

Research Paper

The Capacity of Kulon Progo Regency Government in Efforts to Self-Sustaining Economic

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Abstract

As an area with an open economic access, Kulon Progo Regency has many valuable points in the development of its agriculture, manufacturing, trade and services sectors. However, low level of the district public welfare becomes an internal strategic issues that affects its planning process. In the meantime, Kulon Progo District has its own leadership potential with good regional coordination and clear communication with its regional leaders. This potential can be a key element of its regional development as to reduce its internal issues. This leadership type owns by the regional leaders, along with the effective bureaucracy, is a manifestation of the capacity of its regional jurisdiction. This capacity of the Kulon Progo regency government within the framework to achieve self-sustaining economic can be obtained with the following efforts: (1) efforts to mobilize stakeholders in achieving self-sustaining economic by local leaders, (2) determination of local-pro economic policy and priorities program, and (3) implementation of a performance-based planning and budgeting process in an effort to boost the local economy. In practice, the leadership innovation is not strong enough to change the planning and budgeting system that has been institutionalized bureaucratically. Contextual conditions do have great affect to the success of leadership, policy making, and planning and budgeting aspects. Therefore, this study aims to examine the Kulon Progo District Government capacity in encouraging the self-sustaining economy.

Keywords: capacity, sub-national jurisdiction, economic independence

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1. Introduction

Kulon Progo is one of the strategic regencies during development of the Special Region of Yogyakarta (DIY). Its capital is located in Wates with a total area of 58,627.51 Ha. This regency is traversed by two national crossing infrastructures in Java, namely the national road and the national railroad track. From 2010 to 2017, the Human Development Index (HDI) condition of Kulon Progo Regency increased from 68.83 to 73.23 (Central Bureau of Statistics (BPS) Indonesia, 2014-2017). This number of HDI score is quite high when compared to the HDI of *DIY*, but is far above the average of national HDI.

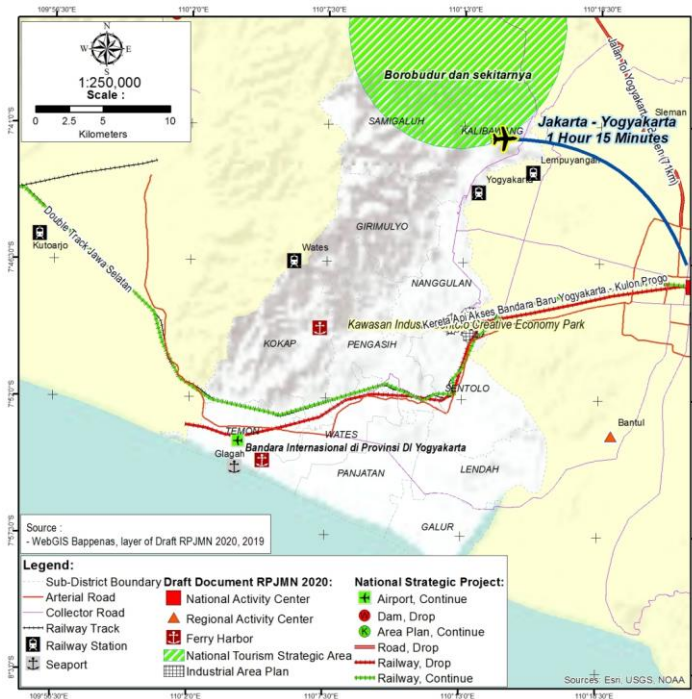


Figure 1. Map of Kulon Progo District

As an area with an open economic access Kulon Progo Regency has an advantage in the development of the agriculture, manufacturing, trade and services sectors. The agriculture, forestry and fisheries sectors brought the largest average contribution to the Gross Regional Domestic Product (GRDP) of Kulon Progo in the period 2010 to 2016 (amounting to 21.43%). Kulon Progo District's economic growth rate (*Laju Pertumbuhan Ekonomi or LPE*) experienced better growth from 2010 to 2016. In 2010, Kulon Progo's LPE was 3.06%. In 2016, Kulon Progo succeeded in increasing its LPE to achieve 4.76% (Kulon Progo District BPS, 2013, 2017). This increase in LPE affected in reducing the difference in LPE figures with the *DIY* (5.05%) to 0.29%. Meanwhile, the development of the Gini ratio has fluctuated from year to year, ranging from 0.24 in 2010 to 0.37 in 2016.

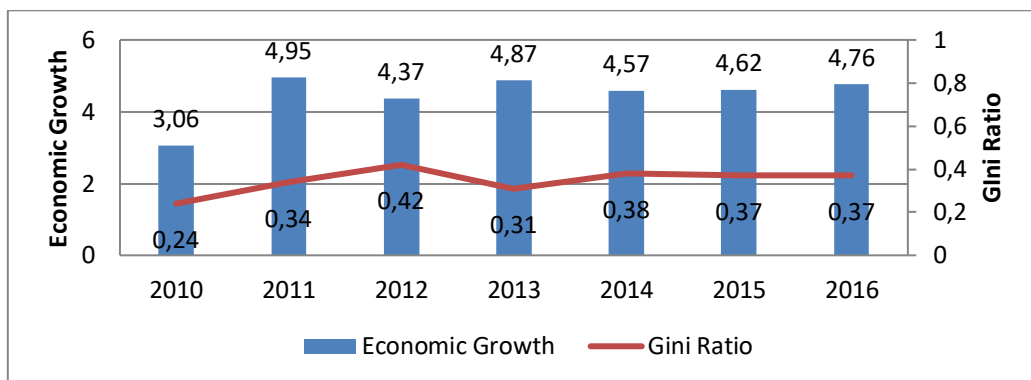


Figure 2. Economic Growth and Gini Ratio of Kulon Progo (Source: BPS Kulon Progo, 2010, 2017)

Kulon Progo Regency has internal strategic issues that affect its planning process. The main issue is the lower level of the regency public welfare. This condition occurs due to low economic growth and slow economic equality that lead to higher level of poverty and unemployment. Poverty and unemployment itself are caused by the lack of job opportunities from inability to attract more investment and low level of regional competitiveness. The low quality of its labor workforce with poor implementation of good governance is also worsening the current situation in Kulon Progo in terms of its public welfare.

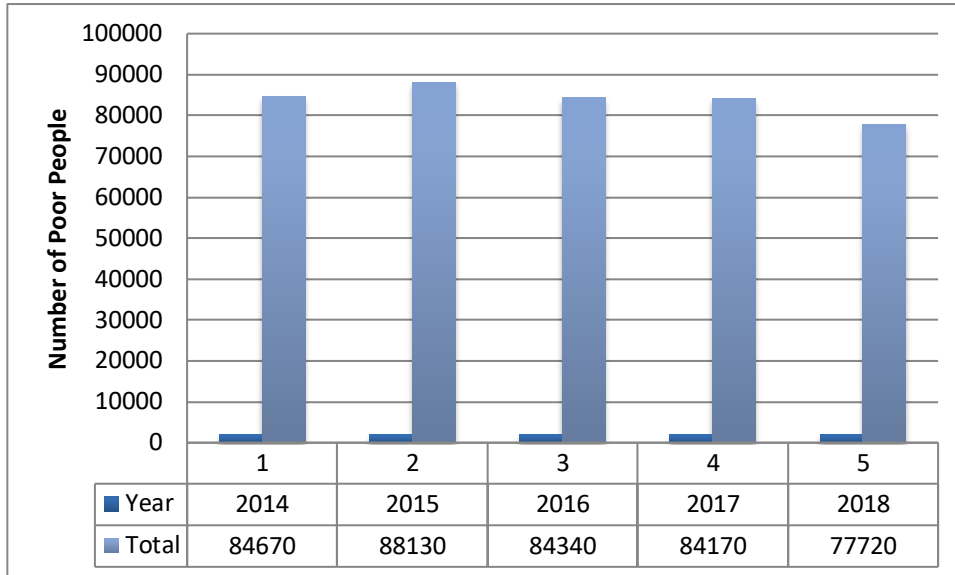


Figure 3. The Number of Poor People in Kulon Progo (Source: BPS Kulon Progo, 2014-2018)

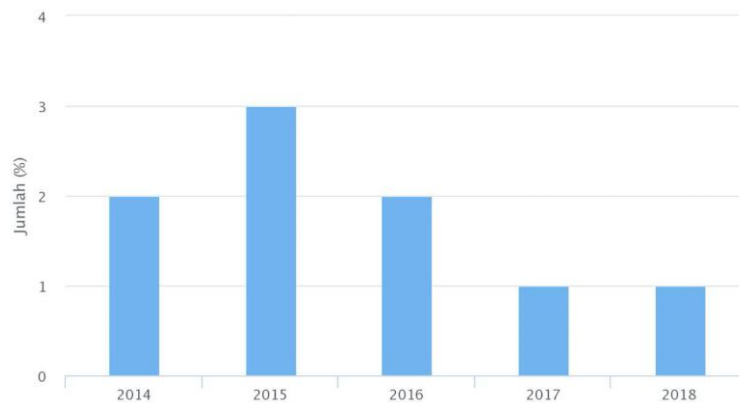


Figure 4. Open Unemployment Rate in Kulon Progo (Source: BPS Kulon Progo, 2014-2018)

Social and economic conditions, along with a variety of internal strategic problems that plagued Kulon Progo, clearly become the challenges in realizing the development within the regency to achieve Sustainable Development Goals (SDGs). In the meantime, Kulon Progo District has its own leadership potential with good regional coordination and clear communication with its regional leaders. This potential can be a potential strength of Kulon Progo District to reduce its internal issues. This type of leadership owns by the local leaders, supported by an effective bureaucracy, is a manifestation of the capacity of the regional jurisdiction.

In practice, the leadership innovation is not strong enough to change the planning and budgeting system that has been institutionalized bureaucratically. Contextual conditions greatly affect the success of aspects of leadership, policy making, and planning and budgeting. Therefore, this study aims to examine the Kulon Progo District Government capacity in encouraging the self-sustaining economy.

2. Methodology

This study used qualitative approaches and method. Primary data collection had completed through field visit, interview, and Focus Group Discussion (FGD). The stages of the study began with a literature review. The literature review focused on the material regarding jurisdictional capacity and regional development profile of Kulon Progo District.

Referring to the main topic of study on the capacity of jurisdiction in efforts to self-sustaining economy, the primary data collection is directed to explore the development of efforts to encourage self-sustaining economy through several innovative programs and policies that are pro to local products. In addition, the direction of data mining is focused on studies of leadership, policy making, and planning and budgeting for programs that provides support to local products. In strengthening the results of primary data collection, supporting secondary data was collected, such as statistical data on the economic growth rate, poverty rate, unemployment rate, and the gini ratio. The time period of secondary data is mainly in the range of 2014-2019, where Mr. Hasto has not become a Regent until he is currently serving as a Regent. This aims to see the progress made by the Regent Hasto.

The sub-national jurisdiction capacity assessment in this study will focus on the capacity of the Kulon Progo District Government in an effort to achieve self-sustaining economic, through breakthrough programs and policies to strengthen the local economy, which can reduce poverty levels and increase regional income. Based on the results of the literature review, several indicators will be used to assess the performance of the administration of local government, such as the results of the Performance Evaluation of Local Government Administration (EKPPD) conducted by the Ministry of Home Affairs (Kemendagri), the results of the assessment of the Performance System of Government Agencies (SAKIP) by the Ministry of Administrative Reform and Bureaucracy Reform (KemenPAN-RB), and the results of financial program audits by the Supreme Audit Board (BPK).

The next stage was collecting primary data through field visit on study location and did interviews with related stakeholders. Field visit was carried out for 4-5 days. The interviews were conducted with resource persons from Local Government Organizations (OPD) selected based on strategic issues related to policies, plans and/or programs (PPPs) that support the achievement of local economic development in the area. The interviewees consisted of resource persons from Bappeda, the Regional Secretary (Sekda), the Agriculture Agency, the Health Agency, the Government Agency of Cooperative Micro, Small and Medium Enterprises (KUKM), the Community's Own Shop (TOMIRA) management, the Regional Water Company (PDAM), Regional Asset and Financial Agency (BKAD), as well as community representatives from Pagerharjo Village. In addition, the selection of resource persons also considered the willingness of them to participate in this study. The result was summarized in a matrix of initial findings which were the subject of discussion at the further FGD at the national level.

The national FGD were carried out through a learning forum. It is a joint learning forum as one of the research approach involving practitioners and policymakers. This learning forum was presented by resource persons from the Directorate General of Regional Autonomy - Ministry of Home Affairs, and the Regional Autonomy Watch Committee (KPPOD). This forum tried to explore the opinions and experiences of stakeholders regarding potential development issues that can affect the jurisdictional capacity of sub-national governments in achieving the regional development target.

The final stage was creating a jurisdictional capacity profile from the case study. The writing of a jurisdictional capacity profile was conducted based on the result of analyzing data and information from the initial findings as well as the results of the learning forum. The results of data and information collection were processed through a qualitative descriptive method by synthesizing key content from various literature reviews and discussions that have been conducted. The results of this analysis are then presented through elaboration: (1) efforts to move stakeholders in achieving self-sustaining economic as a form of leadership and political communication of regional leaders, (2) policy priorities and local-pro economic programs as a picture of policy making and institutional arrangements, and (3) performance-based planning and budgeting processes in an effort to boost the local economy.

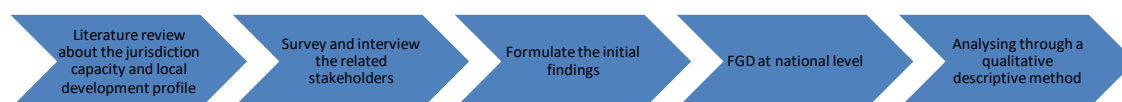


Figure 5. Stages of The Study

3. Framework Thinking of a Jurisdictional Capacity and Local Economic Development

The jurisdiction capacity is the basic concept in this study. This concept simply illustrates how an inherent structure and function of sub-national administration can provide decent public services and economic development in a particular administrative area, while taking into account the regional current condition (from aspects such as social, cultural, economic, ecological and political). The capacity of sub-national jurisdictions is formed from the synthesis of various concepts and approaches. In this study, the concept of sub-national jurisdictional capacity was developed based on the concept of community capacity and the jurisdictional approach. Community itself is a set of institutions, organizations, and behaviors situated between state, business world, and the family. This includes voluntary and non-profit organizations; other forms of social participation and engagement, and the values and cultural patterns associated with them (London School of Economics (LSE), 2004). Meanwhile, according to Chaskin (1999), community capacity is an interaction of social capital between humans and organizations in certain communities that can be used to solve collective problems and improve or maintain the welfare of the community. Factors that influence community capacity include resources, network of relationships, leadership, and support for vehicles through which community members participate in collective action and problem solving. In its implementation, delineation of certain communities is based on the jurisdiction of a territory and administrative area.

Jurisdictional approach is an approach that involves the role of provincial and regency or city governments in implementing a program or activity, as a form of the role of the central government at the local level (TNC, 2014). The components that makes the sub-national jurisdiction approach unique is that there is no absolute way to develop a high-performance sub-national jurisdictional approach. Jurisdictional capacity will be driven by institutions that grow out of society and informal rules that exist within a particular government among a wider network of actors and involved in jurisdictional efforts (GCFTF, 2018). In this particular approach, the regional government plays the role of a state institution that has the responsibility in formulating regulations and intervening the regional development efforts.

As studied by Healey (1999, 2004a, 2006) within the framework of social and non-positivist constructivists, institutions are understood as the ensemble of norms, rules and practices which structure actions in social contexts (Giddens, 1984; Powell & Dimaggio, 1991). Such ensembles are brought into existence and given meaning through continuous active effort, which re-informs and changes both meanings and materialities. Social action is constituted by people acting in relation to others, not just through the pursuit of an individualized "rational calculus". In such interactions, people draw on a (shifting) store of cultural resources through which meanings, values and "knowledge" is shaped (Fischer, 2003; Hall & Taylor, 1996).

In Indonesia, the capacity of sub-national jurisdictions is closely related to the rules of the distribution of duties and authority of regional governments in autonomous regions. Act Number 23 Year 2014 (Act of The Republic of Indonesia) concerning regional government clearly distinguishes jurisdictional boundaries and functions between the central government, provincial governments, and district/city governments. At the same time, Act Number 25 Year 2004 concerning the National Development Planning System provides provisions for the procedures and flow of planning and budgeting, both at the national and sub-national levels. As a state institution, the regional government is an institution consisting of the Organization of Regional Apparatus (OPD), where the regional leader acts as the leader and the regional secretary (*Sekda*) acts as the bureaucratic manager.

In carrying out public service efforts, local government institutions formulate development policies, plans and programs (KRP) that will be legalized through Regional regulations (Perda) and other forms of regional regulation. This formulation is carried out through a planning and budgeting process that involves the legislative body as a representative public voice in the formulation of regional regulations. Based on this, the capacity of sub-national jurisdictions in Indonesia is a basic asset of regional governments to determine the KRP in an effort to encourage quality and effective public services and to support the achievement of global or national agendas according to regional character and capabilities. The key elements of sub-national jurisdictional capacity consist of: (1) leadership, political communication and effective bureaucratic management; (2) policy making and institutional arrangements; and (3) development planning and budgeting.

Leadership is a profession which much related with individual skills. It is embedded in social capital, where a network is built upon the trust, cooperation, and commitment to others. As Horlings and Padt (2011) stated that sustainable leadership has to work beyond pragmatic, short term, instrumental, and strategic choices. The performance of a leader at least is assisted through eight principal personal attributes (Sorensen and Epps, 1996): (1) Intelligence, (2) Knowledge, (3) Respect, (4) Resource, (5) Energy, (6) Originality, (7) Persuasiveness, and (8) Synoptic thinking. The type of leadership needed is always dependent on the actual context (Harmaakopi, 2007). It means that the time, place, organization, and task determines the type of leadership and skills that must be emphasized. In the regional context, as Judd and Parkinson (1990, see also Judd, 2000), leadership means the capacity to use external and local resources. The most important and pressing issue in the regional development is the delegation of institutional and administrative authority to the regional level, to give them the strength necessary to implement the development policies, plans and strategies (Talmaciu, 2014). Sotarauta and Viljamaa (2002) suggested seven abilities that are important for the network leadership in regional multi-actor networks. These include the ability to:

- a. involve people and empower them to act as a network
- b. make people work to reach joint separate goals and renew the goals in an ongoing process
- c. promote interaction serving as an intermediary in interaction between actors, as well as steering activities towards seeking goals and enabling cooperation
- d. connect various actors to the cluster from their own starting points
- e. create and utilize creative tension in development and create a sense of drama. This means presenting issues so that people become enthusiastic and excited
- f. obtain short-term success so as to sustain motivation
- g. form partnerships competently and to efficiently utilize informal relations

For some of regions, most effective leaders appear to have strong extra-regional connections that is developed through two principal forms (Sorensen and Epps, 1996):

1. The presence of helpful contacts, especially in state government, who assist communities with funding for infrastructure of social projects and with dissemination of information about local conditions and needs
2. Knowledge about current economic and social processes in the wider world. The entire corpus of economic development literature suggests that this is crucial both for the perception of realistic opportunity and the development of strategy to achieve.

For the Indonesia's case, the leadership of regional leaders supported by an effective bureaucracy needs to pay attention to political arrangements as reflected in the relationship between the executive branch of the local government and the legislature. The role of effective relations between the executive branch and the Regional House of Representatives (DPRD) as a legislative body is crucial because several KRPs need to be legalized by the regional regulation. From a political perspective, the position of the regional head reflects the interests of supporting political parties. Therefore, an understanding of political communication between the executive and the Regional House of Representatives plays a pivotal role in assessing the effectiveness of leadership and bureaucracy to provide public services and carry out sustainable economic development. Meanwhile, the regional secretary (Sekda) as the bureaucratic manager has the role of assisting the regional leader in the formulation of policies and organizing administrative tasks, as well as in carrying out regional apparatus and administrative services. Regional secretary has authority over OPD across sectors and is responsible for coordinating OPD and local technical institutions in implementing development priorities according to the KRP.

The second component of sub-national jurisdictional capacity is policy making and institutional arrangements because they are influenced by the development goals to be achieved by regional leaders. Policy arrangements can constrain social capital, and vice versa. It can function as a lubricant for the social capital. This requires multi-factors cooperation, cohesion and coordination at the regional level between public actors as well as between public and private actors (Horlings and Padt, 2011). Policy making in Indonesia is based on strategic issues or regional development problems that can be obtained from the leader, all OPDs and also the community, while institutional arrangements are closely related to the bureaucratic system that is to be implemented effectively and efficiently. However, it is difficult to distinguish between the actions of management and the actions of leadership. Leadership emphasizes change, getting people involved and committed. But leadership is not enough in making changes. It requires difficult and large projects, so the proper institutional management is needed. This institutional can also take a role to help the leader. The actions of leadership and of management are analyzed in the context of regional development and seen to have the following characteristics (Harmaakorpi, 2007):

- a. the actions of leadership give direction to the organization and groups of people; the actions of leadership motivate and inspire people and bring positive (sometimes dramatic) changes.
- b. the actions of the institutional produce plans and budgets, organizing and controls; the actions of management solve the problems, create order, and produce consistency.

Furthermore, the final key component is planning and budgeting. Usui and Alisjahbana (2003) stated that strategic multi-years planning and performance budgeting is inseparably linked with each other. Local government's needs and preferences can be realized through effective fiscal resource allocations, which respond to established priorities, formulated based on people's aspirations. Development plans and budgets should be adjusted to economic and political changes. In planning and budgeting, the direction of regional development goals and objectives from the vision and mission of the regional leader is then articulated in the allocation of time frames, resources, and finance to provide public services and to implement sustainable socio-economic development. In Indonesia, planning and budgeting is a picture of development priorities set by the regional leader based on DPRD's approval. At present, planning and budgeting at the district level proceed on largely separate tracks (Dixon and Hakim, 2009):

- a. planning priorities are described in the district's five year plan (RPJMD) and its annual work plan (RKPD), and are determined with limited reference to the cost of implementing the priorities. The planning function is focused on prioritization of spending plans without costing of specific measures for achieving planning priorities.
- b. the local budget is determined mechanistically through the detailed costing of inputs, without connecting proposed variations in input levels to achieve planning priorities.

Unfortunately, local governments are still facing difficulties in establishing local priorities (Usui and Alisjahbana, 2003). There are much less linkages between development plans and budgets. Major contributing factors include: 1) lack of general guidelines for local development planning; 2) delayed release of new guidelines for local financial managements; 3) vague expenditure assignments (and also obligatory functions of minimum service standards); and 4) lack of qualified local planning and budgeting officials in local governments. Therefore, refer to the Leigland (1993) suggestion, we need to be more flexible capital planning at the national level, and aggressive central government leadership in developing local capacity to control public revenues, constitute very large 'next steps' in Indonesia's effort to strengthen decentralization. Moreover, to ensure relevance and consistency between planning and budgeting need to pay attention to the following (Hanida, Irawan, and Syamsurizaldi, 2015):

- a. programs and activities in RKPD document must be the main reference in the preparation of subsequent documents, to avoid loss of programs and activities in the planning documents or the emergence of new programs and activities in the budget documents.
- b. output or target for each activity in the planning process should be clear and measurable.
- c. planning board that has function as planning agencies must correct the more thoroughly programs and activities that appear repeatedly in every fiscal year.
- d. planning board must improve the functioning of the internal and external coordination in guarding the program and activity that have been planned in the planning documents.
- e. parliament and local government must understand that the escort and consistency of the results of the priority planning activity are needed to make synchronization of planning and budgeting documents.

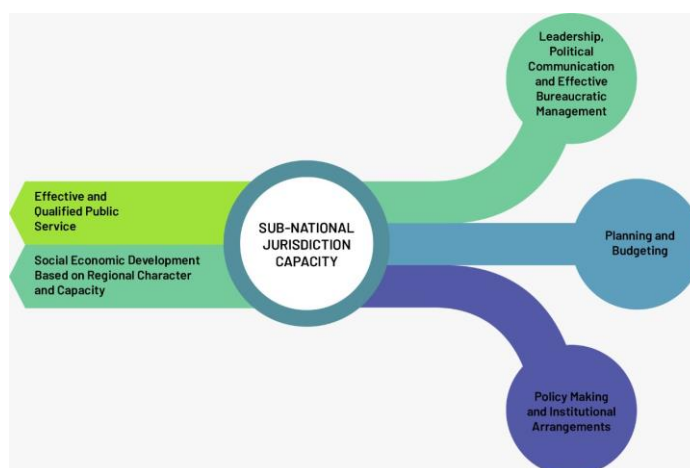


Figure 6. Figure of Sub-National Jurisdiction Capacity (Urban and Regional Development Institute (URDI), 2019)

Generally, a local economic development is affected by all local government activities. As Bartik (2003) stated, the local economic development is usually increasingly regarded as a major local government responsibility. Different from the context of local economic development generally, the local economic development policy is defined more narrowly as specific activities, undertaken by public or private groups, to promote economic development. The economic development programs activities at least consists of two categories (Bartik, 2003):

1. Providing customized assistance targeted at individual businesses that are thought to provide greater economic development benefits
2. Strategic initiatives in which more general tax, spending, and regulatory policies of government are changed to promote local economic development

Even the frame of local economic development is seemed as a self-organizing activity, which carried out by the community, it still needs the government interventions. Public subsidy is one of the interventions. Public subsidy might make sense under any of the following conditions (Bartik, 2003):

- a. If the program affects enough businesses to significantly increase local competition in that industry. Under this condition, the program may increase quality and lower prices in that industry, shifting some benefits to local consumers
- b. If the program helps businesses or groups whose business success is socially beneficial, for example minorities or women. Some might argue that more small business success is inherently socially beneficial
- c. If the program enhances productivity of workers in many jobs, for example training workers in general skills. Under this condition, the program will increase wages^[1]_{SEP}
- d. If the program increases the productivity of assisted businesses by more than it costs, and the assisted businesses either export outside the local economy or substitute for ^[1]_{SEP} local imports. Compared to financial incentives, such a program may boost the local economy at a lower cost

The role of leadership, governance quality, and institutions can stimulate the action of economic and social actors for development, and for some extent influence the economic factor use (Talmaciu, 2014). Even though the link between those three components (i.e. leadership, governance quality, and institution) is still ambiguous (Feng, 2003 in Talmaciu, 2014), those three elements can catalyze the entrepreneurial initiatives for more effective and efficient use of factorial endowment of the region, or by putting the opportunities appearing in the market to good use, or by creating new opportunities that may contribute to the improvement of the regional economy competitive position.

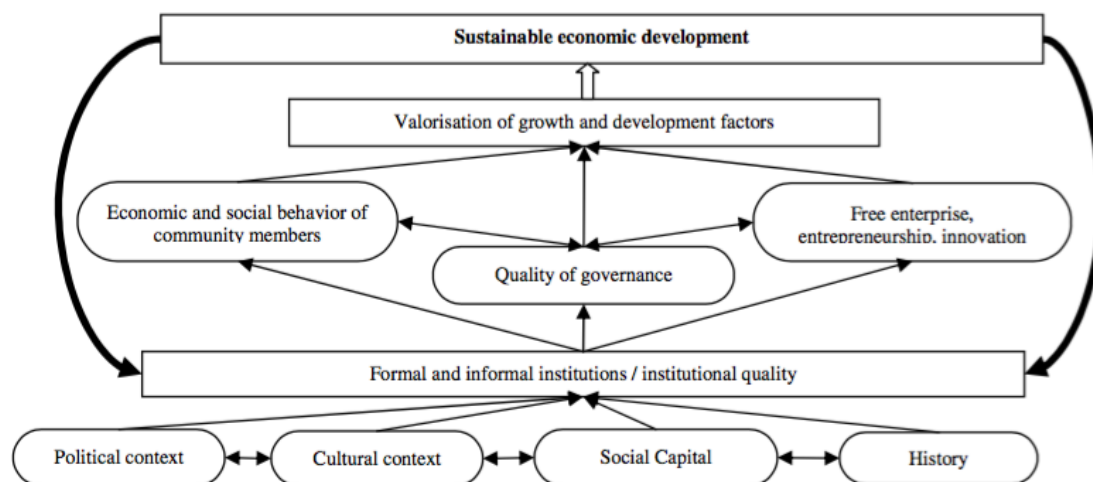


Figure 7. Figure of Relation Between Leadership, Governance Quality, and institution for The Economic Performance and Development (Source: Talmaciu, 2014)

4. Results and Discussions

The results are interpreted into three key components of sub-national jurisdictional capacity: (1) leadership, political communication and effective bureaucratic management; (2) policy making and institutional arrangements; and (3) development planning and budgeting.

Leadership Perspective: Motivation in Mobilizing Stakeholders to Achieve Self-Sustaining Economic

Kulon Progo District has been led by Regent Hasto Wardoyo for two-term periods (2011-2016 and 2017-2022). The main focus (vision) of the development carried out by him is to overcome the internal strategic issues of regional development through the efforts of local economic independence. In the first period of his administration, Hasto sought to improve regional capabilities through the development of local production and consumption. While in the second period of his reign, the achievement of public welfare was more emphasized.

The main challenge of efforts to improve the welfare of the community is poverty, addressed through improving the performance of public sector services. Hasto then issued Regent Decree Number 1 Year 2015 concerning the Role of Regional Apparatus as a Companion for Poor Families. This assistance includes efforts to overcome the problems of food, housing, health, education, clean water and sanitation, job opportunities and disability. In addition, the regional government (Pemda) of Kulon Progo implements "Bela dan Beli Kulon Progo" or local product's consumption movement which aims to encourage the enthusiasm of citizens and local governments to prioritize the consumption of local products in order to grow the local economy (Sekretariat DPRD of the Kulon Progo District, 2018). In "Bela dan Beli Kulon Progo", the regional government of Kulon Progo is launching bottled drinking water called 'AirKU' or 'my water' whose water source is taken from the Kulon Progo regional spring and is processed by Tirta Binangun Regional Water Company (PDAM). In addition, some other initiatives, such as local clothing (batik) program "Geblek Renteng" and Non-Cash Food Aid (BPNT) were introduced, as well as the launching of "Bedah Menoreh" infrastructure program that aims to encourage tourism in the Menoreh hilly area. In the field of food and agriculture, the regional government of Kulon Progo launched a pro-rice program in order to build a people's economy and encourage the recovery of people's production and consumption. In addition, in each village there are groups of female farmers who play a role in helping meet the family's food needs.

The implementation of this breakthrough is inseparable from the support of the role of legislative members (DPRD), local government officials, village officials, and the community. Regent Hasto seeks to establish political communication firmly so that the ideology of using local products is embedded in the

bureaucratic apparatus and legislative members. This ideology then drives the direction of policy formulation, institutional arrangements, planning and budgeting, and implementation. One of the ways in which political communication is built is through the command and control approach to encourage improvement in the quality of the bureaucratic apparatus against the breakthroughs made. Regent Hasto did not hesitate to evaluate the performance of OPD heads on a regular basis every three months, as well as replacing officials who did not have the ideology of using local products and adequate competence through mutation of the bureaucratic apparatus based on their competency.

As Grint (2010) stated in Sotarauta et al. (2017), the development of place is not the rolling-out of logical (technical) plans from the center but the consequence of local agents (leaders) shaping the decisions and interpretations of what is, and is not, possible. For the Kulon Progo's case, Hasto seems understand well the regional resilience. This is similar to the Sotarauta assumption that the understanding of the relationship between place leadership and regional resilience (Bristow & Healey, 2014), entrepreneurship (Fritsch & Storey, 2014), migration (Fratesi & Percoco, 2014), and the role of leaders in responding to periods of recession and crisis (Bailey & Berkeley, 2014; Bailey & De Propriis, 2014) is a main capital to a regional development.

In practice, Regent Hasto's efforts to encourage self-sustaining economy encountered many obstacles. The first obstacle is the ideological differences regarding the concept of self-sustaining economy between Regent Hasto and other stakeholders, including bureaucratic apparatus, legislative members, and business actors. The efforts of the Regent Hasto to drive self-sustaining economy in Kulon Progo District, through the utilization of local resources, can change the system of regional economic networks that have been formed. The next obstacle is the limited capacity of human resources in managing cooperatives of small and medium businesses as an effort to encourage convenience stores based on local products. The local cooperative has not been able to serve non-cash purchases. Therefore, the cooperation with convenience stores, as a management assistant, is still working. Even this program has not been successfully implemented at the village scale because of the limited capacity of the villagers in managing village-owned enterprises (BUMDES). The following excerpts from interview with the Government Agency of Cooperative Micro, Small and Medium Enterprises (KUKM) of Kulon Progo District, chief manager of Community's Own Shop (TOMIRA), Regional Water Company (PDAM), describe the obstacles faced by the Regent Hasto in encouraging a self-sustaining economy program.

"The first trial of the development of a Community's Own Shop (TOMIRA) was carried out by three cooperatives but failed due to limited human resources. In 2 years we always experienced a tug of war. There are 16 TOMIRA which mostly supply convenience stores (Alfamart and Indomaret).."

"In fact, the local cooperative has not been able to serve non-cash purchases, i.e non-cash purchases of train tickets, airplanes, etc. Therefore, the TOMIRA's cooperative is still working with Alfamart as a management assistant.."

"There are difficulties in marketing AirKU due to limited human resources, inadequate number of marketing fleets, and the inability to reach a wider area.."

"There is no cooperation yet with BUMDES by utilizing village funds for the development of self-sustaining economy through TOMIRA in the village. This is because BUMDES itself is still relatively new in Kulon Progo.."

One of the real impacts of the breakthrough is a significant reduction in the Kulon Progo poverty level. In the period 2010 to 2016, the percentage of the number of poor people in Kulon Progo decreased from 23.15% to 20.30% (BPS of Kulon Progo District, 2017, 2013). Although the percentage of the number of poor people is still relatively high, the regional government of Kulon progo has proven to be able to reduce poverty by 2.75%. This achievement exceeds the average national poverty reduction effort. This willingness to alleviate poverty through these breakthroughs has at least supported the achievement of SDGs for goals 1 'eradicating poverty', 8 'decent work and economic growth', 10 'reducing inequality', and 12 'responsible consumption and production'.

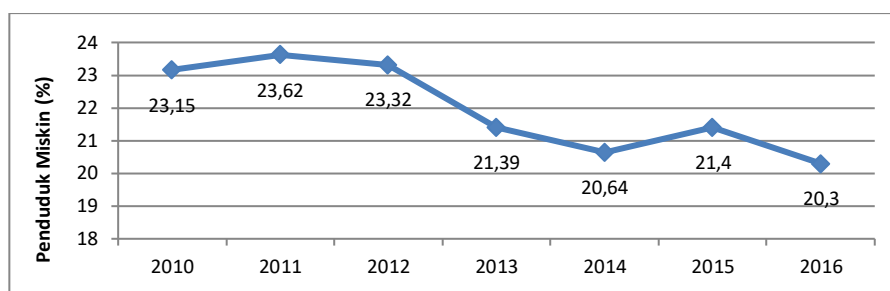


Figure 8. Dynamic Figure of Poor Population in Kulon Progo Regency (Source: BPS Kulon Progo, 2013, 2017)

The leader of Kulon Progo District replaced by its vice regent after the election of Regent Hasto as a Chairman of BKKBN on 1st July 2019. In 11th July 2019, the vice regent of Kulon Progo, Sutedjo, was officially appointed by D.I. Yogyakarta Governor as Regent of Kulon Progo Regency for period 2019-2022. Sutedjo's leadership is expected to continue what had been pioneered by the previous leader, in order to realize the regional welfare. There are some new economic potential developments in Kulon Progo, including: (1) Yogyakarta International Airport and its aerotropolis, (2) acceleration of the Sentolo Industrial Area, (3) airport connectivity infrastructure with the Bedah Menoreh, and (4) the Shouthern Cross Road (JLS) (Bisnis.com, 2019).

Priority Local-Pro Economic Policies and Programs

As with other regions in Indonesia, policy making and institutional arrangements in Kulon Progo District are directed to achieve the vision and mission set forth in the Regional Medium-Term Development Plan (RPJMD). Based on the 2011-2016 and 2017-2022 RPJMD, one of Kulon Progo's policy directions is towards the development of local and agriculture-based economic independence. This policy direction was revealed in a variety of breakthrough programs and innovative movements. Some of these breakthroughs include: the "Bela dan Beli Kulon Progo" movement consisting of the development of a Community's Own Shop (TOMIRA); local bottled water production labeled AirKu; encouraging local rice consumption for Civil Servants (PNS) and program for the poor population; BPNT; the use of local clothing (batik) "Geblek Renteng"; and "Bedah Menoreh" or Menoreh Mountains expeditions.

In order to encourage the policy, the regional government of Kulon Progo has formulated various Regional Regulations and Decrees of Regional leaders related to program and movement breakthroughs. Some of these regulations include: (1) Perda Number 12 Year 2013 concerning Regional Government Capital Participation of PDAM Tirta Binangun, (2) Perda Number 19 Year 2015 concerning Poverty Alleviation, (3) Perda Number 5 Year 2016 concerning Protection of Local Products, (4) Perda Number 16 Year 2016 concerning Protection and Empowerment of Cooperative Micro, Small and Medium Enterprises (UMKM), and (5) MOU-01/12000 /XII/2013 concerning agreements between the regional government of Kulon Progo and the Indonesian Bureau of Logistics (branch) DIY regarding the provision of Raskin (rice for poor people) through Rasda. Based on the interview result with the Kulon Progo Agriculture Agency, the main objectives of the Rasda policy are: to overcome quality problems, to sufficient local rice needs, to increase the transportation fee, to alleviate farmer's poverty, and encourage rural economic growth.

In formulating policies and breakthrough programs, the Regent coordinates with the Regional Development Planning Agency (Bappeda) as the in-charge of the planning and budgeting process, the Sekda as managerial responsibility for the government, the DPRD as the institution that has responsibility for the validation of the Regional Regulations and programs, and the relevant OPD that plays a role in implementing the program. Some of the main OPDs are the Government Agency of Trading; Government Agency of Cooperative Micro, Small and Medium Enterprises; Regional Water Company (PDAM) Tirta Binangun; Department of Agriculture and Food; and Government Agency of Public Works, Housing and Settlement Areas (PUPKP).

On the other hand, the Kulon Progo District Government faces several governance and institutional challenges that can reduce the optimal implementation of the breakthrough policies and programs that have been prepared. Some of the challenges include (1) regional planning is still not well targeted in answering existing problems, (2) village government performance is not yet optimal, and (3) public service management information system that has not been integrated. The results of the Performance Evaluation of the Regional Government Administration (EKPPD) conducted by the Ministry of Home Affairs for Kulon Progo District in 2012 to 2017 showed a downgrade in the Kulon Progo District from 1st in 2012 to 37th in 2017. However, Kulon Progo's government performance accountability tends to increase. This is evident from the A (excellent measurement) owned by Kulon Progo in the SAKIP evaluation conducted by Ministry of Administrative Reform and Bureaucracy Reform (KemenPAN-RB), in 2018 (KemenPAN-RB, 2019).

Some of the efforts that have been made to overcome governance challenges include increasing the capacity of human resources and public service infrastructure and improving the performance of regional government officials through regular quarterly evaluations and mutation of the bureaucratic apparatus based on their competencies.

Performance-Based Planning and Budgeting in Achieving Priority Programs

The process of regional planning and budgeting is a chain cycle that starts from policy formulation to program implementation. This cycle consists of the process of formulating the Regional Long-Term Development Plan (RPJPD), the Regional Medium-Term Development Plan (RPJMD), Regional Development Work Plan (RKPD), Strategic Plan (Renstra), General Policy on Regional Expenditure Budget and Temporary Budget Ceiling Priority (KUA-PPAS), Work Plan and Budget (RKA), Regional Revenue Expenditure Budget (APBD Perda). The points that most determines the implementation of the program is the discussion phase of RKA and KUA-PPAS with the DPRD. Basen on the interview with the Regional Secretary of Kulon Progo (Sekda), there are usually systematic problems regarding the main tasks and objectives, at the RKA preparation.

Meanwhile, at the KUA-PPAS stage, the budget allocation for program implementation will be discussed in detail. Political commitment and communication are needed to maintain the pre-determined superior program. So far, the obstacles of political communication between the regional head of Kulon Progo District and legislative members have tended to be overcome. Even though there are still some differences of opinion in deciding KUA-PPAS. Special efforts are needed from a regional head to be able to convince legislators about the development innovations that will be applied. As quoted from the results of interviews with Bappeda and Regional Asset and Financial Agency (BKAD) officials as follows.

“The RKPD becomes the Regent's policy derived from the vision and mission and priority programs listed in the RPJMD document. The RKPD was then derived to KUA-PPAS, where there was a memorandum of understanding between the Regent and the DPRD or legislative members. There are constraints when discussing with the legislature but not too significant and are dynamic.”

“When the RKA is formed, there is another working meeting with the DPRD, it is very possible there is a new policy from the central government. So it is very possible that KUA-PPAS is different from RKPD because of the policy of the central government. in addition, even when the APBD is ready and there is still an evaluation from the Governor, it is still very likely to change.”

In compiling regional budgeting planning, the regional government of Kulon Progo tried to apply the principle of money follow program. This principle encourages budget allocation to support the achievement of priority programs that are directly related to the vision of regional development. Based on the budget allocation data on RKPD, PPAS and APBD documents in the period 2014 to 2017, the biggest budget allocation in 2018 was Wates Regional Hospital ($\pm 29.19\%$), PUPKP Office ($\pm 20.94\%$) and the Youth Education Office and Sports ($\pm 13.85\%$). The Trade Office and the KUKM Service received $\pm 1.95\%$ and $\pm 0.12\%$ of the total budget allocation. Aside from being sourced from the APBD, the regional development

budget is also sourced from non-APBD, such as CSR (Corporate Social Responsibility) as well as coordination of donation funds.

This non-APBD source is intended to support district development priority budgeting programs that cannot be fully funded from the APBD, such as increasing agricultural production (from the DIY Province APBD), enhancing the quality of MSME institutions (from the DIY Provincial APBD), routine weekly house renovation for residents (from coordinating donated funds by community care forums), and road maintenance and development (from the Special Allocation Fund). The implementation of the Kulon Progo District budgeting has proven capable of producing an unqualified opinion (WTP) from BPK regarding accountability of regional financial management in 2013 to 2018 (Kulon Progo District Government, 2018).

Overall, the efforts of self-sustaining economy policies through several pro-local product programs have a significant positive impact to Kulon Progo. ‘Bela Beli Kulon Progo’ movement succeeded in increasing local economic development performance. In the 2012-2016 period, the local cooperative turnover of Kulon Progo increased by Rp. 150,366,300. In 2012, the cooperative’s turnover was Rp. 388,353,800 and increased to Rp. 538,720,100 in 2016. In addition, the increased of local clothing (batik) "Geblek Renteng" production encourage the job opportunities through industrial development (Retnandari, 2017).

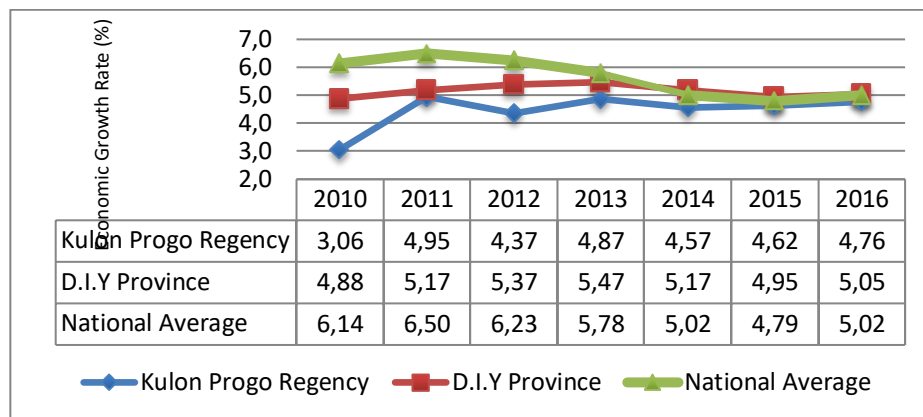


Figure 9. Comparison of Economic Growth Among Kulon Progo Regency, Yogyakarta Province, and National (Sources: BPS Kabupaten Kulon Progo, 2013, 2017)

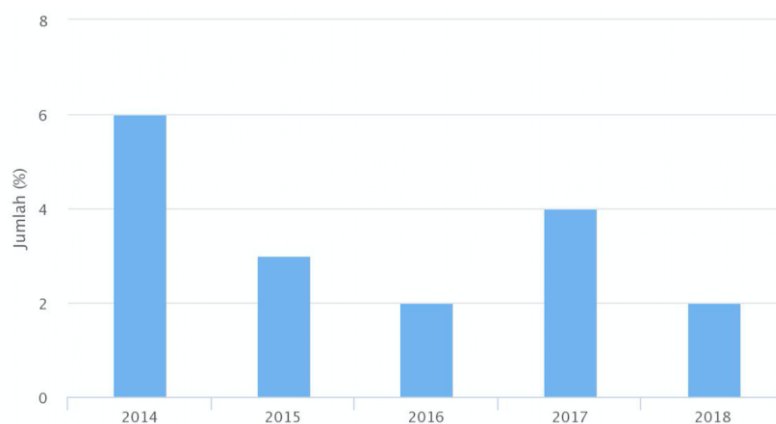


Figure 10. Kulon Progo District Inflation Rate (Sources: BPS Kabupaten Kulon Progo, 2014-2018)

5. Conclusions

As a state institution that is bound by the law on planning and budgeting procedures and the distribution of authority, the implementation of regional government is scanned in a complex framework with interaction between diverse stakeholders, particularly with legislative institutions. Therefore, efforts need to be made to increase the capacity of local government through empowering leadership, bureaucracy, and political communication. Kulon Progo District has leadership potential that can encourage the capacity of other local governments in the effort to achieve local economic independence. Effective leadership from the regional leaders in Kulon Progo has a strong influence to produce regional development policies that are suitable in responding to the current internal issues, managing proportional institutions in accordance with their main tasks and functions, and determining the inclusion of priority development programs that are in accordance with the vision and mission of regional development to in the planning and budgeting process. In practice, the leadership innovation is not strong enough to change the system of planning and budgeting that has been institutionalized bureaucratically. Contextual conditions greatly affect the success of aspects of leadership, policy making, and planning and budgeting.

In the administration of regional government, mandatory functions and governance choices can contribute to the achievement of effective public services and if carried out optimally by taking into account the balance of economic and social aspects. The government's political will has an important role in supporting the implementation of innovation because it is related to policymaking and its inclusion in the planning and budgeting process. In addition, communication and coordination between parties is also needed to establish cooperation and increase participation in implementing innovation so that the benefits can be felt directly by various parties.

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