

Decentralization and Rural Development in Indonesia

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Preface

In Indonesia, the policy of decentralization implemented in 2001 has become a key policy aimed at facilitating democratization at the local level. Through Law 22/1999 on Regional Governance, the central government transferred power and financial resources as well as personnel to local governments. Within decentralization, local governments had rights to manage locally formulated development programs. The law mandated that development programs to be executed based on principles of diversity, participation, genuine autonomy, and community empowerment. Decentralization is expected to improve community participation, local capacity, transparency, accountability, responsiveness, and the targeting accuracy of government programs.

Nevertheless, it is imperative to note that decentralization is not an end in itself, but only a way to pursue balanced economic development. Wider public involvement in local decision-making should not only increase legitimacy and grassroots support, but also accelerate economic growth and poverty alleviation throughout the country. In this regard, several macroeconomic indicators present that Indonesian governmental decentralization has not been completely successful in the above-mentioned economic development. Economic growth and the decline in the poverty rate have slowed after decentralization. Some indicators, like the primary school enrollment rate, improved, but many others like infant (children under 5 years old) and maternal mortality rates, access to water, energy and sanitation services were improved only slightly or not at all.

Conceptually, there are more theories and reasons to explain why decentralization creates successful development. Many failures are due to problems of implementation rather than problems with the concept itself. Analyzing the nature of implementing decentralization is therefore very important to understanding why the problems exist and how to solve them. Many researchers have highlighted the regulations, intergovernmental relationship, and many other aspects of Indonesia's political, fiscal, and administrative decentralization, especially concerning what is happening at the national level. One of their limitations is that the problems and policy implications of decentralization are mostly analyzed from the perspective of the central government, which focuses on macro design, institutional

arrangements, and the impact of decentralization on national macroeconomics and politics. Using the perspective of central government to analyze decentralization, many existing studies do not focus on local dynamics where the process of local governance is taking place.

This book uses quite a different approach. It is written based on the idea that people have to look at local realities in order to understand decentralization. Grassroots realities, especially concerning the implementation gaps in villages, will be the main substance here. It will discuss composite issues including participatory budgeting, social capital, local capacity, rural leadership, community participation, livelihood problems, and poverty alleviation. These are the issues in which political, administrative and fiscal aspects of decentralization meet together in implementation and form the dynamics of policy implementation. An interdisciplinary approach toward local politics, public administration, and rural economy is used to discuss the issues and to formulate policy options.

Chapter 1, as the introductory chapter of the book, briefly discusses the historical background of Indonesian decentralization. A glance at Suharto's rural development policies along with their consequences affecting rural livelihood, local institutions and bureaucracy, and the coming of Asian monetary crisis in 1998, provides the background to the decentralization policy. This chapter makes the important claim that Indonesia's decentralization is identical to its process of democratization, and thus it should be analyzed as not only a phenomenon of public administration or development management, but also as an outcome of local politics.

Chapter 2 discusses the framework needed to analyze decentralization and rural development. This chapter reviews theories of decentralization, why decentralization is important for rural development, and why in some areas it is successful while in other areas it has failed. This chapter aims to provide a general understanding of decentralization theories and analysis in the context of rural development. Since decentralization is country specific, Chap. 3 discusses the designs of political, fiscal, and administrative decentralization in Indonesia, underlining in particular those related to village government and rural development.

Chapter 4 discusses rural development policies in Indonesia, and the changes in program approaches before and after the decentralization. This chapter reviews several studies on land reform policy, the Green Revolution, community-driven development, and social protection programs in Indonesia. The implementation and impacts of these programs on the rural economy are discussed briefly. Lessons learned from those programs are presented in the last part of the chapter.

Generally, budgeting is the most effective tool to achieve government policies. Whether local governments prioritize rural development or not can be seen from the budget allocation for related sectors. Issues on local budgeting are discussed in Chaps. 5 and 6. Chapter 5 discusses expenditures on rural development before and after decentralization. It presents how the spending for recurrent activities, agriculture, rural infrastructure, education and health has changed over the years. Chapter 6 discusses the dynamics of local participatory budgeting, specifically interactions between local communities, officials, and councils in the budgetary decision-making.

In the case of rural areas, communities have built a complex relationship between households, institutions, and community leaders. Villagers have extended their social capital through membership in institutions. Theoretically, development policies will be more successful if the government optimally utilizes existing social capital. Chapter 7 discusses institutions existing in rural areas, institutional membership and the utilization of social capital in decentralization. Chapter 8 discusses rural community leaders, their capacities, and the roles they have played in decentralization. The capacity of village's head and other neighborhood leaders will be measured through a set of indicators, which is a combination between general and traditional Javanese leadership. Chapter 9 discusses the capacity of village government in implementing decentralization. It focuses on the capacity of village's officers, council and development committee. This chapter also discusses the ways in which villagers and rural institutions work together to solve local livelihood problems.

Chapter 10 discusses community participation in rural development, especially about the mechanism and substance of involvement in planning, execution, and evaluation of rural development. Substantially, Chaps. 7–10 aim to discuss how decentralization facilitates democratization at the village level. Some part of the discussion uses a participatory approach, especially from the Javanese cultural perspective to understand rural leadership, interactions between communities and their leaders, and how that perspective influences the ways in which communities participate in rural development.

The impact of decentralization on rural development should be analyzed from the perspective of the rural economy, especially in terms of poverty alleviation. Thus, Chap. 11 discusses the implementation of poverty alleviation programs along with decentralization. The targeting accuracy of these programs, whether or not decentralization has an impact on improving program distribution, and most importantly, the changes in the socioeconomic condition of households before and after decentralization are assessed in Chap. 11.

The final Chap. 12, provides policy options to improve implementation of decentralization in order to optimally develop the rural community. Based on the findings and discussion from the previous chapters, it presents several potentials of decentralization in Indonesia, which include robust rural institutional membership, rare cases of elite capture in the distribution of poverty alleviation programs, good individual village officer capacity, and functioning rural community leaders. At the same time, there are also several challenges of decentralization, which include limited budget allocation for rural development, problematic local capacity realization, pseudoparticipation of rural communities, and limited impacts on the rural economy and poverty alleviation. The implementation of decentralization should be improved by strengthening legislation on decentralization, delivering capacity development for rural institution, and institutionalizing decentralization through rural development programs.

Overall, decentralization and rural development are crosscutting issues, therefore problems may arise anywhere during implementation. This book discusses related theories to help the readers understand how each of them contributes to solving the

implementation gaps. The arrangement of book chapters is based on policy phases, which start from formulation, implementation, and measuring the impact of decentralization. Hence, it will be easy for readers to follow. This book expects to fulfill the needs of people seeking to understand the issues of decentralization and rural development in both Indonesia and other developing countries. Readers are highly valued and will be appreciated for any comments and advice they provide to improve the contents of the book.

We would like to thank Prof. Muchlis Hamdi from Institute of Local Government (IPDN) Indonesia for his tremendously useful comments on an earlier draft. We also would like to thank Masngud and Subhan for their contribution in data collection process. We are indebted to the numerous scholars, practitioners, local officers, and rural residents in the study sites who shared their insights with us in informal conversations and interviews.

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Contents

1	Historical Background of Decentralization in Indonesia	1
1.1	Introduction	1
1.2	Theoretical Debates of Decentralization, Democratization and Development	2
1.3	Suharto Regime	3
1.4	Monetary Crisis and Reform	5
1.5	Decentralization Performance at Glance	6
1.6	Conclusion	9
	References	10
2	Decentralization: Potential and Challenges for Rural Development	13
2.1	Introduction	13
2.2	Conceptual Terrain	15
2.2.1	The Concept of Decentralization	15
2.2.2	The Concept of Rural Development	16
2.3	The Link Between Decentralization and Rural Development	18
2.3.1	Potential for Decentralization in Rural Development	18
2.3.2	Challenges for Decentralization	21
2.4	Conclusion	23
	References	24
3	Design of Decentralization in Indonesia	27
3.1	Introduction	27
3.2	History of Decentralization in Indonesia	28
3.2.1	1945–1974	28
3.2.2	1974–2000	28
3.2.3	2001–2016	29

3.3	The Current Design of Decentralization	30
3.3.1	Political Decentralization	30
3.3.2	Administrative Decentralization	32
3.3.3	Fiscal Decentralization	32
3.4	Implications for Village Government and Rural Development.	35
3.5	Conclusion	39
	References.	39
4	Rural Development Policy in Indonesia	41
4.1	Introduction	41
4.2	Land Reform	42
4.3	The Green Revolution	43
4.4	Backward Village Program	46
4.5	<i>Kecamatan</i> Development Program	47
4.6	Social Safety Nets	48
4.7	Unconditional Cash Transfer Program	50
4.8	Lessons Learned	52
	References.	53
5	District Budgeting for Rural Development	55
5.1	Introduction	55
5.2	Case of Purbalingga District	56
5.2.1	Profile of Purbalingga District	56
5.2.2	Budget Allocation in Purbalingga District	58
5.2.3	Development Progress in Some Selected Sectors.	63
5.3	Comparison with Other Districts.	65
5.4	Discussion	74
5.5	Conclusion	75
	References.	76
6	Participatory Budgeting: Between Procedures and Realities	77
6.1	Introduction	77
6.2	Procedure of Participatory Budgeting	78
6.3	The Case of Purbalingga District	79
6.3.1	The Proceedings of 2010 Budgeting Process.	79
6.3.2	Evaluation of Budgeting Process.	82
6.4	Discussion	85
6.5	Conclusion	86
	References.	87
7	Social Capital for Decentralized Rural Development	89
7.1	Introduction	89
7.2	The Case of Serang, Kedarpan and Sumilir Villages in Purbalingga District	90

7.2.1	Socio-economic Condition of Study Sites	90
7.2.2	Institutional Membership of Rural Communities	92
7.2.3	Utilization of Social Capital	94
7.3	Discussion	96
7.4	Conclusion	97
	References.	97
8	Rural Community Leadership in Decentralization	99
8.1	Introduction	99
8.2	Literature Reviews	101
8.3	Case Study of Serang, Kedarpan and Sumilir Villages in Purbalingga District	102
8.3.1	Profile of Rural Leadership	102
8.3.2	Capacity Assessment of Rural Leadership	103
8.4	Discussion	107
8.5	Conclusion	109
	References.	109
9	Institutional Capacity of Village Government	111
9.1	Introduction	111
9.2	Literature Reviews	113
9.3	Case of Serang, Kedarpan and Sumilir Villages in Purbalingga District	114
9.3.1	Profile of Village Government.	114
9.3.2	Capacity Assessment of Village Government	115
9.3.3	Actualization of Capacity	119
9.4	Discussion	121
9.5	Conclusion	122
	References.	122
10	Community Participation in Rural Development	125
10.1	Introduction	125
10.2	Regulation of Community Participation	127
10.3	Case of Serang, Kedarpan and Sumilir Villages in Purbalingga District	128
10.3.1	Community Involvement in Planning	128
10.3.2	Community Involvement in Implementation	130
10.3.3	Community Involvement in Evaluation	132
10.4	Discussion	135
10.5	Conclusion	136
	References.	137
11	Does Decentralization Matter in Rural Poverty Alleviation?	139
11.1	Introduction	139
11.2	Case of Serang, Kedarpan and Sumilir Villages in Purbalingga District	141

- 11.2.1 Targeting Effectiveness of the Poverty Alleviation Program. 141
- 11.2.2 Changes in Socio-economic Condition of Respondents 143
- 11.2.3 Cases of Some Selected Respondents 145
- 11.3 Discussion 148
- 11.4 Conclusion 149
- References. 149
- 12 Policy Options for Decentralization and Rural Development in Indonesia 151**
 - 12.1 Introduction 151
 - 12.2 Potential of Indonesian Decentralization 152
 - 12.3 Challenges of Indonesian Decentralization 154
 - 12.4 Some Policy Options 155
- Index 159**

About the Authors



Sutiyo, Ph.D. is currently a lecturer in Institute of Local Government (IPDN), Indonesia, which is a university specially established to educate the cadres of local government heads in Indonesia. He has worked in the institute since 2015 where he gave lectures on subjects including public policy, community empowerment, development planning, and rural development. He is also actively involved as a trainer in various trainings aiming at improving the capacity of local government in managing local development, empowering community, and alleviating poverty.

Previously, he worked as local civil service in Purbalingga District of Central Java Province for 10 years, with the main tasks to formulate and implement local policies in rural development and poverty alleviation. He got a degree of Bachelor of Governance Science from IPDN in 2003 and Master of Public Administration from University of Jenderal Soedirman in 2006. In 2010, he continued his academic journey to Graduate School for International Development and Cooperation, Hiroshima University, Japan, where he successfully got Ph.D. in 2013.

He argues that to understand national problems, one should go to local level and dig the grassroots realities from rural residents, local institutions, and local officers. Local perspective is very important to analyze implementation gaps of many government programs and the missing link of development theories, especially in the context of decentralization. These motivate him to always make close relation with local institutions, listen the voices of villagers and local officers, conduct fieldwork to collect data and learn from local ways to solve livelihood problems.

In order to share ideas and disseminate research findings, he has published several articles in academic journals and newspapers, and participated as speaker in international and local academic conferences. His academic papers, which mainly include the theme of decentralization, participatory budgeting, community empowerment, local institutions and poverty alleviation, can be found in many scientific journals. He is interested in discussions about decentralization and rural development, especially in Indonesian context. He can be reached in sutyobanyumasan@yahoo.com. Constructive critiques and suggestions to his publication are always welcomed.



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Agricultural Economics, Rural Development, Sustainable Development, Cultural Dynamics, Climate Change, and Rural Livelihood Strategies in developing countries. At IDEC, he is also in charge of planning, execution and monitoring of International Explorers to Cross Borders (i-ECBO) program, an unique sandwich type internship program, in which students after competitive selection process are sent to various institutions such as universities, international organizations, government agencies, INGOs, local NGOs and developing agencies, including private companies around the world. He offers support for graduate students writing their Master's theses and doctoral dissertations on the related topics of Development Sciences, Educational Development and Cultural and Regional Studies, and at Cultural Creation Course of Taoyaka Program, a special Ph.D. program for leading graduate schools at Hiroshima University, aiming to nurture the graduates who can contribute to flexible, enduring, and peaceful society of coexistence among the mankind and the nature, with special attention to disadvantaged regions. The issues concerning natural resource management, food security, poverty dynamics, local governance, rural society, and community dynamics are some of the main topics of his expertise. In doing so he considers agriculture and rural regions as not only the source of cheap labor, cheap food and cheaper intermediate inputs, and subordinate to urbans and centers as marginal sector and peripheral region but also as a dignified way of life for people who are guardians of nature and are more conscious about the earth, humans and their interaction, so as to sustain this culture and civilization for generations hereafter. Rural regions are such places that make these things happen. Hence, fieldwork to grasp the diverse realities of rural regions location specifically before generalizing the research is given importance in his research, lectures, and in educating the graduate students in terms of their research, writing journal articles, and dissertations. Some 25 students have received their Ph.D. from Hiroshima University under his guidance.

In order to disseminate research findings, consolidate ideas and concepts, and share knowledge with other professionals, he regularly participates in local, national and international seminars and conferences organized by academic societies, research institutions, various organizations and like-minded individuals,

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Some of his earlier books in English include *Community Seed Production Sustainability in Rice-Wheat Farming*. Tokyo: Springer Japan, 2015, *Communities and Livelihood Strategies in Developing Countries*. Tokyo: Springer Japan, 2014, *Climate Change, Agriculture and Rural Livelihoods in Developing Countries*, Tokyo: Springer Japan, 2013, *Understanding Maoist Conflict in Nepal: Initiatives of Civil Societies on Social Capital Development for Peacebuilding in Hills*, Germany: Lambert Academic Publishing, 2013, *Peasantry in Nepal: A Study on Subsistence Farmers and Their Activities Pertaining to Food Security*, Hiroshima: Research Center for Regional Geography, Hiroshima University, 2003 and *Impacts of Irrigation and Drainage Schemes on Rural Economic Activities in Bangladesh*, Hiroshima: Research Center for Regional Geography, Hiroshima University, 1997. He has also contributed chapters to publications including *Microfinance, Risk-taking Behaviour and Rural Livelihood*, New Delhi: Springer India, 2014, *Geography of governance: Dynamics for local development*. International Geography Union Commission on Geography of Governance, Slovakia, 2013, *Climate Change: Asian Perspective*, Jaipur: Rawat Publication, 2012; *Globalization and Cultural Practices in Mountain Areas: Dynamics and Implication*. Sikkim: INDUS, 2012, *Public Policy and Local Development - opportunities and constraints*, International Geographical Union Commission on Geography and Public Policy, 2008; *Political and Social Transformation in North India and Nepal*, New Delhi: Manohar Publishers, 2007; *Contentious Politics and Democratization in Nepal*. New Delhi: Sage Publications, 2007, *Small-Scale Livelihoods and Natural Resource Management in Marginal Areas of Monsoon Asia*, Dehra Dun: Bishen Singh Mahendra Pal Singh, 2006; *New Challenges Facing Asian Agriculture under Globalization*. Selangor: Malaysian Agricultural Economics Association, 2005; *Translating Development: The Case of Nepal*, New Delhi: Social Science Press, 2003; and *Sustainable Agriculture, Poverty and Food Security*, Jaipur: Rawat Publications, 2002. He contributes to various related academic journals including SCI, SSCI journals and has more than 150 blind reviewed articles to his credit. He has also produced numerous books and journal articles in Japanese.

Abbreviations

ADD	<i>Alokasi Dana Desa</i>
<i>Askeskin</i>	<i>Asuransi Kesehatan Warga Miskin</i>
BPD	<i>Badan Permusyawaratan Desa</i>
BPS	<i>Badan Pusat Statistik</i>
CDD	Community Driven Development
GRDP	Gross Regional Domestic Product
<i>Hansip</i>	<i>Pertahanan Sipil</i>
HDI	Human Development Index
IDR	Indonesian Rupiah
IDT	<i>Impres Desa Tertinggal</i>
INMAS	<i>Intensifikasi Masal</i>
JICA	Japanese International Cooperation Agency
KDP	<i>Kecamatan Development Program</i>
LKMD	<i>Lembaga Ketahanan Masyarakat Desa</i>
MoHA	Ministry of Home Affairs
NER	Net Enrollment Ratio
NGO	Non-Governmental Organization
NPCE	National Program for Community Empowerment
PKK	<i>Pemberdayaan Kesejahteraan Keluarga</i>
PKP	<i>Padat Karya Pangan</i>
PNPM	<i>Program Nasional Pemberdayaan Masyarakat</i>
<i>Posyandu</i>	<i>Pos Pelayanan Terpadu</i>
PPHR	Program of Poor House Renovation
PPP	Purchasing Power Parity
PVAF	Program of Village Allocation Fund
PWSG	Program of Women Saving Group
<i>Raskin</i>	<i>Beras Miskin</i>
RT	<i>Rukun Tetangga</i>

RW	<i>Rukun Warga</i>
SSN	Social Safety Net
UCT	Unconditional Cash Transfer
UNDP	United Nations Development Program