

# **The Role of Regional Government in Poverty Reduction in East Kalimantan, Indonesia**

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## **ABSTRACT**

East Kalimantan is a province of paradox. It has considerable economic potential, measured in terms of abundant endowments of natural resources. And yet it lacks infrastructure and has poor human resources, factors which condemn much of the population to live in poverty. Regional autonomy, implemented since 2001, has provided more political power and fiscal capacity to the region, and therefore it has been expected to give more opportunity for regional governments to accelerate regional development and bring their people to greater prosperity. However, East Kalimantan still harbors high levels of poverty. This study examines the extent to which regional governments use their authority, greatly expanded under regional autonomy laws, to address poverty issues in the province.

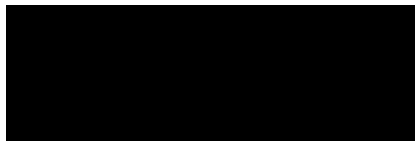
This research utilizes qualitative methodology and employs a case study approach. It involves 63 interview participants from senior regional government officials, members of regional councils and other local stakeholders, which were selected using a combination of “purposive and snowball” sampling. Other secondary data collected include regional government documents and publications.

The thesis argues that regional autonomy has provided regional governments with more political and fiscal capacity and has increased the role of regional governments in developing the regions. However, this has not necessarily meant that regional governments have been successful in alleviating poverty. It is argued that the insignificant achievement in poverty reduction is heavily shaped by the inconsistency of the regional governments in implementing program priorities due to the conflicting interests among decision makers, the limited capacity and low commitment of the local bureaucrats and members of regional councils in managing administration and regional development programs, regional political instability, poor coordination between levels of government and wide spread corruption.

## **STUDENT DECLARATION**

I, Muhammad Ali, declare that the PhD thesis entitled “The Role of Regional Government in Poverty Reduction in East Kalimantan, Indonesia” is no more than 100,000 words in length including quotes and exclusive of tables, figures, appendices, bibliography, references and footnotes. This thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work.

Signature:

A solid black rectangular box used to redact the student's signature.

Date: 19 March 2013

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## **DEDICATION**

I dedicate this thesis to the memory of my late mother, Sawiah,  
my wife, Jumriah and my lovely kids, Agung, Vina and Rara.  
You are everything to me.

## LIST OF PUBLICATIONS AND AWARDS

Ali, Muhammad (2011) *Decentralization and Poverty Reduction: The Case of Great Resources Province, East Kalimantan*, Proceedings of Canadian South East Asian Studies Conference, Toronto, 14–16 October 2011.

Ali, Muhammad (2011) *Paradoks Kebijakan Otonomi Daerah dan Peningkatan Kesejahteraan Masyarakat: Kalimantan Timur Kaya Tapi Miskin/The Paradox of Regional Autonomy Policy and the Increase of East Kalimantan Community Welfare*, Proceedings of Olimpiade Karya Tulis Inovatif, Paris, 6–8 October 2011.

Ali, Muhammad and Mas'udi, Wawan (2012) 'Paradoks Desentralisasi dan Kesejahteraan: Kalimantan Timur Kaya Tapi Miskin/The Paradox of Desentralization and Welfare: East Kalimantan is Rich but Poor', *Jurnal Desentralisasi* 10 (1): 17 - 37

Runner-up in essay competition organized by Australian Indonesia Governance Research Partnerships, The Australian National University in 2009, with the essay titled "Decentralization and Poverty Reduction: Great Authority, Wealth and Poverty in East Kalimantan, Indonesia." The essay can be accessed through [http://www.aigrp.anu.edu.au/docs/ys/Essay\\_comp\\_2009/final/Essay\\_Submission\\_M%20Ali%20Hapsah.pdf](http://www.aigrp.anu.edu.au/docs/ys/Essay_comp_2009/final/Essay_Submission_M%20Ali%20Hapsah.pdf)

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## **ABBREVIATIONS AND ACRONYMS**

ABPD	: Anggaran Pendapatan dan Belanja Daerah/Local Budget
ADB	: Asian Development Bank
ADD	: Alokasi Dana Desa/Village Grant
ALA/AusAID	: Australian Leadership Scholarships/Australian Aid
APBDes	: Anggaran Pendapatan dan Belanja Desa/Village Budget
APBN	: Anggaran Pendapatan dan Belanja Nasional/National Budget
BANSOS	: Bantuan Sosial/Social Assistances
BAPPEDA	: Badan Perencanaan Pembangunan Daerah/Regional Development Planning Board
BEM	: Badan Eksekutif Mahasiswa/Student Executive Board
BKD	: Badan Kepegawaian Daerah/Regional Personnel Board
BKKBN	: Badan Koordinasi Keluarga Berencana Nasional/Coordination Board of National Family Planning
BLT	: Bantuan Langsung Tunai/Cash Money Grant
BOM	: Barisan Oposisi Muda/Youth Opposition Front
BPD	: Badan Permusyawaratan Desa/Village Council
BPK	: Badan Pemeriksa Keuangan/Financial Auditor Board
BPKD	: Badan Pengelolaan Keuangan Daerah/Regional Financial Management Board
BPM	: Badan Pemberdayaan Masyarakat/Community Empowerment Board
BPMD	: Badan Pemberdayaan Masyarakat Desa/Rural Community Empowerment Agency
BPS	: Badan Pusat Statistik/Central Statistic Board
CSR	: Corporate Social Responsibility
DAK	: Dana Alokasi Khusus/Special Allocation Funds
DATI I	: Daerah Tingkat I/Province
DATI II	: Daerah Tingkat II/District
DAU	: Dana Alokasi Umum/General Allocation Funds
DISKOMINFO	: Dinas Komunikasi dan Informasi/Communication and Information Agency
DKI	: Daerah Khusus Ibukota/Capital Special Territory
DPD	: Dewan Perwakilan Daerah/Regional Representative Council (Senate)
DPD	: Dewan Pengurus Daerah/Regional Board
DPR	: Dewan Perwakilan Rakyat/National Parliament
DPRD	: Dewan Perwakilan Rakyat Daerah/Regional Councils
EU	: European Union

GDP	: Gross Domestic Product
GEPAK	: Gerakan Pemuda Asli Kalimantan Timur/Indigenous Youth of East Kalimantan Movement
GERBANGDAYAKU	: Gerakan Pembangunan Pemberdayaan Kutai/Kutai Development Empowerment Movement
GOLKAR	: Golongan Karya/Functional Group
GPPP	: Gerakan Pemuda Pembangunan Perbatasan/Youth Movement for Border Development
HDI	: Human Development Index
ICG	: International Crisis Group
ICW	: Indonesian Corruption Watch
IDR	: Indonesian Rupiah
IKAPAKARTI	: Ikatan Paguyuban Keluarga Tanah Jawi/Javanese Ethnic Alliance
IMF	: International Monetary Fund
INKESRA	: Indikator Kesejahteraan Rakyat/Community Welfare Indicators 2008
INPRES	: Instruksi Presiden/Presidential Instruction
IPDP KALTIM	: Ikatan Putra Daerah Peduli Kalimantan Timur/Institute of Native Son for East Kalimantan Care
IPK	: Indeks Persepsi Korupsi/Corruption Perception Index
KADIN	: Kamar Dagang Indonesia/Indonesian Chamber
KALIMA	: Keimanan, Ketakwaan, Kemiskinan, Kebodohan, Kesempatan Kerja and Kesehatan. It is an organization established by Awang Farouk. The organization has objectives to deal with 5 Ks: Improving the faith and piety, job opportunities and health, and fighting against poverty and ignorance
KALTIM	: Kalimantan Timur/East Kalimantan
KAT	: Komunitas Adat Terpencil/Isolated Indigenous Community
KKMSB	: Kerukunan Keluarga Mandar Sulawesi Barat/Mandar West Sulawesi Community Organization
KKN	: Kolusi, Korupsi and Nepotisme/Corruption, Collusion and Nepotism
KNPI	: Komite Nasional Pemuda Indonesia/ Indonesian National Youth Council
KODAM	: Komando Daerah Militer/Military Command Region
KPAD	: Komando Pertahanan Adat Dayak/Dayak Indigenous Defense Command
KPK	: Komite Penanggulangan Kemiskinan/Poverty Reduction Committee
KPK	: Komisi Pemberantasan Korupsi/Corruption Eradication Commission

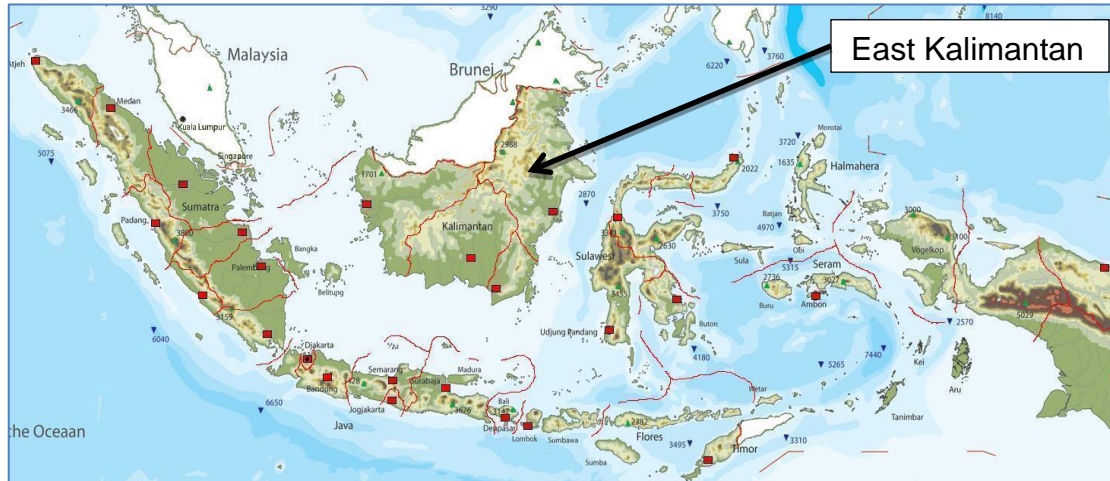
KPPOD	: Komite Pemantauan Pelaksanaan Otonomi Daerah/Regional Autonomy Implementation Monitoring Committee
KUA	: Kebijakan Umum APBD/General Policy of APBD
KUBE	: Kelompok Usaha Bersama/Business Group
KUKAR	: Kutai Kertanegara
LAP	: Lembaga Adat Paser/Paser Customary Organization
LKPD	: Laporan Keuangan Pemerintah Daerah/the Financial Report of Regional Governments
LPM	: Lembaga Pemberdayaan Masyarakat/Community Empowerment Council
LPPDKT	: Lembaga Pemerhati Pembangunan Daerah Kalimantan Timur/Institute for Regional Development Observer of East Kalimantan
MDGs	: Millennium Development Goals
MPI	: Majelis Pemuda Indonesia/Indonesian Youth Council
MPR	: Majelis Permusyawaratan Rakyat / People's Consultative Assembly
MURI	: Museum Rekor Indonesia/Indonesia Record Museum
MUSRENBANG	: Musyawarah Perencanaan Pembangunan/Deliberative Development Meeting
MUSRENBANGCAM	: Musyawarah Perencanaan Pembangunan Kecamatan/Sub district Deliberative Development Meeting
MUSRENBANGDES	: Musyawarah Perencanaan Pembangunan Desa/Village Deliberative Development Meeting
MUSRENBANGKAB	: Musyawarah Perencanaan Pembangunan Kabupaten/District Deliberative Development Meeting
NAD	: Nangroe Aceh Darussalam
NGO	: Non-Government Organizations
OECD	: Organizations for Economic Cooperation and Development
OKB	: Orang Kaya Baru/a term given to describe the attitude of people who like wasting money. Literally means newly rich people (nouveau riche)
OTDA	: Otonomi Daerah/Regional Autonomy
OTSUS	: Otonomi Khusus/Special Autonomy
OTW	: Opini Tidak Wajar/adverse opinion
P4B	: Pendaftaran Pemilih dan Pendataan Penduduk Berkelanjutan/ Sustainable Voter Registration and Population Data Collection
PAD	: Pendapatan Asli Daerah/Local Income
PAN	: Partai Amanat Nasional/National Mandate Party
PANGGAR	: Panitia Anggaran/Budgeting Committee

PDIP	: Partai Demokrasi Indonesia Perjuangan /Indonesian Democratic Party of Struggle
PDKT	: Persekutuan Dayak Kalimantan Timur/Dayak Alliance of East Kalimantan
PDRB/GRDP	: Produk Domestik Regional Bruto/Gross Regional Domestic Products
PEMILU	: Pemilihan Umum/General Election
PEMILUKADA	: Pemilihan Umum Kepala Daerah/Public Election for Head of Regions
PERDA	: Peraturan Daerah/Government Regulation
PILGUB	: Pemilihan Gubernur/Governor Election
PILKADA	: Pemilihan Kepala Daerah/Regional Head Election
PKS	: Partai Keadilan Sejahtera/Justice Prosperity Party
PLTS	: Pembangkit Listrik Tenaga Surya/Solar Power
PMD	: Pemberdayaan Masyarakat Desa/Rural Community Empowerment
PNS	: Pegawai Negeri Sipil/Government Employee
POKJA 30	: Kelompok Kerja 30/Working Group 30
POLDA	: Polisi Daerah/Regional Police
POLDAS	: Pola Dasar/Basic Framework
PON	: Pekan Olahraga Nasional/National Sport Championship
PPA	: Prioritas dan Plafon Anggaran/ Priority and Budget Allocation
PPAS	: Prioritas dan Plafon Anggaran Sementara/Priority and Temporary Budget Allocation
PPP	: Partai Persatuan Pembangunan/United Development Party
PPPs	: Public Private Partnerships
PROPEDA	: Program Pembangunan Daerah/Regional Development Programs
PRSP	: Poverty Reduction Strategy Paper
PTT	: Pegawai Tidak Tetap/Temporary Workers
PUNGLI	: Pungutan Liar/Illegal Payment
PUSKESMAS	: Pusat Kesehatan Masyarakat/Community Health Centre
RABPD	: Rancangan Anggaran Pendapatan dan Belanja Daerah/Draft of Local Budget
RASKIN	: Beras Miskin/Rice for Poor
RENSTRADA	: Rencana Strategi Daerah/Regional Strategic Plan
RKPD)	: Rencana Kerja Pemerintah Daerah/Regional Government Work plan
RPJM	: Rencana Pembangunan Jangka Menengah/Medium Term Development Plan
RPJMD	: Rencana Pembangunan Jangka Menengah Daerah/Mid Term Regional Development Plan
RPJP	: Rencana Pembangunan Jangka Panjang/Long Term Development Plan

RPJPD	: Rencana Pembangunan Jangka Panjang Daerah/Long Term Regional Development Plan
RT/RW	: Rukun Tetangga/Rukun Warga/Neighborhood Organizations
RUMAH ETAM SDPK	: The Official House for East Kalimantan Governor : Strategi Daerah Penanggulangan Kemiskinan/The Regional Poverty Reduction Strategies
SEKPROV	: Sekretaris Provinsi/Provincial Government Secretary
SKPD	: Satuan Kerja Perangkat Daerah/Regional Government Work Units
SNPK	: Strategi Nasional Penanggulangan Kemiskinan/The National Poverty Reduction Strategy
TII	: Transparency International Indonesia
TKPKD	: Tim Koordinasi Penanggulangan Kemiskinan Daerah/The Poverty Reduction Coordination Team
TKS	: Tenaga Kerja Sukarela/Social Volunteers
TPKD	: Tim Penanggulangan Kemiskinan Daerah/Regional Poverty Reduction Team
TSCF	: Trillion Standard Cubic Feet
UEP	: Usaha Ekonomi Produktif/Productive Economic Enterprises
UGM	: Universitas Gajah Madah/Gajah Madah University
UKS	: Usaha Kesejahteraan Sosial/Social Welfare Enterprises
UMKM	: Usaha Masyarakat Kecil Menengah/Small Medium
UN	: Micro Enterprises United Nations
UNIKARTA	: Universitas Kutai Kertanegara/ Kutai Kertanegara University
UNMUL	: Universitas Mulawarman/Mulawarman University
UUD 1945	: Undang-Undang Dasar 1945/Constitution of 1945
WABUB	: Wakil Bupati/Deputy Head of District
WAGUB	: Wakil Gubernur/Deputy Governor
WDP	: Wajar Dengan Pengecualian/Fair with exception
WTP	: Wajar Tanpa Pengecualian/Fair without exception

## MAPS

**Map 1: Indonesia**



Source: Website Kemenperin, <http://www.kemenperin.go.id/ASP/e-Potda/>

**Map 2: East Kalimantan**



Source: BAPPEDA Kalimantan Timur, Kalimantan Timur Dalam Angka 2011/East Kalimantan in Figures 2011, <http://www.BAPPEDAKaltim.com/>

# CHAPTER 1

## INTRODUCTION

### 1.1 Background

This thesis is an investigation of the role of regional governments<sup>1</sup> in addressing poverty issues in resource rich East Kalimantan. It assesses the extent to which regional governments use their greatly expanded powers (under regional autonomy laws) to formulate and implement poverty reduction policies, in order to improve the quality of life of their communities. The introductory chapter outlines the background to the research problem, the objectives of the study, and gives a brief overview of contemporary developments in East Kalimantan. The research questions that the thesis seeks to address are discussed, followed by a statement of the contribution the thesis makes to the field of poverty and decentralization studies, and provides justification for the significance of the study. This chapter also presents an outline of the thesis structure. The last part of this chapter provides an overview of decentralization in Indonesia and the structure of the Indonesia's government.

East Kalimantan is a province of paradox. This region has considerable economic potential measured in terms of its abundant endowments of natural resources including oil, natural gas, gold, coal and forests. It is not surprising then that compared to other regions in Indonesia, even in Southeast Asia such as Bangkok and Peninsular Malaysia, East Kalimantan province is among the wealthiest regions in terms of per capita GDP (for more detail, see Booth, 1997; 2003: 192).<sup>2</sup> Ironically, the highest standard of living or the lowest poverty rate does not always occur in the regions with the highest per capita GDP. East Kalimantan still lacks

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<sup>1</sup> Regional governments (plural) refer to both provincial and district/municipal governments. In this thesis the term regional governments is used except to describe specifically the provincial government and specific or all district governments. Regional government (singular) may refer to either provincial government or district government, and governments (plural) refer to governments as a whole, which may include central government, provincial government and district governments.

<sup>2</sup> GDP stands for Gross Domestic Product. GDP, which in the regional level is usually called GRDP (Gross Regional Domestic Product) referring to the market value of all goods and services produced within a country or region (province or district) in a given period.

infrastructure, with poor human resources and high levels of unemployment; these factors condemn much of the population to a life of paucity and hardship.

The new system of regional autonomy<sup>3</sup> implemented since 2001 was expected to give more benefit to the regions, as regional governments have held relatively more power and fiscal capacity. Law 22/1999, which has been revised twice, has provided more authority to regional governments to oversee education, health, the environment, labor, public works and natural resources management, where previously control in these areas was strictly limited (Aspinall and Fealy, 2003). The introduction of fiscal decentralization through Law 25/1999, further revised in Law 33/2004, has favored regions rich in natural resources such as East Kalimantan. As the province has abundant natural resources, this region has received greatly increased funds from the central government due to the implementation of sharing revenue formula generated from the exploitation of natural resources (see Appendix 1 for further details).

Following the implementation of regional autonomy, there have been persistent significant increases in the APBD (or local budget).<sup>4</sup> For example, a year on from the effective implementation of the new system, the APBD of East Kalimantan Province increased by 300 percent (IDR 605.5 billion) in 2000.<sup>5</sup> This extraordinary rate of increase has continued, so that in 2011 the APBD of East Kalimantan Province reached 10 trillion – an increase of 1300 percent – compared to the APBD in 2000 (Pemerintah Provinsi Kalimantan Timur, 2000; 2001; 2002; 2003; 2004; 2005; 2006; 2007; 2008).<sup>6</sup> These

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<sup>3</sup> The policy of regional autonomy was introduced by President B.J. Habibie through Law No. 22/1999 and Law No. 25/1999 on regional government and fiscal balance between central and regional governments respectively. These two Laws were legislated in 1999 and implemented in 2001. They have undergone revision and have now become Law 32/2004 and Law 33/2004 respectively. The second limited revision of Law 32/2004 took place in 2008, so now this Law has been amended to be Law 12/2008.

<sup>4</sup> APBD is an abbreviation of *Anggaran Pendapatan dan Belanja Daerah*. It is the annual budget of regional governments, which was approved by regional councils through regional regulation (Perda). The fiscal year covers a period of one year commencing from 1 January to 31 December. In this thesis, the term “local budget” is used to refer to APBD.

<sup>5</sup> IDR is Indonesian Rupiah.

<sup>6</sup> All data related to the Local Budget of East Kalimantan Province are drawn from the documents of *Anggaran Pendapatan dan Belanja Daerah Provinsi Kalimantan Timur Tahun 1999 - 2008*/Local Budget of East Kalimantan Province.

considerable increases also took place at the district level within the province of East Kalimantan. Therefore, East Kalimantan is one of the regions that “celebrate” the introduction of fiscal decentralization in Indonesia. The East Kalimantan region example reflects the assertion of Richard Seymour and Sarah Turner (2002) that regional autonomy gives more benefit to regions rich in natural resources.

Some observers (see for example Agustianto, 2008; Sarosa Hamongpranoto, 26 July 2006; Awang Farouk Ishak cited in Kaltim Post, 02 December 2006) argue that the significant increase of both authority and local budgets was supposed to give regional governments the opportunity to develop more pro-people programs, to accelerate regional development and bring local communities greater prosperity. Yet greater authority and revenues does not seem to have significantly improved local community welfare as East Kalimantan, one of the richest provinces in Indonesia, still harbors high levels of poverty.

The reports of BPS<sup>7</sup> and BAPPEDA<sup>8</sup> (2008) show that, of the East Kalimantan population of 3.5 million, approximately 7.66 percent are categorized as poor, a figure that indeed constitutes less than half of the national poverty level, which is 16.58 percent. By national standards, the educational attainment is relatively low in that more than half the population has only had a primary and junior high school education. The rate of unemployment is still relatively high, currently at 12.07 percent.<sup>9</sup> In brief, the remarkable increases in local budgets and authority of regional governments have not significantly improved the level of prosperity, reflected in the persistence of low quality of human resources, of the high level of unemployment and of the level of poverty that has reduced little over the last decade. Some observers point out that this paradoxical phenomenon

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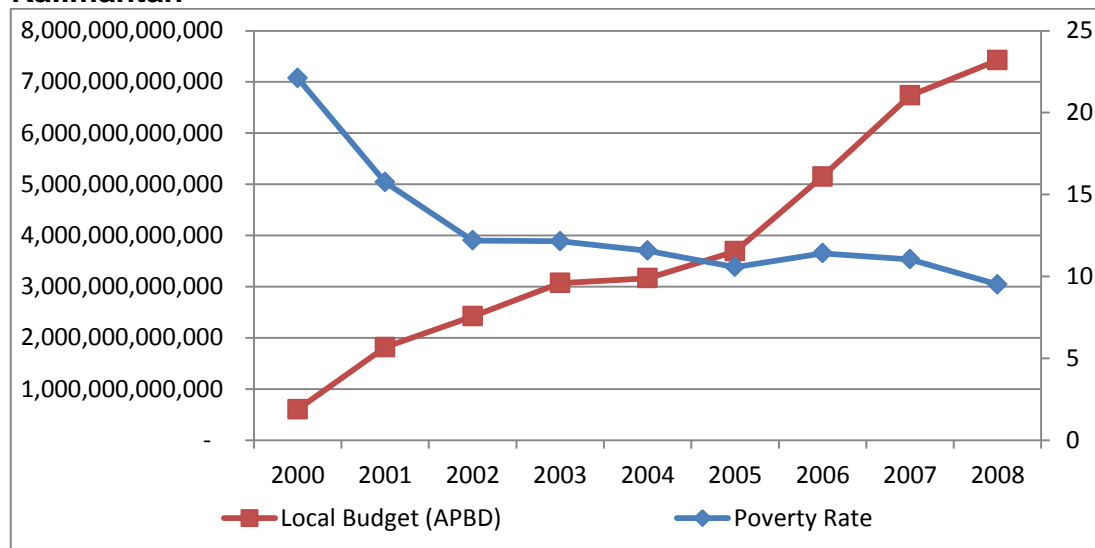
<sup>7</sup> BPS is an abbreviation of Badan Pusat Statistik or The Central Statistical Board. It is a central government institution that has offices at three levels of government (central, provincial and district levels).

<sup>8</sup> BAPPEDA stands for *Badan Perencanaan Pembangunan Daerah* or Regional Development Planning Board. It is an institution within the regional government structures that is responsible for development planning.

<sup>9</sup> All data related to East Kalimantan, e.g. geographic, demographic, economic, etc., are drawn from documents of the Regional Development Planning Board (BAPPEDA) and Statistical Bureau (BPS) of East Kalimantan.

indicates that regional governments have failed to utilize the opportunities provided by regional autonomy.<sup>10</sup> Accordingly, East Kalimantan seems to support the “resource curse thesis”<sup>11</sup> according to which resource-rich countries [regions] often fail to benefit from favorable natural resources endowment, and they may actually perform worse than less endowed countries [regions].

**Figure 1 - 1: Local Budget (APBD) Trends and Poverty Rates in East Kalimantan**



Source: Pemerintah Provinsi Kalimantan Timur (2000; 2001; 2002; 2003; 2004; 2005; 2006; 2007; 2008)

Figure 1-1 shows that in the first years of implementation of regional autonomy, there was a marked decline in the poverty rate. From 2003 onwards however this decrease has been more gradual. The rapid decrease in the poverty rate at the beginning of the regional autonomy period was more due to the impact of national poverty reduction policies, implemented to cope with the monetary crisis that engulfed Indonesia in mid-1997, than regional autonomy. This crisis had resulted in a sharp increase in poverty rates in Indonesia as well as East Kalimantan.

<sup>10</sup> It is plainly stated in the Laws (both the former and revised versions) that one of the aims of adopting the new policy is to enhance social welfare, particularly at the local level by enhancing public service, empowerment and community participation. In other words, the new policy is expected to extricate the community from poverty.

<sup>11</sup> The concept of natural resources as a curse rather than as an economic blessing was first introduced by Richard M. Auty in 1993 in his thesis about the "resource curse". This thesis describes the condition of countries that have abundant natural resources but their economic performances are even lower than countries that have little or no natural resources.

There have been vigorous debates on the factors that contribute to the persistence of poverty in this region. A former senior official of the East Kalimantan Province, Nusyirwan Ismail<sup>12</sup> (cited in Harijono and Prasetyo Eko, 12 April 2005), claims that the high level of poverty in this region is influenced by the influx of unskilled and unemployed migrants from other regions.<sup>13</sup> Whereas, Luther Kombong<sup>14</sup> (cited in Harijono and Prasetyo Eko, 12 April 2005) regards poverty as a legacy of the former central government policy, which he claims was too “Java centrist” and seemed to neglect other regions. A similar statement by Richard Chauvel (1998: 19) regards the situation as an inheritance of the highly centralized financial system developed by Soeharto’s regime, where almost all revenue generated from the provinces with the most abundant natural resources, such as East Kalimantan, flowed to Jakarta to fuel development process with financial decisions being made in Jakarta, and the money trickling out to the provinces in response to political priorities of central government.

Another factor that engenders the incidence of poverty in East Kalimantan is an uneven distribution of wealth. The data shows that about 55.6 percent of the labor force has been engaged in relatively low economic productivity including trades, services and agricultural sectors. In contrast, mining and manufacturing sectors contribute more than 77.8 percent of the total GRDP,<sup>15</sup> but only employ about 6.7 percent of the labor force (BPS, 2010). Moreover, as most investors and workers in mining and industry sectors come from other regions or from overseas, the value adding generated from these sectors has significantly flowed out of the province and has been largely enjoyed by outsiders. According to Eri Hastoto (cited in

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<sup>12</sup> Nusyirwan Ismail is currently the deputy mayor of Samarinda Municipality after winning the election in the late 2010. Prior to assuming his current position, he was the assistant of the East Kalimantan Governor for Development Division and head of the East Kalimantan Investment Board.

<sup>13</sup> The population growth of East Kalimantan Province is approximately 3.76 percent per annum. From this figure, about 2.54 percent is contributed by migrants (BAPPEDA, 2008).

<sup>14</sup> Luther Kombong is a member of the *Dewan Perwakilan Daerah Republik Indonesia (DPDRI)*/Regional Representative Council of the Republic of Indonesia from East Kalimantan.

<sup>15</sup> GRDP stands for Gross Regional Domestic Product. In Indonesia, it is called PDRB (*Produk Domestik Regional Bruto*). It refers to the market value of all final goods and services produced within a region in a given period.

Tribun Kaltim, 16 November 2007), these situations have contributed to the persistence of poverty and unemployment in East Kalimantan.

Extensive programs have been implemented to reduce poverty in this region initiated by central and regional governments. Those programs incorporate various dimensions of poverty such as education, health, housing, economics, political empowerment and infrastructure. Nonetheless, some evaluation shows that regional government policy has sometimes exacerbated efforts to alleviate poverty. Dalle Daniel Sulekale (2003) contends that inappropriate government policy settings and inadequate development programs, which are specifically targeted at assisting the poor, contribute to poverty. Agus Andrianto's (2006) evaluation also shows that the current poverty reduction programs are lacking in coordination among agencies and are more oriented to short-term interests. Andrianto (2006) even claims that poverty reduction programs often provide more benefits to government officials than to poor people. In relation to this issue, T. Scarlett Epstein (2007) argues that policies intended to reduce poverty often fail because they do not reflect the realities of the poor but instead reflect the perspectives of policy makers. The attitudes of policy makers and politicians to poverty will be examined in Chapter 5.

The discussion above suggests that development programs of regional governments have not benefited the whole community. Given this suggestion, this study aims to examine the extent to which the policy of regional autonomy has impacted poverty reduction in the resource rich region of East Kalimantan. The role of regional governments in addressing poverty issues is also examined and the extent to which regional governments use their authority, greatly expanded under the regional autonomy laws, to formulate and implement poverty reduction policies, in order to improve the welfare of their communities. The research also explores the attitudes of

those identified as “local elites”<sup>16</sup> toward poverty and the political interests of decision makers such as heads of districts and governors, senior regional government officials, legislature and other local stakeholders, and how these interests influence the decision-making process with respect to policies of poverty alleviation. This study also seeks to examine the priority poverty alleviation policies of local political and bureaucratic elites with respect to the budget allocation in the APBD (local budget) for poverty reduction programs.

## 1.2 Research Questions

The main research question is to what extent has the policy of decentralization contributed to poverty reduction in the case of East Kalimantan? In order to achieve the aims of this study, there are some subsequent questions which need to be explored, which include:

- What is the elite structure of East Kalimantan? How has migration dramatically changed the social structure, ethnic composition and produced contemporary elites in East Kalimantan?
- What does the distribution of poverty look like throughout East Kalimantan in terms of region, ethnicity and religion? Are the impoverished sections of the community politically important for the elite?
- How do the East Kalimantan elites, including senior regional government officials, politicians and community leaders and other local stakeholders, perceive poverty?
- What issues and challenges have been faced by East Kalimantan in regional development? What development policies have been initiated by regional governments to reduce poverty? What proportion of regional

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<sup>16</sup> In the context of this research, social and political elites of East Kalimantan are regional development stakeholders who have significant influence in the process of decision making. Most of them hold important positions in their respective organizations. These include senior officials of the district and provincial governments, particularly those involved in the executive budgeting committee such as the district and provincial secretary, the head of BAPPEDA and the head of BPKD (*Badan Pengelola Keuangan Daerah*/Regional Financial Management Board). Other members of the elite include public figures, members of regional councils (legislative) budget committees and leaders of organizations which include Non-Governmental Organizations (NGOs), local private business organizations, religious organizations, academics, youth organizations and local customs (*Adat*) organizations.

budgets is allocated to poverty reduction programs? Has the significant increase of APBD contributed much to the reduction of poverty?

- To what extent do regional governments execute their authority under regional autonomy laws and play particular roles in reducing poverty in their region?

### **1.3 Significance of the Study**

In the last few decades the implementation of policies to encourage decentralization has become a global phenomenon. The adoption of the new decentralization system has inevitably led to significant research and published reports that have analyzed and debated the process, implementation and success of decentralization. The discussion encompasses diverse concepts of decentralization and its various forms of implementation in different countries as well as the relationship between decentralization and other issues. In fact, there have been significant amounts of research conducted on decentralization. However, most studies, particularly in the context of Indonesia's decentralization reform, tend to focus on fiscal decentralization through economic and political aspects of legislation giving little attention to the study of how regional governments, as subject and object within the new system of decentralization, play their respective roles in alleviating poverty at the local level.

Over a decade of implementation of regional autonomy in Indonesia, significant policies and programs have been developed and implemented to combat poverty. This is in line with the Indonesian Government's commitment to achieving one of the Millennium Development Goals (MDGs), which is to eradicate poverty. This objective is consistent with the policy of regional autonomy, which seeks to increase the welfare of local communities. Yet the issue of poverty remains the main problem confronted by most communities. Therefore, the efforts to reduce poverty continue, and the identification of effective intervention programs to increase the quality of the lives of poor people remains a relevant concern of researchers.

Although poverty is one of the most important issues in social science research (Spicker, 2007), the existing research on poverty tends to focus on

the measurement of, the extent of, and the causes of poverty. Furthermore, the debates on poverty have a tendency to emphasize economic perspectives (Narayan-Parker and Petesch, 2007), and lean toward quantitative demographic approaches. Therefore, this research endeavors to investigate the role of regional governments in reducing poverty, employing qualitative methodology based on an analysis of government documents and interviews with bureaucratic, political and community leaders.

Given the identified gap in the study of the relationship between decentralization and poverty, this thesis has the potential to provide a better theoretical and empirical understanding of the role of regional governments under the decentralization system on poverty reduction in one of the richest provinces in Indonesia, East Kalimantan. More importantly, this research will increase our understanding of the issue of poverty in the context of the local politics sphere. In addition, this study will make an important contribution through a range of appropriate alternative policy settings based on the characteristics of poverty in the East Kalimantan Province for more effective poverty reduction programs.

#### **1.4 Organization of the Thesis**

The overall structure takes the form of seven chapters inclusive of this introductory chapter. Chapter 1 provides an overview of the background to the study, the objectives of the research and offers some key questions that have been proposed to achieve specific research objectives. The contribution of the research to knowledge and the significance of the study in terms of its contribution to regional development policy are also outlined. In order to gain a clear understanding of reform of the governance system in Indonesia, this chapter also provides a brief discussion of background to the implementation of regional autonomy in Indonesia, government structure and how regional autonomy works within Indonesia's governance system.

Chapter 2 outlines theoretical and empirical arguments by reviewing the relevant literature. The conceptualization of decentralization and poverty are discussed in more detail. First, the concept of the decentralization system and its application in Indonesia's governance system is explored. Second,

the poverty concept, looking at poverty from different theoretical approaches, is elaborated. And finally this chapter reviews the debates concerning the relationship between decentralization and poverty, by means of how the system, which in Indonesia is known as regional autonomy, impacts poverty reduction.

Chapter 3 outlines the methodology and the rationale for using a qualitative method. The chapter frames the methods used in collecting data, which include the discussion of how respondents were selected, interview procedures and question selection. Some experiences gained by the researcher during fieldwork in three different areas are also presented here. The final section discusses the method used in analyzing both primary and secondary data, in the form of a series of interviews and government publications and documents, are discussed.

Chapter 4 provides an overview of the research areas including a brief history of the formation of East Kalimantan, some geographic and demographic statistics of the East Kalimantan Province and a brief description of the economic structure of the region. Regional issues and challenges as well as statistics regarding the distribution of poverty across East Kalimantan regions are also explored.

Chapter 5, which is a critical part of the thesis, discusses the 'local elite' structure of East Kalimantan from a social, political and historical perspective. It portrays how migrants arrive in East Kalimantan and discusses their considerable influence towards the 'local elite' structure. The chapter also presents an analysis of interviews. The topics discussed in the interview analysis encompass local elite perceptions of poverty, factors that contribute to poverty, and their views on programs to reduce poverty. This chapter also examines local elite perceptions of the role of regional government in poverty reduction.

Chapter 6 discusses regional development planning mechanisms, followed by the identification of regional development program priorities proposed by regional governments to address issues of poverty, as stated in regional development planning documents. The programs proposed by

regional governments to combat poverty are also discussed, followed by an exploration of the extent to which these prioritized programs are consistently implemented by regional governments. The consistency of regional government regarding poverty issues is examined through analysis of the proportion of local budget allocated for poverty reduction programs. Finally, the chapter highlights the evaluation by local elites of achievements attained by regional governments in developing the region. This includes an assessment by local elites of the development programs implemented by regional governments.

Chapter 7, which is the last chapter of the thesis, integrates and elaborates the research findings, from which conclusions and implications are drawn. This chapter presents a justification of the extent to which the objectives of the research are achieved, research limitations and suggestions for further research in this field. The chapter also provides a conclusion which discusses the central arguments of the thesis and how they address the main research question, which concerns the role of regional governments in alleviating poverty in the resource rich region of East Kalimantan under the system of decentralization. This section also provides some grounding about the analysis of findings, whether confirms or challenges the existing scholarly literature on the nature of local political dynamics in Indonesia. Some policy recommendations to be considered by regional development stakeholders in setting the policy for poverty reduction in East Kalimantan are then proposed. Finally, some directions for future research are presented.

## **1.5 Decentralization and Government Structure in Indonesia**

### **1.5.1 Background to Decentralization in Indonesia**

The term “*otonomi daerah*” (regional autonomy) is not a new term in Indonesia’s government system. During the *Orde Lama* (Old Order) era under Soekarno's regime, the notion of the “*otonomi luas*” (broadest

autonomy) had been set in Law 1/1945<sup>17</sup> and Law 22/1948<sup>18</sup>. Another autonomy package was enacted in 1956 by the Old Order regime. Law 32/1956 concerned the financial balance between central and regional governments. Furthermore, during the *Orde Baru*<sup>19</sup> (New Order) era, Soeharto's regime stipulated Law 5/1974 concerning basic principles of administration in the region. It is clearly stated in section 11 of this law that implementation of regional autonomy was concentrated in the second level of regional government (*Daerah Tingkat II/Dati II*). The law suggested that autonomy would be executed based on three main aspects: administrative, political and self-reliance. The administrative aspect refers to equity and efficiency in administration and regional development. The political aspect refers to the notion of democratization at the local level, and self-reliance means that regions have autonomy in conducting their internal affairs. It is implicitly stated in section 11 that regions were expected to be more creative, innovative and inclusive of local communities in regional development.

Unfortunately, the ideal concept of autonomy as stated in law, particularly Law 5/1974 which became the basis for implementing decentralization or regional autonomy in Indonesia, was still far from what the legislation had stipulated. Essentially, regional autonomy only amounted to 'lip service' because in practice the New Order regime consistently imposed a centralistic approach. Damien Kingsbury (2005) even claims that the policy-making process was not only centralized to the central government but centralized to a single person, the president, as state leader.

Miftah Thoha (1991) argues that the principle of devolution, which was supposed to be the primary basis for the implementation of regional autonomy, was heavily under the shadow of deconcentration. This discrepancy was plainly apparent at the practical level where the central

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<sup>17</sup> Law 1/1945 on the Rules Concerning the Status of National Committee of the Regions states that local communities in conjunction with the Regional National Committee under the rule of the Head of Agency Regional Representative manage their own regions, within the frameworks of the Central Government Regulation.

<sup>18</sup> Law no. 22 of 1948 on Regional Government states that the Government of the Republic of Indonesia is arranged in three tiers, namely: provincial, district (big city) and village (small town) are entitled to organize and manage their own region.

<sup>19</sup> *Orde Lama* (the Old Order) refers to Soekarno's presidency (1945-1966) while *Orde Baru* (the New Order) refers to Soeharto's presidency (1966-1998).)

government and the first level of provincial government (*Daerah Tingkat I/Dati*) still held significant powers, and the relationships with district governments were mostly limited to financial distribution rather than to power distribution (power sharing). Budi Winarno (2004) argues that the strong implementation of deconcentration (rather than devolution) has made the region become the object, rather than the subject of development. This highly centralized model of development had also marginalized local communities in the decision-making process, as regional governments could only execute regional development programs that had been outlined and decided by the central government. Ichlasul Amal (1992) also argues that the absence of political power has hampered the democratization process at the local level, and this has meant that regional autonomy did not run effectively. The inconsistency of the central government in the implementation of regional autonomy has therefore sustained the practice of centralization in government management.

The multidimensional crisis as a result of the prolonged monetary crisis that engulfed Asia, including Indonesia, in 1997 appeared to create a momentum for bureaucratic reform in Indonesia. During this period, the 'real' decentralization or regional autonomy as a part of the '*agenda reformasi*' (reform agenda) was introduced. This momentum for economic and political change was signified through the enactments of MPR<sup>20</sup> Decree No. XV/MPR/1998 which mandates regulations regarding the implementation of regional autonomy and national fiscal management, based on equitable principles and financial balance between central and local governments. This mandate was followed by the introduction of a new arrangement called "*otonomi daerah*" (regional autonomy) through Laws 22 and 25/1999.<sup>21</sup> Unlike the former Law 5/1974, the concept of decentralization in Laws 22 and

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<sup>20</sup> MPR stands for *Majelis Permusyawaratan Rakyat* (People's Consultative Assembly). It is a bicameral legislature in the state administration system of Indonesia, which is composed of members of *DPD/Dewan Perwakilan Daerah* (Regional Representative Council) and *DPR/Dewan Perwakilan Rakyat* (People's Representative Council).

<sup>21</sup> Law 22/1999 on Regional Government replaces both Law 5/1974 on the Basics of Government for the regions and Law 5/1979 on Village Government. Law 25/1999 on Fiscal Balance replaced Law 32/1956. These new laws, which were officially implemented on 1 January 2001, are intended to decentralize both economic and political power to the regions after decades of highly centralized government.

25/1999 refers to the notion of devolution by transferring more political power and fiscal capacity to regional governments, particularly district governments, to manage their regions. The enactment of these two laws has been acknowledged as making remarkable progress in reforming the institution of governance, overseen by B.J. Habibie in his short period as president, head of government and state.

There have been various propositions about the rationale to adopt regional autonomy. Some scholars argue that the introduction of regional autonomy was in response to a strong demand from several national elements, including regional governments,<sup>22</sup> to implement a decentralization system. The demand for a new system occurred as a reaction to the failures of Soeharto's regime in dealing with administration, political, social, economic and even cultural management. As Budi Winarno (2004) states, the enactment of the MPR Decree and regional autonomy laws is intended to address the weaknesses that emerged from the implementation of Law 5/1974.

Other scholars such as Lambang Trijono (2001) and Christopher Duncan (2007) tend to see regional autonomy as a reaction of the Habibie regime to the threats of national disintegration, as various provinces sought greater autonomy or independence.<sup>23</sup> Lambang Trijono (cited in Kompas, 24 January 2000) argues that the new system is the only way to deal with the threats of disintegration, which appeared in almost all areas of Indonesia, particularly in East Timor and in the natural resource-rich regions, such as Aceh, East Kalimantan, Riau and Papua, due to the issues of unequal development and distribution of resources.<sup>24</sup> Concurring with this contention, Ehtihsam Ahmad and Giorgio Brosio (2009: 2) believe that the

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<sup>22</sup> Regional governments mean both provincial and district or municipal governments.

<sup>23</sup> There was a vigorous debate at the time on whether to maintain the centralized policy or to find other alternatives, either autonomy or federal. It seems that it was hard for the government to maintain the centralized system. Therefore, instead of adopting the federal approach, which was opposed by some nationalist elements, Habibie chose decentralization with a new arrangement favoring regional autonomy.

<sup>24</sup> The difficulty with this argument is that Aceh, East Timor and Papua were handled under different legislative frameworks of special autonomy (*OTSUS*) while other rich-resource regions, such as East Kalimantan and Riau, were treated under the same framework as the other regions, which is regional autonomy.

implementation of regional autonomy in Indonesia is “clearly driven by a consideration to keep the country together”.<sup>25</sup> See also Nordholt and Klinken (2007: 12)<sup>26</sup>

However, Ryaas Rasyid<sup>27</sup> (2003) argues that the implementation of regional autonomy is not meant to respond to the political unrest in regions and the subsequent pressure to distribute more authority to the regional governments, but rather to strengthen the central government in dealing with multidimensional problems, triggered by the severe monetary crisis (see also Firman, 2009). This proposition concurs with views that regional autonomy is the way to escape from the economic crisis which engulfed Indonesia in 1997, resulting in a slowdown of economic activity and higher unemployment, which subsequently led to an increase in the number of Indonesians living in poverty (see Chauvel, 1998; Duncan, 2007).

Despite vigorous debates on the rationale for adopting regional autonomy, scholars seem to agree that Law 22/1999, which was later revised as Law 32/2004<sup>28</sup>, has significantly changed the Indonesian government system. It is clearly stated in the law that all authorities and responsibilities, which used to be the domain of the central government, has been devolved except for religious affairs, justice, fiscal matters, security and defense, and foreign policy. Law 33/2004 (as a revision of Law 25/1999) establishes the formula of sharing revenue between central and regional governments generated from the exploitation of natural resources, particularly that of oil, natural gas, timber and other minerals.

The new legislation has also provided regional governments with the authority to create regional taxes and fees to boost *Pendapatan Asli Daerah*

<sup>25</sup> This law was enacted during Habibie’s regime but implemented after Wahid came to power. Wahid’s role is more one of implementation rather than formulation of policy. Even with special autonomy (*OTSUS*) for Nanggroe Aceh Darussalam (NAD) and Papua, formulation was left to others.

<sup>26</sup> Nordholt and Klinken (2007: 12) states, “One of the main reasons why the government wanted to accelerate this process [decentralization] was to accommodate the anti-Jakarta sentiments in many regions outside Java ...”

<sup>27</sup> Ryass Rasyid was directly involved in the formulation of the two laws.

<sup>28</sup> Another limited revision of Law 32/2004 to permit independent candidates in Governor and Head of District elections was legislated in 2008 as Law 8/2008.

(PAD) or regional income. (See Appendix 1 for details on the percentage of revenue sharing between central and regional governments.)

Accordingly, the implementation of decentralization in Indonesia has been labeled as a “big bang” (Hofman and Kaiser, 2002: 2; World Bank, 2003b: i) because dramatic changes occurred in a short period of time. Anne Booth (2003), Duncan (2007) and the World Bank (2003a) claim that Indonesia’s decentralization has been the most ambitious initiative undertaken by any country in the world, transforming one of the most centralized governments worldwide to one of the most decentralized.

The policy makers believe that the implementation of regional autonomy provides regional governments with the opportunity to improve the prosperity of regional communities, to create “... better government, better public services, more prosperity, more justice and more equality” (Pratikno, 2005). It is argued that from the political decentralization perspective, regional autonomy has given authority to regional governments to form and manage their respective administrative organizations. Unlike Law 5/1974 where there was uniformity of government organization models at regional government levels, Law 32/2004 allows regional governments to form organizations independently in accordance with their local needs, financial capacity, task load, population density and regional potency.<sup>29</sup> Therefore, the models of government organizations among regions are diverse.

With regard to the decision-making process, regional governments and regional councils have been granted authority to manage regional development programs more autonomously, and to allocate local budgets independently.<sup>30</sup> This means that regional governments have more opportunity to propose development programs that fit with the local situation and serve the needs of local people. This is very unlike the former system, where regional governments could only execute development programs based on central government directives. This also implies that regional

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<sup>29</sup> See explanation of Government Regulation 41/2007 on Regional Government Organizations.

<sup>30</sup> See Law 25/2004 on National Development Planning System.

governments are now expected to be more responsive to issues that emerge in their respective regions and to meet the needs of the local community.

In light of fiscal decentralization, regional autonomy has favored regions rich in natural resources such as East Kalimantan. As it has abundant natural resources, this province has received greatly increased funding from the central government, generated from the natural resources sharing revenue formula.<sup>31</sup> This has contributed to a significant increase in the local budget of provincial government and among district governments within the East Kalimantan region.

### **1.5.2 Indonesia's Government Structure**

The system of government in Indonesia, as stated in the Indonesian constitution, which is called *Undang-Undang Dasar 1945 (UUD 45)*, adopted a unitary state and institutionalized a presidential system of government. Based on 45 Constitution, which is further elucidated in Law 32/2004, the structure of government in Indonesia consists of four levels: central, provincial, district and village.

The structures and organizations of each level of government follow the same pattern. At the national level (*pusat*), the president is the chief executive and is assisted by a vice president. In running the administration, the president and vice president work with cabinet ministers. Next to the national executive are the People's Representative Council (*Dewan Perwakilan Rakyat/DPR*) and Regional Representative Council (*Dewan Perwakilan Daerah/DPD*)<sup>32</sup>. DPR with the national government enacts laws (*Undang-Undang*) and controls the national budget (*APBN*)<sup>33</sup>. At the provincial level (*propinsi*), the governor (*gubernur*) is the chief executive,

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<sup>31</sup> See Articles 12, 13, 14, 15, 16, 17, 19, 20 and 21 of Law 33/2004 on Fiscal Balance Between Central Government and Regional Government.

<sup>32</sup> DPR and DPD have slightly different roles. DPD is mostly concerned with regional issues and its role in national issues is limited to giving advisory and consideration to the DPR and central government. Unlike DPR, DPD does not have right in the enactment of law. Members of DPR and DPD become members of the People's Consultative Assembly (MPR).

<sup>33</sup> APBN stands for *Anggaran Pendapatan dan Belanja Negara* or National Budget. It is the annual budget of central governments, covering revenue and expenditure of the central government for one year, from 1 January to 31 December. APBN is approved by the People's Representative Assembly (DPR) through Law (*Undang-Undang*).

assisted by a deputy governor (*wagub*), and supported by Provincial Government Work Units (*Satuan Kerja Perangkat Daerah Provinsi/SKPD*). The governor together with the provincial council (*DPRD Propinsi*) legislate regional regulations (*Peraturan Daerah/Perda*) and make decisions on the provincial budget (*APBD*). Based on Law 32/2004, aside from autonomous administration, the governor/provincial government also acts as representative of the central government in the region. With this position, the provincial government facilitates and supervises the implementation of a range of tasks and functions that have been devolved by central government to the regions. The dual functions of provincial governments, as representatives of the central government and elected representatives of the people, indicate a pivotal role in administration in the regions, and in coordinating and supervising district governments and regional development.<sup>34</sup>

At the district/municipal level (*kabupaten/kota*)<sup>35</sup>, the chief executives are the head of district (*bupati/walikota*). In devolving government functions, the head of district is assisted by a deputy head of district (*wabub*) and District Government Work Units (*Satuan Kerja Perangkat Daerah Kabupaten/SKPD*). Again, *Bupati* together with district councils (*DPRD Kabupaten*) make district regulations (*Perda Kabupaten*) and formulate district budgets (*APBD Kabupaten*).

The president, heads of district, governors, members of the People's Representative Council and Regional Representative Council, and members of district and provincial councils, are democratically elected (*PEMILU and PEMILUKADA*).

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<sup>34</sup> The implementation of Article 38, Point 3 and 4 of Law 32/2004 on Regional Government, as amended several times, most recently by Law 12/2008 on the Second Amendment to Law 32/2004 on Regional Government, is regulated through Government Regulation 19/2010 as amended to Government Regulation 23/2011 concerning the Implementation Procedure of Tasks and authorities as well as the Governor of Financial Position as the Central Government Representative at the Provincial Level.

<sup>35</sup> In terms of the hierarchy, basically districts and municipalities have the same position as the third level of government. However, they are differentiated according to their location. It is called *Kabupaten* (district) if located in a rural area and *Kota* (municipality) if located in an urban area.

Furthermore, below the district level is the *desa* (rural village). The *Desa* is an autonomous administration led by the head of village (*kepala desa*) who is elected by the village community through direct election (*Pemilihan Kepala Desa/PILKADES*). The village governments have jurisdiction and authority to organize and manage the interests of village communities. In addition to managing autonomous villages, village governments may be assigned some tasks by the central government or provincial and district governments to implement specific government tasks in the form of *tugas pembantuan* (co-administration). A unique feature of the rural village government is the Village Consultative Council (*Badan Permusyawaratan Desa/BPD*), composed of 5 to 11 prominent village figures. The village councils make decisions regarding the formation and implementation of village ordinances (*Peraturan Desa/PERDES*) and village budget allocation (*APBDes*)<sup>36</sup> in concurrence with the head of village.

Aside from *desa* (rural village), there is also *kelurahan* (urban village). The *kelurahan* administrative system is somewhat different from the *desa*. The *Kelurahan* is regarded as a part of the district government work unit in the sub district area. Unlike *desa*, *kelurahan* must be led by a civil servant who is appointed by the head of district based on the head of sub district's (*camat*) proposal. For a more detailed explanation about *desa* and *kelurahan*, refer to Government Regulations 72 and 73/2005 on *Desa* and *Kelurahan* respectively.

To coordinate a number of *desa* and *kelurahan* located in the same cluster, district government forms a non-autonomous district government work unit at the sub district level, which is called *kecamatan*. *Kecamatan* is led by the head of sub district (*camat*). The *camat* is a civil servant who is appointed by the head of district on 'merit' from the ranks of district government officials. Based on Government Regulation 19/2008, a *camat* has responsibilities to coordinate the implementation of development

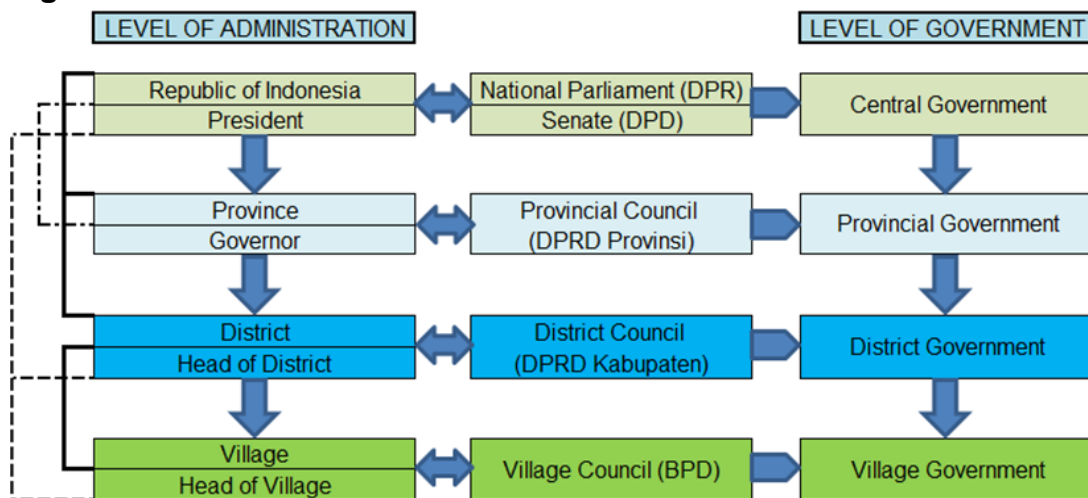
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<sup>36</sup> APBDes stands for *Anggaran Pendapatan dan Belanja Desa* or Village Budget. It is the annual budget of village governments, starting from 1 January to 31 December. APBDes is arranged by the head of village in consultation with the Village Consultative Assembly (BPD). The APBDes is approved through Village Ordinance (*Peraturan Desa/Perdes*).

programs within the sub district area, and to execute some tasks that have been assigned by the head of district (*bupati*).

Other organizations under the village government are *dusun* and *Rukun Tetangga/RT* (neighborhood organizations). *Dusun* usually coordinates a number of *Rukun Tetangga (RT)*. Both *Dusun* and *Rukun Tetangga (RT)* are mainly developed to assist village heads (*kepala desa*) and *lurah* in executing head of village works at the community level. These organizations are informal and voluntary.

**Figure 1 - 2: Indonesian Government Structure**



1. Notes

- : Decentralization/Devolution
- - - : Deconcentration
- . - . : Co-administration

Adapted from the fourth amendment to the Constitution 45 and Law 32/2004 on Regional Government.

Within the framework of decentralization in Indonesia, regional governments (provincial and district/municipal governments) and regional councils (provincial and district/municipal councils) are comparable. They are equal in autonomy and share a working relationship in the decision-making process. Unlike the former Law 22/1999 where there was a clear separation between executive (regional government) and legislative (regional council), Law 32/2004 seems to readopt the concept of regional governments in Law 5/1947 where executive and legislative join and form working relationships.

Law 32/2004 makes district government subordinate to provincial government unlike the former law that places both levels of government in non-hierarchical relationships. The amendment of Law 22/1999 seems to be

an attempt by the central government to re-centralize and strengthen hierarchical relations between the three levels of administration, withdrawing some responsibilities that have been assigned to regional governments. Indeed, to some extent, Law 32/2004 seems to return to the former Law 5/1974. Instead of devolving jurisdiction to regional governments, the new Law seeks to allocate responsibilities between central, provincial and district/municipal governments.<sup>37</sup>

In executing these responsibilities each region forms their own administrative organizations. The formation of regional government institutions is based on both mandatory and optional responsibilities assigned to regional governments. However, it is not necessary for every government affair to be handled by one organization (SKPD). Each government organization should consider factors including financial capacity, regional needs, workload, population density and regional potency. Unlike Law 5/1974 where there was uniformity of government organization models at regional government levels, Law 32/2004 gives more autonomy to regional governments to form government organizations in accordance with respective local characteristics and needs. Therefore, there are various models of organization among regions. However, although regional governments have the authority to form these organizations; in some cases, the central government may overrule decisions that have previously been approved by both regional governments and councils, and consequently can undermine autonomy of these institutions. (The model of government structures of East Kalimantan Province and two other research focuses, Kutai Kertanegara and Paser Districts, can be seen in Appendix 2.)

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<sup>37</sup> Based on Government Ordinance 37/2007, there are two types of government responsibilities. First, those that fully under the authority of the central government including foreign affairs, defense and security, justice, monetary and national fiscal, and religious affairs. Second, responsibilities shared among three levels of government. These include thirty-one responsibilities which are classified into mandatory and optional responsibilities. The former are government obligatory responsibilities that relate to the provision of basic services such as basic education, health, fulfillment of basic needs, basic infrastructure and environment. The latter are optional government responsibilities, which are closely related to potential, uniqueness and conditions of each region. These responsibilities may be executed if they potentially contribute to people's prosperity such as agriculture, mining, fishery, etc.

Within the framework of the Indonesian government system, the structure of decentralization is unique. Unlike most countries, where authority tends to be devolved at the provincial level (state) or the second level of government, in the case of Indonesia notwithstanding the revisions of 2004 authority and revenue are decentralized to the district or the third level of government. With this structure, the role of district governments becomes very important. They are now becoming the subject rather than an object of development, and play a pivotal role as agents of change in accelerating regional development and improving the welfare of local communities.

The next chapter presents the literature review regarding the basic concepts of decentralization and poverty. It also elaborates on the discussion in the literature of linkages between decentralization (commonly called regional autonomy) and poverty alleviation.

## **CHAPTER 2**

### **DECENTRALIZATION AND POVERTY REDUCTION: LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter will review the literature that discusses decentralization and its link to poverty reduction. The first section will explore the debate on decentralization and its application in the context of Indonesia. The Indonesian conception of decentralization, which is widely known as *otonomi daerah* (regional autonomy), is mainly drawn from Law 32/2004 as the legal framework of regional autonomy. The following sections will outline concepts of poverty and the debate on how the decentralization system may affect poverty reduction. The next section will review the role of regional government in alleviating poverty. The conclusion highlights effective models of strategies and policy options that may be taken into account in alleviating poverty.

#### **2.2 Overview of Some Basic Concepts**

##### **2.2.1 Decentralization**

In the last few decades, there has been a worldwide reform in government systems. This reform has been marked by the transition from centralization to decentralization. Many developed and developing countries have adopted the new system due to a political global trend in responding to the failure of the former system in dealing with administration and economic management (see for example Freire, 2007; Stern and Freire, 2001).

The rationale for adopting the new system of decentralization varies from country to country. Robert J. Bennet (1990) argues that in western countries, decentralization has been adopted as a response to the failure of the “welfare state”. There has also been a belief among western countries that decentralization will enhance the effectiveness of the provisions of public goods and services. In Central and Eastern Europe, the emergence of decentralization coincided with the adoption of a market oriented economy and democracy flagged a departure from the socialist system that

characterized the communist era (Bird et al., 1995). In most developing countries, particularly within authoritarian regimes, decentralization has been regarded as a vehicle to promote good governance at the local level and to achieve high economic growth (Bird and Vaillancourt, 1998). Despite diverse backgrounds for the emergence of decentralization, all seem to regard the new system “as a necessary condition for economic, social and political development” (Smith, 1985: 85).

The conception of decentralization also varies. Dennis Rondinelli (1981) classifies decentralization into four models based on the grades of authority in decision-making and budget allocation devolved to the lower levels of governments. These models include ‘deconcentration’, ‘delegation’, ‘devolution’ and ‘privatization’.

Deconcentration occurs when central government agencies transfer some responsibilities to government units at the local level. With this sort of structural decentralization, the lower level of governments do not have authority, and therefore this form of decentralization is regarded as the weakest because the powers of decision making and budget allocation remain with the central government (Litvack et al., 1998).

Delegation is slightly stronger than deconcentration in terms of the political and fiscal powers gained by local governments. This model of decentralization means transferring managerial responsibilities to local governments, which may include the authority to make decisions and some public administration tasks. The control from central government may not be necessary but the central governments may ask the accountability from the local government.

The highest level of decentralization is devolution. This variant of decentralization refers to the notion that central government transfers both political and fiscal authorities to local governments, and substantially there is no direct control from the central government. These authorities encompass decision-making, financial allocations, and local government management. According to Jennie Livack et al. (1998), devolution usually provides authority to local governments and their communities to elect their district

heads/mayors and members of councils, to seek alternatives for increasing local revenues, and to make decisions related to investment responsibilities independently.

Another typology of decentralization proposed by Rondinelli is privatization. This occurs when governments transfer some government functions to private sector organizations or non-governmental organizations. Paul Yankson (2008) regards devolution and privatization (or private partnerships) as the strongest type of decentralization, in terms of popular participation of local governments or private sector. For more discussion on decentralization concepts, see also Conyers (1983).

Other scholars such as Frederick Fleurke and Rolf Willemse (2004) and Harold Wolman (1990) consider decentralization as a feature of the administrative system in the sense that a highly decentralized political system means a greater local autonomy and vice versa. Fleurke and Willemse (2004) define decentralization as a legal and formal arrangement of the way in which competencies, resources and power are distributed among levels of governments. In other words, a decentralized or centralized system of administration depends on the extent of autonomy enjoyed by lower level governments.

Fleurke and Willemse (2004) distinguish three sets of indicators to measure the degree of decentralization. These include constitutional, administrative and financial indicators. Constitutional indicators refer to the extent to which lower level governments have the authority to manage their regions and resources as well as to determine development programs that they consider will be beneficial for the regions. Administrative indicators can be seen in the range of services assigned by higher level governments to be executed by lower level governments. Wolman (1990) calls this arrangement “administrative decentralization”, which means higher level governments assign administrative responsibilities to be executed by local governments. Financial indicators can be apparent from the way in which local governments generate their resources to sponsor their development programs. The existence of a grant system within fiscal management between central and

local governments indicates that countries still adopt a centralized system in the sense of financial management. Accordingly, Yankson (2008: 380) sees decentralization as a “mechanism for improving decision making and the implementation of political, administrative or financial affairs.”

From the discussion above, it can be concluded that decentralization refers to the process in which the central government devolves political, economic and administrative powers to lower level governments to formulate development programs based on local needs and capacity and resources, and manage them in accordance with local preferences.

In the context of Indonesia, decentralization as stated in Law 32/ 2004, refers to the notion of “the right, authority, and obligation of autonomous regions to organize and manage the assigning responsibilities and the local interests of communities.”<sup>38</sup>

In the elucidation of Law 32/2004, it is clearly stated that transferring broad autonomy to the regions is aimed at accelerating the realization of prosperity for local people through the improvement of public services, empowerment and participation of communities. The law expects that through *otonomi daerah*, regional governments and their communities will compete to develop their regions based on the principles of democracy, equity, justice, privilege and characteristics, potency and regional diversity. It is also mentioned in the elucidation section that decentralization in Indonesia has adopted the principle of ‘broad autonomy’ in the sense that regions are given the authority to manage and regulate all administrative matters with the exception of those responsibilities that belong to the central government. In this case, regional governments have the authority to manage regional development programs, to provide public services, to involve and empower local communities, and to create local innovation. All of these are aimed at improving the prosperity of community.

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<sup>38</sup> This definition is slightly different from the former Law 22, 1999, which defines *otonomi daerah* as “the authority of autonomous regions to regulate and manage the interests of local people with their own initiative based on the aspirations of the local community within the boundary of the Unitary States of Republic of Indonesia.”

At the practical level, Indonesia's typology of decentralization (regional autonomy) is implemented through three different approaches, encompassing *desentralisasi* (decentralization), *dekonsentrasi* (deconcentration) and *tugas pembantuan* (co-administration). Decentralization implies the transfer of government authority from the central government to autonomous regions to manage and to administer governmental functions. This model refers to the notion of devolution as proposed by some scholars. Deconcentration means delegating authorities from the central government to governors as representatives of central government at the local level. Deconcentration could also be in the form of delegating central government responsibilities to central government agencies located at local levels. Co-administration refers to the assignment of certain tasks from higher to lower levels of government: for example, from the central government to district governments and/or to village governments, from provincial governments to districts and/or to village governments, and from district governments to village governments (see Yusuf, 1998). Given the idea of decentralization as adopted in Law 32/2004, which becomes a foundation of regional autonomy, it is apparent that Indonesia's decentralization system has attempted to adopt a theoretical perspective of decentralization as outlined in the literature.

From the above discussion, it is obvious that Indonesia's model of decentralization (*otonomi daerah*) encompasses political decentralization in terms of greater flexibility for regions in the process of public decision-making. This is unlike the past, where the implementation of *otonomi daerah* was mostly in the form of administrative decentralization. With this model, regional governments and communities have less authority and control regarding the allocation of resources and regional development programs.

The next section will discuss concepts of poverty and their relationship with decentralization. It will explore poverty from various perspectives and debates, in terms of how decentralization fosters poverty reduction as well as the role of regional governments in resolving poverty problems.

### **2.2.2 Poverty**

Concepts of poverty are diverse. Variations depends on when, where and how poverty is conceptualized (Lister, 2004). These diverse concepts are also inseparable from the interests of those who define it. As Charles Valentine (1968) argues, the definition of poverty may change in accordance with current demands, the interests of those who promulgate the definitions and the conventions of the society in which it occurs. Paul Spicker (2007) even believes that ways of understanding poverty are often contradictory, and there is no way to integrate them. In relation to the various conceptualizations of poverty, Ismail Sirageldin (2000: 4) claims, “there is no optimal definition or a measurement technique to compare poverty across countries or even within a country.”

The theoretical perspectives that contribute to poverty are also varied. However, among scholars there is a belief that these contributing factors are interrelated and may reinforce each other. Ralph Miliband (cited in Wedderburn, 1974) argues that economic deprivation may contribute to political deprivation; and in turn political deprivation may potentially lead to economic deprivation.

Given these diverse concepts, theoretical approaches to understanding poverty are also extensive. Yet, to simplify, there are at least two dominant paradigms which are commonly used to conceptualize poverty. These include “Anglo Saxon” and “Continental” (Novak, 1997) concepts or “welfarist” or “non-welfarist” approaches (cited in Duclos and Araar, 2006). In the contemporary literature, these approaches are commonly called “neo-liberal” and “social-democratic” paradigms respectively (Suharto Edi, 2007).

The first paradigm is claimed to have originated from the neo classical economic and monetarist theories of Adam Smith, David Ricardo and Thomas Malthus (Serr, 2006b). This approach tends to see poverty from the perspective of economic wellbeing, in terms of standards of living or income and consumption. According to Mojca Novak (1997) this concept, which is commonly called “indirect” or “subsistence”, proposes a more transparent and clear picture of poverty, exclusively limited to economic deprivation.

Nevertheless, this concept fails to capture the broad range of poverty incidence.

The above mentioned approach, which is widely used by economists in practice and research, has a propensity to look at poverty from an individual perspective. The causes of poverty tend to be associated with personal characteristics rather than the structural features of industry or country. This approach views poverty as an individual matter and it exists due to the weakness of individuals in utilizing their freedom. The proponents of the neo-liberal approach believe that poverty will be automatically solved if the market is liberated and economic growth is achieved. There are also some critics of this approach. Klaus Serr (2006b), for example, finds that in the context of Australia, some practices and policies based on neo-liberal principles negatively affect the wellbeing of certain groups of communities, particularly low income families and groups of older people.

The second approach is a social democratic paradigm, which is commonly called the “direct” or “basic needs” or “relative deprivation” concept, which regards poverty as a multidimensional problem (see for example Townsend, 1974).<sup>39</sup> This approach tends to see poverty from a structural rather than individual perspective, and argues that poverty occurs within the community because there have been unfair and unbalanced policies taken by policy makers that exclude individuals or disadvantaged groups from access to resources. The proponents of this approach, such as Christine Maree Cheyne et al. (1997), strongly believe that a free market, which is the main neo-liberal policy, does not lead to greater social wealth but to greater poverty.

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<sup>39</sup> This approach is actually rooted from what Peter Townsend (1974: 15) has defined as poor people. Townsend states, “Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diets, participate in the activities and have the living conditions and amenities which are customary, or are at least widely encouraged or approved, in the societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities.”

**Table 2 - 1: Concepts of Poverty: Neo-liberal versus Social Democrat**

	<b>Neo-liberal</b>	<b>Social Democrat</b>
Perspective	Economic wellbeing	Multidimensional
Causes of Poverty	Individual weakness: in utilizing freedom, financial management and behavior	Structural: unfair and imbalanced policies (social, politics and economics)
Policy Approach	Free market and economic growth	Promoting equality, expanding freedom (providing basic services)
Government Intervention	Almost absent	Plays an important role

Adapted from Novak (1996: 64)

The latter concept is largely developed by economist, Amartya Sen<sup>40</sup> through the concept of “capability approach”.<sup>41</sup> According to Sen (1999), providing expanded freedom<sup>42</sup> to all members of society will develop the individual’s capacity to achieve better economic, social and political attainment (see also Sen, 2001). Sen (1999) believes that having the capability to fulfill basic functions is the source of freedom to live enriched lives; and if one has sufficient individual capabilities, the person may not be considered poor or deprived. Accordingly, this theory regards equality as a pre-condition for having freedom and self-mobilization. It is arguable that equality can only be achieved if everybody has the capability to access resources and social services such as education, health care, housing and economic resources (see also Alkire, 2007; Thorbecke, 2007). At the practical level, Arsenio Balisacan (1994) suggests that expanding the poor’s access to basic services can be achieved in two ways: either increasing government expenditure for human resource development, or the rechanneling of benefits of public transfer programs from unintended groups to the deserving poor.

<sup>40</sup> Although Amartya Sen is an economics scholar, he criticizes economists who define development solely from the growth of Gross National Product or the rise of personal income, or industrialization or social modernization. Some researchers assert that Sen’s capabilities and functioning framework is the most comprehensive starting point in an attempt to capture the concept of multidimensional poverty.

<sup>41</sup> The capability approach is the capacity to achieve functioning or the ability of individuals to function well in society (Sen, 1999).

<sup>42</sup> Sen (2001) defines development as the process of expanding the freedom that may be enjoyed by the community. Freedom includes rights and opportunities and covers political freedom; social opportunities (education and health) economic facilities (participation in market and production); transparency; and the guarantee of security.

In recent years, there have been remarkable advances made in defining poverty. Instead of seeing poverty from one dimension, which is finance based, currently many researchers and international organizations have adopted poverty as a multi-dimensional term (see for example Sumner, 2007).<sup>43</sup> John-Andrew McNeish and Robyn Eversole (2005) also believe that the acceptance of multi-dimensional perspectives on poverty may promote a better understanding of the term 'poverty' and the realities behind it.

In an attempt to cover the multidimensional perspective of deprivation, among European researchers there have been attempts to introduce a new term called 'social exclusion'. The concept of social exclusion was first introduced in 1974 by Rene Lenoir in *Les exclus* in France, and later has become increasingly popular in Europe (Beland, 2007). This concept has been adopted since the early 2000s by many European Union (EU) members, as a strategy to reduce poverty with the rationale that social exclusion has broader concepts covering poverty issues (Estivill, 2003; Serr, 2006a). Klaus Serr (2006a) argues that the concepts of capability and social exclusion have made a useful contribution to the debate of poverty away from the narrow perspective that associates poverty exclusively with income deprivation.

Jan Vranken (2001) develops the concept of social exclusion by classifying social exclusion in three ways. First, the concept is described as restriction of someone from the rights to enjoy a reasonable standard of living, the right to access a job opportunity, affordable housing and education. In other words, access to these rights is limited, due to the inability of responsible institutions to provide better social services. It may also be caused by the incapacity of individuals or groups in the community to utilize available economic, social and political opportunities. Second, the notion of social exclusion means the inability of individuals to play a role in the broader community. Third, social exclusion is defined as a process. In this sense,

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<sup>43</sup> Among leading international development agencies, such as the UN, the World Bank and OECD have adopted the multidimensional nature of poverty in their major publications. For example, the Millennium Development Goals of the UN, the World Development Report of the World Bank and OECD Development Assistance Committee Poverty Guidelines.

people may become poor if they experience exclusion thus poverty is the result of people being excluded. Similar to this conception, Jordi Estivill (2003: 19) defines social exclusion as:

...an accumulation of confluent processes with successive ruptures arising from the heart of the economy, politics and society, which gradually isolates individuals and places persons, groups, communities and territories in a position of inferiority in relation to centers of power, resources and prevailing values.

Some researchers on poverty attempt to propose a more comprehensive conception of poverty by reconciling the various understandings in terms of economic, political and social dimensions of wellbeing, including self-determination, empowerment, vulnerability, entitlement, human rights, inequality, inclusion, capabilities and assets rather than income and consumption thresholds, which were previously dominant (see for example Haug, 2007; Spicker, 2007).

Paul Spicker (2007) is one of the poverty researchers who attempts to incorporate multidimensional aspects of poverty into a more inclusive concept. He classifies various concepts into three different clusters of poverty, which are “material need”, “economic circumstances” and “social relationships”. Material need includes three main concepts: (1) poverty as specific need such as “food poverty”, “fuel poverty” or “housing poverty”; (2) poverty as a pattern of deprivation, that is, people are poor if they have been in a bad situation for some time and could not manage to get out of it; and (3) poverty as a low standard of living, which is people who have lower income or consumption compared to the rest of community. Economic circumstances are classified into three different concepts: (1) poverty as a lack of resources, where people are regarded as poor if they do not have enough resources to fulfill their needs; (2) poverty as economic distance, which means people cannot afford to live or compete within their environments; and (3) poverty as economic class in terms of people’s relationships to the system of production, for example marginal workers, older people and disabled people. Social relationships constitute four categories: (1) social class, which refers to people in the lowest class and people who have lack of status, power and opportunities; (2) dependency, in terms of people’s dependency on social

assistances; (3) exclusion, which relates to people who are likely to be socially rejected or marginalized from community; and (4) lack of entitlement, in terms of legal, social and political arrangements. For further discussion on poverty concepts, see Spicker (2007: 27 - 83).

**Figure 2 - 1: Eleven Clusters of Poverty**



Adapted from Spicker (2007: 6)

Regarding supporting factors that potentially contribute to poverty, Spicker (2007: 107) classifies these as “pathological, familial, sub-cultural, resource-based, structural and agency explanations”. Agency sees “poverty as the fault of someone or something – government, private firms, or agencies that - ought to have dealt with poverty and have not done so.”

In the context of Indonesia, in 1977, Sajogjo, known widely as a father of rural sociology in Indonesia from the Bogor University of Agriculture, introduced a concept of “nilai tukar beras” (rice-equivalents poverty line) as a measurement for the poverty line. Sajogjo’s concept proposed a poverty measurement based on food consumption in rice equivalent exchange. According Sajogjo, the poor are households that consume food less than the exchange rate of 240 kilograms of rice per year per head for the rural areas and 369 kg for urban areas, equivalent to 2172 calories per person per day.

Thus, an indicator of the poverty line can be identified by converting the consumption of rice per year into the price of local rice (Sajogjo, 1974)<sup>44</sup>. The Sajogjo's Poverty line indicator had been widely used since 1977 before the Indonesian government officially adopted the poverty line measurement introduced by Indonesian Statistical Agency (BPS) in 1984.

As mentioned in the previous chapter, the main focus of this research is to identify the perceptions of local elites about poverty, in terms of how they define poverty in the context of East Kalimantan. The discussion of the conceptualization of poverty in this section will become the theoretical framework for understanding the concepts of poverty as perceived by the social and political elite in East Kalimantan.

### **2.3 Decentralization and Poverty Reduction: Examining the Evidence**

The most common reason in the literature and mostly promulgated by scholars to adopt decentralization is to create good governance<sup>45</sup> at the local level. The common proposition is that decentralization will bring government, as service provider, closer to the community and empowers regional governments to quickly respond to the needs of local people. As James Manor (1999) argues, decentralization is a way to reconnect regimes to social groups from which they have become increasingly divorced. Furthermore, it enhances the effectiveness, efficiency and accountability of spending public funds. In addition, decentralization is also viewed as a vehicle to promote participatory decision making, the quality of public services provisions and local infrastructure development (see Firman, 2009; Grindle, 2007; Sheng, n.d.; Wekwete, 2007). All of these are pre conditions of effective implementation of poverty reduction policy.

In terms of whether decentralization may facilitate poverty reduction, there have been vigorous debates in the literature. Some empirical research

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<sup>44</sup> See Also Steven Tabor, David F. Williamson, Djumadias Abunain, R. Mark Brooks and Atamadi Purnomo (1983) Static and Dynamic Poverty Indicators: An Indonesian Example, Working Paper Series No. 9 Cornell Nutritional Surveillance. Program, Cornell University, Ithaca, New York, May 1983 No. 9

<sup>45</sup> UN defines good governance into 8 characteristics, including "consensus oriented, participatory, following the rule of law, effective and efficient, accountable, transparent, responsive, equitable and inclusive" (see for example Sheng, n.d.).

reveals that studies on the impact of decentralization on poverty reduction are mixed. Some studies suggest that decentralization has been the most effective approach to alleviating poverty (see for example Jutting et al., 2004), but others argue that decentralization seldom becomes an effective method of poverty reduction (see for example Bossuyt and Gould, 2000).

The research on decentralization and poverty reduction in the developing countries conducted by Johannes Jutting et al. (2004) concludes that empirical research concerning the impact of decentralization on poverty reduction is mixed. On the one hand, one-third of focus studies show that decentralization policies have helped to reduce poverty. The indication is evident from the increase in community participation, the decline in vulnerability and the increase of access to public services. On the other hand, more than two-thirds of focus studies suggest that the implementation of decentralized government has influenced the efforts in alleviating poverty in two different ways, either “somewhat negative” or “negative”. This finding generally occurs in poor countries that have weak institutions and have experienced conflict situations.

Jutting et al. (2004: 11) further postulates that there are at least two critical factors that influence whether decentralization is likely to facilitate a reduction in poverty: characteristics of countries and the nature of the decentralization process. The former encompasses factors such as (1) population density, availability of infrastructure, level of income and level of economic disparities between regions. Jutting et al. (2004) argue that in the countries with low population density, decentralization can create higher costs in public service delivery, and this may have an effect on the allocation of resources for poverty reduction. In low income countries, decentralization may absorb much of the resources and capacity of government to establish new local bodies, and this may reduce the resource allocation for poverty reduction strategies. Jutting et al.’s proposition of countries’ characteristics further encompass (2) the capacity of local officials, the culture of accountability and law enforcement. Jutting et al. (2004) argue that in the countries with low education levels, weak government accountability and

limited disadvantaged community participation in the decision making, decentralization will be less effective in facilitating a pro-poor development process. They further encompass (3) social institution, where it is argued, the existing social institution potentially contributes to the empowerment of the marginalized community and (4) political power structure, in the sense that the institutional framework that gives space for the process of checks and balances may promote the production of pro-poor policy.

The second above mentioned critical factor (the nature of the decentralization process), covers four important factors that may assist decentralization to be an effective mechanism to reduce poverty. These include: (1) the ability and willingness of the central and regional governments to execute reforms, which encompass the political commitment of both levels of government in ensuring the availability of resources at the level local, the commitment to building the capacity of human resources, and the commitment to involving community in the process of planning and implementation; (2) the level of transparency and participation of civil society in the decentralization process; (3) the domination of elites in the process of decision making and the prevalence of corruption cases; and (4) the synergy of the decentralization process with other policies.

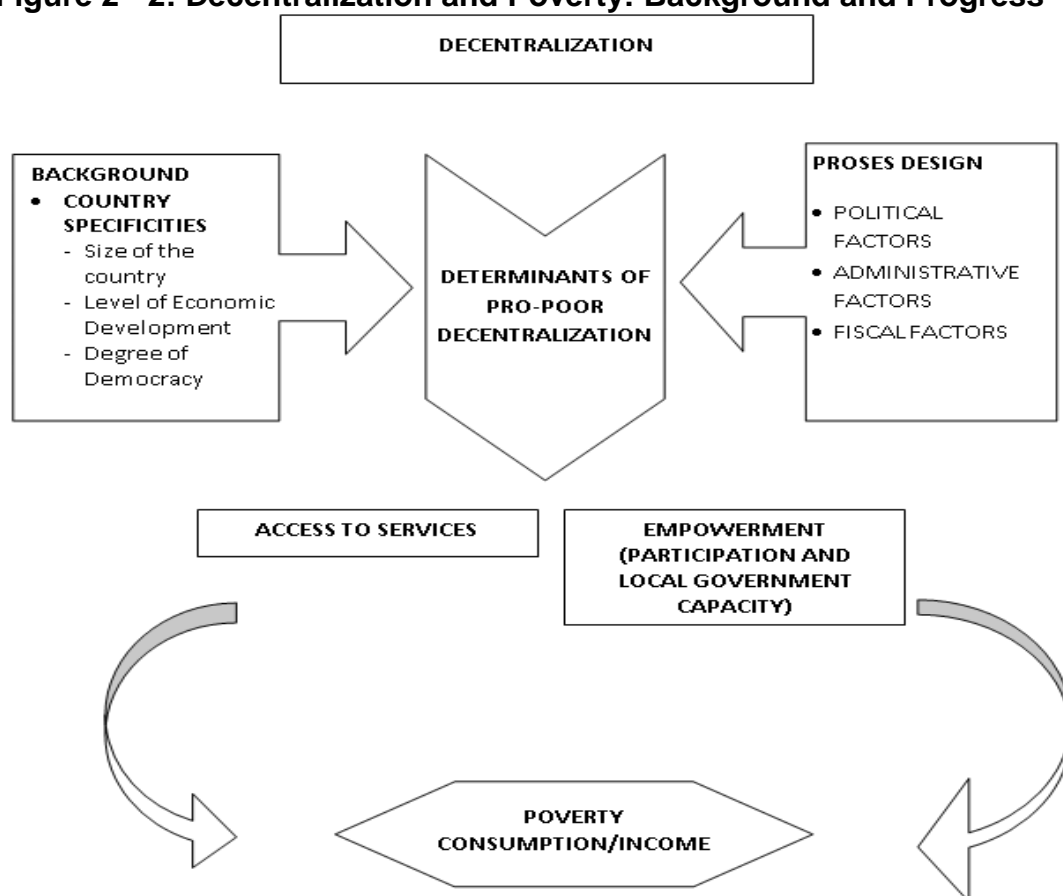
According to Jutting et al. (2004), decentralization may work effectively if local governments have sufficient resources to execute the authority given to them and are supported by strong human resources at the local level. It is also arguable that decentralization is likely to succeed when both central and local governments have a strong commitment to implementation. Jutting et al. (2004) also find that in the countries with a strong civil society, and where regional governments provide opportunities for the public to access important information and promote the involvement of the community in the decision-making process, decentralization seems to have a positive impact on poverty reduction.

Another significant finding of Jutting et al.'s research is that decentralization which provides more authority to regional governments potentially promotes local elites' domination in the decision-making process,

and this may hinder the participation of poor people and potentially inhibit the poverty reduction strategy. It is concluded that in the countries that have a good reputation in minimizing corruption and where local elites do not dominate the decision-making process, decentralization seems to achieve better outcomes for their impoverished sections of the community. The research also concludes that decentralization might be effective only if other policy changes are applied simultaneously (e.g. land reform) and the process does not contradict other programs proposed by central government or donor institutions. Policy integrity and central government or donor institute consistency in the implementation of decentralization policy and the commitment of government to make decentralization policy part of government reform agenda may foster the success of poverty reduction programs.

Jutting et al. (2004) concludes that where central or local government is unable to fulfill its basic function in one environment, decentralization may become counterproductive. In countries where governments manage to fulfill their basic functions adequately, decentralization potentially becomes a strong force for poverty reduction in the sense of the enhancement of representation of poor people in the decision-making process and better public services.

The proposition of Jutting et al. about the factors that influence the ability of decentralization to address most effectively poverty issues at the local level will be used to examine the impact of decentralization (regional autonomy) on the alleviation of poverty in East Kalimantan Province. East Kalimantan is a wealthy region. It has reasonable economic resources with low population density. And yet it still has a serious problem in infrastructure and low human resources capacity.

**Figure 2 - 2: Decentralization and Poverty: Background and Progress**

Adapted from (Jutting et al., 2005: 630)

### 2.3.1 Opportunities

There are at least seven factors promulgated by proponents that decentralization is an effective way to alleviate poverty. It is arguable that decentralization reinforces efforts to reduce poverty. The reasons being that decentralization fosters the democratization process at the local level; promotes participation of local stakeholders and communities; stimulates the production of locally oriented policies because local authorities better understand local characteristics; encourages local governments to be more responsive; facilitates local innovation; enhances provision of public services; and promotes efficiency in spending the local budget.

The proponents of decentralization argue that democratization at the local level, which emerges alongside the implementation of decentralization, reinforces efforts to reduce poverty. The reason is that democratization potentially provides greater opportunities for marginalized sections of the

community to participate in the decision-making process as well as in development activities (see for example Manor, 1999; Rasyid, 2003; Singh, 2007). Similar to this proposition, Gordon Crawford (2008), Leonardo Romeo (2002) and Joachim von Braun and Ulrike Grote (2002) take the view that decentralization in the form of devolution will bring government closer to community, and may enforce political participation and empowerment among the local community. The greater the community participation in the decision-making process and the closer the government to the community, the more likely there will be poverty reduction (Blunt and Turner, 2007).

In relation to this contention, Normand Lauzon (2001) also argues that although there is no guarantee that broader decentralization will enhance the democratization process, there is a big expectation that the decision-making process will be more inclusive and participatory under the system of decentralization. Thus, the policy makers will more effectively consider the needs of poor groups and marginalized communities. Felix Asante and Joseph Ayee (2003), Lauzon (2001) and many other development agents believe that decentralization is one important factor that can promote community participation and improve local governance and efficiency in public service delivery, that will assist in reducing poverty.

Dennis Rondinelli and Shabbir Cheema (1983) endorse the idea that decentralization promotes democratization and participation of the local community in regional development. They argue that decentralization may facilitate the involvement of different political, religious, ethnic, and tribal groups in the decision-making process. This representation, may then promote equality in the allocation of government resources for regional development. It is argued that the involvement of all social components in the decision-making process will increase their 'stake' in the political system, and this may enhance political stability and national unity. They believe that these are major components of anti-poverty programs.

Another proposition given by the proponents of decentralization is that transferring more authority to the local level would create more space for regional governments to create policies or programs that are relevant to local

situations and preferences (Rondinelli and Cheema, 1983). As local authorities understand local characteristics, they tend to act based on the preferences and characteristics of local people, and this can enhance the production of more locally oriented development policies. Moreover, regional governments are more responsive to local community needs and are therefore more committed to alleviate poverty than national elites (Crawford, 2008).

Naomi Hossain and Mick Moore (2001), in their empirical research in Bangladesh, found that local elites have a propensity to support policies intended to protect the impoverished section of communities compared to national elites. The reason behind this is that local elites require political support from local communities for their electoral legitimacy. Another reason is that local elites have a better understanding of the characteristics, needs and locations of local poor people. The proposition of Hossain and Moore will be used to examine East Kalimantan political elites' attitudes and perceptions towards impoverished sections of the community, particularly in the sense of gaining political legitimacy.

Some literature also argues that decentralization promotes local innovation. Engkos Koswara (2000) and James Alm et al. (2001) believe that regional autonomy could trigger regional development, as it could encourage regional governments and communities to take initiatives for necessary action and regulation of their own benefits. In the context of Indonesia, the cases of Gorontalo, Sragen, Yogyakarta and Lamongan suggest that local innovation initiated by governors and heads of districts has succeeded in bringing their regions to greater development and subsequently increased their people's prosperity (see for example Kompas, 27 April 2009; Sumantri, 28 December 2009)

Other research finds that decentralization has a positive impact in combating corruption practices. Some of the reasons proposed are that decentralization might reduce the possibility for misspending money, as it tends to improve transparency and provides greater accountability (see for example Bardhan and Mookherjee, 2001; De Dios and Ferrer, 2001; Fisman

and Gatti, 2002; Lasswell, 1958; Watt et al., 1999). The Human Development Report (2003) also highlights that in 55 countries, fiscal decentralization has threatened the practices of corruption among local bureaucrats, and more of the development budget has been expended on providing services for the poor.

In the context of this research, the proposition that decentralization may minimize corruption will be examined, as some researchers perceive that decentralization exacerbates corruption (see example Doig, 1999; Klitgaard et al., 2000; Mendoza, 2000; Treisman, 2000). Furthermore, in the case of East Kalimantan, this proposition seems to be a contradiction, as some local observers view that the ongoing poverty problem in this region has been a result of fiscal mismanagement and widespread corruption practices among local elites (see for example Aswin cited in 27 April 2008; Rifai cited in Antara, 25 March 2008). The evidence shows that some regional government officials, including the head of district and governor, have been prosecuted over corruption cases (see also Azis, 2003).

In addition, Rondinelli and Cheema (1983) believe that decentralization will enable the provision of public services in a more economical way, as public service providers are closer to the community. In relation to this issue, Kadmiel Wekwete (2007) in his research on least developed countries<sup>46</sup> concludes that decentralization has brought benefits to poor people. Wekwete (2007) argues that due to the increase of responsibilities and the greater response of the local government, as well as the high participation of local community, the effective implementation of the decentralization policy would bring about remarkable change in terms of increased effectiveness and efficiency of public service delivery. Wekwete (2007) further argues that through the participation of community in all stages of decision-making, from planning and implementation to final monitoring (with the support of qualified institutions and sufficient resources), decentralization will improve the quality of social life, especially for poor people. Thereby decentralization will reduce poverty.

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<sup>46</sup> According to Wekwete (2007) there are fifty least developed countries globally and thirty-four are located in Sub-Saharan Africa.

In the case of the implementation of a decentralization system in Indonesia, Robert Endi Jaweng<sup>47</sup> (cited in Kompas, 14 December 2009) claims that regional autonomy has been successful in regional economic development, democratization and good governance at the local level. Jaweng gives an example that regional autonomy has contributed to an increase in local revenue of up to 42 percent, from IDR 60 trillion in 2008 to IDR 85.3 trillion in 2009.

The contemporary situation in East Kalimantan seems contrary to that argued in some of the literature above. In the context of this study, some of the propositions that argue that decentralization facilitates strategies for poverty alleviation at the local level will be examined.

### **2.3.2 Challenges**

Aside from some evidence in the literature that decentralization is the most effective way to alleviate poverty at the local level, some research shows contradictory evidence that even decentralization seldom becomes an effective poverty reduction strategy (see for example Bossuyt and Gould, 2000; Johnson, 2001). Richard Seymor and Sarah Turner (2002) even claim that decentralization does not necessarily encourage development or democratic outcomes. Rather decentralization has actually widened existing regional disparities and degraded the quality of public provision (see also Azfar et al., 1999; Hutchcroft, 2001; Rondinelli, 1990; Samoff, 1990; Slater, 1990).

A study conducted by Harry Blair (2000) in Bolivia, Honduras, India, Mali, the Philippines, and Ukraine reveals that obviously decentralization has enhanced the capacity of local government to deal with local issues, as more authority devolves to the local level. Decentralization has also promoted greater participation of local community in the development process, yet it has limited influences in reducing poverty because local elites have dominated the decision-making process. Local elites tend to adopt the policy that could potentially bring benefits to themselves rather than to create pro-

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<sup>47</sup> Robert Endi Jaweng is a member of *Komite Pemantauan Pelaksanaan Otonomi Daerah (KPPOD)*/Regional Autonomy Implementation Monitoring Committee.

poor policies. Moreover, decentralization still often becomes the rhetoric among politicians for the sake of strengthening their own power and interest, rather than to improve governance (see also Azis, 2003).

Gordon Crawford (2008) also identified three factors that may inhibit the implementation of decentralization, significantly impacting local poverty reduction. These factors include political, administrative and fiscal limitation. Political factors cover political commitment of either central or local government in implementing decentralization, policy consistency and transparency. In other words, Olympios Katsiaouni (2003) states that “half-hearted” autonomy, or the reluctance of the higher level government to give or share power coupled with the inability to create a new structure of people-centered governance that integrates community participation and empowerment, have been major issues in the effective implementation of decentralization.

Administrative factors encompass practices of corruption, unclear division of tasks and functions and incapacity of regional governments to fulfill their responsibilities. Raymond Fisman and Roberta Gatti (1999) in their research on federal transfers in the United States highlight a correlation between fiscal decentralization and corruption at the state level. Their research findings show that the rate of US prosecutions over state budget manipulation was greater in the states that received higher transfers from the federal government. They conclude that “the decentralization of revenues and expenditures leads to greater corruption” (1999: 14).

In the case of Indonesia, Vedi Hadiz (2004) and Tommy Firman (2009) in their research on the implementation of regional autonomy found that the decentralization system has been characterized by emerging decentralized corruption practices among local officials and politicians and the lack of institutional capacity to implement the new system, at both national and local levels. Another factor that might hinder the effective implementation of decentralization is the limited availability of resources.

In the context of Indonesia, Made Suwandi<sup>48</sup> (cited in Sucipto, 02 February 2011) believes that the implementation of regional autonomy has led to inefficiency and has created higher costs of administration. The devolution of responsibilities to the regions, which was supposed to be rigorously selected and prioritized in accordance with the conditions of each region, has resulted in the proliferation of regional government agencies (SKPD), ultimately requiring more employees (civil servants). Suwandi claims that most of the local budgets (APBD) in Indonesia, or about 53 percent, goes to employees' expenditure, excluding office expenses which may total 70 to 80 percent. This means about 20 to 30 percent of the local budget is designated for government services to the local community including health and education. Made Suwandi's proposition seems to endorse Jutting's claim that decentralization may create higher administrative costs in the provision of public services. In the case of Indonesia, administrative fragmentation (*pemekaran*) has created many new district governments; but within established district governments there has also been a proliferation of new bureaucratic entities.<sup>49</sup> Consequently, higher budget percentages have to be allocated to administration and personnel costs, leaving less for public services.

Other empirical research on the relationship between poverty and decentralization was conducted by Michaela Haug (2007) in Kutai Barat District, East Kalimantan.<sup>50</sup> This research found that the implementation of regional autonomy as a part of Indonesian governance reform has improved political participation and the spirit of self-determination of the Dayak ethnic

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<sup>48</sup> Made Suwandi is the chairman of the working group in revising Law 32/2004 on regional government.

<sup>49</sup> Since the implementation of regional autonomy in Indonesia, there have been significant expansions in the number of provinces and districts, from 292 districts and 26 provinces in 1999 to 502 districts in 33 provinces to date. These numbers will escalate as more new autonomous regions are still waiting to be approved.

<sup>50</sup> The study conducted by Haug has some similarities with this research. However, it differs in terms of the approach, scope, scale and participants of the study. Haug's research places more emphasis on grassroots' perspectives, while this research attempts to capture the perceptions of local elite as policy makers. The scope and scale are also different, as Haug's study on the relationships between decentralization and poverty focuses on the Kutai Barat District, specifically the Dayak ethnic group. However this research focuses on two different districts which have more heterogeneous populations and also covers East Kalimantan as a province.

group who were previously marginalized. The research also reveals that there have been improvements in the provision of infrastructure and public services, and in many areas, new economic opportunities have emerged. Nevertheless, the entire community has not always experienced these advantages. This research finds that the number of poor people tends to increase following the implementation of regional autonomy.

Other findings of Michaela Haug's research indicate dramatic inequality among villages due to uneven benefits and resource distribution. Haug concludes that the failure of some poverty reduction programs initiated by the district government of Kutai Barat in many villages is caused by weakness in implementation and control. From this empirical research, Haug concludes that although decentralization has enhanced local government authority; local government can only develop more effective programs of poverty reduction if they are supported by qualified human resources, and more accurate methods in determining program priority and subsequent evaluation.

Another negative proposition regarding the implementation of regional autonomy in Indonesia is given by Daniel Sparringa (cited in Kompas, 08 July 2008). He claims that the current implementation creates odd, contradictory and paradoxical practices. Daniel Sparringa further argues that regional autonomy provides more benefits to a certain group of local elites rather than to all local people. This preferential treatment encourages the phenomenon of "local boss politics" or the emergence of "small kings" in the regions; it triggers the spread of corruption and creates an identity that not only threatens human rights and pluralism but also multiculturalism.

Hadi Supeno<sup>51</sup> (cited in Kompas, 07 August 2010) endorses Daniel Sparringa's view that the implementation of regional autonomy in Indonesia has created a conspiracy between local officials and businessmen. Thus rampant corruption practices have been transferred to the regions. Similar to this contention, Fahmi Badoh<sup>52</sup> (cited in Kompas, 07 August 2010) argues

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<sup>51</sup> Hadi Supeno is a former Deputy Head of Banjarnegara District, Central Java.

<sup>52</sup> Fahmi Badoh is Coordinator of the Political Corruption Division, Indonesian Corruption Watch (ICW).

that regional autonomy has strengthened local oligarchy. This is evidenced by a local elite conspiracy, which is usually based on family ties, ethnicity and business associations. Fahmi Badoh (cited in Kompas, 07 August 2010) gives some obvious examples of these oligarchy practices, which encompass the enactments of local legislations and local budgets without public consultation. In other words, the process of local budget arrangements is closed to the public and there is no direct accountability.

Another negative impact of the implementation of regional autonomy in Indonesia is the practice of money politics, which has become rampant in the region. This occurs mostly in regional elections (*PILKADA*). According to Hamdan Zulfa<sup>53</sup> (cited in Kompas, 07 August 2010), the cost of participating in regional elections is extremely high and it is not comparable with the income of regional heads. This has precipitated the emergence of election corruption among regional heads.

Another proposition is given by Ichlasul Amal<sup>54</sup> (cited in Susanto, 26 November 2009). He claims that regional autonomy, which is followed by a democratization process at the local level, has in fact been a vehicle for disintegration: it engenders nation building and also potentially increases the gap between regions. He argues that naturally Indonesia is a pluralistic, heterogeneous society, and the emergence of “localization” among regions within this society potentially complicates consensus. Ichlasul Amal further argues that the phenomenon of regional proliferation that occurs as a result of implementing regional autonomy does not merely arise from the need for administrative efficiency, but rather is motivated by primordial interests of local elites, including individuals seeking important positions in the new district (cited in Susanto, 26 November 2009). Ichlasul Amal also claims that the practice of regional autonomy in Indonesia, which was supposed to increase the capacity and prosperity of local people, has in fact generated a gap between rich and poor areas because the new budget administration system does not incorporate Presidential Instruction (*Instruksi Presiden/INPRES*) that had been used to fund local projects. Political

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<sup>53</sup> Hamdan Zulfa is a Judge in the Indonesian Constitutional Court.

<sup>54</sup> The former Rector of Gadjah Mada University (UGM).

disruption (which has tended to escalate in the last few years), following the direct election (*pilkada langsung*) of regional heads, also hampers regional development, which can only be delivered in more calm and conducive conditions (see also Crisis Group Asia Report, 2010).<sup>55</sup>

## **2.4 Role of Local Government and Effective Poverty Reduction Strategy**

It was discussed earlier in this chapter that the proponents of neo-liberal philosophy obviously believe that government involvement in resolving the problem of poverty in the community is ineffective. The main belief is that poverty is a matter that must be addressed by the individual, and the proponents of this approach strongly believe that market forces with the “trickle down” concept is the most effective model to achieve individual prosperity. However, some evidence, which demonstrates the failure of the market in addressing the poverty issue, seems to confirm that the poverty reduction policy may not rely solely on the role of market forces (see Siwar, 2005).

Given the vigorous debate on the critical role of government in alleviating poverty, this section will elaborate the role of government in poverty reduction. Some issues identified in the literature that may hinder the poverty alleviation strategy will also be discussed. Some policies and the main practical options suggested in the literature that may be taken into account in the poverty eradication strategy will also be discussed in this section.

### **2.4.1 Role of Local Government in Poverty Reduction**

Contrary to the understanding that poverty could only be solved through market liberalization with limited control from governments, extensive literature suggests or emphatically states that governments play a critical role in poverty alleviation. Chamburi Siwar (2005: 23) argues, “The phenomenon

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<sup>55</sup> The report of the International Crisis Group (ICG) shows that in 2010, about 10 percent of the 244 direct local elections scheduled created chaos, which led to violence. This violence involved supporters of the different candidates.

of the market failure has placed emphasis on the role of government as the key determinant in poverty alleviation.”

In line with Siwar’s contention, Sue Unsworth (2008), strongly believes that government has a strategic role to play in the creation of a conducive environment that enables economic growth. Some government roles include: minimizing conflicts, avoiding political instability, protecting property rights, ensuring personal security, providing adequate basic infrastructure, seriously suppressing corruption practices, managing public expenditure effectively and efficiently, and introducing and implementing good policy alternatives. All of these roles have been regarded as pre-requisites to achieve effective implementation of the poverty reduction strategy.

Given the crucial role of government in poverty reduction, some researchers therefore believe that governments as agents of change may trigger the emergence of poverty if they do not perform their role effectively. It is emphasized by Spicker (2007) that in many developing countries, governments have contributed to poverty problems through inefficiency in their budget spending and entrenched corruption. It was also argued earlier in this chapter that the capacity and accountability of regional governments, supported by community participation and the strong role of civil society in the process of regional government policy formulation, have positively contributed to the successful implementation of decentralization, and particularly in the effective implementation of poverty reduction policy. Again, this suggests that governments play an important role in the poverty alleviation strategy.

Other literature suggests that the lack of capacity or incentives provided by governments in creating an environment conducive to implementing poverty alleviation policies could contribute to the problem of ineffective implementation of poverty reduction programs. Kirubi Maina (n.d.) for example argues that inappropriate government policies and ill-designed programs and projects for communities living in impoverished situations underlie ineffectiveness. Unsworth (2008) also concludes that better policies, better government and more resources could help in reducing poverty. These

propositions explicitly suggest that governments have crucial roles to play in a successful poverty reduction strategy.

In the context of the implementation of the decentralization system in Indonesia, Widjajanti Suharyo et al. (2006) strongly believe that regional governments play an important role in poverty reduction. Under the new arrangement, regional governments have been assigned more responsibilities in the provision of various public services, as well as in the formulation of innovative policies and programs that may give significant welfare benefits to the local people.

#### **2.4.2 Some Problems in Poverty Reduction Policy**

Misconception of poverty among policy makers has been perceived as one factor that contributes to the ineffectiveness of the poverty alleviation strategy. It is elaborated earlier in this chapter that the discussion on poverty predominantly focuses on economic dimensions, particularly income deprivation. This approach has markedly influenced social policy during most of the past century. Therefore, social policy is often conceived as subordinate to economic policy, and it tends to place more emphasis on limited aspects, in particular, five public services: health, education, employment, housing and prosperity (Townsend, 1984). The position of social policy as a subordinate of economic policy resulted in reliance on income support policy to handle poverty: social insurance, grants and social assistance for example have become an important component of the policy of poverty reduction.

The economic approach is also dominant in the poverty alleviation policy among countries that adopt welfare state concepts. Michael Sherraden (2005) states that the idea of income support to individuals and families has become a preferred option of welfare states. He finds that in the economically developed countries, typically more than 50 percent of all public spending is allocated for social expenditure and up to 80 to 90 percent of social expenditure is spent to back up income support policy. However, Sherraden (2005) believes that income support policies have not helped to reduce poverty, and therefore, are not sufficient as a policy to combat poverty.

In relation to this argument, Sirageldin (2000) contends that indeed economic development has been the main pillar of poverty reduction strategy. However, socio-political and cultural dimensions also play significant roles in the policy analysis of poverty alleviation. Accordingly, Leo Carroll (2001) argues that to accurately address poverty, aside from economic indicators, other measures such as social, cultural and political indicators should also be taken into account.<sup>56</sup>

Apart from the misconception of poverty, Jan Vranken (1984) identifies twofold factors that may inhibit the implementation of anti-poverty policy, encompassing structural and institutional barriers. The former refers to the lack of information regarding specific situations, lack of political will to improve the prosperity of poor people and lack of power of poor groups within the community. The latter barrier refers to the relationship between the poor and the ruling class which, if not negative, is usually very one sided. Vranken further argues that the aspirations of poor groups are seldom heard by the decision makers, both at the local and national level. Aid programs are still weak in the implementation stage and the poor have to accept aid based on regulations determined by government. The programs proposed by government often do not match the needs of the poor and implementation tends to be inefficient and seldom reaches expected targets.

In the context of poverty in Indonesia, Lalu Suryadi (2007) in his poverty research in the District of Bima discovers some factors that may inhibit the implementation of poverty policy: unreliable poverty data, lack of community participation, lack of cohesiveness and synergy among poverty reduction programs, poor coordination among development agents, misconception of poverty, the domination of political interest in the budgetary allocation, the incapacity of poor village organizations, budget limitations, and the widespread practices of corruption, collusion, nepotism and mismanagement.

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<sup>56</sup> According to Carroll (2001) social indicators encompass literacy rates, health indicators, or access to water; cultural indicators may include status within a community; and political indicators include levels of accountability and empowerment.

### 2.4.3 The Way Forward for Effective Poverty Reduction Strategy: Policy Options

It is clear from the preceding discussion that the failure of most anti-poverty reduction strategies has been very much influenced by the narrow conceptions of poverty, which tends to be approached from an economic perspective. The adoption of economic solutions for poverty alleviation by “welfare state” countries seems to be more dominant compared to other dimensions of development, which seem to contribute to the failure of “welfare states” in fighting poverty (see for example Bradley et al., 2003; Kenworthy, 1999). Some scholars believe that poverty is beyond economic deprivation, in terms of income level. Poverty covers all dimensions of life, encompassing economy, social, politics and culture. Joan Brown (1984), Richard Hauser (1984), Sam Hickey and Sarah Bracking (2005) argue that poverty is embedded in the social and economic structure of our society, and institutionalized in social and political norms and systems. From a political perspective, Naresh Singh (2007) attempts to be more specific by arguing that poverty is a reflection of power inequalities in relationships within the community, because those who have less power often have less access to basic resources. Therefore, Singh (2007) and other scholars, such as Richard Bond and David Hulme (cited in Jones and Nelson, 2005) and John-Andrew McNeish and Robyn Eversole (2005), believe that poverty can only be reduced through fundamental structural changes and the shifting of power relationships and power sharing in the decision-making process. These fundamental reforms may be executed in the form of institutional structure, reallocation of resources, increasing opportunity to participate in political decision making and promoting pro-poor development projects. This is reinforced by Sen (2001) in his concept of “capability approach”, that is, that the increase of “freedom” enjoyed by individuals will enhance individuals’ capacity to execute their basic functions to attain what they have reason to value<sup>57</sup>.

<sup>57</sup> Regarding the notion of social intervention, enhancing individual capacity refers to the notion of developing individuals’ capacities to improve their social and economic attainment rather than maintaining individual consumption to a certain level.

Given this concept, Vranken (1984) argues that programs that aim to help individuals, groups or regions to alleviate poverty must consider a range of factors that contribute to deprivation, not to limit problems to one dimension. Vranken further argues that programs that specifically focus on income generation may not effectively help in reducing poverty, as lack of income can be determined by other factors including employment opportunities, education levels, lack of social skills and power. Therefore, Vranken believes that proposing integrated programs which incorporate all important dimensions is the ideal approach to reducing poverty. Vranken, Mawardi and Sumarto (2003) also suggest that since poverty has been defined as a multidimensional problem, a reduction policy should not be partially taken into account, but has to be set up holistically through multidimensional, integrated and comprehensive approaches.

Given the limited outcomes of the economic-oriented approach in eradicating poverty, in recent research, there has been an increase in seeking alternative strategies, aside from income support, that mostly dominate the strategy for poverty alleviation. Attempts to conceive a new alternative approach started emerging along with the shift in the conception of poverty from economic deprivation to multidimensional. The new alternative strategies attempt to combine social, cultural, economic and political perspectives in the formulation of poverty reduction strategy. International donor organizations and other development stakeholders have started adopting the multidimensional concept in setting up poverty reduction strategies (see for example ADB, n.d.; Craig and Porter, 2003). The framework for reducing poverty introduced by ADB obviously adopts two pillars of “pro-poor development”, which encompass sustainable economic growth and social development. The same approach is also found in the Poverty Reduction Strategy Paper (PRSP) introduced by the IMF.

Having this vigorous debate, many scholars believe that apart from economic development, “human capital development” is also crucial in poverty reduction strategies. Saul Becker (1997) claims that human capital represents 75 percent of the total wealth, and therefore human capital

development should become the primary theme of social policies and programs (see also Schultz, 1959). Unsworth (2008) also argues that policies that focus on physical and human capital investment, and increasing access of the entire community to markets and capital have evidently worked in the past in dealing with poverty. According to Sherraden (2005), capacity building in the form of human capital development aims to increase individual capacity, resources, networks and knowledge, which enable people to successfully participate in the community.

Eleanor Leacock (1971) also strongly believes that human capital development will facilitate positive changes in the mindset of poor people. Leacock argues that the provision of job training, job creation, legal and medical assistance, food stamps and other intervention may help to change the existing conditions of poor people, but changing the way of thinking is more crucial in designing poverty reduction programs. According to Leacock, changing mindsets can be done by inculcating new values and virtues among the poor, especially their children, and to abolish the acceptance of the life that the poor have come to accept. In short, Leacock believes that changing the way of thinking is the most important factor in eradicating poverty (see also Morris and Williamson, 1986).<sup>58</sup>

Another concept of the poverty alleviation policy that has been recently proposed by some researchers is “pro-poor budgeting”. This strategy has been promoted as a comprehensive policy to reduce poverty. According to Mawardi and Sumarto (2003), there are several pre-conditions for the successful implementation of this strategy, including political will, enabling environment and good governance. Mawardi and Sumarto argue that a strong commitment towards making poverty reduction programs the main priority, and the openness of governments and other development stakeholders in adopting new approaches to poverty alleviation, will enhance alleviating poverty. This will be more robust if there is an enabling

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<sup>58</sup> Morris and Williamson (1986) argue that the strategy to change individuals through education, job training and social services will not significantly reduce poverty because to effectively contribute, such programs must challenge many assumptions. For example, the attitudes, beliefs, motivation and behavior of poor people must change.

environment where all stakeholders identify poverty as a common enemy and actively participate in the development processes. A commitment of all stakeholders, particularly bureaucrats, politicians and legal institutions to adopt “good governance” principles, which include openness, accountability, law enforcement, efficiency, free from corruption and effective coordination among institutions, will lead to success in poverty reduction. Mawardi and Sumarto (2003) claim that without these pre-conditions, it is hard to expect regional governments to propose pro-poor budgeting. In brief, to create a pro-poor budget, there must be a clearly stated pro-poor policy, pro-poor institutions and, most importantly, a pro-poor government.

Mawardi and Sumarto (2003) also suggest that in order to reduce poverty, governments should create a situation whereby all members of the community, including poor people, may enjoy the benefits from economic growth (pro-poor growth). They believe that this is achievable if the economic development program focuses on real economic sectors that directly influence the lives of most poor people. These economic sectors encompass agriculture, fishery, small-scale business and informal sectors. Mawardi and Sumarto criticize earlier policies that tended to help conglomerates rather than support marginalized groups in the community.

Furthermore, Mawardi and Sumarto (2003) propose some policies that may help to alleviate poverty, encompassing community economic empowerment, the abolition of regulations or regional government policies which limit poor people’s ability to access economic resources, and ceasing levies on farmers, fishermen and livestock breeders. According to Mawardi and Sumarto, these policies should support programs for the provision of small-scale infrastructure and social services for poor people such as improving village roads, irrigation systems, schools, and the provision of clean water, sanitation, housing and health centers. Mawardi and Sumarto strongly believe that the availability of these public services will help to increase the prosperity of poor people.

Again the propositions advanced by Mawardi and Sumarto on pro-poor budgeting, pro-poor policy, pro-poor institutions and pro-poor

government will be used to examine the practices of regional governments in East Kalimantan, particularly in dealing with poverty issues.

## **2.5 Conclusion**

This chapter has explained the basic concepts of decentralization and poverty, and how they relate, in terms of benefits and drawbacks. The concepts are identified on the basis of discussion in the literature by various scholars and development practitioners. From the discussion, it is clear that both decentralization and poverty are multifaceted policy problems. However, in general, the literature shows that decentralization consists of three main dimensions: administrative, fiscal and political. Each has distinctive characteristics depending on the extent to which political power and fiscal capacity, in terms of the authority to allocate resources, are devolved to the regions. Accordingly, the literature suggests that the strongest model of decentralization is devolution and the weakest is deconcentration.

The concept of poverty is largely determined by “whom, where and when” the definition is promulgated. Yet, recent studies generally attempt to present poverty from two different approaches: neo-liberal and social democrat. As already discussed, the former tends to view poverty from the economic perspective, in terms of economic deprivation, while the latter has the propensity to define poverty as multidimensional deprivation, encompassing economic, social, political and even cultural deficiencies.

The literature also suggests that the narrow conception of poverty, which tends to be defined from the perspective of the economy, has contributed to the failure of poverty reduction strategies. Accordingly, the literature suggests that an effective poverty alleviation strategy should consider a comprehensive conception of poverty.

In terms of the relations between decentralization and poverty, there has been a vigorous debate in the literature on whether decentralization positively or negatively impacts poverty reduction. Some literature suggests that decentralization is an effective way to alleviate poverty however other scholars argue that decentralization is seldom an effective way to reduce

poverty. In brief, the literature indicates that decentralization is not a panacea for poverty reduction.

The literature on poverty reduction suggests that the characteristics of each region or state in terms of geography and fiscal capacity, commitment to the implementation of good governance principles in administration and development processes, and the capacity of local authorities have significantly influenced the impact of decentralization on poverty reduction.

## **CHAPTER 3**

### **METHODOLOGY**

#### **3.1 Introduction**

The purpose of this chapter is to explain the methodology and methodological approach in each stage of the research, from preparation and data collection to analyzing the data to seek answers to the research questions. The chapter reveals the rationale for adopting a qualitative research methodology and provides a theoretical background for selected methods. It continues discussing methods of data collection which include elaborations of in-depth interviews and documentation methods. It then describes the interview procedures, explaining the selection of interviewees, the interview process and question selection. Some interesting experiences encountered by the researcher during fieldwork are also covered in this chapter. These include dealing with research participants. The last section presents methods of data analysis, which incorporate the data analysis method from the theoretical perspective, and a discussion of how both interview data and documentation were analyzed using triangulation.

#### **3.2 Rationale for Qualitative Research**

This research employs qualitative research methodology. The method used to uncover perceptions of participants is based on their understandings and experiences of the research object. Victor Minichiello et al. (2008: 8 & 9) state, qualitative research "... attempts to capture people's meaning, definitions and descriptions of events". This research is "most interested in studying how people attach meaning to organize their lives, and how this in turn influences their actions". Moreover, "... qualitative researchers seek to uncover the thoughts, perceptions and feelings experienced by informants." It is further stated that, "qualitative methods create the conditions for the researchers to gain access to the motives, meanings, actions and reaction of people in the context of their daily lives." Catherine Marshall and Gretchen Rossman (2006) state that qualitative research is pragmatic, interpretive, and grounded in the life experiences of people. Herberth Rubin and Irine Rubin

(2005) argue that qualitative research is not only dealing with the research topic, but beyond that it is investigating and learning about the important things behind the research being conducted.

This research adopted a case study approach. John Creswell (2007) defines a “case study” as a model that explores a problem using single or multiple cases in the form of a setting or context. This method was considered an appropriate approach as it allowed the perspectives of individuals within a bounded domain, and determined the range of factors and issues affecting implementation of an initiative (Stake, 2006). The particular model used was a “clinical case study” (de Vaus, 2001). Unlike other models which tend to concentrate on theory (theory centered), “clinical case studies” focus more on cases (case centered), and “they use theory to understand a case” (de Vaus, 2001: 223). As explained by David A. de Vaus, the purpose of the clinical case study model is not to test or develop theories (theory testing or theory building) but to use existing theories to understand and explain the research findings. In this context, this approach was used to explore the case embedded in the research questions in order to understand the role of regional governments in East Kalimantan in alleviating poverty. Existing theories on the conceptions of decentralization and poverty and their relations were used to discuss the phenomenon of poverty in the resource rich region of East Kalimantan, and how regional governments deal with poverty issues. Theories of “institutional rational choice” (Kernan, 1996) or “actor-centered institutionalism” (Scharpf, 1997) were used to explore the attitudes of local elites in perceiving regional development.

Initially, two levels of government (province and district), which include East Kalimantan Province, Kutai Kertanegara and Paser districts, were selected as the locus of the research.<sup>59</sup> The first focus area represents the wealthiest district in the province and in Indonesia. With a population of 547,422, Kutai Kertanegara managed up to 5.5 trillion APBD in 2008 (BAPPEDA, 2007b). The extremes in wealth creation are evident when we

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<sup>59</sup> The rationale for choosing East Kalimantan Province is that as a region with great wealth it also has great poverty.

compare the Jembrana District in Bali,<sup>60</sup> with 871,000 rupiah per capita, with the APBD per capita of Kutai Kertanegara, which is about 10 million rupiah per capita. With this amount of APBD, Kutai Kertanegara has been identified as the largest government budget among districts in Indonesia. However, this is a paradox because although Kutai Kertanegara has a relatively large APBD, it still has a high poverty rate of about 7.72 percent (BPS Provinsi Bali, 2010; Sumantri, 28 December 2009).<sup>61</sup> In terms of absolute numbers, the poverty rate in the district of Kutai Kertanegara and Paser are relatively higher than the districts located the interior, such as West Kutai.

The second focus area is Paser. This region has been regarded as a district with an average budget allocation for the province, which is about 1.2 trillion or the equivalent of 6.5 million rupiah per capita. Of the estimated 231,593 inhabitants of Paser about 9.61 percent remain in poverty. The data also shows that more than 60 percent of the Paser population aged 10 years and above completed high school, and about 29 percent had not attended or completed primary school (BAPPEDA, 2007a). In addition, research on East Kalimantan, particularly on the issues of regional autonomy and poverty, has tended to focus on isolated areas that have relatively high levels of poverty, such as West Kutai and Malinau (see for example some research conducted by Centre for Forestry Research (CIFOR), Department for International Development (DFID), Australia Centre for International Agriculture Research (ACIAR)). Whereas, there has been no comprehensive research on the impact of regional autonomy in the Kutai Kertanegara and Paser districts. It is expected that this study will complement the research on the districts inhabited by the indigenous communities in the interior. This study incorporates the research on poorer districts to develop a comprehensive overview of the impact of regional autonomy on poverty reduction in the province of East Kalimantan as a whole.

<sup>60</sup> Jembrana district is nationally known as an example of successful district following the implementation of regional autonomy in Indonesia. See Sumantri (2009)

<sup>61</sup> This number is just slightly lower compared to Jembrana which has a poverty rate of 8.0 percent (BPS Provinsi Bali, 2010), although Kutai Kertanegara has GRDP per capita 10 times higher than Jembrana.

However, during the analysis of the interview and documentation data, it appeared that the patterns of information provided by research participants as well as the documents collected during the fieldwork showed significant similarities, and even tended to be uniform. Accordingly, instead of making these districts a separate locus of the research, the researcher decided to use the province. This is to avoid redundancy and duplication in discussing issues in each research locus. Nevertheless, the unit of analysis still involves individuals from both districts and the province. Some cases were also drawn from both levels of government to support evidence and research findings.

Another explanation is that during the completion of this thesis, there have been some changes in the positions of respondents. Some regional government officials, when the interviews were conducted, were district officials but subsequently were appointed to be provincial government officials. The same applied to council members. The legislative elections (*PEMILU*) conducted in 2009 had implications for regional council member composition. Some respondents who were former members of district councils in the last election were then elected as members of the provincial council.

Furthermore, although the participants were selected on the basis of their positions as the main development stakeholders in their respective districts; in responding to the interview questions, in many cases the respondents tended to give opinions from the perspective of the province, rather than solely focused on their respective districts. I assume that these sorts of responses occurred because the majority of respondents regarded the issues confronted by districts as problems also experienced at the provincial level. For these reasons, the researcher decided to analyse the provincial perspective in thematic forms, rather than on the basis of focus areas, as initially planned.

### **3.3 Data Collection**

The research was initiated in March 2008. To provide researchers with a better understanding of the research issues, this study was begun by reviewing the existing literature related to the research topic to identify the

gap that needed to be addressed. After passing candidature and ethic approvals, the researcher undertook fieldwork from 15 November 2008 to 20 February 2009.

The fieldwork was conducted for 3 months, from November to February. However, data collection, particularly of secondary data related to the research, was commenced prior to beginning PhD studies at Victoria University, in close consultation with his supervisor. This data proved invaluable in preparing the research proposal and for the fieldwork. The collection of data and conduct of interviews during the fieldwork was greatly facilitated by the researcher's position as a government official in East Kalimantan. Some data that was not available during the fieldwork, particularly the budget of the Kutai Kertanegara District Government, subsequently became available on the Ministry of Finance (<http://www.djpk.depkeu.go.id/datadjpk/131/>). Fortunately, the interviews conducted for this research with senior politicians and government officials as well as community leaders were completed in a timely manner in the 3 months scheduled for fieldwork. After the fieldwork, the researcher continued to communicate with respondents through email and telephone in order to keep up to date with policy making developments East Kalimantan as well as to clarify issues arising from the research. He was also able to use his networks to continue collecting relevant government documents. The major newspapers in East Kalimantan are available on the internet.

The position of the researcher as a former official of Bappeda (Regional Development Planning Board), the institution in the district government that is responsible for facilitating the implementation of Musrenbang's decisions, has provided invaluable insights and experience of the process of policy making through *Musrenbang* mechanism. Indeed, prior to undertaking his doctoral program, for several years the researcher was involved in the Musrenbang process, beginning from the village, sub district, district, provincial to the national level.

The main purpose of this fieldwork was to gather primary and secondary data. The former was collected through interviews which involved

63 respondents, 30 of whom were district government staff members, and the other 33 were public figures, local NGOs, local businessmen and members of local council. The latter data was collected using district and provincial government documents and publications including district and provincial statistical data, regional government regulations, district and provincial long- and short-term planning documents (RPJPD and RPJMD),<sup>62</sup> governor and district head's accountability reports, performance accountability reports, government service reports and select poverty project reports. (The list of secondary data collected during the fieldwork can be seen in Appendix 3.)

The data gathered throughout the fieldwork was used in examining the role of provincial and district governments in addressing poverty issues in East Kalimantan, and also to assess the extent to which regional governments use their political powers, greatly expanded under the regional autonomy laws, to formulate and implement poverty reduction policies and programs in order to improve the quality of life of their people.

Generally, the fieldwork ran effectively without any significant hindrance and it largely achieved the original goal. Some minor problems were confronted by the researcher during data collection but they did not disrupt the process.

### 3.3.1 Method of Data Collection

As mentioned earlier, the data collection was drawn from interviews and documentation. The interviews were "in-depth" and also variously described as "semi-structured interviews", "focused interviews", "non-directive interviews", "open-ended interviews", and "active interviews" (see for example Fontana and Frey, 1994; Gillham, 2000; Gubrium and Holstein, 2003; Kvale, 1996; Liamputtong and Ezzy, 2005). Minichiello et al. (2008)

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<sup>62</sup> RPJP stands for *Rencana Pembangunan Jangka Panjang Daerah* or Long Term Regional Development Plan. It is a regional development planning document containing the vision, mission, and direction of development of regions for a period of 20 years. RPJMD is an abbreviation of *Rencana Pembangunan Jangka Menengah Daerah*. It is an elaboration of the vision, mission and programs of the Regional Heads (Governor and Head of District). It contains regional financial policy direction, strategy for regional development, public policy and regional government work unit programs.

illustrate in-depth interviewing as conversations between researchers and informants, which are conducted with the specific purpose of exploring the perception of participants regarding their experiences and lives articulated through their own words.

According to Minichiello et al. (2008), there are some benefits in choosing the in-depth interview. First, multiple informants, involved in interview, allow a researcher to triangulate findings across sources and test issues of reliability and validity; second, it is a useful way to obtain large amounts of data quickly; third, immediate follow-up and clarification are possible; and fourth, the researcher can obtain valuable information from participants because generally they have strategic positions on social, political, administrative or financial matters. The in-depth interview also allows the researcher to discuss issues in more detail from which the researcher can draw conclusions about the extent to which regional governments play their role, particularly in reducing poverty as perceived by local stakeholders.

The particular method of in-depth interview utilized in this research was “elite interviewing” (Marshall and Rossman, 2006). This method focuses on a particular type of interviewee, considering the influence, leadership and knowledge of individuals in a community or organization. These interviewees were selected based on their expertise in areas relevant to the research. This approach has been considered effective in obtaining valuable information because it involves participants who are knowledgeable in their respective areas.

The interviews were conducted in a “semi-natural setting” (Blaikie, 2000). The concepts to be investigated cover opinions to discover individual or other people’s activities, attitudes and motives, and social processes and local government institution practices, particularly in examining the role of regional governments in an attempt to eradicate poverty.

The interviews were conducted in Indonesian and recorded using a digital voice recorder. This equipment had been effective in capturing all parts of the interview and very helpful in the storage and transcribing

processes. Tim May and Caroline Cantley (2001: 126) suggest that recording the interviews "... allow the interviewer to concentrate on the conversation and transcribing tapes or simply listening to the conversations will assist the important analytic stage of becoming familiar with the data. In addition, it can enhance greater understanding by allowing a more natural conversational style."

### **3.3.2 Participant Selection**

The participants were selected through a combination of two sampling strategies including "purposive sampling" (Berg, 2007) or "judgmental sampling" (Hagan, 2000) and "snowball sampling" or "chain referral sampling" (Biernacki and Waldorf, 1981; Penrod et al., 2003); or "respondent-driven sampling" (Heckathorn, 1997). Purposive sampling allows the "... researchers to use their special knowledge or expertise about some groups to select subjects who represent this population" (Berg, 2007: 32). Meanwhile the snowball sampling process begins with the initial researcher's understanding about participants. The process may be initiated by making contact with some participants, and based on their references, the researcher may find other participants (Minichiello et al., 2008). Bruce Lawrence Berg (2007) states that snowballing is conducted by selecting a number of prospective participants who fit the requirements to be interviewed. In this research, the snowball technique was more extensively used with key officials in regional governments, who became the main target to interview, and referred the researcher to their staff or pertaining institutions within regional governments, who technically were more informed and competent to answer the interview questions or to provide the data required.

Participants were recruited considering their influence in policy-making, their representation in decision-making and their knowledge and experience – those whose ideas always appear in public debates and their perceptions of regional development policies and issues are sought. These included senior regional government officials, members of regional councils, public figures, leaders of community organizations and other regional development stakeholders. In summary, the participants were district and

provincial secretaries; the head of BAPPEDA; members of local councils; local Non-Governmental Organizations (NGOs) (GEPAK, BOM, etc.); local private business organizations (KADIN); religious organizations (Muhammadiyah); academics (Lecturers at UNMUL and UNIKARTA); youth organizations (KNPI, BEM, etc.); and local customs organizations (LAP, IKAPAKARTI, etc.). (The list of research participants can be seen in Appendix 4.)

### **3.3.3 Description of Researcher and Participants**

As Pamela Nilan (2002) suggests, defining the researchers' position is important, and therefore this section will describe the researcher and participants. In this research, the researcher's position may be defined in two different ways, insider and outsider. On the one hand, the researcher may be referred to as an insider as he is a regional government official in one of the districts, which became a setting for this research, and who is currently on leave for this study. The researcher is a government official of Paser District. Prior to being on leave, he worked at the Regional Development Planning Board (BAPPEDA). This regional government agency is responsible for regional development plans. The researcher shares the same government geographical position as some participants and most of the interviewees share the same occupation as the researcher, as a government employee. On the other hand, the researcher may be called an outsider, as he has come from a different district from most participants. In addition, during the period of this research, the researcher was on leave from his position as a regional government official.

The participants are considered to be the main development stakeholders of East Kalimantan Province, most of them being prominent figures in the community. The participants were classified as being members of a "local elite", because of their high profile and the important positions they hold in their respective organizations, either in government and private sectors or in the community. In other words, they were chosen because of their respective positions, influence and experience.

From the gender perspective, most participants are male and only three female. This indicates that most of the high positions in government or in the organizations are dominated by males. The ethnic backgrounds are very diverse. Although they have identified themselves as “son of the region” (*putra daerah*) as they may have been born in East Kalimantan or have been living in this area for quite a long time, most originally come from other parts of Indonesia such as Sulawesi (Mandarese, Buginese, Makassarese and Torajanese), South Kalimantan (Banjarese), Java (Javanese), and so forth.

Access to data and how to convince potential respondents to participate in the research was often a challenge. In the case of this study, the background of the researcher as a government official facilitated access to respondents. As some respondents, share the same bureaucratic background, this has provided its own benefits particularly in obtaining information from the respondents. Some questions posed to respondents might be considered sensitive, as well as the data requested from government agencies might be considered "confidential". However, as the researcher is an ‘insider’, this seemed to reduce the reluctance of some respondents to answer questions. In these cases, the researcher was greatly helped.

Values, experience and knowledge brought by the researcher, as an official who is involved directly in the policy making process and in interacting with the legislature and other stakeholders in the planning and budgeting process, provided benefits in understanding how policy is made. This has facilitated the researcher in examining the essence of the study. However, the position of a researcher, who is a middle level manager in the government, sometimes confronted psychological barriers, particularly in interviews with more senior officials. This situation particularly occurred when the researcher wanted to confirm some statements from other respondents, who criticized the regional government's performance. These constraints imposed some limits on the research.

The crucial question is that how the researcher's ‘insider’ status as a local government official might have affected the nature of this research. In

relation to this, the researcher argues that all social science researchers bring their cultural values, education and professional experience to their research. Social science studies are almost certainly influenced by the subjectivity of researchers. Hammersley and Gomm (1997) state, "Accusations of bias are not uncommon in the social sciences." Given this, the crucial thing is that how rather the possibility of bias is minimized and the researcher reflects on the values and experience he / she brings to the research.

The use of triangulation methods in analyzing data, particularly the interviews with members of the elite, enabled the researcher to assess the interview data in comparison with other sources. The selection of respondents using a combination of purposive and snowball sampling of interviewees gave the researcher access to the views of a wide variety of those involved in policy making, planning and community organizations.

#### **3.3.4 Question Selection**

The purpose of the interview is to have senior officials of regional governments and other local stakeholders reflect on the policies proposed by regional governments, particularly those related to poverty reduction policies. It is also intended to uncover the attitudes of local elites in perceiving poverty, as well as their perceptions in the formulation of regional development program priorities. The researcher explores a few general topics to help uncover the participants' views but otherwise respects how participants frame and structure their responses. Marshall and Rossman (2006) view this approach as an essential part of qualitative research. The perception of participants should be able to be explored without biased perceptions or influence from the researcher.

The four types of questions used in interview were mainly "descriptive questions", "opinion/value questions", "knowledge questions" and "probing questions" (Minichiello et al., 2008: 98). Descriptive questions were used to obtain information regarding experiences or events. Opinion/value questions were used to understand interviewees' knowledge on events, people or regional government practices. Similar to opinion questions, knowledge

questions also seek to capture meanings, definitions and descriptions of events. Probing questions are used as a follow up to further explore information provided by participants. These questions were also used to encourage interviewees to elaborate, clarify, and explain their responses to earlier questions. (For further explanation of these types of questions, please see Minichiello et al. (2008).)

These types of questions were embedded during the interview process. Each representative of key stakeholders was asked to express their understandings and observations on the changes made by regional governments in regional development, particularly regarding poverty reduction.

First of all, participants were asked to present their ideas on current regional development progress. Select questions included:

- *East Kalimantan Province is widely known as a wealthy region, in terms of natural resources endowment. Unfortunately, this region still confronts poverty problems. What is your opinion about this?*
- *What is your opinion about the role of the regional governments in economic development and poverty reduction?*
- *Have the regional governments played their role properly?*

More importantly, participants were also asked to identify what they meant by poor people and their perceptions of poverty data in terms of poverty indicators used to measure poverty levels. To gain this information, some of the questions proposed included:

- *How do you define poverty or poor people?*
- *What is your opinion about the poverty data?*
- *What do you think about the indicators used by Central Statistical Agency in determining poverty rate?*
- *What indicators of poverty fit for the local situation?*

Assuming not all respondents were familiar with the indicators used by Central Statistical Agency (BPS) to measure poverty levels, the researcher would sometimes provide a brief explanation of the 14 indicators of poverty measurement introduced by BPS prior to asking the question.

Presumably the expanded authority and budget allocated to regional governments under decentralization has not significantly reduced poverty, participants were asked to identify some reasons that may result in the slowdown in developing the prosperity of the regional community. Some questions were as follows:

- *The poverty rate is still relatively high, what do you think contributed to that?*
- *Do you see that poverty in East Kalimantan is contributed to by the negative culture of community?*
- *Do you think that regional government programs contribute to the increase of poverty?*

The participants were also asked to examine the regional government's policy and development programs in terms of regional development priorities. Some of the questions included:

- *Do you think the regional government's programs have been in accordance with the regional vision and mission or their promise made during the election campaign?*
- *In budget allocation, have the poverty reduction programs become the regional government priority?*
- *What's your opinion about poverty reduction programs proposed by the regional governments?*
- *Do you think the regional government has spent the local budget effectively and efficiently?*
- *Do you think the government has proposed pro-poor policy/programs?*
- *Do you think a program of "giving money to poor people" as the government does is a solution to reducing poverty?*
- *Do you think payments through social assistance programs allocated for poor people have reached the target?*

The participants were also asked to propose some ideas that may be useful for the regional government to provide their people with greater access to welfare, as well as some constructive suggestions regarding government practices. Their interpretations and considerations of the regional

government's performance may become recommendations for improvement in the future. The sample of questions included:

- *Poverty is a complex issue because it covers various dimensions of life. In your opinion, to reduce poverty, from where should we start to address it?*
- *What sort of poverty reduction programs should be proposed by the regional government?*

To examine the decision-making process, participants were also asked to present their ideas on the process of regional development and government planning arrangements. To explore this issue, the questions included:

- *What is your opinion about the decision-making process and mechanism?*
- *What problems do you see in the arrangement and implementation of poverty reduction programs?*
- *In your observation, to what extent are local stakeholders involved in the formulation and implementation of government programs?*
- *In your observation, have the community (poor people) or local stakeholders been involved in the decision-making process, particularly in relation to poverty reduction programs?*

Other questions during interview were probing. Minichiello et al. (2008: 100) argues that probing is part of the research process that differentiates the "in-depth interview" from normal everyday conversation and these questions "... are used to elicit information more fully than original questions which introduced the topic." Probes are also a sign of respect and full attention from the researcher. It is also an indicator that the researcher is aware and can follow what the interviewees explain or discuss. Another objective of probes is "... to encourage participants to expand on their initial responses and to develop points without changing topic or asking a new initiating question" (Yates, 2004: 167). Some examples of probing questions included:

*Can you explain ...?*

This was used to attain more explanation or clarification.

*Mm...;*

Yes, yes ...

These short expressions were used to encourage talk and demonstrate full attention.

*Please correct me if I'm wrong. You said that ...*

*You said ...?*

*Did you mean ...?*

These probing questions were used to check the validity and understanding on the part of the researcher about the topic and to offer participants the opportunity to restate their points. Other probing styles that were most frequently used during interview were non-verbal gestures such as nodding the head and remaining silent.

### **3.3.5 Interview Process**

The interview process began by offering prospective participants the opportunity to be involved in the research. Those who showed their willingness to be a participant of this research were followed up by arranging suitable times and places for interviews. In doing so, the researcher employed a research assistant from the local people, who had access to and networked with all potential respondents. The research assistant was assigned to contact potential participants and arrange schedules for interviews.

The researcher classifies three different categories of responses. The first, some participants looked very enthusiastic and felt proud of being selected, and therefore they expressed thanks for being involved. Many politicians who desired their opinions to be published were included in this category. The second, participants who declined or found reasons not to be interviewed. One who is included in this category is the Deputy Governor (*Wagub*).<sup>63</sup> However, the disinclination to be interviewed has not influenced the data collected for the research, as *Wagub's* views are widely reported in the press (see Box 3-1).

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<sup>63</sup> At the time of fieldwork, the Deputy Governor (*Wagub*) was being newly appointed, and he was actually a former official rather than politician. Therefore, his response to the offer of an interview seemed to be more cautious.

**Box 3 - 1: Fieldwork Experience 1**

It was in the morning when I attempted to see the Deputy Governor (Wagub) of East Kalimantan. As the second most important person at the provincial level, it was not always easy to see him. I registered my name as one of his guests on that day. After filling out the guest book, the receptionist asked me to wait in the waiting room. After waiting for almost half an hour, it was my turn to see him.

At first, I introduced myself and explained the purpose of my visit. Yet he responded in this way,

Sorry, you cannot do things this way. You can't just drop by to interview me. Firstly, I need to know the questions and I have to consult with the governor because the interview will be a statement of the provincial government (as stated by the Deputy Governor of East Kalimantan).

I tried to clarify that I just wanted to confirm some suggestions from other participants but he still declined to be interviewed. He suggested to me that I should see the head of Social Services so I could obtain more information on my research focus.

The third category is a group of participants who indicated strong support, and subsequently showed their enthusiasm and willingness to be involved in this research. Some of them, although they are senior officials in the regional government, still displayed a very friendly manner. One even apologized for delaying the interview schedule. Some produced their business cards and offered to be contacted if the researcher required further clarity.

Other data was collected through official government documents and publications. This secondary data was to identify regional government priorities and the poverty programs proposed by regional government. This approach formed the basis for the researcher to compare and interpret events and related events recorded in documents. As stated by May and Cantley (2001: 175), documents, as “the sedimentations of social practices, have the potential to inform and structure the decisions which people make on a daily and longer term basis as well as to tell about the aspirations and intentions of certain periods.”

Therefore, collecting pertinent documents became an important part of the fieldwork. Some of the documents include laws, official statistics, regional government regulations, regional government plans, accountability reports, documents of local budgets, regional council (DPRD) debates, election campaign materials and media reports. All these documents were used to identify regional government priorities and poverty programs proposed by the regional government as well as analyzing decision-making processes of regional governments. These documents combined with relevant information from the mass media and the internet assessed government performance through the responses of local people or local stakeholders.

The process of collecting regional government documents was very challenging. Some regional government institutions showed their respect and support for the research, but others seemed to be very cautious and tended to be suspicious. Poor documentation systems within regional government institutions had also become a serious issue, particularly when trying to locate old documents. A brief example below describes the response of one of the targeted institutions.

### **Box 3 - 2: Fieldwork Experience 2**

It was the second day for me to wait for the responsible official to meet him to ask for his help in providing some government documents, particularly regional budget documents. After midday, the official came to the office but I still needed to wait for quite a while as some other guests also waited to see him. When I had a chance to see him I introduced myself, explained my purpose and asked his support to help me access the required documents. Yet, he displayed an uncooperative manner by stating,

Finding the budget documents is not as easy as you suggest, and access requires permission from several officials, particularly from the head of district. Then you must have an approval letter from the district secretary which authorizes the BPKD to help you to find the documents. APBD is a confidential document and we cannot just give it to anybody. Just to let you know, even if someone gives ten million rupiah will still be hard to find the documents because they are kept in a storage room (as stated by the staff of BPKD).

I tried to elaborate my experience in getting the same documents in other districts which is not as hard as this official described, but he refused to change his stance and stated, "Here is different from other districts!"

For further and more detailed explanation of the researcher's experiences while conducting fieldwork, see Boxes 3-3, 3-4 and 3-5.

### **Box 3 - 3: Fieldwork Experience in Tanah Grogot, Paser District**

First of all, the researcher began fieldwork in Paser District. Basically, the research process in this region ran very well. Almost all targeted respondents were interviewed, except some who were away for the pilgrimage to Makkah at the time of the interview period. The researcher conducted interviews with almost all key officials who are likely to be involved in the policy making process, for example the Head of Paser District, Deputy Head of Paser District, District Secretary, head of BAPPEDA, some heads of pertinent departments/services within the government of Paser, religious and public figures, youth organizations and local custom organizations.

The interviews were conducted in different places depending on the respondents' preferences. Most of the interviews were carried out at the interviewee's offices. Some of them were met at their houses and a few interviews took place in a restaurant (*warung*) as required by the respondents. Especially for the head of Paser District, it took almost two days to wait for the chance to interview him. It was just a coincidence, that the researcher was interviewing the district secretary when the head of district entered the district secretary's room. The researcher did not let this moment pass until he had succeeded in conducting an interview with the head of district at the same time with the district secretary.

The process of collecting important documents of Paser district had been also run effectively and almost all required data as listed in the data list could be collected. The researcher's position as the former official of Paser District government had been very helpful to obtain all important data. The researcher's colleagues at Paser District Government were very cooperative and assisted the researcher to collect the data. However, the documentation system of Paser District Government was very poor, so it's always a problem to find old documents. This condition was worsened by the organization restructuring and officials' rotation that resulted in duty switchover from one institution to another institution or from one official to new officials. It's quite common that the new officials did not know where the required data was stored. In the case of Paser, collecting document of APBD for the last eight years had not been very difficult because a few days before the researcher came to Paser, BPK was conducting an assessment of APBD Paser District, and this has required the staff of BPKD to provide the documents of APBDs for the last ten years. When the researcher came to find the documents of APBDs, these documents were still on the staff desk.

### **Box 3 - 4: Fieldwork Experience in Samarinda, the Capital of East Kalimantan Province**

Samarinda, the capital of East Kalimantan Province became the next focus area of the researcher's fieldwork. The investigation focused on the provincial level of government. As the capital of province, all provincial government offices were located in this area. At the beginning, the researcher was a little bit pessimistic that the fieldwork in Samarinda would run effectively. The reason is that unlike in Paser where almost all respondents are familiar with the researcher, in Samarinda many of them are not known and on the contrary they have not recognized the researcher. In fact, the unease was not proven as the researcher got a positive response from all officials and elite figures. The assistance from a local people who the researcher appointed to be research assistants has been very worthy. They were assigned to contact all respondents and arrange suitable times for interviews to take place. The researcher's status as a government official had also had positive impact.

Interviewing and collecting important local government documents were conducted simultaneously. At the same time, there was a historical event for East Kalimantan Province, which was the inauguration of the first governor and deputy governor who were elected through Direct Election (*Pilkada Langsung*). The researcher had an opportunity to attend the inauguration ceremony. All officials and public figures were also at the inauguration venue. I used this moment to talk to the target officials and public figure to set up a time for interviews.

Interviews with officials, religious leaders and prominent members of the public were successfully conducted. They represented the governments and community organization. They included the East Kalimantan provincial government, consisting of the elected Governor, Provincial Secretary, former governor assistant who were also former governor candidate, Head of Financial Bureau, Head of Social Bureau and Head of BAPPEDA. From provincial DPRD, for example, Chairman of DPRD and some members of Factions who were identified involving in the Legislative Budgeting Committee (*Panitia Anggaran Legislatif*). From public figures and local NGOs for example: Chairman of Muhammadiyah, coordinator of POKJA 30, Chairman of GEPAK, and from youth organization represented by the chairman of KNPI and the Chairman of MPI, who are also representing local businessmen, and the last is the chairman of BEM UNMUL. The researcher also conducted interviews with current members and candidates of DPD from East Kalimantan who were contesting the general election (PEMILU) in April

2009.

The process of collecting documents also ran without significant hindrance. The success in collecting data could not be achieved without the assistance of the head of BAPPEDA Paser, who has provided his time to accompany me to visit some provincial institutions. Coincidentally, some of the institution heads were the head of BAPPEDA's schoolmates. His good relationship with them has also been very helpful during the process of data collection. The problem occurred only because some of the required data was not documented properly. So it was hard for the staff in charge to find them. Most of the required data was successfully collected including APBD documents for the last 8 years. Other data required for this research are the data of population by religion and ethnic groups. This data will be used to map the poverty distribution based on religion and ethnic backgrounds. Unfortunately, the detailed data was unavailable but it is only prediction data.

Other constraints that the researcher confronted during the fieldwork in Samarinda were more non-technical problems. Since the fieldwork coincided with the New Year of 2009, all government offices were closed for public holidays. Also heavy rain resulted in floods, and it was difficult to travel around Samarinda. Nevertheless, overall, all activities in Samarinda had run in accordance with the fieldwork timeline.

### **Box 3 - 5: Fieldwork Experience in Tenggarong, Kutai Kertanegara District**

The District of Kutai Kertanegara became the last research focus. The district with the status as the region with the highest APBD among other districts in Indonesia is located about 30 kilometers from Samarinda or approximately 20 minutes by car. Because its distance is not too far from Samarinda, the researcher preferred to stay in Samarinda. During the fieldwork, the researcher left Samarinda in the morning and returned in the afternoon.

Basically interviews with respondents ran well and were finalized in accordance with the time allocated. All targeted respondents were successfully interviewed except the Chairman of KNPI Kutai Kertanegara. She is currently sitting as the Chairman of DPD *Partai GOLKAR* Kutai Kertanegara, which is the party that occupies the majority of seats at DPRD Kutai Kertanegara. She is also the daughter of the former Bupati Kutai Kertanegara, Syaukani Hasan Rais, who was removed from his position due to the corruption cases during his rule as Bupati Kutai Kertanegara. Actually, the researcher has already set up the time to see and interview her after she returned from her New Year holiday. Nevertheless because her father fell sick in Jakarta, she delayed her return to Tenggarong. By the end of my

fieldwork plan, she had not returned yet. Finally, I decided to find another youth figure to replace her as a respondent.

The number of respondents to be interviewed in Kutai Kertanegara was not as many as in Paser and Samarinda. However, the researcher assumed that all of them represented each social component. Another reason is that some respondents who the researcher interviewed in Samarinda also frequently commented on Kutai Kertanegara. So, it is assumed that the information provided by them might be used to capture the current situation in Kutai Kertanegara. Some participants who had been interviewed included the officials of the Kutai Kertanegara District Government: The District Secretary, Assistant 2 on Economics and Development, the Head of BAPPEDA, the Head of Evaluation and Report Division of BAPPEDA, the Head of Social and Culture Division of BAPPEDA and the Head of Poor People Empowerment Division of Social Services. From DPRD includes the Chairman of DPRD, Faction of PDIP, Faction of *Amanat Persatuan Indonesia* and Faction *Banteng Kesejahteraan*. They are involved in the budgeting committee of DPRD. Other respondents are academics (lecturer of UNIKARTA), BEM of UNIKARTA (University Student), local NGO and youth organization.

Unlike the interview process, collecting the data required for this research did not run smoothly. All officials who were in charge of the data, seemed to be very cautious about providing the required documents. The researcher was not surprised about this because some of the researcher's colleagues had advised him previously that it might be difficult to obtain the required documents in Kutai Kertanegara. They explained that the situation in Kutai Kertanegara was quite different from other regions. Some cases of corruption of APBD had involved some key officials in Kutai Kertanegara, including the former head of district, vice head of district, the former Chairman of DPRD, Head BPKD and some other key officials had made the in charge officials cautious about releasing documents. The researcher tried to do his best and explained to them that the documents would be used for research and academic purposes only, without hidden agendas. The letter from Victoria University and the government of Paser District, which confirmed that the researcher is a member of the staff of Paser District Government, did not help to convince them.

Finally, the important documents such as document of APBD for the last eight years could not be collected. Nevertheless there were some planning documents, such as General Policy of APBD (*KUA/Kebijakan Umum APBD*), Budget Priority and Plafond (*Prioritas dan Plafon Anggaran/PPA*), RPJMD and document of GERBANGDAYAKU as the development document of Kutai Kertanegara, which were collected. All of these documents were used in the

creation of the APBD documents, but they only cover a few years. Consequently, it was more difficult to identify poverty programs and analyze the pattern of distribution of budget in the last eight years, particularly to compare the situation prior to and after the implementation of regional autonomy.

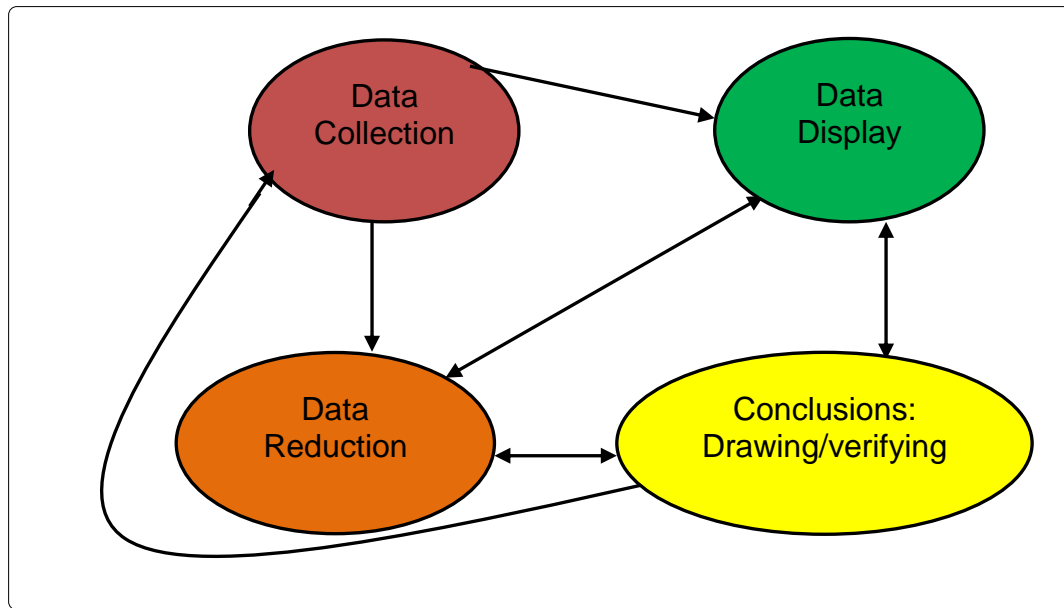
All these documents were obtained at BAPPEDA. Documents of APBD which were stored at BPKD could not be gathered. When the researcher came to BPKD, none of the officials was courageous enough to give the documents. They would give the document if there was approval from the head of BPKD. However, the Head of BPKD was facing a tribunal due to a corruption case. The acting head of BPKD did not have the authority to hand over the documents, unless there was approval from the District Secretary. The researcher managed to see the District Secretary to ask for approval but he would only give documents of APBD that were ratified after he was in the position. By the end of the fieldwork in Kutai Kertanegara, the researcher still could not obtain the documents of APBD. These documents are very important because they are integral in making a thorough analysis for this research.

I realized that the lack of success in collecting these important documents, particularly the documents of APBD, would become an obstacle in analyzing the proportion of budget allocated for poverty programs and in identifying the priority of the district government in terms of budget allocation. There were some good outcomes because some planning documents that became references in developing the APBD were collected. Although these documents do not provide explicit detail of programs, the researcher believes that they would still be helpful to identify the priority and budget allocation.

### **3.4 Method of Data Analysis**

There are two different kinds of data obtained from fieldwork, which are transcribed interviews (primary data) and regional government documents (secondary data). These sources of data were analyzed using two different models of analysis including “interactive model of qualitative data analysis or matrix qualitative analysis” (Miles and Huberman, 1994) and “qualitative content analysis” (Allen and Reser, 1990; Neuendorf, 2002) respectively.

The interactive model, which has been used to analyze the interview data, consists of three concurrent flows of activity, which are data reduction, data display and conclusion drawing or verification. These analysis activities form an interactive cyclical process, as shown in Figure 3-1.

**Figure 3 - 1: Components of Data Analysis: Interactive Model**

Adapted from Miles and Huberman (1994)

Data reduction refers to the process of selecting, focusing, simplifying, abstracting and transforming “raw” data in the form of notes or transcriptions generating from fieldwork. According to Berg (2007: 35) “qualitative data need to be reduced and transformed in order to make them more readily accessible, understandable, and to draw out various themes and patterns”, or as Amir Marvasti (2004) states, “reducing the data will make things easier to manage.” In this context, the transcription of interview data is reduced and transformed as a way of organizing, sorting, focusing, teasing out themes, clustering and making partitions. As Matthew Miles and Michael Huberman (1994: 11) note, “data reduction is a form of analysis that sharpens, sorts, focuses, discards, and organizes data in such a way that ‘final’ conclusions can be drawn and verified.”

In order to reduce the interview data, interview transcripts were clustered and assembled based on identified themes and meanings. The themes were categorized based on the interview questions, which refer to the research questions. This step leads to the next process of data display, which is the process of organizing the relevant data to create an organized assembly of information that allows a conclusion to be made. This is the second major flow of analysis activity and “better displays are a major avenue to valid qualitative analysis (Miles and Huberman, 1994). Marvasti

(2004) argues that the objective of this stage is to organize the chaotic mess of raw data and transform it into a concept relevant to the researcher's interests as stated in the research questions. In more detail, Berg (2007) explains that the data may be displayed in the form of tables; tally sheets of themes or summaries. At this stage, the researcher put the identified themes and meanings into a "conceptually clustered matrix" referring to research questions. (The model of matrix developed to display the reduced data can be seen in Table 3-1.)

**Table 3 - 1: Sample of Data Display**

Participants	Concept to be Investigated				
	Opinion on Regional Development	Perception on Poverty	Factors Contribute to Poverty	Opinion On Government Policy	Suggestion To Poverty Reduction
<b>Respondent 1</b>	Weak in the implementation Unsystematic programs	Poverty is not merely acquisition of capital but it is related to a way of thinking	Immigrants from other regions	Partial and lacked coordination	Reforms the way of thinking through illumination and guidance and programs
		Income less than 500 thousand rupiahs per month			Poverty should become the priority
		Poverty is not solely about money but the ability to use the money (lack of entrepreneurship skill			
<b>Respondent 2</b>	Good but not focused and tend to miss the target	Poor people are those who cannot fulfill their daily needs (food, clothing, etc.)	Low level of human resources capacity	Inefficiency in spending the budget	Open minded
		Unable to put their children in school	A way of thinking due to lack of education	Incapacity in executing programs	Staff capacity development
		Those who live in inappropriate accommodation	Geographic factors and lack of infrastructure	Weak in conceptions	Appoint officials in the right positions
			Satisfied with the existing situation and resist to change	No pro-poor budget	It requires guidance for the society

<b>Respondent 3</b>	Has not touched the whole community	Poverty may be caused by economic development system, family and environment, job opportunity and natural disaster	The increase of immigrants	Disintegrated programs	Focus on poverty alleviation
					Setting poverty indicators based on local conditions
					Poverty reduction should be managed by one institution
<b>Respondent 4</b>	Tend to seek prestige rather than to solve problems	Live in indecorum house	Government programs	Regional development orientation is unclear	Integrated poverty indicators
		Insufficient income	Corruption		Integrated poverty reduction program
		Those who do not have a permanent job	Wide authority but lack of accountability and transparency		Pro-poor regulations
		Those who do not have access to education, health and basic needs			

The next step is drawing conclusions/verification. At this stage, the researcher is beginning to decide what things mean, noting regularities, patterns, explanations, possible configurations, causal flows and propositions. This step involves the activity of “drawing meaning from displayed data.” Apart from this process, there is a test of the meanings emerging from the data for their plausibility and sturdiness. The data were validated using the triangulation technique. This technique has been widely used in social sciences research, particularly in ensuring credibility, reliability and validity of qualitative data analysis. Robert Bogdan and Sari Knopp Biklen argue (2006) that triangulation validates data through cross-checking and verification of different sources, which can be implemented by employing multi research methodologies (see also Denzin, 1978).<sup>64</sup>

In the context of this research, to ensure validity and credibility of the data gathered during the fieldwork, the researcher uses triangulation in the process of verification. The models of triangulation used involve data triangulation, theory triangulation and methodological triangulation. The first model refers to the notion that this research uses different types of data sources and involves all development stakeholders in East Kalimantan from different backgrounds. The second model refers to the understanding that this study uses a range of theories from different scholars to understand the phenomenon and interpret the meanings of the data gathered during the fieldwork. The third model refers to the idea that the data collection employed a combination of interview and documentation methods. The data from government documents was used for cross checking interview data. It is expected that methodological triangulation through the combination of interview and document data can eliminate the intrinsic biases that might occur during the process of interpreting the interview data, as most of the interview participants were involved in the policy-making process.

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<sup>64</sup> Norman K. Denzin (1978) classifies triangulation into four different types, including *data triangulation*, *investigator triangulation*, *theory triangulation* and *methodological triangulation*. The first refers to the notion of using different types and sources of data, which may be in the sense of different from the time, space and person. The second means the usage of multiple investigators in gathering and analyzing the data. The third refers to the notion of using multiple theoretical frameworks to interpret and examine the data collected during the fieldwork, and the last one refers to the usage of multiple methods in gathering data.

The “qualitative content analysis”, which was used to analyze documentation data, has the objective “... to identify important themes or categories within a body of content, and to provide a rich description of the social reality created by those themes/categories as they are lived out in a particular setting” (Zhang and Wildemuth, n.d.: 11). It is “a careful, detailed, systematic examination and interpretation of particular body of material in an effort to identify patterns themes, biases and meanings” (Neuendorf, 2002). This analysis has been primarily used to interpret the meanings contained in the regional government documents.

## **CHAPTER 4**

### **BACKGROUND TO RESEARCH AREAS**

#### **4.1 Introduction**

This chapter highlights a brief history of the formation of East Kalimantan, beginning from the sultanate era until recent developments in the implementation of regional autonomy. The chapter also discusses geographic and demographic conditions of the region. An elaboration of the economic structure via analysis of GRDP and its contribution to national GDP is also presented. The next section discusses regional issues and challenges confronted by East Kalimantan over the past decades.

#### **4.2 A Brief History of East Kalimantan Province**

The Mulawarman Kingdom was one of the earliest Hindu Kingdoms in Indonesia and one of a number of kingdoms founded in East Kalimantan including Kutai Kertanegara, Gunung Tabur, Sambaliung and Sadurengas. When these kingdoms converted to Islam in the early 16th century, they were called sultanates. The sultanates, particularly Kutai that once reigned supreme in East Kalimantan, surrendered to Dutch occupiers in 1844 (see for example Burhan Magenda, 1991; Djahar Muzakkir, 2007; Eko Susanto Rahmat, 2005; Tate, 1971). The beginning of Dutch formal control over Kutai was recognized in the treaty of 1844<sup>65</sup>. However, dominant control by colonial rule commenced in 1902, evidenced by the direct intervention of the Dutch in the establishment of sultanate administration. Tighter control off sultanates was crucial for the Dutch to secure their economic domination following the discovery of oil and coal in the 1900s (Cribb and Kahin, 2004; Burhan Magenda, 1991). This fact indicates that the involvement of the Dutch in the administration and economic activities in East Kalimantan began relatively late in the colonial period, compared with Java and some parts of Sumatra,

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<sup>65</sup> This treaty reaffirmed the boundary of sultanate areas and asserted that the Kutai was under Dutch sovereignty. Dutch control was intended to prevent British domination. Since then, the Kutai sultanate has been under the control of a Dutch resident in Banjarmasin. Until 1902, there were r four treaties issued by the Dutch. All these treaties were to strengthen the position of the Dutch over sultanates and to weaken their control. For further discussion, please see Roberth Cribb and Audrey Kahin (2004); Magenda (1991)

and colonial administration was established in response to the discovery of important economic resources.

In 1903, Dutch rule introduced a broader and more modern administrative system. The sultanates were integrated into the Dutch government system and divided into two *afdeelingen* (regencies). Sambaliung and Gunung Tabur were merged into one *afdeeling* (regency) known as the Bulungan and Berau *afdeeling* with administrative government situated in the capital city of Tarakan. Meanwhile Kutai Kertanegara and Sadurengas, situated in the southern part of East Kalimantan, were integrated into the Kutai and Pasir *afdeeling*, and Samarinda was established as its capital city. These two *afdeelingen* were under the authority of Assistant Residents, who were based in Samarinda and responsible to the Resident of Banjarmasin. (For more history of East Kalimantan (see for example Djahar Muzakir, 2007; Pemerintah Provinsi Kalimantan Timur, 2011; Tate, 1971).

Following the independence of Indonesia, East Kalimantan was legally integrated into the Republic of Indonesia with the status of *keresidenan*. Eight years later, enacted through the Emergency Law 3/1953, East Kalimantan was transformed into a Special Region in the form of an autonomous region at the district level. This Emergency Law also provided the formation of Kalimantan region and Banjarmasin served as its capital city. In 1956, the central government enacted Law 25/1956 that divided the Kalimantan region into three provinces: West Kalimantan, South Kalimantan and East Kalimantan. On 1 January 1957, East Kalimantan was officially inaugurated as a province. The date is celebrated as the anniversary of East Kalimantan Province. Two years later, the second level regions (*Daerah Tingkat II*) were formed. The former *afdeelingen* of Kutai and Pasir and Bulungan and Berau became districts (*kabupaten*) in addition to two municipalities (*kota*), Samarinda and Balikpapan. In 1981, the administrative town of Bontang was formed and this was followed by the formation of Tarakan in 1989.

Prior to the effective implementation of regional autonomy, the reorganization of the East Kalimantan Province was continued through the enactment of Law 47/1999, which provided for the formation of some districts

in East Kalimantan including East Kutai, West Kutai, Malinau and Nunukan. The establishment of these districts was more likely initiated by the central government. Following the implementation of regional autonomy, in 2002, a new district emerged as a result of the partition of Pasir District. The new district was called North Penajam Paser. In 2007, another new district of Tanah Tidung was added to East Kalimantan Province as a result of the partition of the Bulungan and Nunukan Districts. Unlike the other four districts, the establishment of these two districts was initiated by the local elite. The creation of Tanah Tidung was mostly based on a political consideration, which was to provide one of the requirements for the formation of the North Kalimantan Province, to be annexed from East Kalimantan territory.<sup>66</sup>

The large number of regional administrative unit divisions, from two original "*afdeelingen*" that were initiated during the Dutch occupation, indicates that there has been strong intervention from central government in local administration. It also reflects the demands from local communities for better public service provisions, which consequently require a more complex system of government. It is interesting to note that there would seem to have been a change in dynamic in the creation of new administrative units in East Kalimantan as elsewhere in Indonesia. Until regional autonomy (*Otonomi daerah/OTDA*), subdivisions have mainly been initiated by the central government. Since then, much of the proliferation of new district governments has been initiated locally.

The new district and municipal governments have resulted in the creation of a more complex administrative structure. East Kalimantan consists of 14 regional governments: 10 district governments and four municipalities in addition to the provincial government itself. The fourteen districts/municipalities are constituted by 136 sub districts, 1213 sub district rural villages (*desa*) and 191 urban villages (*kelurahan*). This number of local governments is likely to increase, as local groups campaign for the formation of new districts. Mahakam Ulu will be partitioned from West Kutai, and Kutai

<sup>66</sup> Government Regulation 78/2007 states that a newly established province should have a minimum of five districts/municipalities.

Kertanegara will be split into two new districts: Kutai Pesisir and Central Kutai. North Kutai will be separated from East Kutai, Central Paser from Paser, Sebatik from Nunukan and Samarinda Seberang from Samarinda (see Asaddin, 27 May 2010).

**Table 4 - 1: Number of Sub district and Villages by District/Municipality (2010)**

District/Municipality	Number of Sub district	Number of Villages
Paser	10	130
West Kutai	21	228
Kutai	18	227
East Kutai	18	135
Berau	13	107
Malinau	12	108
Bulungan	10	81
Nunukan	9	227
North Penajam Paser	4	54
Tanah Tidung	3	23
Balikpapan	5	27
Samarinda	10	53
Tarakan	4	20
Bontang	3	15
East Kalimantan	140	1,445

Source: BAPPEDA and BPS Kalimantan Timur (2011)

Table 4-1 suggests that districts with large areas, such as West Kutai and Malinau, tend to have more sub district and villages, although they have a relatively small population. The creation of villages is one of the district government strategies to strengthen village governments in order to improve the provision of public services to their communities.

However, most villages are classified as “less developed”. As can be seen from Table 4-2, almost three quarters of the total villages are categorized “less developed” and “semi developed”. Most of these villages are located in the relatively isolated areas along the border with East Malaysia and they are in newly established districts. In Malinau and Nunukan districts, for example, approximately 95 percent and 79 percent of villages respectively are classified “less developed”. These two districts also have relatively high poverty rates compared to other districts in East Kalimantan.

**Table 4 - 2: Number of Definitive Villages by Classification and District/Municipality (2010)**

District/ Municipality	Village Classifications <sup>67</sup>			Total
	Less Developed	Semi Developed	Developed	
Pasir	14	40	76	130
West Barat	20	80	138	238
Kutai Kertanegara	77	123	27	227
East Timur	-	42	93	135
Berau	27	57	23	107
Malinau	103	-	5	108
Bulungan	9	53	19	81
Nunukan	179	41	7	227
North Penajam Paser	7	16	31	54
Tanah Tidung	23	-	-	23
Balikpapan	-	-	27	27
Samarinda	-	-	53	53
Tarakan	-	-	20	20
Bontang	-	5	10	15
<b>East Kalimantan</b>	<b>459</b>	<b>457</b>	<b>529</b>	<b>1 445</b>

Source: BAPPEDA and BPS Kalimantan Timur (2011)

### 4.3 Geography and Demography

In terms of area, East Kalimantan is the largest province in Indonesia. It is approximately one and a half times greater than the Java and Madura islands. With an area of 194,849.08 square kilometers, East Kalimantan constitutes 10.47 percent of the total area of Indonesia. This province shares borders with the East Malaysian states of Sabah and Sarawak.

<sup>67</sup> Less developed (*Swadaya*) village is the village that lacks human resources and funds. The *Swadaya* village is usually located in the remote areas and most its people are poor and rely on traditional sectors of agriculture for survival. It lacks infrastructure and does not have sufficient supporting facilities. Semi developed (*Swakarsa*) village is more developed than *Swadaya* village, as it starts using and exploiting village potency. However, it still lacks financial resources or funds. *Swakarsa* villages do not have many facilities and infrastructure and they are usually located between rural and urban areas. Some *Swakarsa* village communities have obtained higher education level, and the *Swakarsa* village people do not merely rely on agriculture as their main earnings. Developed (*Swasembada*) village is the village that has sufficient human resources and capital funds so that it can optimize the utilization and exploitation of all village potency. *Swasembada* village is like a modern city with various job fields, supporting a wide range of facilities and infrastructure. These villages are mostly located in urban areas. The definitions of *Swadaya*, *Swakarsa* and *Swasembada* villages are drawn from Kamus Besar Bahasa Indonesia (2011a) and Komunitas dan Perpustakaan Online Indonesia (2011b)

**Table 4 - 3: Areas and Number of Population by Districts/Municipalities (2010)**

Districts/ Municipalities	Areas (Km2)	Number of Population	Population Growth (%)	Density (People/Km2)
Paser	11,603.94	231,593	3.77	21.43
West Kutai	30,943.79	165,934	1.96	5.38
Kutai Kertanegara	26,326.00	626,286	3.89	24.37
East Kutai	31,884.59	253,904	5.72	8.06
Berau	22,521.71	179,444	4.28	8.16
Malinau	39,799.88	62,423	5.50	1.57
Bulungan	13,181.92	113,045	3.95	8.59
Nunukan	14,493	140,842	5.87	10.31
North Penajam Paser	3,333.06	142,693	2.68	45.63
Tanah Tidung	4,828.58	15,147	8.71	4.59
Balikpapan	560.70	559,196	3.15	1 105.61
Samarinda	718.23	726,223	3.38	1 046.82
Tarakan	251.81	193,069	5.15	767.92
Bontang	163.39	140,787	3.73	880.90
East Kalimantan	198,441.17	3,550,586	3.82	18.18

Source: BAPPEDA and BPS Kalimantan Timur (2011)

The population of East Kalimantan has grown into a multicultural society, reaching 3,550,586 people in 2010 and contributes approximately 1.49 percent of the total population of Indonesia (BPS Kalimantan Timur, 2010; 2011).<sup>68</sup> Compared to the total area of the region, the population density is relatively low at about 18 people per square kilometer, far lower than the national average of 124 people per square kilometer. The population is distributed unevenly and it tends to be concentrated in urban areas, which are mainly located along coastal areas and riverbanks.

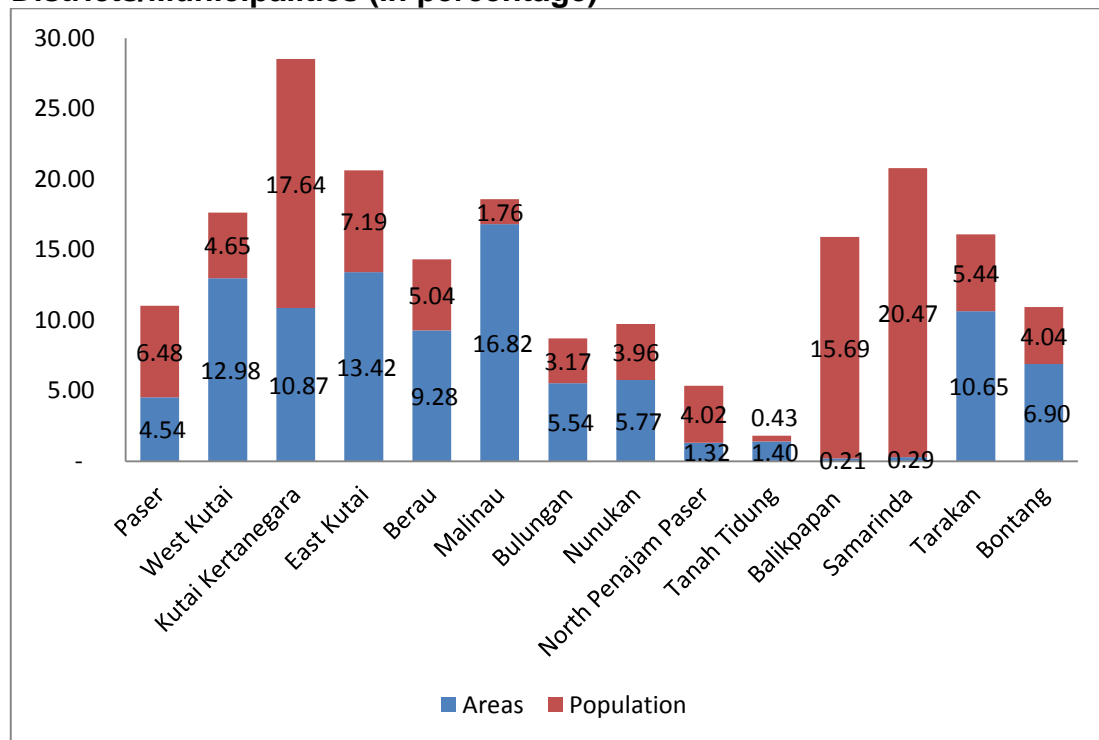
The report of BPS reveals that approximately 62.08 percent of the population live in urban areas and occupy only 0.85 percent of the total area, while the rural areas that constitute more than 99.15 percent of the total East Kalimantan area are inhabited by about 37.92 percent of the total population.

The disparities of development have created a concentration of population in the areas experiencing high economic development. The availability of facilities and adequate transportation infrastructure in coastal areas contributes to higher density and growth rates in those areas. The pattern more likely follows the urban pattern, and the people mostly rely on

<sup>68</sup> Based on the population census 2010, the Indonesian population reached 237,556,363 (see BPS Indonesia, 2011).

industries and service sectors for employment and for providing their day to day needs. Whereas, in the hinterland and border areas with limited infrastructure, the community is more dependent on the agriculture sector for employment.

**Figure 4 - 1: Distribution of Areas and Population by Districts/Municipalities (in percentage)**

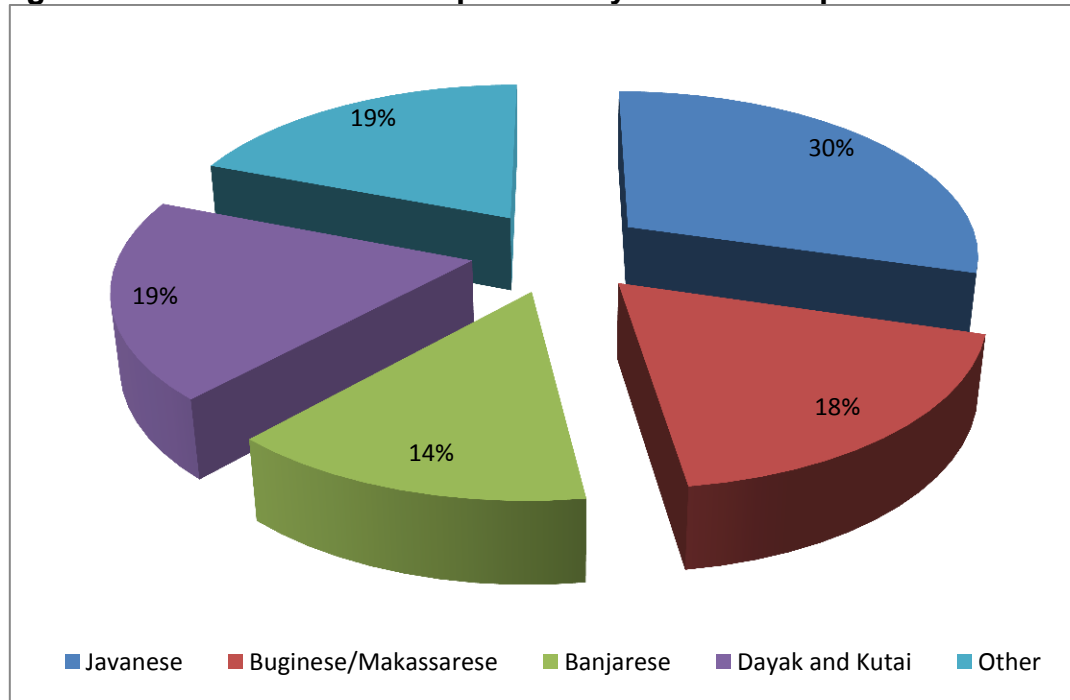


Source: BAPPEDA and BPS Kalimantan Timur (2011). The data are based on 2010 Census.

It is apparent from Figure 4-1 that districts with larger landmass located far inland tend to have less population and conversely the majority of the population is concentrated in the smaller landmass urban areas, such as Samarinda and Balikpapan. These two regions occupy no more than 1 percent of the provincial area but account for about 36 percent of the population of East Kalimantan. The presence of industries and the availability of public services, such as education, health and other public facilities attracted migration from other districts and regions to these two areas and this migration has triggered the concentration of population in urban areas. Meanwhile, Malinau, which is more than 1200 kilometers away from the capital of East Kalimantan Province, only contributes 1.76 percent of the provincial population. However, Malinau occupies more than 19 percent of the total provincial area.

In the last four decades, the population consistently increased with an average growth rate of about 3.82 percent per year. East Kalimantan now has the third fastest growth rate in the nation after Papua and Riau Islands. This growth is much higher compared to the average national population growth, which is 1.49 percent per year. One factor that contributes to population growth is the influx of immigrants from other regions, particularly from East Java, South Sulawesi, South Kalimantan and Central Java. It is estimated that immigration contributes 46.70 percent of the population growth. The reputation of East Kalimantan as a “rich region” and the presence of industries that provide job opportunities have attracted many people from other regions to migrate to East Kalimantan to seek a better life.

**Figure 4 - 2: Distribution of Population by Ethnic Groups**



Source: BAPPEDA and BPS Kalimantan Timur (2011)

The influx of migrants has resulted in an increased diversity in social structure, and in some areas immigrants represent the majority of the population. It is reported that people of Javanese ethnic background are the most dominant, reaching 29.55 percent of the total population, followed by the Buginese and Banjarese, which constitute 18.25 percent and 13.94 percent respectively. The indigenous people (Dayak and Kutai) contribute a total of about 19.12 percent. The remaining 19.13 percent are from other

ethnic backgrounds. Further discussion of the demographic transformation and formation of elite structures in East Kalimantan will be discussed in the next chapter.

Figure 4-2 shows that immigrants constitute the majority of the population. These patterns seem to occur in most districts and municipalities within the East Kalimantan Province, except West Kutai and Malinau districts, where the indigenous Dayak people constitute the majority of the population. The reports of BPS and BAPPEDA (2011) show that approximately 57.87 percent and 71.27 percent respectively of the population in the two districts are from Dayak ethnic backgrounds.

The arrival of migrants to East Kalimantan commenced during the sultanate period. The involvement of the sultanates in trading and religious networks with other sultanates in the archipelago triggered the migration of people from other regions. This is apparent from the heterogeneous population in the coastal areas which used to be the main areas of some sultanates. Furthermore, more migrants moved to East Kalimantan when the Dutch occupiers started developing the oil industry. The Dutch recruited laborers from other regions, such as Java and Minahasa, and they were transferred to East Kalimantan to work in oil industries.

The New Order Government implemented a large-scale “transmigration”<sup>69</sup> policy in the 1970s that also contributed to the multicultural society of East Kalimantan. Immigrants from Java, Madura, Bali and Lombok were encouraged to migrate to Sumatera, Sulawesi, Irian Jaya (now called Papua) and Kalimantan under the sponsorship of the central government (see for example Harjono, 1977; The World Bank, 1988). In the case of East Kalimantan, Javanese migration was generally under government transmigration projects, while Buginese and Banjarese migration was more ‘spontaneous’ in that it rested on personal initiative. The transmigration project has also influenced the pattern of demographic distribution of

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<sup>69</sup> The term ‘transmigration’ is used in Indonesia to mean “... the removal and/or transfer of population from one area to settle in another area within the territory of the Republic of Indonesia, determined to be in the interests of the country’s development, or for other reasons considered necessary by the government” (Law 3/1972 on Transmigration).

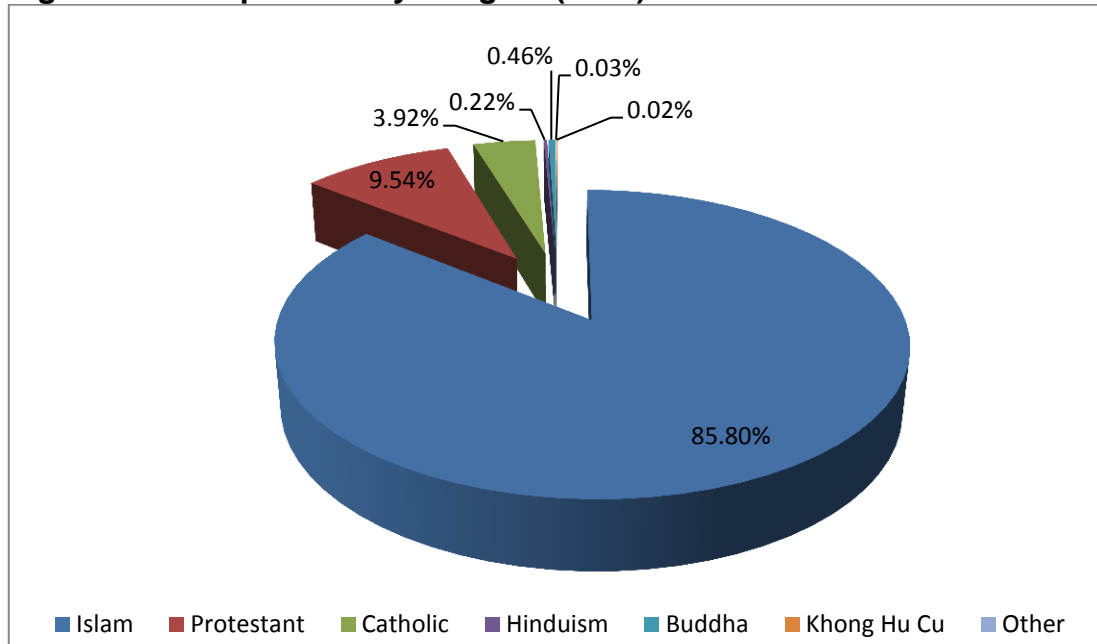
immigrants. As it focused on agriculture development, the immigrants from Java, Bali and Lombok mostly settled in rural areas, while the Buginese and Banjarese migrated to urban areas and dominated trading sectors. However, in later development, many of those initially settled in rural areas as “agriculture migrants” and then migrated to urban areas to seek other job opportunities.

**Table 4 - 4: Population by Ethnic Groups and District/ Municipality**

District/Municipality	Ethnic Groups					
	Javanese	Dayak	Banjarese	Buginese	Kutai	Others
Paser	30.53	2.70	12.03	20.45	0.32	33.97
West Kutai	10.61	57.87	4.90	3.85	16.40	6.37
Kutai Kertanegara	28.55	4.45	13.45	16.00	27.67	9.88
East Kutai	25.63	9.97	7.78	16.53	25.24	14.85
Berau	22.12	12.80	8.21	22.28	0.83	33.76
Malinau	3.63	71.27	1.53	3.30	0.05	20.22
Bulungan	20.33	33.13	3.99	13.05	0.22	29.28
Nunukan	6.44	37.43	1.41	43.45	0.06	11.21
Balikpapan	40.03	0.45	15.45	20.50	0.67	22.90
Samarinda	35.16	2.05	27.01	13.15	7.54	15.09
Tarakan	25.54	9.13	7.49	33.57	0.28	23.99
Bontang	36.59	0.60	5.35	28.00	2.77	26.69
East Kalimantan	29.55	9.91	13.94	18.26	9.21	19.13

Source: BAPPEDA and BPS Kalimantan Timur (2011), based on 2000 Census.

Furthermore, the growth in the timber industries in the late 1960s, followed by the massive exploitation of coal and gold resources in the 1980s and the development of massive oil palm plantations in the 1990s, attracted more foreign and domestic companies to invest in the forestry, timber manufacturing, mining and plantation sectors. These companies created more job opportunities and encouraged an increase in population inflow from other regions to East Kalimantan (Burhan Magenda, 1991). The influx of migrants persistently increased until the implementation of regional autonomy in the early 2000s (see for example Joewono, 18 June 2011; Koran Kaltim, 12 June 2011; Media Indonesia, 13 October 2011; Viva Borneo). These phenomena indicate that the “frontier economy” has motivated more people to migrate to East Kalimantan to improve their living standards. Some other countries, such as Australia, have undergone this kind of pattern where immigrants from all over the world migrated to Australia seeking a better life and these immigrants have created new social structures.

**Figure 4 - 3: Population by Religion (2010)**

Source: BAPPEDA and BPS Kalimantan Timur (2011). Based on 2010 census

In terms of religious distribution, the majority of the East Kalimantan population is Muslim, which is estimated to be 85.80 percent of the total population. In most districts and municipalities, excluding Malinau and West Kutai, Islam has become the dominant religion. This is due to the origin of the majority of migrants, who came from regions where Islam is the dominant religion such as East Java, South Sulawesi and South Kalimantan. Christianity is embraced by about 14 percent of the total population, and it is mostly followed by the native people of Dayak. In Malinau and West Kutai, where Dayaks comprise approximately 67 and 57 percent of their population respectively, Christianity is the dominant religion. Conversion to Christianity occurred during colonial times and increased after the Christian and Missionary Alliance (CMA) reached these areas in the 1930s.<sup>70</sup> From this figure, it is apparent that Islam is mostly embraced by populations who settle in urban and coastal areas, while Christianity is mostly found among indigenous people who live in the hinterland and in relatively isolated areas.

<sup>70</sup> See the Report of Christian and Missionary Alliance (CMA) Volume XVII Number 52 October 2005.

#### **4.4 Economic Structure**

East Kalimantan is one of the wealthiest regions in the archipelago. This region has abundant natural resources, of which only a fraction have been explored. The province contains vast reserves of oil and gas, coal, gold, forests and natural fertilizers. In addition, East Kalimantan is also the reservoir of significant untouched economic potential such as fisheries, marine yields and agribusiness.

East Kalimantan has been renowned for its oil and gas potential since the 1920s during Dutch occupation. The report of BAPPEDA East Kalimantan (cited in Eko Susanto Rahmat, 2005) suggests that crude oil reserves in East Kalimantan are estimated to reach 1,178 billion barrels or equivalent to 13 percent of the total national reserves. In addition, the natural gas potential has reached 49.14 TSCF (trillion standard cubic feet) or 28 percent of the total national reserves. East Kalimantan is brimming with coal. It is estimated that coal reserves in this region reach a staggering 22 billion tones and only 400 million tones have been exploited. In 2004, coal production totaled 66 million tones. In 2005, production expanded significantly to 80 million tones. The production of coal has consistently increased, so that in 2009 it reached more than 123 million tones, which was the largest national production of coal. Approximately 75 percent of the total production has been exported to other countries. The report also suggests that these natural resources may be exploited for another 20 to 30 years. Apart from these minerals, East Kalimantan also has large stores of gold, copper, nickel and other minerals.

East Kalimantan is also known as the largest forest area nationwide that encompasses both protected and commercial forests. It is noted that more than 16.64 million hectares of native jungle are still found in this region. From that breadth, approximately 5.2 million hectares of arable land are available. At least 2.5 million hectares of the apportioned land have been reserved for the cultivation of potential agricultural products. For the large-scale plantation of palm oil, the province is pursuing its one-million-hectare oil palm plantation program. All of these natural resources substantiate the title

conferred on the province as the “national coffer” (Eko Susanto Rahmat, 2005: 31).

Preserving these abundant natural resources, it is not therefore surprising that the East Kalimantan Province has been regarded as the fifth highest contributor among other provinces in Indonesia, excluding Jakarta, West Java, East Java and Central Java, to the national GDP. It is estimated that East Kalimantan contributes up to 6.07 percent to the total national GDP. In terms of GRDP per capita, East Kalimantan has been identified as the highest among the provinces of Indonesia, which accounts for up to 90.37 million rupiah per capita. This figure is considerably higher than the average national GDP, which is only 22.24 million rupiah per capita (BPS Indonesia, 2008).

**Table 4 - 5: GRDP Per Capita at Current Prices of Selected Provinces (2010) (in million rupiah)**

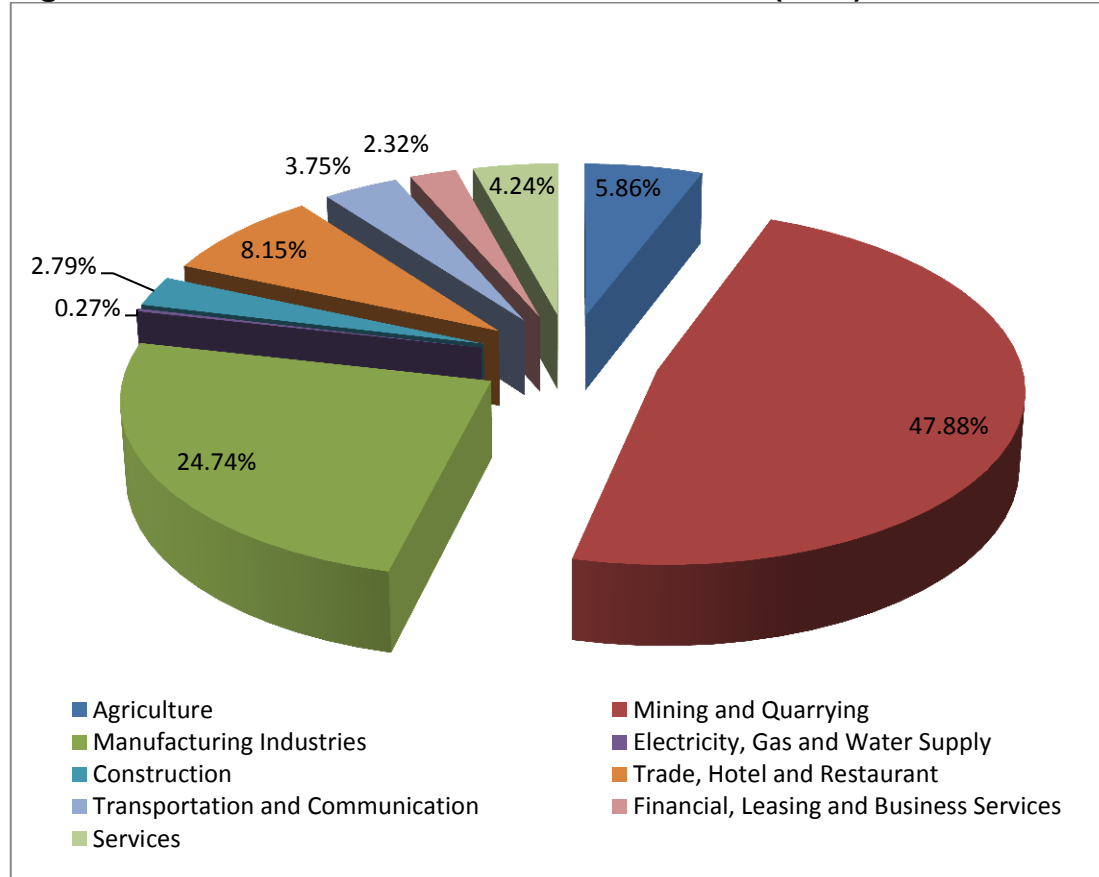
Province	GRDP	GRDP per Capita
Nangroe Aceh Darussalam	77,505,598.25	17.24
North Sumatera	275,700,207.28	21.24
West Sumatera	87,221,253.05	18.00
Riau	342,691,448.53	61.88
South Sumatera	157,772,133.00	21.18
Riau Islands	71,614,514.31	42.65
Jakarta	862,158,910.75	89.74
West Java	770,660,479.99	17.90
Central Java	444,396,468.19	13.72
Yogyakarta	45,591,853.06	13.19
East Java	778,455,772.46	20.77
Banten	170,525,381.89	16.04
West Kalimantan	60,475,251.81	13.76
Central Kalimantan	42,567,204.79	19.24
South Kalimantan	58,541,818.60	16.14
<b>East Kalimantan</b>	<b>321,090,818.42</b>	<b>90.37</b>
South Sulawesi	117,830,270.49	14.67
Papua	22,527,364.81	29.62
West Papua	89,451,248.76	31.57
<b>Indonesia</b>	<b>5,284,854,286.62</b>	<b>22.24</b>

Source: BPS Indonesia (2011b)

The composition of East Kalimantan GRDP mainly comes from the mining, quarrying and manufacturing sectors. The report of BPS Kalimantan Timur (2011) reveals that these sectors contribute up to 72.62 percent of the total GRDP of East Kalimantan, which reached 320.96 trillion rupiah in 2010.

Another sector, such as agriculture<sup>71</sup> for example, has relatively low productivity. This sector only contributes 5.86 percent to the total GRDP. These figures suggest that East Kalimantan still very much relies on the exploitation of natural resources for its economic growth.

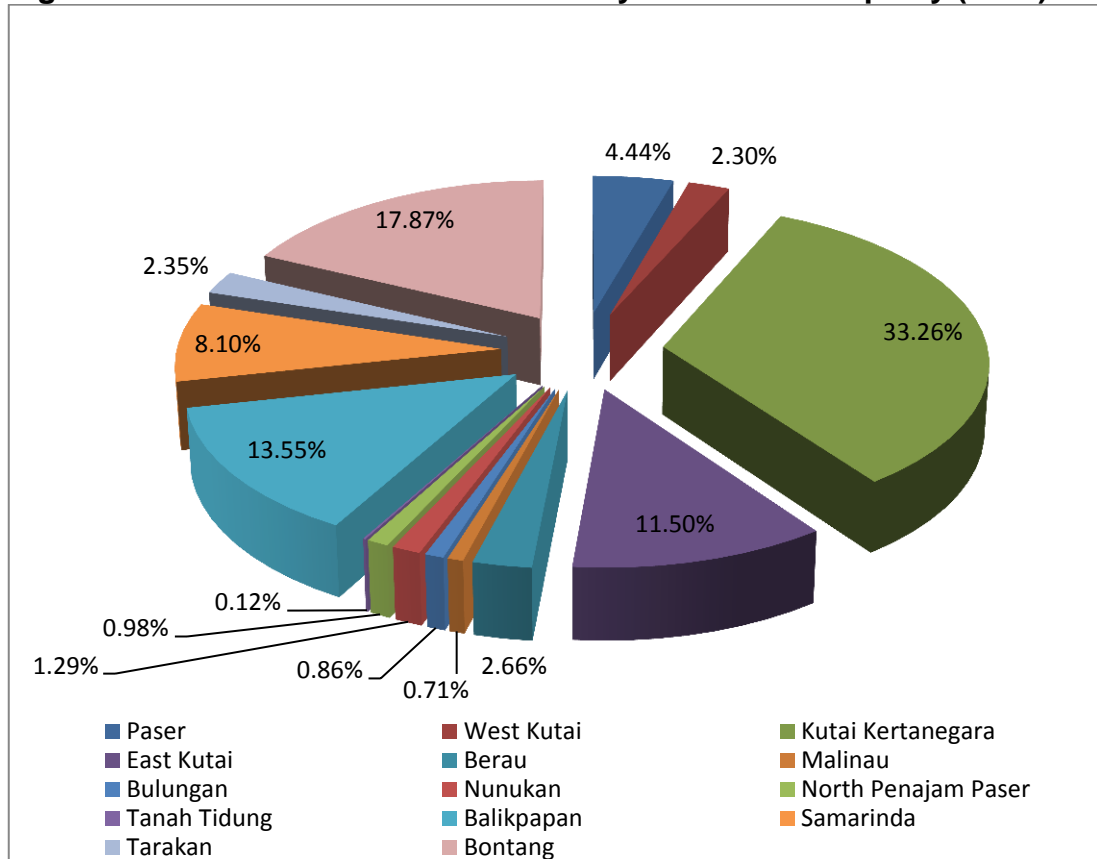
**Figure 4 - 4: East Kalimantan Economic Structure (2010)**



Source: BAPPEDA and BPS Kalimantan Timur (2011)

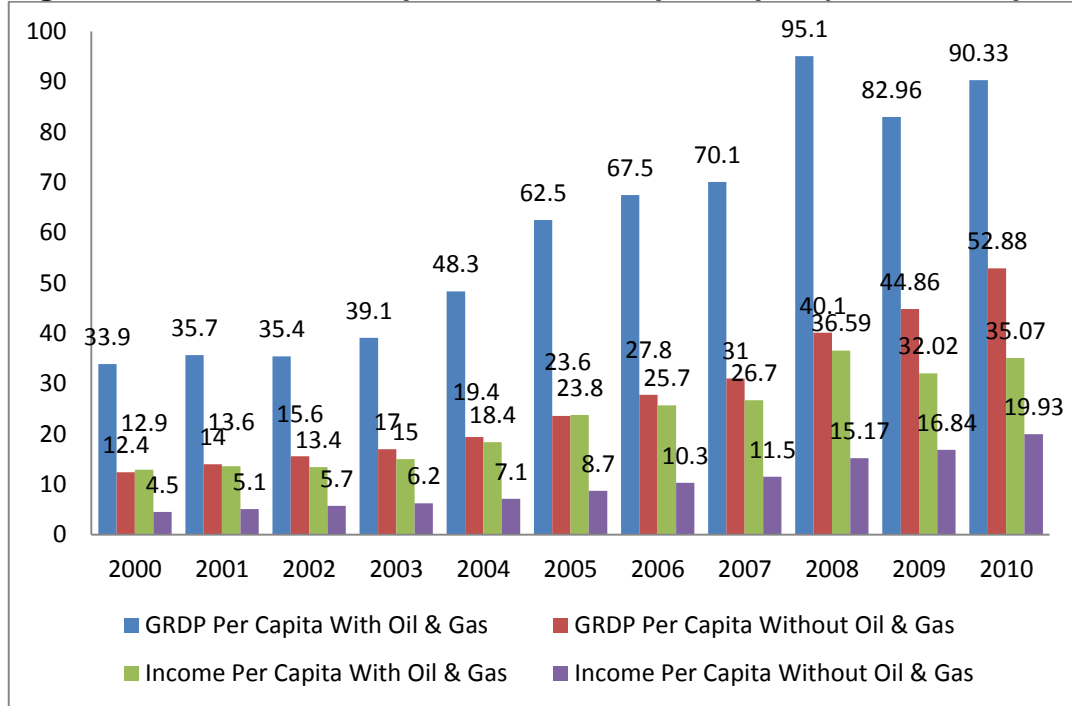
In terms of the distribution of the East Kalimantan GRDP, the data shows that the highest contribution is mainly from the districts/municipalities, where oil and gas production industries are located, such as Kutai Kertanegara, Balikpapan and Bontang. In 2010, these three districts/municipalities contributed 98.82 trillion rupiah, 40.27 trillion rupiah and 53.09 trillion rupiah or 33.36 percent, 13.15 percent and 17.87 percent respectively to the East Kalimantan GRDP.

<sup>71</sup> Forestry and plantation production is included in the agriculture sector.

**Figure 4 - 5: GRDP of East Kalimantan by District/Municipality (2010)**

Source: BAPPEDA and BPS Kalimantan Timur (2011)

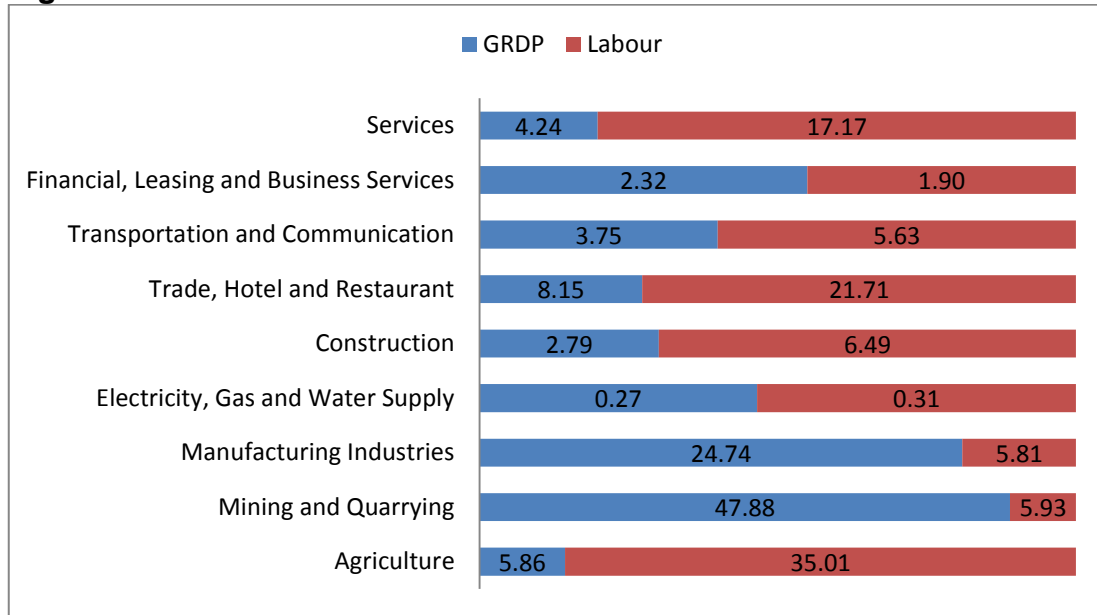
It is mentioned earlier that compared to other regions in Indonesia East Kalimantan has been in the first ranking in terms of GRDP per capita. However, this seems odd, as there has been a significant gap between the GRDP per capita and income per capita of East Kalimantan. Figure 4-6 shows that during the same period, in 2010, GRDP per capita of East Kalimantan reached 90.33 million rupiah, while income per capita was only about 35.07 million rupiah (BAPPEDA and BPS Kalimantan Timur, 2011). This gap is a reflection of the structure of the East Kalimantan economy which is very much depends on capital intensive industries rather than labor intensive ones.

**Figure 4 - 6: GRDP Per Capita and Income per Capita (in million rupiah)**

Source: BAPPEDA and BPS Kalimantan Timur (2011)

The figures above suggest considerable differences in income per capita between oil and gas and non-oil and gas sectors. This indicates a huge discrepancy between the income of residents in the work-based oil and gas sectors and residents who work in other sectors.

Analysis of BPS (2010) indicates that the existing gap occurs because most mining sectors and other processing industries are foreign-owned companies with employees from other countries or provinces. Furthermore, the raw materials produced by these industries, such as crude oil and crude palm oil tend to be processed outside East Kalimantan while the materials and machinery required in the initial production are imported from other regions or overseas. In such circumstances, the value added from these industries is more profitable for expatriates and newcomers from other regions, while local communities have to make do with the leftovers.

**Figure 4 - 7: Labor and GRDP**

Source: BAPPEDA and BPS Kalimantan Timur (2011)

Figure 4-7 shows that about 35.01 percent of the workforce is located in the traditional agricultural sector, which has relatively low productivity in terms of its contribution to GRDP. On the contrary, the mining and quarrying sectors and manufacturing industries, which only employ 11.74 percent of labor, contribute about 72.62 percent to the total GRDP.

The discussion above seems to justify the proposition that the main factor that contributes to poverty in East Kalimantan is the disparity in the distribution of economic activities. In other words, the high economic productivity sectors with their higher wages and better conditions have only benefitted certain people, who are mainly either expatriates or laborers from other regions, while the majority, notably local people, relies on the relatively low economic productivity sectors. This is ironic as it is outsiders who enjoy more of the value-adding generated from the exploitation of natural resources rather than local residents.

Furthermore, most industries in East Kalimantan are more capital intensive and require high skills and technology rather than labor-intensive industries with simple technologies. This has created problems in encouraging the participation of local people in these industries, as many of them, particularly those living in rural areas, have generally lower education and therefore lower skill levels compared to non-rural people and

subsequently their capacity for participating in the workforce that requires high skill is lower. Consequently, local people tend to have less opportunity to compete in the job market.

The characteristics of the East Kalimantan economic structure reflect an "enclave economy"<sup>72</sup> in which economic interaction between those in the mining industries with the outside community is not significant (see for example Beckert and Zafirovski, 2006: 255; Vinokurov, 2007). According to Richard Auty (2006) this phenomenon tends to emerge in countries whose economies rely on capital-intensive industries such as mining. Auty further argues that the socio-economic impact generated by the mining sector is different from the agriculture, manufacturing and service sectors. This is because the mining sector, with large-scale investments, only employs small, skilled labor forces and the other three domestic linkages (local purchase of mine inputs, further processing of minerals, and expenditure by workers) are much less significant. Consequently, the presence of the mining industry is less influential in stimulating economic activities around the mining areas.

Auty's contention of the characteristics of an enclave economy precisely describes the East Kalimantan economy, where its economic backbone mostly relies on the sectors that employ only a small group of communities. Sectors such as mining and quarrying contribute greatly to the East Kalimantan economic structure but their impact on the economic development of the entire local people is insignificant. However, in terms of the manufacturing sector, it seems unlike Auty's illustration, as in the case of East Kalimantan, the operation of this sector tends to reflect the practice of an enclave economy. For example, the palm oil industry, indeed, involves local people in the initial production, but processing of crude palm oil, the

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<sup>72</sup> The concept of "enclave economy" was first introduced by Alejandro Portes. This theory is an extension of the ethnic economy concept, and it is mainly drawn from the theory of a dual labor market. It is mentioned in the *International Encyclopedia of Economic Sociology*. "The enclave economy consists of a wide range of economic activities. It encompasses some of the businesses that offer competitive wages, job security and mobility prospects, resembling, to a varying degree, the key characteristics of the primary sectors of the mainstream economy" (Beckert and Zafirovski, 2006: 255).

production of fertilizers and refinery processing has many of the characteristics of an enclave economy.<sup>73</sup>

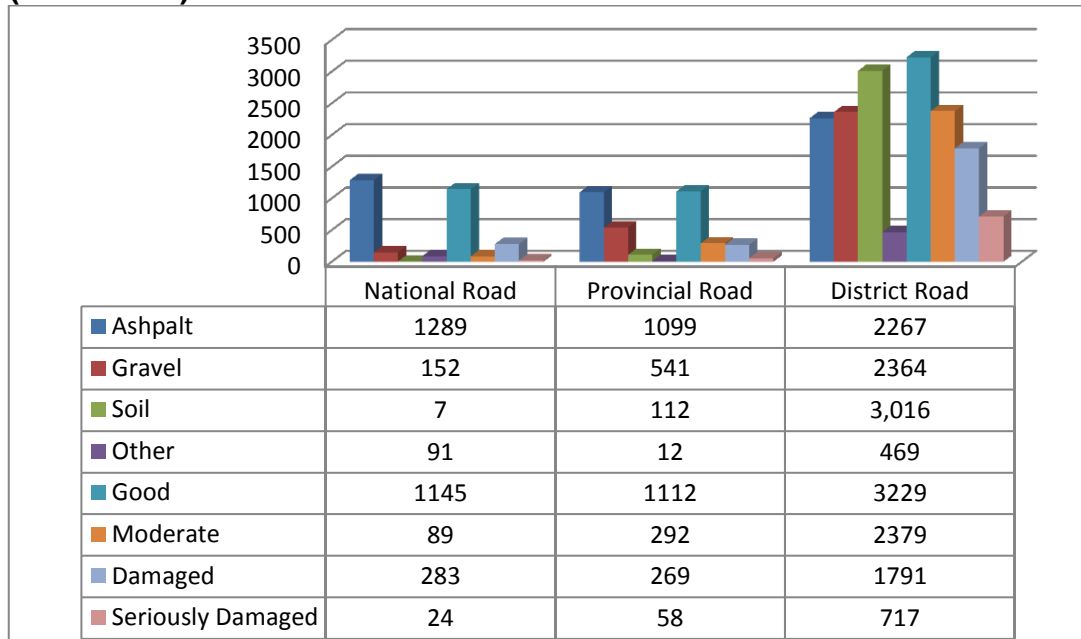
#### **4.5 Regional Issues and Challenges**

The analysis of regional government planning documents indicates that East Kalimantan has encountered two prolonged issues, encompassing inequality in the distribution of economic activities and discrepancy in the provision of basic infrastructure. The economic inequality is apparent from the regional economic structure, where mining industries have become the most dominant sectors, compared to the agriculture sector, which most of the local community relies on. These capital-intensive industries, which are more export-oriented, provide the greatest contribution to the regional GDP. Yet, the benefits of these mining industries are only enjoyed by a small portion of the East Kalimantan community. There has been a tendency for regional economic development to focus on the capital-intensive industries and less oriented to labor-intensive industries. This pattern of economic development has created a gap in welfare distribution among community.

The disparity in the provision of basic infrastructure, particularly roads, is also discernible, and this issue has been regarded as one of the fundamental problems in the East Kalimantan region. The data shows that the ratio of existing roads to the total area of East Kalimantan is approximately 115 per 1000 kilometers square areas, and more than 60 percent of the total length of existing roads remains gravel and soil surfaces. Of this total length, about 48 percent is in good condition (BAPPEDA and BPS Kalimantan Timur, 2010)

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<sup>73</sup> Dinas Perkebunan Provinsi Kalimantan Timur reports that the number of people who are working in the oil palm plantations is approximately 294,297. This is equivalent of 8.28 percent and 17.85 percent of East Kalimantan population and labor force respectively (Dinas Perkebunan Provinsi Kalimantan Timur, 2012).

**Figure 4 - 8: Length of Roads by Type of Surface and Conditions (kilometers)**

Source: BAPPEDA and BPS Kalimantan Timur (2010)

The worst conditions generally happen in the districts located in the hinterland, along the borders and isolated areas. Most of them are newly established districts, formed through regional partition, including Malinau, West Kutai, East Kutai and Nunukan. In these areas, some sub districts and villages cannot be reached through land transportation. The only access to these areas is through river transport and pioneer aviation. Although regional government provides transport subsidies, the cost for people and goods mobilization are still reasonably high, and this becomes an economic burden to those who use the services. The road conditions have affected the efficiency of goods and people mobility, and this contributes to the concentration of population and economic development projects in urban and industrial areas.

The discussion above indicates that roads, which play a pivotal role in supporting the economic development of local communities, have been insufficient to cover all the areas of East Kalimantan and their condition has been substandard. Unavailability of higher standard roads has hindered communities from accessing the center of economic activities, education and health facilities, which has subsequently impacted local people's prosperity.

The economic structure which mostly relies on mining industries has influenced the pattern of road provision. Unlike other regions, areas such as Samarinda, Balikpapan, Tarakan and other capital districts, where industries are mostly located, road infrastructure is relatively well developed. The presence of private companies has contributed to the development of road infrastructure in those areas.

The issue of poor facilities also occurs in the education sector. The report of BAPPEDA and BPS (2008) shows that 2044 of the total classrooms at both primary and high school level are in a damaged condition (almost 22 percent). Ironically, the worst conditions are in Kutai Kertanegara, the district with the largest budget in Indonesia.

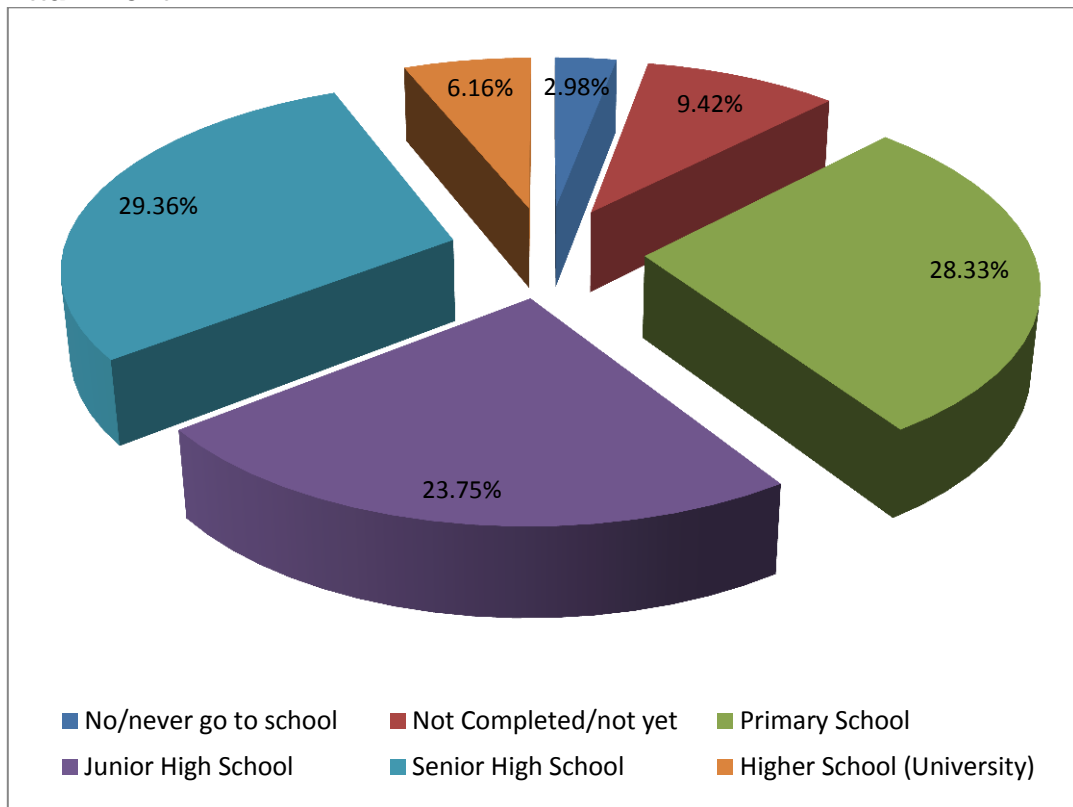
**Table 4 - 6: Conditions of Classrooms in Primary Schools, Junior and Senior High Schools (2004)**

District/ Municipality	Classroom Conditions for Primary School			Classroom Conditions for Junior High School			Classroom Conditions for Senior High School		
	Good	Minor Damage	Major Damage	Good	Minor Damage	Major Damage	Good	Minor Damage	Major Damage
Nunukan	661	73	0	192	5	0	67	10	0
Malinau	543	50	0	89	1	0	29	9	0
Tarakan	247	95	50	106	33	5	107	9	0
Bulungan	982	144	0	229	17	3	79	11	0
Berau	665	278	238	148	18	0	57	6	6
East Kutai	998	87	43	142	10	0	110	14	0
Bontang	266	45	7	130	4	0	101	21	2
Kutai Kertanegara	2655	778	347	399	3	0	323	34	9
West Kutai	723	349	405	95	46	0	80	19	1
Samarinda	1125	123	45	350	9	0	397	58	0
North Penajam Paser	725	70	0	90	8	0	57	5	0
Balikpapan	1195	54	0	258	10	0	293	46	0
Paser	897	443	0	125	69	10	85	9	0
East Kalimantan	11682	2589	1135	2353	233	23	1775	251	18

Source: BAPPEDA and BPS Kalimantan Timur (2008)

East Kalimantan also confronts the issue of human resources quality. The educational attainment of the local people suggests that the quality of human resources is still relatively low. BAPPEDA and BPS (2011) reveal that more than half of the population only completed basic education (primary and junior high school levels). In Figure 4-9, approximately 28.33 percent and 53.11 percent of the population only complete primary school and combined (junior and senior) high school levels respectively. Surprisingly, about 12.4 percent of the labor-aged population have not completed primary school level or have never attended school.

**Figure 4 - 9: Percentages of Labor-Aged Population by Education Attainment**



Source: BAPPEDA and BPS Kalimantan Timur (2011)

In terms of the illiteracy rate, East Kalimantan is higher compared to other regions with higher GDRP per capita such as Aceh, Riau, Jakarta and Riau Islands. As can be seen from Table 4-7, it is apparent that in 2010, the illiteracy rate of East Kalimantan was 16.09 percent or somewhat higher compared to Jakarta and Riau 6.07 percent and 10.22 percent respectively. There is a similar pattern in the rate of unemployment. Compared to other

resource-rich provinces, such as Riau, Riau Islands and Papua, East Kalimantan has the highest unemployment rate, which in 2010 reached 19.02 percent (see Table 4-7).

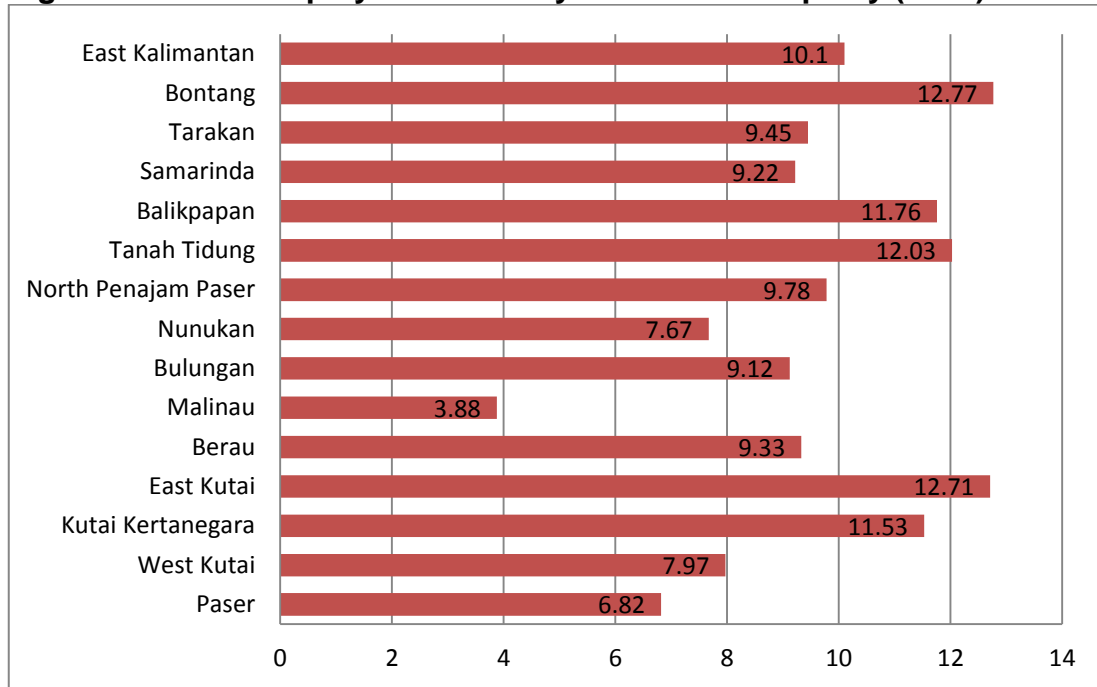
**Table 4 - 7: Illiteracy Rates Among the 10 Provinces with Higher GRDP Per Capita**

Provinces	PDRB per Capita	Illiteracy Rate	Unemployment Rate
East Kalimantan	110,650,303.04	16.09	19.02
Jakarta	76,457,800.15	6.07	16.19
Riau	60,359,666.13	10.22	15.44
Riau Islands	45,955,279.61	18.36	16.33
Papua	29,185,228.86	86.70	8.61
Bangka Belitung Islands	20,816,017.28	18.28	14.35
South Sumatera	19,662,668.29	11.81	15.23
West Papua	19,395,603.44	29.58	14.68
Nanggroe Aceh Darussalam	18,238,652.23	16.88	18.21
Indonesia	19,209,496.95	29.37	17.65

Source: BPS Indonesia (2011a)

It is apparent in Figure 4-10 that regions located in the centers of economic activity, such as Bontang, Tarakan, Samarinda and Balikpapan, tend to have relatively higher rates of unemployment. As most industries are located in these areas, many people from both inside and outside the East Kalimantan region are attracted to these areas looking for work. Unfortunately, the poor quality of education of local people makes it difficult for them to compete with economic migrants from outside the province for skilled jobs in the centers of economic activity. Moreover, many immigrants do not manage to secure employment on first arrival, and these itinerants have contributed to high rates of unemployment. In brief, the centers of economic activity attract labor. Yet, the industries in these areas do not have the capacity at any point in time to employ the labor that is attracted.

On the surface, the unemployment data represents a paradox. There is lower unemployment, according to the official statistics, in the areas where there is the poorest infrastructure and provision of services, lowest health status and poorest educational attainment compared to the areas where economic activities are mostly located.

**Figure 4 - 10: Unemployment Rate by District/Municipality (2010)**

Source: BAPPEDA and BPS Kalimantan Timur (2011)

Similar conditions also occur in the health sector. The distribution of population that is mostly concentrated in the urban areas has affected urban public health. The high population density in urban areas resulted in an increasing number of people living in inappropriate areas and settlements. This condition is worsened by the lack of clean water and sanitation. Many people, particularly those living along the river banks, still use river water for bathing, washing and toileting. As a result, residents often suffer from diseases caused by the polluted environment such as diarrhea and dengue (*deman berdarah*).

Another problem in the health sector is limited health facilities. The provision of public health services has not been evenly distributed. Generally, urban areas have had adequate health facilities but some newly established districts, such as West Kutai, East Kutai, North Penajam Paser, Malinau and Nunukan, still have problems in providing health services for their people. Some factors that contribute to this problem encompass lack of road access, limited medical staff and medical equipment.

The data suggests that East Kalimantan, with a broader area, is only served by 47 hospitals, 217 public health centers and 716 public health sub

centers. These public health facilities are mostly located in the capital of the sub district. Therefore, the people who live in remote areas have limited access to health services. The difficult and limited access to health facilities becomes an obstacle for both health workers and communities in providing and receiving health services.

**Table 4 - 8: Number of Health Facilities by District/Municipality (2010)**

Description	Hospital	Public Health Centre	Public Health Sub Centre
Paser	1	17	96
West Kutai	1	23	90
Kutai Kertanegara	2	30	138
East Kutai	7	19	85
Berau	1	17	71
Malinau	1	13	37
Bulungan	1	12	36
Nunukan	1	12	55
North Penajam Paser	1	11	44
Tanah Tidung	-	3	3
Balikpapan	11	26	14
Samarinda	13	23	43
Tarakan	3	7	2
Bontang	4	4	2
East Kalimantan	47	217	716

Source: BAPPEDA and BPS Kalimantan Timur (2011)

In addition, the number and qualifications of health workers are still lacking so that health services cannot be provided for the whole community, especially those communities in the hinterlands and border areas. It is apparent from Table 4-9 that the East Kalimantan region with a population of more than three million is only served by 680 general practitioners, which means one doctor serves more than 4000 people. This number is considered far higher when compared to the national average.

**Table 4 - 9: Number of Doctors by District/Municipality (2010)**

Description	General Doctors	Dentist	Specialist Physician					Medical Personnel	
			Obstetric	Surgeon	Child	Internist	Others	Medic	Paramedic
Paser	39	10	2	3	1	0	1	14	128
West Kutai	41	14	1	1	1	1	2	13	58
Kutai Kertanegara	139	35	4	1	2	3	4	44	178
East Kutai	66	17	4	3	4	4	4	12	72
Berau	45	12	2	1	2	1	2	28	140
Malinau	18	2	0	0	0	1	0	11	35
Bulungan	40	12	1	1	1	1	0	12	64
Nunukan	25	7	1	1	1	0	0	4	47
Penajam North Paser	28	11	1	0	0	1	1	4	26
Tanah Tidung	2	0	0	0	0	0	0	0	0
Balikpapan	116	48	10	8	8	11	35	145	770
Samarinda	141	49	11	16	11	10	51	137	593
Tarakan	45	19	4	4	3	3	10	44	160
Bontang	50	17	5	6	5	6	20	66	261
East Kalimantan	795	253	46	45	39	42	130	534	2536

Source: BAPPEDA and BPS Kalimantan Timur (2011)

As general practitioners are limited, this role has been taken over by medical personnel such as nurses or midwives. This particularly occurs in the hinterland where most Community Health Centers (*Pusat Kesehatan Masyarakat/PUSKESMAS*) do not have doctors. However, Misran<sup>74</sup> has been prosecuted for breaking Law 36/2009 on Health and has threatened nurses' and midwives' ability to help sick people (see Box 4-1).

**Box 4 - 1: Misran Case**

Misran, the nurse and the head of PUSKESMAS Kuala Samboja, Kutai Kertanegara was prosecuted over the case of giving drugs listed G (*Gevaarlijk/dangerous*) to his patients. He was convicted of violating Law 36/2009 which explicitly mentions that the types of drugs labeled G are only allowed to be prescribed to patients by a doctor. Due to this case, Misran was sentenced to three month's jail (see Saputra, 06 May 2010).

The case of Misran provoked a vigorous debate. Many people criticize the Law as it does not reflect the real situation, particularly in the area where there are few or no doctors. In some remote areas in East Kalimantan and in other areas in Indonesia, local communities who live in the isolated areas mostly rely on the nurses and midwives for providing health services. In Kutai Kertanegara, for example, nurses have a good reason to give prescribed medicine to their patients. First, there is no doctor in their areas. Secondly, serious illness can only be treated with prescription drugs. According to Misran, in an emergency situation, the referral process cannot be merely implemented due to some hindrance factors of geographical conditions, area, power, cost, distance and availability of transportation facilities. In this situation, the nurses will inevitably have to take action. In Kutai Kertanegara, for example, many health centers do not have doctors, and only nurses and midwives work in the health centers.

The Misran case has become a hot issue and has become a national debate. Misran brought this matter to the Constitutional Court, as Misran considers that the Law, particularly the Article 108 paragraph (1) and its elucidation has been in conflict with the Constitution 1945. The Law is considered not only detrimental to the constitutional rights of citizens, but also it potentially breaks the constitutional rights of all nurses, particularly those who work in remote areas. The case of Misran demonstrates the limits of local health services in serving the local community.

<sup>74</sup> Misran is the Head of Kuala Samboja Community Health Centre (PUSKESMAS), the district of Kutai Kertanegara. He has been working as a nurse for more than 20 years in this region.

The lack of health facilities and the number and qualifications of health workers created the conditions for limited health services provided to communities, and these have affected the overall health of East Kalimantan communities. This can be seen from the rate of morbidity that has increased from 15.55 percent in 2007 to 17.32 percent in 2009 (BPS Kalimantan Timur, 2009; Koran Kaltim, 22 March 2011). Surprisingly, people who suffer from malnutrition are still found in East Kalimantan. Based on the Survey conducted by the Health Services Agency of East Kalimantan, among the 20,640 children aged five to nine across all districts within East Kalimantan, 4537 or 22 percent were found to have a body size below the norm. Setyo Budi Basuki (cited in Kompas, 30 April 2004), head of the nutrition section of the Health Services Agency states that malnutrition cases in the rich region of East Kalimantan are considerably high.

With these sorts of situations, it is not surprising that the Human Development Index of districts and municipalities within East Kalimantan is still quite low compared to other regions. Kutai Kertanegara, for example, has the largest district budget in Indonesia but it is still ranked 137<sup>th</sup> among other regions in Indonesia.

**Table 4 - 10: Human Development Index (2010)<sup>75</sup>**

District/Municipality	HDI	Rank (Indonesia)
Paser	0.747	98
West Kutai	0.729	178
Kutai Kertanegara	0.729	137
East Kutai	0.721	207
Berau	0.738	252
Malinau	0.727	138
Bulungan	0.751	91
Nunukan	0.738	113
North Penajam Paser	0.736	127
Tanah Tidung	0.714	-
Balikpapan	0.783	12
Samarinda	0.771	23
Tarakan	0.767	35
Bontang	0.769	33
East Kalimantan	0.747	5
Indonesia	0.729	108 (World Rank)

Source: BAPPEDA and BPS Kalimantan Timur (2011)

<sup>75</sup> The number of provinces is 33 and the number of districts/municipalities is 450 (excluding DKI Jakarta).

Arguably the two factors of inequality in economic distribution and the discrepancy in basic infrastructure provisions have been interrelated to create development gaps that occur among districts within the East Kalimantan region. These gaps are prevalent between the regions in the coastal areas and those located in the hinterland and along the borders. The limits of basic infrastructure and public services, such as roads, bridges, education and health facilities, have precipitated the low quality of life of the local community. Poor infrastructure has become a barrier for people from isolated areas to distribute their products to markets. This situation results in inequality of income distribution, as most economic activities are concentrated in urban areas. In other words, the limited infrastructure that reinforced the isolation of poor communities from the centers of economic activity, as well as their inability to participate in development activities, have triggered the existing high poverty rate in the wealthy region of East Kalimantan.

Apparently, the elites of East Kalimantan, particularly senior officials, at both provincial and district levels are aware of these confronting issues. On one occasion, Yurnalis Ngayoh<sup>76</sup> clearly recognizes that East Kalimantan confronts various issues regarding lack of infrastructure and the low quality of human resources which impact the persistent high rate of poverty (cited in Jurnal Nasional, 05 January 2009). A similar view is expressed by Irianto Lambrie, the Provincial Secretary (*Sekretaris Provinsi/SEKPROV*) of East Kalimantan. Lambrie states that in recent years, East Kalimantan's economic growth shows an increase, and this has impinged on the local people's welfare. Unfortunately, the number of poor people is still relatively high. According to Irianto Lambrie, the case of Kutai Kertanegara provides a picture of the poor conditions in East Kalimantan. In the district with the highest budget among other districts in Indonesia, the numbers of poor people are very evident. It is noted that 48,160 of 538,000 people are poor in Kutai Kertanegara. Irianto states, "East Kalimantan is a paradox, despite

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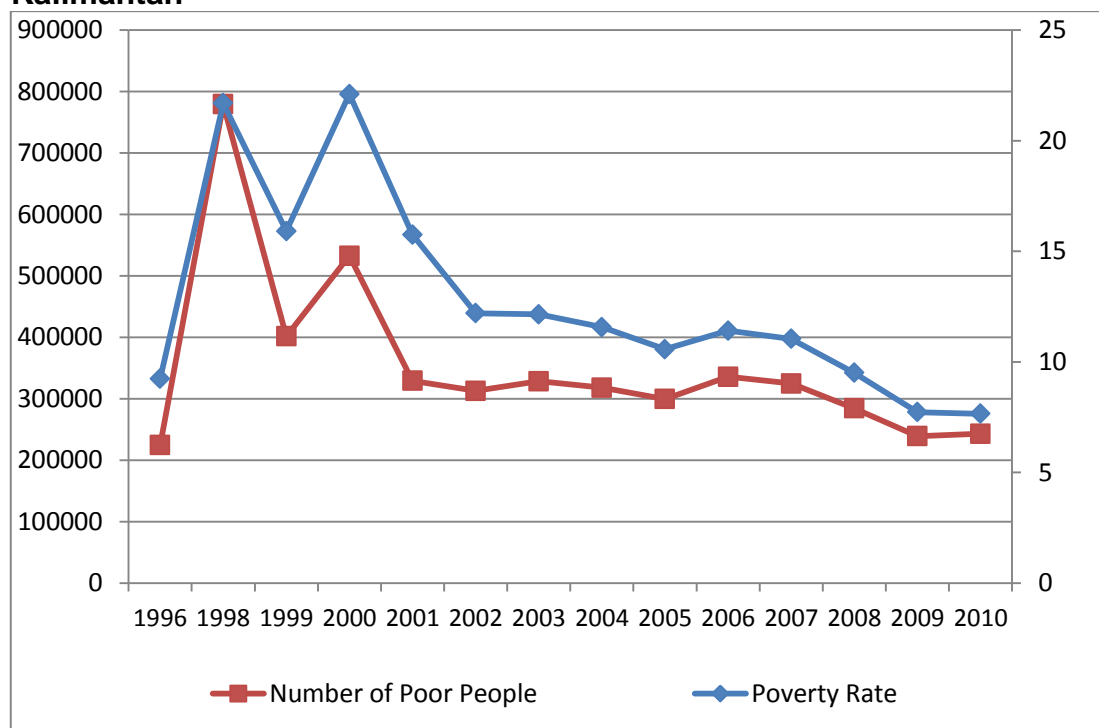
<sup>76</sup> Yurnalis Ngayoh is the former governor of East Kalimantan. Prior to becoming governor, he was the deputy governor. He was appointed as governor to replace Suwarna Abdul Fatah who was dismissed as a governor as the result of a corruption case.

being a rich region, it still has many poor people” (cited in Kaltim Post, 29 May 2010).

#### 4.6 Poverty Map

Over the last decade, the poverty rate in East Kalimantan has fluctuated. The economic crisis that engulfed almost all Asian countries in mid-1997 has brought negative impacts on economic and social order in Indonesia, including the East Kalimantan region, and it has resulted in a significant increase in the poverty rate. It is apparent from Figure 4-11 that following the economic crisis that reached Indonesia in mid-1997, the poverty rate increased by more than 100 percent, from 9.60 percent in 1996 to 20.54 percent in 1997. The poverty rate of East Kalimantan steadily increased to 29.93 percent in 1998, and this has rocketed by 200 percent compared to the rate prior to the economic crisis.

**Figure 4 - 11: Number and Percentage of Poor People in East Kalimantan**



Source: BAPPEDA Kalimantan Timur (2006); BAPPEDA and BPS Kalimantan Timur (2008; 2010)

Ten years following the implementation of regional autonomy, from 2001 to 2010, poverty rates have declined gradually from 12.20 percent in

2002 to 7.66 percent in 2010. This percentage is lower than the national average.<sup>77</sup> However, the data suggests that quantitatively, the number of poor people has slightly increased from 239,220 people in 2009 to 243.000 in 2010.

Nevertheless, some observers (see for example Agustianto, 2008; Sarosa Hamongpranoto, 26 July 2006) argue that the decrease in the poverty rate has not satisfied the expectations of the local community who had hoped that political and fiscal decentralization would increase prosperity. East Kalimantan, as one of the regions rich in natural resources, has benefited from this new system. The introduction of the fiscal decentralization policy has significantly increased the regional government budgets. This is supposed to provide a good opportunity for regional governments to improve the welfare of local communities. However, if we look at the data, it is apparent that it took more than a decade since the monetary crisis and the implementation of regional autonomy to achieve a positive change in the poverty rate. Although statistically speaking there appears to be a positive change, the significant increase of GRDP and local budget does not appear to be reflected proportionally in a reduction in the level of poverty.

In relation to the rate of poverty, Fathur Rahman<sup>78</sup> rejects the idea that the poverty rate has been stagnant following the implementation of regional autonomy. He argues that there has been a significant increase in the local budget as a result of fiscal decentralization; the people's mobility is becoming more intense and the money distributed within the community increased dramatically. Fathur Rahman claims that this situation has facilitated an increase in community prosperity and decrease in poverty incidence. He is suspicious that the poverty rate attracts political interest, and is further promulgated for certain purposes. "Possibly certain people may be unhappy with the criteria because, if it is consistently implemented, there may not be any poor people in this region" (interview with Fathur Rahman on 22 November 2008).

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<sup>77</sup> The national poverty average rate is 16 percent.

<sup>78</sup> Fathur Rahman is the former head of Regional Development Board of Paser District (BAPPEDA Paser). Currently, he is the Governor's Assistant for governmental affairs.

Compared to other provinces within the Kalimantan region, such as South Kalimantan and Central Kalimantan, East Kalimantan has a higher poverty rate. Table 4.11 suggests that although the other provinces have about eight times lower GRDP per capita than East Kalimantan, their poverty rates show that they are better off than East Kalimantan.

**Table 4 - 11: GRDP Per Capita and Poverty Rate of other Provinces in Kalimantan**

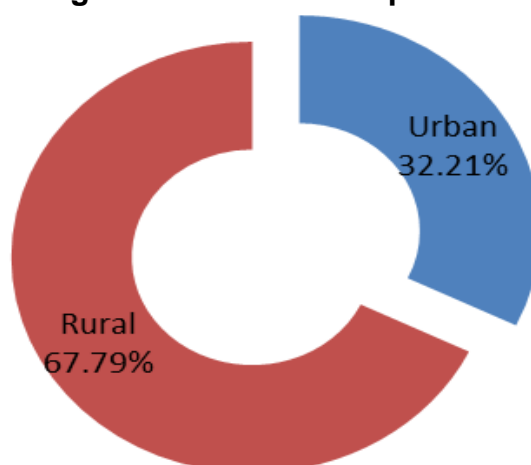
Province	GRDP per Capita (Rupiah)	Poverty Rate (Percentage)
West Kalimantan	13,767,483	9.02
Central Kalimantan	19,248,167	6.77
South Kalimantan	16,142,287	5.21
<b>East Kalimantan</b>	<b>90,377,041</b>	<b>7.66</b>

Source: BPS Indonesia (2011a)

Arguably, the other regions have lower poverty rates than East Kalimantan because their GRDP is mainly contributed by the agriculture sector, which employs the majority of the labor force. This is unlike East Kalimantan, whose GRDP is mostly contributed by the mining sector, which only employs a small portion of the total labor force.

In terms of poverty distribution, there has been a significant gap between urban and rural areas, as the incidences of poverty are more prevalent in rural areas. The data shows that approximately 73.51 percent of poor households are located in rural areas and the remaining 26.49 percent are located in urban areas.

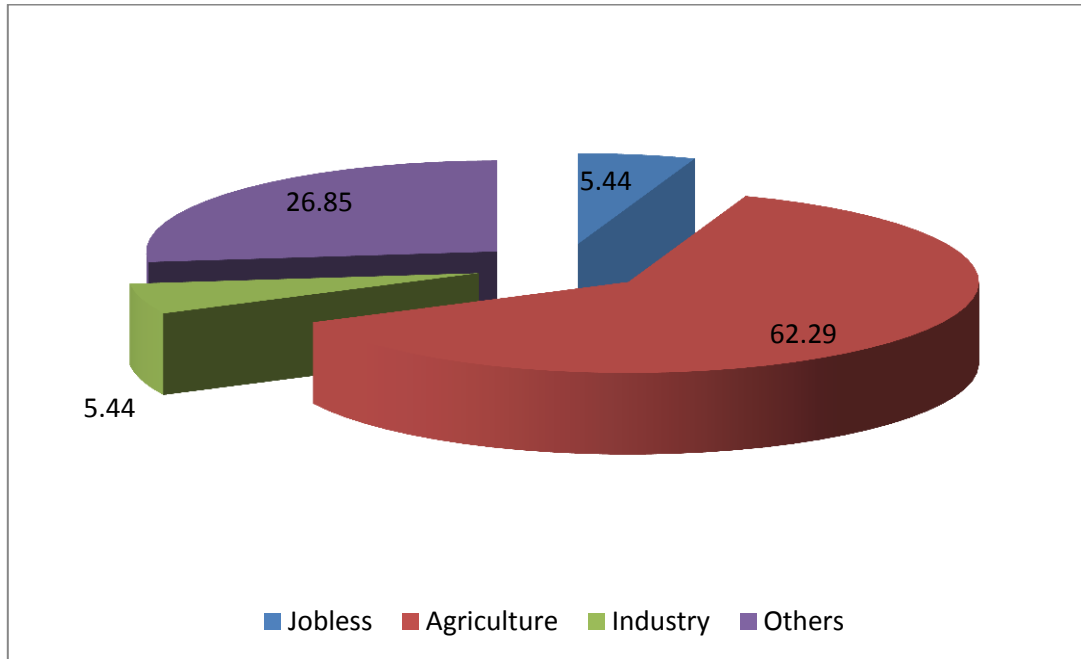
**Figure 4 - 12: Percentage of Urban/Rural Population below Poverty Line**



Source: BAPPEDA and BPS Kalimantan Timur (2011)

Arguably poverty is more prevalent in rural areas because most rural people, accounting for up to 67.79 percent of the total poor population, rely on the traditional sector of agriculture. This sector has lower economic productivity compared to other sectors such as mining. The contribution of the agricultural sector to GRDP is relatively low, only about 5.63 percent.

**Figure 4 - 13: Percentages of Poor People by Head of Household: Main Job**

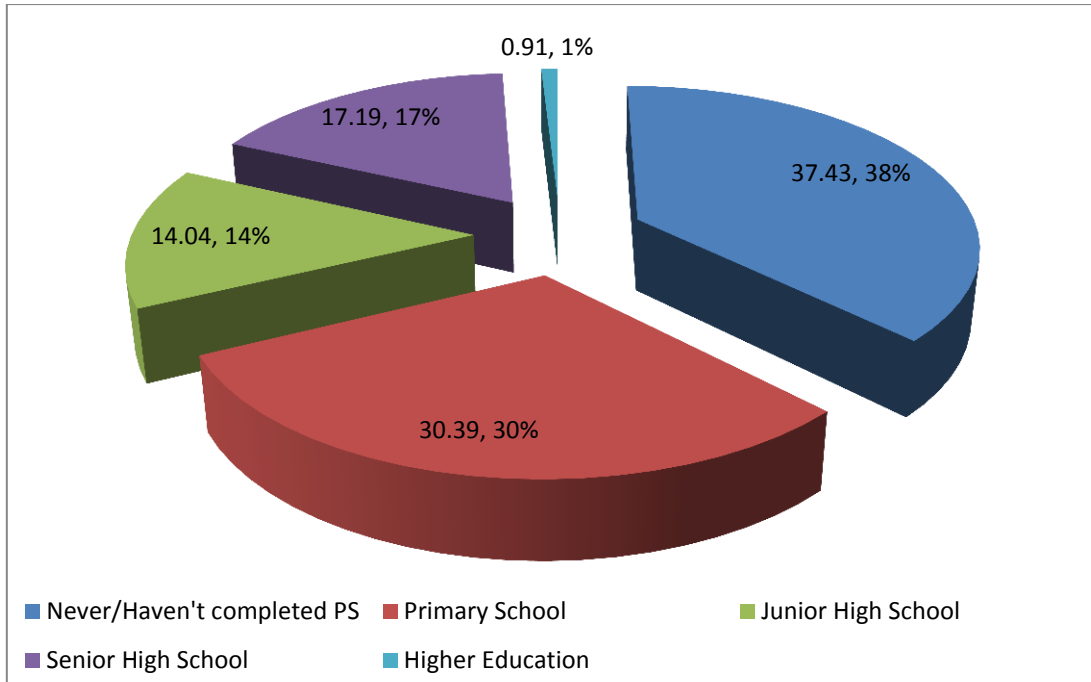


Source: BAPPEDA and BPS Kalimantan Timur (2011)

The agricultural sector has become the only practical choice among poor people because this sector provides more employment opportunities and does not require formal skills or high levels of education. Furthermore, the ability for rural people to compete to get jobs in other sectors is relatively limited because the majority of poor households' education attainment is "never finished primary school and did not complete primary school level", which accounted for 67.82 percent of poor households. The reliance of rural employment on the agriculture sector, which is the sector with low productivity, has condemned people to poverty. This implies that regional governments should provide a policy that enables rural people who work on agriculture sectors to improve their productivity. Alternatively, regional government should provide employment opportunities outside rural occupations. In developed economies, there is a propensity that employment

in the goods and services trade sector becomes more important. To the contrary, the percentage of people employed in rural occupations, such as agriculture, tends to decline.

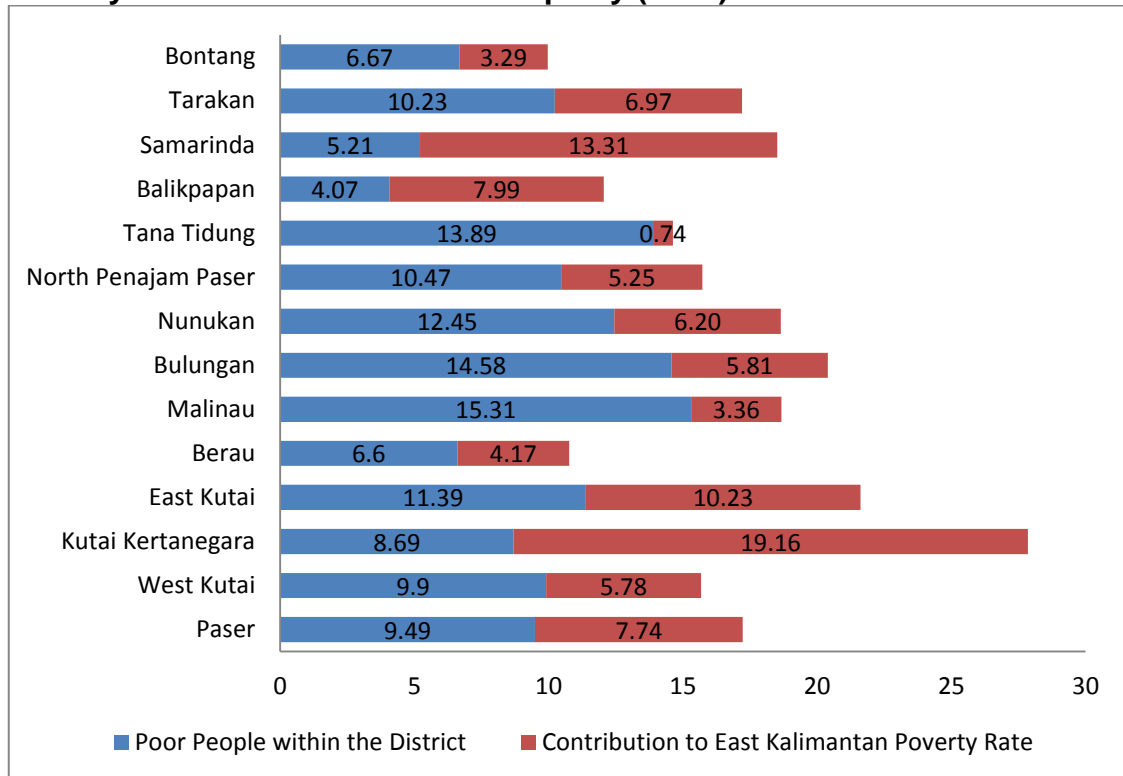
**Figure 4 - 14: Percentages of Poor People by Head of Household: Education**



Source: BAPPEDA and BPS Kalimantan Timur (2011)

Figure 4-15 shows the percentage of poverty in respective regions. It is clear that from respective total populations, the region with the largest percentage of poor people is Malinau with 15.31 percent. It is followed by Bulungan and Nunukan with a poverty rate of 14.58 percent and 12.45 percent respectively. All of these regions are located in the northern part of East Kalimantan, on the border with the neighboring country of Malaysia, where the basic infrastructure is still very limited. Whereas, Kutai Kertanegara and Paser, that are the focus areas of this research, have a poverty rate of 8.69 percent and 9.49 percent respectively. In terms of the contribution of each district to the poverty rate of East Kalimantan Province, it is apparent that Kutai Kertanegara has been the highest contributor, reaching 19.16 percent, followed by Samarinda and East Kutai that contribute 13.31 and 10.23 percent respectively. Balikpapan has been recorded as the lowest contributor with about 4.07 percent.

**Figure 4 - 15: Poor People Distribution by District/Municipality, and Poverty Rate within District /Municipality (2010)**



Source: BAPPEDA and BPS Kalimantan Timur (2011)

It is also interesting to note that those areas with the highest poverty rate are the regions where most of the population are indigenous people. In Malinau and Bulungan, for example, 71.27 percent and 33.13 percent respectively come from the Dayak ethnic background. This figure indicates that poverty is more prevalent among indigenous than migrant populations. In brief, there would seem to be a crude correlation between Christian indigenous populations and larger percentages of less developed villages with high levels of poverty. Although the indigenous communities are relatively well represented in the political elites, their influence on policy and decision making is very much as a minority. The situation in East Kalimantan seems to reflect Robyn Eversole et al.'s (2007) claim that indigenous people are consistently found to be the most disadvantaged and marginalized groups in communities worldwide (see also Cornell, 2006).<sup>79</sup>

<sup>79</sup> United States, Australia, New Zealand and Canada are among the world's wealthiest nations. However, it is an irony that the indigenous people within their borders are in each case among their poorest population (Cornell, 2005).

#### **4.7 Conclusion**

This chapter has provided an insight of the brief history of East Kalimantan formation. It has discussed geographical and demographical factors as well as the economic structure of East Kalimantan. It is apparent from the discussion above that despite abundant natural resources and the high economic endowments of the East Kalimantan region; the province persistently confronts some crucial problems regarding lack of infrastructure and poor human resources, factors which condemn much of the population to a life of paucity and hardship.

The implementation of regional autonomy seems to have not significantly underpinned the efforts of regional governments in East Kalimantan to break away from the issues that have been confronted by the region for decades. This is evident from the poverty rate, which it seems, has not undergone significant changes following a decade of regional autonomy implementation. The following chapter will discuss the local elites' structure of East Kalimantan, and the elaboration of local elites' perceptions of factors that contribute to poverty in East Kalimantan.

## **CHAPTER 5**

### **THE LOCAL ELITES AND THEIR PERCEPTIONS OF POVERTY**

#### **5.1 Introduction**

This part of the thesis will elaborate the structure of political elites in East Kalimantan and the perceptions of local elites on the poverty issue. First, it will discuss the construction of the social and political elite structure in East Kalimantan, looking at the arrival of migrants from other regions from an historical perspective, particularly Buginese, Banjarese and Javanese ethnic groups who later develop as a “frontier society” and become social and political elites in East Kalimantan. The following sections will present perceptions of local elites on poverty, covering how the local elites define poverty, the main causes of poverty and the means by which poverty can be reduced. The last of the above mentioned sections will discuss elites’ perception of regional governments’ role in poverty reduction. All these discussions will be based on primary data, which was gathered during fieldwork through in-depth interviews with East Kalimantan’s elites.

#### **5.2 East Kalimantan Social and Political Elite: Historical Perspective**

To give an insight, first of all the researcher will define what “local elites” means here. Elisa Reis and Mick Moore (2005: 2) argue that,

...elites are the very small number of people who control the key material, symbolic and political resources within a country. Operationally, we identify them in institutional terms: they are the people who occupy commanding positions within the set of institutions that are most salient to national political influence and policy making within a country. Our standard list of national political institution is representative political institutions (legislatures. Presidency, cabinets, political parties); the civilian public bureaucracy, business organization, interest organizations; the mass media; prominent educational and professional organizations; voluntary organizations; religious organizations.

In the context of this research, the social and political elites of East Kalimantan are regional development stakeholders who have significant influence in the process of decision making. Most of them hold important

positions in their respective organizations. These include senior officials of district and provincial governments, particularly those involved in the executive budgeting committee, such as the district and provincial secretary, the head of BAPPEDA and the head of BPKD. Other members of the elites include public figures, members of regional council (legislative) budget committees and the leader of organizations including Non-Government Organizations (NGOs), local private business organizations, religious organizations, academics, youth organizations and local customs organizations. These people are considered to have influence and authority in determining regional development policies. In other words, the social and political elites of East Kalimantan are those who have positions in regional government administration, regional councils and community organizations.

To begin, the researcher will examine the formation of social structure in East Kalimantan, and attempt to formulate how the term “*putra daerah*” (son of the region) are defined by East Kalimantan people. The researcher will also investigate the impact of the arrival of people from South Sulawesi (Buginese) South Kalimantan (Banjarese) and Java (Javanese) in this region in the construction of local elites, and further how the Buginese, Banjarese and Javanese migrated to this region and became part of the East Kalimantan community, even becoming associated as “*putra daerah*”.

Migration into the East Kalimantan region has been taking place for a long time. The process is inseparable from the history of this region, from the era of the sultanate in the 19th century to present time. Burhan Magenda (1991) classifies the arrival of these migrants in East Kalimantan into three phases: the era of the sultanate, the discovery of oil and the timber boom. In addition, the transmigration project under the sponsorship of the central government, which was massively implemented during the New Order as well as the arrival of migrants following the implementation of regional autonomy in 2001, might also be included as other phases of mass migration to East Kalimantan.

As noted by Magenda (1991), initially Buginese people arrived in East Kalimantan from the 17th to 19th centuries for trading purposes. The

Buginese came to this region to build trade relations and in particular forest products with some sultanates in the region. In addition to developing trade relationships, they also involved coalition forces to protect the area of the sultanate from outside interference, particularly from the Sulu's pirates, who controlled the northern part of the Makassar Strait.

Another ethnic group that migrated to East Kalimantan is the Banjarese. The history suggests that beginning in the 18th century and particularly after the 19th century, there was a massive wave of migration from South Kalimantan to Kutai as part of the "Banjar exodus". The influx of Banjarese migrants in East Kalimantan reached its peak after Banjar dissolved in 1886. Another wave of Banjarese migrants came to East Kalimantan following the decline of rubber plantations in South Kalimantan in the 1920s.

The new Banjarese arrivals established many new settlements along the Mahakam River. In Samarinda, the capital of East Kalimantan where the Dutch resident's office was located, the Banjarese built a new settlement across the Mahakam River from an old Buginese settlement. As the Banjarese came with their trading and administration skills, they found it easier to engage in trade activities, and due to their administration skills, many of them became involved in the Kutai administration and became the Sultan's representatives in their newly established settlements. It was the Banjarese who helped Kutai maintain domination and communication with the Dayak people. Many Banjarese were recruited as low level officials when Samarinda became the center of the Dutch administration system. However, most Banjarese still remained engaged in trade activities. In fact, the Banjarese became the dominant traders in the region, aside from the Buginese.

Most of the first Banjarese migrants were relatively successful economically. Therefore, many had opportunities to pursue higher education in Java. During later development, many Banjarese became the educated elite of East Kalimantan, from which most of the bureaucracy's officials were to be recruited. According to Magenda (1991), the influx of Banjarese

migrants during the latter part of the 19th century had a considerable impact on the political landscape in East Kalimantan.

Another city that became a settling point for migrants is Balikpapan. Its position as the gate to East Kalimantan and the profitable industries has made this city one of the main targets of most migrants. Therefore, the population of Balikpapan is more heterogeneous. It is identified that many are Banjarese migrants who came early in the 20th century. Unlike the Banjarese migrants who settled in Samarinda, most of these Banjarese settlers in Balikpapan came from the lower classes of the Hulu Sungai area, and worked as laborers in the oil fields. However, some of them, particularly those who have skills were employed as staff in the oil production offices. This group later became political leaders in Balikpapan. As Banjarese have skills in trading, eventually they played an ever increasing role in the economy. Aside from the Banjarese, the Buginese also played a significant economic role in this region. Control over these ethnic groups in economic activities led them to play an important leadership role in political movements and they became part of the political elite.

The second phase of the arrival of other ethnic groups in this region, particularly from Javanese workers took place in the 1910s. Burhan Magenda (1991) reveals that the discovery of oil and the rapid expansion of the oil industry created demand for labor. The Dutch, who had controlled the region and monopolized the oil production, brought a large number of Javanese oil workers to East Kalimantan under contractual provisions and conditions. Those Javanese workers consolidated into a group during Indonesia's struggle for independence and thereafter played an important political role.

Burhan Magenda (1991) further reports that the timber boom in the 1960s encouraged people from other parts of Kalimantan, Java and Sulawesi to migrate to East Kalimantan. The massive exploitation of timber, especially between 1967 and 1970, encouraged a large wave of migrants from Banjarese (South Kalimantan). They were mainly peasants who left their villages and migrated to East Kalimantan to earn cash as timber workers. The availability of job opportunities in the timber corporations also attracted a

large number of Javanese to East Kalimantan. They mainly worked in the timber camps in Samarinda, Tarakan and Balikpapan. The arrival of a great number of Javanese migrants significantly affected ethnic composition, as well as the political landscape in East Kalimantan.

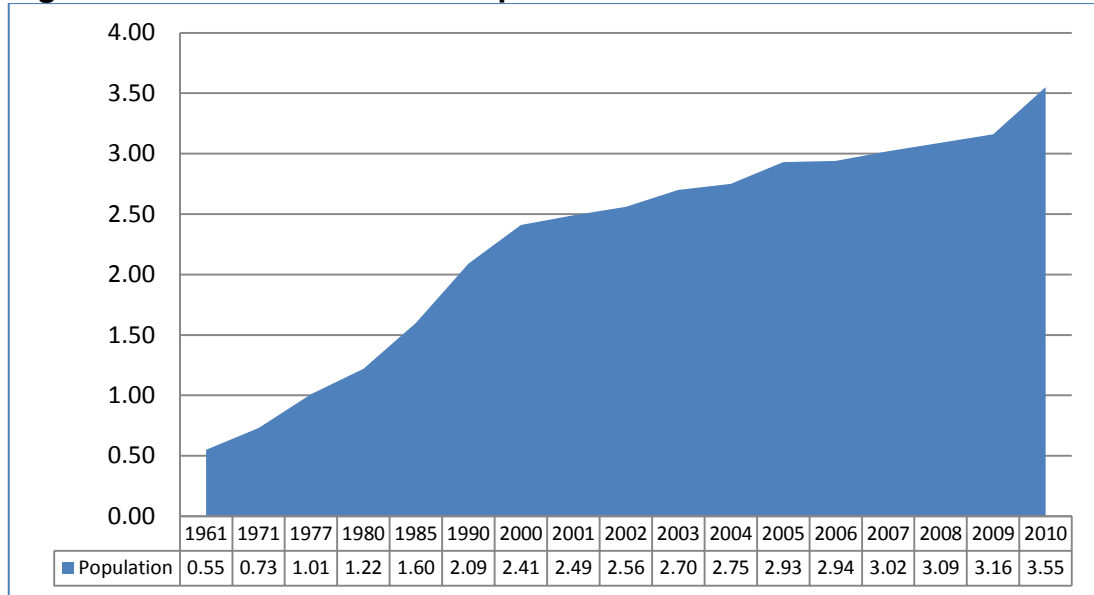
Other ethnic groups that migrated to East Kalimantan were Buginese (South Sulawesi) and Mandarese (West Sulawesi). They mostly migrated to East Kalimantan to seek better lives. As noted by Burhan Magenda (1991), a number of educated Buginese also came to the region looking for jobs at Mulawarman University and dominate two university faculties: the Faculty of Economics and the Faculty of Social and Political Sciences. A large number of Torajanese have also migrated to East Kalimantan. Many of them also worked for the timber companies, but others pursued small trade activities.

Another phase of the arrival of migrants in East Kalimantan happened through transmigration programs. These projects have been organized since the Old Order. During the period between 1950 and 1972, approximately 23,710 migrants from Java and Bali arrived in East Kalimantan (Harjono, 1977). Many were political detainees and they were moved to East Kalimantan for political reasons. Those migrants who were brought to East Kalimantan by the central government generally were placed in remote areas along the border with Malaysia. Not surprisingly, large numbers of the migrants left project areas to seek other employment opportunities in urban areas.

In the 1970s the New Order extensively implemented transmigration projects, aiming to redistribute the population within the Indonesian archipelago to cope with overpopulation in some islands. As reported by Hardjono (1977), Java and Madura with 6.64 percent of Indonesia's land mass had more than 63 percent of the population, while the four larger islands – Sumatera, Kalimantan, Sulawesi and Irian Jaya, now known as Papua – were relatively under populated, with only 29.7 percent of the total population. The transmigration program had been promoted by the central government as the way to develop regions, particularly the development of provinces outside of Java and Bali. Overall, the transmigration projects in

East Kalimantan helped double the population of the province from half million in the mid-1960s to about 1 million by 1978.

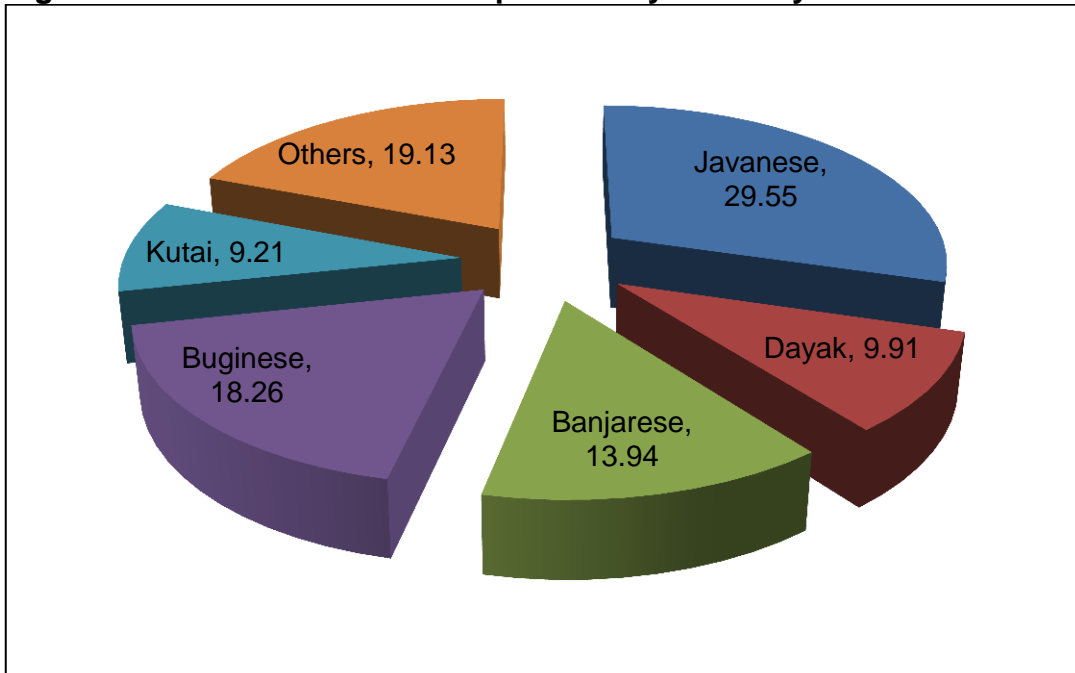
**Figure 5 - 1: East Kalimantan Population Growth in Millions**



Source: BAPPEDA and BPS Kalimantan Timur (2011)

Furthermore, a great number of people from other regions in Indonesia migrated to this region following the implementation of regional autonomy. The reputation of East Kalimantan as a rich region has attracted businessmen and laborers seeking business opportunities. Both district and provincial governments also actively invited investors from outside East Kalimantan to invest in this region to boost regional development. According to BPS data, prior to the implementation of regional autonomy in 1999, the East Kalimantan population was about 2,525,480 and in 2010, this rose to 3,550,586, an increase of about 40 percent in about one decade (BPS Kalimantan Timur, 2011).

The long story of migration into East Kalimantan has resulted in the heterogeneousness of the population. It is mentioned earlier in the previous chapter that “outsiders” dominated the region in terms of population numbers, which reached 80 percent of the total population. The highest percentage is Javanese (29.55 percent), followed by Buginese and Banjarese (18.26 percent and 13.94 percent respectively). Whereas, those regarded as indigenous people, Dayak and Kutai, only constitute about 20 percent of the total population.

**Figure 5 - 2: East Kalimantan Population by Ethnicity**

Source: BAPPEDA and BPS Kalimantan Timur (2011). The data are based on 2000 Census.

The history of migrant arrivals in East Kalimantan is similar to the history of European migration in America and Australia, which later developed into a “frontier society”<sup>80</sup> in the new settlement (see Turner, 2010). In the case of East Kalimantan, basically the most fundamental motivation as to why the settlers left their original regions and migrated to East Kalimantan is the economy, namely to get a better life. There is a common motivation among migrants that one day they will return to their home villages with better economic status and social conditions. It is a source of pride for them when the people in their original villages hear that they have become successful people in the new settlement. The arrival of highly motivated migrants to frontier economy areas, such as East Kalimantan, has created a frontier society with distinctive characteristics of cultural values and a strong work ethos. In the case of East Kalimantan, the

<sup>80</sup> The frontier thesis is firstly introduced by historian Frederick Jackson Turner in 1893. Turner introduced this thesis in a paper entitled “The Significance of the Frontier in American History” delivered to the American Historical Association in 1893 at the World Columbian Exposition in Chicago. Turner’s thesis states, “The origin of the distinctive equalitarian, democratic, aggressive, and innovative features of the American character has been the American frontier experience.” (see Turner, 2010). The frontier thesis was widely propagated by Turner through the publication of book entitled “The Frontier in American History”, which was originally published in 1920. The book was reprinted in 2010.

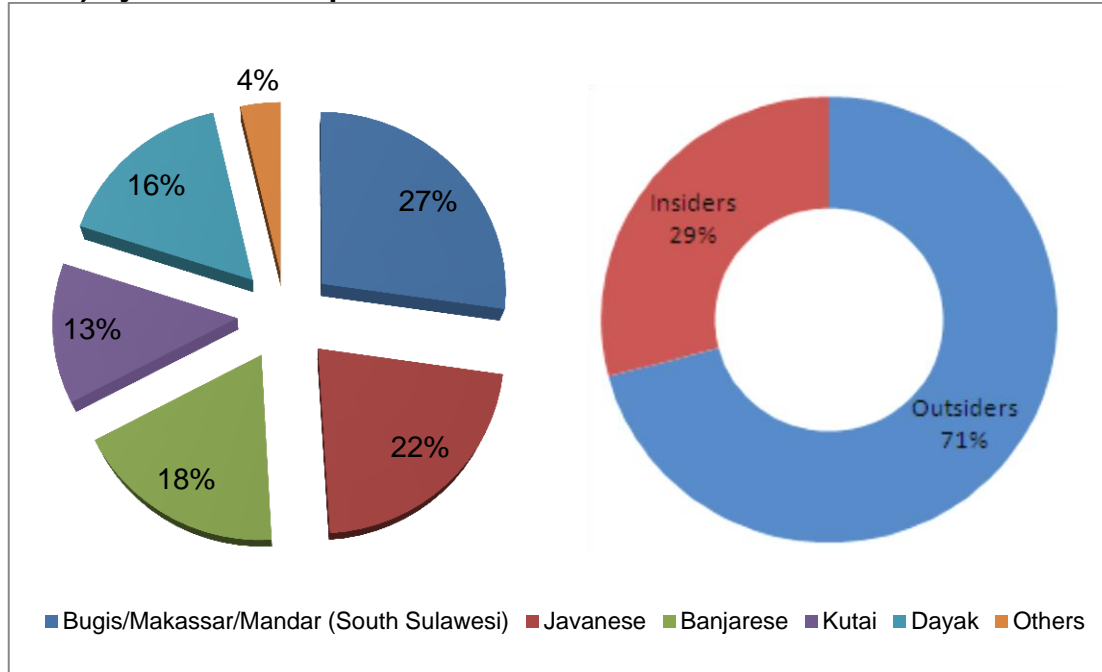
frontier society that emerged from a long history of immigration has strengthened the original cultural values and work ethos (cultural baggage) of migrants during the process of migration and settlement. Migrants generally originated from these areas with low economic potential and areas where job opportunities and business development was relatively difficult. The arrival of migrants, with a sound work ethos, to East Kalimantan, who settled in frontier economy areas with high potential for significant economic development, employment and business opportunities, was a catalyst for the emergence of "new culture", identified with higher motivation and work ethos.

In addition, immigrants came from different regions and cultural backgrounds but shared the same goal, which is to gain an improved standard of living. Competition arising from their fellow immigrants in securing jobs and business opportunities also triggered the emergence of a better working ethos. These factors then facilitated the rise of a new set of values around the highly motivated ethos from the settlers who found East Kalimantan with all its potential, and this has triggered immigrants' motivation to succeed in the economy, which then drove them to become part of the local social and political elite.

The heterogeneousness of the population is also reflected in the composition of the elite. Taking the example of ethnic backgrounds of regional council members of East Kalimantan, it is apparent that the majority are non-indigenous people (*bukan orang asli*). It is calculated that more than 71 percent of members of the East Kalimantan regional council (DPRD Provinsi) are migrants from other regions (outsiders), while the indigenous people, Dayak and Kutai, constitute only 29 percent. Interestingly, members of council who originally came from South Sulawesi, such as Buginese, Makassarese and Mandarese, have dominated the council with about 27 percent. Other ethnic groups, such as Batak, Manado, etc. constitute only 4 percent of the 55 provincial council members. These figures suggest that Dayak, Kutai and people from Sulawesi are rather over represented in politics, as the percentages of council members from these ethnic

backgrounds are higher compared to percentages of population with the same ethnic backgrounds.

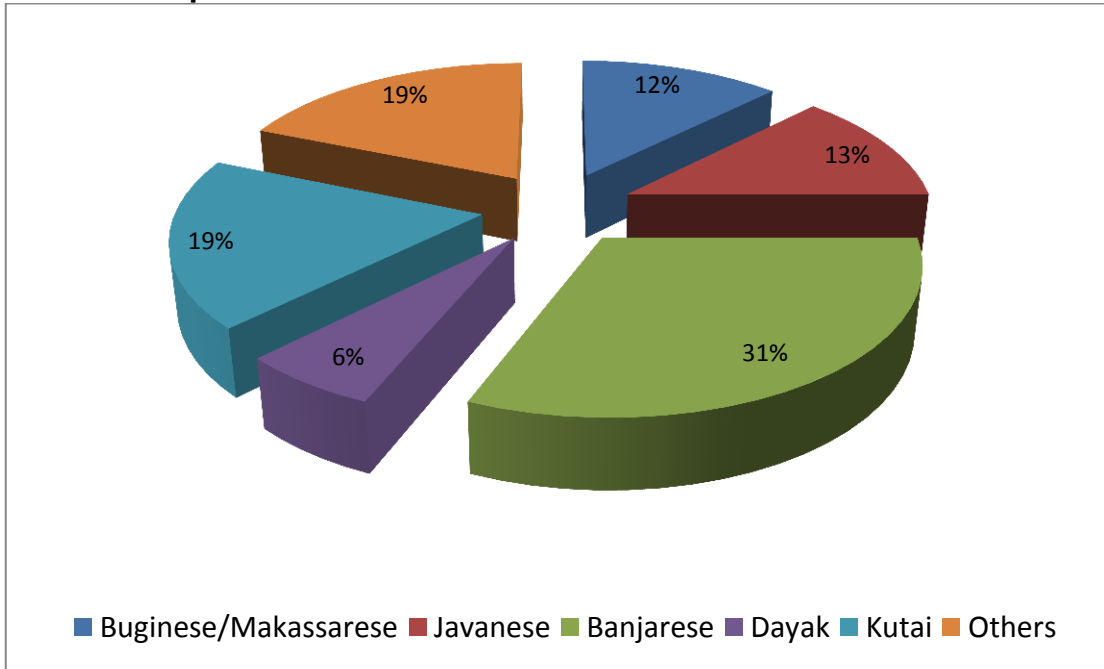
**Figure 5 - 3: Members of East Kalimantan Regional Council (2009 – 2014) by Ethnic Groups**



Source: Sekretariat DPRD Kalimantan Timur (2010a); (2010b)

The domination of non-indigenous people is also apparent in provincial government structures, where the majority of senior officials in regional government agencies within the East Kalimantan Provincial Government are from non-indigenous ethnic backgrounds. Indeed, many originally came from other regions but they were born and grew up in East Kalimantan and have identified themselves as '*putra daerah*'. Based on the data gathered during fieldwork, the highest echelon in government agencies is mostly occupied by Banjarese, up to 31 percent. Whereas, the officials from Kutai and Dayak ethnic backgrounds, regarded as indigenous people of this region, occupied 19 percent and 6 percent respectively. This figure suggests that outsiders have dominated most of the important positions in regional government structures, up to 75 percent. This also implies that the decision-making process of regional development policy has been dominated by local elites who originally resided outside of this region, rather than local elites from indigenous ethnic backgrounds.

**Figure 5 - 4: Echelon 2 of the East Kalimantan Provincial Officials by Ethnic Groups**



Source: Based on the data gathered during the fieldwork

From the data above, it is also apparent that there is disequilibrium in the elite composition compared to the population as a whole. The Javanese, who are the largest ethnic group, with up to 29 percent of the total population, have a lower representation in the political and bureaucratic elite, both in government institutions and regional councils. Conversely, ethnic groups who make up relatively low percentages of the population, such as Buginese/Makassarese, Banjarese, Dayak and Kutai have more representatives in the regional council. Buginese and Makassarese, for example, constitute 18 percent of the East Kalimantan population, but in the elite, particularly in the regional council, constitute 26 percent of total members of provincial council. The same occurs with the Banjarese. This ethnic group occupies more than 30 percent of the highest echelons in government institutions, although the Banjarese only constitute 14 percent of the total population. Interestingly, indigenous people (*orang asli*) of Dayak and Kutai are rather over represented in government and political institutions compared to their demographic representation. Dayak and Kutai constitute no more than 20 percent of the total population. However, these two ethnic

groups have more than 25 percent of representatives respectively in the executive and legislative bodies.

The high representation of Buginese/Makassarese and Banjarese in the local elite is related to the long history of migration of these two ethnic groups. Earlier, before other ethnic groups arrived, Buginese/Makassarese and Banjarese had migrated to this region. In addition, the domination of these two ethnic groups in economic activities, which provided them with the opportunity to pursue better education, has led them to be local elites. Some public figures who originated from Sulawesi became heads of region in several municipalities and districts. These include Tarakan, Paser, North Penajam Paser, Bontang and Nunukan. It is apparent that the domination of immigrants in economic sectors has very much influenced their positions in the social and political structure of the region. This is unlike the situation with the Javanese. They comprise a large minority of the population but many of them came to East Kalimantan as laborers in the companies, and many migrated to this region under agricultural transmigration projects.

The composition of local elite, dominated by migrants, has created a political culture in which the values and interests of the indigenous societies are marginalized. This is apparent from the way in which the people of East Kalimantan define the concept of *putra daerah* (son of the region). In the context of East Kalimantan, the concept of *putra daerah* is very much influenced by the interests of the elite from migrant backgrounds. In fact, some people define *putra daerah* as a notion of ethnicity and locality, which refers to those who were born and grew up in this region, or those whose parents were originally from indigenous ethnic groups. However, the majority of informants prefer to think of *putra daerah* in terms of a commitment to East Kalimantan and its development, regardless of ethnic background.

Agus Djoka and Irwansyah<sup>81</sup> (cited in Kaltim post, 19 October 2002), attempt to combine these different perspectives by defining “*putra daerah*” as those who were born and raised in East Kalimantan, either as natives or immigrants, and have a strong commitment to the development of the region.

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<sup>81</sup> Agus Djoka is a political and social observer, while Irwansyah is a member of IPDP KALTIM. Both live in Samarinda.

They argue further that the *putra daerah* issue should not be used in East Kalimantan to differentiate between one ethnic group and another, but rather to motivate the young indigenous activists to take responsibility for the development of this region. Djoka and Irwansyah further states: “We believe that East Kalimantan has its own people who have the capacity to be leaders in this region, and we also believe that the people of East Kalimantan have better knowledge of the development issues in this region.”

Similarly, Syaukani Hasan Rais<sup>82</sup> argues:

One is called *putra daerah* not by considering their ethnicity or the place they were born, but by their dedication and knowledge of this region. The Indigenous people of this region, for example, cannot automatically be called *putra daerah* (son of the region) unless they understand and do something to develop this region. Someone who originally comes from outside Kalimantan but can contribute something for the region, can be called *putra daerah* (Syaukani Hasan Rais, 2002).

This is consistent with Abraham Ingan’s<sup>83</sup> proposition, “Whoever, from Sabang to Merauke, regardless of their ethnic backgrounds, if they are Indonesian and live in East Kalimantan, we regard them as a national resource, in fraternity, for developing the region” (Interview on 28 December 2008).

From discussion above it is clear that it has become the consensus among East Kalimantan people that anyone, regardless of their original ethnicity, and with a commitment to dedicate themselves to regional development in the region, is called a true *putra daerah*. The situation in East Kalimantan is unlike with other regions, such as Papua and Aceh, which tend to define *putra daerah* as a notion of ethnicity and locality.

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<sup>82</sup> Syaukani is the former District Head of Kutai Kertanegara. He used to be in the custody over the case of corruption. He was released from the jail earlier after having amnesty from the president, as he suffers a permanent illness.

<sup>83</sup> Abraham Ingan is one of the Dayak public figures. He is known as the Chairman of Gerakan Pemuda Asli Kalimantan Timur (GEPAK)/Indigenous Youth of East Kalimantan Movement. He is also known as the Chairman Majelis Rakyat Kalimantan Timur Bersatu (MRKTB)/The Assembly of East Kalimantan People United. This organization represents East Kalimantan people in filing the judicial review of Law 33 on Fiscal Balance between Central and Regional Government to Constitutional Court. This law has been considered unfavorable for East Kalimantan as a region rich in natural resources.

Although there is a consensus among the members of the elite interviewed for this research, both from migrant and indigenous backgrounds, related to the concept of “*putra daerah*”, in recent years there has been a mobilization in the indigenous Dayak communities as reflected in the establishment of organizations like Majelis Adat Dayak Nasional – MADN (The National Customary Assembly of the Dayak People), which has a more explicitly ethnic interpretation of “*putra daerah*”.

The issue of *putra daerah* has reached public debate following the implementation of regional autonomy, as some of the local people demanded that only *putra daerah* might lead their regions. The debate on this issue also emerged in East Kalimantan. This issue would be more crucial, particularly prior to the election of district head and governor, as some demanded that these leadership positions should be elected from the best *putra daerah*.

This is evident from the last governor’s election, where some indigenous ethnic community organizations, such as *Komando Pertahanan Adat Dayak Kalimantan Timur*, LPPDKT, *Cendikiawan Dayak Kalimantan Timur*, *Persekutuan Dayak Kalimantan Timur* (PDKT), *Gerakan Pemuda Pembangunan Perbatasan*, *Taman Jalung* and *Gerakan Pemuda Asli Kalimantan* (GEPAK), demanded the first direct governor election (*Pemilihan Gubernur/PILGUB*) be postponed until a governor candidate from Dayak ethnic background was included. Merlin Viney (cited in Okezone, 25 March 2008), representative of *Solidaritas Dayak Bersatu* in the demonstration in front of the East Kalimantan DPRD office stated: “We demand that one of the candidates should be from the Dayak people.” Meanwhile, Yulianus Henock<sup>84</sup> (cited in Kompas, 18 February 2008) cautions that the Dayak would not participate in the election if there was no Dayak ethnic candidate nominated for the position of governor. Yulianus Henock states: “If there are no Dayak politicians nominated by the political parties for the governor’s election, we will call on all Dayak voters to boycott the election. We will not vote.”

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<sup>84</sup> Yulianus Henock is Command Chief (Panglima Komando) Pertahanan Adat Dayak KALTIM

The issue of *putra daerah* also occurred in the appointment of senior officials and in the process of staff recruitments. The idea of prioritizing *putra daerah* to occupy positions within regional government organizations always becomes a matter of public debate when the elected head of district or governor began appointing officials to support them in government. This phenomenon has also emerged in recruiting new regional government staff, where many local people demand to be given a higher priority than the “outsiders”. This can be seen from the messages in the “*Kring Pak Bupati*”, which states: “Our much respected head of Paser district, this year could you prioritize local applicants for Paser District government positions, especially high school graduates, because there are a lot of *putra daerah* who do not have jobs” (Kaltim Post, 27 October 2009).

The discussion above indicates that the importance of *putra daerah* discourse has become a national issue, not only in the region where *putra daerah* are the majority: even in a region where *putra daerah* have become a minority, the demand for prioritizing *putra daerah* seems to be more prevalent. This demand has been a response to the earlier practices that tended to neglect *putra daerah*. The data suggests that in many respects, outsiders are better qualified than insiders. This discrepancy sometime easily escalates to ethnic conflicts involving “insiders” and “outsiders”. The case of Tarakan, which happened recently, shows how individual issues that have occurred between local ethnic and immigrants might easily sprawl into an ethnic conflict.<sup>85</sup>

The multi ethnic composition of the East Kalimantan population has also affected the political arena. This is particularly evident in determining candidates for the Head and Deputy Head of Region (*Kepala Daerah/Bupati or Gubernur and Wakil Kepala Daerah/Wakil Bupati or Wakil Gubernur*) to be nominated in direct elections (*Pemilihan Kepala Daerah/Pilkada*). Representation of ethnic groups always becomes a consideration in

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<sup>85</sup> In September 2010, there was a clash in Tarakan involving indigenous people and the communities from Bugis and South Sulawesi. The clash was triggered by the dispute between two individuals from both ethnic groups. The clash continued to be about ethnic conflicts resulting in death for victims from both sides.

nominating candidates, and pairs of candidates who seem to represent diverse ethnic groups have better potential to be elected. The tendency was suggested by the first direct election of the East Kalimantan Governor held on 26 May 2008. Awang Farouk Ishak paired with Farid Wadji were elected. They were identified as representatives of two different ethnic groups, Kutai (indigenous people of East Kalimantan) and Banjarese (outsider). The other two pairs of candidates (Ahmad Amin/Hadi Mulyadi and Yusuf Serang Kasim/Luther Kombong), both governor and deputy governor were from Sulawesi. They represented ethnic Buginese, Makassarese, Mandarese and Torajanese from Sulawesi. It is surprising that another pair of candidates (Nusyirwan Ismail/Heru Bambang) who identified themselves as representatives of Banjarese and Javanese ethnic groups managed to attract more votes, although they declared they were joining in the election just a few weeks before candidate registration closed (KPU Kalimantan Timur, 2008). The election phenomenon in East Kalimantan reflects Aspinal's thesis that regions with mixed population "... ethnicity still counts: voters have a general preference for supporting political candidates from their own group, parties take this preference into account when selecting their candidate ..." (Aspinal, 2011: 310)

Another implication of heterogeneity of the East Kalimantan population is the seemingly less critical mindset of the people. As Yunus Nusi<sup>86</sup> claims, the plurality of the East Kalimantan population has been very profitable for governments and security forces. Unlike South Sulawesi and Aceh where the majority of the population is indigenous, the population of East Kalimantan is very heterogeneous and this has made people tend to be less critical in addressing government's programs. Yunus Nusi states:

Suppose that the people of East Kalimantan had similar characteristics of South Sulawesi and Acehnese society, I believe that there would be an uprising in East Kalimantan. Yet, ethnic groups are more equal in number with the indigenous population or even the immigrants may make up the majority of the population, so the probability of rebellion is more unlikely (interview on 19 December 2008).

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<sup>86</sup> Yunus Nusi is one of the youth figures in East Kalimantan. He controls all youth organizations within the East Kalimantan Provincial level with the position of Chairman of KNPI (Indonesian National Youth Council) of East Kalimantan.

Yunus Nusi's observation that there is a relatively slight possibility of political rebellion against the government may be valid. However, the heterogeneity of East Kalimantan community, which is dominated by immigrants, has the potential for social upheaval. The social conflict between local people and immigrant communities in Tarakan in 2010 suggests that there is also the potential for unrest among the heterogeneous communities of East Kalimantan.

### **5.3 Elite Perceptions of Poverty**

This section is actually the elaboration of one of the main research questions, which is the discussion of how local elites define poverty, local elite perceptions of factors that may contribute to poverty and the means to reduce poverty in East Kalimantan. All these propositions are drawn from the interviews with those identified as members of local elites of East Kalimantan during fieldwork. In some cases, the researcher does not discuss all respondents' views on the issues of poverty. This is due to the fact that the results of interviews show much uniformity. The researcher believes that the opinions discussed in the thesis are broadly similar to those of other respondents.

It is apparent from interviews that among the elites in East Kalimantan there are various perceptions of what poverty means in the context of the East Kalimantan community. Some members of the local elites define poverty as economic deprivation in terms of income and asset ownership. This perception measures poverty from income levels and economic prosperity. As Hafidz Anwar, the Head District Assistant of Kutai Kertanegara for Economic and Development Affairs, (interview on 9 January 2009) states: "Poor people are those who have insufficient income. They do not have enough income because they do not have jobs or they just work occasionally." Therefore, he believes that to increase income for people, there have to be jobs available for them.

Others try to associate poverty with a way of thinking. Fathur Rahman<sup>87</sup>, the current East Kalimantan Governor Assistant for governmental affairs, (interview on 22 November 2008) argues that poverty is not merely about economic issues in terms of the tenure of capital, or the accessibility to the economic market, but it is more a matter of how people think about the situation. Fathur Rahman tries to illustrate the manifestation of poverty as a way of thinking by describing that those people often think that their life is running smoothly; they do not feel backward or deprived and they even feel more developed than their ancestors. In other words, they are happy with what they have had at this stage. Fathur Rahman claims that these types of people would never try to be more developed, although their standard of living is relatively lower compared to other community groups.

Fathur Rahman further exemplifies the manifestation of poverty by looking at the attitude of people in responding to their lives. Fathur Rahman states that people may acknowledge themselves as poor but they never try to do something to make their lives better. They even demand other people do something for them. This preposition is consistent with Aswin's contention that poor people are those who always ask for financial assistance from governments. Aswin<sup>88</sup>, the East Kalimantan Governor Assistant for public administration affairs, points out that those journalists who always ask for *BANSOS* (Financial Assistance) are really behaving as if they were poor people. "In reality they are not poor but they are poor in their own thinking" (interview on 12 January 2009).<sup>89</sup>

Fathur Rahman also believes that money (income) sometimes may not be an effective indicator of poverty. He states:

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<sup>87</sup> Fathur Rahman is the former head of Regional Development Board of Paser District (BAPPEDA Paser). Currently, he was appointed as East Kalimantan Governor Assistant for governmental affairs.

<sup>88</sup> Aswin is the former Secretary of Kutai Kertanegara District. Recently he was appointed as East Kalimantan Governor Assistant for public administration affairs.

<sup>89</sup> Fathur Rahman's contention about poverty reflects Geriya's set of concerns that poverty is a social construction that emerges as a result of a collective culture. It is a life style that is constructed through accumulation of attitude, behavior, value orientation, thoughts and life choices. This becomes apparent when a section of the community no longer feels ashamed to identify themselves as poor people in order to benefit from government programs (Geriya, 2005).

I know a lot of village people have sufficient income and it is quite easy for them to earn money. The problem is how this money can become capital for business as their entrepreneurial initiative is weak. One day, I went to Telake. There, I found that people have nice houses, the village has *Pembangkit Listrik Tenaga Surya/PLTS* (Solar Power), and they had ready access to water, however, they could not afford to send their children to schools. The same thing also happens to Muara Andeh, although they have poor road infrastructure, but the village people's lives are prosperous. We never hear that they go hungry. Again, they have low motivation to send their children to school (interview on 22 November 2008).

Fathur Rahman thus believes that actually this phenomenon is not about poverty but backwardness. He contends that the phenomenon of poverty in East Kalimantan is unlike the poverty in Java, where people become poor mainly due to limited access to economic resources. In the case of East Kalimantan, people may have economic resources but they do not utilize these resources to make their lives better.

Fathur Rahman's proposition is in line with Tony Budihartono's<sup>90</sup> contention that most poor people in East Kalimantan actually may have large lands with wood and coal. Yet, they live in miserable conditions as they are unable to manage their assets. This also seems to confirm Efri Novoanto's<sup>91</sup> proposition that in the East Kalimantan context, the definition of poor people may be very different from other regions in Indonesia: "The poor here are not as poor as people might imagine. Even the poorest ones here still have a mobile phone, they can afford food, they have land and perhaps they can still afford to go to Jakarta for a holiday" (interview on 08 January 2009).

Other members of the elite try to see poverty in the sense of education attainment, accessibility to health services and basic needs fulfillment. Carolus Tuah<sup>92</sup>, the Chief of POKJA 30, (interview on 18 December 2008) states that finding people who do not have food to eat in East Kalimantan perhaps would be quite hard but there are a lot of people who still live in

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<sup>90</sup> Tony Budihartono is a success local businessman. He is also known as the Chief of IKAPAKARTI (Javanese Ethnic Alliance) In 2009 he was an unsuccessful candidate in the election for the head of the Paser district government.

<sup>91</sup> Efri Novoanto is a chairman of Barisan Oposisi Murni (BOM). This local NGO is based in the capital of Kutai Kertanegara District, Tenggarong.

<sup>92</sup> Carolus Tuah is the Chief of POKJA 30, a local NGO who actively criticizes regional development policy. He is also one of prominent figures of the indigenous people of Dayak.

inappropriate houses, unable to access clean water, afford health services or education. Carolus Tuah believes that those who still live in that kind of situation are poor. He claims that this happens because regional governments are unable to provide better services for their communities.

The fulfillment of basic needs is another contention that was adopted by members of the local elites regarding the phenomenon of poverty in East Kalimantan. Zulkifli Alkaf, former member of East Kalimantan Council, for example, states: “In the context of East Kalimantan, people may not be called poor if they have managed to meet their basic needs. If one of their basic needs has not been fulfilled, to me, they can be still classified as poor people” (interview on 18 December 2008).

#### **5.4 Elite Perceptions of the Main Causes of Poverty**

There have been various perceptions among members of the elite about factors that contribute to poverty in East Kalimantan. From interviews, it is plainly apparent that some members look at the source of the problem as regional government management. Others attempt to adopt the approach of “blaming the victim” by claiming that the problem was generated by poor people themselves.

Masjaya<sup>93</sup>, a senior lecturer and a professor in the Faculty of Political Science at Mulawarman University, (interview on 21 December 2008) advocates that the effort of regional governments to overcome poverty is underway. Some programs that directly touch poor people have been implemented. These include free health and education services. However, poverty is still a big issue in this region. Masjaya sees this problem as a consequence of the weakness in government management, and this has been assumed to compromise the impact of regional development to raise prosperity. In other words, the weakness in government management is one factor that contributes to poverty.

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<sup>93</sup> Masjaya is a senior lecturer and a professor in the Faculty of Political Science at Mulawarman University. He is also the secretary of *Kerukunan Keluarga Mandar Sulawesi Barat* (KKMSB) of East Kalimantan (Mandar West Sulawesi Community Organization).

Eka Komariah Kuncoro<sup>94</sup>, the former member of Regional Representative House (DPD) from East Kalimantan, (interview on 23 December 2008) also adopts the view that the persistence of poverty in this region is due to mismanagement. She argues that indeed East Kalimantan has a significant budget. Yet regional governments have not had a real, comprehensive and integrated concept to develop the regions or to reduce poverty. Consequently, significant funds received by this region do not really have a positive effect on people's prosperity, as many regional government programs do not address these confronting problems.

Dahri Yasin<sup>95</sup>, member of provincial council from GOLKAR party, (interview on 18 December 2008) reiterates the view that the regional government's concern with fighting poverty is only limited to rhetoric. According to Dahri Yasin, it is apparent that most poverty cases occur among people who rely on agriculture and fishery sectors. Nevertheless, these sectors have not become government priority in terms of budget allocation, although regional governments acknowledge that these sectors are included in regional development priority, as mentioned in the planning documents including RPJP and RPJM. Dahri Yasin points out that regional governments do not optimally develop rural infrastructure and facilities to enable rural people or those who live in coastal areas to distribute their products. Consequently, their lives are stagnant and they remain in a poor situation.

In relation to this predicament, Agus Sukaca<sup>96</sup>, the former member of DPRD East Kalimantan from National Mandate Party, (interview on 21 December 2008) argues that this region still encounters significant poverty problems because the regional governments' vision for poverty reduction is unclear. Agus Sukaca argues that current poverty reduction programs are

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<sup>94</sup> Eka Komariah Kuncoro is one of the four members of DPD (the upper house of the Indonesian parliament) from East Kalimantan for the period 2004 to 2009. In the last general election, she failed to be re-elected as a Senator for the second period.

<sup>95</sup> Dahri Yasin is a member of DPRD East Kalimantan from GOLKAR Party. He is the head of Commission 1 of East Kalimantan DPRD that is responsible for governance. Prior to becoming a member of DPRD, he was a lawyer. Currently, he is chairman of the GOLKAR Party for Samarinda Municipality.

<sup>96</sup> Agus Sukaca used to be the member of DPRD East Kalimantan from National Mandate Party (PAN). He is also known as a religious figure and the Chairman of Muhammadiyah East Kalimantan

more oriented to handouts for poor people rather than helping them to escape poverty. Consequently, a lot of programs, which are claimed as poverty reduction initiatives with huge budgets, do not provide significant assistance in reducing poverty. Agus Sukaca criticizes some programs proposed by regional governments such as free services for poor people. According to him, these sorts of programs may not become vehicles for reducing poverty, but may even preserve poverty within the community. He also identifies some problems occurring in the implementation of such programs, particularly in determining the real target: "Many people who are not actually eligible to receive free health services, but in fact they get it."

However, Awang Farouk Ishak<sup>97</sup>, the Governor of East Kalimantan, (interview on 09 January 2008) and Ridwan Suwidi<sup>98</sup>, the Head of Paser District, (interview on 01 December 2008) reject the contention that the ineffectiveness of government management is one of the factors that contribute to the persistent of poverty problems in this region. Both Awang Farouk Ishak and Ridwan Suwidi believe that the persistence poverty problems in this region are inseparable from the national and global economic situation. Ridwan Suwidi, for example, argues:

The global financial crisis has impacted on the income of people. This is evident particularly among those who rely on oil palm plantations, which in the last two years this sector has experienced a significant decline of price. I am sure that the district government has done its best to handle this problem, but the uncertainties in the national and global economy has had a negative impact on our people. The decline of oil palm, rubber and fishery prices in the global market has negatively impacted on our people's economic circumstances, as most of the community relies on these sectors. Although we confront complex problems, the district government remains committed to increasing the people's prosperity and reduces the rate of poverty. With this commitment, as you may know, four months after assuming office, the Paser District government introduced the new scheme of free health services for the poor people (interview on 01 December 2008).

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<sup>97</sup> Awang Farouk Ishak is the current and first Governor of East Kalimantan from the new system of Direct Governor Election (*Pilkada Langsung*)

<sup>98</sup> Ridwan Suwidi is the current head of Paser district. He is a senior politician and has been awarded MURI award as the oldest *Bupati* (the head of district) in Indonesia. Prior to his appointment as the head of Paser district, he served to be the member of East Kalimantan provincial council from the PPP for more than 20 years.

Similarly, Awang Farouk Ishak states that the collapse of forestry and timber industries following the economic crisis that hit Indonesia in 1997 has significantly affected the regional economy: “Many people rely on this sector. Following the collapse of these companies, many timber laborers lost their jobs and this contributed to the increase in poverty” (interview on 09 January 2008).

Fuad Asaddin<sup>99</sup>, a senior official at the Regional Development Planning Board of East Kalimantan (BAPPEDA), also refuses to accept the contention that East Kalimantan has failed to utilize the opportunities provided by the increase of budget and authority given to regional governments. Fuad Asaddin argues:

The case of East Kalimantan is a bit different and specific. As we all know, the earlier policies seems to neglect the regions, and East Kalimantan has just started developing after regional autonomy was implemented in 2001. Prior to that, the social and economic infrastructures, including road, public services facilities, were very poor. So, although people say East Kalimantan is rich, but we also confront great problems, and the available budget is not enough to cope with the existing problems (interview on 15 December 2008).

In line with Awang, Ridwan and Fuad’s arguments, Marthen Apuy<sup>100</sup>, member of Provincial DPRD from PDIP, also denies that these current problems are solely caused by the failure of regional governments. He endorses Fuad Asaddin’s view that the case of East Kalimantan, in particular of Kutai Kertanegara, is quite different. Marthen Apuy states:

Kutai Kertanegara started developing in 2000, really in 2001 with regional autonomy, development effectively commenced in 2001. Apparently, people see that Kutai Kertanegara has a considerable local budget, even it is widely known to have the biggest local budget in Indonesia, but Kutai Kertanegara also confronts complex problems and the available budget is not enough to address these problems. The area of KUKAR is quite extensive and the population is distributed unevenly, basic infrastructure is very limited and many areas are still isolated as there was not any land transportation connected to the areas. In the last ten years, the district government focused on these issues: open isolation and human resources development. Certainly

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<sup>99</sup> Fuad Asaddin is a senior official at the Regional Development Planning Board of East Kalimantan (BAPPEDA). He is the Head of Social and Culture Division. The division is responsible for education, health, labor and other social matters.

<sup>100</sup> Marthen Apuy is a member of DPRD East Kalimantan from Indonesian Democratic Party of Struggle (PDIP). Prior to that, he served as a member of DPRD Kutai Kertanegara (PDIP).

the results may not be seen instantly but compared to the situation before regional autonomy, the current circumstances in KUKAR are better, even if not yet significantly so, as you can see (interview on 08 January 2009).

Some members of the elite also perceive government programs that actually aimed to reduce poverty in some cases even contributed to poverty. Aswin, for example, blames central government programs. He claims that some programs, which he believes were created in response to political interests and introduced by a central government aiming to reduce poverty, have made the situation worse. Aswin states:

Due to BLT/*Bantuan Langsung Tunai* (Direct Cash Assistance) and *Beras Miskin/RASKIN* (rice for poor) programs, many of our communities demanded to have *RASKIN* and *BLT*. Even some of my staff were prosecuted because of these programs, as they could not find enough poor people eligible for *RASKIN*, then they sold the rice it to non-poor people. Consequently, they were detained and imprisoned (interview on 12 January 2009).

In regard to this issue, Helmy Lathyf<sup>101</sup> (interview on 1/12/2008) also blames central government programs in the form of “*bagi-bagi duit*” (cash handouts) such as BLT. He argues that this sort of program does not facilitate the reduction of poverty but it works to preserve poverty. Mugni<sup>102</sup> (interview on 01 December 2008) also claims that BLT provides people with an incentive to identify themselves as being poor.

Similar to Aswin and Helmy’s contention, Efri Novoanto and Ali Wardhana, both university student activists, are also a proponent of the view that even government policy, either regional or central government, contributes to the increase of poor people. Efri Novoanto argues that the presence of such programs of BLT has created a “culture of beggar” within the community. Many people claim themselves poor to seek financial assistance from governments. Efri Novoanto believes that these types of policy may be useful in the short term but it may endanger economic independency in the long term (interview on 08 January 2009). Similarly, Ali

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<sup>101</sup> Helmy Lathyf is the secretary of Paser District.

<sup>102</sup> Mugni is an official of Paser District Rural Community Empowerment Agency (BPMD). He is also the Secretary of District Poverty Tackling Team (Tim Penanggulangan Kemiskinan Daerah/TPKD).

Wardhana also strongly believes that BLT is not an effective way to reduce poverty. It may even create new problems for people and it induced a “culture of spoiled” within the community. According to Ali Wardhana, governments should provide financial supports that enable them to generate their income through establishment of small home industries (interview on 19 December 2008).

In response to the idea that *bagi-bagi duit* does not facilitate poverty reduction, Ridwan Suwidi argues:

Looking after old people, orphans and poor people is the responsibility of the state. This is clearly stated in the 1945 Constitution. This policy has been taken as a commitment by the district government to assume the state’s responsibility to look after the needy. I believe that giving money to poor people is one of the district government’s efforts to help reduce their financial burden (interview on 01 December 2008).

However, Ishak Usman<sup>103</sup>, the Chairman of *Lembaga Adat Paser*, (interview on 24 November 2008) contends that giving money to people is an uneducated policy and it may not help to reduce poverty. He further argues that free services programs provided by the district government are misleading. Ishak Usman believes that there has to be a cross subsidy among poor people and the rich. Those who manage to pay for health and education services have a responsibility to give financial contributions, and on the contrary, for those who cannot afford to pay for these services, the district government has the responsibility to help them. The current free services programs do not distinguish between the poor and the rich.

Another factor perceived by the local elites to contribute to the poverty problem in East Kalimantan is the influx of immigrants. Syaiful Teteng<sup>104</sup>, the former Secretary of East Kalimantan Province, (interview on 31 December 2008) states: “East Kalimantan is an open province and we are a part of the Unitary State of Indonesia, which means people are free to enter this region and we do not have a right to restrict the immigrants.” Syaiful Teteng

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<sup>103</sup> Ishak Usman is the Chairman of *Lembaga Adat Paser* (LAP)/Paser Customary Organization. He is a retired Paser District Government Official. Prior to retiring, he was nominated as a Paser District Head candidate. However, he was defeated by Ridwan Suwidi.

<sup>104</sup> Syaiful Teteng is the former Secretary of East Kalimantan Provincial Government.

attempts to show population growth, which is mostly contributed by immigrants, rather than birth rates.

Eddy Heflin<sup>105</sup>, a senior official at the Regional Development Planning Board of East Kalimantan, is a proponent of the proposition that immigrants play a significant role in contributing to poverty problems in East Kalimantan. He strongly believes that whoever becomes head of district or governor in this region would not be able to reduce poverty as long as the three provinces – East Java, South Sulawesi and South Kalimantan – are unable to reduce poverty in their respective regions. Eddy Heflin takes the view that these three provinces are the main contributors of immigrants to East Kalimantan, who mainly come to seek employment, and he believes that most of them do not have enough skills (interview on 15 December 2008).

Aswin endorses Teteng and Heflin's opinions that the influx of immigrants has resulted in poverty. He points out what happens in Kutai Kertanegara with a reputation as a rich region. Aswin (interview on 12 January 2009) states: "Many people have been attracted to come to this region. If we banned people to come and live here, wouldn't that be a mistake?" He attempts to show the fact that there has been a prevalence of population increase in the last five years from around 300 000 to 580 000, as he strongly believes that this is due to the influx of migrants to this region. Aswin claims that these migrants, who are originally poor in their respective regions and with limited skills, come to East Kalimantan to seek a better life, and this underpins the increase of poor people in the region. Masjaya (Interview on 21 December 2008) also argues that the reputation of East Kalimantan as a rich region has attracted many people to migrate to this region and this has created social problems, not only for the newcomers but also for the local people.

Fuad Asaddin is also a proponent of the view that massive population growth, which is particularly caused by the large inflow of migrants, has brought social problems. He further elaborates:

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<sup>105</sup> Eddy Heflin is a senior official at the Regional Development Planning Board of East Kalimantan. He is the head of the Economic Development Planning Division.

Alongside with the regional development in the forms of infrastructure and human resources development, this region also confronts some social problems, particularly poverty, which springs from the influx of new migrants. This situation is worsened by the lack of preparedness of the regional bureaucrats in handling the sudden increased authority and revenue received by the regional governments as a consequence of the implementation of regional autonomy. Many bureaucrats have to face legal issues in executing development programs because the behavior and the work pattern among local bureaucrats still follows the old ways, which included much collusion, corruption and nepotism. The principles of good governance have not become integrated into the implementation of development programs (Interview on 15 December 2008).

From discussion above, it is apparent that there is a tendency among some government officials, such as Syaiful Teteng, Eddhy Heflin, Aswin and Fuad Asaddin to blame the influx of immigrants for the poverty in East Kalimantan. There may be some truth in this argument, but it remains the case that poverty is most prevalent in the areas where local people live, such as West Kutai and Malinau.

Another factor that has been identified by members of the local elite that exacerbates the poverty issue in East Kalimantan is the unavailability of basic infrastructure. In relation to this issue, Aksa Arsyad, member of Paser district council from PKS, (Interview on 24 November 2008) states that the availability of roads that connected villages, sub districts and the capital of districts is one factor that may boost the economic development of the community. Unfortunately, the district government has been unable to provide road infrastructure to reach some villages and sub districts. This situation has hampered these communities' ability to participate in the regional economy and contributed to the lack of prosperity. In line with this issue, Fuad Asaddin (interview on 15 December 2008) argues that more than 350 villages in the East Kalimantan Province are located in isolated areas along the borders of neighboring countries. These villages do not have enough basic infrastructure, which condemns the villages' community to limited access to economic resources. The limited infrastructure also hinders the community economy and restricts them to interact with other communities to access public services such as education, health and economic centers.

The provision of basic infrastructure has become a challenge for regional governments. Indeed, East Kalimantan is extremely large and this has been considered as a hindrance in boosting regional development. Hadi Mulyadi<sup>106</sup> (Interview on 17 December 2008) states: “East Kalimantan is an extensive region, with very limited infrastructure. Therefore, it requires a huge budget.” Likewise, Aksa Arsyad<sup>107</sup> (interview on 24 November 2008) argues East Kalimantan provinces including Paser and Kutai Kertanegara districts are among districts that have huge territories. Compared to some districts in Java or Sulawesi, the areas of districts in East Kalimantan are far more extensive, with 11,600 square kilometers compared to 2000 square kilometers respectively. This suggests that the responsibilities of regional governments to develop all areas are more complicated. Consequently, many problems confronted by regional governments cannot be resolved immediately. Some officials and politicians state that the available financial resources are not sufficient to overcome the problems that need to be addressed.

Fathan Djunaedi<sup>108</sup>, the former head of Bappeda Kutai Kertanegara supports the view that the local budget is insufficient to deal with confronting regional problems. He states that in the case of Kutai Kertanegara, the available budget is not sufficient to pay for road maintenance as well as the establishment of new roads to connect to some isolated areas and to build connecting roads among villages. Fathan Djunaedi also argues that a huge amount of the Kutai Kertanegara budget has been allocated for PON<sup>109</sup> infrastructure development, as a consequence of the appointment of East Kalimantan to be the host of PON 2008, where Kutai Kertanegara becomes the host of 9 competitions. These PON projects have absorbed more than

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<sup>106</sup> Hadi Mulyadi is a member of East Kalimantan Provincial Council (DPRD KALTIM) from PKS. He is the Vice Head of DPRD, and in the last election (2008), he was running for vice governor with Ahmad Amin as a governor candidate. Unfortunately he was defeated in the election.

<sup>107</sup> Aksa Arsyad is a member of Paser District Council from Justice Prosperous Party (PKS). He is also the Chief of Legislative Budgeting Committee of Paser District DPRD.

<sup>108</sup> Fathan Djunaedi was the head of the Regional Development Planning Board of Kutai Kertanegara when the fieldwork conducted.

<sup>109</sup> PON stands for *Pekan Olahraga Nasional*. It is the national sport championships which is held every four years and followed by all provinces in Indonesia. In 2008, East Kalimantan hosted the 17<sup>th</sup> PON.

1.3 trillion of the district budget. Fathan Djunaedi states: “In fact Kutai Kertanegara is a rich district but we are also confronting complex problems, and this requires a large budget to resolve the problems” (interview on 14 January 2009).

Another perception of members of the elite in relation to factors which contribute to poverty in East Kalimantan seems to adopt the “blaming the victims” theory. Some officials and politicians attempt to express the opinion that local culture and individual mentality have contributed to poverty. Fathur Rahman argues:

Considering themselves as “*wong cilik*” (lower class) reflects a culture of poverty. It is a culture of dependence which regards poverty as destiny that may not be changed. They are always waiting for assistance from other people. Sometimes they demand financial support from companies in their neighborhood or they demand regional governments to do something for them, but they do not try to help themselves. For example, a certain community forced a plantation companies to provide plantations for them. However, when they got what they wanted, they did not manage the plantation properly (interview on 22 November 2008).

In addition to this issue Aksa Arsyad (interview on 24 November 2008) argues that it seems that any indigenous people are always in the margins, as they are quite satisfied with their situation and tend to isolate themselves from changes. They also tend to be short sighted: what they need today will be sought out today and the needs for tomorrow will be looked for in the day after today.

Similar to this contention, the former head of Bappeda Paser, Sanusi Oneih<sup>110</sup>, states:

Many of our poor people have their own plantation land, but do not cultivate it. They prefer to manage what nature has provided them. They are comfortable with the availability of natural resources, and this makes them uncompetitive. This is evident from the transmigration projects that involve both local people and immigrants. It is predictable that the new settlers who have been accustomed to hard work in their region origin, within the certain period of time, tend to be more prosperous compared to the local people (Interview with Sanusi Oneih on 23 November 2008).

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<sup>110</sup> Sanusi Oneih is the former head of Paser District Regional Development Planning Board (BAPPEDA). He is now retiring as a government official.

Zulkifli<sup>111</sup>, the chairman of KNPI Paser and Ishak Usman, who are commonly identified as leaders from the indigenous communities, also agree with the proposition that the local people have a low work ethos. Again, they present an example of transmigration projects, where the immigrants will make significant progress but the situation of local people will remain the same as prior to the project implemented. Zulkifli even states:

Indeed the local people are hard to help. To be frank, I am a local person but I am not ashamed to say that local people have a backward way of thinking. As an illustration, if regional governments give both immigrants and local people 20 cows, I am confident that in a couple of years the immigrants will have 25 cows or more. In contrast to the local people, the number of their cows could have decreased to less than 20 (interview on 26 November 2008).

In relation to this issue, Masjaya espouses the notion that it is natural that the people who live in the areas that have huge economic potential and vast natural resources tend to have relatively lower skills and enthusiasm for developing their lives, as they have mindsets that everything is easy to find. Masjaya (Interview on 21 December 2008) believes that these characteristics are entrenched in the attitudes of many local people. Unlike immigrants who may be originated from poorer regions, coming to the rich regions such as East Kalimantan has created opportunities for a better life than what they have had previously. They have principles that they have to return to their regions after they have achieved economic success. Masjaya argues that this principle has motivated them to gain more success in their new settlements. In contrast, the local people do not have the same motivation.

Fuad Asaddin endorses the proposition that the culture of poverty has very much influenced the persistence of poverty in East Kalimantan. Fuad Asaddin (interview on 15 December 2008) argues that this problem in relation to East Kalimantan is not merely because of insufficient income. He believes that even the average income of East Kalimantan residents is quite high. The problem actually lies in the way people spend their income, and this has a close relation to the people's way of thinking and culture: "Many

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<sup>111</sup> Zulkipli is the Chairman of Paser District Indonesian National Youth Council. He is also the Chairman of Pea Paser Bsu ( a local NGO)

people have high incomes and wealth such as gold jewelry, but they do not have enough education and they may suffer from illness.” Similar to what Fathur Rahman argues, Fuad Asaddin also affirms that the people’s way of thinking that accepts their current conditions and never tries to improve their lives is one factor that makes people live in a static situation, happy with their poor situation. Fuad Asaddin believes that the only way to remove them from this situation is by increasing their capabilities.

Eka Komariah Kuncoro<sup>112</sup> also admits that the phenomenon of poverty culture within community is undeniable. Eka Komariah Kuncoro (interview on 23 December 2008) states that many people have a lack of motivation and they just accept their current situation without any significant efforts to change it. They have principles that they have been destined to be poor. They are apathetic to change as everything has been provided by nature. As they live in isolated areas, they do not have any idea of how life is lived outside their environment. Unlike the life in urban areas where the spirit of competition is very high, the situation in rural areas is very different. Rural people tend to be satisfied with their situation, although if we compare their communities to non-rural communities, their standard of living is actually far behind. According to Eka Komariah Kuncoro, regional governments have a responsibility to increase the education of the whole community including those who live in isolated areas. Eka Komariah Kuncoro suggests that improving the quality of human resources for the whole community, particularly those in rural areas, should become a concern of regional governments. She claims that human resources development is always the top priority but in some cases it is still far from the expectation.

Nusyirwan Ismail<sup>113</sup>, the Deputy Mayor of Samarinda City (interview on 29 December 2008) also believes that there is a problem in people’s mentality, and this is particularly apparent among indigenous people. He

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<sup>112</sup> Eka Komariah Kuncoro is a member of Dewan Perwakilan Daerah (DPD). She is one of the four senators from East Kalimantan.

<sup>113</sup> He is a Deputy Mayor of Samarinda City. At the time of interview, He is leading the East Kalimantan Investment Board. Prior to being appointed to this position, he was the governor assistant for economic development. In 2008 governor election, he was a candidate for the governorship, but he was defeated by the current governor of Awang, Farouk Ishak.

provides an example of the way in which the indigenous people respond to the presence of some corporations in their areas and how they manage natural resources. Nusyirwan Ismail explains that many indigenous people are seeking to collaborate with corporations, such as coal and timber processing companies, and in return, the indigenous people will get compensated for access to their natural resources. According to Nusyirwan Ismail, receiving a fee from these companies has actually provided the opportunity for indigenous people to improve their quality of life. However, there are no significant efforts to self-improve their education and infrastructure and they spend the money on short-term happiness. They even sometimes threaten the stability of the companies around their areas by asking for unreasonable compensation with various unfounded reasons.

Dahri Yasin also reiterates the view that local culture compromises the poverty problem. He argues:

The stereotype of East Kalimantan people is that they are not highly motivated to take steps to progress themselves. Some of their traditional customs do not facilitate extruding themselves from poverty. East Kalimantan has extensive lands but people are reluctant to make the most of this potential. People prefer to live in the city and live in barely adequate conditions, rather than live in the villages and work in the agricultural sectors. Likewise those who live in the hinterland enjoy their routine life without thinking about achieving more prosperity for themselves or their families (interview on 18 December 2008).

In regard to the nature of indigenous people, Ali Hamdi<sup>114</sup>, member of DPRD East Kalimantan from PKS takes the view that poverty is also a result of the low competitiveness of people, which may be influenced by where people live. Ali Hamdi states: "It is natural, those who live in the environment where everything has been provided by nature, and people do not need to work hard to survive, usually creates a less competitive attitude" (Interview on 27 December 2008).

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<sup>114</sup> Ali Hamdi is a member of DPRD East Kalimantan from PKS. Prior to that, he was a member of Kutai Kertanegara District Council from the same party of PKS.

Azhar Baharudin<sup>115</sup>, Deputy of Paser District Council from PPP admits that local culture has to be developed alongside the current demand. The district government and all groups of community have to build synergy to develop the native people's culture. Azhar Baharudin states:

I understand that we, in Paser, have a cultural attitude that easily satisfied with what we have. For example, after harvesting, we tend to stop working while enjoying what we have got and do not think about what we will have for tomorrow. We never attempt to learn from our friends from Java; the Javanese, who keep working although they have just harvested. Our people have a wait and see attitude. We will do something when we see someone else succeed. For me, we should be most thankful to those immigrants who show us how to work hard. I think this has become a concern of the district government as some of the government programs have targeted *orang asli* (indigenous people) without neglecting other ethnic groups. We want to change the indigenous people's cultural attitudes from backwards to more progressive modes of thinking, through education (interview on 24 December 2008).

Another expression that shows "blaming the victims" theory is stated by Sanusi Oneih by attempting to show the people's attitudes in the process of poverty data collection. Sanusi Oneih (interview on 23 November 2008) states that the strong sense of brotherhood among communities has brought negative impact on the way people act. He gives an example, when the governments conducted a poverty census, and gave responsibility to neighborhood organizations (RT) to identify poor people in their respective areas;; many chairpersons of RT did not implement the census in an appropriate way so that the statistics do not always accurately reflect the real situation. Many of them include their immediate families in the list for receiving financial aid from governments, although they are not poor. Sanusi Oneih believes that this has precipitated an increase in the poverty rate. Syamsuddin Cukur<sup>116</sup>, member of Paser District Council from Golkar Party (Interview on 24 November 2008) states: "People try to misuse the government generosity. They try to use the opportunity for their own interest."

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<sup>115</sup> Azhar Bahruddin is the deputy of Paser District Council from the United Development Party (PPP). In 2010 Paser District Head Election, he ran for Deputy head of district candidacy but he and his pair was loser against the incumbent.

<sup>116</sup> Syamsuddin Cukur is a member of Paser District Council from the GOLKAR Party.

In relation to this issue, Zulkifli puts forward the view that local people are seeking to be identified as poor people. Zulkifli states: "I saw with my own eyes, many of my neighbors insisted that the chief of neighborhood organization (RT) register them as living in poverty so that they would be eligible for government cash payments (BLT), although they could not be classified as poor" (Interview on 26 November 2008). Zulkifli questions this kind of government program, which according to him; it even engenders the increase in the official poverty rate. He is suspicious that the government distracts people's attention from other problems by using programs such as BLT.

However, Carolus Tuah is skeptical of the proposition that poverty is a result of a poverty culture within the indigenous people. He asserts that even the term 'poverty culture' is promulgated systematically just to cover the weakness of governments. He argues that in fact government policy induced the rise of poverty. Carolus Tuah further states:

In my view, Regional governments do not have any idea about how to change the culture of poverty, if programs are mostly in the form of giving the hungry bread rather than giving stimulus so that the poor are able to buy bread. These kinds of programs even encourage a culture of poverty (interview on 18 December 2008).

Yunus Nusi endorses Carolus Tuah's view that poverty does not have any relation to indigenous people's culture. He even claims that this is an unfounded reason to justify the idea that poverty is not the failure of governments. Yunus Nusi states:

We have long heard that it is not the fault of government; rather it is local culture that causes poverty. Meaning since that time, regional governments have implemented comprehensive measures to address this issue. So there should not be any reason now that poverty is caused by the local culture. I am suspicious that it is the policies of regional governments that encourage the culture of poverty within the community (interview on 19 December 2008).

Another issue that is regarded as an influence in the poverty reduction program is the inaccuracy of poverty data. Zulkifli Alkaf<sup>117</sup> is one of the local politicians who believes that the inaccuracy of the current poverty data has exacerbated the poverty problem. In fact, current poverty data is collected based on a survey, which just produces the rate of poverty without the details of the poor. Zulkifli Alkaf argues: “We do not know the names and the addresses of the poor. Therefore the implementation of poverty reduction programs is always misdirected and poorly targeted” (interview on 18 December 2008).

In the case of East Kalimantan, there are four sources of poverty data, namely: BPS, BKKBN, Social Service and TPKD. As each institution uses different indicators in measuring poverty, these institutions produce four different poverty data, and these are always debatable in dealing with poverty issues. Ishak Usman (Interview on 24 November 2008) argues that each agency has their own poverty data with different standards and criteria. The debate on poverty data can be seen in Box 5-1.

**Box 5 - 1: Poverty Data Case**

Another issue that is evident from the fieldwork is about poverty data. Some respondents argue that the current poverty data is problematic because different agencies may have different poverty indicators and produce different poverty data. The poverty data produced by BPS and largely becomes the reference of governments has been criticized because the data is obtained through surveys by taking some areas as samples. Many of the respondents believe that the poverty data generated from this kind of method does not reflect the real situation. This data is unable to capture the reality and to identify the name and the location of the poor people. Some members of the local elite, for example Eddy Heflin (senior official) and Agus Sukaca (community leader) claim that the current poverty data is only based on surveys and the result is more like a data prediction. Eka Komariah Kuncoro endorses Agus Sukaca and Eddy Heflin’s views that the surveys, which only cover a certain group of community, will be unable to produce the real poverty data. Moreover, poverty data is also believed to be full of political intrigue. Fuad Asaddin claims that the poverty rate is politically determined

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<sup>117</sup> Zulkifli Alkaf is the former member of DPRD East Kalimantan from National Mandate Party (PAN). He was also involved in the budgeting team of East Kalimantan provincial council (DPRD). In 2009 General Election, he failed to secure his position in the provincial council.

based on the top leader's interests. The motivation has been that to display the successful of government in combating poverty.

Apart from the issues of methodology in the data collection, which implicate on the variety of poverty data, some respondents also believe that there has been a problem in the indicators of poverty. Fuad Asaddin (Interview on 15 December 2008) argues that the process of determining poverty criteria has been highly centralized and the criteria are more relevant to the national level and do not reflect the local conditions. In relation to the poverty criteria, Aswin states that the determination of poverty criteria will be much better if it is given to local authorities. He further argues:

It is hard to apply the national measurement of poverty across the country, as some of the criteria may not be applicable to the local situation. Some people who originated from other regions have good houses in their respective regions but they have inappropriate houses here. They do not build good houses here and choose to adopt a simple life so that they save money to take to home someday. Another national criterion of poverty is the availability of sanitation. In many cases this criterion is not applicable with the local situation as many of our people, regardless of their social status, still prefer to reside along the riverbank with very poor sanitation. Given this, the current criterion of poverty will automatically classify them as poor people although many of them are well off (interview on 12 January 2009).

Eka Komariah Kuncoro (interview on 23 December 2008) proposes some variables that may be taken into account in determining the indicators of poverty. These include: level of income, which may refer to the average of income required to be able to live properly; education attainment, which may be based on the number of family members able to attain compulsory education level; and the level of health of the whole family members, etc. Eka Komariah Kuncoro claims that if all these variables are included in the criteria of poor people, the poverty data collection will be able to produce the accurate data of poverty. Apart from these, Tony Budihartono (interview on 22 November 2008) adds asset ownership as a part of the criteria. He states: "If someone considers themselves a farmer but does not have any land, obviously they can be considered poor people."

To synchronize the differences in the indicators of poverty, Abdul Hamid<sup>118</sup> (Interview on 22 November 2008) suggests all agencies in charge with the poverty data, such as Social Welfare Agency, Public Health Agency, PMD, BAPPEDA and BPS should agree on the indicators and criteria of poverty

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<sup>118</sup> Abdul Hamid is a public figure. He is a retired of Paser District Government Official.

that fit with the local conditions. Similar to Abdul Hamid's contention, Irmajaya<sup>119</sup> (Interview on 01 November 2008) argues that in order to obtain accurate data on poverty, government agencies that are in charge in producing poverty data have to commit to change the system or working patterns by integrating all poverty criteria produced by different agencies. He believes that these have been very critical in order to significantly reduce poverty because the inaccuracy in poverty data potentially leads to the production of a biased policy.

Furthermore, Fuad Asaddin (Interview on 15 December 2008) suggests that it would be much better if the poverty data collection is conducted by regional government rather than central government. The reason is that regional governments are more knowledgeable about the poverty problems in their respective regions. Fuad Asaddin argues, although poverty eradication is a national program and the resources may be from the central government but in the implementation stages, central government should give authority to regional governments, as the phenomenon of poverty in each region has their own characteristics. Fuad Asaddin states, the poverty case in East Kalimantan is totally different from the poverty issue in Java. Perhaps the poverty in Java is mostly because of limited access to economic resources. While in East Kalimantan it may be due to the limited infrastructure. So, there is a significant distinctive between two regions, because basic infrastructure in Java has been relatively tolerable. Similarly, Eka Komariah Kuncoro (Interview on 23 December 2008) states that if the central government concerned about the accuracy of poverty data, it has to conduct a real census and involve the lower level of governments and local communities, such as RT (neighborhood organization). Yet, first of all, the government and all local stakeholders have to agree on the indicators and the criteria of poverty that comply with the local context.

Indeed, in effort to have an accurate poverty data, prior to implementing the program of Bantuan Langsung Tunai or Cash Money Grant to poor people as compensation of the increase of fuel in 2005, the central government through BPS conducted a census to get micro data of poor people. The result of this census has produced detailed information, including the name and the location of poor people. This data was used as a reference in distributing BLT.

However some respondents questioned the data produced from this census.

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<sup>119</sup> Irmajaya is a former member of Paser District Council (DPRD) from the GOLKAR Party. In the general election 2009, he failed to gain enough votes to preserve his position as a member of Paser District Council.

The fact shows that some people who supposed not receive BLT but they did. On the contrary some people, who supposed to be recipients, unfortunately their names were on the lists. Some respondents believe that the inaccuracy of data is contributed by the indicators used by BPS in determining poor people, which do not fit with the local situation. However, other respondents, such as Fathur Rahman argue that the criteria of poverty for BLT version have been quite right and applicable for the region. Fathur Rahman tends to see the problem in the process of gathering data, which subsequently contributes to the inaccuracy of data. Fathur Rahman states:

Before launching the BLT program, the BPS was instructed to collect poverty data. Due to the time limitations, the BPS used certain untrained people, who just asked the heads of villages or the heads of neighborhood organizations to report poor people in their respective areas. The resulting data showed that there were people with 17 pieces of land but were listed as being poor and eligible for BLT payments. Furthermore, during the data collection, some people pushed to be included in the list of those who would receive support. Some heads of villages (*kepala desa*) and chief of neighborhood organizations (RT) have also used this opportunity to include all their immediate relatives in the list, although in fact they are not poor (interview on 22 November 2008)

Given this phenomenon, it's debatable to include the lower level of governments in collecting poverty data because some respondents believe that even the head of villages also contribute to the inaccuracy of data obtained from the poverty census.

Another phenomenon from the BLT program was selling coupons. Aksha Arsyad claims that BLT has become a commercial commodity, as many of the recipients sold their coupons to other people because they could not wait the distribution of BLT, which was taken over quite a long time. He further states,

Our poor people needed money quickly, but the process of distributing (BLT) funds took too long. In the end, many of the (BLT) coupons valued at 300,000 rupiah were sold for 250,000 rupiah. Certainly, those who bought the coupons were well-off. Those who cashed in the coupons, bought from the poor, wore necklaces and carried mobile phones. In fact, they are not poor people but they had purchased the coupons from the poor people at a discounted rate (interview with Aksha Arsyad on 24 November 2008).

Among respondents believe that the inaccuracy of poverty data has an implication on the ineffectiveness of poverty reduction policy settings and many government programs proposed particularly for poverty reduction

programs are unable to reach the real target. Therefore, the senior officials, such as Hatta Garit, Helmy Lathyf and Fathur Rahman argue the poor database of poor people contributes to the poverty itself.

Luther Kombong<sup>120</sup> contends that the persistence of poverty cannot be separated from the past development policies, which were very much oriented to economic growth. Luther Kombong's argument might be true that earlier development strategies of the New Order regime, which emphasized the achievement of high economic growth, failed to cope with the poverty issues. Indeed, the New Order regime achieved a relatively high economic growth but this economic growth did not impact on the majority of people. The gap between the majority poor and the minority rich became wider. Another impact of the implementation of economic growth oriented strategy was that the domination of top-down policy-making and marginalization of people in the development process. Government officials were very dominant in the framing of development plans to ensure the achievement of the desired economic growth. Community as the target group only becomes the object of development. Selection of development programs was unilateral, less aspirational, and it did not provide authority and independence to the community.

The economic growth oriented development policy also created a gap between income and prosperity that occurs both between communities and between regions because the high economic growth did not necessary mean the expansion of employment opportunities. The planning process adopted sectoral and partial approaches (Supriatna, 1997:16; Deni and Sumantri, 2002:9). The development process was centered on production. Economic growth is achieved by taking industrialization and investment as a prime locomotive of development. To achieve the high economic growth, the development of modern sectors, - which was capital intensive and only reached certain community groups - had become a priority in economic development. Seeking to pursue high economic growth, the development

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<sup>120</sup> Luther Kombong is a member of the *Dewan Perwakilan Daerah Republik Indonesia (DPDRI)*/Regional Representative Council of the Republic of Indonesia from East Kalimantan.

strategies also focused on the areas that have been categorized as relatively well developed. Consequently, the areas that have been developed increasingly advanced and conversely less developed regions were getting left behind. These strategies have consequences on the centralization of development in urban areas. Access to government subsidies and provision of public services were biased towards the interests of the middle class and above who live in the city. The poor were actually more entitled to get it (see for example Effendi, 1986; Soegijoko, 1997:139).

### **5.5 Elite Perceptions of the Main Means to Reduce Poverty**

The perception of elites on the main means to reduce poverty has a correlation with what they believe to be the factors that may contribute to the persistence of poverty in East Kalimantan. As mentioned in the discussion above, it is clear that the weakness in regional government management has been regarded as one of the factors that contribute to the failure of regional governments in bringing community to greater prosperity. Therefore, among local elites there is a consensus that regional governments have to have a political will and commitment to deal with this issue.

Fuad Asaddin believes that the principles of good governance have not become a reference in implementing regional governments' agenda. Some problems in terms of budget mismanagement that mostly occur in the implementation of government projects seems to confirm that the principles of transparency and accountability are largely absent in the management of public development programs. Fuad Asaddin contends:

Seemingly, the increase in the budget has not be all that apparent on the level of people's prosperity, because in the implementation, there have been many distortions. I consider that it has become a commitment of the regional governments to implement development in accordance with the principles of good governance (interview on 15 December 2008).

In relation to this issue, Carolus Tuah (interview on 18 December 2008) states that to ensure the principles of good governance become the consideration in executing development programs, there has to be a

regulation that favors public participation in the decision-making process to ensure transference, particularly in the budgeting process.

In managing the poverty reduction programs on a case by case basis, Yusuf Sumako<sup>121</sup> (interview on 01 December 2008) proposes that there has to be a different approach to poverty reduction policy implementation. He believes that revitalizing the role of existing government institutions, such as *Tim Koordinasi Penanggulangan Kemiskinan Daerah* (TKPKD) or Coordination Team for Regional Poverty Reduction, may help to reduce coordination problems among government institutions, private companies and civil society in implementing poverty reduction programs. Yusuf Sumako, the former head of Rural Community Development Agency states:

The budget allocation of the regional governments for poverty reduction programs has been quite high. In addition, private companies through their Corporate Social Responsibility programs have also allocated significant funds for poverty reduction. If these resources are well managed and coordinated, it potentially addresses the problems of poverty within the community. In addition, so far, the poverty alleviation programs have very much relied on the government budget. The poverty alleviation programs will run when the APBD has been approved or the funds from the central government have been transferred to the region, with the consequence that the problem of poverty is not tackled immediately and becomes worse the longer it is left. If the CSR funds from the private companies were well managed with the regional governments, this might help us overcome poverty. However, there are community groups, such as the LPM, that ask for grants from private companies and use the grants for their own interests and these are not well coordinated (interview on 01 December 2008).

Similarly, Dahri Yasin attempts to propose some policies that may be adopted to reduce poverty in the region. Dahri Yasin (interview on 18 December 2008) suggests regional government to be more selective in proposing the projects to be funded through local budget considering the urgency and usefulness of the proposed projects. He tries to point out some projects that have expended huge budgets but do not give significant benefits to the whole community. Dahri Yasin states:

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<sup>121</sup> At the time of interview, Yusuf Sumako was the head of *Kantor Pemberdayaan Masyarakat Desa/Rural Community Development Agency* of Paser District Government. Although he is one of the officials within the Paser District Government, he provides strong criticism of regional development.

Don't build new schools with full facilities in areas where there are few people. In many cases, there are schools built to suit the interest of a few people without considering more pressing priorities. Hence, the regional governments should focus on providing infrastructure related to community economic development. We have to give priority to developing people's capacities in terms of knowledge, morality and skills in their own fields (interview on 18 December 2008).

Dahri Yasin also claims that it is quite simple to judge whether regional governments have proposed pro-poor programs. He states that the poverty pockets are mostly located in fishing and farming areas. However, if we look at the allocation of local budget to these sectors, it is obvious that this section of the community has not become the regional governments' priority. Dahri Yasin further argues:

We haven't seen any serious effort from regional governments to increase the prosperity of farmers and fishermen. We can actually help the fishing community with the packaging and marketing of their catch, so that they receive an increased return. The regional governments have to provide advice and guidance for the farmers and fishermen to improve the management of their businesses. We have only thought of them as producers. Furthermore, the regional governments should support them with the distribution of their products, which is related to the provision of a of road infrastructure that enables farmers to transport their products to market. Unfortunately, the regional government has not sufficiently addressed these issues (interview on 18 December 2008).

The former Deputy Head of Paser District, Hatta Garit<sup>122</sup> (Interview on 27 November 2008) endorses Dahri Yasin's opinion that as the majority of poor people are located in rural areas, where the main livelihoods are from agriculture subsistence, so the regional government policy should focus on agriculture subsistence, which includes plantation, raising livestock and fishery sectors. In relation to this, Awang Farouk Ishak (interview on 09 January 2008) admits that the former development policy is not consistent with the planning documents, such as RPJM and RPJP. He argues that past experience should become a lesson for the current provincial government to consistently implement regional development programs that have been

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<sup>122</sup> Hatta Garit is the former deputy head of the Paser District Government. During the interview he was still active as deputy head of the Paser District Government

decided. Ali Wardhana<sup>123</sup> (interview on 19 December 2008) suggests that regional governments should consistently deal with the identified issue and implement program priorities that have been proposed. The planning process should also involve all stakeholders including local NGOs and university students, to gain feedback from the public.

In line with this proposition, Yusuf Sumako (interview on 01 December 2008) also suggests that as the poverty problem is more prevalent in rural areas, the development agenda should focus on rural areas. He believes that rural community development programs are viable to deal with poverty in rural areas. The programs may be in the form of providing financial assistance and assigning more authority to rural communities to manage transferred funds based on need.

Sanusi Oneih supports Yusuf Sumako's contention by stating that regional governments have to give more autonomy to village governments. The basic reason is that rural people are more informed of their situations and needs. Sanusi Oneih (interview on 23 November 2008) strongly believes that village autonomy will facilitate poverty reduction in rural areas, as it will create more job opportunities in the villages and will further enhance the participation of rural people in village development. However, in the implementation process, the control from the higher level governments is required to ensure village autonomy runs effectively and funds transferred to the village are used in a proper way for poverty reduction.

It is also apparent that many politicians and officials believe that infrastructure development is one of the main means to reduce poverty. Dahri Yasin, for example, believes that infrastructure development may facilitate the growth of regional economy. Dahri Yasin states:

In fact the local budget has allocated considerable funds to develop infrastructure. However, this infrastructure development has had little impact on the community because it has been more about the construction of buildings rather than construction of roads that will support regional economic development (interview on 18 December 2008).

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<sup>123</sup> Ali Wardhana is one of the higher education student figures. He is the Chairman of Student Executive Board (BEM) of Mulawarman University.

Nusyirwan Ismail reiterates Dahri Yasin's view that regional governments fail to provide access to local people. Many people, particularly those who live in remote areas, suffer from high economic costs resulting from poor road infrastructure connecting their areas. Nusyirwan Ismail takes Kutai Kertanegara as an example. He claims that more of the local budget of Kutai Kertanegara has been allocated to development in Tenggarong as the capital of the district, while opening access to remote areas, which is supposed to be prioritized, seems to be neglected by the district government. Nusyirwan Ismail states: "Indeed, the allocation of budget has supported infrastructure development, but it has focused on the district capitals and is mainly enjoyed by the local elites rather than the people in the hinterland" (interview on 29 December 2008).

Zulkipli Alkaf concurs with Dahri Yasin and Nusyirwan Ismail's views that the availability of infrastructure plays an important role in boosting local economic activities, which may facilitate the alleviation of poverty in the region. Therefore, Zulkifli Alkaf (interview on 18 December 2008) suggests that regional governments should focus on infrastructure development, particularly road constructions, to provide access to those who live in the hinterland. He believes that the availability of road infrastructure and affordable public transportation would trigger economic activities and people's mobility. It will also add value to increase local prosperity.

Human resources development has also been regarded as the key means of reducing poverty in this region. Among local elites there is a perception that the incapacity of decision makers has contributed to the ineffectiveness in regional government management. Nusyirwan Ismail claims:

Here I see that the capacity of members of council and regional government officials is a problem and far below the required standard. For me, the problem lies in government management, not simply in the budget. The issue is how the regional governments identify the problems and determine program priorities that address the roots of the problem (interview on 29 December 2008).

Similarly, Zulkipli Alkaf argues that the issue of low quality human resources not only occurs at the community level but exists among

bureaucrats and politicians. Therefore, he suggests that there has to be a general awareness from each local stakeholder to improve their capacity.

Zulkifli Alkaf states:

The executive members, particularly those involved in the decision-making process should have enough capacity to handle their important role as decision makers. The head of district or governor has to give the position to the staff who have competency and capacity to handle the role. Political parties also have to take into account the capacity of their politicians to be nominated as a council member's candidate. At the same time, the communities, who elect those politicians to represent them in the regional council, have to be very careful in using their right to vote. The capacity of council member's candidates must become the first measurement beyond other considerations in the election (interview on 18 December 2008).

In addressing the issue of regional government staff capacity, Aksa Arsyad (interview on 24 November 2008) suggests that regional governments should give opportunities to staff members who have enough capacity and competency to help in developing the region: "If required, we can invite outsiders rather than just use the existing staff." He also recommends that regional governments must develop the capacity of their existing staff by supporting them to gain more expertise in their respective fields through short courses, professional training, and even to pursue formal higher education: "We expect that through these professional development programs, members of staff can improve their skills and adopt a new outlook and attitude, which will be useful in developing the region."

Aksa Arsyad also suggests that the appointment of staff to occupy certain positions within regional government institutions have to be based on the competency of staff. He criticizes the Paser district government policy that appoints the heads of certain technical agencies without considering their competency and educational backgrounds. He gives the example of the appointment of head of Public Works Services of Paser who does not have technical background on public works matters. Aksa Arsyad claims: "There are many development programs that have been technically difficult to implement. I suspect that this is related to the lack of technical understanding of the senior officials" (interview on 24 November 2008).

Alongside the improvement of bureaucrats' capacity, local elites also believe that there has to be a serious effort on the part of regional governments to improve the capacity of local people through education development. Nusyirwan Ismail, for example, argues that education is the key factor to address poverty in this region, particularly in coping with the problem of local people mentality, and this issue has to become the priority of regional governments. He states that many indigenous people, who have gained better education, are able to compete with immigrants for appropriate jobs. Nusyirwan Ismail states:

The immigrant communities have skills. This is the key to their success. This is different from some East Kalimantan people, who don't have the skills and live the interior. Our people also tend to have a consumptive way of life rather than be more productive. As long as they feel satisfied with what they have, they will not strive to improve their living standards (interview on 29 December 2008)

Eka Komariah Kuncoro is preoccupied with the contention that the root of all these problems lies in the quality of human resources. She emphasizes that regional governments have the responsibility to provide all necessary facilities to enable the local community to have access to education. Eka Komariah Kuncoro (interview on 23 December 2008) further suggests that regional governments have to provide school facilities and ensure that all people have access to education. She believes that providing education to community will help to develop the perspective and insight of local people, particularly those who are living in remote areas. She suggests that it would be better if regional governments provide opportunities for indigenous people to pursue higher education in urban areas. Eka Komariah Kuncoro believes that such programs may change the backward mindset of indigenous community.

However, Eka Komariah Kuncoro is disenchanted with the commitment of regional governments towards education development, as she believes development is limited to discourse. Eka Komariah Kuncoro attempts to point out the allocation of local budget for education development, which according to her, is still far from the expectation. The same cases also occur in other sectors that contribute to the human quality

of life, such as health. Eka Komariah Kuncoro claims that budget allocations for education and health sectors are still very limited. She further argues that it is hard to expect the human development index to be improved if education and health indicators still show poor performances.

Syaiful Teteng (interview on 31 December 2008) also believes that poverty is closely related to the quality of human resources, and he believes that it will take some time to achieve high quality human resources. So, in the short term, regional governments should give priority to those who have low skills. Syaiful Teteng believes that *Padat Karya* (intensive workers) projects will empower lower skilled people to participate in projects. It is expected that these sorts of projects will ignite poor people's economic development.

Nusyirwan Ismail also adopts the view that the problem is not only because local people lack skills knowledge. It is also due to low skills within the local community, and this is not only a problem for lower classes but also the middle class. He admits that East Kalimantan people are not as highly educated as those in other regions. Nusyirwan Ismail (interview on 29 December 2008) argues that education and training have failed to create skilled people to compete in the labor market. He strongly believes that to combat poverty in East Kalimantan, regional governments must focus on education development and equip the whole community with competitive skills in many areas of competency.

Other politicians propose that a systematic effort is needed to change the mindset of people through counseling, coaching and mentoring. Fathur Rahman, for example, suggests:

We need to develop an understanding in the community about their circumstances: What they have achieved and experienced is not yet good enough. We have to empower them, so that they understand their weaknesses and strengths and from there they can overcome their backwardness. I know this will be a long-term project and will take a long time to achieve it. However, this has to become the commitment of regional governments to develop a better life for the local community (Interview on 22 November 2008).

Aksa Arsyad (Interview on 24 November 2008) also believes that changing the indigenous people's way of thinking is crucial, and this can only be achieved if there is a serious effort from regional governments to

consistently provide local coaching. This program should involve agriculture, fishery, husbandry, social and other pertinent government agencies.

Hafidz Anwar also concurs that human resources development is key to reducing poverty. Hafidz Anwar (interview on 9 January 2009) states: “If a person’s education is good, they have to think: ‘I don’t have to be poor’. If a person has that kind of understanding, they will work hard to improve their standard of living. With this attitude they can avoid becoming poor.”

Another way to reduce poverty as perceived by local elites is by increasing the people’s economic entitlement through financial capital support. Ardiningsih<sup>124</sup> (interview on 18 December 2008) believes that poverty is closely related to economic conditions, so she suggests that poverty reduction policy will be more workable if people are given financial capital to develop their basic livelihood. She further states that in order to do so, the poverty database has to be able to map the poor people’s life skills, such as merchants, farmers, fishermen, workshops, tailors, etc. And poverty reduction programs in the form of financial or equipment support will help people develop their businesses. It is expected that these sorts of programs will help to improve poor family’s economic conditions.

## **5.6 Elite Perceptions of the Role of Regional Governments in Poverty Reduction**

The analysis of local elite perceptions regarding the role of regional governments in combating poverty seems to reach a consensus that regional governments play an important role in tackling poverty in the regions. Some members of the local elite adopt this perception by looking at the limited participation of private sector investments in regional development, particularly in providing basic infrastructure. They point out that the provision of basic infrastructure in Java is largely provided by private sector investment, while East Kalimantan infrastructure development projects rely mostly on regional governments’ investments (see for example Bataviase, 18 January 2010; Diskominfo Kaltim, 2011; Kaltim Post, 27 October 2009;

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<sup>124</sup> Ardiningsih is the head of Social Bureau at the East Kalimantan provincial secretary

Subiyanto, 27 March 2011).<sup>125</sup> Some projects, for example highway construction connecting Balikpapan and Samarinda, will be constructed initially by the private sector. However these projects have to be managed by provincial government and funded through local budgets (APBD), as private businesses seem to be reluctant to participate in these projects. This becomes counterproductive as some scholars believe that private sector involvement through public–private partnerships (PPPs) has been crucial to achieve the desired results from the implementation of decentralization (see for example Gidman et al., 1995; Saasa, 2002).

Indeed, the presence of private investments through mining industries has made a significant contribution to the East Kalimantan economy. The data suggests that more than 80 percent of regional incomes of APBD come from sharing revenue generated from natural resources exploitation. These private corporations pay taxes to the central government, and this revenue is transferred to the region through revenue sharing schemes as mentioned in Law 33/2004. However, the direct impact of the presence of corporations toward local people has been insignificant, because they tend to operate in the “enclave economy” (see Chapter 4). Indeed, many foreign mining companies build infrastructure but it is mostly for their own use to enhance company activities. In such circumstances, the role of regional government has become more pivotal in providing basic infrastructure to the local community.

In relation to the involvement of private sectors in regional development, Fuad Asaddin (interview on 15 December 2008) argues that government investments are meant to supplement private sector investments. However, in the case of East Kalimantan, even the private sector, particularly local private companies, rely on government projects. In line with Fuad Asaddin’s contention, Zulkifli Alkaf argues:

In other regions, regional development has been very much supported by the private sector. Yet, in the case of East Kalimantan, regional

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<sup>125</sup> In many occasion, the Governor of East Kalimantan, Awang Faroek complains about the lack participation of corporations operating in East Kalimantan in regional development. See for example Bataviase (2010); Diskominfo Kaltim (2011); Kaltim Post (2009a); Subiyanto (2011)

government expenditure has been the key source of regional development. This means that if there the regional government budget has not been approved, the private sector cannot function. This indicates that the private sector is also highly dependent on the regional governments' investments (interview on 18 December 2008).

All these propositions seem to confirm that the involvement of regional governments in poverty reduction has been critical, as regional government investment through APBD plays a pivotal role in mobilizing economic activities in the regions.

Another contention that implies that regional governments play a pivotal role in alleviating poverty can be seen from the following statement. Ridwan Suwidi claims that:

I consider the role of regional governments in tackling poverty issues to be most strategic. It can't be forgotten that in the four months following my appointment as the head of district, I proposed free government services for the community, particularly for poor families, including programs of free health and education services. For health services, the district government paid 100% of the medical treatment of the patients from poor families, including the costs for treatment, medication, and even if the patients need to be referred to other hospitals, we will cover all the costs. In the education sector, we waive all the fees that may discourage parents from sending their children to school. This program is running from primary schools until high schools. Until now, we have sent more than a thousand students from this region to pursue higher education in many universities in Indonesia. All this demonstrates our commitment to help our community particularly the financially less capable (interview on 01 December 2008).

It is interesting to note, in some cases, that politicians and officials emphasize the importance of regional governments. However, their attitudes towards poverty reduction and the poor are much more ambivalent. Aswin, for example, states:

We may look at them as poor people but basically they are not poor. They actually have enough income. Here their houses would be considered inappropriate, but in their own villages they have good houses. Here, they choose not to build good houses and prefer to have a simple style of life. Another example, if you look at people in Kota Bangun, you may consider that all the community there are poor, as they live along the river banks with very poor sanitation. Yet many of them are Hajjs. They are actually wealthy. If people from other regions see their living conditions, they would consider the villagers

poor, but in fact they are rich and have luxurious houses (Interview on 12 January 2009).

This statement seems to deny the presence of poverty within the community and may be interpreted as poverty not being a crucial issue. And therefore regional governments do not need to take action to combat poverty. These sorts of perceptions may suggest that regional governments do not have an important role to play in alleviating poverty.

## 5.7 Conclusion

The structure of social and political elites in East Kalimantan differs from other regions in Indonesia. Unlike other regions, where local elites are generally dominated by indigenous people, in the case of East Kalimantan, immigrants constitute the majority of the local elites. The domination of migrants is heavily shaped by the long history of immigration from other regions to East Kalimantan, which has developed into a frontier society.

The discussion above shows that the long history of migration has shaped East Kalimantan as a heterogeneous community developing a new culture and identity. Attracted by greater opportunities to improve their economic welfare in a developing economy, the migrant communities have developed a work ethic and an ideal to create a more prosperous society. The dominance of migrants, in economic activities has provided more opportunities to gain better qualifications and education, which creates the conditions for migrants to form a frontier society and occupy important positions in the community. This is reflected in the dominance of settlers in the regional councils, regional governments and key positions in community organizations in East Kalimantan.

The domination of migrants, many of whom have come to identify themselves as *“putra daerah”* or sons of the region in the composition of elite structure, foreshadows the way people define the concept of *“putra daerah”/son of the region*. Surprisingly, unlike other regions, which tend to define *“putra daerah”* in terms of ethnic identity; in East Kalimantan, people both from migrants and local people tend define *“putra daerah”* in the sense

of commitment to participate in regional development, regardless of ethnic background.

It is also apparent from the discussion above that there has been a crude correlation between poverty distribution, impoverished sections of the community and local elite structure. This study points to the fact that geographically, the distribution of poverty in East Kalimantan is more prevalent in the hinterland and in isolated areas, which have poor infrastructure and are mostly inhabited by indigenous Dayaks. Most Dayaks are Christians and they rely on traditional subsistence agriculture. The study demonstrates that the demographic profile of poor people in the frontier, resource rich economy of East Kalimantan is somewhat different from the local elite structure, which is mainly dominated by immigrants from a largely Islamic background. This combination of findings supports the premise that subsistence agriculture, isolation, poor infrastructure and indigenous, largely Christian populations tend to be related to each other and constitute the dominant poverty profile in East Kalimantan. This research seems to be consistent with that of Rusco and Rusco (1975) and McNeish and Eversole (2005) which found that in most countries, indigenous people have less access to education, health culture, religion, justice, employment opportunity and political life than other groups in the community.

In terms of the perception of political elites in East Kalimantan about poverty, this research suggests some variations in opinions of local elites in defining poverty. Some define poverty as economic deprivation in terms of income, assets ownership and job attendance. Others attempt to conceptualize poverty as a mindset (way of thinking). This suggests that some members of the local elites believe that local indigenous culture is not supportive and is responsible for the persistence of poverty. The mentality of low motivation and expectations, resulting in people failing to strive to improve their economic circumstances and living standards, seems prevalent in indigenous communities, in the perceptions of some members of the migrant elite. This has been postulated as indigenous cultural values that do not support poverty alleviation (see for example Berthoud et al., 1981;

Leacock, 1971; Lewis, 1962).<sup>126</sup> It is interesting to note that a crude connection is being made in these sorts of judgments, in the thinking of the elite from, immigrant backgrounds, about the poorest sections of the community who are mainly indigenous people. In other words, the immigrant-dominated elites tend to adopt a 'victim blaming' rationale that people are poor because of their own choices.

Another variant of 'blaming the victim' evident among some members of the elite was a disposition not to acknowledge the phenomenon of poverty in East Kalimantan, suggesting that those categorized as poor are basically not poor because they are actually satisfied with their current living conditions, although when compared to other groups in the community, their standard of living is well below the poverty line. This sort of attitude is consistent with the values embraced by local elites, notably those from immigrant backgrounds, who have formed a frontier society in a region of great economic potential. The thesis argues that these sorts of attitudes among local elites have influenced the nature of the decision-making process. Therefore, it is not surprising that poverty issues have not become a priority for policy makers, in terms of the allocation of resources for alleviating poverty (see Chapter 6).

Referring to the concepts of poverty discussed in the Literature Review, from a theoretical perspective, the elites' perception of poverty can be divided into two streams of thinking, neo-liberal and social democratic paradigms. Some members of the elite adopt the neo-liberal perspective that poverty is the result of the individual's failure to utilize opportunities. This can be seen from views of bureaucrats and politicians, such as Fathur Rahman, Sanusi Oneih, Syaiful Teteng, Fuad Asaddin, Ali Hamdi and Dahri Yasin, who attribute the problem to individuals' negative behavior as they fail to embrace change and development. In contrast, another group of

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<sup>126</sup> Many theorists believe that the existence of a culture of poverty is reinforced by a virtually autonomous subculture among the poor, in the sense of resignation or fatalism and the inability to manage their aspirations in order to plan a better future. These characteristics are contributed to by low educational motivation and lack of desire for change, and feeling disadvantaged. In brief, the poor are poor through their own lack of ability and initiative. See for example Berthoud et.al (1981); Leacock (1971); Lewis (1962).

predominantly local NGO and student activists like Carolus Tuah, Ali Wardhana and Agus Sukaca, who are also mostly of migrant background and adopt a more social democratic approach in the way they view the phenomenon of poverty. They see poverty as a result of regional governments' failure to provide basic services to satisfy the needs of the local community. The failure of regional governments in providing access to economic resources, basic infrastructure, affordable health and education are considered to be the factors that contribute to poverty. Interestingly, all groups among the local elites including bureaucrats, politicians and those working outside government – NGO and student activists - seem to share a social democratic approach that believes government should be involved in poverty reduction programs.

Another interesting point is that, there is a diversity of perceptions about poverty among the senior bureaucrats, members of regional councils (DPRD), heads of government (*Bupati* and Governors) and community leaders. This can be illustrated by looking at the perceptions of senior regional government officials, which may be similar to the perceptions of leaders of non-government organizations. In some cases, for example, the leaders of local NGOs, public figures and members of councils may consider that poverty is a result of the failure of regional government anti-poverty programs. Interestingly, senior government officials may also acknowledge that the ineffectiveness of regional poverty reduction programs has contributed to the poverty problem. In other words, all groups of elite tend to fit into the “social democrat” stream of thinking. One unanticipated result from this study was that while there was a considerable diversity of perceptions across local elites on the issue of poverty, it was not possible to relate these different perceptions simply to the role and position of members of the local elite.

The discussion of regional development programs in terms of program and funding priorities and the evaluation of provincial government achievement will be presented in the next chapter.

## CHAPTER 6

### REGIONAL DEVELOPMENT PROGRAMS AND THE ELITES' EVALUATION

#### 6.1 Introduction

The previous chapter elaborated the structure of political elites in East Kalimantan and their perceptions of poverty issues, which include how they define poverty, the main causes of poverty and the means to reduce poverty. The previous chapter also discussed the role of regional governments in poverty reduction. This chapter focuses on the elaboration of regional development programs, particularly development program priorities, as stated in planning documents such as RPJMD.<sup>127</sup> The chapter also analyses the extent to which these program priorities are consistently implemented by regional governments. Consistency in implementing program priorities is examined through the analysis of local budget allocation.

The chapter illustrates the mechanisms of regional development planning arrangements, followed by the discussion of development program priorities that were proposed by regional governments to deal with these confronting issues. The elaboration of regional government policies and programs for poverty alleviation is also covered in this chapter. The next section discusses the allocation of *Anggaran Pendapatan dan Belanja Daerah (APBD)*/local budget in terms of the proportion of the local budget allocated for addressing program priorities. The next section presents local elites' evaluation of regional development, which encompasses an assessment of development programs implemented by regional governments.

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<sup>127</sup> RPJMD is an abbreviation of *Rencana Pembangunan Jangka Menengah Daerah*. It is an elaboration of the vision, mission and programs of regional heads (Governor and Head of District). It contains regional financial policy direction, strategy for regional development, public policy and regional government work unit programs.

## 6.2 Regional Development Planning Process

Regional development planning is an integral part of the national development planning system. Therefore, development planning at all levels of government is administered under the same regulatory frameworks. Since the implementation of regional autonomy, the mechanism for regional development planning documentation has been revised twice. The former mechanism was conducted based on Law 22/1999 on Regional Government. This law introduced the *Program Pembangunan Daerah* (PROPEDA)<sup>128</sup>/Regional Development Program that comprises the regional development plan for a period of five years. The current mechanism refers to Law 25/2004 and Law 32/2004 on the National Development Planning System and Regional Government respectively. Both laws were enacted by the central government in 2004. These new laws provide guidance for the central government as well as regional governments at, both provincial and district/municipal levels, in preparing development planning documents. The new laws introduce new terms in regional development plans, which include *Rencana Pembangunan Jangka Panjang Daerah* (RPJPD)/Long Term Regional Development Plan,<sup>129</sup> *Rencana Pembangunan Jangka Menengah Daerah* (RPJMD)/Medium Term Regional Development Plan<sup>130</sup> and *Rencana Kerja Pemerintah Daerah* (RKPD)/Regional Government Work plan.<sup>131</sup> And they replaces the former terms of *Pola Dasar*/POLDAS (Basic Framework), *Program Pembangunan Daerah*/PROPEDA (Regional Development

<sup>128</sup> PROPEDA, which is currently called RPJMD, stands for *Program Pembangunan Daerah*. It is a planning document for a period of five years.

<sup>129</sup> RPJP, which is formerly called POLDAS, stands for *Rencana Pembangunan Jangka Panjang Daerah* or Long Term Regional Development Plan. RPJPD is regional development plans for 20 years (long-term). RPJPD, which is arranged by referring to national and provincial RPJP, accommodates the vision, mission and direction of regional development for 20 years.

<sup>130</sup> RPJMD is five years (medium-term). RPJMD is an elaboration of the vision, mission, and programs of the elected governor/head of districts, which promulgated during the election campaign. RPJM is arranged by referring to RPJPD and contains regional financial policy, regional development strategies and general policies, and regional government unit programs.

<sup>131</sup> RKPD, formerly called RENSTRADA, stands for *Rencana Kerja Pemerintah Daerah*. It is an annual development plan (short term) that elaborates the medium term Regional Development Plan (RPJMD). This document contains the framework of regional economy, regional development priorities, regional government work plans and funding allocation.

Program) and *Rencana Strategi Daerah/RENSTRADA* (Regional Strategic Plan) respectively.

To gain a clear understanding of how *RPJMD*, *RKPD* and *APBD* are prepared, it is useful to elaborate the process of formulating these planning documents normatively based on the existing regulations. This will help to clarify which stages of the decision-making process are inconsistent, as discussed later in this chapter.

Based on the above mentioned laws, each provincial and district government is required to formulate *RPJPD*, *RPJMD* and *RKPD*. *BAPPEDA* is the designated institution within regional governments that serves as a coordinating body for these planning documents.

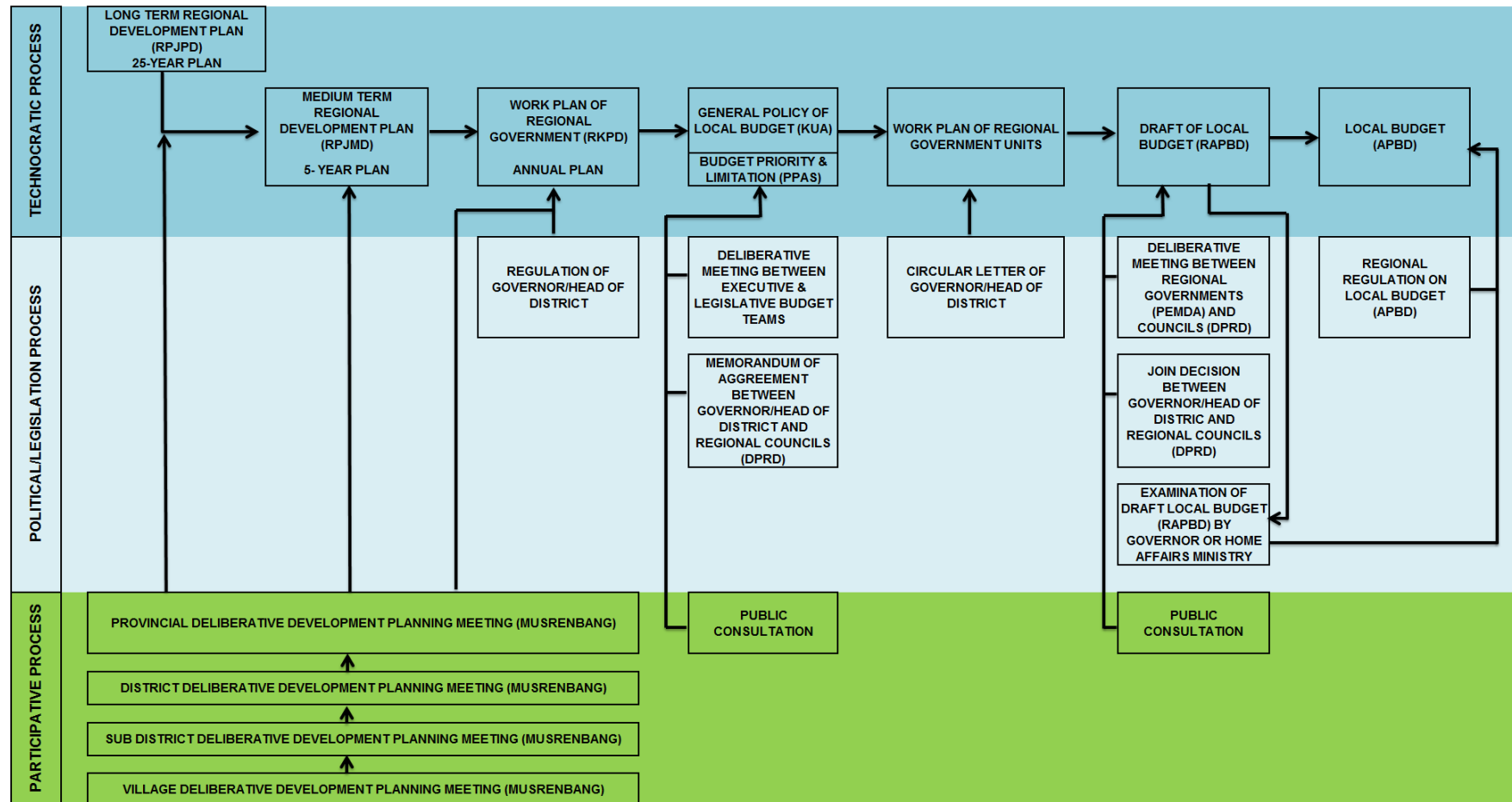
*RKPD* plays an important role in maintaining consistency between the objectives of medium-term development with the aims of annual development planning and budgeting. *RKPD* subsequently becomes a reference for governors/heads of districts and regional councils (*DPRD*) in preparing the documents of *Kebijakan Umum APBD/KUAPBD* (General Policy of Local Budget) and *Prioritas dan Plafon Anggaran Sementara/PPAS* (draft of Priorities and Platform of Budgets). *KUA/PPAS* agreed on by regional government and council becomes a reference for preparing *Rancangan Anggaran dan Pendapatan dan Belanja Daerah/ RAPBD* (local budget draft). The documents of *KUA* and *PPAS* have an important function in ensuring the consistency of planning documents during the budgeting process.

Preparing the draft of a local budget (*RAPBD*) is the final step in annual regional development planning and budgeting. *RAPBD* is jointly prepared by *Tim Anggaran Pemerintah Daerah/TAPD* (the Budget Committee of Regional Government) and *Badan Anggaran DPRD/BANGGAR DPRD* (the Budget Committee of Regional Councils) prior to being taken to the regional council plenary session for approval. The draft that has been approved by regional councils is subsequently taken to the governor or Ministry of Home Affairs for further assessment for it is ratified as a *Peraturan Daerah (Perda)/Regional Regulation*.

In preparing these planning documents, Law 25/2004 prescribes five approaches that must be incorporated and utilized by local policy makers. These encompass technocratic, political, participatory, top-down and bottom-up approaches. The political approach recognizes that the governor or head of district is a political position. This approach aims to accommodate development programs offered by the governor or head of districts candidates during *Pemilihan Umum Kepala Daerah (Pemilukada)*/General Regional Election campaigns. The involvement of regional council members in preparing planning documents reflects the implementation of the political approach in decision-making. The technocratic approach is implemented by imposing strategic thinking through scientific methods and frameworks that utilize relevant data. It is conducted by the institution or regional government unit (BAPPEDA) that is responsible for preparing planning documents. Planning with a participatory approach is implemented with the involvement of all interested parties or regional development stakeholders. It is expected that participation by all stakeholders will accommodate their interests and create a sense of belonging. It will also ensure equality between stakeholders, government and non-government organizations in the decision-making process and further promote transparency and accountability in the planning process. Meanwhile, a fusion of top-down and bottom-up approaches has been introduced across all levels of government through consultative meetings (*Musyawarah Perencanaan Pembangunan/Musrenbang*)<sup>132</sup> conducted in stages, starting from village, sub district, district and province to the national level.

<sup>132</sup> *MUSRENBANG*, formerly called *RAKORBANG* (*Rapat Koordinasi Pembangunan/Development Coordination Meeting*), which stands for *Musyawarah Perencanaan Pembangunan* is a forum for all development stakeholders in the process of national or regional development planning.

Figure 6 - 1: Regional Development Planning Mechanism



Adapted from: Law 25/2004, 32/2004 and 17/2003, Government Regulation 58/2005 and 39/2007, Circular letter of Home Affairs Ministry 050/200/II/BANGDA/2008, Decrees of Home Affairs Ministry 13/2006 and 59/2007.

### 6.3 Regional Development Planning Process in East Kalimantan

Adapting to the changes in the planning systems, since the implementation of regional autonomy, East Kalimantan Province has produced one long-term planning document (RPJPD) and two documents for five-year plans. The first planning document, which is called *Rencana Pembangunan Jangka Panjang Daerah 2005 – 2015/long term plan*, was initiated by regional government through *Badan Perencanaan Pembangunan Daerah/BAPPEDA* (Regional Development Planning Board) in 2005. This document was formalized and approved by the Regional Council (DPRD) in 2009 through PERDA 15/2008. The second document is a medium-term plan, which is called *Program Pembangunan Daerah (PROPEDA) Provinsi Kalimantan Timur Tahun 2001-2005/Regional Development Plan for East Kalimantan Year 2001 – 2005*. The document was introduced in 2001 through *Peraturan Daerah (PERDA)/Regional Regulation 5/2001*. Another five-year plan was initiated in 2009 to replace PROPEDA. This document is called *Rencana Pembangunan Jangka Menengah Daerah (RPJMD) Kalimantan Timur 2009 – 2013*. In the case of East Kalimantan, there had been a long transition period (up to three years) to start adapting the new planning system. As the PROPEDA would be valid until 2005, the regional government did not initiate the new arrangement of RPJMD as prescribed by Laws 25/2004 and 32/2004. The arrangement of RPJMD was initiated in 2009 after the first direct election succeeded to elect the new governor and deputy governor of East Kalimantan for 2008 to 2013.

During the transition period from 2006 to 2008, the provincial government of East Kalimantan initiated a three-year planning document called *Rencana Strategi Daerah (RENSTRADA)/Regional Strategic Plan*. This document had become a reference for regional development programs until RPJMD 2009 to 2013 was enacted in 2009. According to Sulaiman Gafur<sup>133</sup> (interview on 22 December 2008), East Kalimantan did not initiate

<sup>133</sup> Sulaiman Gafur is the current Governor Assistant for Development Affairs of East Kalimantan Province. At the time of conducting fieldwork, he was the head of East

RPJMD in 2004, as mandated by the law, for several reasons. First, the former planning document the PROPEDA was still valid until 2005, and it is assumed that all programs of the elected governor during the election campaign had been accommodated in the PROPEDA. Second, the governor of East Kalimantan (Suwarna Abdul Fatah) had been in the position since 1999, and would step down in 2008 after being re-elected for a second term in 2003. Third, during the three-year period, East Kalimantan had not had a permanent governor since Suwarna AF was taken into custody over corruption. During that period, the governor's position was filled by two different acting governors, who led East Kalimantan respectively for short periods of time.

#### **6.1.1 Regional Development Programs and Priorities**

As discussed, since the implementation of regional autonomy the provincial government of East Kalimantan has produced a number of regional development planning documents. Analysis shows that there is no significant difference in terms of contents between PROPEDA 2001–2005, RENSTRADA 2006–2008 and RPJMD 2009–2013. These documents have remained much the same in terms of the problem identification and the programs or policies that were proposed to address the identified issues (see BAPPEDA Kalimantan Timur, 2000; 2003; 2005; 2009). This phenomenon also happened to the planning documents initiated by the two districts of Paser and Kutai Kertanegara (see BAPPEDA Kabupaten Kutai Kertanegara, 2005b; 2005a; 2006; BAPPEDA Kabupaten Paser, 2002; 2005; 2006). As shown in Table 6-1, although there is a slight difference in the way in which regional governments formulate their visions and missions, it is apparent that government planning documents, produced by provincial and district government, set similar priority programs. These include human resource development, infrastructure development and agriculture development. All these planning documents explicitly identified similar issues and suggested similar policies and programs that need to be developed by regional

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Kalimantan Regional Development Board (BAPPEDA). Before he is appointed for his current position, he used to be an acting head of Kutai Kartanegara District.

governments to address the confronting problems. This implies that over the past decades, the problems confronted by East Kalimantan regional governments have not shifted from the issues of low quality human resources and limited infrastructure.

Given the priority programs set by regional governments to address such issues, arguably in the level of concept, regional governments have the political will to prioritize basic infrastructure and human resource developments. Furthermore, the selection of agriculture development as the top priority is also a reflection of regional governments' commitment to developing the sector that employs the majority of local people and constitutes their main source of income.

Nevertheless, even though regional governments have prioritized these issues, they have persistently become the main problems in the past decade. This illustrates that development programs and projects implemented to address the confronting issues are ineffective. The ineffectiveness of proposed development programs in dealing with regional issues has been exacerbated by the inconsistency of regional governments in implementing program priorities, by not following through on what has been stated and agreed in the planning documents. The inconsistency is obvious in the allocation of resources and also in project selection. In other words, human resources, infrastructure and agriculture developments, which have been prioritized, failed to reduce poverty because regional governments were not consistent in allocating funds to these programs.

Apparently, many infrastructure development projects which draw significantly from the local budget tend to focus on developing infrastructure in urban areas. Arguably, constructing roads and bridges in rural areas is more urgent because it will open up access, thus ending the isolation of remote areas or border regions where the majority of the population still live in poverty.

One of the infrastructure projects which received sharp criticism from members of community groups is the construction of a highway that connects Balikpapan and Samarinda. Kila Liman (cited in Kaltim Post, 05 March 2011),

and Dimas (cited in *Tribun Kaltim*, 20 February 2011), for example, argue that the road construction projects within the district is more urgent than the highway, as the intra-district road projects will open up access to communities in outlying areas, facilitate the mobilization of goods and community, and will subsequently enhance the economic activities of the community. It is also discussed in the previous chapter that some projects funded through local budgets by Paser and Kutai Kertanegara district governments have been criticized because they oppose a pro-poor policy. These projects include the construction of two-lane roads in the capital district and in all sub districts in Paser, the development of Kumala Island in Tenggarong as a center of tourism development, and the construction of hotels both in Paser and Kutai Kertanegara.

**Table 6 - 1: Vision, Mission and Priority Programs of East Kalimantan Province, Paser and Kutai Kertanegara Districts**

Vision	Mission	Priority Programs
<b>East Kalimantan Province</b>		
Realizing East Kalimantan as the center for agro-industry and leading energy to achieve equitable and prosperous communities	<ul style="list-style-type: none"> <li>✓ To realize good, clean and dignified governance in order to achieve an “Island of Integrity”</li> <li>✓ To realize security and public order and the conducive democratic system</li> <li>✓ To realize the border area as the front porch of the State and the acceleration of development in rural and remote areas</li> <li>✓ To realize a competitive and community oriented economic structure with the concept of sustainable development</li> <li>✓ To realize the provision of basic infrastructure in order to improve the quality of life of the community</li> <li>✓ To realize a healthy, intelligent, skilled and high morality community</li> <li>✓ To improve the system of subsidy, social protection and the system of poverty prevention / alleviation</li> </ul>	<ul style="list-style-type: none"> <li>✓ Infrastructure development</li> <li>✓ Agriculture in terms of wider development</li> <li>✓ Human resources development</li> </ul>
<b>Paser District</b>		
Towards a religious, prosperous and civilized society	<ul style="list-style-type: none"> <li>✓ Improving the quality of human resources;</li> <li>✓ Developing a civilized society;</li> <li>✓ Improving regional infrastructure;</li> <li>✓ Developing pro-people economics;</li> <li>✓ Realizing Paser District as a conservation district</li> </ul>	<ul style="list-style-type: none"> <li>✓ Human resources development</li> <li>✓ Agriculture in terms of wider development</li> <li>✓ Infrastructure development</li> </ul>
<b>Kutai Kertanegara District</b>		
Good implementation of district government administration, based on the principles of justice, equality, diversity and	<ul style="list-style-type: none"> <li>Empowering executive and legislative bodies</li> <li>Empowering all components of economics</li> <li>Empowering community towards social and economic</li> </ul>	<ul style="list-style-type: none"> <li>Human resources development</li> <li>Agriculture development</li> <li>Tourism industrial development</li> </ul>

democracy towards the establishment of a qualified, developed, autonomous and prosperous society	self-sufficiency	
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Adapted from the document plans of *Rencana Pembangunan Jangka Menengah Daerah* (RPJMD)/Medium Term Development Plan of East Kalimantan Province, Paser and Kutai Kertanegara Districts see BAPPEDA Provinsi Kalimantan Timur (2009), BAPPEDA Kabupaten Paser (2006) and BAPPEDA Kabupaten Kutai Kertanegara (2006)

Although all planning documents are produced by both regional governments (executive) and councils (legislative), and established through Regional Regulation (*Peraturan Daerah/Perda*), in many cases both parties may find it very easy to ignore them during the process of decision making. The evidence is apparent from the allocation of resources and the selection of development programs in the annual regional development plans (APBD), which are to some extent inconsistent and do not reflect the five-year planning documents (RPJMD). In many cases, programs identified as priorities would not get significant budget allocation in the local budget. Conversely, programs that are not included in the top priority may get a larger proportion of the budget allocation. The obvious example of this inconsistency is apparent from the PON projects. The projects related to the hosting of PON have consumed a significant proportion of the local budget (APBD) over a period of about five financial years, although it was not a part of the top priority programs in the existing planning documents. Apparently, a short-term interest of decision makers to seek popularity sometimes defeats the vision/mission and program priorities detailed in the planning documents. Budget allocation, which is discussed in section 6.4, confirms that regional governments seem to be reluctant in allocating funds to address these issues.

Apart from the inconsistency factor, the ineffectiveness of development policies is also contributed to by the design of programs and the capacity to deliver, supervise and evaluate these programs. Irmajaya (interview on 01 November 2008) claims that regional governments cannot manage projects properly. Significant funds have been allocated for monumental projects, but many of the projects cannot be implemented, as they are very weak in the planning stages. And many projects cannot be executed as they still have problems with land status. The factors that contribute to the inconsistency in implementing priority programs will be discussed in the next section.

### 6.1.2 Poverty Reduction Programs

Apart from RPJPD, RPJMD and RKPD, regional governments have also been obliged to prepare another planning document that focuses on how to tackle poverty. Accordingly East Kalimantan Provincial Government and Paser and Kutai Kertanegara through BAPPEDA have initiated *Rencana Strategi Penanggulangan Kemiskinan*/Strategic Plan for Poverty Reduction. The outline includes: the introduction that covers some explanations of the background and the aims; assessment and evaluation of the existing poverty reduction policies/programs; the strategy for poverty reduction policy and programs proposed for poverty reduction in the respective regions (see BAPPEDA Kalimantan Timur, 2006).

Table 6--2 details all the programs included by the governments of East Kalimantan province and Paser and Kutai Kertanegara districts as part of their poverty alleviation strategies.<sup>134</sup> As shown in Table 6-2, in addressing the issue of human resources capacity, regional governments have proposed programs that have the objective to increase the capacity of local people: for example, education development, health services development, skills and training development, institutional capacity building, entrepreneurs skills development and business mentoring. In light of economic development, regional governments have also initiated some programs projected to increase the local people's economy. This is apparent from programs such as small and medium enterprise development, revolving funds scheme, micro finance, plantation development, home industry development, financial capital and business support. To address the major issue of poor basic infrastructure, regional governments have put forward some basic infrastructure programs, which include roads and rural economic

<sup>134</sup> Apart from the programs initiated by the provincial and district governments, there are also some programs that become part of the central government initiative in managing the poverty issue. The program called *Program Kompensasi Pengurangan Subsidi Bahan Bakar Minyak/PKPS-BBM* (Fuels Subsidy Reduction Compensation Program) covers education and health sectors, rural infrastructure provisions and rice for the poor. In the education sector, the program is organized in the form of BOS, while for the health sector the programs are implemented in various projects such as health insurance for poor families, basic health services, maternity and health center operation.

infrastructure development, public facilities provision and energy, and water and telecommunication development.

**Table 6 - 2: Strategic Plan for Poverty Reduction of East Kalimantan Province, Paser and Kutai Kertanegara Districts**

Strategies	Action Plans
<b>East Kalimantan Province</b>	
Controlling / managing population growth, distribution of population and improved population administration	Control population growth
	Population administrative reform
	Institutions and capacity building for population administrative apparatus
	Managing population distribution
Increasing investment in human resources development	Education development
	Development of health services
	Skills and training development
Expanding employment and business opportunities through the development of basic economic infrastructure and small enterprises	Empowerment of micro, small and medium enterprises
	Agro industrial development
	Plantation development
	Development of domestic industry
	Providing access to market
Expanding access through the development of rural areas, isolated areas and border areas	Construction of roads and rural economic infrastructure
	Opening access to isolated and border areas
	Improving power supply service and clean water
	Improving education and health services
Empowering community and women for poverty reduction	Improving entrepreneurships for poor women
	Improving education and training for small enterprises
	Coaching and mentoring
	Increasing the role of community and institutional capacity
	Providing financial capital and business support for women
Improving the fulfillment of basic needs and protection for the poor particularly vulnerable communities	Providing permanent social assistance
	Providing assistance for the provision of appropriate housing
	Rice aid for the poor
	Providing assistance for food production
	Job training for youth / youth dropouts
Optimization of the effectiveness of the budget	

department and technical department, district, private and community, in the handling of poverty	
<b>Paser District</b>	
Expanding business and employment opportunities	Rural Infrastructure and coastal facilities development
	Sub district development
	Community empowerment and providing entrepreneurs skills
	Employment protection for the poor and unemployed
	Increasing absorption and control of manpower in various sectors of business.
	Updating population data
	Developing micro, small and medium enterprises
	Providing revolving fund scheme
	Guarantee scheme
	Providing credit without collateral
	Business mentoring
	Developing small and medium enterprises in sub district centers, villages and coastal areas
Community empowerment	
Bearing poor people's expenses	Community financial assistance
	Providing financial assistance for development
Increasing productivity by empowering small and medium enterprises	Establishing independent financial management unit
	Establishing village investments commission
	Establishing inter-village forum
	Empowering poor people and remote indigenous communities
Social welfare and rehabilitation services	Providing social services and rehabilitation policy for neglected people
	Improving the quality of services, facilities and infrastructure rehabilitation of social welfare for neglected people
	Providing guidance, care and social and legal protection for neglected children, the elderly, disabled and impaired people
	Providing training and internship programs for neglected people
	Providing psychosocial service and developing critical care center (trauma centers) for neglected people including the victims of natural disasters
	Disseminating information and education of anti-exploitation, violence against

	women and children, the reintegration of neglected people and preventing HIV/AIDS and drug misuse
Empowerment of the poor and isolated indigenous communities	Empowering poor families and <i>Komunitas Adat Terpencil (KAT)</i> /Isolated Indigenous Communities through improvement of <i>Usaha Ekonomi Produktif (UEP)</i> /Productive Economic Activities and <i>Usaha Kesejahteraan Sosial (UKS)</i> /Social Welfare Enterprise and <i>Kelompok Usaha Bersama (KUBE)</i> /Business Group
	Improving cooperation and partnership between KUBE's employers and community welfare organizations in coastal and agropolitan areas
	Improving the capacity of social workers for poor families and KAT
Developing social protection systems	Developing policies and strategies of social protection services including financial systems
	Reforming policies related to social protection for poor and vulnerable people
	Developing institutional models that respect local wisdom for social protection
Research and development of social welfare	Conducting assessment, research, training and education in improving social welfare services including facilities, management and infrastructure.
	Developing information systems, data and publication of social welfare services
	Improving legal and regulatory guidance that supports social welfare services
	Conducting a study on development of regional social protection systems
Social welfare institutional empowerment	Improving the quality of human resources and social welfare, volunteers ( <i>Tenaga Kerja Sukarela/TKS</i> ), youth clubs and community organizations
	Improving the role of community and business sectors in providing services to poor people
	Establishing cooperation networks among business sectors, social welfare workers (UKS) and community organizations
Improving coaching quality for social welfare	Increasing coaching quality for social welfare, particularly in remote and underdeveloped villages, coastal and urban slum areas
	Improving coaching quality for social welfare through training of communication techniques
Synchronizing welfare policy	Synchronizing policies and implementation of poverty reduction programs
	Synchronizing the resolution of strategic issues pertaining to public welfare
	Directing policies in health, environment, women empowerment, education,

	culture, youth, sports, tourism and religion sectors to welfare policy
Providing assistance and social welfare	Preparing various regulations related to social security assistance
	Providing basic assistances of food, clothing, housing and facility emergency response assistance to the victims of natural disasters and social disasters
	Providing assistance and social security to poor families and other neglected groups in the community
Improving the quality of life for women (gender equality)	Improving the quality of women life
	Developing legal instruments for improving quality of life and protection of women
	Protecting women from poor working conditions
	Preventing and settling the problems of violence against women
	Developing data collection system which enables the capturing of the dynamics of gender issues
	Increasing budget allocation for women's empowerment programs
Synchronizing the policy of women's quality improvement	Analyzing and revising various laws that discriminate against women
	Synchronizing various policies related to improving women's quality of life
	Formulating policies and regulations aimed at improving the quality of women's life
	Formulating policies and regulations aimed at increasing and protecting the quality of life of women and respecting women's rights
Improving the protection of women	Improving protection for women from domestic violence
	Improving efforts to protect women from various abuses, exploitation and discrimination
Improving the protection and welfare of children	Developing protection system for child workers and street children
	Improving protection of children from domestic violence
	Improving efforts to prevent child trafficking
	Reviewing the law on the protection Komunitas Adat Terpencil (KAT)/Isolated Indigenous Community
	Ensuring the safety of the KAT environment
Improving the quality of the environment	Developing clean environment and healthy behavior
	Ensuring the availability of clean water
	Empowering community for housing and sanitation

<b>Kutai Kertanegara District</b>	
Strengthening the institutional capacity of data providers	Improving poverty data collection methodology
	Updating poverty data
	Disseminating data and information on poverty
	Strengthening data providers
Increasing poor people's access to capital	Expanding microfinance services
	Improving management of microfinance institutions
Reorientation and enhancement of budget allocation (APBD) for handling poverty	Focusing budget allocations for poverty
	Synchronizing allocation of budgets and programs of government institutions for handling poverty
Encouraging investment growth for poverty reduction	Giving incentives to investors, especially for labor-intensive investment projects
	Reforming investment procedures
	Synchronizing government institutions program to ensure investment certainty
	Revitalizing investment institutions
	Reviewing regional regulations that inhibit the development of investment
Increasing the productivity of the poor	Combating illegal payment (PUNGLI) which causes high investment costs
	Developing agribusiness
	Preventing conversion of productive agricultural land
	Revitalizing counseling and assistance for farmers
	Strengthening rural agricultural institutions
	Developing agro industrial
	Revitalizing small and medium enterprises
	Revitalizing workforce training center
	Revitalizing agricultural training center
Expanding trade	Developing education and workforce training
	Reforming export and import procedures for small and medium enterprises
	Reviewing various regulations that hamper inter-regional trade and cause high economic costs
Building rural infrastructure	Increasing promotion and industrial cooperation
	Rehabilitating and maintaining rural roads and bridges to support rural economic activities

	Improving facilities and infrastructure of energy, water and telecommunication services
Improving employment and business opportunities	Introducing credit for cooperatives and small to medium enterprises with affordable interest
	Strengthening the protection and development of micro finance institutions
	Revitalizing and expanding fishery, husbandry and farm plantation sectors
	Developing alternative business opportunities outside the agricultural sectors
	Developing business opportunities in the coastal and disadvantaged areas
	Strengthening cooperatives and small medium enterprises business
	Developing industries that absorb labor
	Developing infrastructure to absorb labor
	Improving cooperation between labor market institutions and companies

Source: Adapted from the documents of Strategi Penanggulangan Kemiskinan Daerah Propinsi Kalimantan Timur, Kabupaten Paser and Kabupaten Kutai Kertanegara

It is apparent from Table 6-2 that the policies and programs devised by regional governments to address poverty issues have reflected multi-dimensions of poverty, including education, health, economic and infrastructure development. These documents have also conceived programs to address the fundamental issues of what members of the local elite believe contribute to poverty in this region. Nevertheless, the programs that are claimed by regional governments as part of the strategic plan for combating poverty are more likely regional governments' technical agency programs. Many of these programs are general or universal in nature rather than focused on assisting the poor in the community. For example, programs like infrastructure development of roads and bridges, and free education programs, which are usually promulgated as programs to combat poverty, are designed not specifically to target the poor but for the entire community. With these sorts of policy, community who are in the best position to benefit from these general programs are those who live in urban areas and groups who have access to education and health facilities. Given this situation, it is hard to claim that free education and health services and infrastructure development are part of regional governments' initiative to tackle poverty, as these programs not only target poor people but the whole community including those from rich families.

Despite the contention that there is no specific program to combat poverty, some local elites believe that free education services, free health services, scholarships for children from poor family backgrounds and economic development for the poor constitute regional government initiatives to deal with poverty. Zulkifli Alkaf<sup>135</sup> (interview on 18 December 2008), for example, acknowledges that the regional governments are committed to poverty alleviation, but the programs implemented thus far have not facilitated a reduction in poverty as they fail to identify and target poor people.

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<sup>135</sup> Zulkipli Alkaf is a member of DPRD East Kalimantan from National Mandate Party (PAN). He was also involved in the budgeting team of East Kalimantan provincial council (DPRD).

Similar to Zulkifli Alkaf's contention, Fathur Rahman<sup>136</sup> (interview on 22 November 2008) also believes that regional government through its technical agencies has implemented various programs to support poverty reduction. Yet, regional governments do not specifically claim that these programs constitute poverty reduction initiatives. Consequently, many fail to target poor people and increase their prosperity.

Given this, the formulation of development programs, which fail to target impoverished sections of the community, portrays that poverty, which is viewed as a fundamental problem encountered by the region, has not become the policy priority of regional governments.

In addition, there is a tendency for poverty reduction strategic plan documents to be drawn up to meet the regulation that prescribes all regional governments must prepare the document. Indeed, some of the proposed programs have reflected the problems being confronted by this region. Nevertheless, in some cases, the programs proposed as part of the solution to address poverty in the region are beyond the authority of regional governments. For example: preparing various regulations related to social security assistance; formulating policies and regulations aimed at increasing and protecting the quality of life of women and respecting women's rights; reviewing the law on protection *Komunitas Adat Terpencil/KAT* (Isolated Indigenous Community); reforming export and import procedures for small and medium enterprises; and reviewing various regulations that hamper inter-regional trade and cause high economic costs, can only be executed by the central government and national parliament as the institutions that have the authority to enact laws.

Furthermore, the position of the strategic plan for poverty reduction is not strong because it is not a joint product between executive and legislative institutions. The document is only defined through governor or head of district decree. Therefore, during the budgeting process, it is hard to ensure that all programs mentioned in the document are adequately funded in the local

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<sup>136</sup> Fathur Rahman is the former head of Regional Development Board of Paser District (BAPPEDA Paser). Currently, he was appointed as East Kalimantan Governor Assistant for governmental affairs.

budget (APBD) because regional councils (DPRD), which have a strategic role in the budgeting process, particularly in determining programs that will be funded do not necessarily approve programs proposed by the executive.

Moreover, *Tim Penanggulangan Kemiskinan Daerah/TPKD* (Regional Poverty Reduction Team) as one of the leading organizations that specifically deal with poverty was absent in the process of budgeting. Since TKPD does not have access in budget preparation (APBD), TPKD could not influence the decision-making process to ensure that all poverty reduction programs be accommodated in the local budget (APBD). These programs can only be accommodated if pertinent regional government agencies propose particular programs as a part of their agencies' programs. This is always problematic because each agency has its own respective programs.

In order to achieve the Millennium Development Goals (MDGs), one of which is poverty reduction, the Provincial Government of East Kalimantan also prepared the "Regional Action Plan for Achieving of the Millennium Development Goals (Bappeda Kalimantan Timur, 2011). The preparation of this document followed the Presidential Instruction 1/2010 on the acceleration of the implementation of national development and the Presidential Instruction 3/2010 on Equitable Development Program. The evaluation of MDGs achievement in East Kalimantan shows that the achievement of each MDG goals is still below the planned targets, and even far below the indicator. As shown in Table 6-3, it is clear that in the achievement evaluation of seven MDGs, only one goal meets the target, which is reducing child mortality. Others still are 1 to 3 digits below the planned targets. This is an indication that the development programs executed by regional governments have not contributed very much to poverty reduction.

**Table 6 - 3: Mapping Achievement of MGDs Target in East Kalimantan 2011**

No	Goal	Target	Indicator	Achievement		
				Achieved	On-track	Off-track
1	Eradicate Extreme Poverty and Hunger	3	10	1	6	1
2	Achieve Universal Primary Education	1	3	-	3	-
3	Promote Gender Equality and Empower Women	1	7	4	3	-
4	Reduce Child Mortality	1	4	2	2	-
5	Improve Maternal Health	2	7	1	6	-
6	Combat HIV/AIDS, Malaria and Other Diseases	3	11	1	4	5
7	Ensure Environmental Sustainability	3	16	2	8	4
	Total: 7	14	58	11	34	10

Source: Bappeda Kalimantan Timur (2011)

#### 6.4 Local Budget (APBD) Allocation

This section discusses the allocation of East Kalimantan APBD over the last eight years with respect to poverty alleviation priorities. First, it will consider the allocation of local budget based on utilization, which is classified in the APBD documents. Indeed, it is quite complex to classify the allocation of local budget into the same category, because over the past eight years the structure of APBD has changed three times to comply with regulations enacted by the central government. However, although there have been changes in nomenclature, it largely remains the same. Another discussion attempts to analyze the proportion of budget allocated for development and apparatus expenditures, and considers the relationship between an increase in employee expenses and employee numbers. Finally, the budget allocation based on development sectors will be discussed among government agencies that directly provide services to communities, such as education and health.

In the past 10 years, the local budget (APBD) guidelines have changed three times. The implications of these changes have greatly affected the process of budget formulation in the region. Officials are always

preoccupied with adjusting to new regulations and processes that are determined by the central government, rather than focusing on the implementation of programs. Consequently, budgeting approval always experiences a delay from the initial schedule, which subsequently contributes to the stagnation of regional economic development, as East Kalimantan depends on government investment.

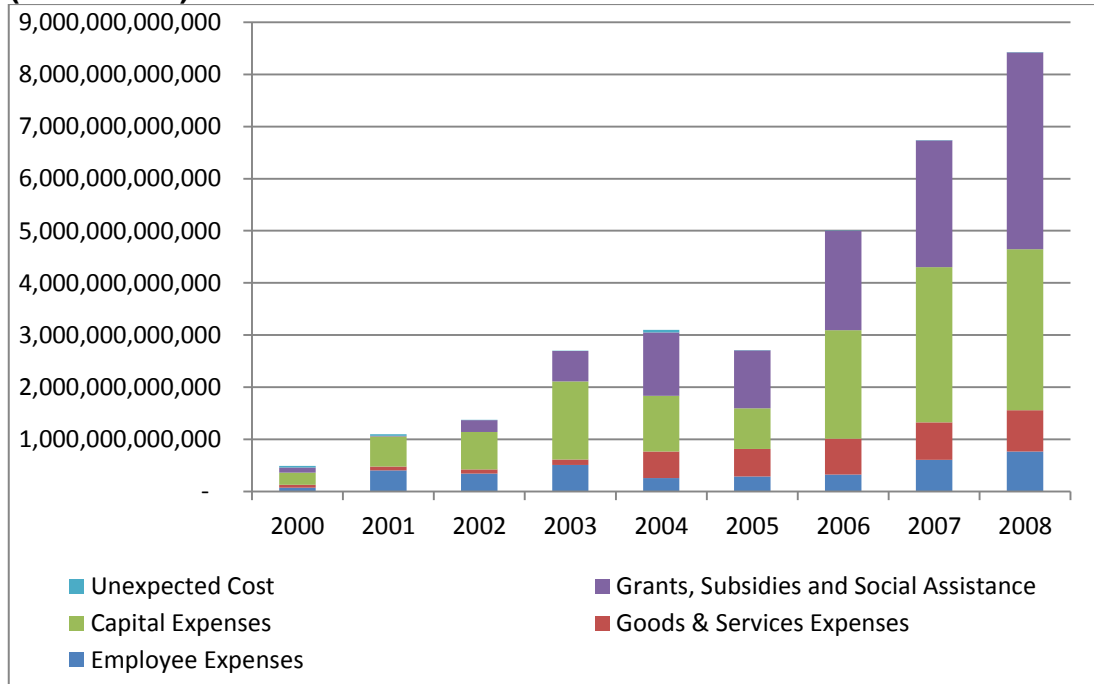
Another implication of frequent changes in the regulation of the budgeting system is the difficulty in analyzing local budget trends. Changing the nomenclature has created difficulties in classification. This issue is becoming more complicated because regional governments have poor filing systems and archives, which has been an obstacle to finding data in the last couple of years. The frequent rotation of planning and finance staff has contributed to the poor filing system, and inhibited the development of institutional knowledge in strategic areas of regional government. In some cases, former officials did not hand over documents to newly appointed officials and consequently new officials could not locate documents.

From the documents of East Kalimantan APBD, it may be noted that in the past eight years, the trends for East Kalimantan government expenditure, which include employees, goods and services, capital, grants and unexpected expenses<sup>137</sup>, show an increase alongside the remarkable increase of the local budget (APBD). As can be seen from Figure 6-2 that the local budget utilization trends from 2000 to 2008 show a gradual increase in the amount of funds allocated for employees, goods and service expenditures. A similar trend also happens to grant and subsidy expenses.

<sup>137</sup> Employee expenses include: salary, allowance and incentive. Goods and services expenses cover: office supply, official travel cost, office maintenance, official equipment maintenance, which include office vehicles, uniforms, etc. In brief, goods and services expenses include all expenditures by employees excluding salary, allowance and incentive. So, basically, the allocation of budget for these two expenses benefits the employee. Capital expenses resulted in the augmentation of regional government assets. Grants and subsidies are expenditures transferred by the provincial government to district, municipality and village governments as well as all funds that are transferred to vertical organizations in the region, such as *Polisi Daerah*/POLDA (Regional Police), *Komando Daerah Militer*/KODAM (Regional Military Command), *Pengadilan Tinggi* (High Court), *Kejaksaan Tinggi* (Attorney General) and other central institutions in the region. This also includes funds that are allocated to community organizations. Unexpected cost is a certain amount of the budget reserved to anticipate unpredictable events that may occur during the year.

However, capital expenses, which can be associated as expenditure for public benefits, show fluctuation, and even tend to decline sharply in 2005 before finally showing an increase in the three years thereafter.

**Figure 6 - 2: Budget Utilization of the East Kalimantan Provincial APBD (2000–2008)**

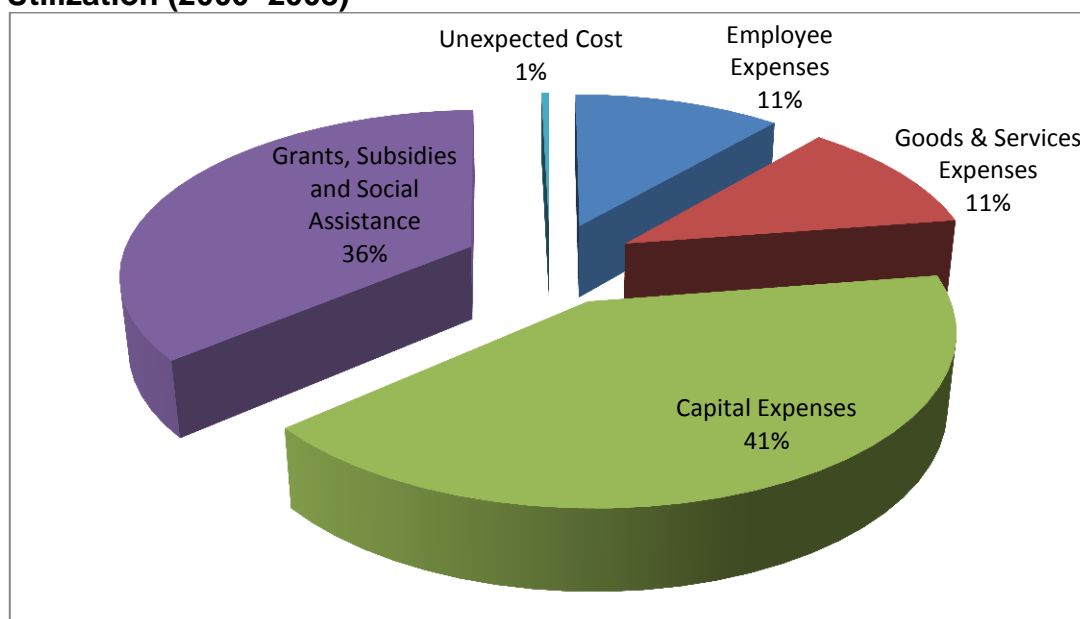


Source: Pemerintah Provinsi Kalimantan Timur (2000; 2001; 2002; 2003; 2004; 2005; 2006; 2007; 2008)

Figure 6-3 illustrates the percentages of the local budget allocated to types of expenditures. It is apparent that during the eight years period, the average proportion of APBD allocated for capital expenses has reached 41 percent of the total expenditure. Then it is followed by grants and subsidies which constituted a further 36 percent. Whereas, the allocation of APBD for employee, goods and services expenses constituted 11 percent of the total budget.

The data presented in this figure suggests that there has been a significant proportion of the budget allocated for capital expenditure, which suggests that the budget is 'pro-people'. However, some of this capital expenditure is allocated to government employees' expenses. For example, the provisions of vehicles, housing and other facilities for governor/head of district, members of regional councils and government officials are included in the capital expenditure.

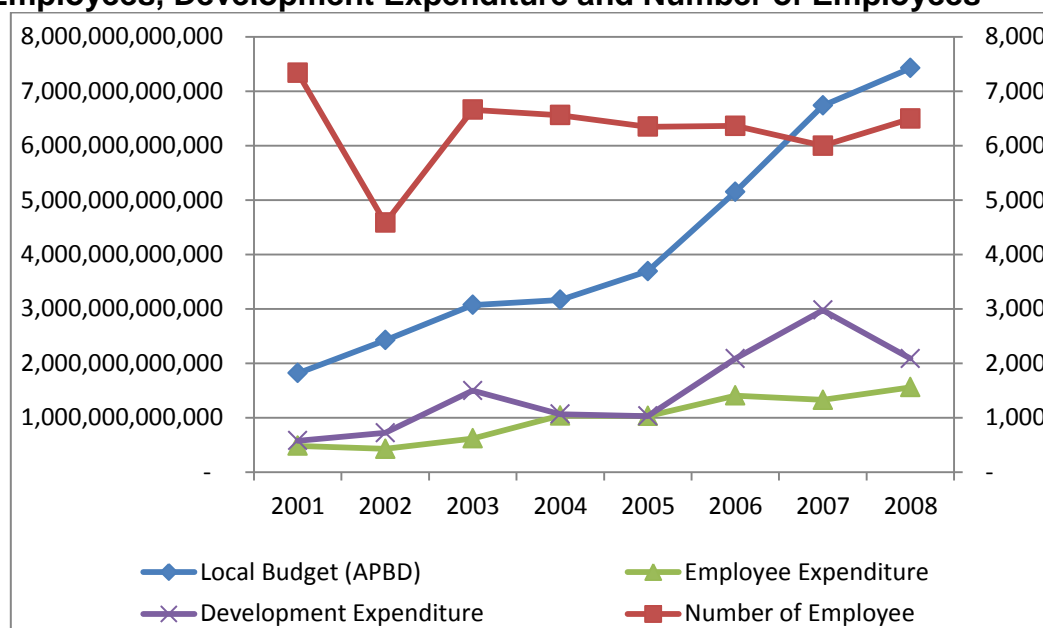
**Figure 6 - 3: Average Percentages of East Kalimantan Provincial Budget Utilization (2000–2008)**



Source: Pemerintah Provinsi Kalimantan Timur (2000; 2001; 2002; 2003; 2004; 2005; 2006; 2007; 2008)

Figure 6-4 attempts to show the trend of budget allocation for employee and development (public) expenses and tries to compare between the employee expenses and the number of employees. From Figure 6.4 below we can see that over the past eight years, budget allocation for development (public) expenditure (purple line) has been fluctuating, and tended to show a sharp drop in 2008, although during the same period, the APBD (blue line) shows a remarkable increase. Interestingly, there has been a gradual increase in the apparatus expenditure (green line), even though during the same period, the number of employees tended to decrease (red line). This indicates that there has been an expansion in employee expenses alongside the increase of APBD. In other words, the sharp increase of the local budget (APBD) in the last decade has favored regional government employees over whole local communities.

**Figure 6 - 4: East Kalimantan Provincial Budget Allocation for Employees, Development Expenditure and Number of Employees**



Source: Pemerintah Provinsi Kalimantan Timur (2000; 2001; 2002; 2003; 2004; 2005; 2006; 2007; 2008)

In relation to the gap in the allocation of resources, where there has been a significant increase in the budget allocation for bureaucrat expenses alongside the remarkable increase in the local budget, the Chairman of POKJA 30, Carolus Tuah<sup>138</sup> (cited in Kaltim Post, 30 September 2010) claims this to be an odd phenomenon because the number of regional government employees tends to remain the same. And sadly, the increase of budget for employee expenses is not reflected in services provided to public. Carolus Tuah further argues that regional governments are unable to respond to the expectation which demands better public services.

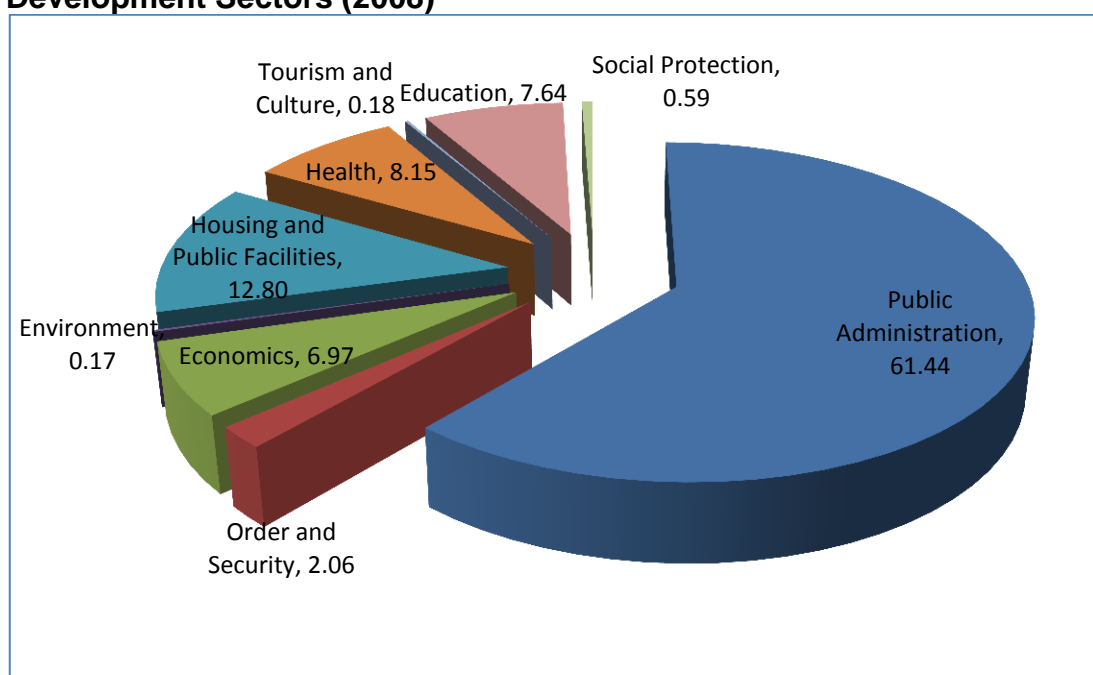
Figure 6-5 details the allocation of the APBD for regional government agencies (SKPD). The pie chart shows that the proportion of resources allocated for regional government agencies that deal with administrative matters has reached 61 percent. These allocations cover the expenses for the governor, deputy governor, regional council secretary and provincial secretary. Whereas, the allocation of resources for agencies that provide public services and directly deal with the people's needs, such as education

<sup>138</sup> POKJA 30 is a local NGO who actively criticizes regional development policy. Carolus Tuah is also one of prominent figures of the indigenous people of Dayak.

and health agencies, is relatively low, which is less than 10 percent respectively. This suggests that the allocation of resources is more directed to administration expenditures, and only a small proportion of resources are allocated to public services.

The RPJMD document identifies East Kalimantan's development priorities as infrastructure, agriculture and human resources development. The most important sectors in the latter are education, health and poverty reduction.<sup>139</sup> However, the proportion of the provincial government's budget allocated for these sectors is less than 10 percent<sup>140</sup> This shows that the allocation of budget is inconsistent with the planning documents that have identified human resources development as a priority program.

**Figure 6 - 5: Allocation of the East Kalimantan Provincial Budget by Development Sectors (2008)**



Source: Pemerintah Provinsi Kalimantan Timur (2008)

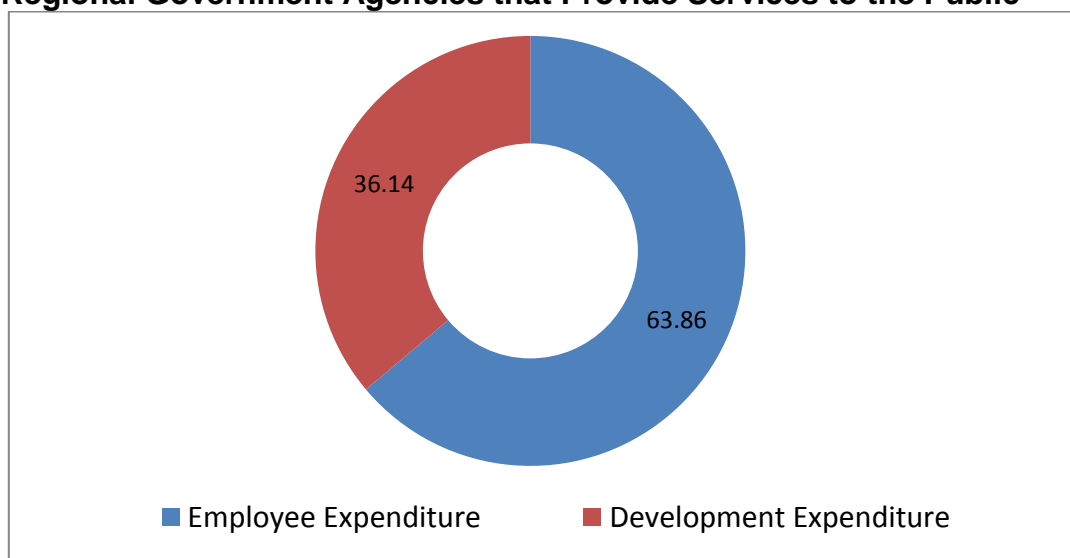
Surprisingly, the small proportion of resources allocated for regional government agencies that provide services to public, such as education, health, public works and housing and economic agencies as shown in Figure 6.5, is not necessarily enjoyed by the community. The reason is that more than 60 percent of the budget allocated to these regional government

<sup>139</sup> See for example Regional Medium Term Development Plan (RPJMD) East Kalimantan Province 2008 - 2013

<sup>140</sup> See the document of APBD (Local Budget) of East Kalimantan Province 2008

agencies has been spent on employee expenditure in the respective agencies, and only about 36 percent of the resources are allocated for development (public) expenditure (see Figure 6.6). Again this suggests that the allocation of local budget favors certain groups of people within the bureaucracy rather than the whole community.

**Figure 6 - 6: Allocation of East Kalimantan Provincial Budget for Regional Government Agencies that Provide Services to the Public**



Source: Pemerintah Provinsi Kalimantan Timur (2008)

There has been a vigorous debate among local political and bureaucratic elites over the issue of local budget allocation. Some believe that the allocation has met the criteria of pro-poor budgeting (see for example Fathur Rahman and Sanusi Oneih). Nevertheless, others believe that the proportion of budget specifically allocated to target poor people is still insignificant (see for example Yusuf Sumako).

Fathur Rahman, the governor assistant for government affairs is one senior official who claims that regional governments have given serious attention to the poverty issue, by looking at the proportion of budget allocated for infrastructure development. In this regard, Fathur Rahman states:

Indeed, infrastructure development is not specifically thought of as a means to address poverty. However, we do realize that opening access to isolated areas will facilitate the economic development of the community living in the remote areas. We have also allocated significant budget for the education and health sectors. Funding through the *Alokasi Dana Desa*/ADD program (Village Allocation Funds) has also stimulated community and economic development at

the village level. Indeed, from a sectoral perspective much has been done, including problems of poor infrastructure, education and health issues. However, these initiatives have not been claimed as programs for poverty alleviation. Consequently, because these have not been thought of as poverty alleviation measures, these programs failed to target the poor people. For example, regional governments expected that the ADD program would be used by village governments and their communities to meet the village community's needs. However, in many cases, the choice of activities did not focus on social and economic development. There were some funds that were used to build offices for the village head as well as other office facilities. Some village governments provided credit to support small businesses. However, in some cases, the funds have not been managed carefully enough with the result there was little change to the villagers' economic circumstances and many borrowers could not repay their loans (interview on 22 November 2008).

In line with Fathur Rahman's contention, member of Paser District Council, Aksa Arsyad<sup>141</sup> also believes that the budget allocation has complied with regional development program priorities. And yet regional governments are still weak regarding implementation. Many initiatives cannot be executed and as such funds that can essentially boost regional economic development are not utilized. Aksa Arsyad states: "We have the money but we are unable to spend it" (interview on 24 November 2008).

The former head of Bappeda Paser, Sanusi Oneih<sup>142</sup> (interview on 23 November 2008) also believes that regional governments have allocated significant funds to handle poverty issues. Nevertheless, funds earmarked for poor people have been mismanaged and spent inappropriately. Sanusi Oneih points to Kutai Kertanegara as an example. Some allocated funds intended to assist poor people were misused by corrupt officials, both executive and legislative.

Another criticism of local budget allocation comes from a Paser District official, Yusuf Sumako.<sup>143</sup> He claims that the Paser District Government puts more policy emphasis on urban development rather than rural development,

<sup>141</sup> Aksa Arsyad is a member of Paser District Council from Justice Prosperous Party (PKS). He is also the Chief of Legislative Budgeting Committee of Paser District DPRD.

<sup>142</sup> Sanusi Oneih is the former head of Paser District Regional Development Planning Board (BAPPEDA). He is now retiring as a government official.

<sup>143</sup> Yusuf Sumako is the head of the Rural Community Empowerment Agency/Kantor Pemberdayaan Masyarakat Desa (PMD) of Paser District. He is also the Vice Chief of Regional Poverty Reduction Committee/Tim Penanggulangan Kemiskinan Daerah (TPKD).

which has consequences regarding increased urbanization. Yusuf Sumako argues:

District government will never be able to reduce poverty if regional development focuses on urban areas. More and more people from rural areas will come to urban areas, and this will create new unemployment in the city, and the rates of poverty will persistently increase. Ideally, 60 percent of local budget has to be allocated to the rural areas because most of the population and poor people are living in the rural areas (interview on 01 December 2008).

Despite the vigorous debates of the local elites over resource allocation, the analysis of local budget allocation above confirms that almost three quarters is spent on regional government apparatus. This suggests that the local budget has not been spent for the sake of the people's prosperity, but to benefit regional government.

Another feature of the provincial budget allocation is its disbursement among the district/cities within the East Kalimantan Province. It is apparent from Table 6-4 that the large urban areas, such Samarinda and Balikpapan receive significant funds. Conversely, Tana Tidung, which is a newly formed and predominantly rural district, receives the least funding from provincial government.

**Table 6 - 4: Distribution of Supporting Funding from Provincial Government by Districts/Cities in Million Rupiah, 2011**

No	District/Cities	Amount Supporting Funding Received from the Province	Remarks
1	Samarinda	292,782	The most
2	Kutai Kertanegara	158,453	
3	North Penajam Paser	157,439	
4	Berau	121,953	
5	Balikpapan	19,519	
6	Tarakan	101,974	
7	Bontang	89,650	
8	Bulungan	86,838	
9	West Kutai	86,120	
10	Paser	74,346	
11	East Kutai	65,950	
12	Nunukan	66,937	
13	Malinau	60,607	
14	Tana Tidung	53,762	The least

Source: Pemerintah Provinsi Kalimantan Timur (2011)

It seems that the gap between policy makers, mainly from immigrant backgrounds, and impoverished members of the community, significantly composed of indigenous people, has shaped the decision-making process in terms of the lack of targeting in poverty alleviation programs. Indeed, the most important positions both in legislative and executive branches of government are occupied by immigrants. It is arguable that the domination of migrants in the elite, with a frontier economy ethos, influences policy making in formulating policy and programs for poverty alleviation. As can be seen from Table 6.3, there has been a tendency for resources for poverty reduction programs to have been allocated to urban areas and capitals of sub districts, where the poor communities are mainly of migrant background. It is difficult to explain this predisposition. It might however be related to the fact that poor people who live in urban areas have closer relationships with decision makers who share the same cultural and regional backgrounds.

In fact, some districts such as Samarinda and Kutai Kertanegara that receive higher funds are those with higher populations. This may suggest another possible explanation in that these more highly populated districts have become invaluable sources for politicians to gain political support to maintain their power. In other words, local politicians, including head of local governments and members of council, tend to concentrate on providing for the needs and subsequent support of those who are concentrated in the capitals of districts at the expense of those living in rural areas. Given this situation, the proposition of Hossain and Moore (2001), as discussed in the literature review, that local elites have a propensity to implement policies that support impoverished sections of the community with the objective of strengthening their political legitimacy can be supported. Apparently, this proposition to some extent works in the case of impoverished urban communities, but it does not for the rural poor. Immigrant politicians provide programs and services for the urban poor from migrant backgrounds, who they hope will support them.

Indeed, from the provincial perspective, the absolute number of poor people who live in the remote areas is not significant, although from the

respective districts' perspective it might be that most people who live in these areas are poor. It can thus be suggested that the votes from poor people who live in rural areas do not significantly influence provincial election results. Accordingly, these impoverished communities are unable to apply political clout and assert their interests. Given this situation, this research seems to confirm the proposition that impoverished sections of the community politically are not important to the elite. In addition, these sorts of situations also suggest the ineffectiveness of indigenous leaders, especially at the provincial level, in mobilizing political support from indigenous communities. Indeed, it is not sufficient for indigenous leaders to have the support of the poor in their own communities; to be politically effective they have to mobilize support from the poor in migrant communities. This supports Duncan's (2007: 714) proposition that the "regional elite have little inclination to include ethnic minorities in the political process as their loyalties and future election hopes are often tied to majority communities that might have different needs and desires than local minorities."

### **6.5 Evaluation of Regional Development Progress**

On the basis of interviews with those identified as social and political elites, regardless of their backgrounds (e.g., legislative, executive, bureaucratic, politicians, local NGOs, academics, public figures, students and youth activists at provincial and district levels), there seems to be a common perception that following the implementation of regional autonomy, development in the East Kalimantan region has not shown significant progress. Among the members of the elite, there is an actual expectation that the new policy of decentralization, which provides more financial and political capacity for regional governments, will facilitate the regional governments of East Kalimantan to boost regional development. Yet, after a decade of regional autonomy, East Kalimantan still persistently faces some crucial problems including lack of infrastructure and low quality human resources. Politicians and officials argue that the political and fiscal capacities provided by regional autonomy have not been utilized properly by regional

governments to create development programs that may facilitate a better life for local people.

## **6.6 Contributing Factors to Regional Development**

Based on the responses of research participants, it can be concluded that in the case of East Kalimantan, there are two main factors that contribute to the limited capacity of regional governments in bringing their communities to greater prosperity: external and internal factors. The former is related to the nature of regional autonomy implementation, which is claimed by some provincial and district government leaders to be half-hearted. For example, Hatta Garit, the former Deputy Head of Paser District argues:

In fact regional autonomy has run well. Since its first implementation, each head of region proudly develops their respective regions. Unfortunately, the central government does not fully implement it. Much of the authority that has been assigned to the regions, the central government subsequently sought to withdraw (interview on 27 November 2008).

Hadi Mulyadi<sup>144</sup>, a member of the provincial council, agrees that the problem starts from uncertainty in the implementation of regional autonomy, as the central government seems to be reluctant to fully implement policy. Hadi Mulyadi (interview on 17 December 2008) illustrates this point by stating that “the head is released but the tail is tightly held.” He claims that funds generated by regions could be used to develop them but instead they flow to the central government, and little is returned to regions. This argument is confirmed by the data. Of the 315 trillion contributed by East Kalimantan to the national GDP, only about 7.9 percent is returned to the East Kalimantan

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<sup>144</sup> Hadi Mulyadi is a member of East Kalimantan Provincial Council from Partai Keadilan Sejahtera (PKS). In the 2008 East Kalimantan governor election, he was a candidate for deputy governor candidate in partnerships with Achmad Amin. However, he was defeated by Awang Farouk Ishak and Farid Wadji, the current East Kalimantan Governor and Deputy Governor after two election rounds.

regions in the form of “balancing funds” (see BPS Indonesia, 2008; 2011b).<sup>145</sup>

The internal factors that contribute to low achievement in regional development may be divided into four categories: poor human resources; the inconsistency in implementing program priorities, which may be a repercussion of the conflict of interest among decision makers; lack of transparency and accountability, as evidenced in widespread corruption in regional government management; and the weakness in cooperation and coordination between province and districts and between districts. All these contributing factors are interrelated and ultimately can be viewed as weakness in regional government management. As Eka Komariah Kuncoro<sup>146</sup>, the former member of regional representative (DPD) (interview on 23 December 2008) argues, all stages of the management process are weak, from planning, coordination, execution, and supervision to evaluating results. She believes that these are triggered by the low quality of human resources at the local level.

### ***Human Resources Capacity***

Indeed, staff capacity has become a major cause for concern since the implementation of regional autonomy. This concern emerged at the district level, as the new regional autonomy resulted in district governments have more responsibilities rather than the provincial level in regional development.

During the New Order period, most government employees, particularly those with capability, belonged to the central government. Following the introduction of regional autonomy in 1999, many district governments were reluctant to accept central government employees being recognized as district government employees because they were prioritizing

<sup>145</sup> Balancing funds are sourced from the national budget (APBN), which is allocated to regions for regional needs within the framework of decentralization. These funds include sharing revenues generated from tax and natural resources, general allocation (DAU) and specific allocation (DAK). The contribution of East Kalimantan GRDP to the national GDP has reached 315 trillion, and East Kalimantan is ranked fourth among 33 provinces in Indonesia. However, funds returned to the region through “balancing funds” constitutes about 25 trillion or about 7.9 percent of the total East Kalimantan GRDP.

<sup>146</sup> Eka Komariah Kuncoro is a member of Dewan Perwakilan Daerah (DPD). She is one of the four senators from East Kalimantan.

local bureaucrats (*putra daerah*). Conversely, in some cases, many central government officials were not willing to work at the district level because of accessibility. Consequently, some important positions in regional government offices were filled by officials who basically were not qualified. Some local leaders believe that the incapacity of regional government officials in managing regional development policy has resulted in insignificant progress.

In relation to the incapacity of local bureaucrats and politicians, the Paser District Government Secretary, Helmy Lathyf adopts the view that regional governments have been overwhelmed with responsibilities assigned to the region. This has become worse due to inefficient local bureaucrats and politicians who have become the main development actors. Helmy Lathyf states, "We are weak in the implementation process as our staff start learning about and adapting to the new system. Moreover, regulations always change, so staff are always learning. We also still find a lot of staff with a low commitment to their work" (interview on 1/12/2008).

Aksa Arsyad, member of Paser District Council also upholds the view that the incompetence of regional government staff has contributed to low achievement in regional development. Aksa Arsyad (interview on 24 November 2008) points to low performance of Paser Public Work Services responsible for road infrastructure development. He states that from the 300 billion (or 25 percent) Paser District budget allocated for Public Work Services in 2008, only 100 billion was implemented. This figure suggests that about 33 percent of the district budget allocated to this agency has not been spent, which implies that a great number of programs cannot be implemented fully. Aksa Arsyad claims that one contributing factor is the incapability of Public Work Service staff to execute regional development plans.

Another senior official supports the view that the weakness of regional technical offices in adopting development programs contributes to limited regional development. Fathur Rahman (interview on 22 November 2008) criticizes PMD (*Pemberdayaan Masyarakat Desa/Rural Community Empowerment Agency*) as one of the leading regional government agencies in combating poverty. He argues that *Tim Penanggulangan Kemiskinan*

*Daerah/TPKD* (Regional Committee for Poverty Reduction) under the coordination of PMD could not fulfill its role effectively. It is argued that the PMD has failed to propose programs that target poverty issues. Fathur Rahman (interview on 22 November 2008) claims, “So far the poverty eradication strategy is still receiving lip service and it has not been implemented systematically.”

Apparently, the issue of incapacity not only occurs among bureaucrats, both at district and provincial levels, but also applies to members of regional councils. It is believed that the limited capacity of legislators leads to the weakness of regional councils in assessing regional development programs proposed by executives. Members of council, as representatives of the people, are supposed to advocate programs that benefit the people.

In relation to this issue, the Chairman of KNPI, Yunus Nusi<sup>147</sup> states:

Many of our council members are instant politicians. They have insignificant experience and capabilities to run the councils’ role. Many of them were originally vendors, motorcycle riders (*tukang ojek*), and even some of them were jobless prior to becoming members of councils. Many of them are not competent in terms of their experience and education attainment. With this situation, certainly they won’t be able to argue with the executive officials who are often more capable than the members of council (interview on 19 December 2008).

Hadi Mulyadi and Ali Wardana<sup>148</sup>, member of Provincial Council and student activist respectively concur with Yunus Nusi’s views that many legislatures in district and provincial councils are lacking capacity. Consequently, regional councils as legislative bodies and representatives of the people, which are expected to be more powerful, are unable to fulfill their role effectively. Members of council are therefore unable to advocate the aspirations of their constituents and do not criticize programs proposed by government that do not benefit the whole community.

<sup>147</sup> Yunus Nusi is one of the youth figures in East Kalimantan. He controls all youth organizations within the East Kalimantan Provincial level with the position of Chairman of KNPI (Indonesian National Youth Council) of East Kalimantan.

<sup>148</sup> Ali Wardana is Chief of Executive of the Mulawarman University Student Council (*Badan Eksekutif Mahasiswa/BEM UNMUL*).

However, in the case of Paser District, another politician believes that insignificant progress in regional development is not solely a consequence of the incapacity of regional government administrators but also a lack of commitment by bureaucrats in performing their duties. A member of Paser District Council, Azhar Bahrudin<sup>149</sup> argues:

The commitment of the top leaders in regional development has been unquestionable but the distortion sometimes occurs at the staff level due to the low commitment of bureaucrats in implementing the development programs that have been decided (interview on 24 December 2008).

Arguably, the low commitment of staff in performing their duties is induced by the uncertainties concerning staff career development. As district heads and governor are elected through public election, many government officials support one of the candidates in the expectation that the new head of district or governor will support their career. It has become common practice for the elected candidate to appoint officials who have supported the candidate to occupy a position in regional government institutions. In many cases, the candidate who is defeated will be separated. Ironically, many are treated inappropriately by appointing them in different positions for short periods of time. Rachmadi (cited in *Tribun Kaltim* 02 November 2009) argues that some officials have been appointed to positions that do not match their competency because the head of district or governor is more likely to have a political interest in appointing them.

In the case of East Kalimantan, following the election for governor in 2008, the provincial government under Awang Farouk Ishak's control conducted four staff rotations. In the last rotation conducted in May 2010 about 400 officials were transferred to different positions. Some academics were appointed as senior officials and occupied some important agencies within the provincial government. Many of them were actually executive

<sup>149</sup> Azhar Bahrudin is a member of Paser District Council from *Partai Persatuan Pembangunan* (United Development Party). He is the leader of PPP in Paser District. His party supports the current head of district in the election 2005. In 2010 he runs district head election candidacy as deputy head of district.

members of KALIMA (K5),<sup>150</sup> an organization established by Awang Farouk Ishak to voice and disseminate his programs prior to the governor election in 2008 (see *Tribun Kaltim*, 01 February 2009; 11 May 2010). The cases of Paser and Kutai Kertanegara are also similar. In Kutai Kertanegara, for example, this region has been led by four different heads of districts (*bupati*) over the last five years and each *bupati* conducted rotations at least twice during their short period of control. Some officials were promoted but others lost their positions (*Tribun Kaltim*, 29 January 2009). As the model of official promotion is not well regulated, many officials lose their working spirit, which influences their ability to conduct their duties.

Another critical implication of such significant change in the bureaucracy is the sustainability of development programs and consistency in policy making. The strategic appointment of officials to occupy positions in key government institutions, such as the head of BAPPEDA, has often been a matter of political influence and, in some cases, completely disregards background and work experience. This has become a critical issue in ensuring leadership transition from the old to the new administration. In some cases, what has already been decided by outgoing officials may be discontinued by incoming officials.

The issue of sustainability programs has become more complicated as rotations not only occur at higher management levels but also at middle and lower management levels. Take the example of BAPPEDA in Paser district, where nearly 90 percent of staff in echelons 3 and 4 had been rotated to other positions following the head of district election in 2005 (see *Pewarta Indonesia*, 2 June 2011). Many of them have served in this office for several years, so they have sufficient knowledge and experience of regional development planning. They are officials who are directly involved in the formation of RPJMD and RPJP of Paser District. Unfortunately, when district leadership changes, they are rotated and replaced by officials who have no

<sup>150</sup> KALIMA stands for *Keimanan, Ketakwaan, Kemiskinan, Kebodohan, Kesempatan Kerja* and *Kesehatan*. It is an organization established by Awang Farouk. The organization has objectives that deal with improving faith and piety, job opportunities and health, and fighting poverty and ignorance.

prior planning experience. Consequently, there was a significant loss of institutional knowledge and experience in the key planning agency as a result of this extensive and politically motivated rotation of staff. The delay of budget approval that always happens every year has been contributed to by the weakness in human resource capacity of government officials directly involved in planning and budgeting.

### ***Inconsistency in Implementing Program Priorities***

Another factor has been the inconsistency of regional government in implementing programs priorities. This inconsistency has a very close relationship with lack of professionalism and ideals and illuminated ways of thinking among local bureaucrats. Conflict of interest among decision makers is regarded as the main factor that contributes to such inconsistency. All these factors have subsequently undermined regional development planning and management, and have affected the outcome of the decision-making process, which is often misleading and fails to accommodate the people's needs and aspirations.

Indeed, examining the planning documents of Paser, Kutai Kertanegara districts and East Kalimantan Province, it is apparent that there are three development priorities proposed by regional governments to cope with regional issues. These include human resources, infrastructure and agriculture developments. Senior officials in these two levels of regional government believe that these priorities are supposed to enhance poverty reduction in this region, as long as they are implemented consistently. Nevertheless, the implementation sometimes differs from the planning. In relation to this issue, Zulkifli Alkaf, the former member of provincial council claims: "The development plans have actually adopted and considered the confronting issues. However, there is a distortion in the implementation stages because the programs are designed just to fulfill the desires not the needs" (interview on 18 December 2008).

A similar situation also occurred in Kutai Kertanegara. A member of Kutai Kertanegara District Council, Ali Hamdi<sup>151</sup> takes the same view that regional government is not consistent in implementing program priorities. Ali Hamdi further states:

The implementation of regional development sometimes does not connect with what we have decided. The vision of head of district for the regional development, which is put in the planning documents, perhaps has been quite good but when it is implemented by regional government agencies, it is sometimes disoriented and even the agencies tend to go with their respective agenda. In some cases the regional government prefers to deal with unimportant matters rather than to focus on urgent matters that become the need of people (interview on 27 December 2008)

The contentious issue of inconsistency of regional government in allocating resources also occurs in regional councils. PKS, in one of the plenary sessions of DPRD Kutai Kertanegara, indicates rejection of the APBD-P<sup>152</sup> 2009 of Kutai Kertanegara. This party argues that the substance of the APBD-P 2009 does not meet the priority as set in the planning documents. PKS strongly criticizes the budget allocation for the education sector, which has not reached 20 percent as the constitution prescribes as well as the allocation for agriculture, which is far less than other non-priority sectors. The spokesman of PKS, Suryadi argues:

Regional government has to be consistent by allocating more budgets to the agriculture sector, as it has been promulgated as the priority. Yet, budget allocation for *Bantuan Sosial/BANSOS* (social assistance) is far higher compared to allocation of resources for the agriculture sectors (cited in *Tribun Kaltim*, 08 December 2009).

Other evidence that demonstrates the inconsistency of the Kutai Kertanegara district government in executing these program priorities is the construction of a sports stadium. Kutai Kertanegara has just built a massive stadium, with a capacity of more than 35 000 spectators, to replace the old

<sup>151</sup> Ali Hamdi is a member of East Kalimantan Provincial Council from PKS. Prior to serving as provincial council member, he was a member of council in Kutai Kertanegara District from the same party.

<sup>152</sup> APBD-P stands for *Anggaran Pendapatan dan Belanja Daerah Perubahan*. It is a revision of the local budget. In the middle of the financial year, regional governments will revise the local budget approved at the beginning of the financial year. The revision is conducted to adjust the real revenue received by regional governments and the changes that may occur in regional government programs and expenditures.

stadium accommodating 5000 spectators. In relation to the project, the Chairman of KNPI, Yunus Nusi argues:

The project has wasted the local budget. We never saw the old stadium full of spectators when we organized events, and now the government has just built a new, bigger stadium. It would be more appropriate if the regional government just builds a quite smaller stadium and allocated the budget for other purposes, such as road infrastructure, which will give more positive impact for the whole community (interview on 19 December 2008)

In line with to Yunus Nusi's contention, Salehuudin makes the point that:

In the arrangements of RPJM and RPJP, regional government has to consider the direct impact of programs to the whole community. Constructing a luxury stadium is important to show the regional image. However, providing infrastructure for the community to develop agriculture, plantation and fishery sectors is also urgent and has to be the regional government priority. Stadiums may give benefit to certain groups of the community, particularly sport loving groups and athletes, but infrastructure, such as road and irrigation will give benefit to the wider community (cited in Kaltim Post, 23 October 2008).

Another case that shows the failure of Kutai Kertanegara district government in determining priority is evidenced from the development of Kumala Island. A member of Kutai Kertanegara District, Marthen Apuy<sup>153</sup> admits that the Kumala Island development, which has spent a huge budget, does not have significant impact on local people's prosperity. Marthen Apuy states, "It is not the right time for the regional government to develop this recreation arena when we still have other issues that are more urgent to be addressed. It would be better if the government tried to develop natural tourist attractions as we have this potency" (interview on 08 January 2009).

Similar issues also occur in Paser district. Not only public figures but even senior district government officials criticize some "*proyek mercusuar*" (prestige projects) proposed by regional government including the airport, hotels and regional government office constructions. They believe that these projects are not urgent and hotel construction is actually under the domain of private sectors. A Paser District official, Yusuf Sumako claims that these

<sup>153</sup> Marthen Apuy is a prominent Dayak public figure. Prior to becoming the East Kalimantan Provincial Council, he served as a member of Kutai Kertanegara District Council from PDIP.

projects do not benefit the whole community, but only certain elites and the projects may not directly increase people's prosperity. Yusuf Sumako further states: "The government just seeks popularity through monument projects in the urban areas but at the same time they show off poverty in the rural areas" (interview on 01 December 2008).

A public figure of Paser, Ishak Usman<sup>154</sup> accepts Yusuf Sumako's contentious proposition. Ishak Usman (interview on 24 November 2008) argues that regional government is just seeking to develop monument projects, and fails to take into account projects that benefit the whole community. He claims that all these projects, for example, the bridge connecting Tanah Grogot and Tanah Priuk, capital district and sub district road improvement, hotel and land purchasing with high costs are not urgent. According to him, these road construction projects should not become a priority as the existing roads are still able to accommodate road users. Moreover, these roads are not under the jurisdiction of the district government but central government. He claims that it would better if the funds were allocated to develop village roads to open access and enhance the mobility of people and village agricultural products.

In relation to this issue, another member of the elite of Paser from a business background, Tony Budihartono<sup>155</sup> (interview on 22 November 2008) argues that the current practice of bureaucrats is like "*Orang Kaya Baru* (OKB)/nouveau riche" or people who suddenly become wealthy. He states that these types of people want to purchase whatever comes to mind, without considering what should be prioritized. Tony Budihartono points out that some regional government programs reflect the OKB's way of thinking. For example, the plan to extend two-lane roads from the capital of Paser, Tanah Grogot to KM 17, which spent about 63 billion rupiah. The project is estimated to cost 9 billion per kilometer. He claims this project is even more

<sup>154</sup> Ishak Usman is a prominent figure of indigenous peoples of Paser. He is the top leader of *Lembaga Adat Paser*/Paser Custom Council (LAP). In the last election for head of district, he was nominated as a candidate but defeated.

<sup>155</sup> Tony Budihartono is a local businessman and now becomes the Chief of *Ikatan Paguyuban Keluarga Tanah Jawi/IKAPAKARTI* (an association of the local Javanese community). In the 2010 head of Paser district election, he was running as head of district candidate but he was defeated.

expensive than building a toll road. According to Tony Budihartono, this great budget would be more beneficial to the whole community if regional government utilizes the funds to build rural roads connecting some villages to sub district and district capitals, or to centers of economic activity. Tony Budihartono argues, “Although we have a huge budget, it does not have impact on the whole community because the budget is used for consumptive and non-productive projects, and the programs proposed just fulfill the top regional leader’s wishes” (interview on 22 November 2008).

In responding to this set of concerns, the leader of Paser district government denies the view that district government fails to propose pro people programs. Ridwan Suwidi<sup>156</sup> argues,

I understand that some parts of our community criticize the programs proposed by district government such as the plan for constructing a new hospital, replacing the old one which has been unable to accommodate patients. We have to look objectively at the current situation of the hospital. Many patients are treated in the corridors as the rooms are not sufficient enough to accommodate them. The equipment is also very limited. If we compare to other district hospitals, our hospital is far behind. This situation motivates me to commit to building a new representative hospital because it will impact on the whole community. We have to think forward 10 to 12 years to come, not now. The same reasons also become ground for proposing other projects, such as bridges, and district and sub district capital road improvement. The existence of road is vital particularly for the road users. Most of our sub district capitals are located along the Trans Kalimantan Road. Many vehicles pass on this road. The aim of this project is to make sure that the roads are functional and all road users are safe. In addition to that, the road projects are aimed to beautify the faces of the district and sub district capitals (interview on 01 December 2008).

Hatta Garit<sup>157</sup> and Azhar Baharuddin<sup>158</sup> endorse Ridwan Suwidi’s view that regional government has been in the right position to propose such projects. The Vice Head of Paser District, Hatta Garit (interview on 27

<sup>156</sup> Ridwan Suwidi is the current head of Paser District. He is a senior politician and has been awarded MURI award as the oldest Bupati in Indonesia. Prior to this appointment he served as the member of East Kalimantan provincial council from the PPP for five periods of time.

<sup>157</sup> Hatta Garit is the deputy head of the Paser District Government.

<sup>158</sup> Azhar Baharuddin is a member of Paser District Council from United Development Party (PPP). In the district council, he is appointed as the vice chairman of DPRD. PPP is the party that nominated Ridwan Suwidi for Paser district head election, which is the election in which Ridwan Suwidi was declared winner.

November 2008) states that in responding to government policy, certainly there will be always pros and cons. However, as long as government has certainty, the initiatives will benefit people and the regional government will go on. Hatta Garit believes that bridge, airport, hotel and hospital constructions are important to enhance the mobility of people and goods, as well as to attract investors to this region. Meanwhile, a member of council, Azhar Bahrudin (interview on 24 December 2008) argues that the aforementioned constructions are actually viable and will answer future challenges. Azhar Bahrudin believes regional government actually does propose programs that anticipate future development. "We may not find the urgency and the benefit from these projects at the moment but it will be beneficial to our future generations" (interview on 24 December 2008).

Inconsistency in implementing priority programs also takes place at the provincial level. Hadi Mulyadi attempts to show the inconsistency of provincial government in terms of local budget allocation, for example, in the last four years, a great deal of the APBD of East Kalimantan has been spent on PON projects. Hadi Mulyadi claims that these projects were not program priorities. Nevertheless, the provincial government has allocated a significant budget to manage these projects. Hadi Mulyadi (interview on 17 December 2008) further states: "Of course we are proud that the PON event has been successfully conducted. Yet we also regret that this event has absorbed considerable financial resources to pay many sports facilities." Hadi Mulyadi also points out that some government projects such as *Rumah Etam*<sup>159</sup> received significant funds to build worship houses. According to him, these projects do not directly increase people's prosperity. Concurring with other contentions, Hadi Mulyadi also believes that these extensive funds would be more beneficial to local people if they were allocated to build roads and other basic infrastructure.

Ali Wardhana<sup>160</sup> also comments on PON projects and states that government should not focus on these projects, as basic infrastructure that is

<sup>159</sup> Rumah Etam is the official residence for the Governor.

<sup>160</sup> Ali Wardana is the chairman of Executive Student Board of Mulawarman University (BEM UNMUL).

the real need of local people has not been addressed. Ali Wardana states: “The development should focus on local people’s needs, not to build luxurious official houses and government offices when the basic infrastructure that will influence the people’s prosperity has not been available” (interview on 19 December 2008).

**Box 6 - 1: National Sports Championships/*Pekan Olahraga Nasional (PON)* Case**

PON project is one of the regional government programs that have taken a significant allocation of East Kalimantan APBD (local budget). The PON project has drawn public attention, as many people believe that this project does not qualify as a program priority of East Kalimantan. Agus Sukaca, for example, sees this as an irony because regional government allocates more budgets for the PON project compared to the budget allocation for education development. Ali Wardana also shows his strong disagreement by stating that PON has just wasted local budget and the regional governments seem to just be seeking popularity and disregard the benefit of the projects for the whole community.

In fact, more than 5.1 trillion has been spent since the East Kalimantan Province was officially appointed as the host of this national sport event. This great amount of local budget has been used to pay the sport venues construction projects which were being constructed across several districts including the capital of the province, Samarinda. This amount of budget has also covered the costs spent during the implementation of PON. The success of East Kalimantan in competing, and in convincing other regions to be the host of this national event, has generated consequences for regional government to prepare all necessary facilities required for organizing the event, and this has impinged on the local budget allocation.

There are three objectives that were promulgated by regional government to be achieved through the PON event: Success in conducting the event, success in achieving the championships and success in developing local people economy. Indeed, regional government managed to achieve the first objectives but the second and the third objectives are debatable. In fact, East Kalimantan was in the second ranking among 33 provinces after DKI Jakarta. This was a much greater achievement compared to the previous events which were conducted in Palembang, where East Kalimantan placed in the tenth ranking. However, this achievement is only artificial as many athletes that represent East Kalimantan are not originally from this region. Many of them are from other regions and have recently migrated to East Kalimantan prior to the implementation of the event, as regional government

promised to reward those who managed to win medals. Another objective of local economic empowerment has also got a lot of criticism. Some argue that this objective is totally unachieved, as the event does not impact on the local economic people, particularly those categorized as 'small people' but indeed it gives more benefits to elites. It is also argued that those who benefited from this project are people from other regions, particularly from Java, who made the exodus to East Kalimantan prior to the event conducted.

Zulkifli Alkaf (interview on 18 December 2008) states that in one plenary session of regional council to hear the presentation from the provincial government of the benefits to be the host of PON, he prompted a question to the representative of provincial government to explain the indicator used to measure the third objective, local people economic empowerment. Yet, until the plenary session was over, the government could not respond to the question. Just a couple days ago through the provincial council plenary session, again he questioned regional government on the achievement in the economic empowerment as promulgated by the regional government. Zulkifli Alkaf states that the regional government response was very simple by using an example of many souvenirs sold during the event. Zulkifli Alkaf states, "I was laughing as I know that the majority of the souvenirs sellers are temporary residents who were coming from other regions, particularly from Java to seek benefits from the event."

A senior official of Bappeda East Kalimantan, Fuad Asaddin (interview on 15 December 2008) tries to illustrate the process of East Kalimantan being appointed as the host of PON in 2008. He states, being a host is not easy because East Kalimantan has to compete with other regions which also seek to be the host. However, at the time, the top leader of East Kalimantan managed to convince the central government and other regions that East Kalimantan was ready to be the host. East Kalimantan offered to be responsible for 75 percent of the emerging cost of each team from 32 provinces, including transportation and accommodation. Even the Chairman of KONI who was also known as the head of the richest district in Indonesia stood up and stated that East Kalimantan was responsible for 100 percent of the whole participants' expenses. Everyone gave marvelous applause and East Kalimantan was officially appointed to be the host of PON 2008 defeating West Java which from the availability of sport facilities perspective, is much better prepared than East Kalimantan.

Among decision makers there is a belief that PON will create a "brand image" for East Kalimantan as an alternative destination for tourists as well as investors. There was an expectation that the success in organizing the

PON event will spread messages that East Kalimantan is a safe and convenient place, and it will attract private sectors to invest in this region.

Both decision makers who had advocated the readiness of East Kalimantan to be the host were prosecuted and brought into custody over corruption cases. In the absence of these two decision makers, regional government was nevertheless committed to the PON. Fuad states that it is ashamed if this national event cannot be organized, as East Kalimantan has declared to other regions that East Kalimantan is ready to be the host. So, this is about “harga diri” (self-esteem). Therefore although this does not become a priority, regional government has to focus on PON preparation. Fuad Asaddin states:

I am a government official and also involved in the PON organizing committee as a secretary. I am in the difficult situation. I am an official who is responsible for the regional development plan, including poverty matters, but I am also on the organizing committee of the PON. In the allocation of budget, I confront two difficult alternatives: to allocate more budgets for sport facilities to support PON or to allocate funds for poverty programs. This is a difficult choice but we have to make sure that East Kalimantan is ready for PON. Otherwise East Kalimantan will be noted as irresponsible and the event may be reallocated to other regions (interview on 15 December 2008).

According to the former governor assistant for development affairs, Nusyirwan Ismail (interview on 29 December 2008) there is a motivation among the decision makers, including the top leaders of this region and the members of regional council to use the PON event as a momentum for East Kalimantan’s awakening. Nevertheless, sport facilities development has been very improvident and the multiplayer effects to the increase of regional economic are not significant. This region has spent about 5 trillion for this event, and it has burdened the regional budget in the last three years. Apart from that, Nusyirwan Ismail also sees this as a phenomenon of the regional government euphoria following the implementation of regional autonomy. The policy has resulted in a significant increase in the regional budget. Many local bureaucrats just have unsophisticated thinking about how to spend the budget. Nusyirwan Ismail points out the Velodrome project in Kutai Kertanegara by stating:

I never understand the rationale behind this initiative as we are weak in that sport. We import athletes from other regions to use the facility but most of them just stay temporarily. I think it will be more useful if we build wrestling and rowing arenas as we have potential in these sports. We force ourselves to prepare facilities for sports that may not be attractive to other regions which spend a great deal of regional

budget just for the purpose of achieving the target to be the top winners. Billions of rupiah is spent to import athletes from other regions to seek to be the champion. Indeed East Kalimantan succeeds to be the second best team, but it is only fake and should not be proud of this achievement, as many of the athletes are from other regions (interview on 29 December 2008).

Nusyirwan Ismail claims that instead of building sport facilities, which only benefit a certain group of the community, it would be more useful if the budget was allocated to build roads to reduce the isolation of some villages.

It seems that some district governments tried to take advantage of the appointment of East Kalimantan as the host of PON by proposing sport facilities development in their respective regions to the provincial government to be allocated in the provincial budget. For example, both Kutai Kertanegara and Bontang built new big stadiums, whereas these two districts had already got stadiums. Unfortunately, the members of regional council seemed to simply agree with the proposal. Consequently, in the last three years, the East Kalimantan budget had to be allocated more to build sport facilities. This is an irony as at the same time we have problems in education, poverty and basic infrastructure, which are supposed to become the regional government priorities.

It is interesting to note that those politicians who were either in the executive or legislative when East Kalimantan agreed to become host of this event show an ambivalent attitude. Most of them claim that they actually disagreed with this project but then start stating that “too late, everything has already been done.” The former Provincial Council spokesman, Herlan Agussalim<sup>161</sup> admits this is a mistake. He states, “We do not need to return the clock, everything has already been done.” He further states that actually at first regional government wanted to use this event as a medium to promote this region, and to stimulate national budget allocated more to this region. However, this project even has spent significant local budget. “I disagreed with this project but *nasi sudah jadi bubur. Biar tekor asal tersohor, biar rugi asal terpuji*”<sup>162</sup>. These words exactly describe our conditions facing this issue” (interview on 22 December 2008).

<sup>161</sup> Herlan Agussalim is a senior member of provincial parliament from the GOLKAR Party. He was also appointed chairman of East Kalimantan Provincial Council.

<sup>162</sup> These words mean “Everything is already done (too late). Let us be indebt but be famous, let us make a loss but be acclaimed.”

Similar to this attitude, the provincial secretary, Syaiful Teteng<sup>163</sup> (interview on 31 December 2008) also shows his disagreement with PON. Yet he claims that as this has become the decision of the top leader, he has responsibility to support it. In line with Syaiful Teteng's opinion, Sulaiman Gafur also adopts the view that PON has become the political decision of the top leader, which means the region inevitably has to implement this decision with all the consequences. The head of Bappeda East Kalimantan, Sulaiman Gafur (interview on 22 December 2008) disagrees with the view that this decision that was taken is merely based on politicians' initiative. He contends that the decision was made to accommodate aspiration from the sport organizations in the regions and endorsement from regional council as a representative of the people. Sulaiman argues that thinking forward is better rather than looking backward as this event has been successfully done. He suggests thinking of how to maximize the utilization of these regional assets. Sulaiman expects that these facilities may be used optimally for the people's benefit, and this region could become the center of sport development for the eastern part of Indonesia. More importantly the presence of representative sport facilities in this region will encourage young generations in this region to improve their talents in sports, which, by then may improve their life quality.

The illustration above indicates that the decision-making processes involved in the PON projects have developed outside the normal planning and policy-making processes. Although the PON projects were not recommended in the planning documents, it had huge allocation of funds from regional governments.

Other cases that show the weakness of regional governments in identifying and setting up program priorities are given by Yunus Nusi and Abraham Ingan.<sup>164</sup> The chairman of KNPI, Yunus Nusi (interview on 19 December 2008) states that many government office constructions have been demolished and replaced with new and more luxurious constructions, whereas the old constructions were still in good condition. Whereas, the chairman of GEPAK, Abraham Ingan argues that some areas within the East Kalimantan Province have not been connected with roads. Abraham Ingan states:

<sup>163</sup> Syaiful Teteng is the provincial government secretary. He is also a member of the executive budgeting team.

<sup>164</sup> Abraham Ingan is the Chief of Gerakan Pemuda Asli Kalimantan (GEPAK) and the Youth of Persekutuan Dayak Kalimantan Timur (PDKT).

I am from Long Apung, Bulungan district, and I know that until now, there have been no roads connected to this area. This is supposed to become a program priority, as it may give benefit to all communities. Nevertheless, regional government does not concern itself with the needs of people (interview on 28 December 2008)

Alongside the demands of many people to maintain the road and bridge standards of Trans Kalimantan, the provincial government instead proposed a toll way to be built from Balikpapan to Samarinda. Many people have criticized this project as they believe that the development of roads that connect districts within the East Kalimantan Province and roads that potentially boost the village economy are more urgent. It is an irony because the roads that are mostly used by the local community are left to deteriorate; at the same time the provincial government initiates a toll way project that will only benefit certain people. Initially the construction will be funded by investors, but recent developments indicate investors are less interested in supporting this project. As this project was already planned, local budget (APBD) should be disbursed to finance this project. All these examples show that regional government has been inconsistent in implementing program priorities (see *Tribun Kaltim*, 20 June 2011).

The above mentioned case suggests that regional governments, both district and provincial, fail to maintain consistency in implementing program priorities. The two levels of government tend to prioritize populist and monumental projects, such as sports stadiums, regional government agency offices and tourist attractions, rather than building infrastructure that may benefit community economic development, such as roads.

This issue also encompasses a conflict of interest among decision makers. It is apparent from interviews that the inconsistency in executing prioritized programs stems from a conflict of interest. Both executive and legislative bodies tend to seek short-term interests for the benefit for their constituents, groups or parties rather than benefitting the whole community.

The former member of provincial council, Zulkifli Alkaf (interview on 18 December 2008), expresses his experience during a meeting with members of the East Kalimantan Provincial Council, particularly those involved in the legislative budgeting committee. Zulkifli Alkaf attempted to propose some

programs for the northern part of East Kalimantan where he was elected, as he believes that indeed the poverty issue has been more prevalent in this area compared to other regions. He proposed a greater allocation for infrastructure, education and health development in the provincial APBD, as he thought this would boost the people's prosperity. However, he was surprised as some members of council state that "*Gak usah dibicarakan itu, kada jadi baras*/we do not need to discuss that issue, it won't become rice".<sup>165</sup> From this experience, Zulkifli Alkaf does not deny the contention that members of council are only interested in selecting programs to be accommodated in the annual plan of APBD, which may give financial benefit to certain members of council. Zulkifli Alkaf's experience supports what Ali Wardana believes, that is, that members of council are influenced by political interests.

Other members of council, such as Dahri Yasin<sup>166</sup> and Hadi Mulyadi, support the view that certain members are full of political interests in determining priorities. Dahri Yasin (interview on 18 December 2008) makes the point that as each member of council represents different constituents, it is natural that each will "fight" to ensure their constituent's aspirations be accommodated in program priorities. Hadi Mulyadi argues,

DPRD consists of several factions which act as representatives of political parties. As each faction has their respective agenda, it is hard to bring all members of DPRD to the one perception. It is a reality that we still find members of council who do not think forward for the sake of community interest. In decision-making process, many of them tend to look for something easier and the decisions are taken very subjectively, seeking benefits from the decisions for their own respective interests (interview on 17 December 2008).

A member of regional representative (DPD), Eka Komariah Kuncoro<sup>167</sup> also believes that decision makers are self-interested in determining program priorities. She believes that, the domination of political interests is inseparable from the positions of governor and head of districts as political entities. This has affected the process of decision making and budget

<sup>165</sup> Rice refers to financial benefits.

<sup>166</sup> Dahri Yasin is a member of provincial council from the GOLKAR Party. He was also chairman of Commission 2 of DPRD.

<sup>167</sup> Eka Komariah Kuncoro is one of four members of DPD (senators) from East Kalimantan.

allocation, which tends to be driven by political considerations. Eka Komariah Kuncoro argues:

Perhaps the officials who have responsibility in formulating development planning documents have done their best. Nevertheless, the last decision is in the hands of the head of government. In some cases, the documents that have been formulated by the officials may experience major changes after being given to the head of government (interview on 23 December 2008)

In contrast to this view, another member of council rejects the proposition that members act out of self interest in establishing program priorities, and advocates that members of council have a conscience, and hence they talk and act to give voice to their constituents. Herlan Agussalim states: “I witnessed how the members of council ‘fight’ to ensure that the development programs, such as education and agriculture development, be prioritized” (interview on 22 December 2008).

The claim that members of council are free of vested interests in determining program priorities is also supported by another member of council from Kutai Kertanegara. Marthen Apuy<sup>168</sup> (interview on 08 January 2009) claims that programs proposed by council are based on people’s aspirations as articulated during public consultations. Marthen Apuy asserts that even the executive is weak in organizing and identifying the priority, and they are trapped with their own interests and neglect the programs that become the aspirations of the people.

The discussion above suggests that even members of regional council have contradictory views in responding to the claim that council members are involved in a conflict of interest. Some members of council admit there is a conflict of interest involved in the decision-making process. Yet others advocate that members of council do not have vested interests and argue that all programs proposed by council reflect the people’s aspirations. The debate also demonstrates the view among politicians that political interests are not a legitimate part of the political process, and there has been an expectation the politicians should reach a consensus on program priorities.

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<sup>168</sup> Marthen Apuy is a member of Kutai Kertanegara District Council from the Indonesian Democratic Party of Struggle (PDIP). He was elected as a member of provincial council representing Kutai Kertanegara in the 2009 parliamentary election.

Another issue is the local political instability triggered by frequent changes in political leadership of the governor or heads of district governments. Box 6-2 illustrates the cases of political leadership changes involving the governor and heads of district in East Kalimantan and Kutai Kertanegara District respectively. It seems that this type of leadership instability has not been uncommon in some regions since regional autonomy was introduced.

### **Box 6 - 2: Leadership Cases**

Indeed, in the last five years, East Kalimantan Province has undergone three leadership changes prior to the appointment of Awang Farouk Ishak as the first Governor elected through Election (PEMILUKADA). Suwarna Abdul Fatah who was elected by the regional council in 2004 had to step down from his position over the corruption case of a Thousand Hectare Palm Plantation Project. Suwarna Abdul Fatah was found guilty over this case and was sentenced to jail for 2.5 years. The deputy governor, Yurnalis Ngayoh took his position after Suwarna was officially sentenced through the final decision from the Supreme Court. No more than one year later, Yurnalis Ngayoh had to resign from his position as the five year period of his rule had been reached. To fill the governor position, the central government through the Minister of Home Affairs appointed Tarmizi Abdul Karim as acting governor until the definitive governor was elected through the general election.

The worst situation happened in Kutai Kertanegara. In the last 5 years, Kutai Kertanegara has experienced continual leadership turmoil. During the period of 2004-2009, there were 6 changes in the heads of district. Among the appointed head of district (Bupati), only Syaukani Hasan Rais was the definitive head of district, who was elected through the first general election in Indonesia. Other five Bupatis were appointed as 'acting'. They were Awang Dharma Bhakti (ADB), Hadi Sutanto, Samsuri Aspar, Sjachruddin, and Sulaiman Gafur.

The political temperature started rising in Kutai Kertanegara from the end of 2004. At that time, Syaukani Hasan Rais was forced to resign from his position, as a consequence of his nomination as candidate of Bupati for the second term. The Law states that a Bupati must resign if he or she runs for the head of district candidacy. To replace Syaukani Hasan Rais's position, the governor of East Kalimantan, Suwarna Abdul Fatah then appointed Awang Dharma Bhakti popularly called ADB as Acting Bupati. The appointment of ADB generated political tension as Syaukani Hasan Rais and

his followers with the support from the members of district council did not agree with his appointment. Many suspect that Suwarna Abdul Fatah appointed ADB to fulfill his interest of hindering the opportunity of Syaukani Hasan Rais to be elected as Bupati for the second term. Many believe that if Syaukani Hasan Rais was elected as Bupati, it would provide opportunity for him to nominate for the governorship as well as provincial GOLKAR party leadership, and this might threaten the opportunity of Suwarna Abdul Fatah who had an interest to preserve his position as a governor and the chairman of DPD GOLKAR Kaltim. The political feud between Suwarna Abdul Fatah and Syaukani Hasan Rais triggered a prolonged conflict in Kutai Kertanegara. The protest continued for weeks. Syaukani Hasan Rais's supporters blocked the road to access to the Bupati office. As a result, the administration practices were standstill and district government could not provide services to public. Observing the chaos which tended to be escalated, the local political elites intensively lobbied the central government to replace ADB. The protests started scaling back after the Minister of Home Affairs, Muhammad Ma'ruf appointed a senior official from the Ministry of Home Affairs, Hadi Sutanto, as Acting Bupati. Hadi Sutanto's appointment is considered as a win win solution.

Syaukani Hasan Rais in partnership with Samsuri Aspar was then re-elected to lead Kutai Kertanegara through the first direct election in Indonesia, June 1, 2005. After their inauguration as Bupati and Wakil Bupati (2005–2010), it seemed that the political turmoil has never stopped in Kutai Kertanegara. Syaukani Hasan Rais was removed from his position after being convicted over the corruption cases of land acquisition project for the airport plan of Sultan Kutai Berjaya in Loa Kulu. Syaukani Hasan Rais followed Suwarna Abdul Fatah who was firstly sentenced over the corruption cases. Samsuri Aspar was appointed as Acting Bupati to replace Syaukani Hasan Rais's position. However, he had only served his position for a very short time, because he was also convicted over the case of corruption for social grants (BANSOS). Some Kutai Kertanegara legislators were also prosecuted over the case of corruption. To replace Samsuri Aspar, the East Kalimantan Governor, Awang Faroek Ishak then appointed Sjachruddin as the Acting Bupati. Prior to this appointment, Sjachruddin was governor assistant for governance affairs. Again, Sjachruddin who had just resumed the position for a couple of months had been shaken from his chair. The issue started rising because Sjachruddin seemed to be reluctant to accelerate the general election as the district council recommended. Sjachruddin reserved his opinion to wait for the final decision of the Samsuri Aspar's case from the Supreme Court. However, there is suspicion that Sjachruddin delayed the election to provide himself an opportunity to promote

himself to the public as he would also run for the head of district candidacy.

The Chairman of DPRD Kutai Kertanegara, Salehuddin with some members of council met the governor, Awang Faroek Ishak and proposed to dismiss Sjachruddin. The reason for dismissal is that Sjachruddin had been unable to work together with the council. The repositioning of officials who occupied important positions within the district government had increased political tension in Kutai Kertanegara, as there had been a perception that Sjachruddin tried to give the important positions to his followers, and rejected those who were not loyal to his policy. The reposition had made the relation between Bupati and DPRD became worse, and it turned out to be more complicated after the appointment of Rita Widyasari<sup>169</sup> as chairman of the DPRD Kutai Kertanegara, who also wanted to run for the Bupati election candidacy.

The situation became worse when the Governor of East Kalimantan, Awang Farouk Ishak issued a statement that Sjachruddin was no longer acting Bupati as he had retired since April 2009, and this brought a consequence that Sjachruddin no longer had legal standing to sign all regional government documents. The Governor also argues that since Sjachruddin had declared to be a Bupati candidate in the elections, he no longer complies with Law that an acting Bupati is not allowed to run for candidacy. However, some claim that the governor insisted Sjachruddin resign from his position to provide a smooth path for his son who also ran for the bupati candidacy.

Sulaiman Gafur was finally appointed as acting Bupati Kutai Kertanegara to replace Sjachruddin until the new Bupati, Rita Widyasari was appointed through the second general election (PEMILUKADA) in Kutai Kertanegara.

Leadership instability, which was inspired by the frequent changes in leadership of the regions, has influenced the process of policy making and implementation of programs. The problem occurs because the successor, particularly an acting Bupati/Governor, does not just implement what the former leader has decided. Nevertheless, in some cases each acting Bupati/Governor has their own agenda and the consequence is that there is no sustainability of regional development programs. The issue becomes complex as changes in political leadership are usually followed by bureaucratic reforms. The new acting Bupati/Governor tends to restructure

<sup>169</sup> Rita Widyasari is a daughter of the former Bupati of Kutai Kertanegara, Syaokani Hasan Rais.

bureaucrat positions, which likely leads to the escalation of instability within regional government agencies. In addition, as the acting governor or head of district are not elected through the election, they have low legitimacy. Consequently, many of them are reluctant to propose substantial changes in regional governments. Moreover, in some cases, they often face strong opposition from the council.

Another issue, which is apparent from the interviews, is the uncertain cooperation mechanism between executive and legislative, particularly in the process of determining program priorities. This uncertainty influences the process and outcomes of regional development policymaking. Irmajaya<sup>170</sup> (interview on 01 November 2008), for example, claims that many regional development policies are inappropriate because the executive has been dominant in the decision-making process, from determining program priorities to allocating budgets. According to Irmajaya, the process was supposed to be executed in partnership between executive and legislature, because regional councils (legislature) are representative of the people and also have responsibility for the budget.

In relation to the issue of the domination of executive in decision-making process, a member of provincial council, Hadi Mulyadi (interview on 17 December 2008) argues that the New Order practices, where the executive was more dominant over the legislature, seems to re-emerge in the process of decision-making, and this has influenced council members in determining regional development policy. Hadi Mulyadi claims that although the new system has recognized power sharing between the executive and the legislature, in practice the executive still shows its domination. Indeed, the revisions of regional autonomy law in Law 32/2004, to some extent, reduced the authority of regional councils.

It is interesting to note that members of the executive branch of regional governments even claim, conversely, that intervention from regional councils in the budgetary process has contributed to discrepancies in the implementation of regional development program priorities. In the case of

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<sup>170</sup> Irmajaya is a member of Paser District Council from the GOLKAR Party.

East Kalimantan, for example, Syaiful Teteng, the provincial secretary claims that intervention from politicians of provincial councils in the budgetary process has resulted in program distortion. Syaiful Teteng states:

The executive may have a perception that they are in the right position for proposing development programs, as the executive has enough facilities and supporting staff to arrange and formulate feasible, viable and implementable programs. Nevertheless, the budgeting power is in the hand of legislatures. Although we have proposed good programs, when we submit to the legislative bodies to obtain approval, we do not have enough opportunity to discuss the programs further. We cannot argue with politicians who tend to be irrational, and unfortunately, most of our politicians in the provincial council are irrational (interview on 31 December 2008).

A similar issue also occurs at the district level. A member of Kutai Kertanegara District Council, Marthen Apuy, for example, denies the proposition that legislative bodies interfere in the planning process. Marthen Apuy states:

Sometimes the executive thinks that regional council interferes and makes the planning process complicated. Yet, in fact we try to match the priorities proposed by the regional government and the proposals from the people. We often ask the executive the reason for proposing certain program priorities but even the executive itself is unable to provide clarification (interview on 08 January 2009).

The disagreement between executive and legislature has influenced regional development policy. Frequently, programs are approved on the basis of a compromise by both parties. To achieve an agreement, sometimes legislature may relax certain requirements, or in other cases, the executive may accommodate the legislature's aspirations. Fathur Rahman (interview on 22 November 2008) describes the mode of compromise taken by, for example, allocating more funds for council members' support facilities, such as laptops and cars, or increasing the budget allocation to fund business travel or lobbying faction leaders (*Ketua Fraksi*) or some influential legislators often facilitates an agreement. Quite often differences of opinion may be compromised in order to meet the deadline for budget preparation schedules, which forces both parties to accelerate the process of decision making.

The divergence between the executive and the legislature in the budgeting process, particularly in proposing program priorities, raises a

question, as both regional government and council have proposed regional development programs based on proposals from the same constituents. It looks odd as these proposals are often different when they are compiled, and they are sometimes different from the planning documents. In relation to this issue, Dahri Yasin and Carolus Tuah believe that the difference occurs because the process of development planning has been very elitist, and the planning documents are prepared with limited public consultation. Carolus Tuah states, “Local people have never been taught to design government programs and it happens very often in the planning process that programs proposed by local community disappear and programs from government officials or from the council are adopted” (interview on 18 December 2008).

The discussion above suggests that the process of policy making, planning and budget allocations have become part of the political process and part of the political struggle between the executive and the legislature among political parties, and even among council members.

### ***Lack of Coordination***

Another issue in relation to regional government management is lack of coordination. The expression ‘coordination’ is easy to say but hard to do’ is always heard in relation to the practice of government management and this is exactly the case with government management in East Kalimantan. It seems that the problem of coordination occurs not only among levels of government, districts and provincial levels, and among government agencies, but even among levels of management within the agency. Ali Hamdi and Eka Komariah Kuncoro claim that coordination between the two levels of government, provincial and district as well as coordination between higher, middle and lower level management, are still very weak. In the case of the coordination between both levels of government, Eka Komariah Kuncoro states:

It seems that district government plans go their own way and are not integrated with the provincial plan. This can be seen from some districts which have the construction of an airport as one of their development priorities, although all these districts are located in the same area. Some districts are competing to build airports while the

things that are urgently needed by people, such as roads do not become a priority (interview on 23 December 2008).

The same issue also occurs in the effort to combat poverty. Both levels of government have their respective agendas and there is no integrated program to alleviate poverty. Syaiful Teteng states:

There is egotistical behavior among levels of government. We all agree that poor infrastructure is a factor that contributes to the poverty rate in this region. Unfortunately, central, provincial and district governments do not focus on this matter. I believe, if we collaborate, we will have more resources to solve this issue (interview on 31 December 2008).

The issue of district–provincial coordination seems to be a systemic issue related to the implementation of decentralization in Indonesia. It is apparent from Law 22/1999 that there is no hierarchical relationship between provincial and district governments. With this position, provincial government faces difficulties in coordinating district governments. In the early implementation of regional autonomy, this issue escalated and in some cases, the relationship between two levels of government became disharmonious. One of the fundamental reasons for revising Law 22(which has become Law 32/2004) is to restructure the relationship between provincial and district governments, which gives more authority to the provincial government to coordinate district governments within its territory.

Laws 25/2004 and 32/2004 have both provided a framework that can be used by all development stakeholders including the two levels of government to develop coordination and public consultation, which is *MUSRENBANG* (*Musyawarah Perencanaan Pembangunan/Development Deliberation Forum*), formerly called *RAKORBANG* (*Rapat Koordinasi Pembangunan/Development Coordination Meeting*). This deliberation meeting implements three models (of five planning approaches) including ‘bottom up’, ‘top down’ and ‘participative planning’. These forums are conducted hierarchically from the bottom up: village, sub district, district, provincial and national levels.

According to Law 25/2004 on the National Development Planning System, the aims of *Musrenbang* are (1) to support coordination among

actors of development, in terms of ensuring integration, synchronization, and synergy among government units and levels of government (between central and regional governments); (2) to ensure linkages and consistency of process of planning cycles including the preparation of planning documents, budgeting, implementation and supervision; (3) to optimize community participation; and (4) to ensure efficiency, effectiveness, equitability and sustainability of the use of resources.

In brief, *Musrenbang* is a forum for all development stakeholders in the regions, which include all regional government agencies, members of regional Legislative councils (*Dewan Perwakilan Rakyat Daerah, DPRD*) and civil society organizations, to identify and determine regional development program priorities. The forum plays an important role in regional development planning to aggregate, negotiate, reconcile and harmonize the various interests of government and non-governmental stakeholders to reach collective consensus on development priorities and budget allocation. In the case of East Kalimantan, the provincial government has organized various activities to create a road map following the enactment of Regional Regulation (PERDA) on RPJMD. Apart from *Musrenbang*, the provincial government has also initiated some forums, such as Kaltim Summit and the Consultation Meeting between the governor, the head of districts/mayors and central government institutions in the region.

Apart from *Musrenbang* that is annually conducted by executive bodies, legislatures at regional councils also conducted public consultations called *Penjaringan Aspirasi Masyarakat (Jaring Asmara)* as a mechanism for gathering ideas from their constituents. Members of provincial/district councils conduct *Jaring Asmara* during recess by visiting their constituency to find out what constituents want and aspire to. All inputs gained from these visits become material for council members to assess the programs proposed by regional governments, and can become grounds for councils to propose a revision of district governments' proposal in RAPBD.

Given this organization, conflict between the legislative and executive branches of government and the problem of coordination among levels of

governments are supposed to be unnecessary, if decision-making mechanisms through regional development deliberation meetings (*Musrenbang*) are conducted effectively in establishing regional development programs. Nevertheless, the meeting, which is held every year and aims to hear what the community and other development stakeholders want, is rather like a ceremonial meeting, and the result is not favorable in capturing the aspirations of the people at grassroots level. This is apparent from the result of *Musrenbang*, which is not always reflected in regional development program priorities. In some cases, the grassroots desires proposed through *Musrenbang* at the village level may disappear during the process of *Musrenbang* to higher levels. Hetifah Sjaifudian<sup>171</sup> (cited in *Tribun Kaltim*, 13 April 2010) argues that indeed *Musrenbang* is a strategic stage in the regional development process, as it plays an important role in synergizing various interests, as well as in determining program priorities. Nevertheless, the development programs that emerge during *Musrenbang* are limited to discourse and often ignored because they are sometimes "incompatible" with the interests of the political elite and bureaucrats.

Similar to Hetifah Sjaifudian's contention, Herlan Agussalim claims that many government programs do not match the people's needs because the bottom-up planning mechanism through *Musrenbang* has not effectively produced pro-people development programs, as people's aspirations are always defeated by the interests of the decision makers. Herlan Agussalim further states:

Regional government, which has the right to determine development plans, is full of self-interest. The same thing also happens to council that also has budgeting rights. When the interests of these two groups of policy makers are accommodated, the development programs proposed by community through *Musrenbang* mechanism often disappear (interview on 22 December 2008).

In relation to this issue, Sulaiman Gafur states,

I am not surprised if members of council propose programs that may be full of political interest because each of them tries to use local budget (APBD) as a means to seek political supports from their

<sup>171</sup> Hetifah Sjaifudian is a Member of Indonesian Parliament (DPR) from Golongan Karya Party and represents East Kalimantan Province.

constituents. In other words, many of them propose programs to facilitate the political promises that they made during the election campaign (interview on 22 December 2008).

In the case of Paser, the participants of *Musrenbang* who are mainly representatives of the village governments complained about the effectiveness of *Musrenbang* in articulating community aspirations. They claim, “*Musrenbang* is only a formality. It is not effective because the decisions made through *Musrenbang* are not automatically incorporated in the annual development programs. The programs proposed in *Musrenbang* often do not appear in the local budget” (cited in Kaltim Post, 03 March 2011).

The same also occurs in Kutai Kertanegara. Andi Faisal Muhammad, the chairman of Muara Badak Entrepreneurs Association, complained about the difficulties of accommodating demands from Muara Badak communities in the local budget. He states:

We are from Muara Badak have to pitifully ask, persuade and even act like beggars to the members of council and to the district government in order for our aspirations to be accommodated. During the preparation of APBD draft, sometimes we have to stay up to ensure our aspirations be [sic] accommodated. The road connecting Muara Badak to Marangkayu has been in a muddy condition because it has not been paved for many years. We have a lot of muddy alleyways because our proposals to repair the damaged alleyways are always ignored. We always propose programs during *Musrenbang* but it ultimately only pays lip service to them (cited in Kaltim Post, 22 December 2010).

The program proposed by Andi Faisal Muhammad in the *Musrenbang* forum is obviously compatible with one of the regional program priorities, which is infrastructure development. Therefore there is no reason for the district government to ignore it. Moreover, Muara Badak is a sub district that contributes much to Kutai Kertanegara’s income. However, it is an irony because decision makers often argue that the proposal may be rejected because it may be incompatible with regional development program priorities. One of the council members, for example, states:

Indeed, the planning process starts from the low level of government through *MUSRENBANGDES*, *MUSRENBANGCAM* and *MUSRENBANGKAB*. In these forums people may propose programs

that they consider urgent. However, it does not mean that all these proposals will be approved because during the process of decision making, which involves regional government and council, those proposals need to be synchronized with the regional development program priorities as mentioned in RPJMD. Sometimes during the assessment process, some of the proposals do not comply with the program priorities. Consequently, those proposals must be dropped. Unfortunately, some people do not understand this process, so when their proposals are not accepted, they simply blame the council (interview with Marthen Apuy on 08 January 2009).

The discussion above suggests that *Musrenbang*, as an instrument to absorb the aspirations of the grassroots, is not really effective in having any influence in policy making and budget allocation processes. The final decision-making process, which lies in the agreement between the executive and legislature, in many cases is politically motivated. It is an irony because the short-term interests of the elite are sometimes incompatible with development priorities as determined in the planning documents. The construction of hotels, new regional government buildings and sports facilities that use significant local budget (APBD) funds are examples of such programs,

Another Indonesian government instrument endorsed by the World Bank and the International Monetary Fund (IMF) to enhance coordination among levels of government, particularly in dealing with poverty issues, is the initiation of *Komite Penanggulangan Kemiskinan (KPK)*/Poverty Alleviation Committee. The committee was established through the enactment of the Presidential Decree Number 124/2001. Members of this committee include central government departments, public figures, local businessmen and other poverty reduction stakeholders. In executing their tasks, members are responsible to the president. The committee has also been established at provincial and district levels attached to provincial and district governments. Committee members were appointed by and are responsible to the governors and heads of districts respectively. The hierarchical relationship between committee levels is more likely a coordination relationship. However, each committee has dual responsibility: to the level of government where the committee is attached and to higher levels.

One of the tasks of the national committee is to prepare *Strategi Nasional Penanggulangan Kemiskinan (SNPK)* (The National Poverty Reduction Strategy) and to ensure the allocation of the national budget (APBN) for poverty alleviation programs. A year after the KPK was formed (January 2003), the committee completed a draft of SNPK. The document became the long-term poverty reduction strategy, and the reference for both provincial and district committees in preparing *Strategi Daerah Penanggulangan Kemiskinan (SDPK)* (The Regional Poverty Reduction Strategies). KPK completed the final draft of SNPK in 2005.

Alongside these changes in national leadership, the committee's name also underwent change. In 2005, through Presidential Regulation 54/2005, KPK became *Tim Koordinasi Penanggulangan Kemiskinan Nasional (TKPKN)* (The National Poverty Reduction Coordination Team). At the regional level however it became *Tim Koordinasi Penanggulangan Kemiskinan Daerah (TKPKD)* (The Regional Poverty Reduction Coordination Team). The most recent changes at the national level occurred in 2010 through the Presidential Regulation 15/2010 on the Acceleration of Poverty Reduction and the Establishment of the National Team for Acceleration of Poverty Reduction. The team is chaired by the Vice President of Indonesia. At regional government levels, the name of the committee remains the same.

In order to achieve the goals of KPK, to reduce the number of poor people across Indonesia and to synchronize poverty reduction programs at the central and regional government levels, the Department of Home Affairs (as a member of KPK) issued three letters in 2002 addressed to governors and heads of districts. The first letter (412.6/527/Sj) includes the use of *Dana Alokasi Umum (DAU)* (General Allocation Fund) for poverty alleviation programs in the region. The second letter (412.6/1648/SJ) describes the procedures to establish KPK in the provincial and district levels. The third letter (412.6/2489/Sj) explains the guidelines for provincial and district governments in preparing the Regional Strategic Plans for Poverty Alleviation (SDPK).

Following the enactment of these letters from the Minister of Home Affairs, provincial and district governments within the East Kalimantan region established KPKs. At the provincial level, the formation of the East Kalimantan Poverty Reduction Committee was coordinated by *Badan Pemderdayaan Masyarakat (BPM)*/the Community Empowerment Agency. The Head Office of the Community Empowerment Agency was appointed to chair the committee. The members of this committee comprised all relevant provincial government agencies, including BAPPEDA, Social Services, etc. In mid-2003, the Committee of Poverty Reduction in East Kalimantan completed the document SDPK. This document became the reference for district governments in the preparation of SDPK at the district level. The first coordination meeting of all members of KPK East Kalimantan Province and district committees was held over two days on 27/28 August 2003 in Tarakan. At the meeting, the committee agreed to set up the definition of poverty based on the East Kalimantan version, which is “a condition whereby a person is unable to fulfill the minimum standard of living requirements: sufficient food, shelter, clothing, education and health care, as well as recreation” (see Agus Andrianto, 2006).

Similar to the provincial level, the district government of Paser also established KPK in 2002. In 2006, the committee turned into a coordinating team for Poverty Reduction (TKPK) of Paser District. The committee collected data on poverty in 2004 by using the combined criteria introduced by BPS and BKKBN. This team managed to compile the document for the Regional Poverty Reduction strategy in 2007.

In the case of Kutai Kertanegara, over the last five years, the head of district issued three letters concerning the poverty reduction committee/team in Kutai Kertanegara. These letters were issued to adjust to changes in regulation and frequent changes in the district leadership. The Poverty Reduction Committee of the District of Kutai Kertanegara was established in 2003 through a Decree of the Head of District, Decree Number: 180.188/HK-403/2003. In 2006, this committee was renamed and became the Poverty Reduction Coordination Team (TKPKD) of Kutai Kertanegara District. Along

with changes in district leadership in 2007, the Head of District issued a Decree on the establishment of a Regional Poverty Reduction Coordination Team (TKPKD) Kutai Kertanegara 2007. Finally in 2008, the Acting Head of the District of Kutai Kertanegara again issued Decree Number: 180.188/HK-297/2008 that stated the formation of a Regional Poverty Reduction Coordination Team (TKPKD) of Kutai Kertanegara 2008.

The frequent changes in district leaderships are subsequently followed by changes in senior positions in the bureaucracy, and these changes in turn influence membership structure of the District Poverty Reduction Committee. These changes significantly influence the effectiveness and sustainability of poverty programs. The results of interviews with respondents indicate that although KPK or TKPKD is assigned to coordinate poverty programs in the region, coordination among government agencies remains difficult to implement. According to Abdul Hamid, each agency is currently going its own way and consequently the budget allocated for poverty reduction has not been integrated into specific programs to deal with poverty. We have a Poverty Reduction Committee, but the poverty reduction budget is still spread across government agencies, which is out of the control of the committee. In relation to this issue, Yusuf Sumako (interview on 01 December 2008) states that the TKPKD cannot work effectively because each government agency has a conceited attitude. Sumako also argues that in the case of Paser, the Chief of PMD as the chairman of the committee is structurally lower than other members of the committee. This has become an obstacle in executing coordination with other agencies, which are structurally higher than the PMD.

Another factor that indicates the lack of coordination among government agencies is the production of two poverty reduction strategy documents from two different institutions, namely TKPKD and BAPPEDA. Both provincial and district governments have two documents related to poverty reduction strategies. This evidence shows that indeed the coordination between government agencies in the handling of poverty is still very weak. The difficult coordination between TKPKD and other government

agencies within regional governments is contributed to by the fact that the TKPKD was established on the initiation of central government.

### ***The spread of Corrupt Practices***

Another factor that has hindered regional development impact on local community's prosperity is the widespread corruption among regional government officials, both in provincial and district levels, and this has been regarded as the root of the whole problem in the region.

Some evidence confirms that corruption was rampant in the region during the implementation of regional autonomy. The discussion in Box 6.2 shows that some corruption cases have taken place in East Kalimantan. For example, the former governor of East Kalimantan, Suwarna Abdul Fatah, has been taken into custody after being found guilty of corruption. The most shocking case is the corruption among Kutai Kertanegara district officials including the head of district and his deputy, members of DPRD Kutai Kertanegara and some other officials. Over the corruption cases of the APBD, the former Bupati Kutai Kertanegara, Syaukani Hasan Rais, was sentenced to six years in prison, although he finally received amnesty from the President and was released earlier from custody for health and humanitarian reasons. The local newspaper reports that the former members of Kutai Kertanegara District Council have allegedly committed "*korupsi berjamaah*"/congregated corruption over operational funds of the council allocated in the APBD during their services as members of council during 2004 to 2009 (Kaltim Post, 25 November 2010; Samarinda Pos, 25 November 2010; Tribun Kaltim, 09 November 2010).

Apparently, this problem happens not only at the top level but also at mid and lower levels of management, and also occurs among legislatures. Some corruption cases that involved high officials within regional governments and legislatures at two levels of government seem to confirm that corruption is still common in government practice According to Carolus Tuah:

Basically regional autonomy has assigned significant authority to the regions. Unfortunately principles of accountability and transference have not been adopted in the implementation stages and there is a

lack of transparency. Consequently, the practice of corruption still colors the government management (interview on 18 December 2008).

Other evidence that indicates an issue in the management of local budget is apparent from the audit of *Badan Pemeriksa Keuangan/BPK* (The Board of Financial Auditor) toward *Laporan Keuangan Pemerintah Daerah/LKPD* (the Financial Report of Regional Governments). The review suggests that LKPD among district and municipality governments as well as the provincial government of East Kalimantan have been worse. From 14 districts and municipalities, only five districts/municipalities categorized “*Wajar Dengan Pengecualian*” (WDP) and the remaining districts/municipalities are categorized “*Opini Tidak Wajar*” and “Disclaimer” (no opinion)<sup>172</sup> (See Post Metro Balikpapan, ). Apparently, this issue is rife in most district governments in East Kalimantan (Kaltim Post, 6 November 2010). This again confirms that there have been serious issues in regional governments’ financial management.

Deputy Chairman of Corruption Eradication Commission (KPK), Bibit Samad Riyanto states that East Kalimantan is included in the 10 cases of alleged corruption reported to the commission: “... of 28 000 cases that have been reported to KPK, there were approximately 5000 cases that could be followed up by KPK, and East Kalimantan is in the top 10 ranking” (cited in Kaltim Post, 12 September 2008).

A recent survey on the Index of Corruption Perception (*Indeks Persepsi Korupsi/IPK*) conducted by Transparency International Indonesia (TII) suggests that Samarinda, the capital of East Kalimantan Province has been categorized as the most corrupt among other district/municipal governments in Indonesia (Kaltim Post, 11 November 2010). The survey also declares that other districts governments, including the East Kalimantan

<sup>172</sup> There are four categories used by BPK in concluding the review on the regional government financial report: *Wajar Tanpa Pengecualian* (WTP)/Fair without exception, *Wajar Dengan Pengecualian* (WDP)/Fair with exception, Disclaimer, and *Opini Tidak Wajar* (OTW)/adverse opinion. WTP opinion means that the financial report is fairly presented, there are no mistakes and it complies with the standard. WDP opinion is basically the same but there are some points that need to be taken into account. Disclaimer opinion is given if the report presents information that cannot convince the auditors.

provincial government, also have problems. Again this survey confirms that corruption still taints bureaucratic practices among regional government officials in East Kalimantan.

In brief, some evidence mentioned above indicates that corruption in regional government management is widespread in the East Kalimantan region. This corruption has had a negative impact on community welfare, in that the resources allocated for improving the welfare of the community have been misused and only benefit certain groups. In other words, there has been inefficiency in local budget expenditure.

Apparently, shifting from centralization that characterized the Soeharto regime, to decentralization does not simply mean a change from the practices of the New Order government. Current officials who are responsible for the implementation of regional autonomy still find it difficult to abandon the culture of the New Order, which had governed Indonesia for more than three decades. “The centralised authoritarian system is no longer viable, yet democracy combined with decentralisation has failed to break down the predatory relations of power that underpinned the old system.” (Hadiz, 2010:49. It is therefore not surprising that the practices of KKN<sup>173</sup> that characterized the Soeharto regime still exist, and have been decentralized. The thesis thus argues that transferring power and revenue to the local level also means transferring practices of KKN.

## 6.7 Conclusion

It is apparent from the discussion above that development problems confronted by East Kalimantan remain principally the lack of human resources and poor basic infrastructure. These two factors have been identified as the main contributors to insignificant improvement in the welfare of East Kalimantan people. The strategic plans developed by East Kalimantan provincial government, as well as Paser and Kutai Kertanegara districts, have explicitly accommodated these issues through programs that facilitate access for the whole community in the form of road and bridge

<sup>173</sup> KKN stands for *Korupsi*, *Kolusi* and *Nepotisme* (corruption, collusion and nepotism).

construction, human resources development and community economic development.

Nevertheless, policy makers have been inconsistent in implementing program priorities contained in planning documents. The lack of resources allocated to funding program priorities, such as provision of basic infrastructure, seems to confirm there has been inconsistency between strategic plans set out in planning the documents with programs funded in the annual plan of APBD. Another indication can be seen from the budget allocated to government agencies that directly provides services to the broader community. These include education, health, labor, agriculture, etc. These sectors have a lower proportion of local budget allocation compared to others. This also confirms that strategic plans and poverty reduction programs recommended by the Regional Committee for Poverty Reduction do not influence budget allocation. Based on this evidence, it is difficult to agree with politicians' claims that the APBD has been significantly allocated for poverty reduction.

Conflicts of interest and political bargaining that occur among policy makers, particularly between executive and legislature, have been the major sources of inconsistency. Political rivalry between the governor or heads of districts or senior government officials and members of councils in the struggle over program priorities and budget allocations for their respective constituencies sometimes goes through a long negotiation process that ultimately leads to a compromise. Unfortunately, these decisions are sometimes politically motivated and ignore other planning approaches such as bottom-up, technocratic and participative approaches. In many cases, these compromises are inconsistent with the planning documents determined through regional regulation.

The process of policy making perceived to be too elitist has also very much impacted on development planning and budget allocation. Although the planning document is jointly conceived between executive and legislature, it is often ignored and is not referenced in the budget allocation process because it is defeated by short-term interests of the politicians. The

development proposals discussed in *Musrenbang* are the aspirations of the grassroots that describe the real problems confronted by the community. These sorts of proposals advocated in consultations may overlap with some of the priorities` determined in the planning documents. Nevertheless, the results of *Musrenbang* do not always have any influence in policy making and budget allocation due to short-term interests prevailing.

Apart from inconsistency in implementing priority programs, other factors contribute to low achievement in regional development. The first is the weakness in human resources of policy makers, both in executive and legislative branches of government, which affects the formulation and implementation of regional development programs. The second factor is the corruption that thrives in the region. The local budget that is supposed to be used to improve the welfare of local people has been abused by local officials. Social assistance cases, which occur in both levels of government and involve both executive and legislative officials, confirm that the budget that should be allocated to the community has been misused by unscrupulous officials in the region. Various cases of corruption involving officials, eventually culminating in jail terms, have resulted in constant change in regional leadership. This has impacted local political stability and directly affects the development process in the region.

It is also apparent from the discussion that there has been a problem in coordination among regional government agencies, particularly in dealing with poverty issues. The Poverty Reduction Committee that was established by a central government initiative seems to be ineffective in tackling poverty issues. Egocentricity among regional government agencies has become a hindrance for committees in coordinating poverty programs.

It is also apparent that there has been polarization of elite attitudes, both at provincial and district levels, in viewing the regional development issues. In some cases, all groups of elites may have the same perception, but in other cases, elite groups may have dissenting opinions in perceiving regional development issues. Regarding the issue of mismanagement in regional development and the incapacity of regional government staff, all

groups of elites at both levels of government, including local NGOs, regional councils and even regional governments, agree that this issue has contributed to insignificant regional development.

However, in the case of determining program priorities and the inconsistency of regional governments in the implementation stage, there are contradictory opinions. Interestingly, differing perceptions among the elites are not necessarily because they have come from different backgrounds, as even politicians or senior officials of similar background may have contradictory attitudes. In some cases however the same group may have different opinions in perceiving particular issues. For example, some regional government officials may have the same opinion as local NGOs, public figures and members of regional council on the issue that regional government is weak and inconsistent in determining and implementing program priorities. Yet, conversely, other members of regional councils and government officials may give different opinions. As is apparent from the discussion above, at the provincial level, Yunus Nusi, Ali Wardana and Agus Sukaca (public figures), Hadi Mulyadi (member of regional council) and Nusyirwan Ismail (regional government official) believe that regional governments are weak in determining program priorities.

The same occurs at the district government level. Toni Budihartono, Ishak Usman (public figures), Marthen Apuy, Aksa Arsyad (members of the district council) and Yusuf Sumako (district government official) believe that regional government has proposed and implemented many infrastructure projects that were not urgent and should not have been prioritized. Interestingly, regarding the same issue, other members of regional councils, such as Azhar Bahrudin, and senior regional government leaders, such as Ridwan Suwidi (head of district) and Awang Faroek Ishak (Governor), argue that those projects are urgent and should become regional development priorities.

In the process of determining priorities, groups of elites from both provincial and district levels also show ambivalence. Some members of

regional council admit conflict of interest in determining priorities and budget allocations but other members are in denial.

Another interesting issue is the contrasting attitudes shown by legislative and executive branches of government in perceiving budgeting arrangements. On the one hand, the executive claims there has been too much intervention from the legislature in the decision-making process but, on the other hand, council members claim that the executive have been dominant in determining program priorities. It is interesting to note that attempts of the council to make the regional government more accountable have often been perceived by regional government as an intervention. This is clearly apparent from the dispute between Syaiful Teteng, the provincial secretary and chief executive of the budgeting team and members of the regional council.

Another important question posed in this research was related to the issues and challenges confronted by East Kalimantan in developing the region, and the development programs set by regional governments to address confronting issues. The findings from the investigation of the regional development planning documents show that in the last few decades, East Kalimantan has indeed continued to encounter the lack of human resources and basic infrastructure limits. This research indicates that these two issues are major factors that impede improvement in the East Kalimantan people's welfare and have subsequently condemned the community, particularly those who live in rural areas, to living in poverty. In addition, the model of economic development which is more oriented to growth of capital-intensive industries, rather than labor-intensive industries, has influenced welfare distribution among groups in local communities, and this has contributed to the persistence of poverty in this region.

This research suggests that some development programs proposed for poverty reduction as mentioned in the planning documents of East Kalimantan, such as infrastructure development and human resources development, have actually reflected the fundamental issues confronted by the region. The programs proposed by professional planners and senior

bureaucrats from regional government institutions have responded to factors that contribute to poverty as commonly perceived by members of local elites including a lack of basic infrastructure and low levels of education. Therefore, senior bureaucrats within regional governments who are dealing with regional development planning have prioritized development and poverty issues of this nature. Nevertheless, the research finding shows that the priorities stated in the regional government planning documents are not always evident in the programs finally agreed on between executives and legislatures to be funded. The inconsistency of regional governments is evident from the proportion of budget allocated for poverty reduction programs. The findings of this study indicate that the priority sectors, such as provision of basic infrastructure and public services, which are the pre-condition for poverty alleviation as mentioned in much literature, have not been prioritized in the budget allocation.

Indeed, the analysis of the APBDs (budget) 2008 of East Kalimantan Province and Paser and Kutai Kertanegara districts indicates that there have been significant budgets allocated for infrastructure development. However, the analysis of APBD documents and the result of interviews with some respondents indicate that regional governments have failed to fund and implement the infrastructure projects that needed to be prioritized. Regional governments have a propensity to build government buildings, sports facilities, hotels, houses of worship and houses for senior officials, which are only beneficial to a certain group of elite, rather than construct roads that may boost economic activities for local communities. Road infrastructure, the backbone of the people's economic activities, has been neglected. Existing roads have remained in a dilapidated condition, without maintenance to the appropriate standards, even though this has been strongly opposed by the local people.

This research also suggests that the proportion of budget allocated to government agencies that directly provide services to the broader community, such as education, health, labor and agriculture, are lower compared to other sectors such as administration and official expenditure.

This confirms the inconsistency of regional governments in implementing strategic plans formulated in the planning documents. This also illustrates that “pro-poor budgeting” is mainly rhetoric and not reflective of regional governments’ programs and services. This evidence also demonstrates that the strategic plans and poverty reduction programs recommended by the Regional Committee for Poverty Reduction do not influence budget allocation. Given this issue, the thesis argues that it is difficult to accept the claims of senior officials and politicians that regional governments have allocated significant budgets for poverty reduction programs.

The final chapter will conclude with significant findings from the research and elaborate the contribution to knowledge. It will also include some practical recommendations that may be adopted in future for more effective regional development in the region.

## **CHAPTER 7**

### **DISCUSSION AND CONCLUSION**

#### **7.1 Introduction**

The implementation of decentralization in East Kalimantan is characterized by a paradox. This region has abundant economic resources but it confronts the issues of poverty and poor public services. The implementation of regional autonomy was expected to bring greater benefits to local communities, given the region's fiscal capacity has been increased significantly flowing from the implementation of Law 25/1999 and its revision of Law 33/2004, and the greater authority of local governments to manage their affairs., as determined in Law 22/1999 and its successor, Law 32/2004. The increase in financial capacity and authority is an opportunity for regional governments to accelerate development and bring prosperity to local people. However, East Kalimantan faces the reality that the implementation of decentralization has not achieved the goals of regional autonomy to provide greater prosperity to local people and to improve the quality of public services. East Kalimantan instead confronts a situation of poverty and deterioration of infrastructure in the midst of abundant resources.

This chapter highlights the major contribution of the thesis to the current debate of decentralization and its impact on local communities' prosperity. Firstly, the chapter presents a comprehensive discussion of how the thesis addresses the main aims of the research. This part of the thesis firstly provides an overview of the main findings of the study and discusses their implications for the existing research. Secondly, it synthesizes the main findings and provides practical recommendations. The last part of the chapter presents some suggestions for further research.

#### **7.2 Discussion of the Main Findings**

A decade of decentralization system has been implemented in Indonesia and even the earlier version of this system has been amended, refers to Law 32/2004 which replaced Law 22/1999. Regions (districts, cities, and provinces) have enjoyed the degree of political autonomy and a strong

government, which has never existed in the history of the central–regional relationships in Indonesia. Substantial portions of the national budget have flow to the regions, local programs implemented, the mechanisms of local government reformed, and the voice of local communities has been closer to the regional governments.

The World Bank as a proponent of decentralized system strongly believes that the transfer of power and authority from central to regional governments will facilitate the emergence of poverty reduction programs, which thereby will increase prosperity of local communities. This is the ground for the World Bank, which has for the past two decades, along with other international financial institutions and other international development agencies such as UNDP, ADB, IMF, USAID, GTZ, AUSAID, etc. consistently sponsored decentralized systems in various countries, particularly in the ex-USSR and in "developing countries" (see Hadiz, 2004; 2010). This contention is based on the assumption that decentralization would bring government closer to the community, and the proximity would make the government more focused and able to develop policies that are more relevant to local problems. Decentralization will also promote accountability, given the proximity of government and community would enhance direct control from the community. Decentralization, strictly speaking, is a mainstream policy to address the issues of poverty, poor public services, and corrupt behavior in public institutions. The World Development Report clearly states,

Too often, services fail poor people - in access, in quantity, in quality. But the fact that there are strong examples where services do work means governments and citizens can do better. How? By putting poor people at the center of service provision: by enabling them to monitor and discipline service providers, by amplifying their voice in policymaking, and by strengthening the incentives for providers to serve the poor. (World Bank 2004: 1).

In the context of this study, - which aimed to examine the extent to which the policy of regional autonomy has impacted on poverty reduction in a resource rich region, particularly the extent to which regional governments use their authority, greatly expanded under the regional autonomy laws, to play their role in formulating and implementing poverty reduction policies, in

order to improve the welfare of local communities, - the research suggests that the greatly expanded powers of regional government through regional autonomy have not significantly improved the local communities' prosperity. Apparently, although regional autonomy has meant that the key decision makers are closer to local people, there is no guarantee that their policies and programs for regional development are pro-local people, particularly the poorer sections of the community. Given this phenomenon, this thesis challenges the proponents of decentralization system that believe the implementation of decentralized governance will enhance poverty reduction and create prosperity for local communities.

The findings of this research confirm that the failure of regional autonomy to enhance welfare is related to a number of different factors, including the ineffectiveness of regional governments in managing authority and financial resources that have been granted by the central government. The implementation of decentralization has tended to empower local political elites. The dynamics of the highly elitist decision-making process both in the legislature and executive, has tended to be influenced by political considerations rather than professional planning and advice, participatory and bottom-up approaches. This has meant that regional development programs have been more oriented to the interests of public officials and elected politicians rather than fulfilling the expectations of the people. This is in line with Hadiz's contention which argues that the localization of power - as the implications of the decentralization policy - has facilitated in "clearing the way" for predatory networks of patronage" to emerge at the local level (Hadiz, 2010: 12). This finding confirms the theory that the failure of poverty policies is contributed by the dominant perspective of policy makers, rather than to consider the voice and interest of the poor in formulating poverty reduction policy (see Epstein, 2007:6). Given this discrepancy, the present research, to some extent, confirms some previous research (see for example Bossuyt and Gould, 2000) which found decentralization rarely becomes an effective way to address poverty.

Furthermore, existing theories on expanding power of regional government and poverty alleviation have highlighted the importance of local political structures. The theses introduced by Hadiz (2010) and Aspinall (2011) point out that expanding local governmental power creates a new oligarchic system which serves local elites instead of communities. The consequence of this situation is that local financial resources have been legally and illegally used to serve local elites' political and economic interests which lead to the weakening of poverty alleviation programs. Hadiz (2010: 3) states,

Local power is thus but another arena of contestation among a range of interests concerned with the forging of economic and political regimes that would govern the way wealth and power are distributed, just as nation-states and the world at large are sites of such contestations.

The thesis argues that elites in the region failed to pursue the objectives of regional autonomy. Regional autonomy has resulted in the building "prestige projects", such as luxury office buildings and purchasing service vehicles rather than empowering communities and improving the welfare and provide greater opportunities for the community to develop their economic activities. Arguably the tendency of regional governments to develop 'prestige' or 'trophy' projects has been driven by the political motivation of the governor and heads of districts to leave a monument to show the public that projects undertaken by regional governments were successful, as a basis for a subsequent political career or their reputation. It may be also related to the political culture of the migrant led frontier society and the attitudes of the *nouveau riche* (*Orang Kaya Baru/OKB*). The local decision makers, mainly from immigrant backgrounds, have become successful people in the frontier economy and tend to be motivated by prestige. The chairman of East Kalimantan regional council, Herlan Agussalim, expressed this political imperative as "*biar rugi asal terpuji, biar tekor asal tersohor*." (Losses don't matter as long you are recognized; wasting money is okay, as long as you're famous). This sort of motivation is

reinforced by the attitudes of OKB in wasting “treasure” received by the region as a consequence of the implementation of regional autonomy.

Another tendency has been that prestige projects have benefited financially policy makers and also enabled them to mobilize political support. This reflects Hadiz’s contention that: “Local officials in Indonesia are finding their positions quite profitable, as the rent-seeking possibilities offered by decentralisation are enhanced, and new alliances with local business interests are forged.” (Hadiz, 2010:95).

Apart from seeking financial benefits from projects funded through the local budget (APBD), local elites, particularly heads of regions and members of councils, often utilize local budget (APBD) as a tool for mobilizing political support from individuals and community organizations (Haryadi cited in *Pikiran Rakyat*, 07 November 2011). In the case of East Kalimantan, this is apparent from the allocation of the local budget for grants and social assistance expenditure for community organizations that have been significantly increased. These expenditures allocated in the local budget 2011 of East Kalimantan reached 725 billion and 181 billion respectively, or increased by 100 percent and 1000 percent respectively compared to the allocation for the previous financial year (*Kaltim Post*, 10 September 2011). The extraordinary increase in the allocation for grant and social assistance expenditures can be related to the election for Governor which will be held in 2013 (Khaidir, 09 September 2011). This indicates that grant and social assistance are used to mobilize political support from individuals and local community organizations. In relation to this issue, Carolus Tuah states:

The allocation of local budget for grant and social assistance programs are higher compared to program priorities. As usual, these allocations of local budget are full of political motivation, which is to increase popularity. .... moreover, the grant and social assistance expenditures have become the budget that is easily misused (*Kaltim Post*, 08 September 2011).

The sorts of local elite attitudes reflect the theories of institutional rational choice (Kernan, 1996) or actor-centered institutionalism (Scharpf,

1997).<sup>174</sup> These theories acknowledge that politicians and bureaucrats will act on and utilize their institutional positions to maximize individual benefits in order to fulfill their goals. Scott (2000) describes this concept as rational individuals choosing alternatives that can provide the greatest benefits within institutional rules and constraints (see also Peters, 1999).

The researcher argues that the phenomenon of seeking financial benefits from government projects cannot be separated from the election system. The current system requires politicians to invest significant financial resources in election campaigns to mobilize supports. Candidates and politicians with adequate financial resources are advantaged. The strategic position of heads of district, governors and local legislators in a decentralized system has encouraged local politicians to spend resources in order to gain these positions. And the expectation is that these positions will provide more financial benefits to cover campaign expenses spent during the campaign period. The evidence suggests that rampant corruption and collusion involving heads of regions, local bureaucrats and private businessmen are a reflection of their efforts to recoup election campaign spending. This phenomenon confirms exactly Klinken and Aspinall's proposition that "...in order to secure political dominance, they need to redistribute money and business opportunities to supporters, allies and, to varying degrees, potential rivals." (Klinken and Aspinall, 2011: 161). The process described by Zulkifli Alkaf, where the BANGGAR/Budgeting Committee openly prefers proposals for development programs that provide financial benefits for politicians and senior bureaucrats, has become common practice in budget deliberation. This phenomenon may explain why development and poverty alleviation

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<sup>174</sup> Institutional rational choice (Keman, 1996) and actor-centered institutionalism (Fritz Scharpf, 1997) are rooted in rational choice theory, which is commonly used as a framework for understanding and modeling social and economic behavior. It is also central to modern political science and is used by some scholars in other disciplines such as sociology and philosophy. The basic idea of rational choice theory is that patterns of behavior in societies reflect choices made by individuals as they try to maximize benefits and minimize costs. From the perspective of social and political sciences, rational choice theory adopts a methodological individualist position, and attempts to explain all social phenomena and political actions in terms of rational calculations made by self-interested individuals. These theories define institutions as a series of rules and incentives that create a condition of limited rational, and therefore open up a "political space" for every individual in the institution to execute their respective functions.

priorities established in regional government planning documents are often revised in the budgeting processes by the executive and legislature. It seems that poverty alleviation projects are not really useful for the political purposes of decision makers. Therefore, the rational choice of policy makers is more focused on projects that provide financial benefits and enhance the status quo of policy makers.

Given the attitudes of decision makers - seeking benefits from the projects they have funded - in consolidating their political supports from their communities is inconsistent with democratic and representative theories, which argue that to secure legitimacy, they should be able to translate the interests of voters into development policies that favor the wider community (see for example Cunningham, 2002; Dahl et al., 2003). It is interesting to observe that many members of regional councils (DPRD) in East Kalimantan, elected in 2004, were not re-elected in the general election of 2009 (see for example Balikpapan Pos, 25 April 2009; Kaltim Post, 29 April 2009). It would seem that these council members were effectively sanctioned by the electoral process because they failed to foster the interests of their constituents.

The implication of the emergence of “rent-seeking” attitudes among local elites has facilitated the widely spread of corruption practices in the execution of regional development projects. The data indicate that most corruption cases, which involve members of the executive and legislative in the regional governments, were related to the execution of prestige projects, where policy makers have obtained financial benefits from projects they have funded from government budgets (see for example Hifdzil Alim, 13 September 2011). This is consistent with Klinken and Aspinall’s contention that “...construction projects are a major focus of collusive and predatory behaviour...” (Klinken and Aspinall, 2011:140). The data also shows that the cases of corruption involving heads of regions and members of councils in East Kalimantan are also generated from the misuse of budget allocations for grant and social assistance expenditure (see for example Kaltim Post, 24 November 2010; 29 November 2010; 27 January 2011; 11 April 2011; 16

May 2011; Rinaldi et al., 2007; Umar, 05 April 2011). In respect to this phenomenon, Indonesian political observer, Indria Samego states: 'People got nothing out of autonomy, while local officials got rich' (Jakarta Post 21 August 2002).

Given the wide spread of corruption practices in a decentralized system, this research confirms Nordholt and Klinken's theses that,

"...decentralization does not necessarily result in democratization, good governance and the strengthening of civil society at the regional level. Instead we often witness a decentralization of corruption, collusion and political violence that once belonged to the centralized regime of the New Order, and is now molded into the existing patrimonial patterns at the regional level." (Nordholt and Klinken, 2007: 18)

In brief, this research has offered a more political or power analysis perspective to explain why regions with abundant resources have not managed to alleviate poverty. In East Kalimantan it has not been a shortage of resources, rather abundance has been used for other purposes. The poverty issue has been commoditized by local politicians and bureaucrats. For them, poverty is a useful political commodity, especially to show their benevolence so that they can mobilize political support to maintain their power and preserve their positions.

### **7.3 Conclusion**

This thesis has investigated the extent to which regional governments have played a role in combating poverty, under the setting of regional autonomy, in the wealthy region of East Kalimantan, Indonesia. This research suggests that although the implementation of regional autonomy, particularly fiscal decentralization is more focused at the district level, its effect on regional fiscal capacity not only favors district government but also provides greater fiscal capacity to provincial government. This implies that the position of provincial government as a representative of central government, and as a coordinating and supervising body at the regional level, becomes more strategic in consolidating and facilitating development in the region. The role of provincial government is becoming more important because it has

significant financial resources to address the confronting issues. In the case of East Kalimantan, the problem of infrastructure, such as the unavailability and poor condition of existing roads, which is considered to contribute to the high poverty rate in the region, is largely the responsibility of provincial government. Given this circumstance, arguably both levels of government could play pivotal roles in the eradication of poverty in the region, and in helping the local community to attain greater prosperity.

The discussion of whether decentralization facilitates the role of regional governments in poverty reduction indicates a paradoxical phenomenon. Indeed regional autonomy has given broad authority and significant financial resources to the regions, particularly resource-rich regions such as East Kalimantan, and has made regional governments more politically powerful in boosting regional development. However this research has found that the significant increase of political power and fiscal capacity has not necessarily meant that regional governments have been successful in alleviating poverty and in bringing greater prosperity to their communities. This research suggests that there are no significant differences in the priorities given to poverty programs at provincial and district levels of government.

Apparently the commitment of regional governments in addressing poverty has been shown in the regional development planning documents, either through RPJP, RPJM, RKPD and Strategic Plan for Poverty Reduction or through anti-poverty rhetoric, which are often a prominent part of the election campaigns. Nonetheless, stagnation in the rate of poverty, despite a decade of implementing regional autonomy, indicate that regional governments have not utilized significant increases in the local budget (APBD) efficiently or manage the expanded regional role effectively. In other words, the expanded role of regional governments has not meant that their role in poverty reduction has increased. The limited programs and resources allocated to alleviate poverty seem to confirm that regional governments have not made poverty reduction a priority. Thus, this evidence illustrates that the consensus of the elite on the pivotal role of regional governments in

combating poverty has not been reflected in the allocation of resources for anti-poverty programs.

To conclude, this research has analyzed the implementation of decentralization policy in practice, particularly to assess whether decentralization has enhanced the welfare of local communities. The conclusion is that the implementation of regional autonomy in the rich resources region has had limited impact on poverty eradication. The explanation is that the resources transferred to the regions have been hijacked by local elites for their own benefits.

#### **7.4 Policy Implications**

Based on the discussion above, it can be concluded that the problem of poverty in East Kalimantan is complex. Apart from the issues of culture, the failure of regional governments in the provision of infrastructure and the lack of vision in poverty reduction programs, the discrepancy also reflects a structural problem. The structural gap between decision makers (executives and legislatures) and the wider communities in determining priority programs for regional development is a reflection of this discrepancy. This leads to a situation that regional government programs often do not meet the needs of the poor. The resources are only allocated and distributed through political decision-makers' networks and there is only a limited allocation of government resources for sections of the community outside these political networks. This distribution reflects the social and cultural gap between the political elite and poorer sections of the community as well as competing interests. This implies that successful implementation of decentralization requires strong community participation in decision-making process, particularly in respect to the use of funds that are directly related to communities' interests. The process of budgeting, which is too elitist involving executive and legislature without taking into account the involvement of community, especially poor people, can also affect the program's impact on people's welfare. This explanation also suggests that the budget allocation is not the only key to accelerating poverty reduction. Ensuring the connection

between program plans and activities and budget allocations which is targeted the poor is also very important.

Accordingly, to overcome the structural problem, it is not enough to restructure the policy making process but to also introduce a new policy-making mechanism that ensures that the interests of poor people will become more influential in future policy making. The creation of policy channels that may enhance the engagement of local community in decision-making processes becomes crucial. In this case, regional governments need to revitalize the implementation of *Musrenbang*, far beyond the current practices which tend to be a formality and reflect ceremonial events only.

The phenomenon of poverty in East Kalimantan also implies that in resolving poverty it is not sufficient to rely solely on the economic approach, as much literature prescribes, which has become the major reference in designing poverty alleviation programs over the years (see for example Kanbur and Squire, 2011; Narayan-Parker and Petesch, 2007; Sumner, 2004). The case of East Kalimantan plainly shows that political factors also greatly influence poverty alleviation programs. The strong political interests of policy makers, especially among members of councils and heads of regions (*Gubernur and Bupati*), in selecting and funding regional development programs, is evidence that political factors drive the decision-making process. Arguably, it is important that poverty becomes an issue in all areas of policy during the process of regional development planning and budgeting. Mainstreaming poverty policy is crucial in ensuring that development programs proposed by regional governments satisfy the principles of both “pro-poor policy/programs” and “pro-poor budgeting”. The research suggests that most programs which are claimed to be a part of poverty reduction policy, often fail to target poor people. Therefore, all proposed programs have to move away from universal provision to targeted policies.

Furthermore, given the strategic role of the regional governments in combating poverty, revitalization of the role of regional government - as a facilitator, regulator, coordinator and dynamist - becomes crucial in order to

accelerate the process reducing poverty. Regional government as a facilitator should be able to integrate pro people development policies into the planning documents, such as RPJP, RPJM, RKPD and local budget (APBD). As a regulator, government must be able to set up policies and rules based on the interests of the people. The regional government is responsible for enhancing the participation of all stakeholders. Regional government as a coordinator should be able to synergize and integrate all the parties to be involved in the poverty reduction programs, through a participatory planning mechanism of bottom-up.

To do so, the need for improving the capacity of the regional government apparatus also becomes crucial. This requirement is in line with the spirit of “*reformasi*”, which was massively voiced following the fall of the New Order era that envisaged a fundamental change in all sectors of administration management. Under these circumstances, regional government officials are expected to be able to cope with increased responsibilities that have been devolved, and also in response to demands from the local community. Apart from the improvement of regional government bureaucrats’ capacity, at the same time, regional governments should have a determined commitment to improve the quality of human resources in their community. “Social accountability”<sup>175</sup> can only be implemented if communities as a civil society have enough capacity to be involved in the development process. Individual capacity building, which may be provided through formal and informal education, has to go along with the strengthening of socio-political institutions to enhance their function as agents of community development, particularly in dealing with poor people. (For further discussion about the concept of social accountability, see for example Ackerman (2005) and Malane et al. (2004).

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<sup>175</sup> Social accountability is a concept introduced by the World Bank, which aims at “enhancing the ability of citizens to engage with public servants and politicians in a more informed, direct and constructive manner” (Malane et al., 2004, p. 1). The World Bank defines social accountability as “an approach towards building accountability that relies on civic engagement, i.e. in which it is ordinary citizens and/or civil society organizations who participate directly or indirectly in exacting accountability” (Ackerman, 2005: 11; Malane et.al., 2004: 3).

Apart from the long-term programs of strengthening the capacity of individuals and local social democratic institutions, what is required is a legal framework that regulates legal consequences for policy makers if they fail to consistently implement development programs that politically have been approved by both executive and legislative bodies in the region. The presence of this regulation will assist in preventing political interests among policy makers in the process of decision making. This will promote consistency in implementing regional development programs, and will provide more conviction for decision makers to realize set outcomes. Apart from this regulation, sanctioning democracy with regard to politicians who disengage from the needs and interests of the wider community should be promoted.

The previous discussion also indicates that the leaking of local budgets, which leads to inefficiency and ineffectiveness in dealing with poverty issues, has also become a crucial problem in East Kalimantan. The cases of corruption that are widespread in regional government management indicate there has been misuse of the budget allocated to improve the welfare of the local community. All these factors are in line with the proposition of Jutting, et al. (2004) of the critical factors that may influence decentralization to enhance poverty reduction. (See the discussion of Jutting et al. (2004) on the ways in which decentralization may influence poverty reduction in Chapter 2.)

The findings of this research also suggest that as long as the pattern of economic development in East Kalimantan rests on industries such as mining, it might be difficult to expect an increase in welfare of the local community. Indeed, the mining industries are highly instrumental in increasing local revenues, but these industries do not significantly contribute to the local economy. Given this issue, regional governments should commit to developing an agricultural based economy as the main livelihood of the East Kalimantan community. It may be relevant to consider the sorts of programs that will increase the productivity of farmers.

This study also indicates that the availability of adequate infrastructure, such as roads, greatly influences efforts to improve social welfare. Therefore, regional governments are required to demonstrate their consistency in making infrastructure development their top priority. Regional governments need to focus on infrastructure development projects that boost the economy of the wider community, not just the infrastructure that provides benefits to a certain group of elites and capitalists.

The research also suggests that coordination between levels of government, especially between provincial and district levels is crucial. Therefore, what is required is a more detailed division of responsibilities between these two levels in order to create a more effective and integrated way of handling poverty issues in the region. Coordination and synergy between districts and province in handling poverty issues is crucial to avoid overlapping in the implementation of poverty alleviation programs.

Another fundamental issue which becomes a significant finding of this study is the inaccuracy of poverty data. The current method employed by BPS, which relies on surveys, has attracted sharp criticism as it does not reflect the real condition. Moreover, different institutions may have different poverty data. The diversity of poverty data released by the agencies that deal with poverty, such as BPS, BKKBN, Social Service, Public Health Service and TKPKD, is due to the different indicators used to measure poverty. Given that the accuracy of poverty data may significantly influence poverty alleviation initiatives, serious efforts from all relevant stakeholders to strengthen the poverty database should be made. This can be done through the development of a poverty indicator consensus which will be a reference for all stakeholders in measuring poverty. Another important consideration is how people, especially poorer communities, are engaged or involved in the determination of indicators and in the process of data collection. The availability of accurate poverty data must be supported by synergy, understanding and consensus among stakeholders in the development of the region.

### **7.5 Directions for Future Research**

This thesis has contributed to the debate on the impact of a decentralization system on poverty reduction at regional levels. Further research is required to develop our knowledge of the following issues.

➤ It would be invaluable to research the effectiveness of current professional development models for bureaucrats. Indeed, the mechanism of professional development among bureaucrats has been well organized including structural and functional training. The former is a pre-requirement training for staff seeking structural positions, while the latter training is aimed at developing the skills of bureaucrats based on their duties and functions. The research has become urgent as most local elites believe that one factor that contributes to East Kalimantan development is weakness in the capacity among regional government bureaucrats. In addition, this issue becomes interesting to observe because based on the data, the average education level of bureaucrats in East Kalimantan is the Bachelor's Degree, and the majority of officials who occupy the echelon 2 positions have gained a Master's Degree.

➤ BPS in conducting data collection on poverty in Indonesia tends to use the same indicators for all regions. It is undeniable that the conditions of each region are diverse and perceptions of each region on poverty are also varied. Along with the implementation of regional autonomy, the determination of indicators of poverty should also be given to the regions. The government in each region together with other development stakeholders should have a better understanding of the conditions of their respective regions than the central government agency. Therefore, poverty indicators that accurately reflect the conditions of respective regions are crucial. The determination of local-based indicators will help to create accurate poverty data and this in turn will facilitate better targeting of poverty reduction programs for poor people.

## APPENDIXES

### Appendix 1: Percentage of Revenue Sharing Generated from Natural Resources Exploitation

Item	Central	Province	Producing District	Districts within Province
Oil (after tax and levies)	84.5	3	6	6
LNG (after tax and levies)	69.5	6	12	12
Mining:				
Land rent	20	16	64	-
Royalty	20	16	32	32
Forestry:				
Land rent	20	16	64	-
Resource rent	20	16	32	32
Reforestation fund	60	-	40	-
Geothermal mining	20	16	32	32

Source: Articles 12, 13, 14, 15, 16, 17, 19, 20 and 21 of Law 33/2004 on Fiscal Balance between Central Government and Regional Government

Note: 0.5 percent of revenue generated from oil and LNG respectively are specifically allocated for basic education. These funds are shared between the province, the producing district and other districts within the province.

## **Appendix 2: Comparison of Government Organization Model of East Kalimantan Province, Kutai Kertanegara and Paser Districts**

### **East Kalimantan Province**

1. Sekretariat Daerah/Provincial Secretary
2. Sekretariat DPRD/Provincial Council Secretary
3. Inspektorat/Inspectorate
4. Badan Perencanaan Pembangunan Daerah/Regional Development Planning Board
5. Dinas Pendidikan/Education Agency
6. Dinas Pemuda dan Olahraga/Youth and Sport Agency
7. Dinas Kesehatan/Health Agency
8. Dinas Sosial/Social Agency
9. Dinas Tenaga Kerja dan Transmigrasi/Labor Force and Transmigration Agency
10. Dinas Perhubungan/Transportation Agency
11. Dinas Komunikasi dan Informatika/Communication and Informatics Agency
12. Dinas Kebudayaan dan Pariwisata/Culture and Tourism Agency
13. Dinas Pekerjaan Umum/Public Work Agency
14. Dinas Perindustrian, Perdagangan, Koperasi, dan Usaha Mikro, Kecil dan Menengah (UMKM)/Industry, Trade, Cooperative and Micro, Small and Medium Enterprises Agency
15. Dinas Pertanian Tanaman Pangan/Agriculture Food Crops Agency
16. Dinas Peternakan/Husbandry Agency
17. Dinas Kelautan dan Perikanan/Marine and Fishery Agency
18. Dinas Perkebunan/Plantation Agency
19. Dinas Kehutanan/Forestry Agency
20. Dinas Pertambangan dan Energi/Mining and Energy Agency
21. Dinas Pendapatan Daerah/Regional Revenue Agency
22. Badan Perijinan dan Penanaman Modal Daerah/Regional Licensing and Investment Board
23. Badan Perpustakaan/Library Board
24. Badan Arsip Daerah/Regional Archive Board
25. Badan Pemberdayaan Masyarakat dan Pemerintahan Desa/Community Empowerment and Village Government Board
26. Badan Kepegawaian Daerah/Regional Personnel Board
27. Badan Pendidikan dan Pelatihan/Education and Training Board
28. Badan Pemberdayaan Perempuan dan Keluarga Berencana/Women Empowerment and Family Planning
29. Kantor Penghubung/Office for Transportation
30. Rumah Sakit Umum Daerah Abdul Wahab Syahrani (Kelas B) di Samarinda/Regional Public Hospital of Abdul Wahab Syahrani
31. Rumah Sakit Umum Daerah dr. Kanujoso Djatiwibowo (Kelas B) di Balikpapan/Regional Public Hospital of dr. Kanujoso Djatiwibowo (Kelas B) in Balikpapan
32. Rumah Sakit Umum Daerah Tarakan (Kelas B) di Tarakan/Regional Public Hospital of Tarakan
33. Rumah Sakit Khusus Daerah Atma Husada Mahakam (Kelas B) di Samarinda/Special Hospital of Atma Husada Mahakam
34. Satuan Polisi Pamong Praja (Satpol PP)/Civil Police Unit

35. Sekretariat Komisi Penyiaran Indonesia Daerah Provinsi Kalimantan Timur (KPID)/Secretariat of Regional Indonesian Broadcasting Commission of East Kalimantan Province

**Kutai Kertanegara District**

1. Sekretariat Daerah/District Secretary
2. Sekretariat DPRD/ District Council Secretary
3. Inspektorat/Inspectorate
4. Badan Perencanaan Pembangunan Daerah/Regional Development Planning Board
5. Dinas Pendidikan/Education Agency
6. Dinas Pemuda dan Olahraga/Youth and Sport Agency
7. Dinas Kesehatan/Health Agency
8. Dinas Sosial Social Agency
9. Dinas Tenaga Kerja dan Transmigrasi/ Labor Force and Transmigration Agency
10. Dinas Perhubungan/Transportation Agency
11. Dinas Komunikasi dan Informatika/Communication and Informatics Agency
12. Dinas Kebudayaan dan Pariwisata/Culture and Tourism Agency
13. Dinas Pekerjaan Umum/Public Work Agency
14. Dinas Perindustrian, Perdagangan dan Koperasi/Industry, Trade and Cooperative Agency
15. Dinas Pertanian Tanaman Pangan/Agriculture Food Crops Agency
16. Dinas Peternakan dan Kesehatan Hewan/Husbandry and Animal Health Agency
17. Dinas Kelautan dan Perikanan/Marine and Fishery Agency
18. Dinas Perkebunan/Plantation Agency
19. Dinas Kehutanan/Forestry Agency
20. Dinas Pertambangan dan Energi/Mining and Energy Agency
21. Dinas Kependudukan dan Catatan Sipil/Population and Civil Record Agency
22. Dinas Pendapatan Daerah/Regional Revenue Board
23. Badan Kesatuan Bangsa, Politik dan Perlindungan Masyarakat/National Unity, Politics and Public Protection
24. Badan Lingkungan Hidup Daerah/Regional Environment Board
25. Badan Penanaman Modal dan Promosi Daerah/Regional Investment and Promotion Board
26. Badan Kearsipan dan Perpustakaan/Archive and Library Board
27. Badan Pemberdayaan Masyarakat dan Pemerintahan Desa/Community Empowerment and Village Government Board
28. Badan Keluarga Berencana, Pemberdayaan Perempuan dan Perlindungan Anak/Family Planning, Women Empowerment and Children Protection
29. Badan Kepegawaian Daerah/Regional Personnel Board
30. Badan Penelitian dan Pengembangan Daerah/Regional Research and Development Board
31. Badan Pelayanan Perijinan Terpadu/Integrated Licensing Service Board
32. Badan Ketahanan Pangan dan Penyuluhan/Food Security and Guidance Board
33. Kantor Pengelolaan Aset Daerah/Office for Regional Asset Management
34. Kantor Kebersihan dan Pertamanan/Office Cleaning and Gardening
35. Kantor Pengelolaan Pasar/Office for Market Management
36. Kantor Penanggulangan Kebakaran/Office for Fire Fighting
37. Kantor Satuan Polisi Pamong Praja/Civil Police Unit

**Paser District**

1. Sekretariat Daerah/District Secretary
2. Sekretariat DPRD/District Council Secretary
3. Inspektorat/Inspectorate
4. Badan Perencanaan Pembangunan Daerah/Regional Development Planning Board
5. Dinas Pendidikan/Education Agency
6. Dinas Kesehatan/Health Agency
7. Dinas Tenaga Kerja/Labor Agency
8. Dinas Perhubungan, Komunikasi dan Informatika/Transportation, Communication and Informatics
9. Dinas Bina Marga, Pengairan dan Tata Ruang/Roads, Irrigation and Spatial Agency
10. Dinas Cipta Karya, Kebersihan dan Perumahan/Settlement, Cleaning and Housing Agency
11. Dinas Sosial, Kependudukan dan Catatan Sipil/Social, Population and Civil Record Agency
12. Dinas Kebudayaan, Pariwisata, Pemuda dan Olah Raga/Culture, Tourism, Youth and Sport Agency
13. Dinas Perindustrian, Perdagangan, Koperasi dan Usaha Kecil Menengah/Industry, Trade, Cooperative and Small, Medium Enterprises
14. Dinas Pertanian dan Perkebunan/Agriculture and Plantation Agency
15. Dinas Perikanan, Kelautan dan Peternakan/Fishery, Marine and Husbandry Agency
16. Dinas Kehutanan, Pertambangan dan Energi/Forestry, Mining and Energy Agency
17. Dinas Pendapatan dan Pengelolaan Keuangan Daerah/Regional Revenue and Financial Management Board
18. Badan Kepegawaian Daerah/Regional Personnel Board
19. Badan Lingkungan Hidup/Environment Board
20. Badan Ketahanan Pangan dan Penyuluhan/Food Security and Guidance Board
21. Kantor Penanaman Modal dan Pelayanan Perijinan Terpadu/Office for Investment and Integrated Licensing
22. Kantor Kesatuan Bangsa, Politik dan Perlindungan Masyarakat/Office for National Unity, Politics and Public Protection
23. Kantor Pemberdayaan Masyarakat dan Desa/Office for Community Empowerment
24. Kantor Pemberdayaan Perempuan dan Keluarga Berencana/Office for Women and Family Planning Empowerment
25. Kantor Perpustakaan dan Arsip/Office for Library and Archive
26. Rumah Sakit Umum Daerah Panglima Sebaya/Public Hospital of Panglima Sebaya
27. Satuan Polisi Pamong Praja/Civil Police Unit

Source: Organization Bureau of East Kalimantan Province Secretary, Paser and Kutai Kertanegara Secretary respectively.

### **Appendix 3: Secondary Data Collected During Fieldwork**

#### **Paser District**

1. APBD Kabupaten Paser 2000 – 2008/Local Budget of Paser 2000 - 2008
2. Kabupaten Paser Dalam Angka Tahun 2008/Paser District in Figures 2008
3. Rencana Pembangunan Jangka Menengah Daerah(RPJM)/Medium Term Regional Development Plan
4. Data penduduk menurut agama/Population by religion
5. Notulen Rapat Konsultasi Pansus DPRD KU-APBD Perubahan Tahun 2008 dengan Panggar Eksekutif Beserta SKPD di lingkungan Pemerintah Kabupaten Paser/Minutes of consultation meeting between special committee of DPRD for revision of KUA-APBD 2008 and executive budgeting team as well as district government units
6. Alat-alat kelengkapan DPRD Kabupaten Paser Periode 2004 – 2009/Structure of Paser District Council 2004 -2009
7. Indikator Kemiskinan Versi BPS berdasarkan Pendataan tahun 2008/BPS poverty indicators based on the Census 2008
8. Rekapitulasi Hasil Perhitungan Suara Pilkada dan Wakil Kepala Daerah Provinsi Kalimantan Timur di Kabupaten Paser Putaran Pertama dan Kedua/Recapitulation of head of Paser district election
9. Dokumen Strategi Penanggulangan Kemiskinan Daerah Kabupaten Paser/Poverty reduction strategy for Paser district
10. Notulen Rapat Koordinasi PANSUS KU-APBD DPRD Kabupaten Paser dengan Dinas Instansi terkait/Minutes of Coordination Meeting between Special Committee of Paser District Council for KU-APBD and District Government Units
11. Rekapitulasi Data Penyandang Masalah Kesejahteraan Sosial (PMKS)/The data of People with social welfare problems
12. Berita Acara Kesepakatan antara PANSUS KU-APBD DPRD Kabupaten Paser dengan PANGGAR Pemerintah Kabupaten Paser/Agreement between Special Committee Paser District Council for KU-APBD with Budgeting Team of District Government of Paser
13. Dokumen Strategi Penanggulangan Kemiskinan Daerah (SPKD): Program Penanggulangan Kemiskinan Kabupaten Paser/Regional Poverty Reduction Strategy: Paser District Poverty Reduction Programs
14. Laporan Pelaksanaan Pilkada dan Wakil Kepala Daerah Kabupaten Paser Tahun 2005/The Report of Paser District Head Election
15. Program Kerja DPRD Kabupaten Paser tahun 2006/Paser District Council Working Program 2006
16. Inventarisasi Usulan/Pertanyaan PANGGAR DPRD Kabupaten Paser terhadap Nota APBD Kabupaten Paser tahun 2008/The list of questions of Paser District Council about Paser District APBD 2008
17. Pemandangan Akhir Fraksi-Fraksi DPRD Kabupaten Paser terhadap RAPBD Kabupaten Paser tahun 2008/Final remarks of Paser District Factions on Paser District RAPBD 2008
18. KU-APBD Kabupaten Paser tahun 2006/Paser District KU-APBD 2008
19. Laporan Keterangan Pertanggung Jawaban (LKPJ) Tahun 2006/Accountability Report 2006
20. PDRB Menurut Lapangan Usaha Kabupaten Paser Tahun 2000 – 2007/Paser District PDRB by sectors 2000-2007
21. INKESRA Kabupaten Paser Tahun 2008/Paser District Community Welfare Indicators 2008
22. Rencana Kerja Pemerintah Daerah Kabupaten Paser Tahun 2007/Working Plan of Paser District Government 2007

23. Rencana Kerja Pemerintah Daerah Kabupaten Paser Tahun 2009/ Working Plan of Paser District Government 2009
24. Laporan Penyelenggaraan Pemerintah Daerah (LPPD) Tahun 2007/Regional Government Implementation Report
25. Prioritas dan Platform Anggaran tahun 2008/Priority and Budget Allocation 2008
26. Data Jumlah Penduduk, Luas Wilayah, Orbitasi dan Jumlah Keluarga Miskin di Kabupaten Paser/Number of population, area and number of poor people in Paser District
27. Daftar Nama Kepala Rumah Tangga dan Alamat Keluarga Miskin Kabupaten Paser/The list of head of household and the address of poor household in Paser District
28. Kumpulan Perda tentang Struktur Organisasi/Regional Regulation on Organization Structure
29. Biodata Pejabat Eselon II/Biodata echelon 2 officials
30. Laporan Hasil Pemeriksaan BPK terhadap Laporan Keuangan Kabupaten Paser Tahun Anggaran 2004/The Report of BPK audits on financial accountability report of Paser District 2004
31. Laporan Hasil Pemeriksaan BPK terhadap Laporan Keuangan Kabupaten Paser Tahun Anggaran 2007/ The Report of BPK audits on financial accountability report of Paser District 2007
32. Laporan Hasil Pemeriksaan BPK terhadap Laporan Keuangan Kabupaten Paser Tahun Anggaran 2006/ The Report of BPK audits on financial accountability report of Paser District 2006
33. Laporan Hasil Pemeriksaan BPK atas Pertanggung Jawaban Penggunaan Bantuan Keuangan Partai Politik Tahun Anggaran 2006/ The Report of BPK audits on the accountability of the usage of financial assistance for political parties 2006
34. Resume Hasil Pemeriksaan atas Kinerja Pelayanan Pendidikan Pada Pemerintah Kabupaten Pasir/The resume of assessment on education service performances in Paser District

### **East Kalimantan Province**

1. APBD Provinsi Kalimantan Timur 2000 – 2008/The APBD of East Kalimantan Province 2000-2008
2. Visi Misi dan Strategi Kaltim Bangkit H. Awang Faroek Ishak, Calon Gubernur Kalimantan Timur 2008 – 2013/Vision. Mission and strategy Kaltim awakening, H. Awang Faroek Ishak, the candidate of East Kalimantan governor 2008-2013
3. Mari Mengenal Kaltim/Let's recognize Kaltim
4. Selayang Pandang DPRD Kaltim/A brief of East Kalimantan Council
5. Profil Anggota DPRD Kaltim/The profile of East Kalimantan Council members
6. Data Keluarga Miskin Provinsi Kalimantan Timur/Poverty data of East Kalimantan Province
7. Kaltim Dalam Angka Tahun 2008/Kaltim in figures 2008
8. KU-APBD Kalimantan Timur Tahun 2007/KU-APBD East Kalimantan 2007
9. Buku Saku Kepegawaian/Employment pocket book
10. Buku Profil PNS Provinsi Kalimantan Timur Tahun 2007/The profile of East Kalimantan provincial government employees
11. Kaltim 50 Tahun, Harapan dan Kebanggaan/Kaltim 50 years, hope and pride
12. Rencana Aksi Daerah Pemberantasan Korupsi/Action Plan for Corruption eradication
13. Indikator Ekonomi Kaltim 2007/Indicators of economics 2007
14. Pendapat Akhir Fraksi DPRD Kaltim terhadap RAPBD Kaltim tahun 2009/Final remarks of East Kalimantan Council on East Kalimantan RAPBD 2008

15. Rekapitulasi Hasil Perhitungan Pilkada Gubernur dan Wakil Gubernur Provinsi Kalimantan Timur Tahun 2008/The result of East Kalimantan governor election 2008
16. Laporan Perekonomian Kaltim Tahun 2007/East Kalimantan economic Report 2007
17. Keadaan Angkatan Kerja Provinsi Kalimantan Timur/Labor force of East Kalimantan Province
18. Rancangan PPA Tahun 2009/Draft of PPA 2009
19. Prioritas dan Plafon Anggaran Tahun 2007/Priority and Budget Allocation 2007
20. Prioritas dan Plafon Anggaran Tahun 2008/ Priority and Budget Allocation 2008
21. KU-APBD tahun 2008/KU-APBD 2008
22. Indikator Kesejahteraan Sosial Tahun 2007/Community Welfare Indicators 2007
23. Analisa Distribusi Pendapatan di Kaltim/The analysis of East Kalimantan income distribution
24. PDRB Kaltim menurut Lapangan Usaha Tahun 1993 – 2003/East Kalimantan PDRB by sectors 1993-2003
25. Ringkasan Eksekutif Hasil Penelitian Sosial Ekonomi Penduduk/The Research report on people social economy
26. Statistik Rumah Tangga Miskin Kalimantan Timur tahun 2006/Statistic of Poor household in East Kalimantan 2006
27. Indikator Penting Sosial Ekonomi Kalimantan Timur Tahun 2008/Important indicators of East Kalimantan social economy 2008
28. Statistik Rumah Tangga Miskin dan Sangat Miskin per Desa/Kelurahan di Kalimantan Timur Tahun 2006/Statistic poor and very poor households by villages 2006
29. Indikator Ekonomi Kaltim Tahun 2007/East Kalimantan economic indicators 2007
30. Panduan Umum Pengembangan Usaha Ekonomi Produktif Fakir Miskin melalui KUBE dan Lembaga Keuangan Mikro (LKM)/Handbook of productive economic enterprises through KUBE and LKM
31. Statistik Air Bersih Kaltim Tahun 2007/Statistics Clean Water in East Kalimantan 2007
32. PDRB Kaltim menurut Penggunaan 2003 – 2007/East Kalimantan PDRB by utilization 2003 -2007
33. PDRB Kaltim menurut lapangan usaha/East Kalimantan PDRB by sectors
34. Rancangan KU-APBD Kaltim Tahun 2009/The draft of East Kalimantan KU-APBD 2009
35. PUBLIKALTIM (Media Informasi dan Komunikasi DPRD Kaltim) Edisi Feb – Nov 2008/PUBLIKALTIM (Media of Information of East Kalimantan DPRD) Edition Feb – Nov 2008
36. Bumi Etam Edisi 2 – 8/Bumi Etam edition 2-8
37. East Kalimantan: The Pulse of Progress
38. Kumpulan Perda Penataan Kelembagaan/Regional Regulation on Organization structures
39. Delapan Kelompok Data Kaltim 2006 – 2008/8 groups of East Kalimantan data 2006 -2008
40. Rencana Kerja Pemerintah Daerah Kaltim Tahun 2005 – 2009/Working Plan of East Kalimantan Government 2005-2009
41. Rencana Strategis Pendidikan Tahun 2006 – 2010/Strategic plan for education 2006-2010
42. Rencana Pembangunan Jangka Panjang Daerah (RPJPD) Kaltim tahun 2005 – 2025/Long Term Regional Development Plan of Kaltim 2005-2025
43. Konsep Pengembangan Produktifitas Kaltim/Concept of East Kalimantan

- productivity development
44. Laporan Akhir Dokumen Good Local Governance/Final Report of Good Local Governance document
  45. Berita Resmi Statistik Mei 2008 BPS Kaltim Keadaan Buruh Kaltim/Official news of East Kalimantan statistic May 2008 on labor force
  46. Berita Resmi Statistik Juli 2008 BPS Kaltim Tingkat Kemiskinan di Kaltim/ Official news of East Kalimantan statistic May 2008 on Poverty rate
  47. Berita Resmi Statistik Mei 2008 BPS Kaltim Perkembangan Ekspor Impor Kaltim Tahun 2007/Official news of East Kalimantan statistic May 2008 on export and import
  48. Berita Resmi Statistik Januari 2008 BPS Kaltim Keadaan Ketenagakerjaan Kaltim Agustus 2007/Official news of East Kalimantan statistic August 2007 on labor force
  49. Berita Resmi Statistik April 2007 BPS Kaltim Perkembangan Ekspor Impor Kaltim Tahun 2007/Official news of East Kalimantan statistic May 2008 on export and import
  50. Berita Resmi Statistik Agustus 2007 BPS Kaltim Tingkat Kemiskinan di Kaltim Tahun 2007/ Official news of East Kalimantan statistic August 2007 on poverty rate
  51. Berita Resmi Statistik Agustus 2007 BPS Kaltim Perekonomian Kaltim Triwulan II Tahun 2007 Tumbuh 2,23 Persen/Official news of East Kalimantan statistic quarterly 2 on economic growth
  52. Berita Resmi Statistik Agustus 2007 BPS Kaltim Perekonomian Kaltim Triwulan III Tahun 2007 Tumbuh 1,69 Persen/Official news of East Kalimantan statistic quarterly 3 on economic growth
  53. Sejarah Singkat Propinsi Kalimantan Timur/A brief history of East Kalimantan
  54. Laporan Hasil Pemeriksaan BPK terhadap Laporan Keuangan Provinsi Kalimantan Timur Tahun Anggaran 2005/The report of BPK audits on East Kalimantan financial accountability 2005
  55. Laporan Hasil Pemeriksaan BPK terhadap Laporan Keuangan Provinsi Kalimantan Timur Tahun Anggaran 2006/ The report of BPK audits on East Kalimantan financial accountability 2006
  56. Laporan Hasil Pemeriksaan BPK atas Penyaluran dan Penerimaan Dana Perimbangan TA 2006 dan Semester I TA 2007 Provinsi Kalimantan/The report of BPK audits on the usage of financial balance Semester 1 2006 and 2006
  57. Laporan Hasil Pemeriksaan BPK terhadap Laporan Keuangan Provinsi Kalimantan Timur Tahun Anggaran 2004/ The report of BPK audits on East Kalimantan financial accountability 2004

#### **Kutai Kartanegara District**

1. Selayang Pandang Kutai Kartanegara/A brief of Kutai Kartanegara
2. Kumpulan Kata Akhir Fraksi Masa Sidang I Tahun 2008/Final remarks of Kutai Kartanegara council fractions 2008
3. Pandangan Umum Fraksi GOLKAR terhadap RAPBD Kabupaten Kutai Kartanegara Tahun 2009/General remarks of GOLKAR faction of Kutai Kartanegara council 2009
4. Kumpulan Perda tentang Pembentukan Lembaga Perangkat Daerah Kabupaten Kutai Kartanegara/Regional regulation on Kutai Kartanegara district government structure
5. Rekapitulasi Data PNS dan P3DT Kabupaten Kutai Kartanegara Tahun 2007/The recapitulation of PNS and PTT of Kutai Kartanegara 2007
6. Keputusan Bupati Kutai Kartanegara tentang Pembentukan TKPKD/Kutai Kartanegara Head of district decree on the formation of TKPKD

7. Keputusan Bupati Kutai Kartanegara tentang data Masyarakat Miskin Kabupaten Kutai Kartanegara Tahun 2006/Kutai Kartanegara Head of district decree on poverty data 2006
8. Rencana Pembangunan Jangka Panjang Daerah Kabupaten Kutai Kartanegara 2005 – 2025/Long term regional development plan of Kutai Kartanegara district 2005-2025
9. Rencana Pembangunan Jangka Menengah Daerah Kabupaten Kutai Kartanegara 2005 – 2010/Medium term regional development plan of Kutai Kartanegara district 2005-2010
10. Renstra Penanggulangan Kemiskinan Kabupaten Kutai Kartanegara 2005 - 2010/ Renstra Penanggulangan Kemiskinan di Kabupaten Kutai Kartanegara/Strategic plan for poverty reduction in Kutai Kartanegara 2005-2010
11. Statistik Penduduk Kabupaten Kutai Kartanegara Tahun 2007/Statistic of Kutai Kartanegara district population 2007
12. PDRB Kutai Kartanegara menurut lapangan usaha tahun 2007/Kutai Kartanegara PDRB by sectors 2007
13. Indeks Pengembangan Manusia (IPM) Kutai Kartanegara Tahun 2006/Human Development Index of Kutai Kartanegara 2006
14. Monografi Kabupaten Kutai Kartanegara Tahun 2007/Monograph of Kutai Kartanegara 2007
15. Laporan Keterangan Pertanggung Jawaban Bupati Kutai Kartanegara Tahun 2007/Accountability Report of Kutai Kartanegara head of district 2007
16. Garda Rakyat Edisi Maret – Oktober 2008/garda Rakyat edition March-October 2008
17. Profil DPRD Kabupaten Kutai Kartanegara Tahun 2004 – 2009/The profile of Kutai Kartanegara council 2004-2009
18. Petunjuk Teknis Program Santunan Warga Tidak Mampu Kabupaten Kutai Kartanegara/Handbook of social assistance for poor people of Kutai Kartanegara
19. Peraturan Daerah tentang Pengelolaan Alokasi Dana Desa (ADD)/Regional regulation on village grants
20. Derap Langkah Dewan: Aktivitas, Ide dan Pengabdian/The tramp of council: activity, idea and dedication
21. Indikator Sosial Ekonomi Kabupaten Kutai Kartanegara Tahun 2006/Kutai Kartanegara social economic indicators 2006
22. Pedoman Umum Pembangunan Pedesaan/Handbook of village development
23. Laporan Hasil Pemeriksaan BPK terhadap Laporan Keuangan Kabupaten Kutai Kartanegara Tahun Anggaran 2005/The report of BPK audits on financial accountability of Kutai Kartanegara district 2005
24. Laporan Hasil Pemeriksaan BPK terhadap Laporan Keuangan Kabupaten Kutai Kartanegara Tahun Anggaran 2006/The report of BPK audits on financial accountability of Kutai Kartanegara district 2006
25. Laporan Hasil Pemeriksaan BPK atas Penyaluran dan Penerimaan Dana Perimbangan TA 2006 dan Semester I TA 2007 Kabupaten Kutai Kartanegara/ The report of BPK audits on the usage of financial balance 2006 and semester 1 2007
26. Laporan Hasil Pemeriksaan BPK atas Pertanggung Jawaban Keuangan Penyelenggaraan Pilkada Pada Komisi Pemilihan Umum Daerah Kabupaten Kutai Kartanegara/ The report of BPK audits on financial accountability of the implementation of district head election by election commission of Kutai Kartanegara district 2005
27. Laporan Hasil Pemeriksaan BPK atas Pertanggung Jawaban Penggunaan

Bantuan Keuangan Partai Politik Tahun Anggaran 2006/ The report of BPK  
audits on the usage of financial assistance for political party 2005

#### Appendix 4: Interviewees

Name	Position	Date of Interview
<b>Paser District</b>		
H.M.Hatta Garit, MM	Deputy Head of Paser District	27/11/2008
Drs. H. Helmy Lathyf, MSi	Paser District Secretary (Chairman of Executive Budget Committee)	1/12/2008
Drs. A.S. Fathur Rahman, M.Si	Head of BAPPEDA	22/11/2008
Yusuf Sumako, SH, MHum	Head of PMD	1/12/2008
Drs. Darwis P. Nasution, M.Si	Head of Social Services	2/12/2008
Drs. Aksa Arsyad	Chairman of DPRD Budget Committee	24/11/2008
H. Irmajaya, BSc	Member of GOLKAR Party Fraction	1/11/2008
Ir. H. Sanusi Oneih	Public figure	23/11/2008
Ir. H.Tony Budihartono	Local businessmen, Ikapakarti and Dewan Pendidikan	22/11/2008
Zulkifli	Pea Paser Bsu and KNPI	26/11/2008
Drs. Ishak Usman	Chairman of Lembaga Adat Paser	24/11/2008
Daeng Situtu	Member of Ukhuwah Fraction	1/12/2008
Herawaty, SE, M.Si	Head District Assistant	26/11/2008
Drs. Eduarni	Chairman of NU	27/11/2008
Mugni	Staff of PMD	1/12/2008
Ridwan Suwidi	The Head of Paser District	1/12/2008
Miswan Thohadi	Member of Council Paser from PKS	26/11/2008
Syamsuddin Cukur	Member of Council Paser from GOLKAR Party	24/11/2008
Suhaimi Abdullah	Member of Council Paser from PAN	1/12/2008
IGD Putu Suwantara	The Head of Plantation Services at Paser District	2/12/2008
Ir. Syamsir Artha	The Head of Organization Section at Paser District	3/12/2008
Ir. Iskandar	The Head of Agriculture and Food Crops Sections	5/12/2008
Ardiansyah	The Head of Fishery and Marine Resources	5/12/2008
<b>East Kalimantan Province</b>		
Drs. H. Awang Farouk Ishak, MM	Governor of East Kalimantan Province	9/01/2008
H. Saiful Teteng	Provincial Secretary (Chairman of Executive Budget Committee)	31/12/2008
H. Sulaiman Gafur, SE	Head of BAPPEDA	22/12/2008
Drs. H. Herlan Agussalim	Chairman of DPRD (Chairman of DPRD Budget Committee)	22/12/2008
Dahri Yasin, SH	Chairman of DPRD Commission 1	18/12/2008

Hadi Mulyadi	Deputy Chairman of DPRD East Kalimantan from PKS	17/12/2008
Hazairin Adha	The Head of Finance Bureau of East Kalimantan Province	18/12/2008
Dra. Hj. Ardiningsih, M.Si	The Head of Social Bureau of East Kalimantan Province	30/12/2008
Zulkifli Alkaf, SH	Member of DPRD East Kalimantan (Secretary of Commission 1 and member of Council Budgeting Team	18/12/2008
Carolus Tuah	Director of POKJA 30 Samarinda	18/12/2008
Dr. Hj. Nurfitri	Academics (UNMUL)	20/12/2008
Prof. Sarosa Hamongpranoto, SH, M.Hum	Academics (UNMUL)	19/12/2008
Ir. H. Bambang Susilo	The Chief of Ikatan Cendekiawan Peduli Daerah Terisolasi Kaltim and the Chief of Ikapakarti	23/12/2008
Abraham Ingan	The Chief of Gerakan Pemuda Rakyat (Gepak) Kaltim	28/12/2008
Ir. H. Nusyirwan Ismail	Deputy Mayor of Samarinda. Ex-Governor Assistant of Economics and Social Welfare	29/12/2008
Idham	Coordinator of Forum Aksi Kota Samarinda (Faksi)	19/12/2008
Amir P. Ali, SE	The Chief of MPI, member of GAPENSI and KADIN	19/12/2008
Yunus Nusi, SE	The Chief of KNPI Kaltim	19/12/2008
Ali Wardhana	The Chief of BEM UNMUL	19/12/2008
Ir. Fuad Asaddin, M.Si	The Head of Social and Cultural Section of BAPPEDA Kaltim	15/12/2008
Ir. Eddy Heflin	The Head of Economic section of BAPPEDA Kaltim	15/12/2008
dr. H. Agus Sukaca	The Chairman of Muhammadiyah	21/12/2008
Prof. Dr. Masjaya	Lecturer at UNMUL and Secretary of KKM	21/12/2008
Ir. Hj. Eka Komariah Kuncoro, M.A.C.Ed	Ex-member of Senate (DPD)	23/12/2008
<b>Kutai Kartanegara</b>		
Dr.Ir.H.M. Aswin, MM	Kutai Kartanegara District Secretary (Chairman of Executive Budget Committee	12/01/2009
Drs. Fathan Djunaedi	The Head of BAPPEDA	14/01/2009
Mahyuddin	The Head of Poor Community Empowerment Section at Kutai Kartanegara Social Services	12/01/2009
Asnandi, SE, MM	The Head of Economics Section at BAPPEDA Kutai Kartanegara	5/01/2009
H. Salehuddin	The Chairman of DPRD Kutai Kartanegara	6/01/2009
Taufiq	The Head of Reporting and Data Section at BAPPEDA Kutai Kartanegara	5/01/2009

Ir. H. Jhoni Hardi	The Head of Social and Cultural Section at BAPPEDA Kutai Kartanegara	5/01/2009
Irkham	Members of Council Kutai Kartanegara from PAN	7/01/2009
Ir. Marthen Apuy	Members of Council Kutai Kartanegara from PDIP	8/01/2009
Ir. H. Hafidz Anwar, MM	Head of District Assistant for Economic and Development Affairs	9/01/2009
H.M. Ali Hamdi ZA, S.Ag	Members of Council Kutai Kartanegara from PKS	27/12/2008
Efri Novoanto	Ketua Barisan Oposisi Murni (BOM)	8/01/2009
Kamal Harpa	Student activist	9/01/2009
Suroto, S.Sos, M.Si	Academics from UNIKARTA	15/01/2009
Drs. Muhiddin	Youth figure and expert staff of DPRD Kutai Kartanegara	16/01/2009

## Appendix 5: Laws, Government Regulations and Other Regulations

Laws, Government Regulations and Other Regulations	Concerning
MPR Decree No. XV/MPR/1998	The Implementation of Regional Autonomy, Fair Regulation and Utilization of National Resources and Central and Regional Financial Balance within the framework of NKRI
Law 7/2002	The Formation of Penajam Paser Utara District
Law 5/1979	Village Government.
Law 5/1974	The basic principles of Government in the Region
Law 47/1999	The Formation of Nunukan, Malinau, Kutai Barat and Kutai Timur Districts and Bontang Municipality
Law 36/2009	Health
Law 34/2007	The Formation of Tanah Tidung District
Law 33/2004	Fiscal Balance between Central and Regional Development
Law 32/2004	Regional Governments
Law 32/1956	The financial balance between central and regional governments
Law 25/2004	National Development Planning System
Law 25/1999	Fiscal Balance between Central and Regional Development
Law 25/1956	The Formation of autonomous regions of West Kalimantan, South Kalimantan and East Kalimantan
Law 22/1999	Regional Governments
Law 22/1948	Regional Government
Law 22/1948	Regional Government states the Government of the Republic of Indonesia
Law 1972	Transmigration
Law 12/2008	The Second Revision of Law 32/2004 in Regional Development
Law 1/1945 on	The Rules Concerning the Status of National Committee of the Regions
Law 1/1945	The Status of National Committee of the Regions
Emergency Law 3 1953	The Formation of Kalimantan Region an autonomous region at the district level
Government Regulation 73/2005	Kelurahan (Urban Village)
Government Regulation 72/2005	Desa (Rural Village)
Government Regulation 41/2007	Regional Government Organizations
Government Ordinance 37/2007	Sharing Responsibilities between central, provincial and district governments
Government Regulation 19/2010 as amended to Government Regulation 23/2011	The Implementation Procedure of Tasks and authorities as well as the Governor of Financial Position as the Central Government Representative at the Provincial Level.
The Presidential Instruction 1/2010	The acceleration of the implementation of national development and

Presidential Instruction 3/2010	Equitable Development Program
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