesia. Even on the country's most populous island, Java, where civil engineers were in relatively large supply, it could be difficult to find people willing to serve in rural areas.
After reviewing applications, the Ministry of Home Affairs usually invited the applicants to a preservice training. The group was larger than the number of available positions (by 10 percent), as the training served as an important opportunity to observe recruits’ communication abilities in practice through focus group discussions and other tests. “We can see who’s good in communication and facilitation, so we can see which (individuals) are good facilitators and which don’t match the requirements,” Bito Wikantosa said. The Ministry of Home Affairs placed those who did not make the initial cut on a reserve list and hired from that pool, if active facilitators resigned their positions or could not perform adequately.

The predeployment curriculum covered the community empowerment principles, the coaching and conflict resolution fundamentals, and the PNPM Rural project cycle specifics. Because social facilitators came from a wide variety of backgrounds, said Bito Wikantosa, training in how to encourage communities to organize—to support collective action—was critical.

Support and training continued once facilitators were in the field. In addition to annual refresher courses for all facilitators, district facilitators met twice a month with their subdistrict counterparts to discuss progress and problems. They also provided on-the-job training for subdistrict facilitators when problems arose. At the provincial level, regional consultants organized bimonthly conferences for all district facilitators, where facilitators shared experiences and ideas about solving common problems in facilitation or project procedures. These events had other benefits, too. For example, district facilitators from Purwakarta in Western Java said the sharing of stories at these meetings helped inspire facilitators and cultivated a friendly sense of competition.

The ministry faced some challenges in recruiting and retaining facilitators, beyond the regional variations in the pool of technically trained candidates, for several reasons. Often working conditions were poor in remote areas, and it was difficult to travel between villages in subdistricts. In addition, facilitators did not receive annual pay raises, and their contracts were renewed on an annual basis. Central-level budget delays left facilitators working for months at a time without being paid. As a result, the positions offered little job stability and few clear opportunities for professional advancement.

In response to the issues with facilitator recruitment and retention, the Ministry of Home Affairs developed a certification program for facilitators with support from the PSF and the National Board for Professional Certification, a government institution that certified all professions in Indonesia. IPPMI, a PNPM facilitator association, had pushed for such a program. Following his departure from the Ministry of Home Affairs, Ayip Muflich led the certification program from 2012 onward. Ayip Muflich explained the certification goal as developing the facilitator role as a profession in Indonesia and building prestige around the profession, thereby making the work more attractive for potential recruits. Still, the Ministry of Home Affairs continued to struggle to fill facilitator positions. In 2009, the ministry reported vacancies in 5 percent of the positions, with significant variation between provinces, and the problem persisted (Ministry of Home Affairs 2009).

**Success in combating corruption and promoting transparency.** In combating corruption, PNPM Rural was able to continue the KDP’s solid work. One astonishing finding about KDP was its very low level of corruption despite the huge sums disbursed. Audits by PriceWaterhouse and Moores Rowland found financial inconsistencies in less than 1 percent of the projects (Voss 2008b). The Ministry of Home Affairs was determined to extend the program’s positive record on corruption in new project locations and sustain it in existing project areas.

The KDP model’s architectural principles were simplicity, transparency, and the use of communities’ social capital for accountability. World Bank official Scott Guggenheim helped craft KDP and served as the initial PSF head. He explained, “The model has always been that the first best measures on dealing with fraud are design measures.” Guggenheim said the first and most important design principle was to keep the design simple by limiting discretion and reducing the number of transactions. For example, the project limited the number of financial transactions by disbursing funds directly from the National Treasury Office’s provincial branches to subdistrict level communal bank accounts. To promote transparency, multiple signatures were needed to set up and withdraw funds from the account, including those from the head of the intervillage financial management unit, the subdistrict social facilitator, and elected village representatives. To take advantage of villagers’ social capital, the design also created checks and balances by separating responsibilities for project selection, budgeting, implementation, oversight, and maintenance.
across committees, and then using the committee reports in the village’s overall discussions on program performance. The project’s modular design also facilitated the application of appropriate, nondistorting sanctions. Locating oversight at the subdistrict level ensured that if corruption was discovered, the subdistrict grant could be suspended without penalizing neighboring subdistricts. If fraud was substantiated at a district or provincial level, however, then grants to larger geographical areas could be temporarily suspended. Similarly, limiting central government liability to the successful delivery of block grants made it possible to enlist ministry support to address local problems without antagonizing the entire government apparatus.

The external checks against corruption also helped to boost accountability. Reports by media and civil society groups helped to bring fraud cases into the public eye. Even though press activities were restricted under President Suharto, from KDP’s start the government contracted nongovernmental organizations (NGOs) and journalists in every province to conduct field visits and write stories about the program. The contracts were structured so that the government did not know where these groups visited, nor could the government review articles prior to publication. A large number of stories dealt with corruption (Guggenheim n.d.).

The Ministry of Home Affairs provided further accountability by conducting regular financial and compliance audits of subdistricts, which were also increasingly examined by the Audit Board of Indonesia on an annual basis. An earlier randomized controlled trial that the U.S.-based Abdul Latif Jameel Poverty Action Lab conducted had shown that the risk of audits, accompanied by a public reading and presentation of the audit results, had a greater impact in deterring corruption than some other forms of community oversight. On the basis of this research, in 2011 the Audit Board began to audit 20 percent of subdistricts each cycle and presented the findings in community meetings (Olken 2005). Communities could also take the initiative in reporting fraud to a dedicated PNPM Complaints Handling Unit via phone, SMS, mail, or local drop boxes.

Integrating project monitoring and oversight to flag issues early on. The PSF had dedicated units to monitor budgets and activities to support the Ministry of Home Affairs. Monitoring from Jakarta was possible because of regular reporting up the ranks from villages to the central level, but field visits and financial and compliance audits were also part of the oversight strategy. The PSF created risk profiles to serve as an early warning system for a variety of problems that could arise. An implementation support team, which consisted of a financial management unit, field unit, and other teams, collected data from regional consultants to assess performance. The data included indicators such as the number of block grants and the amount of money disbursed in an area; turnover rate of facilitators and empty positions; incidence of fraud over previous quarters; number of field visits from consultants and facilitators; strength of a revolving loan fund that communities funded with PNPM grants (including the percentage of nonperforming and idle loans); and percentage of funds provided that were used for planned expenditures and the unexpended balance.

The PSF field team produced color-coded maps that reflected the prior performance and risk level for each indicator in each of the 34 provinces. Low-risk provinces appeared in green, moderate-risk provinces in yellow, and high-risk provinces in red. Kun Wildan, director for institutions and community training in the Directorate General for Community Empowerment (the responsible directorate at the Ministry of Home Affairs), said the maps were an easy way to digest a lot of information. He said the PNPM secretariat and the National Management Consultants wanted to develop their own color-coded mapping system going forward, “to help monitor broad coverage...to differentiate good ones and worse ones.” He said the maps helped people visualize the data and improved communication. PSF representatives met quarterly with the national consultants and Bappenas to discuss which regions were at risk in subsequent months.

PSF teams conducted field visits based on an assessment of risk factors. The field visits were never inspections; the PSF was careful to explain to the communities and facilitators that they didn’t come to audit or inspect but rather to have discussions and learn. With this explanation, the field visit dynamics changed in a significant way. The teams visited an increasing number of subdistricts—at least 160 each quarter (out of approximately 5,000 participating in PNPM)—beginning in 2011. On site, they met with local government officials, facilitators, and village and intervillage oversight bodies to determine how well they understood the PNPM project cycle and how closely they followed procedures.

When PSF teams discovered problems, they were instructed to bring the issues for discussion to one of
the bodies responsible for oversight and implementation at the Ministry of Home Affairs. This process took a number of pathways, with most meetings taking place with the Directorate for Institutions and Community Training within the Directorate General for Community Empowerment. Sometimes it was possible to resolve issues by raising them with individual members of the PSF Joint Management Committee. Occasionally a presentation would be made to the full Committee. If the financial team found evidence of fraud, it would report it to a dedicated complaints handling facility at the National Consultants Unit.

**Insufficient ministry staffing led to project management issues.** The program was thinly staffed at its Jakarta headquarters. Although PNPM Rural accounted for 80 percent of the Ministry of Home Affairs budget, PNPM Rural implementation was the responsibility of a single directorate in a directorate general and was staffed by about 10 civil servants. Former Director General for Community Empowerment Ayip Muflich said the ministry did not elevate the directorate to the level of a directorate general, because the project was originally temporary and not one of the ministry’s core functions. As a result of its small size compared with the magnitude of the task it faced, the directorate sometimes struggled to respond quickly to issues or problems, according to the 2012 governance review. It labored to address facilitator vacancies, both at local and national levels, and to maintain the frequency and quality of training it offered to support facilitators. The ministry also struggled to disburse funds on time (though it was not always the source of the problem), delaying project implementation and leaving facilitators working for months without being paid. The directorate’s data systems and capacity to respond to complaints were also strained.

**Extensive Organization and External Assistance Made Implementation Work**

PNPM Rural implementation worked because of an extensively organized effort at the national and local levels, and often had the assistance of external development partners. The program also invested carefully in its most valuable infrastructure—a system of facilitators.

*Kdp’s national level organization retained for pnpm rural.* At the national level, the ministry maintained the management structure it had in place under KDP. A secretariat administered the program with parallel operational and oversight systems. The secretariat consisted of a small number of civil servants from the ministry and roughly 40 Indonesian consultants in charge of project oversight. (Civil service rules prohibited the Ministry of Home Affairs from adding significant numbers of employees in the Directorate General for Community Empowerment, the directorate in charge of PNPM Rural. To expand a directorate beyond a certain size required an exception to civil service rules or the creation of a new directorate general solely for PNPM.)

Operational responsibility rested with another team of consultants who reported to the secretariat. The Ministry of Home Affairs hired Indonesian firms to implement PNPM Rural on the national and regional levels. The top level, known as the National Management Consultant, was based in Jakarta. Seven regional management consultant units, each responsible for several of the country’s 34 provinces, had offices both in Jakarta and in the provinces. Consultants from both groups worked to support PNPM Rural and included specialists in financial management, handling complaints, information management, infrastructure, training, and communication.

Consultants at the district and subdistrict levels played a critical role. Consultants at the district and subdistrict levels were known as facilitators and hired individually, instead of through firms. Initially, there were two types of facilitators, as follows: empowerment (social) facilitators who encouraged participation in PNPM projects and built the capacity of villagers through training and regular consultations; and their partners, technical facilitators, who had civil engineering backgrounds, reviewed project design, and monitored progress on public works projects. Later, districts added a third specialist in financial management, in part to better advise and monitor women’s revolving loan fund activities that received PNPM grant funding.

Communication was a crucial part of the system. At every level, facilitators monitored and supported their counterparts one level below and reported to facilitators one level up. Many procedural problems and other issues that arose could be managed at the local level through these layers of support and oversight without the need for the central ministry’s direct intervention.

Coordination across levels ensured transparency and communication. Ministry of Home Affairs officials at the subdistrict, district, provincial, and national levels constituted a parallel oversight system for their
functional counterparts. They helped coordinate project participants, liaised with locally elected district governments and decentralized representatives from other ministries, and monitored activities to ensure the appropriate use of funds and adherence to program procedures.

To manage the PNPM program’s significantly expanded scope, the Ministry of Home Affairs had to gear up internally and externally. Ayip Muflich said the first step was to build internal organization and add capacity. “Not only at the level of the ministry, but all the way down, you had to strengthen human resources via training,” he said. Ministry officers at each level would have to manage relationships above and below them, and oversee funds even if they did not have responsibility for daily operations. The ministry also had to reach out to local government officials, many of whom were not familiar with locally controlled programs such as PNPM and had to be convinced of the project’s merits, including the PNPM project cycle requirements and their responsibilities in contributing to block-grant funds and in overseeing all project stages. To provide the local authorities with additional support and oversight from the national and provincial levels, the ministry had to hire more consultants at the national and regional levels and hire and train thousands of additional facilitators at the district and subdistrict levels. As PNPM’s continued success hinged on the performance of the facilitators, the ministry had to find adept communicators to handle the sometimes-sensitive job of working with ordinary citizens who had to learn how to identify communal needs and lead and manage projects. The ministry also had to extend and improve its financial control processes to handle the large sums of money that it had to distribute to thousands of subdistricts through PNPM. Tracking and accountability were more important than ever to keep a lid on corruption.

External support from development partners from KDP to PNPM. For assistance, the Ministry of Home Affairs turned to familiar associates—the World Bank and other development partners that had supported the KDP through its Decentralization Support Facility (DSF), a multidonor trust fund set up to support Indonesia’s decentralization reforms. Donor funds flowed through the DSF but were not managed by it, and the Ministry of Home Affairs, together with other government ministries, urged the partners to organize a similarly dedicated trust fund to support PNPM. The new partnership was called the PNPM Support Facility (PSF or “support facility”), as mentioned above. A Joint Management Committee that the State Ministry of National Development Planning, or Bappenas, chaired and the World Bank co-chaired, decided on the use of PSF funds. A technical secretariat did much of the legwork to support the committee. Members included other major development partners and participating ministries, such as the Coordinating Ministry for People’s Welfare. The World Bank managed the fund and employed staff to carry out associated activities. The World Bank, Australia, Denmark, and the Netherlands were early donors, while the European Union, Canada, United States, United Kingdom, and Millennium Challenge Account - Indonesia subsequently contributed funds.

The PSF would assist the Ministry of Home Affairs in its main tasks by providing monitoring and training services and conducting its own financial management reviews. In addition, the PSF would expand the learning and innovation functions that had been a strong part of the KDP program. PSF-funded program evaluations would help the ministry determine how PNPM performed and where there were needs and opportunities to adapt. The PSF also provided a mechanism to pilot new variants of PNPM that targeted marginalized groups or development sectors that villagers generally did not elect to fund through PNPM block grants. Sujana Royat, of the Coordinating Ministry for People’s Welfare, said that PSF supervision of financial matters was especially important in buttressing the Ministry of Home Affairs internal supervisory mechanisms. “I wanted accountability to be first class, so I requested to our development partners... that each penny, each rupiah, be traced, where they go, who are the utilizers,” he said.

The facilitator system brought success and challenges. The elaborate and highly valuable “social infrastructure” that the facilitator system embodied was at once a signal of program success and a source of some continuing challenges. During initial interviews, Head of the PSF Operations Team Susanne Holste attributed the program’s sustained success to the accumulation of institutional knowledge about PNPM and the capacity developed in thousands of facilitators and communities. “It has a straightforward setup, which has changed very little in 15 years.” As a result, she explained, “What you have now is a lot of knowledge in the community, so you can go to a village far away and they know the program. You can ask what are the basic building blocks of PNPM,
what’s the cycle, what are the basic provisions of the PTO (project manual) for accounting, and they know it. You ask the UPK (intervillage financial management unit), they can recite the PTO;’ she said. “And then you have a core of 10,000 facilitators and many have been in the program a very long time and know their assignments very well.” This network was an important result of the program design.

Facilitator recruitment and retention encountered two challenges—working in remote, insecure, or poor areas and providing the possibility of career advancement. These challenges are useful to discuss for other countries that might contemplate using the Indonesian model.

- The program had difficulty making the system work in remote, insecure, or especially in poor areas such as Papua, where the pool of qualified candidates was smaller and those who had technical training could easily find employment elsewhere. One remedy was to use civil society groups as facilitators, as PNPM had done in working with marginalized groups, but these kinds of organizations and networks tended to be less common in these regions. The alternative was to provide specialized training—in short, to create an auxiliary program to try to generate candidates for the facilitator system.

- Providing facilitators with the possibility of advancement, if not in the program then with marketable set of skills was a challenge for PNPM Rural. The certification program adoption and expansion helped to address this challenge.

Research Studies Document a Significant Expansion of Program Outreach and Citizen/Client Outcomes

Significant program expansion and outreach. Between 2007 and 2009, the Ministry of Home Affairs almost doubled the PNPM Rural’s outreach from 33,300 villages in 1,971 subdistricts, to 57,266 villages in 4,371 subdistricts across rural Indonesia (PSF n.d.) (see Table 2). From the PNPM launch through 2011, communities used project funds to build or repair nearly 69,000 kilometers of roads, 6,500 irrigations systems, 30,000 clean water systems, 22,000 schools, and 11,000 health facilities (PSF 2012). Government and development partners spent a combined US$4.4 billion dollars on the program, including for block grants and administrative costs, such as the wages for more than 9,000 facilitators in 2009, and even more in subsequent years (PSF 2012). While the scale up of community-driven development influenced poverty levels and participation, some of the same limitations persisted that had been apparent in the earlier KDP program.

Rigorous research and evaluation studies used to determine program effectiveness. From the early days of KDP, the World Bank emphasized rigorous baseline studies and impact evaluations to determine program effectiveness. The World Bank financed several randomized controlled trials, building on new applications of these methods to policy analysis (Olken 2007). Under the PSF, development partners contributed even more than before to the PNPM studies. The PSF’s Joint Management Committee determined the study schedule and topics. Natasha Hayward, head of an analytics team, emphasized that the studies had to be useful for policy makers. Some studies were conducted to respond rapidly to requests from government agencies, she said, including the 2012 studies on women’s participation and influence in village-level decision making, the economic rate of return on projects, and a local-level government assessment. Others sought to inform policy making at more strategic levels. “Demand from government is critical and is the major driving force,” Hayward said. “Because of the unique role of PSF as interface, they (PSF) also generate ideas and theories to be tested, but we’d never pursue those in isolation. It always must be followed up with ’Is this a priority for government, consistent with the challenges they’re facing?’” she added.

The rigorous evaluations and thematic reports identified gaps in the program that sparked the creation of various pilot projects (for more about the pilot projects, see the responses to questions 2 and 3 in section 5, below). “When we know from evaluations, for example, that there are community needs other than infrastructure, we should then explore other interventions that may increase people’s welfare,” said Vivi Yulaswati of Bappenas. “We have good support from PSF not only in evaluations but also thematic reports, so we learn a lot about what works and what doesn’t work in communities. PNPM Generasi and Green and Peduli are examples of our effort to improve the effectiveness of PNPM.”

Studies also created opportunities for government agencies and other stakeholders such as development partners, universities, and civil society organizations to discuss broader policy issues. In that way, the PSF served
as a platform for government and nongovernmental actors to share ideas. “We serve three or four key government agencies here. They are not always necessarily aligned with one another,” Hayward said. “It’s our challenge in some ways to try and steer a path that both is responsive to what they want to see, pushes them to see some of our ideas and thinking, to push the envelope a little bit, and also to provide a framework around which they can coalesce and agree through us.”

The PSF’s studies went beyond PNPM to look at core issues of poverty, local governance, inclusion, and social accountability throughout Indonesia. Suahasil Nazara, coordinator of a policy working group at the Secretariat of the National Team for Acceleration of Poverty Reduction in the Office of the Vice President, said that these broader studies helped policy makers think strategically about the future of poverty alleviation programs, local governance, and community empowerment in Indonesia. “PSF is generating the knowledge. It’s the most important function of PSF—producing the knowledge and evidence,” he said. He stressed the need to draw on rigorous analysis in trying to explain to other countries why community-driven development has worked and noted, “This is where PSF is important.” At the same time, because of the number of factors that influence national poverty rates, it was impossible to measure PNPM Rural’s direct impact on Indonesia’s overall poverty rate. However, the nation’s official poverty rate did decline to 12 percent in 2012, from 16.6 percent in 2007. “I cannot say the poverty rate is declining just because of PNPM,” said Rudy Prawiradinata, director of poverty reduction at Bappenas, “but definitely PNPM is a main vehicle to reduce poverty.”

Rural impact evaluation highlights PNPM rural positive results on poverty and household consumption. A 2010 PNPM Rural impact evaluation compared households in communities that started to participate in the program in 2007 (PNPM 2012), with a control group that began to participate only in late 2009 or early 2010, just before data collection started (the closest possible equivalent to a “no treatment” counterfactual) (PNPM 2012). The study used consumption as an approximation of income. It found that the expanded program sustained the positive results of previous KDP cycles on poverty and household consumption with some variations, although its impact also had similar limitations. Between 2007 and 2010, consumption among poor households that participated in PNPM was, on average, 9.1 percentage points higher than consumption among poor households in the control group. This difference was equivalent to 39,000 rupiah per person per month (about US$4). The increases were more pronounced for the poorest fifth of households, but the evaluation also found positive effects for households in the second and third consumption quintiles—the near poor.

While the average increase in household consumption was significant, the gains were uneven. In 2009, the average increase in household consumption was between 3.3 times and 5.7 times the average cost of the program per household. Poor households were 2.1 percent more likely to move out of poverty in PNPM areas than in villages that were part of the control group. However, households led by women and households led by men without a primary school education did not experience the same benefits as others and were no more likely to move out of poverty than their counterparts in non-PNPM areas. (The Peduli pilot program began later on in 2011 after the evaluation’s study period.) (Voss 2008b).

The PNPM qualitative study brought program issues to the forefront. PNPM did not substantially help nonpoor households or households in nonpoor areas (PNPM 2012). A 2010 PNPM qualitative study provided possible insight into some causal mechanisms that linked the program to antipoverty outcomes (SMERU Research

Table 2 PNPM Mandiri Project Scope, 2006–09

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coverage area</td>
<td>25,962 villages in 1,958 subdistricts</td>
<td>33,000 villages in 1,971 subdistricts</td>
<td>34,405 villages in 2,447 subdistricts</td>
<td>57,266 villages in 4,371 subdistricts</td>
</tr>
<tr>
<td>Funds disbursed</td>
<td>185 (millions of US dollars)</td>
<td>190a</td>
<td>447</td>
<td>700</td>
</tr>
<tr>
<td>Number of program activities</td>
<td>27,849</td>
<td>25,835</td>
<td>49,836</td>
<td>70,006</td>
</tr>
<tr>
<td>Number of facilitators</td>
<td>1,633</td>
<td>5,061</td>
<td>6,471</td>
<td>11,059</td>
</tr>
</tbody>
</table>

Source: Data from the Ministry of Home Affairs annual reports and from PNPM Support Facility (PSF).
a. Because of disbursement delays in 2007, the final amount disbursed for the project cycle that began in 2007 was more than US$190 million.
Institute 2010). The study found that in poor areas without basic infrastructure, the needs of the poor and of the general community aligned. Everyone benefited from public works. As a result, communities invested in infrastructure projects that benefited the poor, such as roads linking villages to markets or clean water systems. By contrast, in nonpoor areas, where the basic economic infrastructure was already in place, communities often continued to invest block grants in additional infrastructure projects. However, in these areas, the poor’s primary needs were not in additional infrastructure, but in capacity development and access to capital. As a result, PNPM projects had less impact on incomes and consumption than they did in the poorer areas. A 2008 PNPM evaluation had encouraged PNPM organizers to consider adapting the PNPM model for nonpoor subdistricts, given the KDP’s lesser effectiveness in these areas (Voss 2008b). However, the government did not alter the basic project model, preferring to scale up first.

Susanne Holste, the head of the PSF operations team, said that given the immense task of the scale up, the Ministry of Home Affairs took the right approach in holding to the basic PNPM model. “First you achieve a scale up, and then when your systems are in place, you can think about offshoots…and regional adaptation,” she said. Still, if the PNPM model was adapted to the diversity of Indonesia, it could take measures to enhance its effectiveness.

Community empowerment results are mixed. KDP was originally conceived as a way to empower communities. The theory of change was to build engagement, generate social capital, and gradually win adoption of the participation, transparency, and accountability principles in the broader social and political context. The actual results were mixed, though in some areas the program was so new that it might have been premature to expect significant changes. According to the Ministry of Home Affairs annual reports, participation rates among women and poor villagers remained high under PNPM Rural. Of the almost 19 million villagers that attended PNPM meetings or participated in project committees in 2009, 53 percent were women and 49 percent were poor. Of participants in 2007, 44 percent were women and 63 percent were poor villagers. A 2010 PSF report also found that the positive effect on citizen participation rates in PNPM Rural were sustained from earlier years, although the participation quality varied (SMERU Research Institute 2010). While participation rates remained high, elites had outsized influence in guiding debates and decision making. Village elites often felt they represented their entire communities, and nonelite villagers passively agreed to the elite’s decisions. In addition, although women’s participation rates in village meetings (excluding women-only planning meetings) increased, men still dominated the decision-making process (SMERU Research Institute 2010). A 2012 governance review found similar dynamics (Woodhouse 2012).

The 2010 study also found that villagers did not demand similar participation rights in local government planning. Instead, they adhered to whatever rules applied to a project, and if non-PNPM programs did not require public participation, villagers would not demand a voice (SMERU Research Institute 2010). Susanne Holste, acting PSF manager in 2014, noted that other programs typically had their own sets of rules and operating logics, which often did not include PNPM principles and may have helped hobble the adoption of these principles, limiting them to PNPM-linked projects and interventions. Elite dominance at the village level was another possible reason that the three values at the core of PNPM—participation, transparency, accountability—did not become part of the “common sense” with which villagers approached their other relationships, especially their interactions with government or politics. Another was the lack of incentives to apply PNPM principles in local government administration. There was no guarantee that if villagers applied the program principles, they would be rewarded with a project, as in PNPM.

Several observers noted issues with the PNPM project cycle, processes, and procedures. Some said that the PNPM project cycle’s participatory aspects were too mechanistic to become embedded in everyday interaction—at times facilitators and villagers followed procedures for the sake of fulfilling requirements and filling out reports rather than animating communal deliberations. The comprehensive manual for facilitators and village committees helped to regularize PNPM processes, but also tended to overwhelm people. Richard Gnagay, adviser to the Ministry of Home Affairs, also worried that facilitators were overburdened by the number of villages they had to oversee. “When you have too many villages to be in charge of, that makes it difficult, because you really need to spend a lot of time in villages.” Suahasil Nazara, coordinator of a policy working group at the Secretariat of the National Team for the Acceleration
Government Strategy Proposes Changes to Strengthen PNPM and Ensure Its Sustainability

Looking ahead, the vice president’s National Team for the Acceleration of Poverty Alleviation and the Coordinating Ministry for People’s Welfare agreed in 2012 on a 12-point strategy—called the PNPM Roadmap—to strengthen PNPM and ensure the sustainability of the program’s three guiding principles in local government administration. The strategy emerged from years of studies and consultations with government ministries, development partners, and civil society organizations and proposed a number of changes. To strengthen PNPM, the government agreed to find solutions to the problem of facilitator vacancies, such as cultivating the facilitator certification program, raising wages systematically, and reducing the administrative burdens on facilitators. It would set up a regular, direct transfer mechanism to move funds from the central government to communities. It promoted good governance by increasing accountability in PNPM programs and expanding and coordinating legal empowerment programs for villagers. In addition, the plan looked to strengthen the village and intervillage committees formed through PNPM by creating a more robust legal basis for their activities.

The roadmap also sought to extend PNPM project principles to local government administration. To date, a potential vulnerability under both KDP and PNPM Rural had been the directness of the linkage between the national level and the communities, effectively bypassing local government administration. Accordingly, the plan called for integrating PNPM mechanisms and support structures, including facilitators, with existing local planning procedures to form a single local participatory planning system with a common budget. This plan was put into operation by the passage of Village Law No.6/2014 in the House of Representatives on December 18, 2013. The law created a single planning system with PNPM principles embedded into the structure, while also increasing local development budgets. A number of interviews were conducted when the bill was pending in parliament, at which point the law’s impact was already being anticipated as an important new step for PNPM. For example, Suahasil Nazara was optimistic that the bill’s passage would normalize the application of community empowerment principles. “Integration is successful if we can change the law. A great number of principles of PNPM are to be included in the next village law,” he said. “If that’s successful, then village operations will be close to the PNPM model. That is how it should be integrated.” In discussions in July and August 2014, Susanne Holste confirmed that the new law had the potential to effectively embed PNPM principles into village administration. However, there are also substantial risks associated with the new law if the implementing regulations and transition from PNPM to village grants are not carefully crafted.

Suahasil Nazara said that, despite all the PNPM studies that looked at the quality of infrastructure produced and the impact on incomes, it was important to remember that PNPM’s ultimate goal was community empowerment. “Anyone measuring PNPM as an antipoverty measure and looks only at income, I think that’s wrong,” he said. “PNPM comes to say, ‘Look, your voice matters, what do you want to do, what would you like to happen in this village, to see in your community?’ And that’s what matters.”

Case Study Limitations of Time and Depth into the Implementation Process

The case study’s time limitations highly constrained the extent of the possible fieldwork. As a result, the case study was unable to obtain or incorporate multiple perspectives inevitably associated with such a large undertaking as PNPM Rural. Many portions of the text cite comments by a single national or local official, when such views might have differed had there been time to interview additional national or local officials. Similarly, the fieldwork did not
extend to data collected directly from the local entities involved in PNPM Rural, which eventually extended to tens of thousands of villages, subdistricts, and districts.

In addition, the length and complexity of the implementation process precluded a fully detailed chronological rendition. Instead, the text highlights five of the integral aspects of the implementation process, and no claim is made that these were the only aspects that needed to be covered.

Lesson Learned on Expanding and Diversifying a Community-Driven Development Program

This PNPM Rural case study highlights several lessons about expanding and diversifying an ongoing program. The lessons learned are now reflected in the responses, below, to the three case study questions posed at the case study outset:

Q1: How can a successful community-driven development program be extended to hard-to-reach and remote geographic locations?

Extending the PNPM model was not easy in all parts of Indonesia. The eastern provinces of Papua and West Papua presented a particular challenge for the Ministry of Home Affairs. Located on the western half of New Guinea and its surrounding islands, Papua was among the poorest and most underdeveloped regions of Indonesia. Several indigenous Papuan separatist groups had sporadically clashed with security forces since 1963, and at the time of the PNPM scale up, the area was home to Indonesia’s deadliest conflict. In 2007, the president had announced a "New Deal" for the area, aimed at increasing development (International Crisis Group 2012). But weak transportation infrastructure, long distances between villages in certain areas, and cultural distinctiveness presented challenges for extending PNPM.

In 2008, Papuan provincial governments and the Ministry of Home Affairs launched a version of PNPM tailored to Papua called PNPM Respek (PNPM Respect). Local governments provided funds for block grants while the ministry provided facilitators. Unlike PNPM Rural, under the Respek program all villages received funds without an intervillage competitive proposal process. In addition, because facilitators had difficulty traversing long distances between villages, which resulted in a slower implementation pace, PNPM Respek project cycles were permitted to extend beyond the usual 12 to 16 months. The local provision of funds freed Respek from central government disbursement deadlines.

However, there was another challenge in Papua, namely the lack of civil engineers who could work as technical facilitators. The ministry’s Bito Wikantosa explained that at the initial wage levels offered to facilitators, Papuan civil engineers could easily find other jobs with better pay. The ministry raised facilitator salaries in Papua, he said, but the change did not solve the problem. The ministry then tried transferring facilitators to Papua from other parts of Indonesia, Bito Wikantosa explained, but many non-Papuan facilitators struggled to navigate Papua’s geography and cultural map. To address the problem, the Ministry of Home Affairs revived a training program first introduced in 2003 called “barefoot engineers.” Richard Gnagey, an adviser to the ministry, recalled that at the time, the ministry needed to recruit technical engineers for 90 subdistricts in Papua, but only 19 people passed the preservice training, and 10 of those left in the first two weeks.

In 2009, the Ministry of Home Affairs launched a second phase of the barefoot engineers with PSF funding and assistance. The ministry partnered with Universitas Cenderawasih, a local university in Papua, to recruit and train high school graduates. The six-month course covered the skills needed to perform as technical facilitators. Upon completion, graduates were deployed as facilitators. In the 2009 cycle, 106 were trained. Owing to the program’s success, a third cycle was launched in late 2012, to train an additional 300 technical facilitators out of a total 560 required for the region (Ministry of Home Affairs 2009).

In summary, the ability to reach remote geographic locations raised a number of issues such as the need for longer project cycles, allowances for increased transportation costs, and the availability of skilled staff. In the PNPM case, the Ministry of Home Affairs responded to the dearth of trained professionals by implementing its own training program.

Q2: How can the focus of a community-driven development program be expanded beyond physical infrastructure to address social needs (health and education)?
Two important new goals were to expand access for the disenfranchised and encourage use of the block grants for a wider range of activities. Although KDP had a positive impact overall, particularly for poor people in poor areas, not all demographic groups had participated to the same degree in the intervillage planning cycles or benefited from the projects implemented. Communities also made relatively limited use of the funds to improve health, education, and natural resource management, when compared to public works such as roads.

Beginning in 2007, the PSF Joint Management Committee developed several pilot projects to expand PNPM to disenfranchised groups and new activities. PSF helped finance this extension and the government also picked up some of the costs. The Ministry of Home Affairs implemented many of the pilots.

PNPM Generasi Sehat dan Cerdas (PNPM Healthy and Smart Generation) began in 2007 and allowed the GoI and its partners to test some of its assumptions about PNPM’s impact and causal mechanisms. At this time, Indonesia as a whole was making uneven progress toward its 2015 Millennium Development Goals in health and education, with certain poor rural areas lagging significantly behind. Meanwhile, communities had used KDP funds overwhelmingly for small infrastructure projects, rather than in health and education. PNPM Generasi aimed to reduce maternal and infant mortality and increase primary school enrollment in underperforming areas. The program adopted the PNPM Rural model, but villages could use its block grants only for health and education projects. Villages used the PNPM Generasi grants for a range of activities. The most common education projects were the provision of school materials, such as textbooks, and the provision of financial assistance such as scholarships and transport fees. Communities pursued projects in health that provided financial assistance for pregnant mothers for transportation to clinics or to pay midwives, and for supplementary feeding activities (Olken 2011). The allocation formula departed from the PNPM model. In some subdistricts, the size of block grants for subsequent project cycles depended on prior performance. In these areas, 80 percent of block grants were distributed based on the standard PNPM formula for population and poverty incidence, while the other 20 percent was a bonus based on the previous cycle’s performance, as measured by 12 health and education indicators. The design allowed observers to test if these types of performance incentives would alter behavior. Indeed, this program represented the largest randomized control trial worldwide in the development field.

PNPM Generasi showed mixed results overall, with largely positive outcomes in areas with the lowest baseline performance in health and education (Olken 2011). PNPM Generasi helped to reduce childhood malnutrition rates and increase primary school enrollment in some areas, though baseline attendance was already quite high (Olken 2011). In 2010, the government decided to expand the program from 1,800 pilot villages to almost 4,000 in 2012, with PSF help (PSF 2011). Going forward, the head of the PNPM Generasi team at PSF, Robert Wrobel, said PNPM Generasi intended to focus on early childhood education and on increasing the supply of health services in rural areas.

In short, PNPM Rural responded to the common bias for communities to prioritize physical infrastructure, by creating a new variant that focused the intervention on health and education spending. Furthermore, access to additional funds was based on improved performance in key health and education indicators. The initial evaluation showed mixed results, with the largest gains in outcomes occurring in villages with the lowest baselines. Subsequent evaluations showed more positive results, and in a follow-up discussion Susanne Holste suggested that the initial evaluation showed mixed results because a constitutional court decision issued in the year it was done “flooded the education sector with money, drowning out effects.” Holste also said that in later years, the provision of additional services, including health and education program staffing, increased interest and uptake among beneficiaries.

Q3: How can a community-driven development program be reformed to better serve stigmatized and disenfranchised segments of the population?

PNPM Rural’s expansion included not only new funding to promote underprioritized types of village activities, but also new methods to empower marginalized populations. Evaluations from the first years of the KDP revealed that certain groups were largely excluded from participating in the program at the village level or did not benefit from projects due to social stigmas and other causes of marginalization. The excluded groups included street children, sex workers, people with HIV/AIDS, indigenous groups, female-headed households, and others. A 2010 study by Akatiga, an Indonesian NGO,
confirmed the exclusion problem (Akatiga Center for Social Analysis 2010). The Coordinating Ministry for People’s Welfare Deputy Minister Sujana Royat prodded the Joint Management Committee to conceive of ways to reach out to these groups.

In 2011, to address these issues, the Coordinating Ministry for People’s Welfare responded with the launch of PNPM Peduli. The program differed significantly from the PNPM model. Civil society organizations led implementation, rather than the government. The organizations had established networks and hard-earned trust among relevant communities. “We felt that those most qualified to design and implement these programs were the community-based civil society organizations that have extensive experience working with [marginalized groups],” said Sujana Royal (PSF 2012). The support facility (PSF) directed grants to three large Indonesian organizations, which helped organize a network of nongovernmental groups.1 In addition to funds, the support facility provided the organizations with training in financial management, report writing, and methods for working effectively with marginalized groups.

The Peduli pilot phase lasted until the end of 2012 and in its first year, 72 civil society organizations supported a variety of activities that affected more than 15,000 people in 24 provinces (PSF 2012). Activities included providing birth certificates for street children so they could attend school, assisting indigenous groups with land rights, helping sex workers with vocational training and funds to start small businesses, and other projects. Following the pilot, the Coordinating Ministry for People’s Welfare and PSF decided to extend Peduli for a second phase.

PNPM Rural highlighted a common problem for community-driven development programs when “community” is defined in geographic terms. To reach stigmatized and disenfranchised segments of the population who face huge obstacles to community participation, PNPM Rural broke with this definition of community and reached out to civil society groups whose focus were the disenfranchised and more vulnerable segments of the population.

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1 The three organizations were as follows: Kemitraan, the Association for Community Empowerment (ACE), and Lakpesdam, part of the Nahdlatul Ulama. The first two were grantmaking organizations with dozens of partnerships with local civil society organizations. Lakpesdam PBNU had a national network of branches to which it distributed funds.

### How the Case Study Informs the Science of Delivery

The science of delivery is the collective and cumulative knowledge base of delivery know-how that helps practitioners make more informed decisions and produce more consistent results on the ground. It focuses on understanding not just what to deliver (the products or services), but also how to deliver (the process). The emerging framework of the science of delivery identifies five approaches that represent part of the delivery know-how that practitioners use on the ground to achieve results. The present case study speaks to these approaches and their relevance to the delivery challenges faced by implementers as elaborated below:

**Relentless focus on citizen outcomes.** A variety of studies, evaluations, and qualitative analyses have shown positive economic and participatory benefits among residents as a result of the expansion of the community-based program to rural villages across the country. However, potential elite dominance at the village level is a continuing concern that needs to be addressed.

**Multidimensional response to achieve program goals.** Important program goals were to encourage communities to address underprioritized types of activities (for example, serving health and education needs and not just improving physical infrastructure), and to serve marginalized and disenfranchised population groups. Pilot projects formally served as program variants that supported these multisector and multistakeholder efforts; for example, one variant limited spending to health and education activities. The program also benefited from partnerships involving the World Bank and other development partners. The collaborations included the operation of a support facility that provided monitoring, training, and evaluation services, among other functions.

**Evidence used to achieve results.** A significant share—approximately 3 percent—of PNPM’s budget was allocated to monitoring activities and collecting evidence, both qualitative and quantitative and this information was used to inform and modify program implementation, when needed. This support included full-time PSF monitoring and evaluation specialists, who the PSF funded. PSF monitored disbursements and financial management, and its staff made field visits, which could include examination of the communities’ budgets and other activities. Field engagement was constant, rather
than taking place only on annual missions; while district governments were briefed during the missions, updates were provided to national government on a constant basis. Moreover, the PSF measured PNPM’s internal processes to promote the program’s efficacy and eliminate implementation bottlenecks. Staff involved with PNPM felt strongly that this focus on monitoring and collecting evidence contributed to the program’s success. In addition, the World Bank’s long-term engagement and extended presence in-country enabled practitioners to bring considerable country knowledge to bear on solving implementation problems.

Lack of leadership to implement change. While the PNPM goal was to expand community development into every rural village across the country’s sprawling archipelago by 2009, central ministry leadership was thinly staffed at the headquarters level and struggled to respond quickly to issues or problems.

Adaptive implementation. The program made some changes to adapt to the difficulty in recruiting and retaining facilitators serving remote, insecure, or particularly poor areas. As an adaptation to some challenges, the program provided specialized training to generate needed candidates. The program also established a certification program to make facilitator work more attractive as a career choice.

Bibliography


