

## CASE STUDY

# Learning from Local Economic Development Practice in Central Java: A Perspective based on Monitoring and Evaluation Result 2011-2012

Wiwandari Handayani\*, Artiningsih, Holi Bina Wijaya

*Department of Urban and Regional Planning, Diponegoro University, Indonesia.*

## Abstract

Local Economic Development (LED) policy supported by Provincial Government has been implementing for more than a decade in Central Java. It was expected that the policy may boost local economy and creating significant employment so the utilization of local potential may contribute to an optimum outcome. However, considering GDP Non-Primary and Employment Non-primary performance during the period of LED policy implementation, it is found out that the achievement of the policy has not met a satisfying result. Accordingly, the Economic and Resources Development Forum (ERDF) in Provincial level was established in 2001 and Forum for Economic Development and Employment Promotion (FEDEP) in district level was established in 2003 to support provincial and district (local) government with expectedly a more integrated development policy. LED framework was developed in early 2010 as a guidance for local government in district level to implement LED by fostering the development of small-medium based of industrial cluster, and Monitoring and Evaluation (M&E) mechanism was developed at least since 2011 to identify a more detailed understanding of LED performance in every district in the province. The intention of this paper is therefore to further examine best and bad practises of LED implementation in Central Java Province mainly based on the M&E 2011-2012 focusing on governance as this aspect has been acknowledged as the most influential factor to boost the LED policy implementation. Annual survey i.e. questionnaires to all 35 districts and interviews with selected districts were used as main input to further evaluate the LED achievement. As the result of the M&E 2011-2012, in general it is indicated that there are improvement in terms of growth or quantity of local economic activities mainly in the form of small based industrial cluster. But, there are still great challenges in terms of quality of those developing local based activities. Lack of governance capability represented by FEDEP as LED forum to achieve their operational and strategic function appear as critical factor of the current 'statusquo' progress.

**Keywords:** *Local Economic Development, Central Java, Monitoring and Evaluation.*

## Introduction

After more than 30 years in a highly centralized government, starting effectively on January 1<sup>st</sup> 2001, Indonesia made significant changes in its political and administrative system. Under the Law No. 22, 1999 concerning local government, Indonesia has moved to a more decentralized government in which the act has extended the authority of local governments to initiate policies that expectedly leads to a more balanced development path.

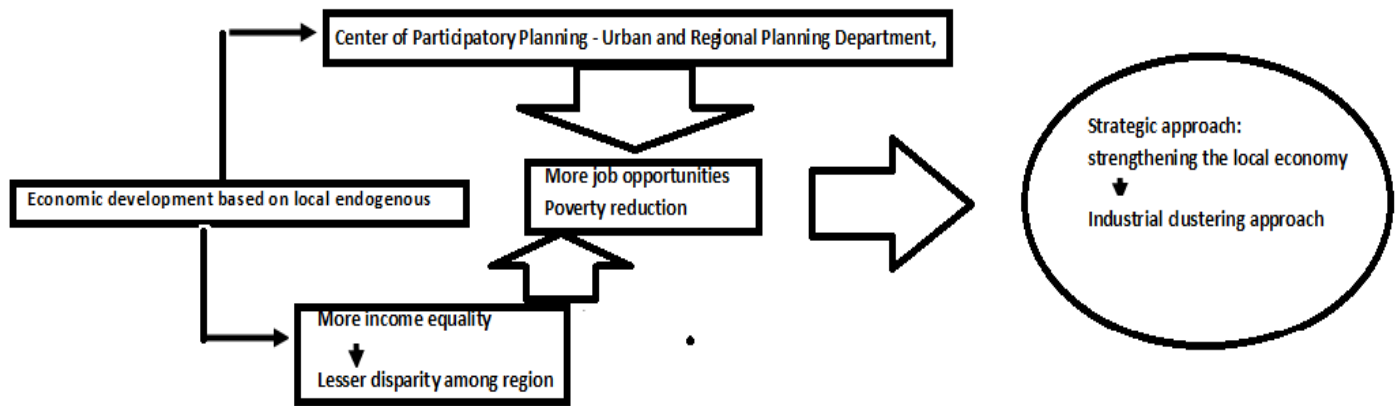
One positive impact of decentralization on regional development in Central Java province is the fact that there is an increasing awareness of local government to give more attention to

developing local potential in the form of Local Economic Development (LED) concept and strategy implementation. Besides, due to its location that is not favorable for many large foreign manufacturing industries compared to the neighboring provinces (i.e. DKI Jakarta, West Java, and East Java), it is likely that local based industries have more promising prospects compared to the foreign industries.

As mentioned in the provincial long-term (2005-2025) and medium-term (2008-2013) development plan, economic growth in Central Java should take place based on local competitiveness along with equality by creating more job opportunities

as well poverty alleviation (in detail, see Fig. 1). Accordingly, there are three important sectors considered as essential to be developed in the province. They are agriculture, export based industries, and populist tourism. To further develop these three leading sectors, LED based on clustering approach is chosen essentially due to the assumption that clustering would be effective

to create an integrated local based development path as well to maintaining appreciation of local wisdom. It is expected that this approach may give a strong foundation for Central Java development in the future.

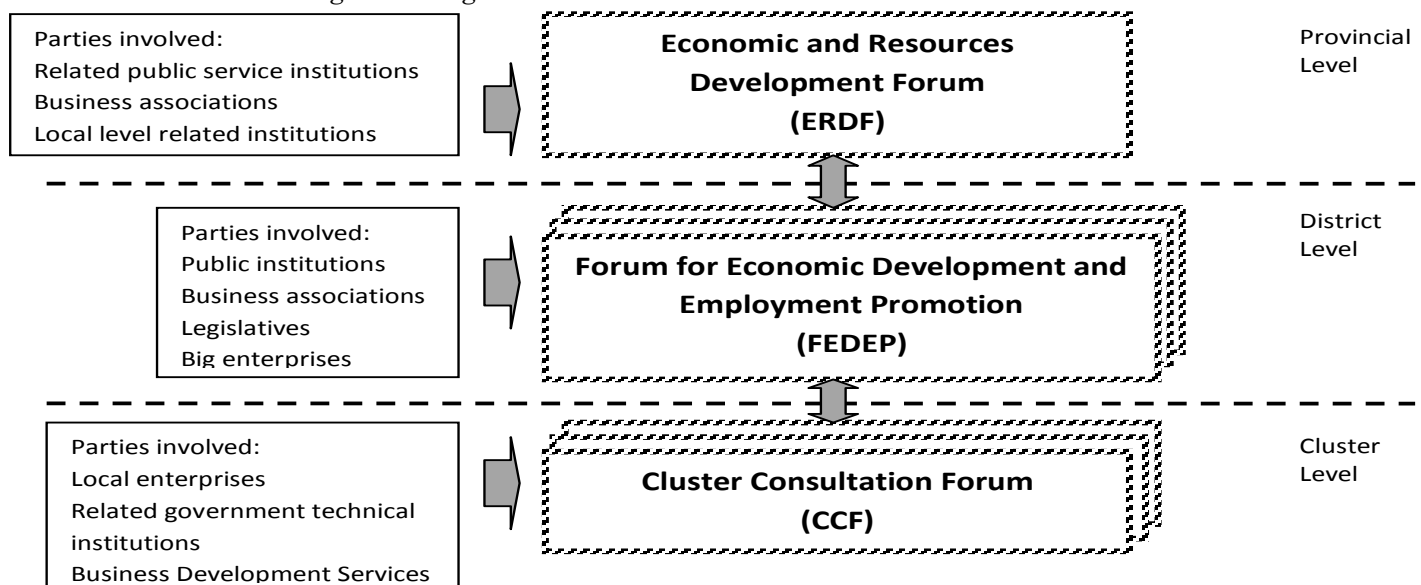


**Fig. 1: Framework for Economic Development in Central Java Province**

Source: Adapted from Central Java Long-term Development Plan 2005-2025 and Central Java Medium-term Development Plan 2008-2013

An initial concrete action of the Central Java government to develop local potential based on the clustering approach was by forming an institution called the Economic and Resources Development Forum-ERDF (Forum Pengembangan Ekonomi dan Sumber Daya-FPESD) in 2001, just after two years of decentralization policy had been released. ERDF aimed to facilitate dialogue among stakeholders

in which, it was expected that the dialogue would lead to a more suitable business climate, to produce more targeted regulation, and in the end, to enforce local based development. The establishment of ERDF was immediately followed by a similar forum at district as well at the cluster level (in detail, see Fig. 2).



**Figure 2 Institutional Supports for Local Economic Development in Central Java Province**

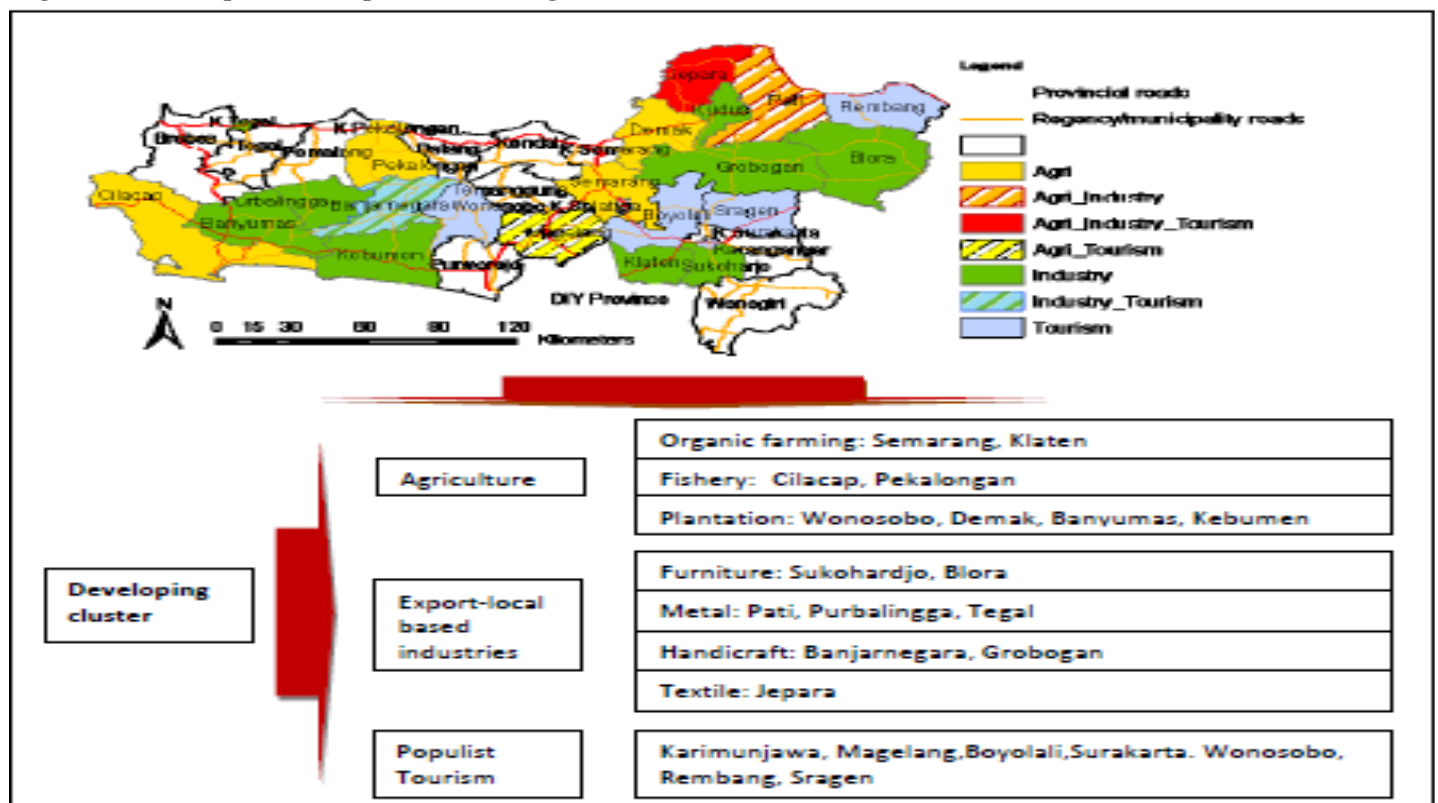
LED policy supported by Provincial Government has been implementing for more than a decade in Central Java. It was expected that the policy may boost local economy and creating significant employment so the utilization of local potential may contribute to an optimum outcome. However, considering GDP Non-Primary and Employment Non-primary performance during the period of LED policy implementation, it is found out that the achievement of the policy has not met a satisfying result.

Monitoring and evaluation (M&E) has been applied since 2011 for tracking progress and achievement of LED implementation in district level in Central Java Province under the guidance of ERDF in the provincial level and FEDEP in the district level. The intention of this paper is therefore to further examine best and bad practices of LED implementation in Central Java Province mainly based on the M&E 2011-2012. The M&E that has been conducted aims to observe the process and achievements of each district successively, to improve and adjust the implemented LED concept respectively, and to be aware of the most recent position of each activity that contributes to achieve better outcome based on each district development plan. Governance is regard as an important aspect to dealing with and

therefore most of analysis and discussion is likely to focusing on this aspect.

### Study Area and Methods

Study area is within the administrative boundary of Central Java Province – Indonesia. It is located in Java Island and consists of 35 districts/municipalities and 565 sub-districts. Total area of the province is 3.25 million hectares with the total population are 32.18 million persons or around 14 per cent of the Indonesian population (CBS, 2006). In the current situation, following the establishment ERDF, FEDEP, and CCF, the Central Java Province has succeeded in maintaining the establishment of 23 developing clusters located in 23 districts (In detail see Fig. 3) without taking into account some developed clusters that has had developed earlier. Unlike clusters that were established in many developed countries, all these clusters are characterized as agglomerations of small-medium industries which have developed due to their local endogenous value. In accordance with potential sectors mentioned in the long and medium-term development plan, in general, these clusters are divided into three different categories namely agro-industry, various industry, and tourism.

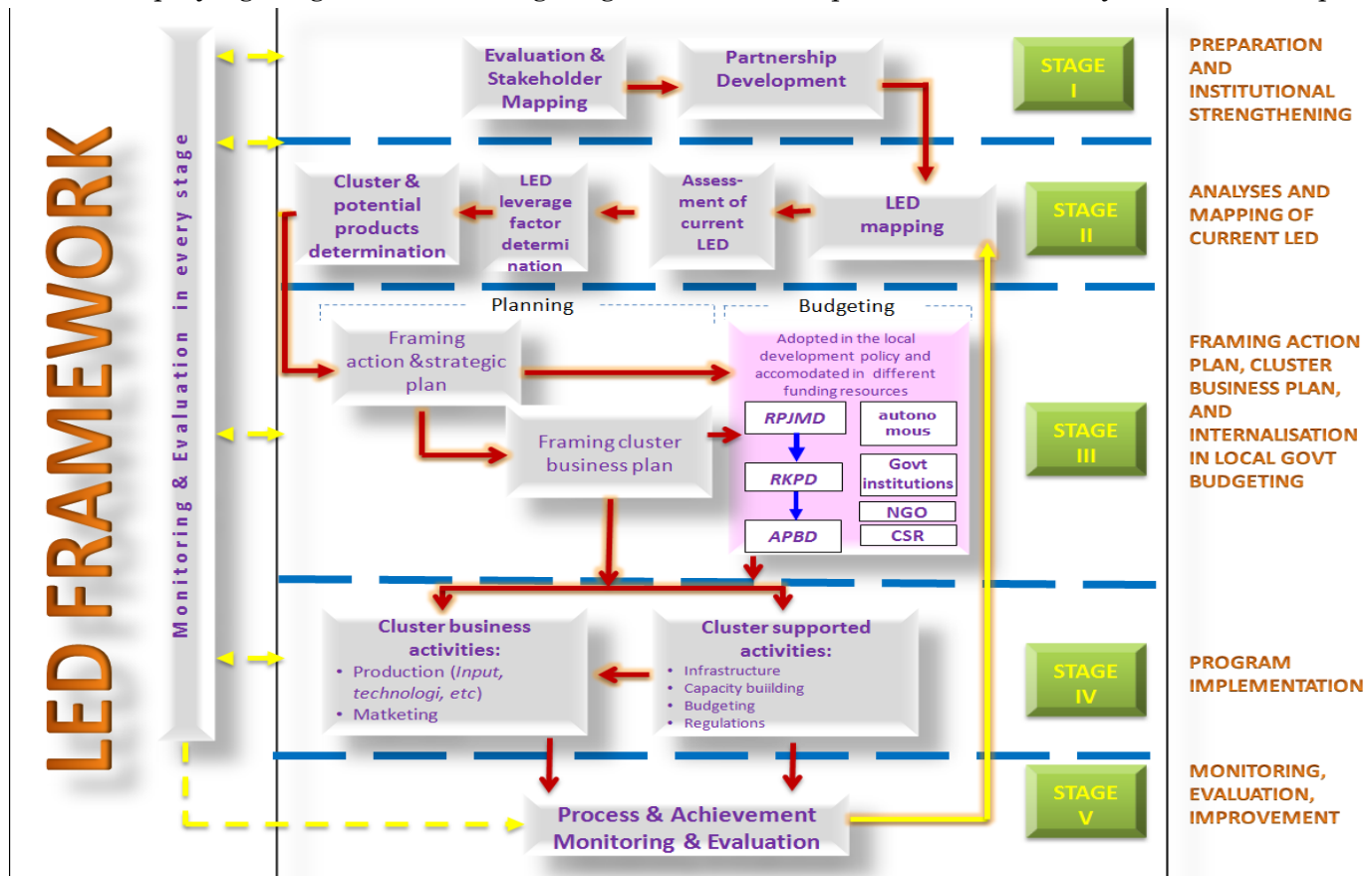


**Fig. 3** Developing Cluster in Central Java Province

Source: Adapted from LED document (Central Java Provincial Planning Board, 2011)

It is clearly not an easy task to apply this approach along with expectations to highly empower local potential. Each cluster has different problems to be addressed, diverse particular norms to be considered, as well as various human resources in terms of quality and quantity. Moreover, the clustering approach that has been applied is highly bottom up, in which it requires public participation intensively. Regarding this, ERDF, FEDEP as well as CCF have been playing a significant role in giving

power to local people as well to help government in creating more targeted and proper regulations (RTI International, 2009). In order to generate a systematic cluster development, LED framework was developed in early 2010 as a guidance for local government in district level to implement LED by fostering the development of small-medium based of industrial cluster (see Fig. 4). Accordingly, M&E mechanism was developed at least since 2011 to identify a more detailed illustration of LED performance in every district in the province.



**Fig.4: Framework of LED Implementation Based on Clustering Approach in Central Java Province**

Source: Adapted from LED document (Central Java Provincial Planning Board, 2011)

M&E framework that had been applied largely based on LED framework described in Fig.4. By considering the framework, four main criteria were defined to assess the LED implementation in district level in Central Java Province, they are including:

- Institutional performance
- Comprehension of LED Concept
- Implemented activities based on action plan of LED and/or Cluster business plan
- Cluster achievement and potential products performance

The four main criteria then further detailed into several sub-criteria. Accordingly, scoring method were used to indicate the achievement/performance of each criteria. Mostly, the score were ranged from 0 to 2. Null was given if the district has not done/achieved particular sub-criteria; score of one was given if the district has done/achieved partially of particular sub-criteria; and score of two if the district has fully done/achieved particular sub-criteria. Annual survey (i.e. questionnaires) to all 35 districts and interviews with selected districts were considered as main input to assess the LED achievement in Central Java Province. Table 1 explains the final assessment of M&E based on questionnaires.

**Table 1: Final assessment of M&E based on questionnaires**

	Category	Total Score	Achievement based on main criteria
Max.	A	>51	<ul style="list-style-type: none"> <li>• Good Institutional performance</li> <li>• Good comprehension of LED Concept as indicated in supported LED document</li> <li>• The district has been developing activities based on action plan of LED and/or Cluster business plan</li> <li>• The district is able to show particular cluster and potential products as the 'local champion'</li> </ul>
	B	39-50	⋮
	C	26-38	⋮
	D	13-25	⋮
Min.	E	<12	The district has not shown any significant achievement in all given criteria

Source: Monitoring and Evaluation Report (Central Java Provincial Planning Board, 2011 & 2012)

## Lesson Learned

Resulted from M&E 2011-2012, some positive and negative findings has been emerged as valuable lesson learned that require to be further followed up. Focusing on governance, role of FEDEP has been considered as the key factor to indicate achievement of LED in district level. Therefore, most identified best/bad practises of LED in regard to the governance aspect is then, very likely to focused only on assessment of FEDEP performance.

Best practises could be explained as follow

- 34 FEDEP at least had a routine dialog in a forum meeting, once in 1-2 month. Almost all the FEDEP members were attending this meeting to discuss anything related to LED planning and implementation. This meeting has become an important communication tools for FEDEP members to update information, sharing knowledge, grabs many idea to increase their participation on LED and get a kind of mutual understanding. Partnership with Local Government agencies usually initiate and develop by this FEDEP's meeting.
- Internal and external FEDEP networking was developed gradually. 50% FEDEP have networks on regional level, 50% on national, only a few on international level.
- Programs synchronization between Local Government agencies related to clusters development has generate a better coordination on their role distribution in district level.
- There are many policy formulation was yield although only a few which take into account in promoting local resource utilization. Policy

replication was found on using local industrial cluster's product such as batik or lurik, as obligatory uniform on local agencies and institutions.

- FEDEP activities has been encouraged by ERDF through yearly Provincial budget which were allocated for every district, and technical assistance opportunity which develop by provincial coordination with donors such as GIZ, and national institutions such internal affair ministry.

Bad practices could be explained as follow

- FEDEP has not been widely recognized as LED forum in district level stakeholders, although it is popular enough on many LED actors in regional and national level. Many FEDEP promotions through leaflets, posters and banners have been done in their exhibitions where take place outside their district.
- Many FEDEP's activities are voluntary dominated by local championship. Most of local championship comes from local government agencies. So, any duty rotation which naturally happened as a consequence of District HRD decisions would become a serious setback on FEDEP capability.
- FEDEP still facing problems on updating information and developing accessible data/information related to district LED activities due to limited documentation and lack of internal monitoring/evaluation.
- Many LED program related on governance development are not implemented based on the need priority of FEDEP capacity building road

map. Most of them implemented as project oriented due to government program/project.

- Political system transformation due to Local Mayor/Regent substitution give significant influence in local policy on mainstreaming LED or vice versa.

Following those mentioned best/bad practises, afterward, M&E process has become important tools to assess district performance on LED governance (i.e. FEDEP capacity). By output performance, there is identified barrier, problems, hidden willingness or local desire as feedback for improving indicators on M&E form sheets in the following years. Indeed, M&E process could also be regarded as an important approach for indirect socialization and consultation on LED in a more practical level, such as on 1). How to further implement steps of LED based on LED framework Fig.4,2). Updating information on provincial/national LED policy and program opportunities, and 3). Providing tips or inputs to improve FEDEP performance.

Social learning process has been revealing as an important matter for district stakeholders in broaden understanding on LED framework and application. One important issue is that many FEDEP has been ‘enjoying’ their comfort zone on using routine yearly provincial budgeting for some travelling financial replacement on provincial meeting, coordinating, training and promoting. Lack of internal monitoring and evaluation encourage this comfort zone. FEDEP performance on LED governance, reveal on routine activities and lack of innovation. FEDEP capacity building roadmap was left behind. This is an important finding to answer why after ten years of development, there are no significant economic change on LED in Central Java.

Following those emerging best/bad practises, the FEDEP performance in terms of governance could be categorized on three levels as explained in Table 2.

**Table 2: FEDEP performance in individual, organization, and system level**

<b>Individual Level</b>
<ul style="list-style-type: none"> <li>▪ Voluntary participation sometimes ends up with local championship generating, who dominated FEDEP activity.</li> <li>▪ Lack of capability in using IT for communication.</li> <li>▪ Willingness to make some dialog become an important step to develop mutual understanding between FEDEP member and the future trust for increasing social bonding.</li> </ul>
<b>Organization level</b>
<ul style="list-style-type: none"> <li>▪ FEDEP sustainability has been influence by participatory process, which are need a continue knowledge transformation on LED application as good as FEDEP management especially on planning and budgeting, program implementing and controlling.</li> <li>▪ Role distribution between local stakeholders as FEDEP member need to monitor and evaluate regularly, to get some significant feedback on improving governance performance.</li> <li>▪ There are no manual book on how FEDEP could achieve its operating and strategic function.</li> </ul>
<b>System level</b>
<ul style="list-style-type: none"> <li>▪ The flow of information between members and external actor are limited on a meeting mechanism. Utilization of internet, web and online information still limited. Provincial notification on obligatory reporting, or announcement of training program/venue through email sometimes gets late respond or no response at all. News letter inter member has not been developed yet.</li> <li>▪ Written documentations or publications on FEDEP activities sometimes hard to access due to poor management data base.</li> <li>▪ Broaden knowledge of LED, as a yield of FEDEP dialog on regular meeting, has encourage increasing cooperating networks between FEDEP and local government agencies, generating mutual understanding on programs synchronization and hopefully ends up with effectively accelerating LED in every district.</li> </ul>

As further explained by the Adaptive Cycle Theory, an organization will develop through recurring four phase, after phase of rapid growth, there will be phase of conservation, release and reorganization (Gunderson and Holling 2002 in Walker and Salt, 2006). In early cycle (i.e., rapid growth), an organization is very likely to exploit new opportunities and available resource to

develop and expand of new societies through networking and colaborating. In the conservation phase, the institutions shift from organization that adapt well to external variability and uncertainty, to organization who reduce the impact of variability through their mutually reinforcing relationships. The systems's components become strongly interconnected and

more regulated. Efficiency increases and the future seems more determined. The human capital, such as managerial and marketing skills and accumulated knowledge, also increased. The release phase happened when a disturbance exceeds the system's resilience breaks apart its web of reinforcing interactions. Resources are now released as connections break and regulatory controls weaken. But this released capital becomes a source for reorganization and renewal. In the reorganization phase, a new group may appear and seize control of an organization with new creative ideas, people and innovations which lead to a repetition of the previous cycle.

An important aspect about these cycles is in regard to recognizing how FEDEP in Central Java organized itself and responds to a changing situation. Disturbance could be happened in the release phase, which may break down stability and predictability but releases resources for innovations and reorganization. In average, 20 FEDEP categorized in the first phase, rapid growth, who are focusing on developing and exploiting many resources, where improving performance on governance and capacity building still on progress. Four FEDEP with highest M&E score, that reveal social learning process on LED knowledge, were in conservation phase. To further illustrate, Boyolali district is in a released

phase due to frequently intensive of duty rotation on FEDEP local championship.

Nevertheless, after 10 years of LED implementation in Central Java, the M&E result has provided evidence that we hardly find important progress or achievement on economic benefit which may lead to significant acceleration of LED in both, district and regional level. Lack of governance capability represented by FEDEP as LED forum to achieve their operational and strategic function appear as critical factor of the current 'status quo' progress [1-6].

## Conclusion

M&E process has become an important tool on LED knowledge transfer, dissemination and social learning for local stakeholders. Besides, the M&E process not only a matter on assessing the LED implementation or FEDEP performance, but also most importantly give some feedback such as problems and barrier, and hidden desire which give some input to improving the next monitoring and evaluation indicators. Indeed, as a social learning process, it requires a longer episode to have a more significant LED concrete achievement and therefore, sustainable commitment from policy makers (from National to Local level) should be regarded as a key factor to be maintained by all related involved stakeholders.

## References

1. Central Java Provincial Planning Board (2012) Monitoring and Evaluation Report - Local Economic Development in Central Java: Semarang: Pusat Pelayanan Perencanaan Pembangunan Partisipatif (P5) – Undip.
2. Central Java Provincial Planning Board (2011) Monitoring and Evaluation Report - Local Economic Development in Central Java: Semarang: Pusat Pelayanan Perencanaan Pembangunan Partisipatif (P5) – Undip.
3. Handayani W, Nugroho P (2005) Adopting industrial cluster concept into regional development in Indonesia. In Sugiyanto, C.S. & Kuncoro, M. (Eds), *Regional Development in Transition*. Di Yogyakarta: Gadjah Mada University Press.
4. RTI International (2009) Local Governance Support Program (LGSP): Final report. North Carolina: Author.
5. Walker, Brian, David Salt (2006) *Resilience Thinking: Sustaining Ecosystems and People in a Changing World*. Island Press, Washington.
6. Wijaya HB, Buchori I (2010) Traditional cluster development in Indonesia. Paper presented in RRP Workshop and Meeting, UTM Malaysia, October 4, 2010.