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#### RURAL INVESTMENT CLIMATE IN INDONESIA

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# RURAL INVESTMENT CLIMATE IN INDONESIA

EDITED BY

**Neil McCulloch** 



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#### **Abbreviations and Acronyms**

ADB Asian Development Bank

AMT Achievement Motivation Training

APBD Anggaran Pendapatan dan Belanja Daerah (Regional

Budget)

ASEAN Association of Southeast Asian Nations

BAT British American Tobacco BBM Bahan Bakar Minyak (Fuel)

BKD Badan Kredit Desa (Village Credit Institutions)

BKK Badan Kredit Kecamatan (Sub District Credit Institutions)

BKPM Badan Koordinasi Penanaman Modal (Investment

Coordinating Board)

BPD Bank Pembangunan Daerah (Regional Development Bank)

BPN Badan Pertanahan Nasional (National Land Agency)

BPPT Badan Pengkajian dan Penerapan Teknologi (Agency for the

Assessment and Application of Technology)

BPPI Badan Penelitian dan Pengembangan Industry (Industrial

Research and Development Laboratory)

BPR Bank Perkreditan Rakyat (People's Credit Bank)
BPS Badan Pusat Statistik (Central Statistic Agency)
BRI Bank Rakyat Indonesia (People's Bank of Indonesia)
BRTI Badan Regulasi Telekomunikasi Indonesia (Indonesian

Telecommunications Regulatory Body)

BULOG Badan Urusan Logistik (the Bureau of Logistic)

BUMN Badan Usaha Milik Negara (State-Owned Enterprises/

SOE)

Bupati Head of a Regency

CCP Captive Power Plant

CEFE Creation of Entrepreneur for Formation Enterprises

CESS Centre for Economic and Social Study

CU Credit Union

CUCO Indonesian Credit Union Federation
DAI Development Alternatives, Inc

DAK Dana Alokasi Khusus (Special Allocation Fund)
DAU Dana Alokasi Umum (General Allocation Fund)

DIS Debtor Information System

DPE Dewan Penunjang Ekspor (Export Support Board)
DPRD Dewan Perwakilan Rakyat Daerah (Local Parliaments)
DSP Danamon Simpan Pinjam (Danamon Savings and Loans)

FDI Foreign Direct Investment

FP Foster Parent

GDP Gross Domestic Product

GDS Government and Decentralization Survey

GIAT Growth through Investment, Agriculture, and Trade

GTZ German Development Agency HVC High Valued Commodities

IFAD International Fund for Agricultural Development IFC PENSA Programme for Eastern Indonesian Small Medium

Enterprise Assistance

IFLS Indonesia Family Life Survey

IMB Izin Mendirikan Bangunan (Building License)

INKOPDIT Induk Koperasi Kredit (Credit Union Central of Indonesia)

Inpres Instruksi Presiden (Presidential Instruction)

IPP Independent Power Plants
IT Information Technology

JBIC Japan Bank for International Cooperation
JICA Japan International Cooperation Agency

Kabupaten Regency or rural district

KDP Kecamatan (Sub-District) Development Programme KHM Kebutuhan Hidup Minimum (Minimum Basic Subsistence

Needs)

KKB Klinik Konsultasi Bisnis (Business Consultancy Clinic) KOPINKRA Koperasi Industri Kerajinan Rakyat (Small-Scale Handicraft

Industry Cooperatives)

Kota City or urban district

KPPOD Komite Pemantauan Pelaksanaan Otonomi Daerah

(Committee Monitoring the Implementation of Regional

Autonomy)

KPPU Komisi Pengawas Persaingan Usaha (the Supervisory

Commission on Business Competition)

KSP Koperasi Simpan Pinjam (Savings and Loans Cooperatives)

KUD Koperasi Unit Desa (Village Cooperatives) KUK Kredit Usaha Kecil (Small Scale Credit)

KUPEDES Kredit Umum Pedesaan (General Rural Credit)

kWh Kilo Watt-hours

LDKP Lembaga Dana Kredit Pedesaan (Rural Fund and Credit

Institutions)

LE Large Enterprise

LIK Lingkungan Industri Kecil (Estates for Small-Scale

Industry)

LIPI Lembaga Ilmu Pengetahuan Indonesia (Indonesian Institute

of Science)

LKD Lembaga Keuangan Desa (Village Finance Institutions)
LKM Lembaga Kredit Micro (Micro Credit Institutions)
LKURK Lembaga Kredit Usaha Rakyat Kecil (People's Small

Business Credit Institutions)

LKP Lumbung Kredit Pedesaan (Rural Credit Storehouse)
LP3E FE Laboratorium Penelitian, Pengabdian pada Masyarakat dan

Unpad Pengkajian Ekonomi Fakultas Ekonomi Universitas

Padjajaran

LPEM-FEUI Lembaga Penelitian Ekonomi dan Masyarakat – Fakultas

Ekonomi Universitas Indonesia (University of Indonesia's

Institute for Economic and Social Research)

ME Medium Enterprise

MEMR Ministry of Energy and Mineral Resources

MNC Multinational Cooperation
MNE Multinational Enterprise
Mobnas Mobil Nasional (National Car)

MoI Ministry of Industry
NFE Non-Farm Enterprise
NFRE Non-Farm Rural Enterprise
NGO Non Government Organization
NIE Newly Industrialized Economies

NPWP Nomor Pokok Wajib Pajak (Taxpayer Registration

Number)

NRI Natural Resource Institute

OBA Output-Based Aid

OECD Organization for Economic Cooperation and

Development

OSR Own-Source Revenue
OSS One-Stop Service

P4K Pembinaan Peningkatan Pendapatan Petani-Nelayan Kecil

(Assistance in Income Generation for Marginal Farmers

and Fishermen)

PAD Pendapatan Asli Daerah (Locally Raised Revenue)

Perda Peraturan Daerah (Regional Regulations)

PDRB Produk Domestik Regional Bruto (Gross Regional Domestic

Product)

PKWT Perjanjian Kerja Waktu Tertentu (Temporary Working

Agreement)

PKPS BBM Program Kompensasi Pengurangan Subsidi Bahan Bakar

Minyak (Compensation Reduction Programme Implementation of Refined Fuel Oil Subsidy)

PKK Pendidikan Kesejahteraan Keluarga (Women Welfare

Activities)

PLN Perusahaan Listrik Negara (State-Owned Electricity

Company)

PNM Permodalan Nasional Madani (National Fund for Social

Investment)

PNS Pegawai Negeri Sipil (Civil Servant)
PODES Potensi Desa (Village Potential Statistics)
PT Perseroan Terbatas (Limited Company)

R & D Research and Development

REDI Rural Economic Development Initiative
RGDP Regional Gross Domestic Product
RICA Rural Investment Climate Assessment
RICS Rural Investment Climate Survey
RNFE Rural Non-Farm Enterprise

SA Strategic Alliances

Sakernas Survei Tenaga Kerja Nasional (Labour Force Survey)

SE Small Enterprise

SIUP Surat Ijin Usaha Perdagangan (Trade Business Permit)

SOE State-Owned Enterprise

Susenas Survei Sosial Ekonomi Nasional (National Socio-Economic

Survey)

SUSI Survei Usaha Terintegrasi (Integrated Business Survey)

SME Small Medium Enterprise TAF The Asia Foundation

TDP Tanda Daftar Perusahaan (Business Registration

Certificate)

TFP	Total Factor Productivity
TI	Transparency International

UED-SP Unit Ekonomi Desa – Simpan Pinjam (Village Economic

Units - Savings and Credit)

UKM Usaha Kecil Menengah (Small Medium Enterprise/SME)

UPKD Unit Pengelola Keuangan Desa (Village Financial

Management Units)

UPT Unit Pelayanan Teknis (Technical Service Unit)
USAID United States Agency for International Development

USO Universal Service Obligation

USP Unit Simpan Pinjam (Saving and Credit Units)

WARSI Warung Informasi Konservasi (Conservation Information

Kiosk)

Wartel Warung Telekomunikasi (Telecommunication Kiosk)

#### The Contributors

Neil McCulloch is a Fellow of the Institute of Development Studies at the University of Sussex, UK. He was formerly the Director for Economic Programs of The Asia Foundation in Indonesia and a Senior Economist at the World Bank office in Jakarta. His current research interests focus on the impact of the investment climate on firm performance, economic growth and poverty reduction. Whilst at the World Bank office in Jakarta, Dr McCulloch led a major research project on the Rural Investment Climate in Indonesia — the current book pulls together all of the original background research for that project. Dr McCulloch has published papers in a wide variety of refereed journals and books and has also co-authored a book *Trade Liberalisation and Poverty: A Handbook* (CEPR) which provides a comprehensive analysis of the evidence linking trade liberalization and poverty.

Asep Suryahadi is a Senior Researcher at the SMERU Research Institute in Jakarta. His research interests are in the areas of economic development, poverty, social protection, labour, and social policy. His research papers have been published in the Bulletin of Indonesian Economic Studies, ASEAN Economic Bulletin, Asian Economic Journal, Review of Income and Wealth, Applied Economics, Journal of International Development, World Development, Development and Change, Developing Economies, Social Indicators Research, European Journal of Development Research, Education Economics, and Labour. His current research topics include economic growth and poverty reduction, economic growth and employment creation, household composition and chronic poverty, and targeting the poor in developing countries.

**xxii** The Contributors

Daniel Suryadarma has been with the SMERU Research Institute since 2003. He is currently doing his Ph.D. in Economics at the Australian National University. His broad research interests pertain to education economics, labour economics, and applied microeconomics. His latest publications are on the issues of student achievement, teacher absence, measurement of unemployment and how to reduce unemployment, poverty and economic growth, and the effect of private sector growth on poverty. His current research is on ascertaining the effect of cognitive ability on labour market outcomes and the effect of Catholic schools on substance use.

Sudarno Sumarto is one of the founders and currently holds the position of Director at the SMERU Research Institute, Jakarta. He is an economist and his research focuses on poverty analysis, social protection, wage and employment, and other socio-economic related issues. He has written several articles published in a number of international refereed journals including Asian Economic Journal, Journal of International Development, Bulletin of Indonesian Economic Studies, Labour, World Development, and Review of Income and Wealth.

Jack Molyneaux is a Senior Economist at the World Bank. Dr Molyneaux has conducted research, policy analysis, and consultancy in a wide variety of areas, most notably on nutrition, demographics, and the analysis of household poverty. He was the lead consultant responsible for the implementation of the Rural Investment Climate Survey in Indonesia and is an expert on survey design, implementation, and analysis. When at the RAND Corporation, Dr Molyneaux was involved in the design, implementation, and analysis of the Indonesian Family Life Survey.

Armida S. Alisjahbana is Professor of Economics at the Faculty of Economics, Padjadjaran University, Bandung, Indonesia. Her main research interests are in the area of public finance, economics of education, and labour market. She received her Ph.D. in Economics from the University of Washington in Seattle in 1994. She has been involved in various research projects, among others under the United Nations University, the World Bank, Bank Indonesia, AusAID, the European Commission, JBIC, and ADB. Aside from her extensive writing in national and international economic journals, Professor Armida serves on the International Advisory Board of the *Bulletin of Indonesian Economic Studies* (BIES), the Australian National University, and is a member of the Council of Fellows, the East Asian Economic Association.

The Contributors xxiii

Chris Manning is Head of the Indonesia Project and a Senior Fellow, in the Division of Economics, Research School of Pacific and Asian Studies, at the Australian National University (ANU), Canberra. He has extensive research and policy experience in Indonesia since first going there as a volunteer in 1967. He has authored and edited several books and many papers on Indonesian labour and related issues, as well as on general social and economic developments, and also co-authored a book and published papers on international labour migration in East Asia. He specializes in labour economics, labour policy, and international migration related to economic growth and poverty in Southeast Asia, and particularly Indonesia.

Andi Ikhwan is a Senior Consultant specializing in the Indonesian micro and SME finance sector. Mr Ikhwan has extensive experience in the design, implementation, and analysis of financial sector surveys. He has conducted several studies on the Indonesian financial sector including assignments for a large number of donors such as Asian Development Bank (ADB), International Finance Corporation (IFC), Japan International Cooperation Agency (JICA), Kreditanstalt für Wiederaufbau (KfW), Swisscontact, United States Agency for International Development (USAID), and the World Bank.

Don Edwin Johnston, Jr is a microfinance and banking expert. He is currently the Indonesia Programme Manager for the Maximizing Financial Access and Innovation at Scale for Mercy Corps. He has extensive experience in the management and implementation of access to finance and SME/microfinance programmes, including spending nine years as the Chief of Party for Harvard's highly successful technical assistance to Bank Rakyat Indonesia, the world's largest and most financially successful commercial microfinance institution. Mr Johnston has written numerous reports and studies on microfinance and teaches on Harvard University's Executive Programme, Financial Institutions for Private Enterprise Development.

John Gibson is Professor of Economics at the University of Waikato Management School. His teaching and research interests are in microeconomics and in the microeconometric aspects of development, labour, and the international economy. His other research interests include poverty measurement, the design and analysis of household survey data, and economic development, especially in China and other Asian and Pacific economies.

xxiv The Contributors

Tulus Tambunan is a Lecturer at the Faculty of Economics at the University of Trisakti, Jakarta. Dr Tambunan has a broad range of research interests including: economic development, poverty, growth, income distribution, rural development, small and medium enterprises, the international economy, and industrial development. He has written extensively on the topic of small and medium enterprise development in the Asia-Pacific region and on the role of small-scale industries in rural economic development. He also acts as an advisor to the Indonesian Chamber of Commerce on industrial development.

Thee Kian Wie is Senior Economist at the Economic Research Centre, Indonesian Institute of Sciences (P2E-LIPI), Jakarta. He received his first degree in Economics from the University of Indonesia, Jakarta, and his Ph.D. in Economics from the University of Wisconsin, Madison, USA. Dr Thee's major research interests are the modern economic history of the East Asian countries, with a focus on industrialization, the role of foreign direct investment and technological development in these countries. His most recent publications in English include several papers in refereed journals and two books, namely, *The Emergence of a National Economy: An Economic History of Indonesia, 1800–2000* (co-authored with Howard Dick, Vincent Houben, and Thomas Lindblad) and an edited book, *Recollections: The Indonesian Economy, 1950s–1990s.* 

Hal Hill is the H.W. Arndt Professor of Southeast Asian Economies in the Research School of Pacific and Asian Studies, Australian National University. From 1986 to 1998 he headed the University's Indonesia Project and for much of this time also edited the Bulletin of Indonesian Economic Studies. His general research interests are the economies of ASEAN, especially Indonesia and the Philippines; industrialization and foreign investment in East Asia; and Australia's economic relations with the Asia-Pacific region. He is the author or editor of 14 books and has written about 120 academic papers and book chapters. Titles include The Indonesian Economy since 1966, Indonesia's *Industrial Transformation*, and *The Philippine Economy* (co-edited with Arsenio Balisacan). Current and recent book projects include a textbook on the ASEAN economies, a collection of papers on the ASEAN economies, edited volumes on regional development dynamics in the Philippines, the economy of East Timor, and foreign investment in the Asia Pacific. Recent paper topics include the Indonesian economy a decade after the crisis, regional development in East Asia, Indonesian industrialization, and the political economy of reform in Southeast Asia.

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Pantjar Simatupang received his master's degree in Agricultural Economics from Bogor Agricultural University in 1980 and his Ph.D. degree in Economics from Iowa State University in 1986. He is currently a Research Professor (and former Director) of the Indonesian Center for Agro Socio-Economic Studies (ICASEPS), Ministry of Agriculture, Republic of Indonesia. He is also Senior Economic Advisor at the USAID funded DAI/AMARTA project to help develop the value chains of some high-value agricultural commodities in Indonesia. His research interests focus on agricultural policy, the linkages between agriculture and rural development, food security, and the macroeconomics of agriculture.

Blane D. Lewis is an expert on the Indonesian system of intergovernmental fiscal relations. He has published many articles on the local tax system, including the effect of transfers on local revenue generation, the creation and impact of new local revenue instruments since decentralization, the cost inefficiency of local tax administration, and the performance of central government administration of the property tax, among others. Other work has focused more specifically on the Indonesian transfers system and local government borrowing and loan repayment. Currently, Dr Lewis is conducting research on local education and health service delivery in Indonesia.

Bambang Suharnoko Sjahrir is a Ph.D. student at the University of Freiburg, Germany. Prior to this, Mr Suharnoko was an Economist in the World Bank office in Jakarta. In that capacity, he conducted several pieces of research and policy analysis focused on decentralization and the analysis of public expenditure. He has also co-authored papers on the determinants of regional growth. His current research interests are in the linkages between decentralization, growth, poverty, and inequality.

Christian von Luebke is a political economist with particular interest in governance and economic development in Southeast Asia. He is a post-doctoral Fellow at the Institute for Global Political Economy (GLOPE) at Waseda University in Tokyo, Japan. Between 2001 and 2008 he has worked extensively in rural Indonesia on issues of local economic development, investment climates, and good governance — both for the World Bank and the German development agency (GTZ). In 2007/2008, he was part of an international research team at the Institute of Development Studies (IDS) analysing the effects of public-private action on investment and growth.

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Dr von Luebke completed his Ph.D. in policy and governance in 2007 at the Crawford School of Economics and Government, the Australian National University.

Jonathan Haughton is Professor, Economics Department, Suffolk University, Boston, Massachusetts, USA. His research focuses on economic development, and taxation. Current projects include an examination of the Thailand Village Fund, a study of tax incidence in Vietnam, the completion of a Manual on Poverty Analysis for the World Bank Institute, and a book on analytical techniques for the study of living standards survey data.

John MacDougall has been studying and conducting research in Indonesia for the past fifteen years. During the New Order, John focused primarily on religion and the sectarian tensions experienced by Buddhists, Hindus, and Muslim Indonesians. After the fall of President Soeharto in 1998, his focus shifted as sectarian tensions quickly turned inter-generational and intercommunal as local youth groups redefined the meanings of security, tradition, and political identity. Dr MacDougall received his doctorate in Social Anthropology from Princeton University in 2005. He currently resides in Jakarta where he works as a consultant.