

IMPACT OF INDONESIAN DECENTRALIZATION ON POVERTY ALLEVIATION

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Abstract: Impact of Indonesian Decentralization on Poverty Alleviation. This study aims to analyze the impact of decentralization on poverty alleviation. To understand how decentralized programs have impact on various dimensions of poverty, this study uses a case study in Serang, Kedarpan and Sumilir villages in Purbalingga district, Central Java province. The study population was household. Samples taken were 10% of households randomly from each study village. Data are collected through observation, interview, questionnaire and documentary study. Positive impacts of decentralization are found more in terms of access to public service and infrastructure improvement, but less in income generation and social protection. Among various decentralized poverty alleviation programs, geographically targeted program like National Program for Community Empowerment is more successful compared to individually targeted program like Raskin, Askeskin, Poor House Renovation Program, and Program of Woman Saving Group.

Keywords: decentralization, poverty alleviation, impacts, households

Abstrak: Dampak Desentralisasi Indonesia pada Pengentasan Kemiskinan. Penelitian ini bertujuan untuk menganalisis dampak desentralisasi terhadap pengentasan kemiskinan. Untuk memahami bagaimana program desentralisasi berdampak pada berbagai dimensi kemiskinan, penelitian ini menggunakan studi kasus di Serang, Kedarpan dan Sumilir desa di kabupaten Purbalingga, Jawa Tengah. Populasi penelitian adalah rumah tangga. Sampel yang diambil 10% dari rumah tangga secara acak dari masing-masing desa. Data dikumpulkan melalui observasi, wawancara, angket dan studi dokumentasi. Dampak positif desentralisasi ditemukan lebih dalam hal akses ke pelayanan publik dan peningkatan infrastruktur, tetapi kurang dalam peningkatan pendapatan dan perlindungan sosial. Di antara berbagai program pengentasan kemiskinan yang terdesentralisasi, program yang ditargetkan secara geografis seperti Program Nasional Pemberdayaan Masyarakat lebih sukses dibandingkan dengan program individu seperti Raskin, Askeskin, Program Renovasi Rumah Miskin, dan Program Simpan Pinjam Perempuan.

Kata kunci: desentralisasi, pengentasan kemiskinan, dampak, rumah tangga

INTRODUCTION

In 2001, the government of Indonesia launched decentralization policy. Power, budget and human resources to deliver public service were since then transferred to local governments. Conceptually, it aims to improve community development and public service delivery. It is expected that transfer of power and resources to local government will accelerate poverty alleviation.

The implementation of decentralization implied to the change in poverty alleviation strategy. The government gradually moved from vast price subsidy to the programs directly targeting the poor. These included social protection programs, infrastructure development and establishment of microfinance in poor localities. Various decentralized schema are applied in poverty alleviation programs. Social protection programs are usually decentralized in term of

identification of beneficiaries and distribution of programs. Infrastructure improvement programs are usually decentralized in term of planing, execution and financing.

Several studies on poverty alleviation have been produced. Hastuti at al. (2008), Guggenheim (2006), McLaughlin, at al. (2007) are among the studies analyzing implementation and impact of the programs. However, because the studies were separately conducted for each program, they could not comparatively discuss how various dimensions of poverty were alleviated. Sumarto and Widyanti (2008), Suryahadi, at al. (2010) and Sutiyo and Maharjan (2011) have comparatively reviewed various poverty alleviation programs. However, their analyses mostly focused on national level data, somehow not able to present grassroots realities deeply.

Poverty is broadly defined as lack of basic necessities to maintain sufficient standard of living (Haughton & Khandker, 2009). This definition underlines poverty as a multidimensional issue, thus a simplified measure based only on income will not able to understand its nature comprehensively. Various studies to measure the multidimensionality of poverty have been proposed, yet, many of them have both conceptual and methodological limitations. Generally, the studies underline the importance of education, health, access to public service, asset and income itself. In Indonesia, the poor are identified based on fourteen indicators, which include: The education of household head is elementary or less; The floor area is less than 8 m² per capita; The floor is dirt; The wall is bamboo, poor wood or un-cemented brick; Having no private toilet; Having no electricity; Having no clean water facilities; Cooking fuel is wood or kerosene; Not able to pay medical cost; Only able to consume meat or milk once a week; Only able to take meal twice a day; Only able to buy clothes once a year; Having no asset worth more than IDR 500,000; Having income less than IDR 600,000 per month (BPS, 2011). These indicators present an in-

creasing acknowledge to see poverty as not only problem of income but also education, health, dwelling, asset and access to public service. It is relatively better to measure the multidimensionality of poverty rather than identifying the poor only from income.

While decentralization theoretically improves poverty alleviation, several studies present different facts. Most of them find that social protection in Indonesia is suffered from trouble in targeting (Hastuti et al., 2008; Sumarto & Widyanti, 2008; Suryahadi at al. 2010). The biggest leakage was on *Raskin* Program, which reached the figure of 70%. In program of *Askeskin*, about 21% of the cards were allocated to the 20% of richest households in rural community (Suryahadi et al., 2010). Programs of infrastructure improvement in poor location were also not free from problems. Local elites intervened decision making (Sumarto & Widyanti, 2008), and program outputs more benefited the non-poor rather than the poor (McLaughlin et al., 2007).

This study aims to analyze the impact of various decentralized programs in the context of Indonesian decentralization. To do so, it will analyze the change in some sectoral indicators related to public service at district, village and household level, and connect them with the existing poverty alleviation programs. It will be a before-after analysis, in which various indicators before decentralization are compared to those of after decentralization.

METHODS

To understand the grassroots realities of poverty alleviation, this study will use a case study in Serang, Kedarpan and Sumilir village in Purbalingga district, Central Java Province. Central Java and Purbalingga district were selected because their higher poverty rates compared to the other areas in Indonesia. Serang, Kedarpan and Sumilir village were selected to represent high dry, middle dry and low wet areas, respectively. In each village, households were catego-

rized based on location, gender and relative economic status and about 10% of them were randomly selected. 232 people consisting of 113 in Serang, 61 in Kedarpan and 58 in Sumilir were selected.

Data of this study include both primary and secondary. Fieldworks were conducted three times, which were in February to March 2011 for initial data collection, in January to February 2012 for questionnaire distribution, interview and observation, and in January to February 2013 for additional data collection. Data will be analyzed through qualitative and descriptive statistic technique.

FINDINGS

Description of Research Location and Respondent

Purbalingga district was located at longitude of 7°10' - 7°29' South and latitude of 101°11' - 109°35' East. It covered 777.6 km² of land with population in 2012 was

881,831 people. It is typically an agriculture area. 43% of household heads worked in agriculture, followed by trading (20%), industry (17%), service (10%), construction (6%) and other (6%) (BPS Purbalingga, 2013). Further, village of Serang, Kedarpan and Sumilir covered an area of 13.1 km², 2.3 km² and 2.3 km², respectively. By 2013, there were 1,256 households in Serang, 598 households in Kedarpan, and 564 household in Sumilir. 77% of household heads in Serang, 46% in Kedarpan, and 52% in Sumilir work in farming. The average landholding per household was 0.6 ha in Serang, 0.23 ha in Kedarpan and 0.39 ha in Sumilir.

Majority of respondents were male, graduating from primary education, working in agriculture sector with landholding less than 0.5 ha, and aging between 41 and 60 year old. Among the study villages, respondents in Kedarpan averagely had highest education and most diverse occupations. Averagely, the largest landholding was in Serang (Table 1).

Table 1. Profile of the Respondents

No	Indicator	Serang	Kedarpan	Sumilir	Total
1	Gender of household head (HHH)				
	- Male	104(92)	49(80)	48(83)	201(87)
	- Female	9(8)	12(20)	10(17)	31(13)
2	Education of HHH				
	- None	28(24)	9(14)	13(22)	50(22)
	- Primary	69(61)	32(53)	33(57)	134(58)
	- Low secondary	10(9)	11(18)	7(12)	28(12)
	- High secondary	3(3)	7(12)	5(9)	15(6)
	- University	3(3)	2(3)	0(0)	5(2)
3	Occupation of HHH				
	- Agriculture	84(74)	26(42)	39(67)	149(64)
	- Labor	15(13)	17(28)	10(17)	43(18)
	- Salaried Job	3(3)	6(10)	3(5)	12(5)
	- Business	11(10)	12(20)	6(11)	29(13)
4	Age (years) of HHH				
	- < 40	7(6)	14(23)	4(7)	25(11)
	- 41-50	50(44)	20(33)	23(39.5)	93(40)
	- 51-60	49(44)	18(29)	23(39.5)	90(39)
	- > 61	7(6)	9(15)	8(14)	24(10)
5	Landholding				
	- <0.5 ha	67(60)	49(81)	54(93)	170(74)
	- 0.51-1 ha	25(23)	7(12)	2(3.5)	34(15)
	- >1 ha	19(17)	4(7)	2(3.5)	25(11)

Source: Field Survey 2012 (No. 1, 2, 3, 4) and Field Survey 2013 (No. 5)

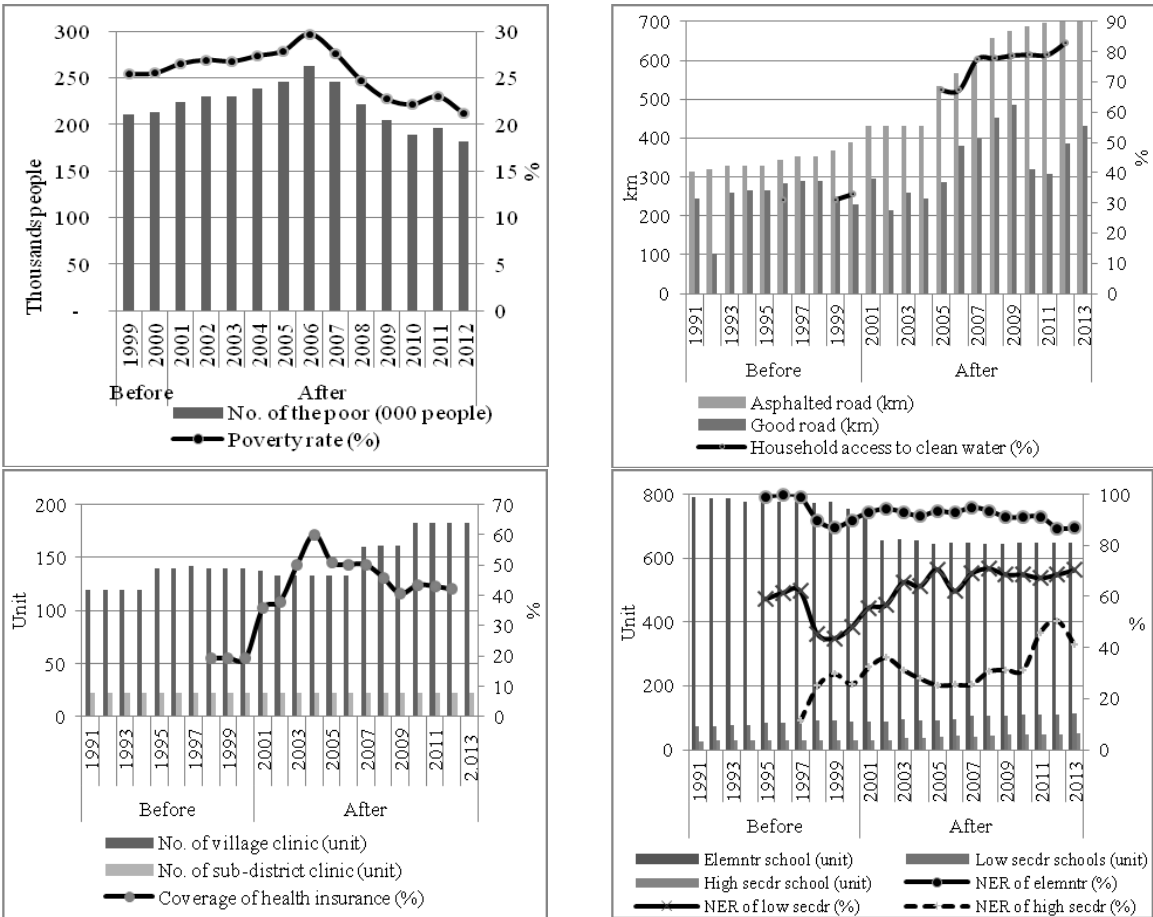
Note: Figure in parenthesis is percentage to total respondents

Changes in Some Sectors at District Level

During decentralization, the poverty rate in Purbalingga was decreased by 5.32%, from 26.51% in 2001 to 21.19% in 2012. The unavailability of data before decentralization makes impossible for this

study to compare with before decentralization. Compared to national achievement in poverty alleviation, the performance of Purbalingga district was lower. In the same period, national poverty rate was decreased by 6.75 %, from 18.41% to 11.66 % (Figure 1).

Figure 1. Changes in some sectoral data in purbalingga, 1991-2013



Source: (BPS Purbalingga, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013; District Government of Purbalingga, 2014; Purbalingga Local Planning Agency, 2006)

In education sector, from 2001 to 2013, the district government built 22 new lower secondary schools and 46 new upper secondary schools. There was no increase in the number of elementary schools, as they were already provided in each village since 1990. Further, Net Enrolment Ratio (NER) of elementary level was decreased, and NER of lower secondary and higher second-

ary was increased. This means that positive impact of decentralization existed only in low and high secondary level.

In health sector, there was locally initiated program named Community Health Insurance, which was the program to cover the health treatment cost. Initiated in 2002, the program supplemented *Askeskin* and covered 42% of households. In addition,

from 2001 to 2013, the district government built about 21 new village polyclinics. These indicators present that decentralization had positive impact on health sector.

In infrastructure sector, among 710 km of total district road, 95% were asphalted by 2013, compared to only 52% in 2000. This was obviously a good achievement that the district built quite long new roads. Yet, by 2013, only 65% of them were in good condition. Further, up to 2012, about 80% of households had access to clean water, compared to that of 31% in 2000. Most of increases were due to small clean water facilities funded by NPCE. Further, there was a locally initiated program named Poor House Renovation Program (PPHR), which distributed stimulant fund for the poor to repair their home. This program has been implemented since 2003 to cover averagely five houses per villages per year. So far, up to 2013 the district government had repaired about 13,923 houses. These indicators present that decentralization had positive impact in infrastructure sector.

Changes in Some Indicators at Village Level

In 2000, prior to the decentralized system, all study villages suffered from poor infrastructure. The main roads were still dirt, and the villages had no polyclinic and kindergarten. Microfinance, as an alternative of loan source, did not existed.

During decentralization, various programs were executed to improve infrastructure. Among other were National Program for Community Empowerment (NPCE) and Program of Village Allocation Fund (PVAf), Water and Sanitation for Local Corporation (WSLC). Serang, Kedarpan and Sumilir villages received IDR 276 million, 164 million and 185 million in 2013, respectively. The largest portion of grants was used for road improvement, followed by clean water facilities and school building.

As the impact of these programs, infrastructures were improved. Asphalt road, kindergarten, clean water facilities and irrigation were built. Decentralization also improved villager’s access to loan. Each village had women saving groups, thanks to the program of NPCE (Table 2).

Table 2. Change in village infrastructure

No	Infrastructure	Serang		Kedarpan		Sumilir	
		2000	2013	2000	2013	2000	2013
1	Passable road (asphalt: total km)	7:36	26: 36	0.5:7	5:7.5	1.3: 6.9	4.8: 6.9
2	Clean water supply (unites)	0	3	2	5	0	0
3	Kindergarten (unites)	0	5	0	2	0	2
4	Primary school (unites)	6	6	2	2	2	2
5	Low secondary school (unites)	1	1	0	0	0	0
6	Village polyclinic (unites)	0	1	0	1	0	1
7	Village health post (unites)	8	8	3	3	3	3
8	Women saving group (groups)	0	5	0	3	0	3

Source: Field survey, 2013

Changes in Poverty Indicators at Household Level

With regard to access to public services, by 2012, 60% and 31% respondents had

no access to clean water and electricity, respectively. The changes from 2000 to 2012 were statistically significant, except change in electricity access in Kedarpan. From these

indicators, it can be said that NPCE has significant impact in improving respondent’s access to infrastructures (Table 3).

Table 3. Respondent access to clean water and electricity

Poverty indicator	Village	No. of Respondent		Change	P value
		2000	2012		
No access to clean water	Serang	113	101	12 (11)	0.000***
	Kedarpan	56	38	18 (32)	0.000***
	Sumilir	58	45	13 (22)	0.000***
No access to electricity	Serang	54	36	18 (33)	0.000***
	Kedarpan	18	14	4 (22)	0.219
	Sumilir	34	23	11 (32)	0.001***

Source: Field Survey (2012)

Note:

- 1. Mc Nemar Test is applied, and *, **, *** means significant at 10%, 5% and 1%, respectively.
- 2. Figure in parenthesis is percentage to total respondents in 2000.

Program of Raskin, Askeskin, PPHR and PWSG were implemented in each study villages. Program of Raskin had the highest coverage while PPHR had the lowest coverage (Table 4). Leakage of Raskin program was found, where the rice was distributed to almost all the villagers, somehow making the amount received was less than what it should be. Another leakage was also found in PWSG, where many of the non-poor became the clients. Further, Askeskin and PPHR suffered from under coverage, where many of poor households did not received the programs.

Table 4. Beneficiaries of poverty alleviation programs, 2012

Program	Number of beneficiaries			
	Serang	Kedarpan	Sumilir	Total
Raskin	102 (90)	58 (95)	57 (98)	217 (94)
Askeskin	44 (39)	24 (39)	25 (43)	93 (40)
PPHR	18 (16)	12 (20)	6 (10)	36 (16)
PWSG	106 (94)	50 (82)	58 (100)	214 (92)

Source: Field Survey, 2012

Note: Figure in parenthesis is percentage to total respondents

By 2012, there were 11% respondents not able to take meal twice a day, and 79% respondents not able to consume meat more than once a week. With regard to access to health service, 27% respondents were not able to pay medical cost when getting sick. With regard to dwelling condition, 15% respondents used mud or rudimentary floor, 50% respondents used bamboo, poor wood or un-cemented brick wall, 54% respondents had no private toilet, and 79% respondents cooked with firewood. With regard to income and asset, 39% and 17% respondents had income less than IDR 600,000 per month and asset less than IDR 500,000, respectively (Table 5).

Table 5. Change in some selected poverty indicators, 2000-2012

Poverty indicator	Link with Programs	No. of Respondent		Change	P value
		2000	2012		
Only able to take meal twice a day	Beneficiaries of Raskin	29	25	4 (14)	0.023**
	Non beneficiaries of Raskin	1	0	1 (100)	
Only able to consume meat once a week	Beneficiaries of Raskin	207	176	31 (15)	0.273
	Non beneficiaries of Raskin	11	8	3 (27)	
Not able to pay medical cost	Beneficiaries of Askeskin	50	39	11 (22)	0.175
	Non beneficiaries of Askeskin	37	24	13 (35)	
Mud housing floor	Beneficiaries of PPHR	30	11	19 (63)	0.679
	Non beneficiaries of PPHR	74	24	50 (68)	
Bamboo/poor wood/un-cemented brick wall	Beneficiaries of PPHR	36	35	1 (3)	0.00***
	Non beneficiaries of PPHR	145	80	65 (45)	
No private toilet	Beneficiaries of PPHR	35	30	5 (14)	0.007***
	Non beneficiaries of PPHR	155	96	59 (36)	
Cooking with wood/kerosene	Beneficiaries of PPHR	36	31	5 (14)	0.289
	Non beneficiaries of PPHR	194	152	42 (22)	
Income less than IDR 600,000 per month	Beneficiaries of PWSG	87	79	8 (9)	0.922
	Non beneficiaries of PWSG	12	11	1 (8)	
Asset worth not more than IDR 500,000	Beneficiaries of PWSG	73	39	34 (47)	0.021***
	Non beneficiaries of PWSG	5	0	5 (100)	

Source: Field Survey (2012)

Note:

1. Chi square Test is used*, **, *** means significant at 10%, 5% and 1%, respectively.
2. Figure in parenthesis is percentage to number of respondents in 2000.
3. Indicator of income and asset in 2000 were counted by considering inflation rate

The improvements from 2000 to 2012 were significant in frequency of meal, house wall, sanitary and asset. Although frequency of meat consumption, ability to pay medical cost, house floor, cooking fuel and income were improved, the changes were statistically not significant. These indicators present that program of Raskin, Askeskin, PPHR and PWSG were not completely successful.

DISCUSSION

This study has analyzed the changes in various dimensions of poverty, and finds mixed impacts of decentralization on poverty alleviation. Positive impact of decentralization is mostly identified in term of access to public service like clean water, electricity,

asphalted, polyclinic, kindergarten, secondary school, health insurance. In addition, frequency of taking meal, house wall, sanitary and asset of the poor were significantly improved during decentralization. In contrary, frequency of meat consumption, ability to pay medical cost, house floor, cooking fuel and income of the poor were not significantly improved.

Among various programs of poverty alleviation, NPCE is the most successful program, followed by PPHR, PWSG, Raskin and Askeskin. Leakage, which means that the program is distributed to the non-poor, is mostly found in Raskin and PWSG. Under-coverage, which means that the program cannot cover many of the poor due to insufficient funding, is mostly found in PPHR.

Findings of this study complement the earlier studies conducted by Hastuti et al. (2008), Sumarto and Widyanti (2008) and Suryahadi et al. (2010) which find the problem of leakage in program of *Raskin* and *Askeskin*, and study by McLaughlin et al. (2007) about NPCE program. With regard to PWSG, while Edstrom (2002) reports that the program significantly provide an alternative loan for the poor, this study finds that the borrowed money still cannot improve income. Thus, PWSG only prevent the clients to become poorer, but do not help them escape out from poverty.

This study underlines that decentralization is more likely to be successful in geographically targeted programs rather than individually targeted programs. If local governments are given grants, they are more likely use the money more on infrastructure benefitting all villagers rather than only the poor. Even if the decision-making is decentralized, the poor have no voice to influence decision-making and bargain with most member of community. Thus, social protection and microfinance, that are strongly needed by the poor, get limited funding. In addition, using decentralized schema, social protection and microfinance are proven very prone to leakage, where the programs are distributed to almost all villagers, even if they are not poor.

CONCLUSION

Positive impact of decentralization is found mostly in term of access to public service and infrastructure improvement, but less in income generation and social protection. NPCE is quite successful in poverty alleviation, in contrary to PWSG, *Raskin*, *Askeskin* and PPHR. Most of poverty alleviation programs suffer from leakage and under coverage due to insufficient funding.

To ensure that the poor are benefitted from decentralization, the government should guarantee the rights of the poor in local budget decision making. It is equally important to monitor the distribution of *Raskin*

and PWSG, and to improve the funding of PPHR. To ensure that the poorest groups are benefitted from decentralization, the government should improve the targeting mechanism in poverty alleviation, especially social protection and microfinance clusters. As Indonesia is a diverse country, the government should not strictly impose any national standard to identify the eligible household. It may be worth if the government involve community in identifying the program beneficiaries, as it will provide an opportunity to develop a local flexibility in defining the poor households

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