

DVST 9118: INTERNATIONAL DEVELOPMENT RESEARCH THESIS (18 UNIT)

**QUESTIONING THE PROBLEM REPRESENTATION IN A POVERTY REDUCTION
PROGRAM IN EAST NUSA TENGGARA PROVINCE, INDONESIA**

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TABLE OF CONTENTS

Table of Contents.....	i
LIST OF TABLES.....	iii
Abstract.....	iv
DECLARATION	v
ACKNOWLEDGEMENT.....	vi
ABBREVIATIONS AND ACRONYMS.....	vii
Chapter 1	1
Introduction	1
1.1 Enduring poverty in East Nusa Tenggara.....	1
1.2 Research Questions	4
1.3 Methodology	5
1.4 Significance of the Study.....	6
1.5 Structure of the Study	7
Chapter 2.....	8
Decentralisation and Poverty Reduction in Indonesia.....	8
2.1 Introduction	8
2.2 The concept of Decentralisation.....	8
2.3 Decentralisation and poverty reduction.....	10
2.4 Government's role in poverty reduction	13
2.4.1 Decentralisation and poverty Reduction in Indonesia	15
2.4.2 Indonesia's poverty reduction policies through Microfinance.....	18
2.5 Conclusion.....	20
Chapter 3	23
Development and Poverty in East Nusa Tenggara	23
3.1 Introduction	23
3.2 Poverty in East Nusa Tenggara	23
3.3 Decentralisation and the Reality of Development	26
3.4 Anggur Merah Program	30
3.5 Cooperatives and Poverty Reduction	33
3.6 Conclusion.....	36
CHAPTER 4	37
QUESTIONING THE PROBLEM REPRESENTATION IN THE ANGGUR MERAH PROGRAM IN EAST NUSA TENGGARA PROVINCE, INDONESIA	37
4.1 Introduction	37

4.2 What is the problem represented to be in the Anggur Merah Program?	37
4.3 What presuppositions or assumptions underlie the representation of the Anggur Merah program?.....	43
4.4 Problems ignored in Representations of the Anggur Merah program.....	45
4.5 Impacts and dissemination of the Anggur Merah program	50
4.6 Conclusion	53
Chapter 5	54
Conclusion	54
References	57

LIST OF TABLES

TABLE 2. 1 NATIONAL POVERTY REDUCTION PROGRAMS.....	17
TABLE 3. 1 THE TOP FIVE PROVINCES IN INDONESIA.....	26
TABLE 3. 2 COOPERATIVE VALUES AND PRINCIPLES.....	34
TABLE 4. 1 THE PRINCIPLES OF THE ANGGUR MERAH PROGRAM	38

ABSTRACT

This thesis questions the role of the provincial government of East Nusa Tenggara in poverty reduction programs. The province has been consistently among the poorest provinces in the country for the past several decades. Decentralisation policies introduced in the 2000s promised to give local governments more power to design, fund, and implement policies that address poverty effectively. Using Carol Bacchi's approach to policy analysis, which asks 'what is the problem represented to be?', the study analyses how the province's Anggur Merah program is constructed, and how the policy itself produces problems and fails to address others. Furthermore, as the implementation of the program is not supported through good management, the program tends to be biased towards the less poor and non-poor. This neoliberalism-based policy, focusing on economic approach as the best way to tackle poverty and thus ignoring other aspects, is considered insufficient to help local communities break out of poverty.

DECLARATION

I certify that this thesis does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any university; and that to the best of my knowledge and belief it does not contain any material previously published or written by other people except where due reference is made in the text. Therefore, I am fully responsible for the entire content of the thesis.

Signed:

Date:

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ABBREVIATIONS AND ACRONYMS

APBD	Anggaran Pendapatan Belanja Daerah (Regional Budget)
AIPD	Australia Indonesia Partnership for Decentralisation
Anggur Merah	Anggaran untuk Rakyat Menuju Sejahtera (Budget for People’s Prosperity)
DAU	Dana Alokasi Umum (General Allocation Fund)
BPK	Badan Pemeriksa Keuangan (Audit Board of Indonesia)
BPR	Bank Perkreditan Rakyat (People’s Financial Institution)
BPS	Badan Pusat Statistik (Central Agency of Statistics)
BRI	Bank Rakyat Indonesia (People’s Bank of Indonesia)
KHL	Kebutuhan Hidup Layak (Decent Living Standard)
KPKP	Komite Penanggulangan Kemiskinan Pemerintah Propinsi (Provincial Committee to Combat Poverty)
MFIs	Microfinance Services
NTT	Nusa Tenggara Timur (East Nusa Tenggara)
OVOP	One Village One Product
P2DTK	Program Percepatan Pembangunan Daerah Tertinggal dan Khusus (Program for the Development of Special and Disadvantaged Areas)
PNPM	Program Nasional Pemberdayaan Masyarakat (National Program for Community Empowerment)
PROPENAS	Program Pembangunan Nasional (National Development Program)
PUAP	Program Pengembangan Usaha Agribisnis Pedesaan (Rural Agribusiness Development Program)
SKPD	Satuan Kerja Perangkat Daerah (Regional or Local Government Agency)
TKPK	Tim Koordinasi Penanggulangan Kemiskinan (Coordinating Team for Poverty Alleviation)
TNP2K	Tim Nasional Percepatan Penanggulangan Kemiskinan (National Team for the Acceleration of Poverty Reduction)
UU	Undang-Undang (Indonesian Act of Legislation)

CHAPTER 1

INTRODUCTION

1.1 Enduring poverty in East Nusa Tenggara

The thesis focuses on policies promoted by the provincial government of East Nusa Tenggara (NTT) in Indonesia created to alleviate poverty. Using Carol Bacchi's approach to policy analysis, asking 'what is the problem represented to be?', the thesis analyses how a policy is constructed in a particular way and how the policy itself produces problems. The Anggur Merah program, which is implemented through a microfinance scheme (see Chapter 3), is used as a case study. The thesis questions how the program is implemented on the basis of its principles. It also assesses how the provincial government uses its power in the decentralised Indonesian system to formulate and implement poverty reduction strategies in order to improve people's welfare. This introductory chapter first maps out the broader context of the poverty problem in NTT province. It then outlines the research problem and the objectives of the thesis, including the research questions posed by the thesis, followed by a brief discussion of the contribution it aims to make and its significance. The last part of this chapter outlines the structure of the argument running through the subsequent chapters.

Poverty remains a major problem in NTT due to the high proportion of poor people in the regional population and the low level of economic growth compared with average growth rates in Indonesia. There have been several efforts to eradicate poverty in this province, including the provision of microfinance services. Microfinance services are considered by international development institutions like

the World Bank as an important strategy that can help people to move out of poverty. Indonesia is known to be one of the largest microcredit markets, with credit delivered to the poor by a diverse range of providers, ranging from pawnshops to banks and cooperatives. The national programs for alleviating poverty also stress the role of credit programs for the poor.

As part of its role in poverty reduction efforts, the provincial government of NTT set up a microcredit program to alleviate poverty called Anggur Merah (a portmanteau from the Indonesian for Budget for People's Prosperity- see Chapter 3 for a detailed discussion). The program uses cooperatives to disburse small amounts of credit to the poor. By providing the funds to local communities to manage, it is expected that local communities can move out of poverty. The government argues that this pro-poor program empowers local communities because the fund is directly managed by the communities themselves, and that it enables local communities to explore the economic potential of local areas.

The provincial government considers the Anggur Merah program as a positive result of transferring power and resources to the local level of government in which local communities' voices are heard and the quality of public services is improved, thus reducing their vulnerability (Bappeda NTT 2013). It is also implemented in line with Sustainable Development Goals (SDGs) to end poverty through microcredit.

However, critics argue that the program is disbursing funds to the poor without proper management and accountability. Ngatu (2014) argues that the lack of clarity surrounding the rules of the program and how it should synergise with other government pro-poor programs underlines the provincial government's indifference to poverty. Local communities have come to see Anggur Merah as a general grant

scheme, rather than a microcredit scheme targeting the poor, and it has been reported that more than 50% of the funds are not repaid (Aly 2015). These criticisms have fuelled suspicions that the program primarily serves the political interests of the provincial government of East Nusa Tenggara.

When examining the representation of the problem of the Anggur Merah program in Chapter 4, several crucial issues emerge. Lack of capital, lack of small-scale businesses, and dependency on the government are presented as part of the problem of poverty in East Nusa Tenggara. Poor households receiving the Anggur Merah funds are constructed through these problem representations, meaning poverty is caused by the problem representation above. Furthermore, there are a number of issues left unproblematised, such as lack of knowledge of entrepreneurship and business, poor infrastructure in the region, and a lack of capacity building that could empower the poor to engage effectively with the formal economy. Although these may be tackled by other programs, these silences are related to ways by which the Anggur Merah program understands the structural causes of poverty.

The case study of Anggur Merah needs to be considered within the broader context of poverty reduction in a decentralised Indonesia. Jütting, Kauffmann et al. (2004, p.2) argues that in countries where the state capacity to address the basic needs of the poor is low, decentralisation might increase poverty rather than reduce it. The implementation of decentralisation and poverty reduction might not benefit the poor, and the result is largely dependent on the local government's political will and capabilities. The increased capacity of local governments to design their own pro-poor programs should, in theory, help to reduce poverty more quickly and sustainably. However, although microfinance schemes can help alleviate poverty, the

benefits of microfinance for the poor are hindered as many poor people cannot engage with microfinance institutions because they lack collateral. Even though they may have ownership of property, many of them do not have permanent jobs, which makes it difficult for them to repay loans.

The Anggur Merah program approaches poverty as an economic problem and ignores other aspects of development. Narayan (2000, p.3) argues that the nature of poverty is multidimensional in ways that go beyond material aspects. Social capability, social inclusion, civic engagement, and social capital are identified by poor people themselves as important factors in development and poverty reduction. Furthermore, poverty is not the same everywhere- the causal factors, priorities and experiences of each region might be different, and the experience of poverty is also shaped by gender, ethnicity, age, and marital status (Narayan 2000).

Informed by this multi-dimensional approach to poverty, this study aims to question poverty reduction policies at a regional level in East Nusa Tenggara. The role of the provincial government in addressing poverty and improving the welfare of local communities is also examined.

1.2 Research Questions

The study will be guided by the following research question: How does the Anggur Merah program contribute to poverty reduction in East Nusa Tenggara province? This question will be broken up into various sub-questions based on Carol Bacchi's approach (Bacchi 2009, p.2) as follows:

1. What factors contribute to poverty in East Nusa Tenggara? What are the challenges in eradicating poverty in East Nusa Tenggara?

2. How does the government in East Nusa Tenggara tackle poverty?
3. What assumptions underlie the representation of the problem in the Anggur Merah program?
4. What is left unproblematic in the problem representation?
5. What impacts are produced by the problem representation?
6. How is the problem representation is defended?

1.3 Methodology

This is a desk-based study which draws mainly on secondary sources including academic books, journal articles, theses, and published government statistics. Some grey literature will also be included on the implementation of the Anggur Merah Program in Timor Tengah Utara district (Tiza, Hakim et al. 2014), policy analysis of the Anggur Merah program in East Nusa Tenggara province (Ngatu 2014), and on the audit of the Anggur Merah Program. The primary material analysed here consists of policy documents, namely *Buku Saku: Program Pembangunan Terpadu Desa/Kelurahan Mandiri Anggur Merah* (Handbook: Anggur Merah Integrated Development Program for Individual Villages/Districts), *Sistem Pembangunan Terpadu Desa/Kelurahan Mandiri Anggur Merah Nusa Tenggara Timur* (Integrated Development Systems for Individual Villages/Districts of East Nusa Tenggara), *Peraturan Gubernur Nusa Tenggara Timur Nomor 5 2011 tentang Petunjuk Teknis Program Anggur Merah* (Gubernatorial Regulation 5/2011 on Technical Guidance of the Anggur Merah Program).

The analysis is conducted through Carol Bacchi's approach which questions 'what is the problem represented to be?' (WPR) (Bacchi 2009, p.1). Bacchi argues that public policy should not just be analysed by its outcomes but as a problem discourse. The

WPR approach provides a different way to think about policy. It questions the problematisations disclosed in public policies through examining the premises and impacts of the problem representation contained (Bacchi 2009, Carson and Edwards 2011, p.75). Bacchi argues that problematisations are tools to determine what is considered important and what is left out of consideration (Bacchi 2012, p.1). Rather than solving problems, policy frames problems in ways that shape people's lives (Bletsas and Beasley 2012, p.22). People's ways of living are shaped by the impacts formed by policies which create particular understandings of problems. In this view, we should pay attention to the ways the problem is constructed by policy makers and through policy documents. Therefore, the key questions of the WPR approach revolve around problematisation, and how something is represented as a problem (Lindsköld 2010, p.2). This approach is a reaction to the assumption that a policy is designed to solve a problem, and that the policy analysis should focus on the outcomes of the policy. According to Bacchi, evidence-based approaches that question the results of policies need to be put 'in question' because they do not get to the heart of the issue (Bacchi 2009, p.18, Carson and Edwards 2011, p.75). This framework is used to examine how Anggur Merah has emerged as a key policy program to tackle poverty in NTT, and how it frames poverty. This framework can provide critical policy analysis of how the program is used to govern, how the Anggur Merah representations locate the poor, and what impacts are envisaged.

1.4 Significance of the Study

The study will contribute to understanding how decentralisation and poverty reduction strategies are connected. The provision of microfinance services, which is one of the tools used to help the poor, is an integral part of the application of

decentralised systems. Knowing why and how poverty reduction programs are conceptualised at the local level contributes to the understanding of how people are governed. Through Carol Bacchi's approach, the analysis provides critical understanding of how a policy is designed. Questioning a policy through consecutive critical questions asks whether a policy design represents the real issues of a society. This can assist in designing better poverty reduction strategies in which the poor have access to the decision making process and benefit more from policy interventions.

1.5 Structure of the Study

The thesis is developed in five chapters. Chapter 1 provides an overview of the context of poverty in East Nusa Tenggara and articulates the research questions which inform the thesis. In order to gain a clear understanding, this chapter also provides a brief background of the implementation of the Anggur Merah program and brief introduction to Carol Bacchi's approach. Chapter 2 discusses the theoretical views on decentralisation and poverty reduction. It then examines the concept of the microfinance scheme applied in the Anggur Merah program. It also explores how decentralisation provides spaces for local governments to combat poverty through pro-poor policies. Chapter 3 focuses on the context of poverty in East Nusa Tenggara province. Chapter 4 is the critical part of the thesis; it discusses the problem representation and epistemological assumptions in the Anggur Merah program, and the aspects ignored through the implementation of the program along with some of its impacts. The conclusion in Chapter 5 summarises the key arguments of the thesis.

CHAPTER 2

DECENTRALISATION AND POVERTY REDUCTION IN INDONESIA

2.1 Introduction

This chapter deals with two main issues. The first section briefly discusses the concept of decentralisation and determinants of pro-poor decentralisation. The second part discusses how poverty reduction strategies have been conducted under decentralisation, and what impact decentralised poverty reduction programs have had. Microcredit will be discussed as a component of the poverty reduction strategies. These two issues are crucial as decentralisation provides opportunities for regional and local governments to design and implement poverty reduction strategies, and these strategies, at a local level, can only be implemented effectively if it is allowed by the system. This means that the Anggur Merah program can only be implemented with consideration given to the context of decentralisation.

2.2 The concept of Decentralisation

Decentralisation means different things to different people, and a comprehensive discussion of the concept is beyond the scope of the thesis. Rondinelli, Nellis et al. (1983) distinguish four different schemes of decentralisation: deconcentration, delegation, privatisation, and devolution. Deconcentration is the weakest form of decentralisation, which involves redistributing administrative responsibility from central government to provinces or districts without the authority to make and implement decisions. Delegation is transfer of responsibility and decision making to semi-autonomous organisations including public enterprises, while privatisation transfers responsibility and authority to non-governmental organisations. The type

of decentralisation practiced in Indonesia currently is best described as devolution, which involves transferring responsibility for decision making, finance, and management to quasi-autonomous local governments (Devas 1997, Seymour and Turner 2002, p.34). This kind of decentralisation is associated with enabling participation and accommodating diversity (Bennett 1990). According to Devas (1997, p.352), power and responsibilities are transferred to elected local governments, which are closer to the local community than the central government, and thus are more able to create programs that respond to local needs. The term decentralisation in the thesis refers to the devolution form of decentralisation.

Although decentralisation has been adopted worldwide, it brings both opportunities and challenges. The main argument for decentralisation, particularly in developing countries is that it can assist the development process at the local level by strengthening local government and fostering local development (Said 2005, p.21, Tryatmoko 2010, p.37). However, Seymour and Turner (2002) claim that decentralisation does not really support development and widens the existing gap between regions. The power given to local governments tends to be abused. Local elites have dominated decision making processes and tend to produce policies that benefit themselves rather than the poor. Decentralisation often becomes an icon campaign for politicians to gain public sympathy and maintain power (Azis 2003). Decentralisation might repeat previous failures in the centralised system if a country's wealth is not distributed fairly and is poorly managed (Asante and Aye 2008, p.2).

2.3 Decentralisation and poverty reduction

Poverty reduction is defined as designing, implementing and targeting programs to ensure equitable resource distribution, which can have a positive impact on the poor and reduce poverty (World Bank 2001). Decentralisation is seen as the most important and appropriate system to support efforts to reduce the vulnerability of the poor (Asante and Ayee 2008, p.4). The linkage between decentralisation and poverty reduction can be seen in several ways. First, the implementation of poverty reduction programs requires an understanding of local knowledge and problems which are best obtained through a local lens (Asante and Ayee 2008, p.5). Decentralisation will support government officials and local communities to develop the technical and financial capabilities to design policies and programs that will address the needs and interests of local communities, and are based on the unique characteristics of each region. Second, decentralisation promotes increased chances for local communities to take part in decision making processes, from which they were previously excluded in the centralised system (Rasyid 2003). The greater the participation of the local community is in the development process, the more effective poverty reduction will be (Blunt and Turner 2007, Ali 2013, p.38).

Poverty reduction also refers to the political dimension of poverty. Participation of local communities can empower the poor and, in turn, can increase accountability of public officials (Steiner 2005, p.11). By observing and assessing the government's performance, local communities can reward or punish elected officials via democratic election and also provide input to government officials. In this sense, decentralisation and poverty reduction is connected.

According to Jütting, Kauffmann et al. (2004, pp.3-6), there are several factors which determine achievement of the pro-poor outcomes of decentralisation. The first is the political commitment of elites. The willingness of the authorities at central and local levels is essential to the undertaking of reforms that improve the information flow between local governments and the community, and enable people to take part in decision making processes. A strong level of civil society participation in decentralisation might further reinforce the pro-poor outcomes. The second factor is administrative capacity building, which means clear job descriptions for all actors involved in the development process. This means governments, local communities, NGOs and supervisors should carry out their jobs effectively and collaborate with one another, but without intervention that may affect their performance. In order to perform this, clear law and regulation should be established to ensure competent leadership. Thirdly, a fiscal policy is required that ensures resources come from both central and local taxes. Tax becomes important as it is one of the sources of regional revenue that can be used for pro-poor policy expenditure by local governments. Fourth, local governments must apply measures that allow monitoring and evaluation of progress towards achieving good public services, and make local governments accountable to local communities.

If such conditions mentioned above are not met, then decentralisation can backfire on the poor. Prud'Homme (1995, p.201) highlights three dangers of decentralisation: inequality, inefficiency and corruption. The first point refers to the potential of decentralisation increasing inequality between local areas, and between groups of people. Some localities may be able to access better services because of their favourable location and development status, while others may not. Decentralisation

does not address the issue that the poor in low-income regions are poor because they live in regions that lack economic potential and infrastructure. Furthermore, decentralisation can create paradoxical outcomes if the devolution of power primarily benefits elite groups that dominate local government and local business sectors. This can strengthen local oligarchies and lead to the benefits of decentralisation going to local communities who support certain local elites and their political parties. As a result, decentralisation can widen the gap between the rich and the poor.

The second danger is that decentralisation can undermine efficiency. One of the arguments for decentralisation is efficiency in responding to local needs. However, research indicates that decentralisation in Indonesia has contributed to inefficiency and greater administrative costs. Devolution of responsibilities to the regions has led to proliferation of regional government agencies, which in turn require more civil servants. As a result, more than 50% of local budgets is spent on employee salaries, and office expenses can add another 20-30% to the total administrative cost (Ali 2013, p.44). This means only 20-30% of the available budget can be spent on government services that directly benefit the local community. Even if locally elected governments want to act on behalf of the local community, they may not have sufficient resources to do so. Local bureaucracies are often unresponsive, poorly motivated and poorly qualified, and thus reluctant to pursue the agenda of their mayors (Sujarwoto 2015, p.15). Therefore, instead of promoting better quality in government, decentralisation undermines the quality of government service delivery.

Thirdly, the implementation of decentralisation can lead to decentralised corruption among local elites and poor institutional capacity (Ali 2013, p.43). Local elites' decisions may be guided more by the desire to maintain power rather than address local needs. It is viewed that corruption is more widespread at the local level than the national level (Sujarwoto 2015, p.16). For example, local bureaucrats are pressured by interest groups in regard to local taxation policies.

2.4 Government's role in poverty reduction

Even in the neoliberal era, which has emphasised the role of markets in propelling development, government is still seen to play a key role in poverty reduction as a partner, catalyst, and facilitator (World Development Report 1997, p.17). Government is needed to provide public services, as well as to create laws and institutions that enable market growth which further benefits local people. Governments have a role in creating a conducive environment to sustain economic growth, including the provision of adequate infrastructure, protecting property rights, managing public expenditure efficiently, and implementing pro-poor policies particularly for vulnerable groups (World Development Report 1997, p.17, Ali 2013, p.48). The role of governments in managing markets by which governments can encourage market development through defining property rights, guaranteeing legal frameworks, and determining industrial policies is crucial (Levy 1997, p.21). If regulation is well designed and implemented, the local communities can influence market outcomes, protect business interests, foster competition and innovation, and prevent monopoly power of certain social classes (Levy 1997, p.22).

On the other hand, governments can contribute to poverty if they do not perform their role effectively. First, if regulation is unclear, it can lead to corruption, inhibit

market processes, and support monopolies, which can in turn benefit the middle and upper classes (Levy 1997, p.22). Second, governments can trigger poverty issues when there is corruption and an inefficiency in budget expenditure (Spicker 2007). It is also argued that lack of capacity of government and local communities can contribute to poverty. Poor government capacity is evidenced by a lack of monitoring and evaluation, which in turn leads to inaccurate reports to fulfil requirements, rather than actually addressing poverty (Sujarwoto 2015, p.16). All of these factors suggest that local government plays a crucial role in poverty reduction and they are required to provide various and innovative public policies to address poverty.

The way governments define poverty as a problem impacts on their ability to design adequate policies. As explained in the introduction, poverty is conceptualised as a multi-dimensional issue which stretches beyond purely economic factors. However, most governments tend to place more emphasis on economic dimensions and neglect other aspects. For example, some poverty alleviation strategies only focus on providing money to the poor with the expectation that this can help them out of poverty. Heruanto (2015) maintains that it is not surprising that the Indonesian government's policies merely focus on generating income because the government defines and measures poverty mainly through economic indicators such as income (Wirawan 2016). According to Sen (1993), by seeing poverty as a purely economic issue, the identification and evaluation of poverty might be misleading, and thus the response to development may be centred on job creation, GDP growth and economic policies leading to generating income. Sen proposes the capability approach, which accentuates individual's capability to access education and health care, as well as participation in policy development and decision making. These aspects will be also

examined in the case study of the Anggur Merah program, as to whether the program addresses the capability issue or not.

2.4.1 Decentralisation and poverty Reduction in Indonesia

Demands for a more democratic, decentralised form of governance in Indonesia erupted in the wake of the Asian Financial Crisis in 1997, which weakened the Indonesian economy and led to a significant increase in poverty (Sulistiyanto and Xun 2004, p.2). Another reason for the calls for decentralisation was the increasing disparities in terms of income per capita among regions as a result of decades of centralised a government. After the demise of the 33-year authoritarian regime of President Suharto, the incoming government prepared the ground for far-reaching political reforms which included decentralisation.

There are two laws that form the basis of decentralisation in Indonesia. The first is Law 32/2004 on Regional Governance (*Undang-Undang 32/2004 tentang Pemerintahan Daerah*), which is an amendment of the previous Law 22/1999. This law restructures the organisational arrangements of the local government system by introducing three key reforms: (1) the transfer of authority to local governments to improve representation, autonomy, and resources; (2) acknowledgement of, and engagement with local knowledge and local resources in development including defining poverty and designing poverty programs; and (3) the provision of opportunities for local communities to take part in decision making process with regards to development (Tjoe 2013, p.178). The governor and heads of districts form the local executive and are responsible for local revenue (APBD). The governmental institution called *Bappeda* (Regional Body for Planning and Development) is responsible for planning development strategies and directing the structure of local

finance. *Bappeda* also has authority to collaborate with international non-governmental organisations (NGOs) providing the NGOs hold the required permits from the central government.

The second is Law 33/2004 on Fiscal Balance Between Central and Local Governments (*Undang-Undang 33/2004 tentang Perimbangan Keuangan Antara Pemerintah Pusat dan Pemerintahan Daerah*), particularly taxation and expenditure powers. This law is the revision of Law 25/1999. Law 33/2004 manages the equitable distribution of resources and stresses the role of local governments in fiscal capacity to increase local people's wellbeing and improve the quality of public services to reduce disparities among regions. The provincial governor, according to this law, is responsible for planning and implementing the local budget. As the local budget varies across regions, the central government contributes a minimum of 26% of its domestic revenue, called the General Allocation Fund (DAU), to local governments in support of decentralisation processes at the local level (Tjoe 2013, p.182). The essence of the revision of this legislation was to provide greater authority of local governments in managing government and local finances, which was formerly centralised during Suharto's autocratic regime.

Law 32/2004 describes division of labour for the different levels of government. Article 10 within this act states that the central government is responsible for foreign policy, security, defence, fiscal matters, and religion. In terms of poverty reduction programs, the central government can design programs that the local level governments must implement. Meanwhile, the provincial and local governments, as articulated in article 13, have the authority to conduct development planning to provide public services including infrastructure, health, and government

administration; to handle social issues and education; and to facilitate cooperative development which incorporates the engagement of small- and medium-scale business. Both provincial and local government can design and implement poverty reduction programs and collaborate with other development programs, stakeholders, and communities.

The Indonesian poverty reduction strategy is linked to the National Development Program (PROPENAS), which states that poverty can be reduced by empowering society and improving national economic growth through the free market mechanism, particularly by strengthening micro, small, and medium businesses and cooperatives. To do this, the Government of Indonesia has established poverty reduction programs in three different clusters (Suryahadi, Yumna et al. 2010, p.11) (see Table 2.1).

Table 2. 1 National Poverty Reduction Programs

No	Cluster	Activities
1	Cluster 1: Social Protection Assistance	Family Hope Program (<i>Program Keluarga Harapan</i> - PKH)
		Public Health Cover Program (<i>Jamkesmas</i>)
2	Cluster 2: Community Empowerment	National Program for Community Empowerment (PNPM)
		Development of Rural Agribusiness Program (PUAP)
		Program for the Development of Special and Disadvantaged Areas (P2DTK)
		Tourism villages
3	Cluster 3: People's Business Credit	Credit for the poor

(TNP2K 2015)

It is clear from the table that the national development program and three clusters of programs focus on economic development. It is assumed that poverty can be reduced through providing credit for the poor in remote areas. The aim of this is to

accelerate the development of economic activities in the in remote areas in the context of poverty alleviation and the expansion of employment opportunities (TNP2K 2015). In a practical sense, economically focused development activities aim to develop small- and medium-scale businesses and cooperatives. This framework has been the model for poverty reduction programs in East Nusa Tenggara and other regions. The provincial government created an economic program, that is similar to the national program, called Anggur Merah. Before discussing the Anggur Merah program, which uses microfinance schemes, in NTT in Chapter 3, the next section below explains the role of microfinance and cooperatives in Indonesia.

2.4.2 Indonesia's poverty reduction policies through Microfinance

Microfinance has played a role in poverty reduction since the colonial period, when the Dutch introduced rural credit institutions to inhibit the activity of moneylenders and accelerate rural development¹ (Schmit 1991, Prawiranata 2013, pp.28-29). In the 1990s, the World Bank focused renewed attention on microfinance as a means to reduce poverty which was then applied globally, including in Indonesia. The argument is that microfinance can create more small enterprises which in turn create jobs. It is argued that small enterprises typically provide more employment per unit of investment, and they are more likely to create income opportunities for vulnerable groups (Vandenberg and Creation 2006, p.32). Furthermore, microfinance can reduce rural families' dependence on drought-prone crops through diversification of their income sources (Levitsky 1986, Prawiranata 2013).

¹ Microfinance was used to fight exploitative operation by Chinese and Arab moneylenders. This policy was also to keep the stability of colonial society from political interventions.

The general characteristics of Indonesian microfinance are relatively high interest rates, high minimum loan thresholds, and the requirement of collateral to reduce risk (Takahashi, Higashikata et al. 2010, p.129). For instance, Bank Rakyat Indonesia (BRI), one of the most popular MFIs in Indonesia, offers effective net interest annually of more than 30%, requires collateral for loans, and asks customers to borrow a minimum of AUD \$5,000 (IDR 50 million)². This means that many poor households cannot afford to get a loan. Takahashi and Tsukada further point out that most microfinance institutions do not reach the poor as they do not have collateral and want to borrow smaller amounts than offered by the banks. As a consequence, non-poor borrowers with incomes above the poverty line tend to benefit more from the program (Chowdhury 2009, p.2). Most poor borrowers with low income actually end up with less incremental income when compared with groups who did not get such loans.

There are some challenges which cause businesses established via microfinance to become stagnant. Inappropriate educational background and experience in managing a business might be one such reason (Chowdhury 2009, p.3). As a result, they are mostly risk-averse, and use credit mainly to survive. According to Mahajan (2005, p.2), to turn microcredit into microenterprise there needs to also be investment in supporting factors such as identification of livelihood opportunities, technical training, building market linkages for inputs and outputs, and good infrastructure. This is where cooperatives can play an important role, as will be discussed in Chapter 3.

² The assumption is AUD \$1 is equivalent with IDR 10,000.

2.5 Conclusion

This chapter has explained the basic concept of decentralisation and poverty reduction in the Indonesian context, and the correlation between the two concepts including opportunities and challenges. From the discussion it is clear that decentralisation provides opportunities for regional government to design poverty reduction programs in line with the region's poverty characteristics as evidence has shown that centralised programs from the central government have not contributed significantly to reduce poverty at a local level. Therefore, the public services available to local people are more effective if poverty reduction programs are designed by local rather than central government.

As explained in the introduction and the previous subtopic, in general the limited conception on poverty leads to ineffectiveness of the poverty reduction strategy. This limited conception situates social policies as subordinate to economic policies. The economic approach remains a key factor in poverty reduction, however, Sirageldin (2000) contends that social, political, and cultural aspects are also important in poverty reduction analysis. In the Indonesian context, several factors hinder poverty reduction programs, such as poor poverty data, lack of community participation, lack of synergy among poverty reduction programs, political interests in budgeting allocation, systemic corruption, collusion, and nepotism (Ali 2013, p.50).

The division of labour has been explained where central government has full authority over foreign policy, security, defence, fiscal policy, and religion. The central government has its own poverty reduction policies that should be implemented nationally. The tasks of provincial and local governments are similar. Both levels of government can create development policies related to local needs as long as they

support and cohere with other development programs. Law 32/2004 mentions that the relationship of local governments to the central government is both dependent and subordinate, meaning the implementation of national programs is dependent on the central government. Meanwhile, in terms of regional programs, authority is held by the governor.

A benefit of decentralisation is that local governments can design programs that reflect the needs of local communities, particularly those of vulnerable groups. Decentralisation provides opportunities for local communities to participate actively in decision making processes and in the implementation of the programs designed. However, the challenge lies in the local elites' domination of decision making processes which leads to unfair distribution of resources. As a result, disparity among districts is increasingly widening as explained in Chapter 3. Decentralisation without strengthening local communities' capacities to participate, and ignoring other social aspects will inhibit the success of poverty reduction programs. In addition the common practice of corruption, collusion, and nepotism are also factors constraining the implementation of poverty alleviation programs (Ali 2013, p. 50).

The success of decentralisation and poverty reduction programs are highly reliant on collaboration between central government, local government, parliament, private sector, civil society, and international agencies (Suryahadi, Yumna et al. 2010, p.5). Collaboration with other agencies and synergy between poverty alleviation programs, as well as good management, planning, monitoring, and evaluation are necessary in the implementation of poverty alleviation programs. Effective decentralised poverty reduction programs also require good capacity building of local communities and government officials; reliable poverty data; integration with other

sectors such as education, infrastructure, and health; and a well-managed market. The role of local government is to ensure that all poverty reduction programs reach the most vulnerable groups in a community. Otherwise, decentralisation and poverty alleviation programs only serve the middle and upper classes.

It has been discussed that local governments have opportunities to create pro-poor policies related specifically to local communities' issues. In response to this, the provincial government of East Nusa Tenggara has implemented the Anggur Merah poverty reduction program. The next chapter will look at the local situation and needs within the province more closely.

CHAPTER 3

DEVELOPMENT AND POVERTY IN EAST NUSA TENGGARA

3.1 Introduction

This chapter provides an overview of NTT, outlining the characteristics of poverty in the province, factors contributing to poverty and the reality of development under the decentralised system, along with the implementation of the Anggur Merah program.

3.2 Poverty in East Nusa Tenggara

The province of NTT has a relatively small population of 5.3 million people (2014) living mainly in 3,200 villages. The province consists of 466 small islands with a total land mass of 47,301 km² and a maritime territory of 200,000 km². The average population growth between 2006 and 2010 was 2.05% per year, which is higher than the national population growth of 1.49% per year.

Partly due to the large geographical area of the province and its dispersed settlement pattern, the quality and quantity of the transport infrastructure and services are poor, infrequent, and generally limited (Usman 2005, p.5). The roads are in poor condition, particularly in rural areas. People have limited mobility as the public transport is not well developed. However, over the past several years, the number of flights to the region has increased, particularly from the capital city of the province to several districts in Flores, Timor and Sumba islands.

NTT province is the driest of Indonesia's regions. Depending on the location and the climate pattern, the dry season is about eight to ten months while the rainy season lasts around three to four months. The region is highly vulnerable to erosion as much

of the land is on mountainous terrain with relatively thin topsoil. The prolonged dry season and regular flash floods during the rainy season cause erosion and create severe water imbalance which affects agricultural productivity (Piggin 2003, p.116). Land degradation is further exacerbated by the traditional 'slash-burn' cultivation system and burning of forests. Other negative factors for agricultural production are pests and diseases. Furthermore, the impact of climate change is unavoidable. The uncertainty of climate within the region has a strong impact on the local food system, particularly on seed availability and, therefore, food security. A few districts such as Manggarai and Bajawa are more fertile than others as there are active volcanoes, rainfall in these districts is higher, and the wet season is longer.

Despite the fact that the physical geography of the province provides limited support for agriculture, NTT's economy is dominated by the agricultural sector, with about 40% of the gross regional domestic product (GRDP) in 2013 (Patunru, Azar et al. 2010, p.7). The agricultural sector is dominated by smallholders who engage in agriculture (corn, rice, vegetables, fruits, and beans), forestry, marine, and fisheries (seaweed). The province is an important livestock raising region although the livestock industry is poorly managed (Piggin 2003, p.117). There is also a small cash crop sector growing coffee and tamarind (Bappeda NTT 2014).

With smallholder agriculture dominating the economy, it is not surprising that the province has the lowest per capita GRDP in Indonesia (Bappenas 2014). In rural areas, almost 90% of the provincial population are living below the Indonesian national poverty line (BPS 2014). Subsistence farmers dominate the poor, who rely on growing enough food to feed themselves and do not have sufficient surplus crops for trade (Smits and Mthembu 2012, p.4). The income per capita in NTT is among the lowest in

Indonesia, with the provincial capital city of Kupang having a far higher per capita income than other districts. With a provincial average income of IDR 2 million (USD \$200) per year in 2007, the province ranked 29th out of 30 provinces for income per capita.

Human development in NTT is lower than the Indonesian average (NTT HDI 0.612 compared to Indonesia's national HDI 0.684). The HDI of NTT ranks 32nd out of 34 provinces in Indonesia. Furthermore, this provincial statistic conceals the high level of economic inequality across the province, which becomes visible when per capita income is viewed at the district level. For example, average per capita income in Kupang in 2013 was USD \$650, while the average income per capita in other districts ranged from USD \$100-200 (BPS 2014).

In terms of education, the literacy rate in the province has increased in recent years while the illiteracy rate has decreased. The illiteracy rate was 9.79% in 2012 for people aged 16 years and over, and thus the literacy rate of the province was 90.21% in 2012, still lower by 3.35% than the national level of 93.56% (BPS 2014). Moreover, there are some districts with even lower literacy rates, such as Central Sumba (75%), West Sumba (81%), Sabu Raijua (82%), and Timor Tengah Selatan (79%) (BPS 2015).

Poor infrastructure hampers advancement in health, nutrition, and economy, and the province has limited availability of clean water, inadequate electricity, poor sanitation, and limited health services. According to Ashmad, Giroud et al. (2010, p.10), more than 50% of people in NTT have to walk more than one kilometre from their homes to get access to clean water, and only 25% of people have access to good sanitation. Poor sanitation and limited access to health services are linked to high levels of diseases such as HIV, tuberculosis, and malaria. Furthermore, the province

is plagued by high rates of unemployment, and vulnerability to human trafficking (Amelia 2012, p.3). Among the 35 provinces in Indonesia, NTT is one of the poorest (Table 3.1).

Table 3. 1 The top five provinces in Indonesia

No.	Province	Percentage of poor People		
		Urban	Rural	Total
1	Papua	4.46	35.87	27.8
2	West Papua	5.52	35.01	26.26
3	East Nusa Tenggara (NTT)	10.68	21.78	19.6
4	Maluku	7.35	25.49	18.44
5	West Nusa Tenggara	19.17	15.52	17.05

(BPS 2014)

3.3 Decentralisation and the Reality of Development

When decentralisation was introduced in 2001, it was expected to contribute more benefit to the province as regional and local governments are given more power and fiscal capacity. Decentralisation provides more authority to local governments to control the environment, labour, health, education, public works, and natural resources management, which previously were controlled by the central government.

According to Ama (2014), NTT province includes the ten areas most vulnerable to corruption in Indonesia in 2015. In 2009, the Audit Board of Indonesia (BPK) found state financial losses due to corruption amounting to IDR 250 billion (USD \$20 million) spread across different districts (Lopez 2010). In 2014, five heads of regencies in the province were suspected of misusing informal education funds amounting to IDR 77 billion (Seo 2014). Although a key aim of decentralisation is to make public service delivery more effective, local elites have undermined this aim (Bardhan 1996, p.138).

Decentralisation in Indonesia gives local government authorities some rights to raise their own revenue. However, the province's fiscal capacity is low and the province has been highly dependent on central government funds. The province's revenue mainly comes from tax on the transport sector. Other sources include service payments from the provincial government's assets; administration fees collected by the province; regional production units and businesses; local tourism and the use of sports facilities; income from agricultural equipment and facilities; and finally from the issuing of fishing and hunting licences. Meanwhile, in several provinces in Java, the provincial governments obtain much more significant income from asset management, tourism, and sales from regional productive business units (Lassa, Frans et al. 2015). This shows that NTT needs to improve its tourism, small business and agriculture sectors to generate more tax income for redistribution.

Considering NTT's status as one of the poorest regions, it is not surprising that the domination of informal employment affects the economy and labour market. Informal employment absorbs 80% of the employed population compared to 61% nationally in 2011 (Kwong and Ronnas 2011, p.20, ILO 2013). By 2015, the informal employment rate had only slightly decreased to 78%. Although informal employment can provide job opportunities for those who cannot find work in the formal sector, it entails a loss in budget revenues by reducing tax and, therefore, also reducing the availability of funds to improve infrastructure and provide other public goods and services (Sibhat 2014, World Bank 2014). Unlike the formal sector, informal employment is typically a small business producing low-quality products for low-income consumers and thus adds little value to a region's budget (La Porta and Shleifer 2014, pp.109-110). Lack of good infrastructure to attract significant industrial

development may slow the productive employment in the province (ILO 2013, p.3). The majority of informal workers are employed as casual workers or in self-employment in the agricultural sector which carries high vulnerability and economic risk for workers (Kwong and Ronnas 2011, p.19). This vulnerability occurs because the work is undertaken outside the official taxation, regulation, and social protection schemes. The report of the NTT Central Agency of Statistics (BPS 2014) shows that more than 60% of the working age population work in the agricultural sector. There has been little change in this proportion in recent years, with reports showing 64% in 2010-2011 and 63% in 2014- 2015 working in agriculture, followed by the service sector (14.49%), and trade (8.14%) (BPS 2015).

Based on the Presidential Decree No.107 of 2004, in 2014 the NTT province has set the decent living standard (KHL)³ at IDR 1,050,000 (USD \$100) per month, which considers 45 indicators of living costs including food, education, clothing, and healthcare (ILO 2013, p.9). The province has one of the lowest minimum wages in Indonesia, reflecting the general level of development in the province. In addition, according to the Bank of Indonesia (2012), there was a wide gap between the KHL and the minimum wage in the province, which suggests that the minimum wage has failed to adjust to the rising cost of living determined by the KHL and thus cannot be effective in increasing living standards among the lowest paid workers. However, this minimum wage is not applied to people in informal employment. The minimum wage for people working in the informal sector does not consider KHL figures and thus is lower than that of formal workers. In 2015, the percentage of people working in

³ KHL is the basis by which the minimum wage of a region is determined.

formal employment in the province was about 21%, whilst the informal sector was 79%.

In response to the wide-spread poverty, various programs have been implemented in this province by both central and regional governments. These programs address various dimensions of poverty such as health, education, economics, housing, and infrastructure. Following decentralisation, in 2002 the NTT government set up the NTT Provincial Committee to Combat Poverty (*Komite Penanggulangan Kemiskinan Pemerintah Provinsi NTT*) (Tjoe 2013, p.190). Three years later, in 2005, the central government established the Coordinating Team for Poverty Alleviation in Indonesia (*Tim Koordinasi Penanggulangan Kemiskinan- TKPK*), which is part of the National Strategy for Poverty Reduction. The provincial government then established a TKPK in each district and municipality. The role of the TKPK is to improve cooperation between local governments and central governments as well as NTT Central Agency of Statistics, however, the impact has been limited. According to Cameron and Shah (2014, p.20), the committees focus on the provision of social welfare cash payments (*Bantuan Langsung Tunai- BLT*) which aims to raise the income of the poor for a short time. One of the shortcomings of this program is the leakage of payments to non-poor residents, which leads to inequality and the perception that the program is an easy way to get money (Cameron and Shah 2014, p.22). Mistargeting may lead to distrust in the community, which diminishes collaborative spirit within the community. Another program is the National Program for Community Empowerment (PNPM), which was recently abolished. This program was considered successful in improving services and accountability at the district level. However, the program has been cancelled as it is considered to have provided funds to communities too freely

and overlaps with other initiatives, meaning there was no synergy with other programs. Furthermore, the empowerment concept in the program tended to focus only on facilitators and government officials.

As outlined by Law 32/2004 on Regional Governance, it is stated that the provincial government has authority to design and implement poverty reduction programs. In response to this, the provincial government has established the Anggur Merah program which is discussed in the following section.

3.4 Anggur Merah Program

The Anggur Merah program was part of the Medium Term Regional Development Plan (*Rencana Pembangunan Jangka Menengah Daerah- RPJMD*) 2009-2013 proposed by East Nusa Tenggara Governor, Frans Lebu Raya, and has continued into the second term of his leadership 2013-2018 (Bappeda NTT 2013). The implementation of the Anggur Merah program is based on the East Nusa Tenggara Gubernatorial Regulation 33/2010 on Anggur Merah Development Program. The program's objective is to reduce poverty in the province, increase income per capita, improve productivity of labour in the agricultural sector, provide job opportunities at the village level, and to improve economic capacity based on village or *kelurahan's*⁴ potential (Bappeda NTT 2013).

The program is expected to work together with bilateral and multilateral cooperation partners and related ministry programs (Bappeda NTT 2013). Several actors were involved in formulating the policy including the Governor, Provincial Development

⁴ Kelurahan is the smallest administrative unit after sub-district at the same level as village. A village is headed by a village chief who is elected by popular vote, while a kelurahan is headed by a *lurah* who is a civil servant appointed by local government.

Planning Board (Bappeda), and Provincial Secretary (Bappeda NTT 2013). The program started in 2010 and was rolled out in 2011 to cover all districts in the province of NTT. The funding comes from the provincial budget and is allocated through NTT Bank to village and *kelurahan* accounts.

The program is based on the assumption that local communities should be given responsibility to manage budgets for productive economic activities designed to enhance the community's prosperity. The funds are allocated to cooperatives in villages with a high percentage of poor households; relatively low basic social services and infrastructure such as clean water and inhabitable housing; in areas that are difficult to access both from within the region and from outside of the region; as well as those with relatively low human resources (Bappeda NTT 2013). However, there is no set threshold on the percentage of poverty level.

Anggur Merah aims to improve village-based economic growth to 6.5% or higher, empower economic institutions at village level, increase the number of entrepreneurs who can create new jobs, and increase labour productivity in villages (Bappeda NTT 2014). However, there is no clear definition of self-sufficiency. An economically independent village does not mean that villages will not need government support, but that the revolving fund in the cooperative can be used for sustainable economic activities, and thus reduce village's dependence on aid.

The grants that are rotated in a cooperative in a village are around IDR 250 million (USD \$25,000). There are also grants for building appropriate housing for poor families of IDR 50 million (USD \$5,000), IDR 2 million (USD \$200) per month for a facilitator's salary, and IDR 2.5 million (USD \$250) for the facilitator's operational costs. In addition, the program supports village operational costs by IDR 2.5 million

(USD \$250) per year and operational costs for the subdistrict with IDR 10 million (USD \$1,000) per year.

The Anggur Merah program is supported by several programmes which are coordinated by the provincial government. The regional budget (APBD) includes a village grant of IDR 50 million (USD \$5,000) for revamping tourist destinations, and a grant for cooperatives valued at IDR 20 million (USD \$2,000) per cooperative to be used for capital and entrepreneurship training for facilitators as well as for those who are successful in facilitating cooperatives. Other sources of funding include the district budget and collaboration with ministry programs such as the OVOP program (One Village One Product), community sanitation program, and family planning. Partnerships exist with international organisations such as the International Labour Organisation which provides entrepreneurial training for facilitators of the Anggur Merah program. There is also support from the Australia Indonesia Partnership for Decentralisation (AIPD), World Vision Indonesia, and the World Food Program.

The funds are delivered through a village account to the cooperative. If there is an existing cooperative, that cooperative can be proposed to become responsible for managing the Anggur Merah fund. Several villages may join together in a cooperative. The funding is delivered based on the village's proposal which is verified by a provincial verification team who is responsible for issuing a recommendation. The verification team consists of the Provincial Planning Board (Bappeda), Provincial Financial Bureau, and Provincial Development Administration Bureau. The proposal can be refused if there are no cooperatives formed in a village. The disbursement of the fund is distributed through NTT Bank (*Bank NTT*) via each village's account.

Members of the cooperative who obtain the loan should repay the loan along with interest in accordance with the loan agreement to the cooperative.

3.5 Cooperatives and Poverty Reduction

Cooperative is defined as ‘an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly and democratically-controlled enterprise’ (COOP 2014). Generally, the aim of a cooperative is to provide opportunities for local people, particularly those in villages, to take development into their own hands (Sumelius, Tenaw et al. 2013, p.7). The principles of cooperatives can be summarised as follows in Table 3.3. Principles of both cooperatives and the Anggur Merah program focus on community empowerment, community participation, and democracy. Meanwhile, the cooperative stresses education and training and autonomy and independence. In contrast, the Anggur Merah program is more concerned with local resources and business.

Table 3. 2 Cooperative values and principles

Cooperative Values and Principles	
<u>Values</u>	<u>Operating Principles</u>
Self-help	1. Voluntary and open membership
Self-responsibility	2. Democratic member control
Democracy	3. Member economic participation
Equality	4. Autonomy and independence
Solidarity	5. Education and Training
Equity	6. Cooperation among cooperatives
	7. Concern for community

(Hannan 2014, p.702)

These shared values and principles of co-operatives make them conducive to reducing poverty. First, being open to new members and sharing economic outcomes equitably can benefit the poor (Johnston 2003, p.4). Cooperatives are not only member-owned businesses and civil society organisations, but are also essentially economic organisations, which are able to generate income for their members (Simmons and Birchall 2008, p.9).

Second, cooperatives can empower the disadvantaged groups in the process of development (Imoisili 2001, p.3). By providing access to credit with low interest, the poor are able to create small businesses. A third way in which cooperatives can contribute to poverty reduction is by providing training and education which can improve members' understanding of cooperatives, and how they should be managed to generate sustainable businesses and income for all members (Sumelius, Tenaw et al. 2013, p.8).

In Indonesia, cooperatives are defined under Article 3 of Law 25/1992 as a business entity consisting of persons or legal entities which bases its activities on the principle of cooperation. It is compared to a family in that it has shared goals and economic interests (*asas kekeluargaan*) (Widiyanti and Sunindhia 2003, p.286). The cooperative collects money from its members and the money is used as the capital to run the cooperative. Therefore, the success of the cooperative is highly reliant on its members and how they invest the capital.

There are several types of cooperatives in Indonesia, including productive cooperatives, multipurpose cooperatives, consumptive cooperatives, and savings and loans cooperatives. This paper focuses on the savings and loans model, as the Anggur Merah program is implemented through this kind of cooperative. Savings and loans cooperatives focus on collecting funds from members and providing loans to help the poor. In the case of the Anggur Merah program, the government provides the funds to the cooperatives, and members can access loans and repay the funds to the cooperative. The revolving fund can be further borrowed from by other members. According to Yasabari and Nina (2007pp.8-9), savings and loans cooperatives can accelerate money turnover, stimulate and expand small business activities, and make distribution of income more equitable. Business expansion and the creation of new business will increase employment, and in turn generate further income. The more successful the small businesses of members are, the more benefits and income will accrue to aid the poor (Zain 1998, p.11).

The policy document of the Anggur Merah program states that the cooperative in the program is same as other credit and loan cooperatives (Bappeda NTT 2013). There is no difference in principle or spirit. The main function of the cooperative is to manage

the village fund by channelling funds to members of the cooperative to support community small-scale businesses. As the quantitative data of the program is unreliable due to reasons discussed earlier, the next discussion will focus on questioning the Anggur Merah program's problem construction.

3.6 Conclusion

The decentralised system applied since 2001 has not contributed significantly to development in NTT and the region remains one of the poorest regions in Indonesia. After decentralisation, the province continues to lag behind in many development aspects such as education, human development index, infrastructure, low average income per capita, and gross domestic product. The previous programs from the Coordinating Team for Poverty Alleviation (TKPK) and National Program for Community Empowerment (PNPM) which focused on economic development also did not contribute significantly in addressing poverty. The current program, Anggur Merah, which is implemented through a microcredit scheme, is expected to reduce poverty. However, there is debate about the unclear regulations, and the system is similar to the social welfare payment (BLT) program. A detailed discussion on how the program addresses poverty, assumptions underlying the programs, factors ignored, and impacts of the program is provided in Chapter 4.

CHAPTER 4

QUESTIONING THE PROBLEM REPRESENTATION IN THE ANGGUR MERAH PROGRAM IN EAST NUSA TENGGARA PROVINCE, INDONESIA

4.1 Introduction

Previous chapters have discussed the poverty context, decentralisation, and Anggur Merah program through cooperatives. In order to examine how poverty is represented in the Anggur Merah program, Bacchi's questions are applied in the analysis. This chapter analyses the problem representation of the Anggur Merah program, the epistemological knowledge behind the program, the impacts of the problem construction, and which other crucial factors have been neglected.

4.2 What is the problem represented to be in the Anggur Merah Program?

There are four problems represented in the Anggur Merah program. The analysis is based on Gubernatorial Regulation 5/2011 on the Anggur Merah program, the Anggur Merah program handbook, and the principles of Anggur Merah program (Table 4.1).

Table 4. 1 The principles of the Anggur Merah program

The Anggur Merah program is based on several principles:

1. Empowerment: Empowering government officials and communities through activities which have direct impact on communities' rights;
2. Participation: Encouraging active community participation;
3. Democracy: Decision making is based on deliberation and gender equality;
4. Focus on local resources: Types of activities are based on the potential of the region;
5. Efficiency: Guaranteeing the achievement of the program target within a specified timeframe;
6. Effectivity: The implementation of the program should consider priority issues in the region;
7. Transparency: Management of the fund should be transparent;
8. Sustainability: Creating jobs to sustain people's wellbeing.

(Bappeda NTT 2012)

The first problem identified is a lack of access to capital, which is deemed necessary to help the poor out of poverty. The Gubernatorial Regulation 4/2011 states that the program exists to help local communities to create and develop small businesses which can help them out of poverty (Bappeda NTT 2013). The program document in the 2011-2015 period places importance on distributing funds to the poor. The program addresses this through microcredit services which provide capital to the poor in the community (Bappeda NTT 2013). The first principle of the program highlights community empowerment but does not clearly define which communities need to be empowered.

Although there are various microcredit services in Indonesia, as discussed in Chapter 3, many of the poor do not have access to microcredit services. This is because most existing credit institutions in Indonesia demand collateral such as a house or land.

Even when poor people have a certificate of ownership of their land, the credit institutions also stipulate additional requirements, such as evidence of a permanent job, to prove that the creditors have permanent monthly incomes and can repay the loans within the set time. As most of the poor work in informal employment, particularly informal agriculture, they do not have stable incomes that can be used to gain access to capital. In many developing countries, and Indonesia is no exception, many poor households cannot fulfil the guarantee mechanisms most credit institutions require (Sudaryanto, Ragimun et al. 2013).

This has also been identified as a problem in a study conducted by the SMERU Research Institute, which found that poor households in East Nusa Tenggara province find it difficult to access credit for a number of reasons (Usman, Suharyo et al. 2004, p.55). In addition to the guarantee mechanism mentioned above that comes with low interest loans, other credit providers with fewer requirements such as cooperatives developed by NGOs can apply high interest and shorter loan periods. This means that in addition to high interest, the required weekly or even daily instalments are not achievable for poor households. Thus, poor households who are accessing credit from formal and informal financial institutions acknowledge that these credit products do not meet their needs (Usman, Suharyo et al. 2004, p.55). As explained in Chapter 3, the main task of the cooperative in the Anggur Merah program is to manage the funds and deliver services to local communities. However, there is no standard mechanism for the interest of the loan, meaning the interest can be high or low, and the instalment mechanism can vary from one cooperative to another.

The Anggur Merah's problem representation does reflect a lack of financial institutions that service the needs of the population in NTT. As one of the poorest

provinces in Indonesia, it is underserved by banks who seem uninterested in the province. As explained in the Chapter 3, in 2002 the entire province had only 30 general bank outlets. By 2014, the number of general bank outlets had increased to 55 offices distributed across all districts in East Nusa Tenggara. Previously, where the average number of bank offices in each district was only one, this has now grown to two or three bank offices. This improvement reflects the economic growth in the province. However, the accessibility to banks is mostly within reach of the middle and upper classes and not the poor.

The Anggur Merah program is created for the purpose of providing capital to the poor. Gubernatorial Regulation 5/2011 and the Anggur Merah Handbook do not specifically state that poverty is caused by lack of capital, but both policy documents state that the program can help the poor out of poverty. This suggests that 'lack of access to capital' is presented as the main cause of poverty, and poor people are considered to be unable to access existing financial institutions. The target groups of the Anggur Merah program are constructed as being in need of capital. This representation and the solution to the problem draw on normative assumptions such as that beneficiaries of the Anggur Merah funds have no access to formal bank institutions. This constructs people who receive the funds as needy.

The second problem represented by the Anggur Merah program, as stated in Article 5 of Gubernatorial Regulation 5/2011, is the lack of small-scale business in East Nusa Tenggara. The article states that the program aims to improve the economy of the province (Bappeda NTT 2013). This is in line with the Indonesian government's view that small-scale industries are important for poverty reduction and economic growth, which has resulted in a number of policies and programs being created to support

small-scale industries to play a role in reducing poverty through employment creation (Sandee, Supratikno et al. 1994, p.116, Hill 2001). Small-scale industries are considered to be able to employ more people than larger industries as they are more labour intensive than industries with strong infrastructure. The eighth principle of the Anggur Merah program also underlines job creation through such funds. Furthermore, small-scale industries are less inclined to demand formal qualifications from their workers (Tambunan 2002, p.22). However, whether the poor through the Anggur Merah program stand a better chance to be employed by small-scale business or be self-employed needs to be examined because other factors tend to be ignored (explained in section 4.4). In addition, although the economic growth through small-scale enterprises is linked to poverty reduction, it also requires the fulfilment of other conditions such as technical capacity, market linkages, and good infrastructure (see Chapter 3).

The ultimate aim of empowering local communities with local resources as explained in the fourth principle of the Anggur Merah program is to grow new local entrepreneurs (Bappeda NTT 2012). Anggur Merah therefore frames the problem as being how best to empower local communities by utilising local resources. Local communities are expected to improve their economic conditions by running small-scale businesses with capital obtained from the program. They also are expected to develop the cooperatives that are formed. The fact that the Anggur Merah program seeks to support the growth of small-scale businesses through microcredit indicates that lack of small-scale business entrepreneurship is portrayed as causing poverty in the province. This problem representation drives the provincial government to deliver the grants to local communities with the expectation that the poor possess

the capacity to establish small-scale industries. Local communities are expected to use the credit facilities of the Anggur Merah program to set up or improve their small businesses and compete in the market. However, the provincial government neglects to consider that in increasing business competition, small-scale industries are in a vulnerable position in comparison to large competitors (Indarti and Langenberg 2004, p.2). With average small loans of USD \$100-500 (IDR 5 million), small-scale businesses such as pig and horse livestock raising and catfish cultivation cannot compete with larger businesses run by the middle and upper classes in the province (Indarti and Langenberg 2004, p.3).

Another problem representation in the Anggur Merah program is that poor people lack knowledge and skills, as explained in the Anggur Merah Handbook. As stated in the Handbook, the program provides a facilitator in each village to facilitate the formation of cooperatives, guide the businesses conducted in local communities, and report on the progress of the cooperatives (Bappeda NTT 2012). The facilitators must have educational qualifications of a bachelor degree or higher. By appointing these facilitators, the program indicates its underlying assumption that poor people have limited knowledge and skills to conduct a business or a cooperative. Thus, it makes a link between lack of knowledge and skills and poverty, which affect not only the poor's ability to create a business but also to conduct their own financial management and marketing. However, there are several weaknesses with facilitators. The capacity of facilitators particularly in relation to professionalism is questioned as recruitment tends to be based on political interests (Kulas 2014). Those who supported the governor in the election will have a higher chance of being

recruited as facilitators, while those who did not support the governor's campaign are not prioritised for recruitment.

The last problem representation is self-management. The aim of giving the funds to local communities is to empower local communities in order to be independent in managing the funds as discussed in Anggur Merah Handbook. The Handbook states that the fund is managed by the local community assisted by a facilitator. The assumption is that high dependence on government intervention causes poverty. This means that the government's intervention hampers local communities' ability to create and develop their own small businesses. The underlined notion here is that the government is not expected to provide material aids such as money but rather to train local communities to be independent with little governmental intervention (Usmaliadanti and Handayani 2011, p.8).

4.3 What presuppositions or assumptions underlie the representation of the Anggur Merah program?

There has been a significant change in the development process from a state-led to a market-led approach. Before the 1970s, the state played a crucial role in combating poverty. The assumption is that as poverty is a result of structural inequality, the state has full responsibility in finding solutions (Davutoğlu 2013, p.42). However, this view has been replaced by a neoliberalist paradigm which informs many development and poverty reduction strategies (Aryo 2009). Because of this trend, microfinance has become popular. The World Bank is the institution which plays an important role in positioning the microfinance approach as a specific poverty reduction strategy over others. Neoliberalism maintains the notion that human needs are best served through the market and not the state (Karim 2011, p.14). In the socioeconomic

context, neoliberalism is represented by the withdrawal of state function. Another proposition is that neoliberalism demands that individuals be responsible for their actions and adapt to changing market conditions (Davutoğlu 2013, p.42). Neoliberalism through microfinance holds the notion that poverty is caused by lack of entrepreneurship and thus the solution is not in government intervention but in the free market. By identifying microfinance as the solution to the problem of poverty, the emphasis is shifted away from concern about social rights.

The Anggur Merah program can be conceptualised as the provision of financial services to the poor and low income households in the form of loans. As noted by Bateman (2014), the poor becomes poorer due to lack of access to financial services. Therefore, in order not to be poor, the poor should be given loans and entrepreneurial spirit. Data show that 2,069 villages in NTT received the funds and the remaining 1,183 will be receiving funds in 2017 and 2018 (Tokan 2015, p.9). This shows that almost all villages in the province will receive the grants, underlining the generalisation of the province as universally poor. This generalisation leads to the urgency to provide grants for the poor. This justifies the neoliberalist notion that the provision of financial services can ensure the exit from poverty (Davutoğlu 2013, p.43). Neoliberalism stresses that provision of funding is the best solution to address poverty.

Another assumption is that as the funding is once funding has been injected into the cooperatives, local community will be able to address poverty. This seems clear that the government only provides the funds and then leaves the poor to be responsible for their use of it. However, the government seems not to take into account middle and upper class society in NTT who dominate almost all economic sectors where the

poor may have small businesses. For example, a poor person in a village might own 2-3 cows while middle class people have more than 10 cows. Those who raise livestock in small quantities must sell at higher price than those who raise in bigger quantities, and consumers will be more inclined to buy at cheaper prices. As a consequence, the gap between the poor and the rich is widening and efforts to reduce poverty seem not to achieve a positive outcome.

4.4 Problems ignored in Representations of the Anggur Merah program

What is left unproblematic in how the Anggur Merah is represented? What are the gaps and silences? When analysing how problems are represented in the Anggur Merah program, it is important to analyse what is invisible, what knowledge is taken for granted, and what is not questioned (Bacchi 2009, p.5).

The first problem left unproblematised and silenced is insufficient knowledge of business and entrepreneurship skills. Lack of knowledge is related to the skills of facilitators recruited. Many facilitators do not have sufficient experience in the field of community development and lack knowledge related to a community's economic businesses as most of them are fresh graduates who obtain only brief training before working with communities. Most facilitators do not have backgrounds related to local community economic activities in the fields of agriculture, livestock, industry, and trade. Furthermore, as explained in Chapter 3, the aim of cooperatives in the Anggur Merah program is to empower community development. Local communities are believed capable to boost economic activities and accelerate economic growth more so than individuals. In other words, an individual is considered not capable of operating a small-scale business. By this argument, the existence of a cooperative is crucial. However, in practice the businesses are not run by communities but by

individuals. This contradicts the policy document of the Anggur Merah program and one of the principles of cooperatives (explained in Chapter 3) that the fund is prioritised for local community empowerment and with concern to communities.

Insufficient knowledge is also indicated by all villages receiving funds under the Anggur Merah program, with no one village being identified as an example of successful implementation of the program. Entrepreneurship knowledge is important to provide motivation, knowledge and skills and lack of such knowledge may lead to a deficit of entrepreneurial culture (Lee, Chang et al. 2005, p.27). The East Nusa Tenggara province faces crucial issues with education. One of the problems is teacher education. Data shows that 80% of all teachers in the province do not have an undergraduate degree. It is assumed that poor educational background leads to poor knowledge in entrepreneurship (Kopong 2013). Furthermore, business and entrepreneurship knowledge have not been an urgent necessity, meaning that these skills are not taught. While the province might focus on improving quality of education, business and entrepreneurship skills tend to be ignored. By comparison, 70% of small-scale businesses with well devised plans and good management are based in Java while East Nusa Tenggara had only 2.6% (Sawitri 2015). Sawitri further argues that Java has become the place with the highest rate of entrepreneurial growth as the industrial growth was focused on Java during the previous regimes. The growth of industries contributes to the growth of entrepreneurship. Meanwhile, East Nusa Tenggara is not perceived to be a region where entrepreneurship thrives. The only job vacancies available in East Nusa Tenggara are in the civil service (local government). As a consequence, people's mindsets are focused on merely becoming a government worker rather than an entrepreneur.

Sudaryanto, Ragimun et al. (2013) argue that good entrepreneurship is affected by entrepreneurial education and training. As explained in Chapter 3, poverty reduction funds are usually distributed to the poor under the assumption that they are able to manage them without needing entrepreneurial education and training. However, a lack of marketing and information on markets may lead to small-scale businesses stagnating or failing. Small-scale businesses in the province also face global challenges to improve productivity, human resources capacity, and technology as well as marketing. Looking at the small-scale businesses in the Anggur Merah program with poor capacity building, it cannot be expected to deliver sustainable enterprises, and thus, a sustainable poverty reduction program. Although the business environment is not as competitive as in Java, NTT is still part of a wider economy in which local businesses must compete.

The second neglected aspect is empowerment. The aim of the Anggur Merah program is to empower local communities. The poor in local communities are the priority of the Anggur Merah program although the policy document tends to prioritise government officials, particularly facilitators, to have direct empowerment. It seems that the empowerment is only about distributing funds to all communities in all villages. However, the loan product itself is not sufficient to empower the poor. The way the government empower the officials, as explained in the policy document, is through training on the identification of a village's potential, preparing a proposal, explanation on entrepreneurships and cooperatives, and allowing the facilitators to work with the local communities. The way local communities are empowered is not stated. This shows that the program places government officials as the first priority in receiving empowerment, meaning that local communities obtain only indirect

empowerment. In practice, the group that gets the most training is the facilitators working in each village. The poor are not only poor economically, but also poor in education and skills (Ellis 1998). The empowerment concept has its real meaning when it is supported by good education and skills. If education and other aspects are neglected in a program, it is also a kind of deprivation of the capability to live a good quality life.

The third issue that remains invisible in the Anggur Merah program is how poverty is measured and how the target group of the poor is defined. The program documentation is unclear as to how the poor are counted and poverty reduction is measured. By neglecting to define who is classified as poor, the program makes it possible for anyone in the province to be eligible for the funds. In this context, there is a tendency to generalise poverty in the whole province. As the whole province is classified as poor, it does not matter to whom the funds are distributed. As a consequence, middle and upper class people living in the province are also able to access the Anggur Merah program, which can lead to the gap between the poor and the rich widening.

The previous chapter discussed the synergy of the Anggur Merah program with other poverty reduction agents such as NGOs. However, the policy document does not clearly explain the kinds of synergy. It seems that the Anggur Merah program is run solely by facilitators and local communities. Some scholars argue that there are factors inhibiting the implementation of the program such as coordination among all stakeholders being ineffective (Tiza, Hakim et al. 2014, p.60). A study on the implementation of the Anggur Merah program undertaken by Nusa Cendana University found that there is clear organisational structure from provincial to village

level including clear job descriptions, function, work system, and accountability, however, the structure does not involve other administrative working units (SKPD) except for the Development Planning Board (Bappeda) beyond the planning stage. The question emerging is how the program can be successfully implemented if related sectors are not involved in the planning, design and implementation of the program.

The Anggur Merah Handbook states that local communities can form new cooperatives and utilise existing cooperatives (Bappeda NTT 2012). However, the legal status of such cooperatives is questionable. The Badan Pemeriksa Keuangan (Audit Board of Indonesia) found that about a third of Anggur Merah cooperatives do not comply with legal requirements.

Another issue left unproblematic is infrastructure. The success of a business is also dependent on the quality and quantity of infrastructure, meaning economic growth is reliant on infrastructure. Good infrastructure can also boost investment, in turn creating new job opportunities. East Nusa Tenggara province has poor and limited available land, water, and air transport. Road network systems have connected cities and villages. Apart from developing infrastructure, road maintenance is also another crucial issue. Lack of maintenance results in damaged condition of the roads.

These unaddressed problems might be addressed by other poverty reduction programs, as explained in the three program clusters in Chapter 3. However, leaving these problems aside enhances the power of the government to define the problem of poverty in a narrow way and provide a solution to poverty through the Anggur Merah program. What capacities the poor have and how they define the problems of poverty are also omitted from the program. Thus, the Anggur Merah program

constructs poverty and its solution in a way that leaves unproblematised essential questions around the causes of poverty and why poverty persists.

4.5 Impacts and dissemination of the Anggur Merah program

There are three impacts produced by particular representations of the Anggur Merah program. Firstly, it can be argued that it leads to cooperatives being formed as an easy way to get the funds. The report from the Audit Board of Indonesia found that many people receiving the funds assume that the funds do not have to be repaid (Dale 2015). This assumption is supported by an absence of written regulations on penalties incurred for non-repayment of funds. Furthermore, the level of repayment is low. In 2011, of 287 villages, 155 villages did not refund the cooperatives, meaning the revolving funds do not sustain themselves and the cooperatives have no purpose (Dale 2015). This indicates that cooperatives are formed with the pragmatic purpose to simply obtain the funds. Some scholars argue that the Anggur Merah program is more similar to cash transfer programs that provide temporary assistance but are ineffective in the long term, and only creates dependency if the cooperative can keep getting money from the government. (Tiza, Hakim et al. 2014, p.7). In a political context, politicians take advantage of the Anggur Merah programs not only to provide income support for the poor but also to mobilise political support for themselves.

The second impact is growing inequality. There are two ways in which the program contributes to inequality. The first is as the program is set up only for members of cooperatives, it does not help the poor who are not members of cooperatives. Inequality remains as long as the policy does not cover those who are not members of cooperatives. The second is the lack of clear targeting by identifying who is eligible

for the funds, which leads to the program being open to anyone in the province. The lack of targeting leads to a situation where the poor who are not members of cooperatives are not empowered in the poverty reduction program. The tendency of domination of elite capture in the decentralised system can be a crucial issue where many recipients are affiliated with a political party supporting the governor and, thus, excluding those who support other candidates.

Another impact produced by the program is that by focusing on economic aspects of poverty, the multidimensional nature of poverty is ignored. According to Baulch (2006), using income and consumption as the only indicators of poverty risks neglecting many other aspects, such as gendered dimensions of poverty, measuring of poverty over time, vulnerability and lack of autonomy, how the poor define poverty and ignoring the root causes of poverty. For example, there is no doubt that women's participation in paid work is an important dimension in the empowerment process. However, the policy document 5/2011 does not clearly explain any concern with regard to gender equality in distributing the funds. Furthermore, cultural barriers also restrict women to the domestic sphere where their opportunities to support their family's income is limited, leading to them being dependent on their husband's income. Women's access to income and control over their family's budget is correlated with nutritional status, particularly for their children. Poverty is also a result of social relations, which determines which individuals and groups have more power over resources. It seems that the Anggur Merah program does not take into consideration the history of poverty. Many people in the province become poor due to unexpected death and illness in the family. Without knowing a person's history,

and length and severity of poverty, it is hard for the government to define poverty (Christiaensen and Telfer-Taivainen 2013).

This microfinance approach to poverty reduction neglects the structural causes of poverty. It refuses the notion that poverty can be caused by discrimination based on gender that creates the most insidious obstructions (Jordan 2004). This means that the patriarchal system that resists women's inclusion in a society, including the work environment that has been historically dominated by men, is not acknowledged.

Bateman (2012) argues that microcredit is an instrument of neoliberal economic decision making in the form of providing funds for people and letting the market drive them. This means that those who are powerful in economics will survive, while those who are not will lag behind and even fall back into poverty. The Anggur Merah program adopts and implements neoliberal thinking in microfinance programs as a poverty reduction strategy. Further, Bateman maintains that while microcredit has existed since the 1970s as a mechanism to help the poor through individual entrepreneurship, in many cases it is not successful in creating prosperous small businesses in the long term.

In defence of the program, the provincial government cannot avoid the global mechanism of using microcredit systems to reduce poverty. This is because poverty reduction models are always informed and influenced by macroeconomic policies conducted by international institutions such as the World Bank, and the central government. From this perspective the poverty reduction model is reliant on neoliberal policies. The World Bank has a powerful influence on the discourse and mechanism of poverty reduction, and governments often tend to follow its lead

without considering any local conditions or characteristics of poverty which differ from one region to another.

4.6 Conclusion

In summary, it is clear that lack of access to capital, lack of small-scale business, high dependence on government, and lack of knowledge are aspects represented in the Anggur Merah program. The microcredit scheme used underlies the neoliberalist market power, which in turn tends to benefit the middle and upper classes. As it merely pays attention to the distribution of funds, the government ignores other aspects and impacts. Insufficient knowledge and business skills, lack of capacity building for local communities, and poor infrastructure are among the factors ignored in the Anggur Merah program. Furthermore, as the program is inherently poorly managed, the program can lead to greater inequality, where there is no clear measurement of impact, ignoring the multidimensional nature of poverty.

CHAPTER 5

CONCLUSION

Decentralisation measures introduced in the 2000s presented new opportunities for local governments to design poverty reduction programs that reflect the needs of the poor and their local circumstances. The Anggur Merah program has been presented by the provincial government as a way to address poverty sustainably by embedding a microfinance loan system in local cooperatives. However, the study of the Anggur Merah Program needs to be revisited and should be integrated with other aspects of development along with clarification of regulations around the program. First of all, to ensure the program benefits the poor, the definition and measures of poverty should be clearly stated in the regulations. Without such actions, poverty reduction programs tend to be biased and thus not benefit the poor.

By choosing a microfinance approach, the provincial government is following the lead of international institutions, like the World Bank, which have promoted this as an effective way to reduce poverty. However, some studies doubt the ability of microcredit to move people out of poverty, and the Anggur Merah program seems to support those doubts. The use of cooperatives to manage the program's implementation aims to present poverty reduction as a collective effort which empowers poor communities. However, without clear guidelines and capacity development, cooperatives may be ineffective or even counterproductive to poverty reduction.

The analysis of the Anggur Merah program documents in this thesis provided several important insights into how the program represents poverty as poor people lacking access to capital. It proposes to address this by facilitating access to microcredit

through cooperatives which are thought to be close to, and represent the poor. However, as there is no guidance on who should or can be part of the cooperative, they are unlikely to fully represent the poor. There is anecdotal evidence that cooperatives are managed by, and thus represent the interests of the non-poor. While community empowerment is the main mission of the Anggur Merah program, in practice it arranges individual loans to run individual businesses. A lack of small-scale businesses in NTT and lack of business knowledge are other aspects of Anggur Merah's problem representation. There is an expectation from the provincial government that the poor will establish and develop their own small-scale businesses. However, technical capacity, market linkages, and good infrastructure are factors that are neglected by the program. There is no reference to other government measures, and thus the program does not appear to be part of an integrated poverty reduction strategy. The study also finds that providing the funds to the poor minimises the government's intervention in poverty reduction strategies. This highlights the power of neoliberalist thinking which assumes that the poor should be left to create their own jobs and compete in the market economy.

The program may compound inequality because it does not define who should be receiving the microcredit. Unclear regulations as to the formation, membership, and management of cooperatives can lead to situations where cooperatives are formed just to gain access to the funds. Lack of clear rules about repayment of loans is a further weakness of the program, which has led to Anggur Merah being perceived as a cash transfer program where loans do not have to be repaid, and this undermines the sustainability of the program. Furthermore, by embracing a view of poverty as a merely economic issue with unclear measurement, the program is silent about the

many non-economic factors that contribute to long-term poverty, including the widening gap between the poor and non-poor.

As a desk-based research project which merely focuses on the available policy documents, the study encountered a number of limitations such as limited scholarly literature on the Anggur Merah program and a lack of quantitative data reported, which also need to be considered. Therefore, it is better for further study to combine quantitative and qualitative methodology.

In spite of what is often reported about the benefits of poverty reduction programs through microfinance, the Anggur Merah program in practice only offers a short-term solution. Judging from the program documents, and its benefits such as helping the poor out of poverty, the advantages to independent communities with sufficient capacity building are likely to be neither comprehensive nor sustainable in the long-term.

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