

# A Budget Allocation Analysis and Poverty Alleviation Strategy in Aceh Post Conflict and Tsunami

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## Abstract

This paper analyses budget allocation and poverty alleviation strategy in Aceh's post conflict and tsunami. It is aimed (1) to identify conditions and the cause of poverty in Aceh, (2) to analyze poverty alleviation budget and programs in Aceh and (3) to find a suitable poverty alleviation strategy in post conflict and tsunami in Aceh. The study was conducted in 2015-2016 using budget data of 2013 and 2014 collected from 7 districts in Aceh, 3 districts representing the west coast, 3 other representing the east coast, and 1 in the capital city of Banda Aceh. Meanwhile, the survey was conducted through in-depth interview technique reinforced by FGD in six districts i.e. Bener Meriah, Gayo Lues, Pidie Jaya, North Aceh, Aceh Barat, and Simeulue. The results show that Aceh's poverty budget allocation is irrelevance and inconsistent. This is allegedly due to the limited capacity and commitment of decision makers to poverty alleviation. Poverty in Aceh is caused by natural, structural and cultural problems. The budget allocations for poverty alleviation programs are not well managed and unstructured and thus tend to be less effective in reducing poverty in Aceh. It is recommended that poverty alleviation strategies in Aceh should optimize the development of rural sectors such as agriculture, livestock, fisheries, poultry, dairy, and handicrafts, by stimulating the involvement and coordination of wider stakeholders.

**Keywords:** poverty alleviation, budget allocation, Aceh.

## Introduction

The poverty has become the most challenging problem faced by the Aceh government which suffered from prolonged conflict between Aceh Free Movement (GAM) and Indonesia Government since 1967. In 2001, Aceh's poverty level reaches 19,20 percent and significantly increases to 28,37% in 2004, far above national level which was 16,7 percent. The World Bank study (2008) shows that poverty in Aceh has getting worse due to tsunami disaster which causes poverty to rise to 32,6 percent in 2005. Fortunately, tsunami disaster has brought the signing of peace accord and dramatically increases financial transfer from the central government to restore and improve the economic conditions of the community.

Aceh Provincial Budget has risen significantly from Rp 475 billion in 2001 to Rp 8 trillion in 2008 (1.684 percent). To date, Aceh still receive a large amount of funds from the central government as a special autonomy region in accordance with the mandate of Law No. 11/2006. However, the average poverty rate is only reduced by

1.01 percent per year, far below the annual poverty reduction target of 2 percent (BPS, 2015). This phenomenon indicates problems in budgeting as well as strategy towards poverty alleviation in Aceh. Therefore, an innovative strategy is needed to accelerate the post-conflict and tsunami poverty alleviation program in Aceh. In order to produce appropriate strategies, it is necessary to know (1) the conditions and causes of poverty in Aceh. (2) poverty alleviation budget and programs in Aceh.

### **Literature Review**

Poverty in general can be defined as circumstances in which a person / family's inability to meet basic needs such as food, clothing, shelter, education, and health. Haughton et.al.(2009) defines poverty as a term related to social welfare and position. Based on these criteria, poverty can be grouped into three perspectives: (i) conventional perspective, (ii) poverty line perspective, and (iii) social perspective. Handler and Hasenfeld (2007) put forward two approaches in looking at the concept of poverty, the economic approach and social approach. The economic approach focuses on identifying the income needed to buy a basket of goods and services to the minimum required. The social approach is related not only to the fulfillment of the material aspects but also the ability to participate optimally as members of the community.

According to the World Bank (2008), the underlying causes of poverty are: (1) ownership failure, especially land and capital; (2) limited availability of basic necessities, facilities and infrastructure; (3) development policies that are urban biased and sector biased; (4) differences in opportunities among community members and less supportive systems; (5) differences in human resources and differences between economic sectors (traditional economy versus modern economy); (6) low productivity and level of capital formation in society; (7) Cultural life associated with a person's ability to manage natural resources and environment; (8) the absence of good governance; (9) excessive and non-environmentally sound natural resource management. The World Bank (2008) also groups two vulnerable groups in Aceh that are overlapping but different: the 'structurally poor' and the 'shaken by conflict and Tsunami' groups, who lost personal property. Poor groups due to 'shock and Tsunami' have relatively better productive capacity than 'poor structural' groups.

Based on several factors causing poverty that have been mentioned earlier, then this research will identify the causes of poverty and the ineffectiveness of poverty reduction in Aceh, in terms of: (1) the relevance of budget allocations between provinces and regency / municipalities; (2) structural poverty in Aceh caused by poor involvement of the poor in participation and institutions, the ineffectiveness of various aid distributed and unsustainable; and (3) cultural poverty in Aceh is caused by a lack of work motivation, apathy, and skepticism (resulting from the habit of receiving external assistance or government assistance) resulting in a difficult dependency attitude to resolve the economic problems faced.

Furthermore, in the effort to develop poverty reduction strategies in post-conflict Aceh and Tsunami, this study refers to Korten (1993) which offers three steps and efforts to improve the creativity and independence of the poor, namely: (1) the orientation of intervention focused development of businesses self-help communities to meet their own needs;(2) although the modern sector has a major contribution to growth but the traditional sector was a pillar of local livelihoods; and (3) strengthening of social institutions based on local potentials and resources.

### **Research Method**

The study uses a combination of qualitative and quantitative approach. Budget analysis was conducted by using 2013 and 2014 data which collected from 7 districts in Aceh based on zone representation in Aceh which taken by the availability of

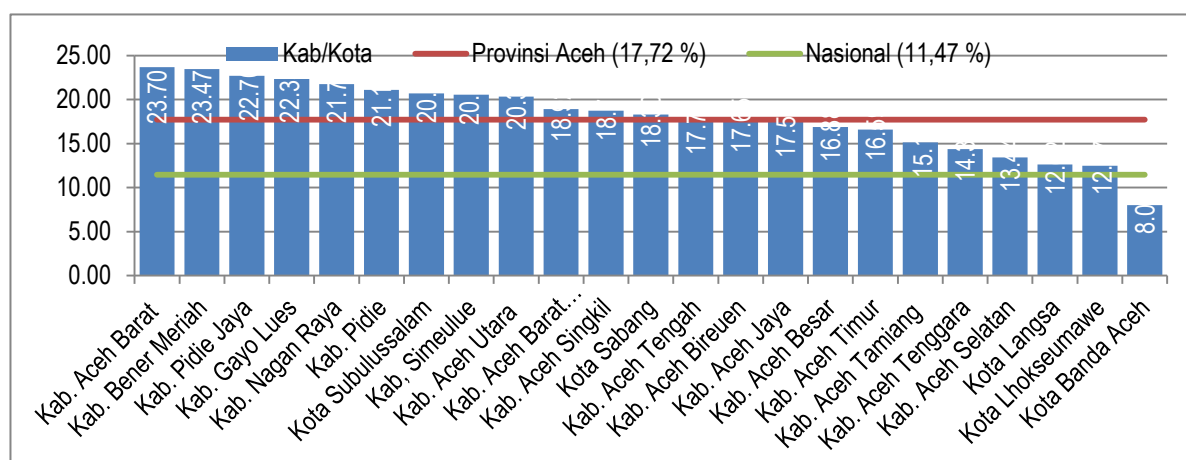
secondary data. However, the survey is designed by classifying the study area into three (3) zone represent the upland, west coast, and east coast of Aceh. Region I consist of: Bener Meriah Regency and Gayo Lues Regency. Region II consists of: Pidie Jaya District and North Aceh District. Region III consists of: Kabupaten Aceh Barat and Kabupaten Simeulue. Then each regency is taken 80 respondents proportionally, so the sample is 480 respondents. Data obtained from structured interviews with a number of respondents are tabulated and then presented in tabular form, then performed a simple quantitative analysis in the form of pictures, frequency and percentage. In addition, qualitative analysis will be conducted to strengthen quantitative analysis related to poverty alleviation and intervention strategies to reduce poverty in Aceh's post-conflict and tsunami.

## Results and Discussion

### **Gaining Inside the Poverty Condition in Aceh Post-Conflict and Tsunami**

Aceh has experienced high levels of poverty long before the Tsunami as a result of prolonged conflict. In 2004, Aceh's poverty rate reached 28.4 percent of the population, far exceeding Indonesia's national poverty rate of 16.7 percent. According to a report released by the World Bank (2008), poverty in Aceh increased dramatically due to the Tsunami on 26 December 2004, from 28.4 percent to 32.6 percent in 2005. The poverty in Aceh is scattered in areas affected by the Tsunami as well as affected by conflict. However, following the post-tsunami and conflict rehabilitation and reconstruction process undertaken by BRR Aceh-Nias and various domestic and foreign humanitarian agencies, Aceh's poverty rate could be reduced to 26.5 percent in 2006, 24 percent in 2008, and 21 percent in 2009 when the rehabilitation and reconstruction program was over. This achievement is much lower than the level of poverty in Aceh before the tsunami.

Along with the end of BRR Aceh-Nias reconstruction program and donor agencies (NGOs), the reduction of poverty in Aceh is getting slower. In the last five years, the reduction of poverty rate in Aceh was recorded at only 0.59 percent per year. The best achievement in 2013 was 17.72 percent, but in 2014, the poverty rate slightly increased to 18.05 percent. This condition is thought to be caused by many factors, among others by the weak development management and the behavior of the poor who have been spoiled by the various facilities provided by donor agencies during the post-conflict and tsunami rehabilitation and reconstruction period in Aceh. In more detail the conditions of poverty in each regency / municipality and province of Aceh in 2014 can be seen in Figure 1.



**Figure 1.** Relative Position of Poverty Rate (%) Aceh Province. Source: BPS, 2014 (processed).

The data shows that administratively, there are 13 regencies / municipalities (56.52%) whose poverty rate is above the provincial poverty rate and 22 regencies / municipalities (95.65%) whose poverty rate is above the national poverty rate. The study found that the poverty in Aceh is caused by natural, structural, and cultural problem. Natural poverty exists due to low education and skills, resulting in low income, ultimately low business capital, and the type of employment generally generations. Structural poverty exists due to poor involvement of the poor in participation and institutions, in addition to lack of aid transparency, inaccurate targeting and allocation, and unsustainable. Cultural poverty is caused by a lack of work motivation, apathy, and skepticism (just expecting help or generous or generous helping hands).

### ***Poverty Alleviation in Aceh***

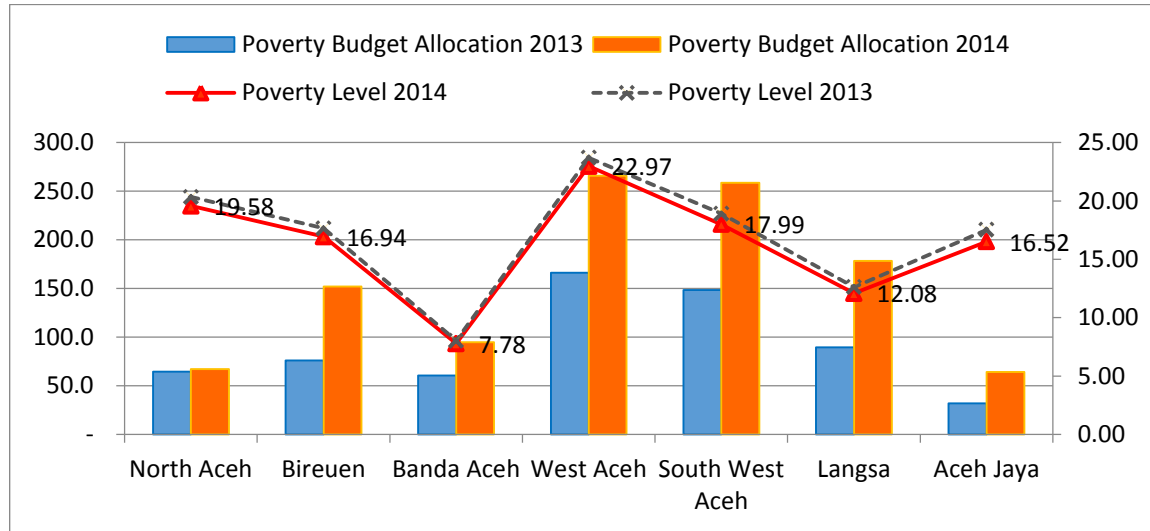
The results show that there are several issues that emerged in Aceh's post-conflict and tsunami poverty alleviation program, namely: (1) the relevance of poverty alleviation budget allocation between provincial and regency / municipality level in Aceh; (2) structural issue causing poor people less able to access economic resources available, and (3) the post-conflict and tsunami cultural issues in which the poor have no creativity and economic independence.

There are several factors contributing to the slow poverty reduction in Aceh post-conflict and tsunami, these are: (1) the weak capacity of local governments in managing poverty alleviation programs in their regions. The results show that (a) the development program implemented has not touched the main problem causing the poverty to occur; (b) the method of implementing the development program has not fully referred to the scenarios prepared in the planning; and (c) the current poverty rate is the total structural poverty present in Aceh so it is difficult to push it down further due to the substantial constraints that take a long time to improve it; (2) the mental attitude of the dependence of the poor on outside assistance as a result of the intervention bias that eliminates the creativity and independence of the local community; (3) the limited development of basic infrastructure facilities needed to support poverty alleviation such as irrigation, roads to production centers, appropriate technology, education and public health in remote rural areas.

### ***The Relevance of Budget Allocation***

The results show that the allocation of poverty budget among districts in Aceh is varying, inconsistent and unbalanced. The relationship between the size of the poverty alleviation budget and the reduction of poverty is almost none. This is one of the challenges in measuring the effectiveness of the poverty budget in Aceh. In general, these conditions indicate that public budget management in Aceh is relatively weak. A large poverty budget may not reduce poverty, especially if the budget tends to be small. However, for the success of the poverty alleviation program, budget allocation became one of the important issues in Aceh (Figure 2).

Focus Group Discussion (FGD) results show that there are 3 fundamental issues that result in poverty alleviation have not achieved the expected results, namely: (1) programs run more politically than strategic and economic aspects, (2) the success of the development program is more emphasized on the absorption of the budget but less focused on the magnitude of the impact of development on community economic growth; and (3) there is still no synergy and strong sectoral ego among relevant stakeholders. These three issues are becoming main obstacle in poverty alleviation program that is not effective.

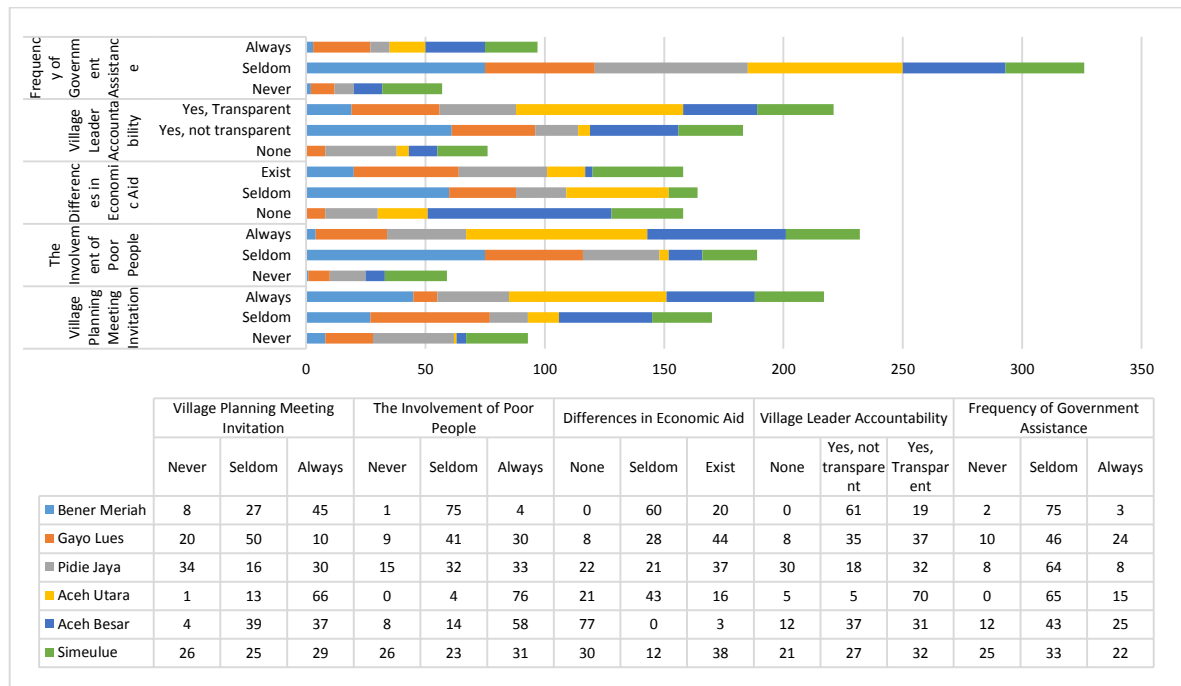


Source: Regency/municipality Development Planning Board (Bappeda) and BPS Aceh, 2015 (processed)

**Figure 2.** Relevance of Allocation of Poverty Reduction Budget of regency/municipality in Aceh

### Structural Poverty Problem

Various development programs and social assistance by the government to reduce the burden of the poor are considered not optimal in poverty reduction due to structural obstacles. There are several indicators used to measure structural variables in poverty alleviation, namely: (1) participation in village planning process and development, (2) the involvement in decision-making, (3) differences in aid delivery, (4) accountability of village leaders conducted transparently. The condition of structural problem in poverty reduction can be seen in Figure 3.

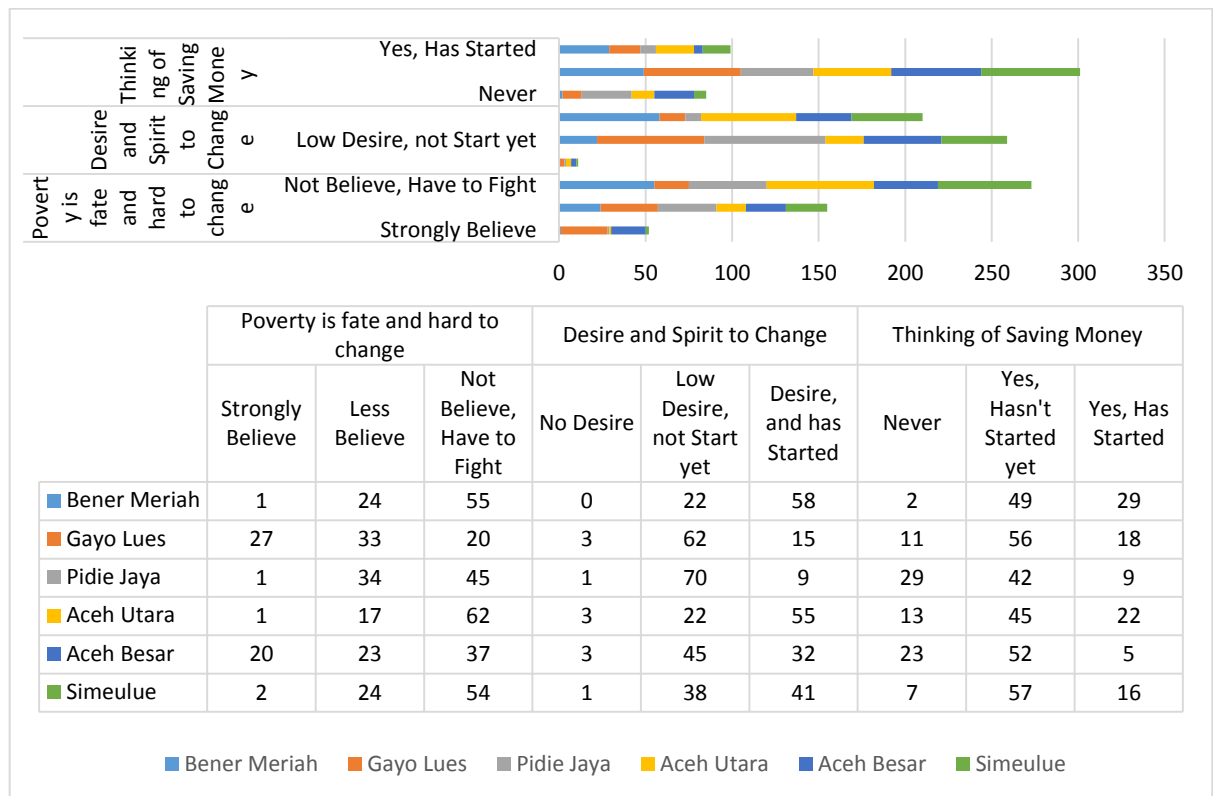


**Figure 3.** Structural poverty problem in Aceh.

Figure 3 shows that in general the structural problem is not yet at the level of an inhibiting factor for poverty reduction in Aceh. However, government programs and social assistance to reduce the burden of the poor in the short term can be effective, but in the long term, for the purpose of empowerment is considered to be ineffective. It is due to many poverty reduction interventions have not been balanced between physical and non-physical assistance and have not fully addressed the needs of poor communities.

*Cultural Poverty Problem*

The cultural values remained in society will affect their behavior. A large number of post-conflict and tsunami aid affects people's attitudes of being too dependent toward assistances. Finally, it could eliminate people's creativity to get out of poverty. There are several indicators used to measure cultural variables in poverty alleviation, namely: (1) the belief that poverty can be changed, (2) the spirit of self-change, (3) the desire of saving for investment and better life in the future (Figure 4).



**Figure 4.** Conditions of cultural poverty problem in Aceh.

Figure 4 shows that most of the poor in Aceh believe that the poverty that befell them can still be changed by hard work, but most of them have not begun efforts to change themselves to make their lives better. Most of them also have the desire to save, but generally only start (50%). This phenomenon shows that culturally the poor in Aceh do not yet have a consistent behavior between knowledge, beliefs and concrete actions to transform themselves out of the cycle of poverty. The cultural factor is assessed as one of the causes of the slow poverty alleviation in Aceh's post conflict and Tsunami.

### **Strategy for Post-Conflict and Tsunami Poverty Alleviation in Aceh**

Based on the identification of potentials, problems and strategies for poverty reduction, there are several implementation steps that can be used to accelerate the reduction of poverty level in the Aceh provincial and regency / municipal area, namely: (1) implementation through indirect intervention and (2) implementation through direct intervention in poverty reduction.

Implementation indirectly in accelerating poverty reduction can be done through the following steps: (1) construction of facilities and infrastructure related with infrastructure base support economy activities such as establishing center of production and irrigation for agriculture, rice field/ food and guarantee the marketing and stability of price from the product resulted by community. So, this makes poor family creative; (2) construction sector of education and health and enhance the access for poor community to education and health so that they can cut the circle of poverty. This could be done through distributing card of health and scholarship for education; and (3) development of financial agency to capable distribute venture capital structurally, so that it allows the poorest access the venture capital assistance.

Meanwhile, the direct implementation in accelerating poverty reduction can be done through the following steps: (1) direct assistance, which means assisting directly to the poor, such as provision of production inputs and venture capital through group farmers or business partners. This phenomenon has been implemented in Europe in middle era; (2) helping individual. Many kinds of policies that run for changing the situation of the poor based on individuals, including punishment, education, social employment, work searching and others; (3) support for the weak. In theory, it shows that there are some ways to implement the acceleration of poverty reduction that helps the poor directly. Many countries provide help for people who are categorized as more than poor such as elderly people with incompetence, or any circumstances that make the people poor such as the need of health care; and (4) support in sustainable assistance and empowerment in whole livelihood by pilot programme as guidance.

Considering the economic conditions of the poor in Aceh at the provincial and regency levels are still characterized by primary resource-based economic activities, the implementation of accelerated poverty reduction measurement should provide economic benefits that increase revenue and create employment opportunities among the poor.

### **Conclusions**

Two important events, prolonged conflict and Tsunami, contributed to the poverty condition in Aceh. The large amount of Aceh' post conflict and Tsunami budget in an effort to restore the economy of the community has not been able to significantly reduce the poverty rate in Aceh.

Among those three main problems of poverty alleviation program i.e. (1) budget allocation, (2) structural, and (3) cultural; budget allocation problem and cultural are significantly contributed to the slower poverty reduction than structural problem. Therefore, at macro level, efforts to reduce poverty can be achieved by improving a relevant budget allocation among sectors, provincial level and district/city. In micro level, it can be achieved by improving local/community culture through sustainable assistance and empowerment. It is recommended that poverty alleviation strategies in Aceh should optimize the development of rural sectors such as agriculture, livestock, fisheries, poultry, dairy, and handicrafts, by stimulating the involvement and coordination of wider stakeholders.

There are several implementation steps that can be used in poverty alleviation in Aceh, both at provincial and regency level, namely: (1) Implementation through indirect intervention, which is in the form of development of facilities and infrastructure supporting the economy, development of education and health sectors, and the development of financial institutions accessible to the poor; and (2) implementation through direct intervention in poverty alleviation, which is in the form of input and capital assistance through sustainable livelihoods, followed by sustainable assistance and empowerment through collaboration with government, private sectors, community with the involvement of universities as main partner.

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