

Chapter 4

Rural Development Policy in Indonesia

Abstract Policies of rural development in Indonesia have evolved over time. It began with the land reform policy implemented in the 1960s, then the Green Revolution was implemented in the 1970s and 1980s, the Backward Village Program was implemented in 1990s, the *Kecamatan* Development Program was implemented in 2000s, and Social Protection Programs were implemented thereafter. The programs have had positive impacts on rural livelihood, but most of them have not been completely successful. Various implementation gaps can be identified from the programs, which mostly lie in the weak capacity of the bureaucracy to implement the programs, insufficient funding, and the weak management of the poverty database. Therefore, the future of rural development in Indonesia will depend on the government's capacity to manage the programs, the political commitment of national and local leaders to create pro-rural development budgeting, and support from local institutions through decentralization to improve the targeting of poverty alleviation programs.

Keywords Land reform • Green revolution • Backward village program • *Kecamatan* development program • Unconditional cash transfer • Social safety nets • Rural development

4.1 Introduction

Since Indonesia became independent, there have been many rural development policies implemented by the government. Each regime has formulated policies based on its political views. For example, during the Sukarno administration that was influenced very much by a leftist ideology, the policy of rural development was land reform aimed at decreasing the landholding inequality in rural areas. When the Suharto administration took over, influenced very much by modernization and capitalism, the rural development policies were dominated with programs aiming to improve productivity and bring advanced technology to rural areas, including the Green Revolution and other infrastructure and capital-intensive programs.

Thereafter, when Suharto regime collapsed and was replaced by a democratic regime, policies of rural development evolved to include community empowerment and social protection programs.

This chapter aims to review several main policies of rural development in Indonesia, underlining in particular their implementation and impact on rural residents. Chronological perspective will be applied to analyze these programs. In addition, lessons learned from the implementation of rural development policies in Indonesia will be discussed in the last part.

4.2 Land Reform

The most significant rural development policy created by the Sukarno administration was Law 5/1960 on the Basic Rule of the Agrarian System. The law was the basis of land reform in Indonesia, aiming to distribute agricultural land occupied by property owners to landless farmers. It was the main socialist legislation enacted as part of President Sukarno's ideology on Indonesian socialism. During this time, he was aware that landholding inequality was a serious problem in rural areas that would impede many peasants from escaping from poverty. Overpopulation in the Island of Java, with only 6.8% of total Indonesian land but inhabited by about 60% of the total Indonesian population, implied agricultural land scarcity in the island. The traditional land system before independence that gave local traditional leaders a monopoly on land ownership had exacerbated landholding inequality within the rural community.

The law itself intended to create more equal land distribution. It set a minimum size of landholding at two hectares of either irrigated or dry land per farm household. It also set the maximum size of landholding to prevent excessively large landholdings. The maximum size of landholding varied according to the degree of population density in each area. In Java, the maximum landholding was set at 7.5 ha of irrigated land or nine ha of non-irrigated land.

Although the program was conceptually very good for rural development, it received little support. At that time, the Indonesian political configuration was influenced by the three main ideologies of nationalism, religiosity and communism. Support for the program came from the Indonesian Communist Party, which initiated the law and fully backed the peasant movement. The two other groups, religious and nationalist, did not support and even resisted the program. They resisted the program because their constituents were mostly people with larger endowments and farmers with relatively large areas of land. The implementation of land reform program often created riots in rural areas. Land distribution was executed through the one-sided action of peasants claiming land from property owners. The riots generally occurred as conflicts between the peasants, who were organized by the Indonesian Communist Party, and the property owners, who were backed by the local religious leaders and army. The government itself could not handle the problem due to serious division within the government. In short, land reform could

Table 4.1 Inequality of landholdings in Indonesia, 1963–2003

No	Year	Java		Indonesia (excluding Java)		Indonesia	
		Average land holding (Ha)	Land Gini	Average land holding (Ha)	Land Gini	Average land holding (Ha)	Land Gini
1.	1963	0.70	–	1.90	–	1.10	–
2.	1973	0.60	0.45	1.50	–	1.00	0.55
3.	1983	0.58	0.49	1.38	0.48	0.98	0.50
4.	1993	0.47	0.56	1.19	0.48	0.83	0.64
5.	2003	0.30	0.72	0.80	0.64	0.70	0.72

Source Mishra (2009)

not be implemented smoothly and even triggered a horizontal conflict within rural communities (Wertheim 1966; Anderson 1983).

The land reform programs could only be implemented until 1965. As a result of the aborted coup of the Indonesian Communist Party in 1965, the Indonesian government banned communist ideology and its related activities. Having no political support, the land reform program was subsequently terminated. President Suharto, who governed Indonesia after 1966, did not want to risk social unrest potentially caused by land reform. There was no effort to execute land reform in Indonesia after 1966. The program only distributed land to 1,292,851 farm households, which included 816,849 households in Java, with farmers receiving about 0.42 ha per household on average (Prosterman and Mitchell 2002). The failure of the land reform program perpetuated landholding inequality in rural areas, a condition that would in turn affect rural poverty in Indonesia. The landholding inequality could be seen, as the majority of the poorest people in Indonesian rural areas are farm laborers working on other people's land and smallholders farming on extremely small plots of land, less than 0.5 ha (Mishra 2009) (Table 4.1).

4.3 The Green Revolution

The rise of General Suharto to become the second president of Indonesia marked a period during which economic development became the major national agenda. He called his administration the New Order, a regime in which development was given the highest priority in the national agenda. The term was used to differentiate his regime from his predecessor's, what he called the Old Order, in which politics was the main concern of the government. The short-term priority of the new regime was to create political stability and to overcome rampant inflation. In the long term, economic policy consisted of efforts to pursue economic growth. It was believed that without economic growth, nothing could be shared with people except poverty itself. Hence, economic development should be grown first and only then, equity could be created. As political stability was the compulsory condition for economic

growth, the government strictly prohibited every activity with the potential to underpin political stability.

The prime rural development policy in the first two decades of the Suharto administration was the Green Revolution program. In Indonesia, the program was better known by the name Mass Intensification Program (INMAS). The program intended to increase farming productivity, mainly rice, through introduction of modern farming techniques. Rice production became the most important issue in rural development in the 1970s and 1980s, and the main goal of the government at that time was to achieve rice self-sufficiency in Indonesia. Supported by increasing state revenues from booming oil prices in the 1970s and foreign aid programs, the Indonesian government was able to finance the Green Revolution program. Wood (2005) notes that state income was massively boosted by oil revenues, from only US\$0.6 billion in 1973 to US\$10.6 billion in 1980. Foreign aid flowing to Indonesia reached US\$25.4 billion by the end of 1982, a figure that led to a 28% national debt-service ratio (Wood 2005). Irrigation canals, fertilizers, pesticides and high yielding varieties of rice seeds were provided in order to implement the Green Revolution. Between 1970 and 1984, the total irrigated land increased from 3.7 million hectares to 4.9 million hectares. Furthermore, the area of high yielding varieties expanded from 0.8 to 6.8 million hectares. It was reported that the use of subsidized fertilizers increased from 0.2 million tons to 4.1 million tons per year while the use of subsidized pesticides increased from 1,080 ton to 14,210 tons per year. Until 1985, the government subsidized the prices of pesticides and fertilizers at 82, and 68% of the market prices, respectively (Panayotou 1993; Barbier 1989).

To make the Green Revolution a successful program, the Indonesian government totally controlled the distribution of farming production inputs. Through Presidential Instruction 4/1973, the Indonesian government established Village Unit Cooperatives in each sub-district to channel farming production inputs such as fertilizers, pesticides and seeds and to facilitate the marketing of products by the farmers. In 1976, the number of cooperatives were 8,878 units all over Indonesia (Baswir 2003). Through this monopoly, the government faced almost no difficulty in distributing farming production inputs.

The results of the Green Revolution program were very amazing in increasing rice production. Within 15 years, rice production increased by 127%, from 11.6 million tons in 1969 to 26.3 million tons in 1984 (Axelsson 2008). The program lifted Indonesia from a rice importer in the beginning of 1970s to a rice self-sufficient country in 1984. Indonesia was able to export 1.5 million tons of rice in 1985. It also significantly reduced the number of poor people in rural areas and enhanced the economic welfare of many farmers. Between 1968 and 1984, the number of people in absolute poverty decreased from 65 to 21.6% of the total population.

Despite the success of the Green Revolution in increasing rice production, the Green Revolution had substantial problems in the sustainability, equity and stability of production. The varieties of rice would produce high yield only if they were planted with the intensive use of fertilizers and pesticides. Given high subsidies from the government, fertilizers and pesticides were available in the market at

affordable prices, by which farmers faced almost no difficulties in obtaining them. This, in turn, triggered inappropriate uses of fertilizers and pesticides. For example, in some areas, the use of urea reached 400 kg per hectare, much higher than its recommended use of 200 kg. The inappropriate use of pesticides and fertilizers led to contamination and the degradation of the soil and triggered the emergence of stronger pests resistant to the pesticides used. In 1986 and 1987, an estimated 50,000 to 60,000 hectares of cultivated rice were lost due to an outbreak of brown plant hoppers resistant to pesticides (Barbier 1989). The more frequent harvest failures would affect the incomes of small farmers more seriously than the large farmers would.

In a traditional farming system, landless farmers usually earn a living from working on the others' land either as daily workers or as sharecroppers. The utilization of farming machines introduced by the Green Revolution in rural areas reduced the use of worker in the farming sector. In case of landless farmers, the Green Revolution might have made their lives more difficult due to reduced job opportunities. There have been few economic benefits for them in modernization because rice production increased but labor productivity did not (Axelsson 2008). A study conducted by Keyfitz (1985) concluded that villagers with large cropland were the ones most benefited by the program. The villagers with no land or only small land still lived in poverty. In 1985, the period when the Green Revolution program reached its success in increasing rice production, it illustrated how development inequality occurred in village areas. "Villagers having large land could do pilgrim to Mecca three times, to cite the extremes of village social status while villagers having no land could only hope income US\$1 per day only when they could get work" (Keyfitz 1985). Amidst the success of the Green Revolution program, it was clear that not every farmer enjoyed its benefits. This condition probably would not have occurred if the land reform program was successfully implemented by the previous regime to overcome landholding inequality earlier.

The success of the Green Revolution in increasing rice production was not sustainable over time. Support for the farming sector has since 1984 been decreased. The tighter budget due to declining state oil revenues since 1982 resulted in scarcity of funding to maintain agriculture infrastructures. Decreased financial support damaged 22% of total irrigated land and 7% of existing dams, a condition resulting in the loss of 1.5 million hectares of potential annual planting. The subsidies for fertilizers and pesticides gradually decreased, even disappeared by 1999. After 1984, rice production could only increase around 1% per year, and in 1994, rice production decreased by 3.69% (Simatupang 2004). In 1995, Indonesia became a rice importer again, when the government had to import 3 million tons of rice. The declining obsession with increasing farm production after the government achieved rice self-sufficiency removed farming sector as a priority of the government's development policy. Slowly but surely, the Indonesian government shifted the focus of development policy from the agricultural sector to the industrial sector.

4.4 Backward Village Program

The government in 1994 launched the Backward Village Program or *Inpres Desa Tertinggal* (IDT). It was a program aiming to improve the income of the poor by channeling financial capital to them to begin small-scale enterprises. It channeled each targeted village a fund worth IDR 20 million, equivalent to US\$8,700 at that time, per year from 1994 to 1996. The type of fund was a block grant by which communities had full discretion to use as long as they followed the general guidelines set by the government. The fund would then belong to a community group, through which the poor could borrow the money. The borrowers had to repay their loans to the group so that other households could borrow again. This mechanism intended to create a continuous revolving fund. To manage the fund, the poor were organized into community groups consisting of 10 to 30 poor households per group (Bappenas 1994).

The beneficiaries of the program were the poor living in 20,633 villages deemed to be left behind during the rapid economic growth in 1970s and 1980s. This number constituted about one third of all Indonesian villages. The government selected the villages based on various indicators of economic and social infrastructure. The villages that had low scores of economic and social indicators were categorized as backward and then became targets of the program. After a village received the fund, the village government determined the eligible households as well as a repayment plan and its interest rate. The government intentionally did not impose any specific criteria on the eligible households. The purpose of this discretion was to encourage local discretion in managing the development fund.

Many problems occurred in the selection of the eligible households within the villages. The deviations in selecting the eligible households were unavoidable since there were no specific criteria set by the government. In many places, the funds were corrupted. Village heads preferred to give the money to the villagers with good reputations for using money effectively rather than to the poor who were not able to pay it back (Guggenheim 2006). The repayment rate was only about 22% of all loans due to business failures (Yamauchi 2007). The participation of the poor declined from 25% in 1994 to 11% in 1997. A lack of agricultural infrastructure and market information were the main barriers to developing businesses. Limited knowledge of how to organize groups and how to collaborate with businesses hampered the expansion of enterprises. In many locations, village heads were too dominant, and the program did not trickle down the power of decision making to the poor. In many places, the groups were formed only for project formality, and when the government terminated the program in 1996, they also dispersed (Sujono 1998; Safitri and Rafael 2002).

The low repayment rate of the fund and the decrease in the poor's participation in the groups caused the program to not perform well. The government failed to create a sustainable revolving fund since it functioned more as a grant than as pure credit. The program actually still increased employment opportunities and improved the income of the poor (Yamauchi 2007), in addition to reducing the

economic inequality both within the communities and among different regions (Akita and Szeto 2000). As long as the poor received the fund, they would invest in productive activities. About 80% of the recipients invested the fund in agricultural activities such as animal husbandry, crop cultivation and fishery while the rest engaged in trading, small-scale manufacturing and services (Yamauchi 2007). However, by investigating program impacts in 1998, it was concluded that the impact was relatively small and sustained only in the short run (Yamauchi 2007).

The lessons from the program are substantial. Firstly, decentralizing the poverty alleviation program does not mean to give the communities full discretion in managing every aspect of the program. There should still be general criteria for selecting the poor. Secondly, not only are the lack of opportunity and lack of capital factors impeding many poor people from escaping poverty, but also the lack of capacity for managing businesses. The program tried to remove these obstacles by providing capital assistance for the poor. However, to escape poverty, the poor do not only need business capital, but also assistance to manage the fund and an environment supportive of their business. The government failed to provide the latter two, and the program in general had been a failure.

4.5 *Kecamatan* Development Program

In 1999, Indonesia had a more democratic regime after the fall of the Suharto administration. The government promoted Community Driven Development (CDD) projects as a development model for alleviating poverty in rural areas. There were many CDD projects, and the *Kecamatan* Development Program (KDP) was the largest CDD program in terms of its coverage and funding. In 2006, KDP covered about 34,000 villages or half of all Indonesian villages. KDP channeled fund continually every year, with the amount ranging from US\$50,000 to US\$100,000 per sub-district. 30% of funds were designated for a community's revolving credit and 70% of funds for infrastructure improvement.

The government designed KDP to have participation and transparency. It was started from planning meetings held at the hamlet and village levels, in which a community submitted up to three proposals to the inter-village meeting at the sub-district level. A verification team at the sub-district level that consisted of government staff and private consultant would review the proposals. Verification reports were presented to the inter-village meeting attended by village delegations. Village delegations then selected the proposals through consensus. To assist villagers, the government assigned a private consultant in each sub-district (McLaughlin et al. 2007). In the initial period of KDP implementation, local bureaucracies dominated the meetings and hindered the active participation of villagers. KDP suffered from lack of transparency due to insufficient information distribution (Safitri and Rafael 2002; Sumarto and Widyanti 2008). There was elite intervention in decision making, implying low community participation for maintaining the project. During the first two years of the KDP projects, the infrastructure

built was rural roads (62%), small bridges (10%), irrigation canals (8%) and clean water facilities (7%) (Narayan 2002). On average, the infrastructures were 55% more cost effective than the government and private constructor sponsored projects.

Repayment rates were about 50–60%. The credit significantly provided an alternative funding source for the poor to generate small-scale employment and trade. The credit was extremely popular in villages that already had basic infrastructure, particularly road access. The fund was used to increase agricultural, food processing, and trading activities (Edstrom 2002). KDP was relatively more successful than the previously implemented Backward Village Program due to the discipline of the borrowers in paying back the money. KDP was well implemented in many locations due to village teams actively encouraging participation. Moreover, the team would consistently perform well if it was democratically elected by villagers.

The portion of households moving out of poverty was 9.2% higher in KDP areas than non-KDP areas (Voss 2008). KDP reduction of poverty was not achieved through targeting the poor within communities but through targeting all villagers (McLaughlin et al. 2007). Within a community, the poor were still not the main priority. An explanation given is about the development of irrigation canal through KDP fund. This irrigation canal development benefited the villagers with large cropland rather than the poor that usually had small cropland. Only once the main infrastructure within a village had been built, would the community prioritize the poor. Voting to determine the use of funds was the reason why the poor became non-priority in KDP implementation.

4.6 Social Safety Nets

Responding to the massively increasing number of poor people during the monetary crisis, the government launched a fast reaction program in July 1998 called the Social Safety Net (SSN). SSN intended to help the poor cope with the negative impact of the monetary crisis. It was designed to include quick disbursement, direct financing to beneficiaries, transparency, accountability and participation in monitoring its implementation. SSN included labor intensive projects, rice for the poor, scholarships for the poor, and health insurance for the poor (Sumarto and Widyanti 2008).

As the program was hastily formulated, the government was not well prepared to implement it. Among the troubles of SSN implementation, it seems that targeting was most dominant (Sumarto and Widyanti 2008; Suryahadi et al. 2008; Hastuti et al. 2008). The program suffered from two main problems, which were leakage and under-coverage. While leakage meant that many non-poor people originally not program targets became recipients, under-coverage meant that the program could not cover all poor people. At the time, the available database of the poor was only the data from the National Family Planning Agency, which classified each household as a Pre-Prosperous Family, Prosperous I Family, or Prosperous II

Family. Although this categorization was vague, the government had no other choices. As a result, 35% of SSN recipients were non-poor. The biggest leakage, in Rice for the Poor, reached 70%. Mistargeting was due to weak socialization, unclear guidelines, problematic methodology and a lack of a complaint mechanism (Sumarto and Widyanti 2008).

In labor-intensive projects, there was no standard wage set by the government. In some regions, the wages from the program were higher than local wages, inducing those already employed to become its workers. Many of the infrastructures built by the program only slightly benefited the poor because they were not involved in decision making (Sumarto and Widyanti 2008).

In the Rice for the Poor program, many households deserving the rice but not on the recipient list openly protested the village government. Pressed by the masses, many village governments distributed the rice equally to all villagers to prevent jealousy. There were cases in which the poor could not provide IDR 20,000 to buy the allocated 20 kg of rice, and the village government sold the rice to other people who could afford it (Hastuti et al. 2008).

In the Scholarship for the Poor program, since children enrolling in the secondary level were usually from non-poor households, the program could not cover children from poor households who never enrolled in school (Sumarto and Widyanti 2008).

The same as the other programs, Health Insurance for the Poor also suffered from leakage targeting. About 69.42% of the health cards were allocated to the two poorest quintiles, while 20.51% were allocated to the two highest quintiles within community (Suryahadi et al. 2008).

The coverage by SSN of the poor households ranged from about 53% in subsidized rice to only about 5% in the scholarships for high secondary school students (Sumarto and Widyanti 2008). Nevertheless, they concluded that SSN still benefited the poor to some degree. Households with at least one member working in the labor incentive projects experienced a 4% higher increase in their income than those who did not become workers. About 13% of scholarship recipients would have dropped out from the school during the period of monetary crisis if they have not received SSN scholarships. The recipients of health cards experienced a 4% increase in consumption compared to the non-recipient households. The total benefit of Rice for the Poor was about IDR 15,000–20,000 per month per household, or about 5% of the minimum expenditure of a household with four members at the official poverty line (Sumarto and Widyanti 2008).

Social protection formally did not exist in Indonesia before the monetary crisis. The crisis had introduced the ideal concept to the government that social protection for the people was the responsibility of the state. Although the government initially launched SSN as a program to help the poor cope with the economic shock, it has continued Rice for the Poor, Health Insurance for the Poor and Scholarship for the Poor through the present. However, the same problem of targeting remains unsolved. A study by Hastuti et al. (2008) on the Rice for the Poor program between 2005 and 2008 find that there were still many cases of targeting inaccuracy as well as the practice of distributing the rice equally to all villagers. This persistent

implementation gap means the government has not learned how to improve SSN effectiveness, and in the future, the program may always suffer from the same problems.

If managed well, social protection can play a key role in the poverty alleviation effort. It will ensure the poor have access to basic necessities including staple food, education and health services. Especially for Scholarship for the Poor, this program actually has the potential to be a means of cutting the poverty chain by giving the poor children access to education. In this connection, the government should improve the management of SSN so that it can function not only as a temporary program to cope with the economic shock, but also as a sustainable program with the clear purpose of helping the poor escape poverty. The most crucial action the government should take is to improve the targeting mechanism so that the program will not suffer from under-coverage and leakage. The ideal concept of the social protection program, especially in the education and health sectors, is to cover all Indonesian people or at least all poor people. However, as long as the government lacks the budgets for universal social protection, and has no capacity to manage the database of poor people accurately, it can improve the targeting accuracy by directly involving the communities in selecting eligible households. This mechanism will result a more accurate list of eligible recipients that does not only refer to the government criteria but also accommodates local flexibility. There also should be free information dissemination and an open decision making process through the publication of the recipient list as well as the clear complaint filling mechanism for people not receiving the program.

4.7 Unconditional Cash Transfer Program

Economic shock struck Indonesia again in 2005 and 2008 when the government decided to cut fuel subsidies. The government increased the price of fuel in October 2005 by 128% and in March 2008 by 29% respectively. The increase in fuel prices triggered inflation by 17.75% in 2005 and by 14.75% in 2008. The increase in fuel prices, especially in 2005, negatively affected the number of poor people in Indonesia, which increased by 12% from 35.1 million in 2005 to 39.3 million in 2006 (BPS 2010).

Supplementing the existing programs, in October 2005, the government launched the Unconditional Cash Transfer (UCT) program for one year. The program aimed to prevent an increasing in the number of poor people by strengthening the purchase power of the poor. It transferred cash assistance amounting to IDR 100,000 (about US\$10 at the time) for about 19.2 million poor households per month for a year. After increasing the fuel price again in March 2008, the government implemented UCT afresh for a year. The eligible households were determined through an observation by statistical agency's staff of 14 indicators of poverty set by the government. The indicators included, among others, asset holding, housing characteristics, the education level of the household head and

household consumption patterns. The enumerators often did not observe the whole village but only visited the households as directed by village governments, a practice that resulted in many cases of targeting inaccuracy. The same as with the Rice for the Poor program, many people deserving the money but left off the list pressed the village governments to distribute the UCT money equally to all villagers (Satriana 2009).

Although in most areas UCT was free of corruption, there were still many informal levies after the money reached the recipients. The reasons behind the levies varied, including distributing the levied money to non-recipients in order to prevent social jealousy, funding for religious events, national independence celebrations, roads and other infrastructure development and incentives for village government officials. The UCT fund constituted 24% of total monthly expenditures for the poorest households in rural areas. The recipients generally spent the money on food consumption, mainly rice. About 95% of the recipients had food consumption on their expenditure lists from the UCT fund, and on average, it constituted 43% of the total UCT fund (Satriana 2009). However, this program failed to prevent the increase in poor people in Indonesia. As the effect of raising fuel prices, the number of poor people increased by 12% in 2006 (Figs. 4.1 and 4.2).

The same as SSN, a weak targeting mechanism and the government's lack of preparation to deliver the program were among the factors causing troubles on UCT implementation. Moreover, UCT was a curative program in its nature. Even though it could protect the poor to some degree, it could not increase their capacity to be autonomous. When the government stopped it, the poor would remain poor. This program also would potentially be destructive to the empowerment efforts developed by many institutions. While the empowerment approach through many



Fig. 4.1 Distribution of cash from UCT Program. *Source* <http://www.bandungekspres.co.id>



Fig. 4.2 The recipient presents cash received from UCT program. *Source* www.republika.co.id

CDD based programs tried to build the poor's capacity in developing business, UCT might result in the dependency of the poor on the government donation. UCT by design cannot be applied as a long-term poverty alleviation program.

4.8 Lessons Learned

The change in the Indonesian development system was fast and radical. After experiencing the long application of a top-down development model, the government suddenly implemented development programs that were decentralized and emphasized local participation. While in 1994 the program was only IDT, after the monetary crisis the number and type of programs increased significantly. The central government pushed the local bureaucrats too aggressively to implement many poverty alleviation programs. The difficulty in adapting the substance of many new programs as well as the weak preparation for implementation made the programs vulnerable to failure. For better implementation, it may be worth if the government always does well preparation for the programs including informing to both the street-level bureaucrats and community well about the detailed programs. In the long-term, reform within bureaucracy has to be an integral part of development strategy. The short-term agenda that the government should conduct include training program implementers and strengthening institutions for rural development programs.

Another issue of the current decentralized programs is the local elite domination. The nature of IDT, KDP and other CDD based programs are to give community discretion to manage the development fund. As long as the local elites are still too dominant in the planning process, the programs will only benefit the local elite

rather than the poor. For strengthening the poor in local development process, it is important to give assistance to the poor so that they can have a position equal to the non-poor. The government can strengthen the position of the poor in the local development process and the implementation of programs by involving civil society organizations to assist the poor during the program implementation. This step is important since without equal position of the poor, rural development programs will only benefit the local elites.

There is evidence that the government is still not able to make an accurate targeting system. Many programs in Indonesia suffered from serious under coverage and leakage. More importantly, the problem of targeting struck the programs on social protection that were very important in sustaining the poor's life. The government does not seem to learn much since every time it launches a social protection program, troubles in targeting always emerge. Considering the fact that the government capacity in managing database of the poor is still weak, it may be worth the government involving communities in selecting the people eligible for the programs, especially for the social protection programs. As Indonesia is a diverse country, the government should not impose any national standard on determining the eligible households within communities. Involving the community in selecting the people eligible for the programs will provide the opportunity to develop local flexibility in defining who the poor are. Despite that, program preparation such as the publication of recipient lists and clear complaint filling process is very important to the success of social protection programs.

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