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Analysis of Indonesia' Government Strategy for Rural Development through Agriculture

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ABSTRACT

Indonesia's agricultural sector is closely related to poverty and well-being of almost half of its total population. Central Bureau of Statistics recorded that 9.66% of Indonesia's population are still living in poverty. The problem of poverty is one of the main factors in the low level of community access to food. Over the past three decades, Indonesia's rural development has relied heavily on the agricultural sector and will continue to develop in the years to come. The problem of poverty in Indonesia is mainly concentrated in the rural areas. Thus, the agricultural sector has a very significant contribution to rural development to reduce poverty in Indonesia. During the previous Joko Widodo presidential, the cabinet successfully reduced the poverty rate to 9.82%, recorded in 2018. Since Indonesia's independence, each period of governance generally has different poverty alleviation strategies, programs, and results, however, of the seven governments, there are some similarities: agrarian sector subsidies and incentives for rural communities. This article is a study about the Indonesian government strategy to reduce poverty through rural development and agriculture policy at the national level — as for several other government programs that are effective in improving the welfare of rural communities through agriculture. The result of a study is based on current policy reviews, along with the consultations with the government that produced the results of an analysis of regulations and government strategies in the rural agricultural development sector. The study was also aimed to improve the progress of the government's performance in conducting studies and drafting regulations for the development of rural Indonesia in the future.

Keywords: Indonesian rural, poor, rural development, agriculture policy

INTRODUCTION

In developing countries in Southeast Asia, the agricultural sector is the most critical in the economy and absorbs a lot of labor occupancy. Three out of four poor people in Southeast Asia are living in rural areas and are very dependent on the agricultural sector (Hermawan, 2012). The agricultural sector in Indonesia has a close relationship with the existence of poverty. The Central Statistics Agency reported that the number of poor people in rural areas was 15.15 million people in March 2019 (Central Statistics Agency, 2019).

Government efforts in alleviating poverty become the main agenda of the Ministry of Agriculture and the central government. One of them is the development strategy through the agricultural sector. The agricultural sector is a priority and strategic sector in improving people's welfare. In the previous government, the development of sectors that took place in the regions is continued and enhanced and is at the same time harmonized with the improvement of regional development, which also covers various sectors. The government carries out sectoral development spread throughout the region, as far as possibly linked to regional and rural development efforts.

The current government took steps in formulating various policies to achieve harmony in the pace of development between regions, efforts that have been taken during previous governance, among others, by providing aid funds which will continue and be increased — followed by new programs in Working Cabinet I & II under Joko Widodo Presidential.

The central government, through the Ministry of Agriculture, supports agricultural policy reform in Indonesia, integrated with forestry, plantations, fisheries, and animal husbandry. The agricultural sector is the strength of the Indonesian economy because approximately 100 million people or nearly half of the total people of Indonesia work in the agricultural sector. Indonesia's agricultural productivity is also dominated in rural areas or small-scale farmers. Thus, the central government focuses on rural development through the agricultural sector. Meanwhile, local governments focus on the main sectors of their respective regions.

The central government goes the extra mile to realize the success of poverty alleviation through national programs as one of the concrete examples of the success of the government is utilizing the Village Fund Program to improve community welfare in the Village of Ponggok, Klaten, Central Java. Before 2015, the village held a poverty status, but in 2017 through the government program, it is successfully held the title of the wealthiest village in Klaten since having village-owned income reaching millions of dollars per year.

The general objective of this study is to analyze the programs and regulations relating to the development of rural agriculture based on local communities. Also, to formulate recommendations for rural community empowerment programs for government in the context of achieving rural farmers' welfare. This study provides an in-depth review of government strategy for rural and agricultural development, along with the government regulations, ministry and central government programs, analysis of issues and challenges, vision and future strategy of the government, and concludes the recommendations section.

CURRENT STATUS OF INDONESIA'S RURAL DEVELOPMENT

The percentage of poor people in March 2019 was 9.41%, down 0.25% from September 2018. The number of poor people in March 2019 was 25.14 million people, decreasing 0.53 million people from September 2018. The percentage of poor people in rural areas in September 2018 is 13.10%, down to 12.85% in March 2019. Compared to September 2018, the population of rural areas fell by 393.4 thousand people (from 15.54 million people in September 2018 to 15.15 million people in March 2019). The number of villages in Indonesia in 2018 is 83,931 villages. Around 25% of them are still classified as underdeveloped villages, and the percentage of the sparse population in disadvantaged areas in 2015 was 21%.

The Poor Line in March 2019 was recorded at IDR 425,250 (USD 29.8) /capita/month with the composition of the Food Poor Line of IDR 313,232 (USD 22) (73.66 %) and the Non-Food Poor Line of IDR 112,018 (USD 7.9) (26.34 %). In March 2019, on average, poor households in Indonesia had 4.68 household members. Therefore, the average poverty line per poor household is IDR 1,990,170 (USD 140) per month.

The national farmer exchange rate in June 2019 was 102.33, down 0.28% compared to the previous month's. The decrease in the farmer exchange rate was due to the Farmer Received Price Index, which rose by 0.15%, lower than the increase in Farmer's Paid Price Index of 0.43%. In June 2019, there was rural inflation in Indonesia of 0.57%, with the highest index increase occurring in the foodstuffs group. The national agricultural household exchange rate in June 2019 was 112.01. This increase in rate

has been stable since 2018 based on an index of prices of agricultural products higher than the increase in the price index of goods and services consumed by households and for agricultural production. This indication informs that farmers' purchasing power and prosperity are increasing.

CHARACTERISTIC OF INDONESIAN RURAL

Understanding rural in Indonesia are villages and or communities that are a geographical embodiment of the physiographic, social, political, and cultural elements contained therein, concerning mutual influence with other regions. Rural areas in Indonesia are governed by customary law and have the authority to regulate their respective villages. The rural characteristics in Indonesia are described as follows.

Economy Characteristics

According to the Directorate General of Village Development, the ratio of man and land ratio is quite large, meaning that the land in rural areas is still relatively large compared to the number of residents who occupy it so that the population density is still low and employment is still relying on the agricultural sector.

The main character of the countryside can be assessed by its livelihood in the agrarian sector. From the beginning until now, most of the population work in the agricultural sector (agriculture, plantations, livestock, and fisheries). The method of rural farming people is still relatively traditional, with most of the results still being allocated for the needs of daily living (subsistence farming).

Social Characteristics

Farmers in Indonesia have a narrow and limited view, so those good things and opportunities for progress are always hampered. They have a reluctance to accept or create new ideas for progress. It can also be interpreted as low aspirations or desires to achieve a better future. Among peasants also have limitations in terms of the trust of one farmer to another because of trade competition. Distrust between communities due to community members fighting over scarcity (natural resources as primary economic resources) (Rogers, 1969).

Geographical Characteristics

Geographically, rural areas in Indonesia are generally located in a.) In mountainous or highland areas, spread in groups; b.) in the riverbank area, extending to follow the flow; c.) villages located in sloping coastal areas and can be found almost all over the coast of Indonesia; d.) villages in high altitude areas (infertile soils) are abundant in mountain areas or karst hills or calcareous areas; e.) villages located along the railroad tracks (only on Java and Sumatra Island).

RURAL DEVELOPMENT POLICIES IN INDONESIA

The Constitution Law of the Republic of Indonesia is the most powerful law in Indonesia, which is the basic guideline for every ministry regulation. Based on its considerations, central and local governments are responsible for the development of their regions or rural areas. The Republic of Indonesia Law No. 6, the Year of 2014, has mandated a legal guide for rural development, including overall aspects, such as economic development, natural resources, and human resources of the rural community.

In Indonesia, the villages and rural areas have their sedentary values. Legally, Indonesian rural development arrangements are based on the principles of recognition, subsidiarity, diversity, togetherness, cooperation, kinship, deliberation, democracy, independence, participation, equality, empowerment, and sustainability (RI Law, 2014).

There are three most important laws governing rural community and development in Indonesia. In accordance with the mandate of Presidential Regulation number 11 the Year of 2015 and based on Law Number 25 the Year of 2004 concerning the National Development Planning System, the three regulations are: Ministry of Home Affairs Regulation Number 114 the Year of 2014 concerning Village Development Guidelines; Government Regulation of the Republic of Indonesia Number 43 the Year of 2014 concerning Regulations for Implementing Republic of Indonesian Law Number 6 the Year of 2014 concerning Villages; and Republic of Indonesia Government Regulation No. 60 the Year of 2014 concerning State Budget Allocation for the Rural Development Funds Sourced.

Regulation issued by the Ministry of Agriculture relating to rural development is Regulation of

the Minister of Agriculture of the Republic of Indonesia Number: 47 / Permentan/Sm.010/9/2016 Concerning Guidelines for The Development of Agricultural Extension Programs.

Policy Paradox

Legally, the Indonesian Ministry of Agriculture has not implemented the special regulations to support rural development through agriculture. In Indonesia, rural development regulations are still under the Ministry of Home Affairs legislation that focuses on economic development and infrastructure to reduce the poverty ratio and improve the welfare of rural communities. Although the Ministry of Agriculture has held many programs and activities aimed at increasing agricultural productivity in rural areas, in general, the Ministry of Agriculture does not yet provide legal protection in siding with rural people in terms of labor and natural conservation. The rural economic resources in Indonesia are based on agriculture and natural products, but so far, the Indonesian Ministry of Agriculture is not yet legally protecting the management of rural agricultural development.

The agricultural sector is a sector that represents the existence of most people in Indonesia. Nearly 30.46 % of the Indonesian people have been widely involved in various jobs in agriculture, forestry, and fisheries (Central Statistical Agency, 2018). However, because there is unavailable of a particular program to protect them, the capital authorities have become the party that marginalizes the rights of the peasants in the name of national development. The capital authorities, such as the food industry company, used the Village Law as a legal basis for extracting natural resources and cheap labor from the countryside. Of course, even though it feels distorted, but legally, what they do is protected by the laws of rural development and employment. As a positive consequence, the rural economy is seen to increase statistically due to an increase in employment, but the negative side is that the welfare of rural communities does not increase as fast as expected. This condition is considered the same as the modern economic colonialism system.

The governance, regulation, and business system in Indonesia are still carried over by the colonial structure into the modern colonialist economic structure. The economic system of this former occupation was used to fulfill the interests of a few people by usurping the sovereignty of the poor. Meanwhile, the Indonesian government is struggling to remodel the past quickly. Especially in the rural development section, which in general, is still the same as in previous years, which is oriented towards economic growth without regard to the increasingly unequal welfare distribution process.

As a consequence, the concentration of capital and economic power is only dominated by domestic conglomerates and foreign corporations, which have taken root for decades. The development paradigm which pursues growth has brought Indonesia's agricultural and rural conditions to a slump. Rural and agriculture development are two vital areas in nation-building. Even though the Ministry of Agriculture has announced that one of the focuses of agriculture in 2019 will be the welfare of farmers, but its programs are still directed towards development, productivity, economic growth, and increased exports.

CURRENT GOVERNMENT PROGRAM FOR RURAL AGRICULTURE SECTOR

Since the administration of the Working Cabinet, some of the programs below are programs that are in effect in the current administration. This program is an initiative of the central government through agriculture policy at the national level. Also, the regional government of each region in Indonesia has the right to regulate the activities and programs and their respective regulations, but without neglecting the national program as below.

1. The Ministry of Agriculture held a Rural Agribusiness Development Program through the Decree of the Minister of Agriculture Number 545/ Kpts/ OT.160/ 9/ 2007. The *PUAP* program is a form of business capital assistance for member farmers, both owner farmers, sharecroppers, farm laborers, and farm households, coordinated by the Farmers Group Association. The funds are allocated to finance productive on-farm activities and off-farm activities related to agricultural commodities, namely the rustic home industry, marketing of agricultural products, and other agriculture-based businesses. This program is still running until nowadays, with the transformation into a Cooperative Union of Farmers, which is run by almost all local governments. (Ariyati, 2012; Ministry of Agriculture, 2007; PNPM, 2019).
2. At present, one of President Joko Widodo's visions is a commitment to developing Indonesia through rural development. The 2017 Village Development Priority Program that is driven by the Ministry of Villages, PDT, and Transmigration and the Ministry of Agriculture is the construction of a village reservoir.
3. Another program is the People's Prosperity Poverty Surgery Program (*BEKERJA* Program), which

- was initiated by the Minister of Agriculture, which is quite successful because it has a very significant correlation with village development priorities, namely making the village independent and contributes to the reduction of rural poverty.
4. The Ministry of Agriculture, through the Agricultural Human Resources and Development Agency (*BPPSDMP*), is conducting intensive assistance to farmers in the operation of these modern farming tools. Through the Optimization Utilization of Agricultural Machinery Tools (*OPA*) program, extension agents in the area are mobilized to conduct socialization and education to farmers in utilizing and caring for modern agricultural tools, such as combining harvesters, four-wheeled tractors, or excavator.
 5. Since 2017, the central government, together with the Ministry of Agriculture, launched the Cash-For-Labor Village in the remote areas (*PKTD* Program) is an activity to empower rural communities, especially the poor and marginal who are productive, by prioritizing the use of local resources, labor, and technology to provide additional wages or income, increase purchasing power, reduce poverty, and at the same time support the reduction in stunting rates. The main objective of this program is to prioritize poor rural communities to gain employment. This program is a direct program from President Joko Widodo, which is implemented for all villages in Indonesia simultaneously. The village funds allocated by the government in the 2018 fiscal year amounted to IDR 60 trillion (USD 4.2 million). The village funds were channeled from the government to villages through district or city governments.
 6. The current program that the Ministry of Agriculture is pursuing to prevent farmers' degeneration is the Agricultural Young Entrepreneur Growth Program (*PWMP*). This program is an effort to grow and increase the interest, skills, and entrepreneurial spirit of the younger generation in agriculture that aims to foster and develop the spirit of entrepreneurship of the young generation in agriculture.

The Village Fund Program is one of the most effective government programs. It is then submitted to the regional government. Funds from this program are directly channeled to the village head for their respective village programs. Programs and activities in each village are various but within one central government guidance. The regional government also applies a legal basis from the Ministry of Agriculture regulations to implement its village agriculture program. The case study of Ponggok Village was the most prosperous village due to the implementation of the Village Fund Program for the construction of facilities and infrastructure, agriculture, integration to ecological leisure facilities, and eco / agro-tourism according to the village's regional regulations and missions.

ISSUE AND CHALLENGE

Rural in Indonesia has a unique character that turns out to also have weaknesses. The lack of a rural community pattern that underpins Indonesian agriculture makes obstacles and challenges for the central government to carry out a rural empowerment program. Below are the issues and challenges faced by the government and the private sector in realizing better Indonesian rural.

Socially, the character of rural communities (farmers) is rigid and difficult to adapt to market demand. Lack of integrity, sense of responsibility, and motivation to work has reduced investor interest in investing in Indonesian agriculture.

Geographically, most rural areas in Indonesia are located in a geographical location with very minimal infrastructure. It is difficult for visitors to migrants to reach the countryside due to the lack of access to road construction. Besides, it also has the potential to have natural disasters and social conflicts.

In terms of infrastructure, rural areas in Indonesia also still lack electricity, telephone connections, and internet networks, which make communication with the outside world difficult. The most remote villages rarely or never communicate with outside communities, which makes it difficult for the government to assist them.

In terms of regional leadership and authority, rural communities tend to find it challenging to adapt to new regulations from the central government. They only obey the norms themselves and lack trust in the central government.

In development, agriculture is a mainstay sector to improve the welfare of most Indonesian people living in rural areas and working in the agricultural sector. Economic phenomena give a sign of the occurrence of agricultural issues and problems in the countryside. With the decrease in the level of productivity, a decrease in the village population, a decrease in rural youth, a decrease in the area of agricultural land, which directly reduces the level of agricultural production (Suryadarma *et al.* 2006; Indraningsih *et al.*, 2015).

Not only the above factors, but the difficulty in implementing central government programs is also influenced by internal management factors as follows: a.) Complicated bureaucracy management, difficult communication between departments; b.) Inconsistencies in government regulations because they are influenced by the duties and interests of many ministers; c.) Lack of clarity on the main points of government programs for rural communities; d.) Minister of Agriculture has not legally accommodated and protected farming activities in rural areas.

GOVERNMENT'S VISION FOR FUTURE OF INDONESIA RURAL

Based on the Asian Development Bank, the government sets a vision for agricultural development in rural Indonesia for 2020 including: First, increasing macroeconomic development at national and regional levels by doubling real income per capita and real agricultural GDP, reducing populations below the poverty line and children preschool children who are malnourished under 50%, zero deforestation activities. Second, the vision of economic life in rural villages: full-time employment for the most part; no more than 10% open unemployment, full or part-time involvement in micro or small businesses for some people, average annual per capita income of US\$ 2,000 and less than 5% of the village population below the poverty line, third, vision of developing agricultural practices : increased productivity but environmentally friendly technology, diversification of crops or livestock business, makes farmers less vulnerable to weather and the risk of price changes. Fourth, human resources management: commercial attitudes and practices in rural agriculture; farmers grow and produce high-value plants or bases, make production decisions based on comparative advantage, increase the effectiveness of postharvest handling techniques such as the drying and sorting process (Asian Development Bank, 2006).

According to the results of analysis with officials and political parties, those who will play an active role in scheduling poverty alleviation programs for the next few years, the government and various political parties focus on the welfare of the poor, with efforts to increase income with access to capital, improve product quality and access to marketing, develop business service skills, and develop entrepreneurship, partnership, and intermediary. Secondly, the government will develop development centers outside Java, such as the program, to move the capital to East Kalimantan to strengthen the connectivity infrastructure that connects the economic centers equally. Third, the government will always review and reform budget subsidies to rural development funds to reduce inequality; fourth, the central government will support domestic investors and local entrepreneurs to develop business in Indonesia. The government will reduce import pressure through the implementation of online retailer providers' obligations to sell local goods from Indonesia.

The House of Representatives ratified the 2020 State Budget (RAPBN) to focus on five key points, mostly focusing on human resources development. One of them supporting rural empowerment program-the fourth focus of the 2020 Draft State Budget: strengthening transfers to regions and village funds for equitable development throughout the archipelago, including in the absorption of labor (Ministry of Finance, 2019).

RECOMMENDATION

Several stages are very effective in increasing agricultural development in rural areas. This strategy is the primary motivation and handle of the central government in the preparation of legality, as follows: first, the development of agrarian laws stipulated by the Ministry or the central government. Considering the position of rural communities is particularly vulnerable to access to public information, rural communities need legal protection and require guidance on the appropriate stages of agricultural development. Second is the transformation of rural economic development. At present, the government has set aside funds for poor households, subsidizing agricultural machine tools, the BEKERJA program, and other agricultural assistance. However, this transformation also requires leadership participation from each local authority.

Third, the realization of regulations on agricultural extension development and village development to improve access to information and develop rural human resources. Fourth, the consistency of government regulations and their realization is highly valued. Notably, the government's commitment to allocating village funds is also an essential point in the efforts to mainstream villages in national development. The inconsistency of central government regulations and somehow desynchronization with regional government regulations has confused many parties. The fifth is the development of adequate infrastructure for electricity development, cellular communication networks for rural communities to easily capture information from the central government.

CONCLUSION

The agricultural sector contributes a significant role in the economic progress of Indonesia. Most of the agricultural sector is in rural areas. Rural communities generally have a livelihood in the agrarian sector. The central government of the Republic of Indonesia has tried various ways to improve the economy of rural communities through agriculture, such as agriculture extensions, incentives, food subsidies, and financial aid, to improve the welfare of rural communities. This effort has reaped much positive feedback and has indeed succeeded in reducing poverty significantly. However, the central government experienced many challenges in empowering Indonesian rural areas including complicated geographical factors, social issues of rural communities, factors of productivity and circular economy, human resource issues, asymmetrical central and regional regulatory authorities were able to hamper the efforts of the central government in realizing prosperity for Indonesian people, especially farmers and rural community.

The Indonesian Ministry that has an active role in implementing rural development is the Minister of Finance, the Minister of Villages and the Development of Disadvantaged Regions and Transmigration, the Minister of Home Affairs, the Minister of National Development Planning, and the Minister of Agriculture.

However, agricultural departments serve a small part in the development of rural areas. So the focus of regional development today is on infrastructure development and human resource development through the opening of employment in new sectors. The agricultural sector has immense potential in enhancing economic independence and the development of human resources equally.

The central government has taken realistic and convenient steps. The issuance of the Village Law Act (Law No. 6 of 2014), which confirms the recognition of authority, as well as the allocation of village funds, is seen as potentially accelerating the development of rural areas. Government programs on rural area development in Indonesia have now succeeded in developing a village funding program to improve the economy in the villages and the income of the rural community.

Based on the characteristics of rural communities who tend to be monotonous and are reluctant to make changes for progress. Referring to the fact that the Indonesian agricultural sector is based on rural agricultural areas. The role of government is significant in regulating rural communities (farmers) with strict and disciplined regulations and programs. The role of the private sector is also critical because the government has limited human resources and costs. The intended private role is agribusiness companies that produce agro or natural products from village to urban.

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