

# ***ASEAN Economic Community and The Challenges for Pro Poor Sustainable Development Program***

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**Abstract**—ASEAN Economic Community (AEC) gives opportunity and challenge all at once. Production resource mobility will increase access to labor absorption and income, if there is competitiveness. Otherwise, it will exacerbate poverty. It was published that 90% of poor people in ASEAN states live in Indonesia and Philippines. This paper addresses the problem of the local government's perspective regarding the poverty reduction strategy to anticipate the risk of AEC policy, as identified from the partiality pattern of poverty overcoming program. This research was conducted in a city in Central Java Province. The methods of collecting data employed interview and focus discussion with Local Poverty Overcoming Team. Building on Allison's Political Bureaucracy theory, this article explains the poverty overcoming policy pattern in AEC era in the following categories: (1) pro-poor anticipative; (2) neutral, not related to anticipation; (3) less supporting pro-poor. The basic proposition used was a policy affected by (i) preference of actors' organization interest, (ii) international mainstreaming, (iii) rules governing their interaction. The result shows the local policy tending to be neutral thereby AEC potentially became a threat to the poor group. Further studies were recommended to explain the poor group's preference in dealing with AEC.

**Keywords**—AEC; local government; pro poor policy; sustainable development; risk

## I. INTRODUCTION

AEC taken into effect since December 31, 2015 is the follow-up of ASEAN Community constituting the form of cooperation between South East Asian countries in all sectors ranging from politics, economics, culture, social, to legal in order to generate a better competitiveness. Labor free market in ASEAN will escalate competition among workforces in every state. Uncompetitiveness will just increase unemployment rate very vulnerable to increase poverty rate. The Republic of Indonesia's President, Joko Widodo, mandates national commitment to AEC to be followed-up by local

government through local development plan poured into Local Apparatuses (Service/Agency)'s work plan focusing on five indicators: (i) economic growth, (ii) inflation control, (iii) poverty overcoming, (iv) labor absorption and unemployment reduction, (v) and economic gap and discrepancy problem [1]. It means that Local Apparatus Organization's Work Plan should be inspired with an orientation to anticipate the effect of AEC on community through intervening in those five indicators.

Poverty issue is highlighted specifically because 90% of poor people in ASEAN states live in Indonesia and Philippines. Nevertheless, in Indonesia the number of poor populations during the last five years is as follows: 28.28 millions or 11.25% (2014); 28.59 millions or 11.22% (2015); 28.01 millions or 10.86% (2016); 27.77 millions or 10.64% (2017); 25.95 millions or 9.82% (2018). The unemployment rate decreases by 140 thousands people during 2017-2018. The profession of majority poor group is labor. In AEC era (2016-2018), the average wage of construction workers really decreases by 0.17% and that of farming workers really decreases by 0.48%. Food price decreases, so that food security of poor people is well-maintained. The mean price of rice per August 2018 is IDR 13,837,- per kg, decreasing by 0.01 percent compared with that in previous month. The prices of broiler chicken egg decrease by 7.40 percents, small chili by 6.97 percents, and broiler chicken meat by 1.41 percents. Nationally, Human Development Index increases from 70.18 (2016) to 70.81 (2017).

From this dynamic statistics of poverty rate, how far is the contribution of poverty overcoming program and activity at local level? Recalling that AEC is the competition of productive human resource competitiveness between South East Asian countries, it is important to study whether or not local government arranges the poverty overcoming program plan impacting on the poor group's empowerment and

community development. Are the capacity of poor group is stimulated thereby improving: (i) its competitiveness quality; (ii) need achievement; (iii) productivity; and (iv) survival?

The result of research shows that AEC exerts both positive and negative effects. The positive effect of AEC is identified (i) supporting the state's income through export and import; (ii) opening new industrialization opportunities; (iii) encouraging the acceleration of information technology implementation.

in government and public service; and (iv) expanding professional job opportunities for the new young generation to have career in many ASEAN areas [2]–[4].

In relation to poverty issue, AEC's negative challenge is also found, in which the increased export can contribute to poverty significantly but cannot contribute to unemployment [5], [6]. It means that export performance has not been able to absorb labor significantly yet. Another study mentions that free market along with ASEAN countries potentially reinforces urbanization and city informal sector, and increases the vulnerability to poverty. Therefore, there should be strong advocacy, public support and political commitment to implement the work procedure of development laying out the benefit of economic integration to workers and poor consumers.

Departing from empirical fact and previous theoretical study, this article aims to address the challenge of sustainable poverty overcoming policy amid the encirclement of ASEAN countries' labors and products in ASEAN Economic (AEC) era. This article answers the following questions: "Does AEC affect the local government's perspective in formulating poverty overcoming policy? Is the poverty overcoming policy (i) pro-poor anticipative; (ii) neutral not related to anticipation; or (iii) less supporting pro-poor?"

Local poverty overcoming policy and work plan are the products of bureaucrats working in a neighborhood assuming political mandate. The arranger of program and activity work plan at Local Apparatus Organization level should translate what the president has mandated in national Development Plan and political promise of Local Head. Therefore, this article employed Alison's Bureaucratic Politic theory to explain the profile of local poverty overcoming work program in AEC era. The profile reflects on the variables affecting bureaucratic decision.

Bureaucratic politic theory explains the role of administrative and bureaucratic policy makers, in the process of which authoritative value allocation occurs to decide "*who gets what, when and how*" [7] [8]. Governmental measures, according to this

theory, are the result of bargaining and compromise between organizational elements of government. Bureaucracy logically engages with "*politics of the first order*". Organizational leaders in government are the key actors, because they occupy critical positions. Bureaucrats have authorities of deciding on what policy they should implement, of selecting and arranging the measures they should take, by means of observing and considering work burden, expectation of coworkers and other professionals in other places, and clients' need [9], [10]. This theory is employed to explain: the variables affecting the preference of Local Apparatus Organization's policy planning team in formulating poverty overcoming program and activity in AEC era".

Program and activity planning and budgeting considered as pro-poor are characterized with the following indicators: (i) more poor people targeted to be the beneficiaries; (ii) improving poor people's ability and willingness to work/to produce something; (iii) improving the poor people's income ability; (iv) improving the poor people's shopping ability/expenditure; (v) reducing the poor people's expenditure burden; and (vi) improving the poor community's capital establishing/saving ability.

Sustainable poverty overcoming issue is a mandate of Sustainable Development Goals. The definition of poverty used by Indonesian Central Bureau of Statistics (thereafter called BPS) is a condition in which an individual or individuals cannot fulfill their basic rights to maintain and to develop dignified life. The concept used by BPS and also some other countries is the ability of meeting basic needs (basic needs approach), in which poverty is considered as an inability of meeting basic needs of food and non-food economically (measured from expenditure aspect)". Those basic needs are food, health, education, occupation, house, clean water, land, natural resource, and living environment, as well as the feeling of secure from violence treatment or threat to participate in social-political life. It is these basic right components that will be used as the instrument of content analysis on Local Apparatus Organization's Work Plan document in this study.

Meanwhile, previous studies found that poverty coping strategy is determined by the policy makers' perspective on the cause of poverty and the dynamic growth of poverty [11]–[18], among others, including: (i) Lack of targeting mechanisms for the poor and the fact that most of the programs do not focus directly on the poor; (ii) Inadequate coordination of the various programs has resulted in each institution carrying out its own activities with resultant duplication of effort and inefficient use of limited resources. Overlapping functions ultimately led to institutional rivalry and conflicts; (iii) Lack of

accountability and transparency for making a programs; (iv) lack of involvement of beneficiaries in the formulation and implementation of programs; (v) Absence of target setting for Agencies and programs; (vi) Absence of effective collaboration and complementation among the tiers of government; (vii) Most of the programs lacked mechanisms for their sustainability.

## II. METHODOLOGY

This research was conducted in a city in Central Java Province. This city has ever won national award called *Anugerah Pangripta Nusantara*, an aware for the region with the best Local Development Work Plan (thereafter called RKPD). Considering this data, it is assumed that the city has the best quality of local planning, thereby is appropriate to be the reference of research on the poverty overcoming work plan in AEC era. This city name is not mentioned to maintain identity confidentiality. This research employed a combination of some data collection techniques and analysis methods. Firstly, it used technique of analyzing Local Poverty Overcoming Strategy Local Action Plan document included into OPD's Work Plan (thereafter called Renja), with content analysis portraying local poverty overcoming program and activity in the following categories:

- (1) Pro-poor and anticipative AEC (Y), if OPD's Work Plan mentions indicators of output and outcome impacting on (a) more poor people targeted to be the beneficiaries; (b) improving poor people's ability and willingness to work/to produce something; (c) improving the poor people's income ability; (d) improving the poor people's shopping ability/expenditure; (e) reducing the poor people's expenditure burden; and (f) improving the poor community's capital establishing/saving ability.
- (2) Neutral (N), if the program/activity as well as its indicator does not specifically mention that its beneficiary is poor group, but potentially increases life facilitation to the poor group.
- (3) Non pro-poor (T), if the program/activity as well as its indicators is not related to pro-poor indicator as mentioned in number (1).

Secondly, it used interview technique by interviewing the OPD informants and focus discussion between OPDs to search for data related to the variables suggested by bureaucratic politic theory above: (i) what values becoming the preference during formulating poverty overcoming program and activity; (ii) how to decide " *who gets what, when and how*"; (iii) who the actors influencing the establishment of poverty overcoming program/activity planning and implementation?

OPD becoming the locus of study was the one dealing with governmental affairs supporting 4 pillars of AEC but connected to poverty issue:

- (1) Free current of product, service, investment, educated workers, and capital. OPD informants consisted of: (a) Industry-trade-cooperative-SME Service; (b) Integrated Investment and Licensing Agency; (c) Labor Service; (d) Tourism Service.
- (2) The regulation of competition, consumer protection, intellectual right, infrastructure development, taxing, and e-commerce. OPD informants consisted of: Local Income and Financial Management Agency; (b) Trade, Industry, and SME Service; (c) Integrated Investment and Licensing Agency; (d) Research and Development Agency; (e) Public Work Service; (f) Cultural Service.
- (3) Small- and medium-scale enterprise development element. OPD informants consisted of: Trade, Industry, and SME Service.
- (4) Integration into the global economy. OPD informants consisted of Trade, Industry, and SME Service.

About 20 informants were interviewed using in-depth interview. The result of research supported the explanation of document analysis mapping result to find out why the program tends to aim at pro-poor, neutral, or non pro-poor categories.

## III. RESULT AND DISCUSSION

Poverty condition in the research site during 2015-2018 decreases by 10,920 people/ 9.05% (2015), 10,640 people /8.79 % (2016), and 10,630 people/ 8.75% (2017). So, poverty decreasing pattern at national level in the last three years also occurs in the research location. This data shows the impact of poverty overcoming policy implementation.

The finding of macro data is less compatible to the analysis on poverty overcoming program and activity planning document. Using criteria as aforementioned in the research method, the data is obtained as shown in Table 1.

**Table 1.** Proportion of Program/Activity with Performance indicator supporting Pro-Poor

No	Aspect	Total	Status		
			Y	N	T
1.	Program	28	6 (21%)	22 (79%)	0
2.	Indicator Program	10 9	23 (21%)	79 (72%)	7 (7%)
3.	Activity	67	25 (37%)	40 (60%)	2 (3%)
4.	Activity Indicator	68	26 (38)	41(60%) )	2 (3%) )
	Mean		29.25 %	67.75% %	4.3 %

The sample programs considered as pro-poor are:  
(i) social service and welfare rehabilitation program;  
(ii) Empowerment Program for Destitute, Poor, and people with other social problems; (iii) Social Service and Welfare Rehabilitation of Food Security Organization; (iv) Building Program for ex- people with social diseases; (v) Building Program for people with disability and trauma; and (vi) Health Service Program for Poor People.

The result of analysis on the supportability of program/activity as well as its indicators in RAD of Poverty Alleviation in this city is largely neutral (67.75%), and even some of them is not related to the pro-poor characteristics. Thus, there should be a formulation of program, activity, and performance indicator in order to be more pro-poor.

The finding concerning “the values becoming the preference during formulating poverty overcoming program and activity”, can be seen from some informants’ answer referring to keywords: ‘mandated by central government; corresponding to the government’s rule; continuing previous program/activity’. The result of interview explains that the apparatuses’ preference has been oriented not to Global Competition Minded but to the top-down mandate fulfillment, as instructed by the ministry or the higher government level. Referring to bureaucratic politic theory about “*who gets what*”, all informants explained that the local government may not ignore the instruction of prioritizing global agreement approved by central government, for example, mainstreaming Sustainable Development goals, anticipating AEC free market, and mainstreaming human right. In addition, informants explained that the reduction of poverty in region will get incentive from

the higher government, because all competitions will included the assessment on the achievement of performance in reducing poverty. So, values underlying the formulation of poverty overcoming program and activity have not been connected to the measures of anticipating both negative and positive effects of the ASEAN Economic Community market policy implementation.

Informants’ response to the question ‘how to decide “*who gets what, when and how*” is dominated with keywords: “even distribution”, “entrustment” (from the powerful one). From this response, it can be interpreted that the determination of targeted group for poverty overcoming program has not been connected to the strategy of protecting the groups vulnerable to global competition threat in AEC era. The source of problem in this phenomenon is interpreted from the informants’ response stating that they resort to compromising by means of following the domination of Excessive Power’s needs, including government, Legislative Assembly, and parent elements. This condition will putatively lead to the less target- appropriate poor community empowerment. Policy makers will have no power in the power relation putting the goal of AEC: *Integration into the global economy*, thereby becoming a threat against the poor group. It is because the poverty overcoming program does not specifically focus on reinforcing the competitiveness and endurance of poor group. The program provided is tactical-level caricative in nature, such as non-cash food grant, school tuition grant, and health grant. Strategic intervention such as the reinforcement of social network and production culture desirable for long-term endurance has not become the focus of policy yet.

The explanation for the two questions leads to the question “who are the actors affecting the establishment of poverty overcoming program/activity planning and implementation?” All informants said that at technical level, the arranger is the planning staff at Service level. The position of Service’s planning staff authority is on the fourth level, thereby having no strategic authority but having technical authority only. Program and activity is arranged based on work plan existing in the previous year. Meanwhile, normatively the program and activity in OPD (Local Apparatus Organization)’s work plan is a guidance to achieve the organizational performance, organized by all Division Heads coordinated by OPD Secretary (second-level policy maker) and ratified by Service Head as the 1<sup>st</sup>-level decision maker at OPD level. Such condition explains that the arrangement of work plan is vulnerable to the failure of focusing on strategic aspect but is instead oriented to technical domain. In the context of current research, this condition is called



biased policy procedure. As a result, in relation to AEC challenge, biased policy procedure is vulnerable for the marginalized poor groups as they have no adequate competitiveness and endurance.

From the discussion above, the pro-poor program and activity formulation in AEC era is affected by several variables: firstly, preference of actors' organization interest, in this study OPD's interest is to undertake Central and Provincial Governments' mandate, but to give inadequate space to the innovation in answering AEC's challenge based on local condition of poor group in region; secondly, the effect of international mainstreaming, in this case the urgency of Sustainable Development Goals and AEC collective market agreement; and thirdly, rules governing their interaction, in this case the local government's obligation in implementing the national policy mandate, including the consensus on poverty overcoming and AEC free market policy. The result shows the local policy tending to be neutral thereby AEC potentially became a threat to the poor group.

#### IV. CONCLUSION

Bureaucratic politic theory explains that administrative policy is colored with bargaining power leading to value orientation becoming the focus of policy: *who gets what, when and how*. In the context of poor group empowerment issue in AEC era, the policy makers focusing on the poor group's competitiveness and endurance are required. If policy makers tend to think of "business as usual", the program and activity organized by OPD will be less pro-poor group's competitiveness and endurance.

Building on Allison's Political Bureaucracy theory, this article explains the poverty overcoming policy pattern in AEC era in the following categories: (1) pro-poor anticipative; (2) neutral, not related to anticipation; (3) less supporting pro-poor.

The formulation of pro-poor program and activity in AEC era is affected by some variables: (i) preference of actors' organization interest, (ii) international mainstreaming, and (iii) rules governing their interaction. The result shows the local policy tending to be neutral thereby AEC potentially became a threat to the poor group. Further studies were recommended to explain the poor group's preference in dealing with AEC.

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