

THE CASE OF RURAL COOPERATIVE DEVELOPMENT: LEARNING FROM INDONESIAN 1970 TO 1990 EXPERIENCES^{*)}

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Ringkasan

Secara ideologis sesuai dengan Pasal 33 UUD 1945, Koperasi diamanatkan sebagai organisasi ekonomi rakyat untuk meningkatkan kesejahteraan rakyat secara keseluruhan. Undang-undang Nomor 12 Tahun 1967 tentang Perkoperasian mewajibkan pemerintah untuk memberikan pembinaan, pengawasan, perlindungan dan fasilitas agar Koperasi dapat menjadi organisasi ekonomi yang mandiri. Dalam realisasinya kewajiban pemerintah terwujud dalam bentuk campur tangan pemerintah., yaitu: terbitnya instruksi-intruksi Presiden; koperasi dipecah menjadi kelompok Koperasi Unit Desa atau KUD (satu-satunya koperasi di pedesaan dengan wilayah kerja Kecamatan dan bersifat multi-usaha) dan kelompok Koperasi Non-KUD. Kritik dan evaluasi kemudian menunjukkan bahwa: 1. Konsep multi-usaha ternyata mengakibatkan konflik antara jenis usaha yang menguntungkan dan merugikan; 2. KUD kehilangan kebebasan dan kemandiriannya; 3. Koperasi menghadapi masalah yang kronis dalam (kurangnya partisipasi anggota, pendapatan usaha yang tidak menentu, kurang percaya diri, kurangnya difahami prinsip-prinsip koperasi, kurangnya rasa memiliki, kurangnya jiwa wirausaha, dan terkonsentrasinya kekuasaan dan pengambilan keputusan pada Pejabat-pejabat Pemerintah; akhirnya 4. KUD menjadi sangat bergantung pada Program-program Pemerintah. Sehubungan dengan reformasi kebijakan dan strategi pengembangan koperasi, disarankan: pertama, deregulasi KUD; kedua reformasi struktur interen KUD; dan ketiga, reaktivasi perencanaan secara terintegrasi dan partisipatif dari skema usaha dan pelayanan KUD. Sebagai prasyarat Instruksi-instruksi Presiden di atas perlu dicabut sehingga koperasi hanya berkerja sesuai dengan undang-undang yang melandasinya saja.

Kata kunci: Pengembangan Koperasi

INTRODUCTION

The purpose of this paper is not making concluding statement that rural cooperative development in Indonesia during 1970 to 1990 has had no contribution at all to the development progress in general at the specific period, but trying to demonstrate how a specific

government policies and behaviour toward the so called Village Unit Cooperative (Koperasi Unit Desa; KUD) could come to the antagonistic performance of cooperative institution.

As commonly and originally understood, as well as outlined in the ideological and constitutional basic of

the cooperative movement in Indonesia, and convened also by the International Cooperative Alliance (ICA), the so called cooperative organization suppose to be a people or members owned independent institution, established for improving social and economic status of the members. To that extent, it is true that the commitment should be protected by the law and regulation.

Unfortunately, Indonesian experiences during 1970 to 1990 showed that, within the development strategies set up in the national development plans, the government had a different view in looking at the function and role of rural cooperative. Coerced through several Presidential Decrees, government placed the rural cooperatives in the front end of the government rural development programme. To secure this network, several government officials were appointed to be the member of the board while the other board members were also should be recommended by the government and finally all members meeting decisions should be approved by the government through district cooperative office. Any reaction to this scheme would be considered as "illegal and not cooperated" and ended with termination of all government facilities and the legal status.

What happened with the so called Village Cooperative Unit (VUC) is very interesting to observe and evaluate. One can also conclude whether the VUC has developed to be a genuine cooperative institutions or in reverse, has lost its spirit of cooperative values.

THEORETICAL FRAMEWORKS

Ideological And Constitutional Basic Of The Cooperative Movement

The fifth principles of "Pancasila," the philosophical basis of Indonesian State, i.e.: "Social Justice for All the Indonesian People," Article 33 (1) of the 1945 Basic Constitution and the Law on the Basic Regulation for Cooperative (Number 12, Year 1967) are the ideological and constitutional basis for the cooperative movement in Indonesia.

The 1945 Basic Constitution makes provision for cooperative movement as mentioned that:

"The economy shall be organized as a joint endeavor based upon the principle of brotherhood" (Chapter XIV, Article 33, Paragraph 1).

In the elucidation, the paragraph is elaborated as follows:

"Production is carried out by all, for all under the leadership or control of the members of the society. What is given the priority is the prosperity of the society, not the prosperity of individuals. Therefore the economy shall be organized as a joint endeavor based upon the principle of brotherhood. The form of enterprise in conformity with that is the cooperative."

Constitutionally, the Law on Basic Regulation for Cooperatives (Number 12, Year 1967) gives the space for government role (intervention) as described in two articles:

"The government is obliged to render guidance, supervision, protection and facilities to the cooperative societies and enable them to implement the Article 33 of the 1945 Basic Constitution

along with its elucidation (Article 37).

“To carry out the duties mentioned in the Article 37, without curtailing the rights and duties of the cooperative societies to manage themselves, the government shall stipulate policies and regulate the efforts in carrying out development and rendering guidance, facilities, protection and supervision to the whole cooperative activities (Article 38, Paragraph 1).

“The minister shall appoint officials and stipulate the limits of their authority in the fields of development, guidance and supervision” (Article 38, Paragraph 2).

(Hasan, A. quoted in Radjadin, B., 1991:30-31)

Nature Of Government Intervention And The Origin Of Village Unit Cooperative

In the beginning of New Order Period Government of Indonesia proclaimed a new cooperative law, e.g., the Basic Regulation for Cooperative Number 12, Year 1967. Cooperatives were re-selected and they were only 13,949 cooperatives allowed to register in 1969 (Rahardjo, D. quoted in Radjadin, B., 1991:28) out of 27,650 in 1960 (Radjadin, B., 1991:28). Government required cooperatives to be placed within the framework of national economic policy. By this policy, cooperative movement can be used as an instrument of the government policy institution and to support the economic development in wider sense (Ibid.: 29).

Village Unit Cooperative (Koperasi Unit Desa/KUD) born through several

steps, namely Presidential Instruction Number 4, Year 1973 and Number 2, Year 1978. It reached its establishment through announcement of the Presidential Instruction Number 4, Year 1984. The essences of the above mentioned Presidential Instructions are:

Number 4, Year 1973:

Officially institutionalized the “Village Unit Development Body.” The function is to take over the basic functions i.e., extension services (associated with Ministry of Agriculture), credit scheme (through village branch of Indonesian People’s Bank), distribution of agricultural inputs, rice procurement, processing/storage and marketing. It works under the coordination of the board committee of Massive Guidance Programme.

Number 2, Year 1978:

Formally acknowledged the cooperatives in rural areas as Village unit Cooperative (VUC) by which splits cooperatives in Indonesia into VUC and non-VUC. VUC became central agency for economic development in rural areas, service coverage area was enlarged from particular village to sub-district level, and the function was enlarged from single-purpose into multi-purpose where service and many of non-agricultural activities became part of the business networks. Within this instruction several ministries were given the responsibility to support VUC abilities.

Number 4, Year 1984:

This instruction was the improvement of the previous

instructions where fifteen ministries were given specific task and responsibility in upgrading the capacity and performance of the VUC.

It seemed that cooperative development policy in Indonesia was set under two perceptions, i.e. "as third road, between capitalism and socialism and as the government policies' institution to control mechanism of development (van Roosmalen 1992). In the 70's, policy implementation was very much influenced by the United States Advisory Committee on Overseas Cooperative Development as it says: "Government should begin as champion, continue as partner, and abide as friend" to that involvement of cooperatives have been attached to certain risks (van Dooren, 1982:44). The announcement of the Presidential Decree Number 2, Year 1978 was known as de-officialization campaign (Schmitt 1991:117), but in the reality, the decree as well as decree Number 4, Year 1984 put more burden to VUC's in term of overloading with official development targets, and intervention of different government agencies into the management, also become more established. Inevitably, VUC became extension of government agencies in its own cost.

For an illustration, the following data shows how the VUC had been used as an instrument of official development targets specifically in rice production and marketing system, i.e. in distribution of agricultural inputs, channeling credit schemes, and rice procurement since they are very crucial important in rice self-sufficiency programme.

Distribution of Agricultural Inputs:

Fertilizer and pesticide are among the biggest commodities distributed by VUC. During 1979 to 1986, 16 per cent to 8 per cent of national annual consumption of fertilizer were distributed by VUC which involved around 59 - 30 per cent of the total VUC. As for the pesticide, during 1979 to 1986 around 61 - 10 per cent VUC involved in distributing 12 - 1 per cent of national annual consumption of pesticide. Since the consumption of pesticide is subject to variation of pest attack, so the level of consumption was quite varied (Summarized from Table 1. below).

Channeling Credit Schemes:

Since 1973 VUC's were given privilege to channel credit schemes from Indonesian People's Bank (Bank Rakyat Indonesia; BRI) for rural areas, especially for rice purchase credit. In 1973/1974 for about 2,000 VUC's received this type of credit within the framework of Mass Guidance (BIMAS) System; i.e. Rp 31.6 billion worth of inputs and credits absorbed by 2.1 million hectares of rice field. In 1977 the total volume of credit had reached Rp 105 billion or 25 per cent of the total loan for rural area (Schmit, L. Th., 1991: 116-117).

Rice Procurement:

VUC played significant role in rice procurement for national stockpile. During 1973 - 1987 around 74 - 98 per cent of national stockpile was procured by VUC annually. In the same period, total procurement of VUC reached 2 - 10 per cent of the national rice production (see Table 2.). While the number of VUC involved in procurement during 1973/1974 - 1987/1988 varied from 66 - 24 per cent of the total VUC (see Table 3.)

The essential interpretation of the above data can be summarized as follows:

1. Distribution of agricultural inputs by VUC: fertilizer around 8 - 16 per cent of annual national consumption; pesticide around 1 - 10 per cent of annual national consumption; involved around 59 - 30 per cent (in case of fertilizer) and around 61 - 10 per cent (in case of pesticide) of the total VUC.
2. Channelling Credit Schemes: approximately a quarter of the total loan for rural area.
3. Rice Procurement: around 2 - 10 per cent of the national rice production, involved around 66 - 24 per cent of the total VUC.

In "common logic" these figures may look "not significant", but there seems a profound rationale behind the intervention on production and marketing. Referring to Frank Ellis (1991:2): "Indonesian Government through the National Logistics Agency (BULOG) purchases around 6 per cent of the national rice production annually for buffer stockpile in order to maintain floor-ceiling price mechanism". Similar explanation is given by Peter Timer (1989: 30): "the national food logistics, BULOG, has had responsibility for procuring as much rice as necessary to hold rice price at the preannounce level, effective at the village cooperative. It seems that the degree of intervention, as summarized in the above figures, is adequately sufficient and significant to control supply-demand balance of rice in relation with attaining reasonable consumer's price. Other rationale, the intervention is needed in order to secure rice supply mechanism for urban population. Perhaps the significant role

of the VUC can be placed within this context.

DILEMMATIC IMPLICATION

No doubt that in macro-development perspective, government policy and the typical role of VUC has demonstrated a success story in achieving the already set objective. But, a dilemmatic problem rises if ideal concept of cooperative is put into question. For instances, the question of self-reliance and entrepreneurship is hardly explained within the present context and circumstances of the VUC while they are indeed the core issue in cooperative development. Some contemporary criticism proposes the following analysis on the problem:

1. The multi-purpose cooperative with its various activities is also a combination of person with different economic activities and economic interest. Thus conflict of interests may appear among members and result into withdrawal of membership (Gunawardana, L. in Rana, J.M., 1973:37). In a multi-purpose cooperative with a variety of activities, there might arise conflicts between one aspect of business that is making surplus with another that might be losing (Ibid.)
2. With the nature of government intervention, viz. the three Presidential Instructions, VUC has gained strong legitimacy to be the only economic units for development in rural areas. On the other side it is overloaded with government's interests and development programmes therefore has lost its independence and self-reliance as a cooperative in the actual sense.

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3. Given the macro-policy environment, VUC faces constant problems concerning membership, organization (internal problems) and problems that are associated with bureaucracy, among other:
 - a. unsteady income, because of dependence on government programme;
 - b. lack of confidence in cooperative institution;
 - c. insufficient member participation;
 - d. poor understanding to cooperative principles;
 - e. lack of sense of business and belonging;
 - f. concentration of power among civil servant;
 - g. etc.(Hasan, A. in Radjadin, B., 1991:53)
 4. Finally, all the above problems have led to perpetual dependence of VUC upon the government support programmes. Even in the well-operated VUC the degree of dependence is so high that it will practically collapse by withdrawal of government supports (Radjadin, B., 1991:53-54).

Indonesian government has also begun to talk about withdrawing subsidy from rural-agricultural sector. But that will not automatically transfer or integrate rural economic institution into the global market system before preparing adequate precondition. The author proposes three rough ideas regarding reformation of policy and strategy, namely: first, deregulation of VUC; second, reformation of internal structure of VUC; and third, re-activation of integrated-participatory planning for VUC's business and service schemes. What is meant by deregulation of VUC is withdrawing all regulations under the Law on the Basic Regulation for Cooperatives hence the realistic circumstances can be created for cooperatives to achieve its optimal organizational status. Lastly, reactivation of integrated-participatory planning will create effective and efficient activities (businesses and services) in favor with the interest of members and society in general.

Perspective For Policy Reformulation

The crucial question then, how long should the government support and maintain the established structure and relationship with VUC ?; as well as asking when will the rural cooperatives become genuine socio-economic institution of rural society? These questions become very important especially in the era of agricultural trade liberalization and structural adjustment where production and trade should be integrated into market economies.

Table 1.
National Consumption of Fertilizer and Pesticide, Amount of Distribution by
VUC and Number of VUC involved in Distribution for 1979 - 1986

Fertilizer	Year	National Consumption (tons)	Distributed by VUC		VUC involved in distribution	
			(tons)	% ^{*)}	(unit)	% ^{**)}
	1979	855,700	132,949	16	2,691	59
	1980	1,173,000	183,991	16	2,404	51
	1981	1,453,700	210,367	14	2,764	41
	1982	1,530,600	215,742	14	3,018	48
	1983	1,515,600	160,357	11	3,332	53
	1984	1,874,300	143,401	8	3,562	54
	1985	1,971,800	151,854	8	3,092	45
	1986	2,078,600	163,568	8	2,197	30
Pesticide	Year	National Consumption (kilograms)	Distributed by VUC		VUC involved in distribution	
			(kilograms)	% ^{*)}	(unit)	% ^{**)}
	1979	5,150,000	597,545	12	2,749	61
	1980	7,303,000	792,825	11	1,823	39
	1981	10,326,000	1,119,226	11	2,103	41
	1982	11,276,000	1,395,970	12	2,005	34
	1983	14,430,000	1,371,423	10	2,007	32
	1984	14,296,000	558,307	4	1,384	26
	1985	15,276,000	393,731	3	1,499	22
	1986	17,323,000	189,767	1	751	10

Note: ^{*)} to consumption; ^{**)} to total VUC

Source: Calculated from National Logistics Agency (BULOG), 1988; Ministry of Cooperative, 1989 quoted in Radjadin, B., 1991: 67; Statistical Yearbook for Asia and the Pacific/United Nations, 1990: 158.

Table 2.
Rice Production and Procurement by VUC and Non-VUC in 1973 - 1987

Year	Rice Production (tons)	Total Procurement		Procured by VUC		Procured by Non-VUC	
		(tons)	% ^{*)}	(tons)	% ^{**)}	(tons)	% ^{**)}
1973	14,607,241	262,765	2	193,581	74	69,184	26
1974	15,276,776	530,440	3	354,033	67	176,407	33
1975	15,184,842	539,271	4	368,548	68	170,723	32
1976	15,844,639	391,515	2	241,821	62	176,694	45
1977	15,876,050	423,907	3	214,297	51	209,610	49
1978	17,524,668	865,772	5	275,769	32	590,003	68
1979	17,827,211	331,065	2	234,424	71	96,641	29
1980	20,163,295	1,585,484	8	1,448,766	91	136,718	9
1981	22,286,438	2,014,266	9	1,969,086	98	45,180	2
1982	22,836,900	2,044,663	9	1,834,013	90	210,650	10
1983	24,005,864	968,951	4	861,896	89	107,055	11
1984	25,932,782	2,505,637	10	1,929,758	77	674,879	23
1985	26,537,117	2,030,318	8	1,397,976	69	632,342	31
1986	27,253,173	1,358,860	6	1,285,971	85	223,347	15
1987	27,253,173	1,358,860	5	1,142,614	84	216,246	16

Note: ^{*)} to production; ^{**)} to procurement; 1987: preliminary figures

Source: Calculated from National Logistics Agency (BULOG), 1986 & 1988; Ministry of Agriculture, 1985-1987 quoted in Radjadin, B., 1991: 68.

Table 3. VUC Involvement in Rice Procurement 1973/1974 - 1987/1988

Fiscal Year	Volume (tons)	Number of VUC Involved in Procurement	
		Unit	% to total VUV
1973/1974	273,303	1,558	66
1974/1975	481,889	1,920	53
1975/1976	620,997	2,450	68
1976/1977	399,930	2,357	60
1977/1978	385,607	2,206	54
1978/1979	443,861	2,125	48
1979/1980	356,607	1,763	39
1980/1981	1,529,672	1,861	40
1981/1982	2,048,836	2,075	40
1982/1983	1,573,911	2,441	41
1983/1984	981,866	2,255	36
1984/1985	1,998,282	2,230	34
1985/1986	1,480,982	2,082	30
1986/1987	1,362,913	2,000	28
1987/1988	1,261,262	1,767	24

Source: National Logistics Agency (BULOG), 1988; Ministry of Cooperative, 1985 quoted in Radjadin, B., 1991: 68.

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