

Bela Beli Kulon Progo as A Policy for Strengthening The Capacity of Local Economy

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Abstract

One of the reasons for the State's presence in society is due to market's failure in providing its citizens with better welfare. The local economy² that serves as a source of welfare for most Indonesian communities is placed under very strenuous conditions when having to confront capitalist economy. Remarkably differing backgrounds and resources create a highly imbalanced bargaining position. There have been numerous policies in the form of local economic development programs that have been carried out by Indonesia. However, the reality indicates that as of current the contribution of local economies in the GDP remains at approximately 50%. The interventions employed using a global approach, did not consider the specification of issues confronted by local economies, the State intervention performance metrics were very simple (activities) and there was a lack of serious evaluation regarding the intervention, which led to it not bearing much fruitful results. It was the Kulon Progo Regency which developed the concept of empowering local economy by using a specific approach confronted by the local economy. The policy is known as "Bela Beli Kulon Progo". This article discusses the process undertaken by the Kulon Progo Regency in implementing the "Bela Beli Kulon Progo" movement which succeeded in boosting local economic development performance.

Keywords:

market failure; local economy; policy.

Introduction

The globalization of world economy has progressively become unstoppable and free trade is in full effect. Protectionism as an instrument to protect domestic economy is no longer favored throughout the world. This is a challenge that should be seriously considered so that the positive impacts of global free trade can be put to good use.

The idea of free trade emphasizes that all countries would become prosperous by adhering to this system. The concept of perfectly competitive market is also presented to convince people that free trade will bring

about prosperity. Perfect competition is indeed designed to create efficiencies in terms of production or allocation. However, this concept will only work if the requirements are met, namely perfect market information and equal initial ownership, in reality these two prerequisites cannot be fulfilled. Thus, with the absence of the two requirements, free trade is not only an unfair competition, it is a very odd one (Stigiz, 2006; Retnandari, 2014).

If a perfectly competitive market could take place, there will still be injustices remaining which would hence require the provision of some initial endowments as a source of funds.

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² This article utilizes the term local economy to refer to economic activities conducted by most local inhabitants, in carrying out the production process for a high level of labor absorption, the endeavor is also able to create economic development and concurrently provide better welfare for its actors.

A country would find it difficult to access the market without initial endowments and it is frequently an issue wherein the institutional structure established actually impedes the weak from gaining access to resources, and those who have no resources will undoubtedly be excluded from the market. Therefore, it is quite clear that even with a perfectly competitive market in place some individuals/groups would still be left with no access (Retnandari, 2014).

When the market cannot address welfare issues, the State should thus interfere to assure the welfare of all citizens (Stiglitz, 2007). Regarding the failure of free trade in providing welfare, there are a number of measures that a State may take to address the matter (Stiglitz, 2006). One of the most important measures is enhancing the economic equality and capacity of developing and poor countries. Capacity building should absolutely be conducted in order for all parties to have equal initial endowment in a free competition oriented toward efficiency.

An alternative that can be carried out to enhance capacity and economic equality is by conducting Local Economic Development (DLE), this can be considered as a solution for countries intending to initiate capacity building to increase welfare through economic activities. There are many models and means of developing local economy, and one of them is being developed by the Kulon Progo Regency with its "Bela Beli Kulon Progo" (defending by buying from Kulon Progo) movement. The movement was launched by the Kulon Progo Regent, Hasto Wardoyo in 2010 with the aim of seizing the domestic market. The simple approach forming the basis of this movement is "defending by means of purchasing products made by local residents (local products)." The spirit in developing this movement is rooted in the local wisdom of *gotong royong* (mutual cooperation) found in the community, which is subsequently cultivated to serve as a common economic strength (MAP, 2015).

This movement is contained within 5 main development themes, namely: development of cooperatives; utilization of natural resources for the welfare of local residents; enhancing the capacity of Regional-Owned Enterprise (BUMD); creating employment opportunities; and caring for the poor and impoverished. Pro rice is one of the results of this movement. Pro rice refers to the management of local rice yield that are packaged properly on the one hand, and efforts in encouraging civil servants (PNS) to purchase these packaged rice on the other. The program obtained positive results and it was even capable of supplying Bulog (Indonesian Bureau of Logistics) with enough rice to meet the need for *raskin* (subsidized rice delivery). This program further extended to developing drinking water with the production of "Airku" (my water) by the Regional Water Utility Company (PDAM) and also the establishment of Tomira (*Toko Milik Rakyat* – community-owned general store) as a response to the proliferation of modern stores in Kulon Progo. The program continued to grow with the production of *gula semut* (crystallized organic palm sugar), and the establishment of a BUMD in the field of trade and services. As a result, in 2016, this program was given the Beli Indonesia Award Panji Cakra Buana 2016 which was held by the Indonesian Islamic Business Forum (IIBF) at the Smesco Building in Jakarta (Apkasi, 2017).

Based on the background of innovation established by the Regent and the Kulon Progo regional administration, the proposed problem statement is as follows: *How is the policy for strengthening local economic institution capacity improved through the "Bela Beli Kulon Progo" movement.* This study is expected to provide a detailed and thorough description of the analysis results that have been conducted. In accordance with the above problem statement, it is subsequently important to understand:

- Kulon Progo regional government's rationale in issuing this policy;

- The regional government's implementation of this policy;
- The obstacles and challenges confronted by the regional government in their efforts to strengthen institutional development of the local economy;
- The strategies employed by the Kulon Progo administration to maintain policy sustainability.

Institutional Capacity Building of Local Economy

Capacity Building which is also frequently known as institutional capacity building is a process undertaken to improve the capability of human resources, be it individuals, groups or organizations, in order to achieve the desired goal by conducting capacity building (Brown et al., 2001). Capacity development refers to a series of ensuing terms such as participation, empowerment, and community (Eade, Deboran; 1997).

Institutional capacity is based on 5 elements, namely: (1) competent human resource; (2) relevant programs; (3) efficient organizational structures; (4) adequate resources; and (5) an effective way of working (Whittle S., Colgan A. and Rafferty M; 2012). Therefore, when attempting to enhance institutional capacity, these five fundamental capacities should be the points of concern for improvement. Institutional capacity building requires the collaboration of several stakeholders, and for this a number of key variables must be in place when attempting to improve organizational capacity (Riyadi, 2006). These variables are: (1) mutual commitment; (2) conducive leadership; (3) regulation reform carried out through a fixed incentive system; and (4) work culture or institutional reform.

Local Economic Development (LED), according to Rahma and Hania (2012), is theoretically understood as the collective collaboration between the government, the business sector, the community, and the non-

governmental sector to identify and utilize optimally the resources available in order to stimulate and create a strong, independent, and sustainable local economy. The above definition implies that the success of economic development is affected by the collaborations that stakeholders³ are engaged in and it is one of the instruments employed to accelerate regional development.

The presence of collective collaboration between the government, the business sector, the community, and the non-governmental sector is identified as a resource that can be utilized to stimulate and create strong, independent, and sustainable local economy (Rahma, Hania. 2012). Institutional capacity building of local economy is one of the options a State can take to intervene in free trade's failure to provide welfare for all economic actors. The table below shows the focus of local economic development according to the World Bank:

Table 1.
Focus of Local Economic Development

FOCUS	TOOLS
"Soft" infrastructure investments (human resource development, regulatory rationalization)	Competitive business environment and stimulating growth of local enterprise
Public/private partnership	Cross-community networking and collaboration
Making whole business environment more favorable	Integrated strategy providing conducive local business environment
Leveraging private sector investments for public good	Facilitating economically-linked business clusters
Highly targeted inward investment attraction, developing local comparative advantage	Human resource development supporting quality of life improvements

Source: World Bank, 2001 in David

The essence of LED in the partnership network between the regional government and the stakeholders, including the private

³ http://web.unair.ac.id/admin/file/f_19997_sei13.pdf

sector, in stimulating the investment climate and in carrying out better “soft” infrastructure investments to encourage growth of local economic activities. There has been a shift in concept on LED, wherein the old concept relates to the aspect of locational assets indicating that the success of LED may be observed from a comparative advantage that is based on physical aspects, while the new concept is more inclined toward competitiveness based on environmental qualities along with knowledge as the economic generator. Hence, regional development through the decentralization program is focused on increasing local independence through community empowerment.

Methods

This study was carried out using the qualitative approach. The policy on institutional capacity building of local economy in Kulon Progo Regency was explored and analyzed thoroughly by using this approach. The central issue of study in this article is Kulon Progo Regency’s efforts in the institutional development of local economy. Hence, the initial step was to explore various policy documents on local economic development, and this was followed by correlating those secondary data with the primary data acquired through explorations of stakeholders involved in this policy, the decision makers, the community implementing this policy, as well as the community impacted by this policy. These data were subsequently processed and analyzed by using a qualitative approach. The correlation of data conducted during the data collection process was accordingly continued to bring about conclusions that may consequently provide answers to the research question.

This study was conducted in Kulon Progo Regency. This location and movement/program was selected based on the fact that the program remains operational and sustainable as of today. This program, which was uniquely

designed to align with the local economic capacity and characteristics, has provided its actors with better welfare, particularly in the Kulon Progo Regency.

This study utilized several types of data collection techniques with three basic methods, namely, in-depth interview, observation, and FGD.

1. In-depth interviews were conducted with key stakeholders who understand the formulation, implementation, and evaluation process of this particular policy. Based on the in-depth interviews, data relating to the policy background and the processes of policy formulation, implementation, and evaluation were obtained.
2. Observation is important for gaining an actual outlook concerning the implementation of the existing institutional capacity building of local economy program. Gathering information through observation is meant to gain a more detailed understanding on the implementation of this program in the community.
3. FGD was carried out as a media to supplement the data and facts acquired through in-depth interviews and observations. By conducting FGD the previously acquired data can be corroborated.
4. Documentation analysis was used as a source that assisted in answering the required questions. In this study, the analyzed documents consisted of laws, journals, research, and other supporting documents.

Data analysis was conducted using the qualitative methodology and it was employed since the initial data acquisition. The initial data collected were subsequently categorized and analyzed with a simple approach. As more data were gathered, categorization and analysis were constantly carried out along with a triangulation process. This continuous

process of analysis was expected to produce conclusions relating to the focus of analysis which is the institutional strengthening of local economic development.

The Bela Beli Kulon Progo Movement

Bela Beli Kulon Progo is a movement initiated by the Kulon Progo Regional government under the leadership of Regent Hasto Wadoyo. This movement began in the early period of Hasto Wardoyo's administration, and it can be traced back to the Kulon Progo Regency's 2011 – 2016 Regional Medium Term Development Plan (RPJMD Kulon Progo tahun 2011-2016).

This movement was prompted by the underlying fact that Kulon Progo is a regency with a relatively low level of welfare within the Special Region of Yogyakarta (DIY). During the initial launch of this program, the Kulon Progo administration was confronting the following issues:

- High poverty rate. In 2001, the proportion of poor residents in Kulon Progo was at 23.62%, which was much higher than the national amount at 12.50%, and higher still in comparison to DIY's proportion at 16.14%.
- An ever expanding trend of social disparity. The Regional Medium Term Development Plan (RPJMD) does not present quantitative data regarding this matter, but the fact that poverty rate in Kulon Progo was extremely high may be due to high inequalities in development that were found among varying sectors and among different regions.
- There had been numerous programs and approaches conducted to alleviate poverty, yet the proportion of the poor in Kulon Progo remained high. From 2005 – 2010 the proportion of poor population merely dropped by 0.73% annually.

Based on real on-field observations, Kulon Progo's economy is understood to be founded on

the local economy, which means that the economy is dominated by local residents' trade and investment activities instead of investments from other regions or foreign countries. The driving force of local economy had been confronted with a number of internal and external issues. Internally, the local economy had to deal with the relatively low level of capacity and entrepreneurial zeal entrepreneurs had, which led to improper handling of both internal and external business management.

The considerably limited local economy had to face big economic entities with their professional management and large scale businesses in the market. The pressure exacted upon economic activities by these big economic players was unavoidable. The death of local economy that brought impact to the decline of community's welfare is an irrefutable fact.

The Bela Beli Kulon Progo movement was designed to strengthen the local economy through various programs and activities. This movement is driven by a significant spirit of "*opor-opor bebek mentas soko awake dewek*". This statement can be interpreted simply as follows: despite the lack of foreign (outside the region) investments, if the role of economic actors were to be carried out by as many community members as possible according to the principles of kinship and mutual collaboration, then surely economic growth is bound to happen and a robust economy will even prevail (Bappeda Kulon Progo, 2013).

In order to realize the aspiration of economic development based on local community members There are a number of key aspects identified to orient the policy of local economic development, as follows:

1. Establishing cooperative and group enterprise for poor community.
2. Natural resources and produce are to be optimally utilized for improving community welfare.
3. BUMD must advance and participate in affecting the economy.

4. Creation of job opportunities.
5. Providing as much care as possible for the poor and waifs.

Establishing Cooperatives

Cooperatives were established with the aim of boosting the bargaining power and durability of local economy. The local economy at the production level is often faced with a relatively limited number of buyers, causing producers to wield low bargaining power. On the consumer side, they often had to deal with large scale vendors that ultimately lessen their bargaining power. The cooperatives were established to increase the bargaining power of both producers and consumers. Currently, there are 392 recorded cooperatives in Kulon Progo with a constantly increasing rate of turnover every year. It is recorded that the cooperative's annual turnover in 2012 was IDR 388,353,800 and it increased to IDR 538,720,100 in 2016. These cooperatives play several substantial roles in the economy of which among others are: as a center for wholesale family shops; as facilitator in opening networks of small shops in villages (Draft RPJMD 2017-2022).

A broad area for cooperatives to continue expanding has been provided through the support of Regional Regulation No. 11/2011 on the Protection and Empowerment of Traditional Market and the Arrangement of Shopping Center and Modern Store. Through this Regional Regulation, chain stores in Kulon Progo are no longer provided with room for business unless they collaborate with local cooperatives. As of current, Indomaret or Alfamart (chain of retail convenience stores) are not found in Kulon Progo, instead, there is Tomira (*Toko Milik Rakyat* – community owned shop), a chain store that is in collaboration with local cooperatives. Kulon Progo set a target that by 2018 there will be no chain stores in the region other than Tomira (Bappeda Kulon Progo, 2015).

Natural Resources and Produce Optimized for Improving Community Welfare

The target of utilizing local resources and produce is to have local economic development that provides the most benefit to local residents. To achieve that target, a number of programs were designed so the community would be fond of their own products thereby creating a multiplier effect at the local level. The programs are as follows:

- Airku (My Rice): is an effort to develop a water management group along with PDAM. This group is currently capable of producing packaged drinking water under the brand "Airku". Their marketing is, indeed, still reliant on government events in Kulon Progo, keeping in mind their limited capacity. Airku's performance shows a recorded sales rate of 2,673 boxes in 2013 which increased to 66,689 boxes in 2015 (Bappeda Kulon Progo, 2016).
- Pro Beras (Pro Rice): is an effort to absorb local rice production. The community's rice production is properly packaged and is sold under the trademark "Gapoktan Kulonprogo" (Kulon Progo Farmers Group). In terms of marketing, there is currently a directive for civil servants to only consume rice produced by Gapoktan. This rice is also used for *raskin* (subsidized rice delivery) purposes by using the Regional Budget (APBD). The Gapoktan collaborates with Village Unit Cooperatives (KUD) to carry out this product's marketing program. Among the feats Pro Beras had accomplished are: beginning in 2014 regional rice delivery to Bulog, which was then distributed to poor households, was done in the amount of 1,290 tons; in 2015, this amount had reached 4,176 tons; and in 2016, it was targeted to meet the rice supply for poor household with the amount of 7,740 tons⁴; in 2016, the amount

⁴ Signing of collaborative agreement in procurement of

of rice purchased by civil servants averaged approximately 13 – 14 tons per month.

- Developing regional featured products. There are several local products currently in development of which among them is a unique Kulon Progo batik. In order to develop the local batik industry, there is a directive for civil servants and students to wear this unique Kulon Progo batik with a “*geblek renteng*” motive on certain days. As of today, there are at least 20 active batik artisans with a production turnover of 500 to 1000 sheets per month. This is clearly an industrial development that creates job opportunities and multiplier effect. Another product is *gula semut* (ant sugar; crystallized organic palm sugar), which is produced by farmers, managed by a cooperative (Jatirogo), and each year is capable of producing at least 150 tons of *gula semut*. In addition to sales in the local market, this product is also being exported to European countries, America, and Australia. *Gula semut* is guaranteed to be a green product because it has received certifications from various institutions of which among others are the USDA, EU, JAS, UC, Halal Certification and PIRT. There is a remaining issue in the market development of this product due to the fact that the export market has not been carried out on their own and it still uses merchants from Singapore to penetrate the world market (Bappeda Kulon Progo, 2013).

BUMD must stay fit & keep advancing to affect businesses in the region

BUMDs (Regional Owned Enterprises) are established based on the Regent Regulation No. 55/2011 on the Implementation of CSR on

rice produced by Kulon Progo farmers through the Gapoktan between the Bulog Company Special Region of Yogyakarta Division and the Kulon Progo Regional Government as stipulated in MOU No. 501/7496 and MOU-01/12000/XII/2013 dated 30th of December 2013.

Regional Owned Enterprise. This regulation provides BUMDs in Kulon Progo with a broad setting for assisting in local economic development. There are several BUMDs that are championed to be a significant part in driving local economic development.

- PT. Selo Adikarto, is a BUMD working in the field of physical infrastructure development. Being established upon the stipulations of Verse 74 Law No. 40/2007 on Limited Liability Company, this company can be funded by the Regional Budget through the Annual Budget and Work Plan (RKAT). The presence of this company has facilitated and provided both government and the community with more option in building and procuring physical infrastructures.
- PD BPR Bank Pasar Kulon Progo (Trading Company in Community Credit Bank Kulon Progo Market Bank). This Market Bank was established based on the provisions of Verse 48 Regional Regulation of Kulon Progo Regency No. 13/2010 on the Amendment of Regional Regulation No. 19/2003. This bank is funded by portions of net profits acquired from companies owned by Kulon Progo Regency. This bank was designed to facilitate local economic actors in resolving problems pertaining to lack of capital. In practice, this bank also provides services to the public as other banks do.
- Another BUMD is “Aneka Usaha Kulon Progo” (assorted ventures of Kulon Progo) which was established based on Verse 33 Regional Regulation No. 3/2009 on the Amendment of Regional Regulation No. 6/2003. The types of business activity carried out in this BUMD are trade, industry, and services. Through the use of this BUMD, the community can develop larger economic organization so they are able to attain more substantial economies of scale.
- PDAM (Regional Water Utility Company) Tirta Binangun is a BUMD established on the provisions of Verse 50 Regional Regulation

No. 2/2009. This BUMD manages the provision of clean water for the community.

The BUMDs that were established still receive quite a considerable protection from the government, for instance, there is a mandate for the government to manage and maintain the vehicles owned by the BUMDs, which is also the case for the procurement of necessary goods and services. Additionally, these BUMDs also have substantial roles when Kulon Progo has to engage in economic collaborations with external parties, such as collaborations in the airport construction project, iron sand mining project, and the seaport construction project.

Opening Job Opportunities

There are several activities carried out by the Kulon Progo administration to open up job opportunities, such as:

- Mega Projects: there are several on-going mega projects in Kulon Progo, namely, the iron sand mining project and the construction of airport and seaport projects. These mega projects have been absorbing local labor since their initial construction and they undoubtedly provide good employment opportunities.
- Bringing in investors that can immediately absorb labor (investments that can involve a lot of people in the production process). This has been achieved through the following investment efforts:
 1. Tractor and agricultural tools factory in Sentolo
 2. Packaging and garment company
 3. Encouraging the creation of labor-intensive home industry
- Infrastructure development through mutual collaboration and labor-intensive model. The simple concept behind this activity is by moving projects from the Regional Public Works Office to the Regional Empowerment Agency and Social Services. By implementing this measure,

development could directly create job opportunities for the community.

Provide as much care as possible to the poor and waifs

Caring for the poor and waifs is provided through social concern based on principles of kinship and *gotong royong*. There are a number of main activities concerning the matter, namely:

- Enhancing *gotong royong* and social concern
- House renovation every Sunday
- Zakat distribution visit every Friday

House Renovation

The house renovation program for the poor was initiated in February 2012, and it is carried out through *gotong royong* by renovating houses unfit for living (RTLH) and turning them into proper houses. The source of funds for house renovation is not derived from the National/Regional Budget, it is obtained from the following:

- 1) Contributions from the business sector (BUMN, BUMD, private companies)
- 2) Contributions from entrepreneur organizations (Gapensi, Gapeksindo, Gapeknas, APINDO, KADIN)
- 3) Contributions from certain community groups (cooperatives, sports community, art community)
- 4) Contributions from alumni association of certain institutions (KAGAMA, Alumni STPDN, Alumni Prajabnas)
- 5) Individual contributions
- 6) Local Zakat Agencies (Regency and District)
- 7) Contributions from PNPM Micro Finance Institution
- 8) Contributions from professional organizations (IBI, IDI, Nurse Association, etc.)
- 9) Local community contributions

Through this program, thousands of houses that were unfit for living have been renovated into decent houses.

Bazis Management

The management of Bazis (Zakat, Infaq, and Shadaqah Agency) is an effort to maximize the use of zakat paid to those who are in need. Regarding this activity, civil servants are invited to pay their zakat through the bazis so that the collected funds can be utilized effectively according to the available data in the regency.

The Transforming Assisted Village into Poverty-Free Village “One Village One Sister Company” Program

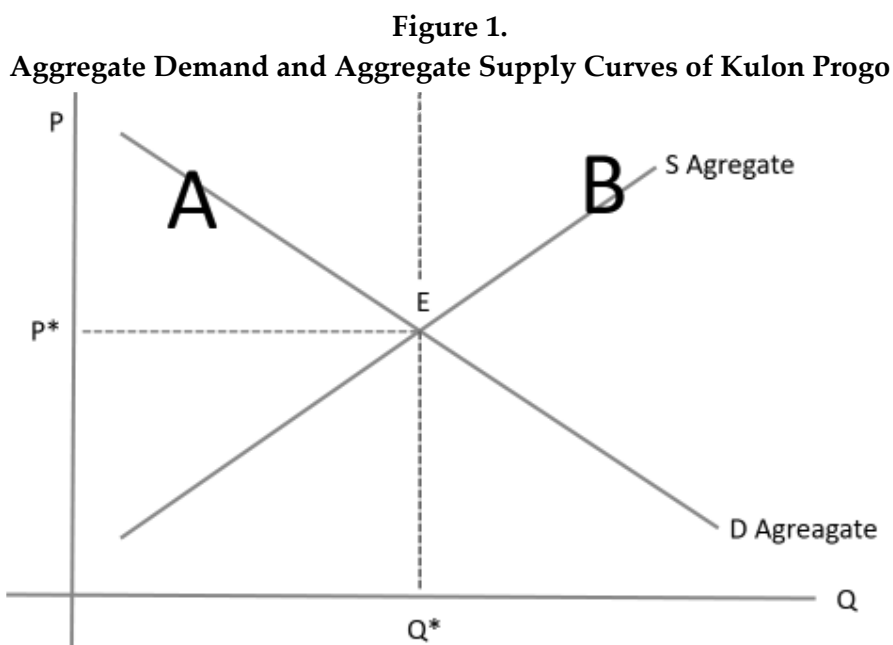
This program was launched on the 7th of November, 2012. The main priority of the program is economic empowerment targeting poor communities in the villages. Through this program, a collaboration between a village and a company is created, with the slogan one village one sister company. The companies provide direct assistance to the village according to its prioritized needs. In 2012, there have been 22 companies recorded to agree on providing assistance to 30 villages.

Increasing Market Efficiency Through State Intervention

The policy implemented by the government, from an economic perspective, is an effort in intervening the market so that it becomes increasingly efficient in providing better welfare for the community. The analysis on the Bela Beli Kulon Progo policy begins with explanations on the macro intervention carried out, and followed by the micro perspectives of the said policy.

Macro Perspectives of the Bela Beli Kulon Progo Movement

The Bela Beli Kulon Progo policy in a macro perspective may be illustrated using the curves below (see figure 1). This curve is a simplification of Kulon Progo’s macro economy, in which it shows the aggregate demand and supply in the Regency. Based on the curves, it is understood that the market is efficient enough to create a balance between supply and demand, so the amount of goods and services produced and their prices can be agreed upon. Nevertheless, within such balanced conditions there are players who are still unable to gain access to this efficient market.



Source: Research results

The above curves divide economic players into two respective areas, namely area A and area B. In area A, which is located on the left hand side of the curves, are market players who work efficiently. In the A area, there are efficient producers capable of producing goods and services which costs lower than the market price. While in terms of customers, they are those who possess purchasing power that is higher than that available in the market. Whereas in area B, there are economic players who are unable to gain market access, they are producers capable of manufacturing goods but with a higher production cost than existing market prices. In terms of customers, they are those who are in need of goods and services but do not have sufficient capacity to purchase them.

This market may be considered to be quite efficient, although there are a remaining few who do not have sufficient initial endowment to participate in the market⁵. In relation to the conducted study, it can be observed that there are producers and consumers unable to gain market access. In terms of producers, the small-scale local economy is confronted with many issues. Among the local economic players, they are competing within a market structure that is near to perfect competition. Under such market structure, the producers are never afforded the capacity to create additional profit. While in fact, additional profit is considered as the source of innovations. This inability to innovate is weighed down even more by entrepreneurs' capacity which are generally very low, lacking management competence and entrepreneurial zeal.

Existing initial endowments are provided and they are confronted with producers possessing large scale economy and professional management. These large scale economic players with their professional management

are certainly capable of producing goods and services more efficiently, so their products can be made using relatively lower cost of production. At the end of the day, the price they offer will be much lower. Such condition is further reinforced with their capacity to carry out innovations which subsequently leads to a perfect market domination on their part.

Competition between small scale economic players (local economy) and large scale economic players are inevitable. Such imbalanced competition will obviously bring about victory to the producers that work more efficiently. Their victory would be secured based on the rationale of consumers wanting to buy the goods and services. When resource is limited, the most rational option for consumers is to purchase the same product with a cheaper price. A simple example, the local economy can produce coconut-based cooking oil (coconut oil), while large companies produce palm-based cooking oil (palm oil). With their limited capacity, the local economy produces coconut oil that is more expensive in price than the palm oil produced by large scale ventures and professional management. Given such options, the consumers are not to blame for choosing palm oil, as the product serves the same function as the other. This distortion of consumers is further exacerbated by asymmetric information. For instance, the information presented by the palm oil companies states that coconut oil is unhealthy, while the local economy has no capacity to counter that argument. The distortion is also extended to sales methods employed by large scale producers that are very appealing to consumers, such as by giving discounts or gifts. Ultimately, consumers would never glance at products of local economy. When a business product is no longer purchased, it will result in bankruptcy.

In terms of consumers, when efficient trading conditions have been achieved by the market, there are still remaining customers who are unable to gain access. These customers are

⁵ Market is an institution where community interacts to improve the welfare of the parties involved in that market.

people who have the desire and need for the goods and services offered but they lack the capacity to access them due to their purchasing power being lower than the market price.

It is, hence, the State's task to intervene when the market is unable to provide better welfare for the community. In relation to this study, the Bela Beli Kulon Progo movement is directed to intervene in the right area of the curve in both the producers and consumers. The creation of jobs and provision of care for poor community are among the efforts conducted by the regency to increase the purchasing power of consumers who do not have access to the market. On the other hand, the establishment of cooperatives, BUMD, and natural resources management are efforts to increase the capacity of local economy in order to proficiently compete in the market. The following part will provide elaborations on the Bela Beli Kulon Progo movement based on the perspectives of consumers and producers, as well as further analysis of the movement.

Consumer-Related Policy

An outlook on the Bela Beli Kulon Progo movement informs us that there are 3 activities carried out to intervene the consumers, namely, the creation of job opportunities and provision of care to the poor. The Kulon Progo Regency has indeed initiated a theme of small scale local economic development as of current, but this does not mean that the regency opposes large scale economies. Through investment development, the regional government has invited all investors to join and participate in developing Kulon Progo's economy. Through this policy, Kulon Progo intends to gain direct benefits from large business ventures that are invested in Kulon Progo. The regency has benefited from these significant investors that are considered as big economic players or institutions with high demand for labor. In response to such demand, the regency has issued quite a simple policy that sets the limit

for absorption of local and non-local labor force. Meanwhile, the Kulon Progo Regency also has also been preparing its labor force accordingly so that labor with adequate qualifications will be available when companies are in need of them. This has been an accurate intervention conducted with a mindset that is similar to that of an investor, instead of merely intervening by "vilifying" investors. By utilizing such intervention, the community will reap direct benefits in the form of access to job opportunities subsequently leading to increasing their purchasing power.

Another means of increasing purchasing power has been by establishing direct partnership between companies and underdeveloped villages. Large companies located in or outside of Kulon Progo have been invited to engage in partnership with villages that are considered underdeveloped. Through such partnership, companies have been able to assist villages in becoming more productive via their CSR programs. The end result of such village productivity is the creation of job opportunities in rural areas. Eventually, the creation of employment opportunities would increase consumers' purchasing power.

Another job creation program is Kulon Progo's effort to "shift" the activities of Public Works Office to empowerment activities. Procurement of public goods, which had commonly been given to contractors 100%, has been carried out by involving the community as much as possible. Surely not all public works activities could be reassigned to the empowerment sector, but there are quite a lot of public facilities procurement programs that can be done through labor intensive activities. This is a brilliant breakthrough to increase efficiency of government spending. Through this activity government spending would be absorbed by local residents and the multiplier effect will circulate within the local market.

In addition to creation of job opportunities, this movement also serves as a media for those

who are no longer capable of participating in the market. Programs were designed for poor elderly residents, such as house renovations and contributions collected from zakat. This activity in economical perspective is called transfer, which is an activity to relocate purchasing power. In order to carry out effective transfer, the Kulon Progo administration called upon the community (particularly civil servants) to channel their zakat through Bazis. The Bazis would then collaborate with the relevant authorities responsible for the empowerment of poor community to carry out this transfer program. It is the Regional Social Services and other offices relating to empowerment that are the champions of this activity.

Producer-Related Policy

All producer-related policies have been conducted to increase local economic capacity in gaining market access. Interventions have been simultaneously carried out from aspects of production to marketing.

1. Increasing production quality and capacity

In terms of production, several efforts have been carried out to increase production capacity, in particular. The production of "Airku", *gula semut*, Pro Beras, Batik Geblek Renteng are among the efforts undertaken. The selection of these products were not without proper reasoning.

This movement is truly aware of the marketing potential each product possesses. "Airku" came to be based on data which shows that the rate of packaged water consumption had reached 3 cups per day per person in Kulon Progo. If such water consumption can be transferred to the local economy, then it would become a source of economic activity. The production of *gula semut* was initially driven by the high demand for brown sugar in both domestic and global market. Additionally, the high level of poverty experienced by coconut sugar farmers was also a point of consideration.

In the case of Pro Beras, it was initiated at a time when the State needed rice to be distributed to the poor, and the entire population have also had a need for rice as their main staple. Such condition was in positive accord with the reality in Kulon Progo which was a rice surplus region, wherein the regency took advantage of that by meeting market demands. The production of Batik Geblek Renteng is a serious effort in Batik making. In order to acquire a specific Kulon Progo design, the Kulon Progo regional government held a design competition to promote their batik pattern so it's favored by the consumers. The batik production is also designed to be eco-friendly.

The market intervention employed on the production side was not merely based on production capacity but on market potential as well. The existing market potential was subsequently managed by considering the satisfaction of customers intending to consume these products. Drinking water is packaged to the consumer's liking, coconut sugar is processed into sugar that is readily consumed by consumers, and the rice are also packaged according to the consumer's expectation.

2. Increasing the capacity of economic institutions

Economic institutions significantly determine the capacity of economic actors to compete and survive in the market. Reinforcing the capacity of cooperatives, establishing BUMD, and creating market networks are some of the efforts that have been carried out by the regency to increase the institutional capacity of economic actors. The producers of *gula semut* who are assembled in cooperatives were able to increase their product quality thereby creating additional value to the income of the farmers. It is also through the development of cooperatives that small shops and traders are able to procure their goods so that the added value of trade does not fall into the hands of big companies but to the cooperatives which are owned by the small traders themselves instead.

Another institution established by Kulon Progo are the Region Owned Enterprises. As Region Owned Enterprises should be, they are definitely economic institutions with much larger economic scale. The main activity of the BUMD is to capture significant economic opportunities going into Kulon Progo, for instance economic collaboration between companies which could only be done by formal economic institutions. Even so, BUMD remains relevant with even the most insignificant local economic development, for example, BUMD in the field of banking may serve as an alternative for funding the development of small-scale local economy.

3. Increasing market access

The key to local economic development is actually in the market, a company would be considered successful if it has gained control over market access. In terms of increasing market access, the Bela Beli movement largely relies on moral pleas forwarded to Kulon Progo residents to love their local products. To increase the performance of the Batik Micro, Small, and Medium Enterprises, civil servants and school students are requested to wear local production batik. The performance of Pro Beras is linked to civil servants and the Raskin program. The performance of BUMD is linked to the regional government's needs for goods and services.

Aside from the efforts above, marketing expansion is also conducted by protecting trade institutions from the surge of chain trading. Chain trading companies are only allowed to open branches in Kulon Progo through collaborations with cooperatives. Under the collaborative agreement the ownership of chain stores is not reserved entirely to the company as it has to be co-owned with the cooperatives. By implementing this policy, products made through the local economy are ensured to have a place in the market as expected and demanded by the consumers.

Challenges of the Bela Beli Movement in Local Economic Development

Both consumer-related and producer-related market interventions that were conducted have been crucial in increasing the performance of local economic development. Quite a lot of successes have been attained through the Bela Beli Kulon Progo movement, although based on the conducted analyses there are several important notes pertaining to issues that will challenge this movement's continuity. Much hard determined efforts are still need to be put in to this movement in order for it to survive the coming years because this excellent movement has yet to come up with an exit strategy so that it can independently operate in the community.

1. Market aspect (consumers)

As of today, the main consumers of the developed local products have been fixated on appeals (regulations) that must be constantly maintained. The appeal to favor local products is a brilliant measure but it is also a point of concern when the appeals are no longer effective in maintaining consumer behavior. The charisma a leader such as Hasto Wardoyo has in serving as a role model by not consuming rice, fruits, and sugar that are not made in Kulon Progo is a significant part of the effectiveness the appeals have in changing community's behavior. The vital question to ask in this scenario is: until when will the appeals remain effective or until when will the appeals continue to exist?

On the one hand, the appeals are excellent in ensuring there are product users, yet on the other hand, when a product is unable to heed to the market's true demand, then the appeals' sustainability will be threatened because the consumers purchase the product because they are instructed to and not out of their own volition that the product they consume is of better quality and adequate price. Such assurance is also very susceptible in creating a

moral hazard to the managers as they become less enthusiastic of competing for their market share with other similar products.

The following vital aspect which should be established for sustaining this local economic development is the capacity of local economy to compete in the market. Increasing competitiveness in the real market is quite difficult to achieve. What was experienced by the producers of *gula semut* is a good example. *Gula semut* which has a global market, has yet to be exported by the producers themselves. Currently, the export of *gula semut* is carried out by an agent in Singapore. What happens next is that the agent had become the sole buyer with immense power in determining prices. *Gula semut* which sells for IDR 250,000 per kg in Singapore is only valued at IDR 30,000 at the producer level. The cooperatives that accommodate these *gula semut* ventures should be able to become their marketing agents, instead of being relegated to merely being a collector of *gula semut* productions. Once again, the issue of limited managerial capacity is considered as the reason for the shortcoming.

2. Business management capacity

For a business to survive it has to be able to maintain demand. Consumers' loyalty must be established to maintain all that. Currently, consumers' loyalty cannot be maintained by idealism alone, as idealism should also be rational concerning the market. When, ideally, I am obligated to favor local products but the products offered are of low quality with a relatively expensive price, then my rationality as a consumer is to leave the idealism of favoring local products behind. This is unavoidable because like it or not, Kulon Progo is a part of Indonesia which follows global trade. As long as there are non-local products offering goods and services that are less expensive and of similar product quality, then the idealism of favoring local products will constantly remain under threat.

The challenge for local producers is, thus, how to obtain the capacity of producing goods and services with quality equal to the competitor's product but with relatively similar or even cheaper prices. At this point, Kulon Progo Regency actually has no difficulty in achieving this. However, the following steps start to become problematic. Packaging, distribution, and more importantly product information, remain to be demanding issues to confront. The local economy must have the capacity to continue disseminating information to consumers regarding the availability of local products with quality and price that are relatively similar to other products.

To reach such a level, protectionist regulations from the government would no longer be necessary because work professionalism and managerial competence would be of vital importance instead. Of the various on-field problems pertaining to management of cooperatives and BUMD encountered, most would be boiled down to the lack of professionalism and entrepreneurial enthusiasm among the managers. One of the reasons causing this problem is that the managers were chosen from the members instead of being professionally selected. A professional does not necessarily have to come from outside of the organization, but if the organization does not have any professional members, there is no mistake in employing one.

Learning from the lessons of other countries in developing their cooperatives, the cooperative is always left in the hands of paid professionals with a clear contract of employment. By leaving the cooperative in their hands, the members can focus on efforts of increasing production quality. Additionally, the handover of the cooperative will be initiated with a clear work contract, and this consequently compels members and managers alike to conduct professional, transparent, and accountable business management (REDDS, 2010).

3. Tomira

Tomira (community owned store) was established with a very remarkable enthusiasm of providing opportunities for cooperatives to learn managing the market. The challenge they must address is how does the cooperative's bargaining power compete with the chain store's already high one.

Currently, as stipulated in MOU No. 28/MOU.KP/HKM/2014SAT/LCS/KTN/IX/14 there are 5 collaborative agreements reached between Alfamart and the cooperatives: (1) the brand of the store mutually shared by the two parties is "Tomira"; (2) the store employees are cooperative members; (3) the Kulon Progo products sold in Tomira must meet particular standards; (4) Tomira serves as a knowledge transfer center for cooperative members; (5) goodwill and royalty do not apply; and (6) 100% capital loan is given with installments paid from sales profit. These provisions are quite excellent in providing cooperatives the protection they need.

The next challenge they should consider is how cooperatives can utilize the opportunities afforded to them by expanding and enhancing their role in the Tomira market. There is no limit for the cooperatives to supply local products, this is a huge opportunity, but given the limitation of the local economy, this chance may be a challenge in itself.

Conclusion

Interventions that are accurately applied are, indeed, capable of bringing about expected changes. The Bela Beli Kulon Progo movement that was designed to develop local economy is a successful sample of the region's brilliance in identifying the issues and finding the right solutions.

The Kulon Progo regional government designed a policy to resolve existing issues by initially understanding them, it was subsequently followed by deep analysis of the problems confronted by local economic actors.

The complex local economic issues confronted with a more open economy demanding efficiency had resulted in the community's low level of welfare. This issue was addressed with interventions exacted to both producers and consumers. The vital point of this movement is that, as an economic movement, it had significantly considered and calculated market institutions. This movement is not an anti market movement, as it has utilized the market as a media for implementing interventions instead. Producers are encouraged to increase their capacity and quality in order to respond to challenges and demand of economic efficiency. As for the consumers, those lacking purchasing power are encouraged to be more productive to enhance their purchasing power. When producers and consumers have sufficient initial endowments then they will be able to participate in the existing market mechanism.

In spite of the above statement, this movement is still confronted with quite an intense challenge of maintaining continuity. The basis of a charismatic leader, on the one hand, brought about great success to the movement, but on the other, it should be realized that political leaders have a limited period of service. The weak entrepreneurial enthusiasm of local economic actors that presents a significant obstacle in local economic development must be intelligently addressed.

Solutions pertaining to the continuity of the Bela Beli Kulon Progo movement that remains reliant on the leader and its weak entrepreneurship must immediately be found. Based on considerations concerning consumer rationality and the nature of market competition, a huge endeavor that must be undertaken is professional management of the local economy. Small business actors may only have skills in production, but institutions such as cooperatives or BUMD should be able to become agents for the small scale local economy with all its limitations.

Entrepreneurial enthusiasm is the keyword in developing local economy that can successfully compete with other economies. Based on the entrepreneurial enthusiasm of these managers of local economic institutions, all marketing difficulties can be resolved. The local economy will, thus, be able to sensibly respond to the consumer's needs.

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