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Policy Brief

From Relief to Resilience: Strengthening Indonesia's Cash for Work for Sustainable Poverty Alleviation

Main messages:

- The Cash-for-Work (CfW) scheme has evolved from a crisis response tool into a widespread poverty alleviation programme, but its current implementation remains fragmented and short-term in nature.
- Despite its scale, CfW's impact on long-term poverty reduction is limited due to weak governance, minimal coordination, and the lack of asset-building components.
- To be transformative, CfW must shift from standalone infrastructure projects to integrated programmes that develop both physical and human capital.
- Intensifying and expanding CfW through better targeting, inclusive participation, and alignment with national development strategies can unlock its full potential as a pathway out of poverty.
- A tiered implementation model (*Mandiri, Kombinasi, Ekstensi, Integrasi*) allows CfW to be adapted to varying local capacities and development priorities.

A Tool for Relief, Recovery, and Beyond

Indonesia's CfW programme was initially designed to cushion the economic shock of the 1998 Asian Financial Crisis through short-term employment, but has evolved to a broader tool for supporting the poor and vulnerable through productive public works. Despite this evolution, many programmes retain their short-term orientation, lacking structural

features needed for lasting impact. This legacy has shaped the design and perception of CfW as a safety net rather than a springboard for sustainable development. While the programme's adaptability is a strength, its fragmented design and short time horizon continue to limit its developmental impact. This presents a key opportunity for transformation and consolidation across programmes.

CfW refers to labour-intensive public work initiatives that offer cash wages for temporary employment, often aimed at building or maintaining public infrastructure. CfW is broadly classified into standalone programmes, which respond to emergencies, and embedded activities integrated into larger development schemes. Each model offers different potentials for combining short-term income with longer-term developmental objectives.

Indonesia's CfW activities currently range from basic infrastructure and reforestation to community services, but most still follow a standalone model with short duration and minimal follow-up. This has led to limited capacity building or asset creation among participants. While some programmes include women and persons with disabilities, their participation remains marginal. The lack of coordination and complementary activities such as training, certification, or access to finance has further weakened the potential of CfW as a poverty alleviation tool. A comprehensive redesign is needed to integrate these fragmented efforts into cohesive, scalable interventions.

Today, at least eight ministries oversee 16 CfW-related programmes, supported by a national budget of IDR 19.41 trillion in 2023. At the subnational level, local governments and village authorities also run their own CfW initiatives. Nearly 50% of all villages (37,789) implement PKTD,¹ showcasing the programme's reach. However, differences in technical guidelines, coordination practices, and oversight mechanisms across levels have resulted in uneven implementation. Without a shared regulatory framework and integrated approach, these multi-level programmes risk inefficiencies and duplication of efforts, especially in targeting and resource allocation.

While Indonesia's CfW is frequently framed as an economic empowerment tool, its current implementation model offers only partial answers to the problem of persistent poverty. Many CfW programmes focus solely on temporary work and cash transfer without building productive assets or skills among participants. As a result, beneficiaries often return to poverty after programme completion. To serve as a transformative poverty alleviation tool, CfW needs to shift from an emergency response model to one that actively invests in long-term human and physical capital. This transition requires a strategic redesign focused on building sustainable livelihoods, increasing local resilience, and strengthening community capabilities.

Why Indonesia's CfW Still Falls Short

Indonesia's CfW programmes suffer from the absence of a unified legal framework that led to governance gaps. Existing regulations are dispersed across sectoral ministries, with no overarching standard that binds them under a common strategy. For instance, while CfW is recognised under the 2013 Government Regulation on Labour Expansion, it is only briefly mentioned without detailed implementation guidance. This has created inconsistencies in objectives, targeting criteria, and operational models across programmes. Strengthening regulatory governance is crucial to ensuring consistency, accountability, and long-term coherence of CfW initiatives.

¹ (PODES, 2024)

Implementation mechanisms vary widely across programmes, particularly in wage standards, project duration, and targeting methods. Most CfW programmes offer daily wages below market rates, justified as a way to encourage self-targeting. Yet, short project cycles and limited work days undermine income gains and fail to offer meaningful work experience. Without pre- or post-programme training, CfW participants are unlikely to translate their labour into improved employment prospects. Standardising delivery mechanisms across regions and ministries is essential for improving impact and enabling effective programme monitoring.

The prevailing model in Indoensia's CfW programs has yielded modest outcomes with limited impact and efficacy in productive asset creation. Most projects do not substantially increase household income, nor do they result in the creation of durable physical or human assets. Projects tend to focus on immediate outputs such as infrastructure maintenance, with little consideration for long-term productivity. Consequently, beneficiaries often fall back into poverty.

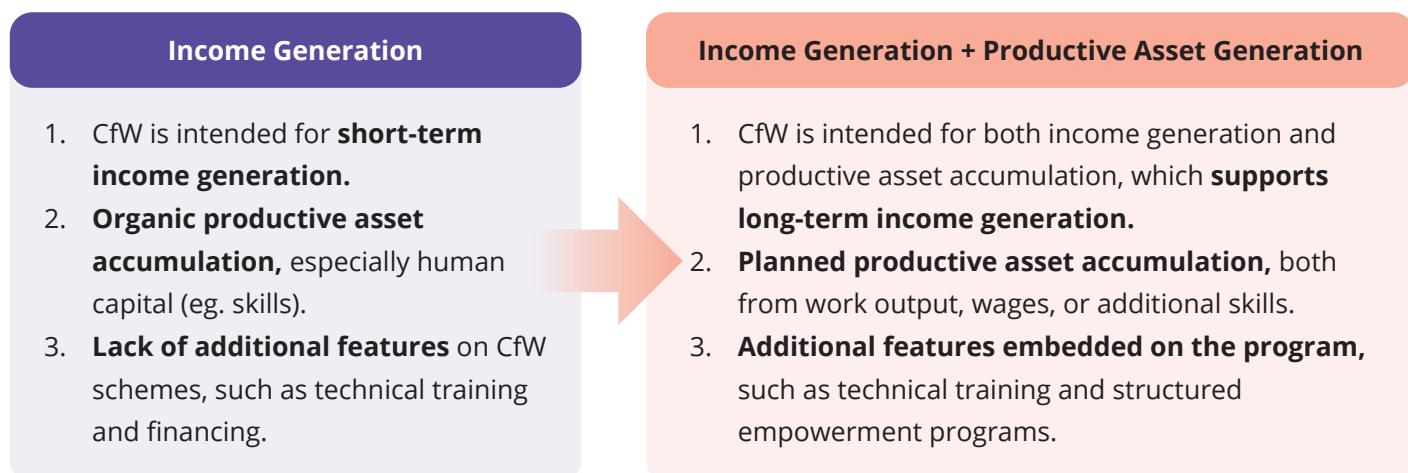
To unlock its full potential, CfW must be linked with asset-building strategies, whether through community infrastructure, vocational skills, or entrepreneurial tools.

From Short-Term Relief to Long-Term Empowerment

To maximise its poverty alleviation potential, CfW must transition from a short-term relief mechanism to a tool for long-term empowerment.

To maximise its poverty alleviation potential, CfW must transition from a short-term relief mechanism to a tool for long-term empowerment (Figure 1). While current models provide temporary income through labour-intensive projects, they often fall short of equipping participants with the assets or capabilities needed for sustainable livelihoods. This shift requires reimagining CfW not merely as an emergency response, but as part of a broader development agenda that builds human capital, strengthens local infrastructure, and supports economic resilience.

Figure 1. Optimising CfW for Poverty Alleviation



Source: TNP2K, 2024

CfW should not operate in isolation but align with Indonesia's broader poverty reduction and rural development strategies. Its design and evaluation must be guided by national goals for inclusive growth, sustainable infrastructure, and human development. Transforming CfW into a pathway to empowerment will require embedding it into long-term policy frameworks that span beyond fiscal years or project cycles. This shift also demands political commitment to redefine CfW not as a stopgap, but as a driver of resilience and economic mobility.

Village-level actors must evolve from merely administering projects to strategically planning for productive asset creation. This includes mapping local economic opportunities, identifying labour-intensive investments that generate value, and embedding CfW in broader village development plans. Instead of focusing narrowly on cash payments and routine maintenance, PKTD should be used to seed rural transformation by developing infrastructure that supports agriculture, trade, and public services.

Effective CfW programmes require seamless collaboration across sectors. Currently, coordination is often siloed within ministries or limited to vertical administrative chains. A more effective model involves integrated planning across ministries (e.g. Public Works, Social Affairs, Agriculture), linking physical works with complementary services like training and enterprise development. Institutionalising this coordination, with clear mandates and shared indicators, will enhance efficiency, reduce overlap, and scale up impact.

CfW activities that are aimed to develop local infrastructures should not be viewed as one-off projects but as catalytic investments in rural development. Roads, irrigation systems, and storage facilities built through CfW can increase agricultural productivity and market access if designed with local development strategies in mind. To maximise returns, infrastructure projects must be prioritised based on potential for long-term impact and be maintained through community-based mechanisms.

Poverty alleviation cannot be achieved through physical infrastructure alone, but also an investment in human capital. CfW must also invest in human capital through structured training, life skills development, and access to financial services. Programmes that build skills and provide recognised certification help participants move up the economic ladder. When paired with social services and enterprise support, CfW can enable intergenerational mobility rather than short-term survival.

CfW Schemes with asset transfer component need to shift from incidental to intentional productive asset accumulation. Rather than sporadic, productive asset creation should be a deliberate objective of CfW. Every project should be assessed not only for its immediate output but also for its contribution to long-term household and community assets. Whether it's irrigation canals, training outcomes, or local business support, these must be part of the programme's design and evaluation matrix. Planning for asset accumulation requires clear targets, appropriate budget allocation, and community involvement.

Adding technical training and empowerment activities components is essential to enhance the effectiveness of CfW. Programmes should offer training that aligns with the work performed, such as irrigation management, post-harvest handling, or microenterprise development. Empowerment interventions like business coaching or financial literacy can multiply the impact of CfW by improving participants' economic decision-making. These additional features do not require large budgets, but must be contextually relevant and accessible.

Without additional features, CfW remains a short-lived intervention. Lasting impact requires structural transformation in how poor households engage with local economies. The integration of empowerment and capacity-building elements will help ensure that CfW beneficiaries do not revert to precarious livelihoods once the programme ends. The goal is to create stepping stones out of poverty, not just a temporary safety net.

Monitoring, Evaluating, and Learning

Monitoring systems should not focus solely on physical output. Instead, they must track whether CfW improves participants' resilience, skills, and economic prospects over time. A comprehensive monitoring and evaluation (M&E) system must include both quantitative and qualitative indicators, including post-programme income, skill acquisition, and asset accumulation. Real-time feedback should guide adaptive programme design.

M&E frameworks must be participatory, involving community members in identifying success indicators and implementation challenges. Evaluating CfW on two metrics, which are i) short-term income gains, and ii) long-term asset development. Both approaches will ensure a more balanced understanding of impact. Community input can also help refine targeting and delivery models, ensuring CfW is locally relevant and sustainable.

Strategies to Optimise CfW for Poverty Reduction

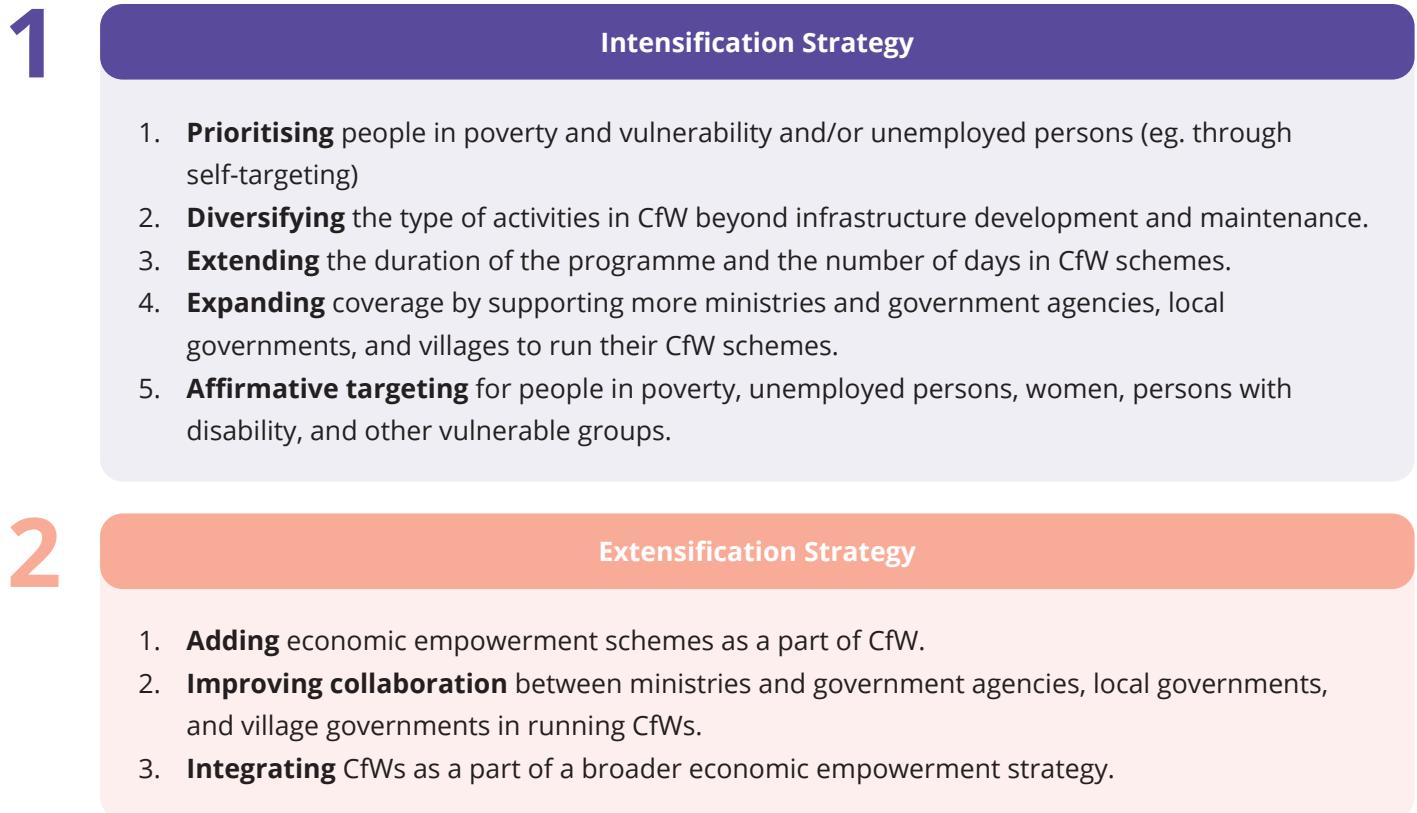
Two key strategies (intensification and extensification) can guide the transformation from CfW for short-term employment to a platform for inclusive development (Figure 2). These strategies improve the quality of existing programmes and expand their scope to align with broader national development goals. These approaches will enable CfW to deliver both immediate income support and long-term community resilience.

Intensification focuses on making existing CfW programmes more impactful. This includes better targeting of poor and vulnerable populations, extending programme duration, and diversifying activities beyond infrastructure. Increasing participation of women, the elderly, and people with disabilities will make CfW more inclusive. Strengthening current models will yield better returns from ongoing investments.

Extensification involves expanding CfW's role in broader development efforts. CfW should be embedded within national and local strategies for food security, stunting reduction, and economic empowerment. This includes stronger collaboration across ministries, integrated budgeting, and linking

CfW to post-programme support mechanisms. Expansion should also include non-infrastructure projects such as elder care, waste management, or public facility maintenance to create inclusive job opportunities.

Figure 2. Cash-Intensive Optimisation Strategy for Poverty Alleviation



Source: TNP2K, 2024

Recommendations: Unlocking CfW's full potential

1. Transition CfW from Standalone Projects to Integrated Development Platforms

Existing CfW models should gradually evolve from one-off, short-term infrastructure projects into integrated components of broader rural development and poverty alleviation strategies. This transition enables CfW to contribute to long-term goals such as agricultural productivity, climate resilience, and food security that are well-suited to local communities' needs rather than acting merely as a temporary safety net.

2. Expand the Scope of CfW to Include Social and Non-Infrastructure Services

CfW activities need to be diversified beyond physical construction projects to include care work, waste management, digital literacy programmes, and village services. These activities are particularly well-suited for women, the elderly, and people with disabilities. Integration with programmes like PKH (*Program Keluarga Harapan*) can strengthen targeting and allow CfW to reach groups currently underserved by traditional infrastructure-based models.

3. Institutionalise Technical and Vocational Training Within CfW

Embedding certified skill-building and entrepreneurial training into CfW projects may boost participants' long-term employability and income-generation capacity. This could be implemented in collaboration with *Balai Latihan Kerja* (BLK) or *Prakerja*, and linked with formal certification from the Ministry of Manpower or Ministry of Industries. Such integration enables beneficiaries to transition into the formal economy or start small-scale enterprises post-programme.

4. Establish a Unified Regulatory and Coordination Framework

Developing a national policy framework for CfW can harmonise programme design, targeting, and delivery across ministries, local governments, and village authorities. This should include minimum standards for wages, duration, and asset planning. A coordinating body, potentially under Bappenas or the Ministry of Villages, can ensure synergy with regional development planning and programmes like Dana Desa, while reducing fragmentation across sectors.

5. Adopt Dual Impact Evaluation Metrics: Short-Term Income and Long-Term Asset Accumulation

CfW's monitoring and evaluation systems need to be redesigned in a way that allow it to assess both immediate outcomes (e.g., household income) and long-term impacts (e.g., productive asset creation, employability, skills gained). Participatory evaluation tools should be deployed to capture local relevance and community ownership. This approach aligns with Indonesia's broader commitment to evidence-based policy as seen in social protection reforms under TNP2K.

6. Tailor CfW Model Typologies to Local Capacity and Development Readiness

Instead of forcing a one-size-fits all CfW model, tiered CfW models need to be implemented depending on the village or region's administrative and developmental capacity. This typology allows flexibility based on the village's or region's institutional capacity, development stage, and socio-economic needs (Figure 3). The four suggested models are:

i. **PKT Mandiri (Standalone CfW)**

Basic, short-term income support through single-purpose activities.

ii. **PKT Kombinasi (Combination CfW)**

Multi-activity programmes combining income support with complementary work streams.

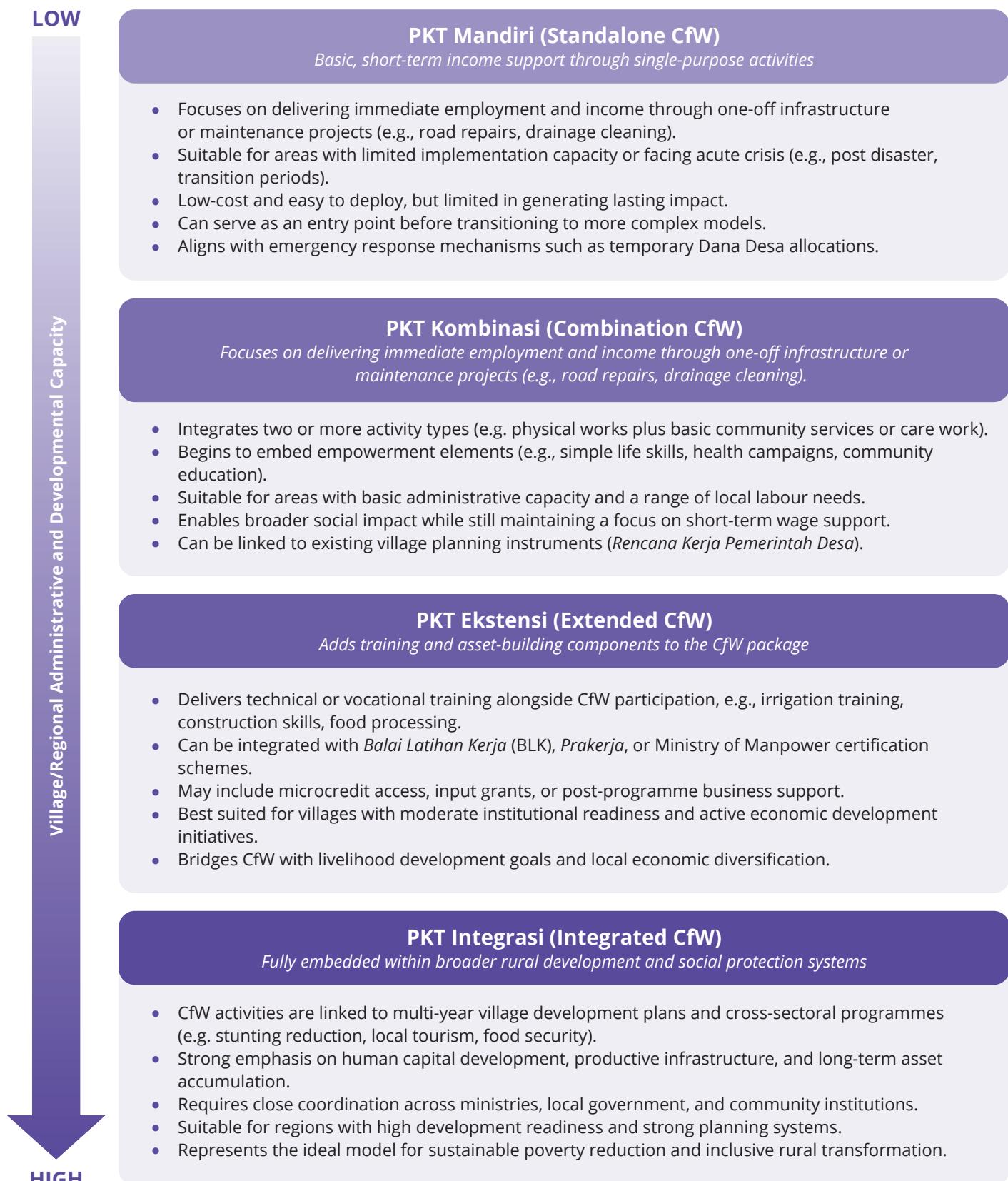
iii. **PKT Ekstensi (Extended CfW)**

Adds training and asset-building components to the CfW package.

iv. **PKT Integrasi (Integrated CfW)**

Fully embedded within broader rural development and social protection systems.

Figure 3. CfW Development Models by Administrative and Developmental Capacity



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