



CENTRE ON INTEGRATED RURAL DEVELOPMENT FOR ASIA AND THE PACIFIC

RURAL DEVELOPMENT AND POVERTY ALLEVIATION POLICY BRIEF

INDONESIA

In Indonesia, economic crisis followed by political crisis in 1997 to 1998 has significantly contributed to decreasing community welfare and increasing poverty in many parts of the country. This has also stimulated the disparities between rural and urban areas, remote and inaccessible regions, and between gender and ethnic communities. Therefore, the Indonesian Government has required a long period to recover this situation. A number of programmes are under implementation but still a lot more to be done to improve the situation in Indonesia.

The Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP) was established in 1979 to assist national action and promote regional cooperation relating to integrated rural development in the region, and to act as a catalyst for related activities among its member countries.

In the Sixteenth Governing Council Meeting in Manila in 2007, there was a discussion on the changing context of rural development (RD) initiatives and the need to review past policies and to identify policy-level issues and concerns. Accordingly, the CIRDAP Governing Council decided to commission a series of country studies for reviewing past policies and identifying policy issues and concerns with which CIRDAP can engage itself further through strengthening several actors at national and regional level for information generation, policy development and regional cooperation. The country studies as suggested should examine the role of the CIRDAP link institutions and also the need and scope for other linkages. Subsequently, each of the member countries nominated a researcher to work on the country studies. The researchers decided that each country would examine the RD initiatives from the point of future opportunities for CIRDAP.

Twelve countries have submitted the reports out of 14 countries. The country reports vary substantially in nature. Southeast Asian countries, especially Malaysia, Thailand and Vietnam, adopted market based reform policies much earlier than the South Asian countries. The focus in Malaysia and Thailand and now across all the Southeast Asian countries, was on the development of infrastructure, encouragement to foreign capital investment in manufacturing, and providing employment in organised enterprises as well as services catering to the market economy, tourism, restaurants and the like. The focus of development in the first four decades after independence in South Asia was quite different. It focused on the preservation of the rural economy, and attempted to increase employment opportunities in rural areas through public expenditure programmes, and essentially tried to maintain the rural character of these economies. The approach to poverty alleviation has thus been very different in the two regions. While South Asia focused on gains in agriculture and rural employment, Southeast Asia turned to commercialisation of agriculture and more market-oriented growth.

CIRDAP has published all the findings in a separate volume for each country. In this brief note, some of the important findings and policy issues for Indonesia are highlighted.

Major Findings

Poverty has become a national problem in Indonesia since economic crisis swept through South-Eastern Asia in 1997 and 1998. The crisis has significantly stimulated the increasing number of poor people in many regions of Indonesia. Before the economic crisis, the number of poor people had significantly declined. The data from Core Socio-Economic Survey (Susenas) revealed that the total poverty rate dropped from 15.08 per cent (27.2 million) in 1990 to 11.32 per cent (22.5 million) in 1996, a reduction of 3.76 per cent points in six years period. In contrast, at the height of the financial upheaval, the proportion of poor households in the country doubled. Although the crisis hit harder in urban areas, recovery was also more rapid in the cities and towns. Instead, in rural areas, poverty is greater than it was before the financial crisis. Poverty in both urban and rural areas increased again from 1996 to 1999. The total poverty rate increased from 17.47 per cent (34.01 million) in 1996 to 23.43 per cent (47.97 million) in 1999. Millions of small farmers, farm workers and fishers are materially and financially unable to tap into the opportunities offered by years of economic growth.

Economic crisis followed by political crisis in Indonesia has brought about some impacts in many parts of Indonesia region. The crisis significantly stimulated the increasing number of poor people and unemployment, low income and low quality of health. The government had undertaken several programmes to reduce the impact of this crisis, for example Presidential Instruction on Disadvantaged Villages (IDT), the Family Welfare Development Programme (Takesra/Kukesra) and the Income Generating Project for Marginal Farmers (P4K). Furthermore, the central government conducted the twin Urban Poverty Reduction Programme (P2KP) and Kecamatan Development Programme (KDP). These programmes yielded many progresses in improving community welfare. However, still a lot to be done particularly in those areas which are still facing the disparities between rural and urban areas, remote and inaccessible regions, and between gender and ethnic communities.

Policy Priorities

Rural incomes, agricultural productivity and infrastructure support

- Rural microcredit programme suitable for villages in Indonesia;
- Training programmes to improve skills of farmers, management of irrigation and multi-country experiences would be of use in improving rural incomes and agricultural productivity; and
- Village infrastructure support to be enhanced, especially in poor village and remote areas. The improvement of infrastructure may connect these areas with other areas which may encourage the growth of economic activities.

Environment and ecological integrity

- Specifically designed training is required for local community in maintaining environment and enhancing the quality of environment, especially local communities who live surrounding forest areas and rivers.

Gender and development

- Special training programmes or short courses to improve women's knowledge and skill especially in poor villages and remote areas would be very useful.

Conflict management

- Indonesia is a country which has a large area consisting of many ethnic groups, tribes, languages and religions. Even though relations among different religious and ethnic groups are largely harmonious, acute sectarian discontent and violence remain problems in some areas. The capacity of local and central government official in managing conflict through special training and comparative study is very essential.