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Abstract

This dissertation seeks to demonstrate civic activism among rural communities in Indonesia and how they can obtain their policy of interest – two main features that build rural political agency. It emphasizes on rural participation in Rural Producer Organizations (RPOs), popular community-based farmer organizations, which have proliferated over the last decade. Two research questions guide this project: (1) *What are the conditions that explain rural participation in RPOs in Indonesia?* and (2) *What are the effects of this participation on the political agency of rural communities?*. Using a mixed-method approach that consists of original survey analysis, interviews, and quantitative analysis, this dissertation found that exposure to trade openness provides the primary motivation for rural communities to join an RPO, as they desire to stay competitive in the globalized market. The dissertation further explores how membership in RPOs promotes not only economic well-being of its members but also rural communities' involvement in political activities, mainly by participating in policymaking discussions. The empirical findings suggest that rural participation in RPOs correlates with higher government support, although it is still constrained by certain political environment at the local level. The findings in this dissertation will help us better understand democracy in developing countries such as Indonesia, as nearly three-quarters of its population lives in rural areas and engaging in agricultural activities.

Keywords: *rural civic participation, rural producer organization, RPO, political agency, rural development*

RURAL POLITICAL AGENCY AND LOCAL POLITICS IN GLOBALIZED MARKET

by

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Dissertation

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Dedication

To my son Davino, my husband Yogi, and my parents, Delima and Hendro Darmawan. Thank you for riding this journey with me through the many ups and downs. Your constant encouragement, patience, and unconditional love have become my source of strength and inspiration, which made this milestone possible. With all my love, I dedicate this dissertation to you.

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CHAPTER 1
INTRODUCTION

1.1 Background and Research Questions

Scholars of democracy have emphasized the importance of civic participation in promoting economic prosperity, particularly for the most disadvantaged populations (Putnam, 2000; Sen, 2000; Gaventa, 2006). With nearly three-quarters of the poor population in developing countries living in rural areas and engaging in agricultural activities, understanding civic participation in rural agrarian communities should be an integral part of understanding democracy in developing countries.

Small agricultural producers[1] in developing countries, however, are often considered marginalized, both in economic and political terms. They are seen as weak, unable to mobilize, and underrepresented in politics (Omamo, 1998; Key et al., 2000; Minot, 2007; Barret, 2008). Following Olson (1968), the conventional wisdom is that concentrated interests dominate public policy because of their ability to coordinate and solve collective action problems. This is contrary to large and diffused groups, such as small agricultural producers, who face many market failures such as information asymmetry and limited access to resources. This, coupled with their inability to lobby the government, results in agricultural producers being underrepresented in politics (Omamo, 1998; Key et al., 2000; Minot, 2007; Barret, 2008). Moreover, growing economic liberalization has also further suppressed their role in politics because governments opt for efficiency instead of welfare. Developing countries usually exhibit

[1] The term “agricultural producers” is used interchangeably with “farmers” and “rural producers” in this dissertation.

"urban bias" as they heavily tax and lower the prices of the agricultural sector to support urban industrialized constituents that demand cheap products (Lipton 1977, Bates 1981, Bezemer and Headey, 2008). This causes high rates of poverty and income inequality in many developing countries despite their continued trade and economic growth (Woodward, 1996; Rudra, 2002; Williamson, 2011).

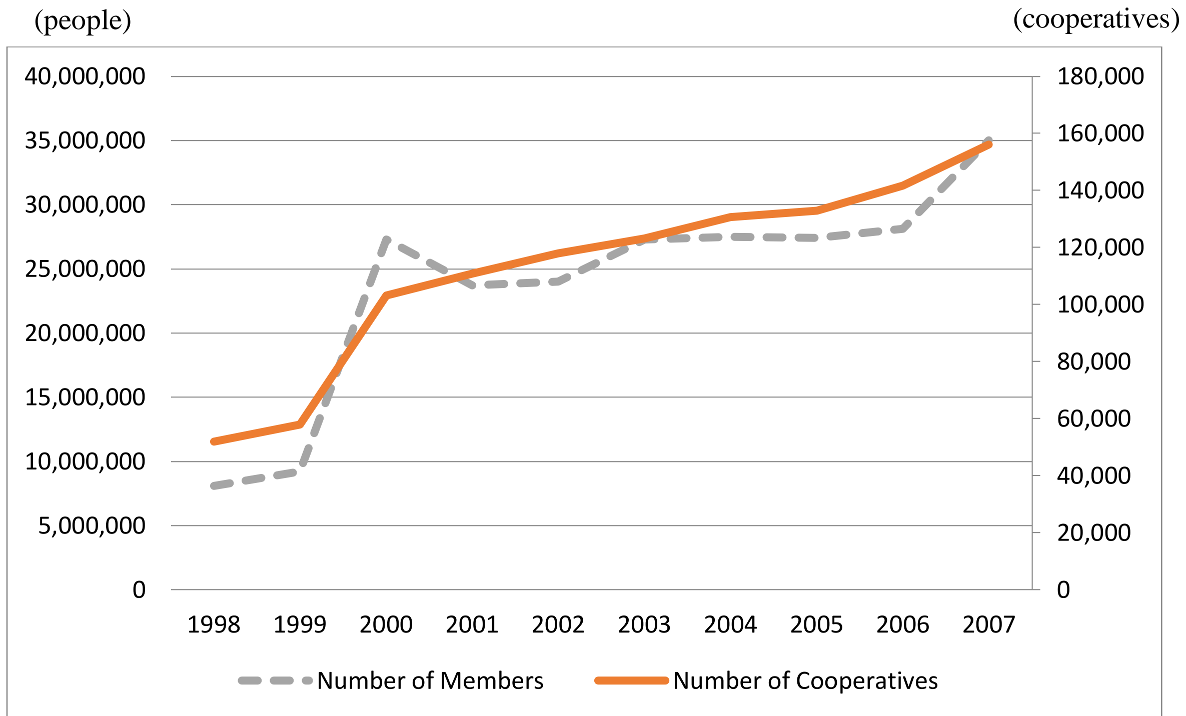
Yet, studies on the existence and role of Rural Producer Organizations (RPOs), popular community-based farmers' organizations, in enhancing the livelihood of small agricultural producers have proliferated over the last decade, such as agricultural cooperatives and producer associations. These studies show many successful collective action stories of small agricultural producers (Berdegue et.al., 2001; Jones 2004; Hellin et al., 2007; Valentinov 2007; Markelova et al, 2009; Bernard et al., 2008; Bernard and Spielman, 2009; Shiferaw et al, 2009; Francesconi and Heerink 2011; Fischer and Qaim 2011). Because RPOs pool resources and coordinate economic activities, they can reduce transaction and production costs of its members. This results in increased economies of scale, improved market access, and secured livelihoods for members in a growing competitive market.

Although RPOs focus mainly on economic activities, studies have shown that they are also involved in political activities, mainly through their participation in policymaking discussions (Ndambo, 2005; Hellin et. al., 2009; Gouët et. al., 2009; Pimbert et. al., 2010). Other political activities of RPOs include affiliating with certain political parties and having their representatives hold elected office (Swanson, 2006). Scholars and policymakers have therefore argued that it is essential for small agricultural producers to work collectively to stay competitive in the growing modern market and have a place in politics.

Over the past decade, small agricultural producers have consistently increased their membership in RPOs in most parts of the world, particularly in developing countries (IFPRI, 2012). According to the UN's Global Census on Cooperatives (2013), there are about 1.2 million agricultural cooperatives, accounting half of the overall cooperatives across the globe. Excluding members in farmers' associations, there are 122 million people in agricultural cooperatives around the world. Global comprehensive data on agricultural cooperatives are limited, but some information is available about agricultural cooperatives in a few different countries. FAO (2013) provides data on the number of agricultural cooperatives and their membership size across different countries. For instance, 40 percent of Brazil's agricultural GDP comes from cooperatives; 4 million farmers in Egypt are members of agricultural cooperatives; 924 thousand Kenyan coffee farmers are members of cooperatives; 900 thousand Ethiopian coffee farmers are members of cooperatives; 12 million Indian dairy farmers are members of cooperatives; and 500 thousand Columbian coffee farmers are members of cooperatives.

The significance of RPOs is also evident in Indonesia – the focus of this study – as the number of RPOs and its membership total (both agricultural cooperatives and farmer's associations) grew by almost 20 percent between the years 2010 and 2015 (Graph 1.1). In 2015, there were about 48 million members of RPOs, which accounted for 25 percent of Indonesia's total population.

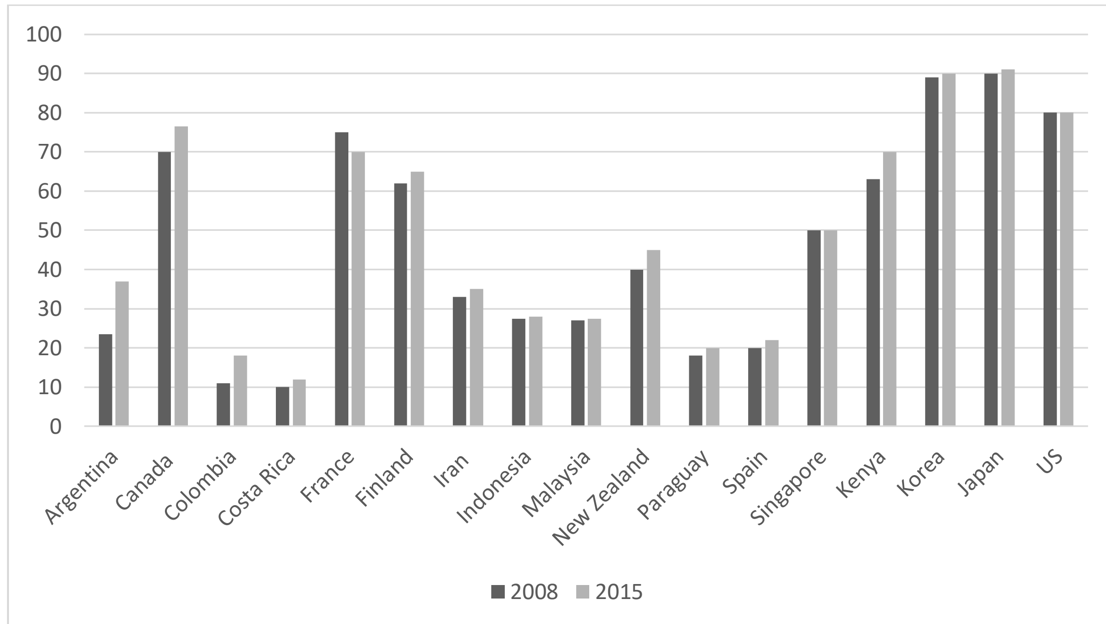
Graph 1.1. RPOs in Indonesia



Source: Ministry of Smallholders and Cooperatives Republic of Indonesia and Ministry of Agriculture Republic of Indonesia.

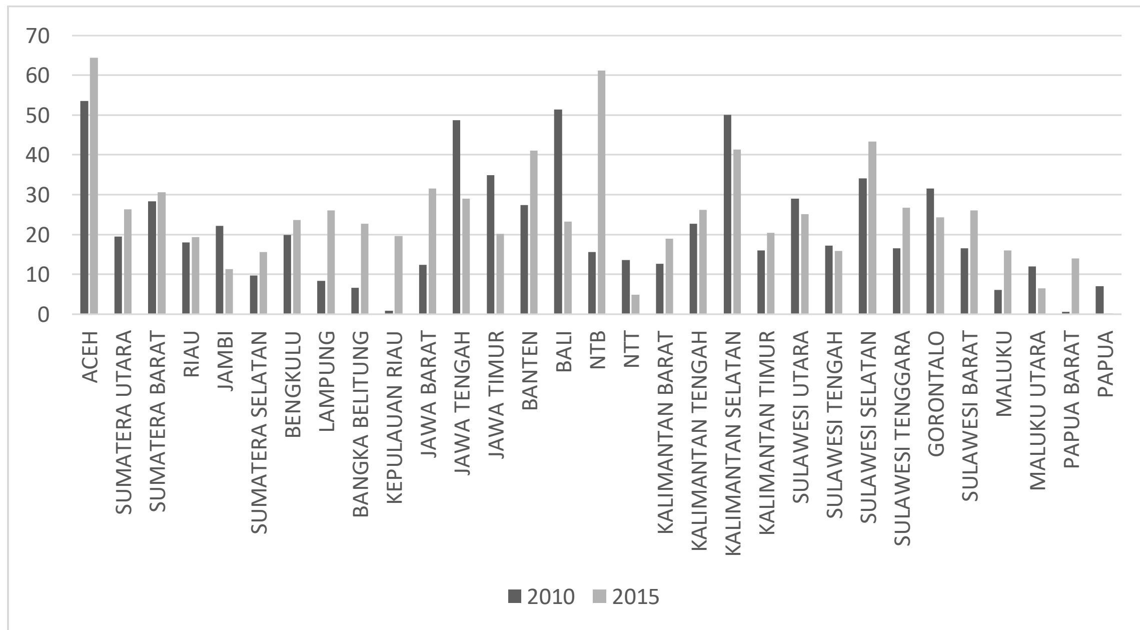
Despite these overall positive trends, participation rates in RPOs vary considerably across locations as shown in Graph 1.2 below. The graph shows that, in general, rural producers' participation in agricultural cooperatives is higher in developed countries. For example, Japan and Korea have a high membership rate of 70 to 90 percent, while countries in Latin America – such as Colombia and Paraguay – have lower membership rates of 18 and 11 percent respectively (International Cooperative Agriculture Organization Statistics, 2017). A more interesting observation is that RPO membership also varies considerably across different regions within a country, as evident in Indonesia in Figure 1.3.

Graph 1.2. Agriculture Cooperative Membership across Countries (% of agriculture workers)



Source: Multiple sources, including International Cooperative Alliances (ICA) and International Cooperative Agricultural Organization (ICAO)

Graph 1.3. Indonesia's RPO Membership across Provinces, 2010 and 2015 (% of agriculture workers)



Source: Ministry of Agriculture Republic of Indonesia and Ministry of Smallholders and Cooperatives Republic of Indonesia, 2015

This dissertation seeks to demonstrate how civic activism among rural communities in Indonesia shapes the political agency of rural population. By political agency, I refer to rural communities' capacity to participate in matters that concern their well-being and ability to access decision-making processes. Because the vast majority of Indonesia's population live in rural areas and are engaged in the agricultural sector, we cannot get the full picture of how democratization has changed Indonesian society unless we understand civic participation in rural communities. This dissertation is novel in its emphasis on rural producers' participation in RPOs and the ways in which RPOs promote economic welfare and democratic values within rural communities. Moreover, this dissertation is motivated by the considerable variation of rural producers' participation in RPOs that exist across sub-national regions of Indonesia. Thus, the two research questions that guide this project are: (1) *What are the conditions that explain rural participation in RPOs in Indonesia?* and (2) *What are the effects of this participation on the political agency of rural communities?*

Using a mixed-method approach that consists of survey analysis, interviews, and quantitative analysis, I demonstrate the conditional factors that can affect the level of rural producers' participation in RPOs in a region and how participating in RPO shape the political agency of rural communities in Indonesia.

The remainder of this chapter is organized as follows: Section 1.2 reviews existing literature on the concept of rural political agency, the development and role of RPOs, and explanations on the level of RPO participation. Section 1.3 describes the research design, and Section 1.4 explains the structure of the dissertation.

1.2 Literature Review

1.2.1 Concept of Rural Political Agency

In this dissertation, rural political agency is defined as both *the capacity of rural agrarian societies to participate in matters that concern their well-being* and *access to governance or decision-making processes*. A succinct justification is given below.

In sociological terms, the most basic definition of human agency is the capacity of humans to take actions towards achieving their aspirations in a particular social structure such as within a state, group, or culture (Bennett, 2002) [2]. Different temporal processes shape this ability. Emirbayer and Mische (1998) note: "…. human agency is a temporally embedded process of social engagement, informed by the past (in its habitual aspect), but also oriented toward the future (as a capacity to imagine alternative possibilities) and toward the present (as a capacity to contextualize past habits and future projects within the contingencies of the moment)." While different structural environments temporally construct human agency, Emirbayer and Mische argue that human agency also constructs these structural environments.

Political agency – human agency in the political realm – consists of different political actors' engagement and their ability to effect change within the political system (Maiguashca and Marchetti, 2015; Biekart and Fowler 2008). Particularly, it emphasizes how these actors influence policy outcomes within formal state institutions. Maiguashca and Marchetti (2015) describes the different theoretical views of political agency, although all entail a similar notion of politics – power and the interaction between different political actors. According to the radical

[2] Although the concept of agency in sociological terms is mainly rooted for individual agent, it also applied to collective agency known as 'civic agency' (Biekart and Fowler, 2009).

tradition, "political agency is the capacity to take part in the struggle to define the modalities of life in common, stressing the conflictual dimension of politics." Citing Koremoenos et al. (2004), Maiguashca and Marchetti claims that a liberal or rational choice approach sees "political agency as being the strategic capacity to coordinate with others in order to have one's own predetermined preferences adopted by the political system." And citing Wendt (1987) and Dessler (1989), Maiguashca and Marchetti argues that the constructivist approach sees "political agency as the capacity to take part in socio-linguistic interaction in order to co-determine social structures and one's own identity."

From the definitions above, one can see that the civic participation of different political actors is a key aspect of political agency. Civic participation is also an important pillar in democracy and has been widely discussed in the democracy literature, particularly concerning developing countries with relatively new democracies (e.g., Putnam, 1993; Dreze and Sen, 1996; Moore and Putzel, 1999; Harriss, 2000; Luckham et al., 2000). In the literature, civic participation is used interchangeably with civic engagement or citizen participation, but the words convey the same meaning – citizens being able to engage in public processes (Malik and Waglé, 2002). Having democratic institutions is not a guarantee for having democratic practices. The latter is dependent on whether citizens can hold the government accountable (Moore and Putzel, 1999). Through civic participation, citizens can select, monitor, and sanction leaders. This hinders corrupt and unjust policies that benefit elites, leading to an improvement in public goods provision and good governance. Consequently, civic participation can reduce economic instability and improve economic performance since it encourages citizens to cooperate and compromise (Rodrik, 2000).

While civic participation in the political system can be primarily understood as participating in elections and voting, the scope of participation goes beyond that. Civic participation does not necessarily have to be electoral; it can include other forms of engagement that affect the political landscape. This includes membership in community groups or associations, participating in public meetings, providing feedback to government officials, taking part in public decision-making processes, monitoring government agencies, and volunteering (Putnam, 2000; Messner et al., 2006). In fact, these non-electoral forms of participation are increasing as indicated by the International Social Survey Program (ISSP). When measuring citizen participation in established democracies in 2004 and 2014, ISSP found that while there was a decline in voter turnout, other forms of civic participation – such as direct contact with political leaders and members of civic associations – were rising.

Discussing political agency begs the question: who are the political actors? Traditionally, political agency only encompasses the capacity of political parties and governmental actors to influence political systems. However, changes in societal relations – due to globalization, modernization, and/or the complexity of the political system – have shifted political agency to a wider range of society such as non-governmental organizations, stateless group, and firms (Higgott et al. 2000; Arts, 2000; Maiguashca and Marchetti, 2015). Political actors also include rural communities, where collective action among rural agricultural producers is flourishing and talks with government officials, particularly local government officials, are becoming common. These non-states actors are now more involved in the policy process by means of lobbying and monitoring the implementation of public programs, thus demonstrating a bottom-up approach to policymaking. Political agency can bring about substantial transformative changes, as individuals can have the ability to change a structure or system (O'brien, 2015).

The notion of political agency also encompasses effective participation, in which the concerns of rural producers are being heard and taken into consideration in the policymaking process. However, as theories of policymaking have indicated, participation does not always mean that policy outcomes will match participants' interests (Shadlen, 2004). Policy outcomes tend to favor small groups of elites and organized interest groups, particularly those that have economic leverage. This is known as the Biased Pluralism view of policymaking (Gilens and Page, 2014). Mass-based interest groups, such as rural agricultural groups and citizens, tend to have little to no influence. However, not everyone supports this view of policymaking. Neo-pluralist scholars argue that policy outcomes are influenced by many contextual variables. Therefore, even the elites are not guaranteed their desired policy outcome because they too are constrained by other factors such as public opinion, budget, counter opposition, and political culture (Gray and Lowery, 1996). This is aligned with Emirbayer and Mische's (1998) view in which political agency is influenced by time and place.

But even when citizens participate, this does not mean that their interests will be taken up by their representatives, because they may not always be responsive to their demand. These representatives may not deliver what their constituents want because their political interests, ideas, etc. can be at odds with those of their constituents (Bradley and Chen, 2014; Htun, 2015). In other cases, participation can be used as a mechanism of control from the government. For example, the Moroccan government established a participatory institution known as the Moroccan Community Abroad, but it was essentially a tool for the old regime to maintain control (Dalmasso, 2017). When the desired policy outcome of certain groups is not obtained despite their participation, their political agency can be considered weak. Their ability to participate in policymaking was constrained by the power of other groups or elites. Similarly, when

representation exists without participation, political agency cannot be achieved since there is no mechanism to hold representatives accountable (Htun, 2015). Political agency should therefore consist not only of civic participation but the ability to have representation and influence policy outcomes.

Thus, rural political agency consists of both *the capacity of rural agrarian community to participate in matters that concerns their well-being* and *access to governance or decision-making processes.*

1.2.2 Building Rural Political Agency through Rural Producer Organizations (RPOs)

Three-quarters of the poor in developing countries live in rural areas and have minimum access to policymaking processes. Thus there is a growing consensus among development practitioners that civic participation of the rural poor is particularly important in improving development (World Development Report, 2002; UNDP Annual Report, 2002; UN Human Development Report, 2014). Improvement in rural participation will benefit national economic performance and democratic development since agriculture remains the primary sector in developing countries. It will also improve other important issues – such as urban poverty, migration, global food security, and climate change – since they are all linked to rural agricultural development (FAO Report, 2002). However, while electoral participation is an important form of participation, non-electoral political participation may be more relevant for small agricultural producers since access to electoral activities are economically and geographically limited for rural communities (Fox, 2007).

One major form of rural participation widely discussed in agricultural development literature is participation in community-based farmers' organizations or *Rural Producer Organizations* (RPOs). RPOs are the most widespread form of agricultural organizations in developing countries. They aim to enhance farmers' market access, increase their earnings, and achieve goals they may not be able to achieve by themselves (Bienabe and Sautier, 2005). With the growing liberalization and privatization of the global agricultural sector, small agricultural producers face many challenges, such as limited access to market and financial tools as well as their lack of resources to compete. These challenges make RPOs an important element for farmers to secure their livelihoods, because RPOs are basically economic organizations built upon the principle of voluntary collective action, where farmers build their economies of scale and improve service quality. RPOs can assume one or several functions, such as marketing, processing, collection, and quality control, thus there are different forms of RPOs.

Cooperatives are the most well-known farmers' organizations. A cooperative is "an independent association of people united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise" (ICA, 2010). Cooperatives are formal organizations, which are registered with the government and are guided by state law. Agricultural cooperatives are cooperatives built by farmers and specialize in one or more of the following activities: marketing, processing farm products, purchasing farm inputs, and increasing members' production and income. Since cooperative activities are democratic, members have control over the organization (Barton, 1989). Another principle of cooperatives is user ownership since members pay dues or some monetary contribution (van Dijk et.al., 2005; Soboh et al., 2012; Verhees et.al., 2015).

Other forms of farmers' organizations are associations, registered producer groups, credit groups, women's groups, and landless laborers' groups. These are formal organizations of individuals around a shared interest, activity, or purpose. The structure and rules of the organizations tend to be flexible. Besides these formal organizations, there are also informal farmers' organizations. These organizations are not formally registered with the government. They include ethnic networks and traditional community organizations. Typically, these organizations consist of people that share the same norms, values, and ethnic backgrounds, acting collectively to achieve a common goal. They are more flexible than formal organizations yet can be very exclusive and constrained by their customs and culture (FAO Report, 2007). However, despite their variety, farmers' organizations all share the same characteristics: they are member-based organizations (owned and controlled by rural producers), rooted in rural areas, and mainly engage in collective marketing activities (Bijman, 2007; Wennink et al., 2007; Penrose-Buckley, 2007).

RPOs—particularly cooperatives—have been popular in development programs both in developed and developing countries. It is considered the first step in many developmental interventions to improve the performance of the smallholder farming sector and achieve rural poverty reduction (World Bank, 2013). In the 1960s and 1970s, developing countries widely sponsored the establishment of cooperatives mainly as a coordination tool for the central government to conduct agricultural programs (Syahyuti, 2014). Indonesia started supporting cooperatives under the Massive Guidance (BIMAS) Program in the 1970s as a tool to distribute government support, facilitate coordination between the central government and local farmers, and coordinate among small producers. The global support for cooperatives grew after the UN designated the International Year of Cooperatives in 2012. As a result of their popularity, RPOs

have increased over the last decade, demonstrating the success of collective action (Roy and Thorat, 2008; Narrod et al., 2009; Bernard and Spielman, 2009; Shiferaw et al, 2009; Markelova and Mwangi, 2010; Francesconi and Heerink 2011; Fischer and Qaim 2011). For example, more than 70 percent of India's milk is produced by small farmers in dairy cooperatives who own one or two animals (FAO, 2004). Similarly, many coffee producers in South America can participate in the market value chain due to their membership in cooperatives and farmer groups (Hellin and Higman, 2003).

Previous discussions on rural producers' agency, however, have centered around their economic agency with the focus on how collective action among small agricultural producers can improve their economic fortune. Through collective action, small agricultural producers have the ability – hence agency – set up their own selling prices, build production infrastructure, and select their own marketing strategy. Meanwhile, rural producers' political agency has been understudied. Why does membership in RPOs constitute rural political agency? I argue there are three reasons for this.

First, the main feature of farmers' organizations is that it is owned and controlled by its members. Self-rule is the basic element needed to build rural political agency. It provides a very simple form of democratic voting and practices that promote political participation (World Bank, 2016). Farmers' organizations are also voluntary, which means that farmers who do join are practicing a form of civic engagement. There are many barriers that prevent rural producers from joining RPOs. Some reasons are: rational calculations of the expected benefits and transaction costs (Stockbridge et al. 2003); weak management and entrepreneurial skills needed to manage an organization (Pingali et al. 2005); collective action problems such as free-riding members and high transactional cost (Olson, 1965); weak interactions with formal authorities (Pur and Moore,

2007); and the inability to act independent of the government (Mohmand, 2016). When rural producers voluntarily decide to join an RPO despite these challenges, they build up their political agency as they gain the ability to participate independently and have control over their well-being.

Second, although their activities center around increasing the economies of scale and market inclusion of its members, many farmers' organizations have now moved beyond those functions into policymaking. For example, Vorley et al. (2012) discuss how coffee cooperatives in Ethiopia have successfully lobbied the government for international market access. In Peru, the national federation of coffee cooperatives have successfully challenged tax laws that disproportionately benefit private businesses (Vorley et al., 2012). In Tanzania, social networks in rural villages are involved in many local policies such as government primary education programs (Snyder, 2008). Farmers' organizations are also involved in policymaking in Indonesia. For example, farmers in Banyuwangi were able to demand settlements over land disputes in 2013 (Tempo, 2013). Additionally, one of the well-known farmers' organization, Network of Farmer Groups, successfully lobbied the local government in Kulon Progo to allocate microcredit loans in its budget to farmers (Vorley et al., 2012). In another example, one of Indonesia's farmers' groups, *Kontak Tani Nelayan Andalan* (KTNA), successfully demanded the government provide more biotechnology to boost agricultural productivity (Metro, 2015). Involvement in policymaking even results in political positions in some countries, notably India and Japan. In these cases, farmers were able to occupy positions in various political parties, the government, and parliament and represent the interests of farmers (Swanson, 2006). As Swanson (2006) argued, "*… farmers' organizations will become the basic building blocks of democratic institutions and will enable farmers to participate more fully in the political process."*

Lastly, RPOs are more accessible for farmers compared to other types of rural organizations. Other types of organizations include religious, women's or youth-based organizations; mass-based development organizations; and rural political parties. Because rural communities tend to work in agriculture, their livelihoods intersect with the economic mission of RPOs. This creates a sense of ownership over the RPOs and an urgency to be part of the organizations. RPOs are also geographically more accessible to join than other organizations because they typically organize around specific landed area and commodities. They thus concentrate in one area as opposed to other types of organizations that are more dispersed. RPOs, particularly cooperatives and associations, are also economically accessible since member fees are democratically agreed upon among members.[3] Since cooperatives and associations are the largest forms of RPOs and the most effective in delivering economic and political outcomes (FAO, 2014), this dissertation will focus on the relationship between these two RPO forms and rural participation.

1.2.3 Explaining Rural Participation in RPOs: The Importance of Contextual Factors

There are two large strands in the literature on RPOs: understanding RPOs' performance and understanding why rural communities become members of RPOs. Both strands, I argue, can help us understand rural participation in the aggregate. First, rural participation depends on whether RPOs exist in a given area and whether they benefit their members. Second, understanding why individual farmers participate in RPOs can help us scale up and explain aggregate level of rural participation.

[3] Chapter 3 will discuss and test these assumptions.

In understanding the performance of RPOs, scholars have focused on the features of successful RPOs in practice, typically measured by how the organizations achieve their goals or how they benefit their members. Despite growing rural participation, most rural producer organizations are still weak (Bourgeois et al., 2003). Many RPOs are not effective in delivering the promised outcome, and many simply fail to maintain their organizations (Markelova et al. 2009 and Poulton et al. 2010).

Scholars of agricultural development have studied factors that strengthen RPOs. Ragasa and Golan (2012) claim that there are five main factors that make RPOs successful. They are: (1) governance and management of the organization; (2) composition and heterogeneity in the organization; (3) membership commitment; (4) community and agro-ecological factors; and (5) external support. Governance and management of the organization refers to the organizational capacity of its members. This is the most widely discussed factor in explaining the success of RPOs. It takes into account the formal governing rules and management bodies of the organization (whether it is strong or not), free-rider problems, the size of the organization, and the leader's accountability (Coulter et al, 1999; Shiferaw et al, 2009, Bernard et al, 2009; Fischer and Qaim, 2012; Ragasa and Golan, 2012).

The composition and heterogeneity of membership are also widely discussed in the literature. Homogeneity among members with respect to educational level, poverty level, age, ethnic and religious background, and shared values positively affects organizational performance (Coulter et al, 1999). The proportion of female participants, particularly in leadership positions, is also important for RPOs to be successful (Barham and Chitemi, 2009). Thus, what's important is not just the homogeneity or heterogeneity of an organization. It's important to consider the member characteristics that would be beneficial for the organization. Another factor that explains

organizational success is membership commitment – the level of engagement of members. For example, Shiferaw et al. (2009) argue that financial contributions or resources of members increase the success of an organization.

Agro-geological and community factors are another factor studied in the literature. For example, distance to markets (Bernard et al., 2009; Barham and Chitemi, 2009; Ragasa and Golan, 2012) and rainfall availability (Bernard et al. 2009; Ragasa and Golan, 2012) are argued to affect the success of RPOs. Some scholars looked at the characteristics of the product or sector where successful collective action was seen. Organization occurred around high-value crops and not food grains (Barrett, 2008; Berdegue et.al., 2001), showing that whether marketing and distribution channels are long and complicated matters (Markelova and Mwangi 2010). Additionally, existing social capital is beneficial for organizations because members who share the same norms and values have an easier time coordinating among themselves (Heemskerk and Wennink, 2004).

The three factors above are considered internal factors that affect successful organization; however as Ragasa and Golan (2012) have noted, external factors have been understudied in the literature. Internal factors refer to the characteristics and operation of the organization, while external factors refer to the environment the organization is embedded in. Different studies on the factors that explain successful RPOs show variation across place, supporting the need to include contextual or external variables in the analysis. Some external variables that have been explored by scholars include incidence of conflict (Montalvo and Reynal-Querol, 2005; Ragasa and Golan, 2012) and external support from NGOs, research institutes, and government agencies (Bernard et al, 2008; Barham and Chitemi, 2008; Ragasa and Golan, 2012). Pojasek (2013) argues that external factors also include many different economic and political contexts such as

legislations, regulatory bodies, economic trends, consumer attitudes, and international trade. This has not been studied for RPOs.

The other large strand in the literature seeks to understand *why* farmers participate in RPOs. Studies on farmer participation in RPOs mainly focus on individual characteristics of farmers, such as their education, age, gender, income, occupation, and time. For example, Karli et al. (2006) studied what factors led farmers to join agricultural cooperatives in Ethiopia. These factors were education, communication skills, income, farm size, and technology. In Northern Ethiopia, farmers decided to join cooperatives based on the following factors: information access, special skills, frequency of attending a public meeting/workshop, education-level of the head of the household, credit access, training access, number of family members in school, distance to main market, availability of infrastructures, farmland ownership, and farmland sizes. A farmer's capital, such as land ownership and equipment, is also important (Shiferaw et al., 2009; Fischer and Qaim, 2011). All these factors contribute to farmer's utility maximization calculation in which farmers join RPOs when costs are lower compared to non-membership (Leathers, 2006).

Existing studies, however, do not explain the overall pattern of rural participation in RPOs across different places. Why do some places have more rural participation than others? Why do more farmers join RPOs in one place than in others? Most studies have established the role of individual resources and attitudes on rural participation but are mostly context specific, resulting in fragmented results. This reflects the need to account for the conditions in which the organizations operate (Ragasa and Golan, 2012). Just as studies explaining the performance of an organization lack contextual explanations, studies on *why* farmers participate in RPOs neglect the role of contextual environments. Contextual factors, such as institutions and social structures,

shape an individual's motives, opportunities, and capacity for political participation. Therefore, these are important elements to consider when understanding rural participation in RPOs.

Although very limited studies have looked at the contextual factors that shape rural participation in RPOs, the literature on civic engagement provides useful information regarding this matter. This literature outlines the following contextual factors that affect civic participation: economic and political institutions, social structure, and cultural settings.

Democratic institutions are fundamental for rural participation because they provide rural populations political rights to organize and vote rights that are limited under authoritarian regimes. However, democracy *per se* does not guarantee that citizens will actively participate (e.g., Barber 1984, Lijphart 1997, Skocpol 1999, Putnam, 2000). Moreover, although democratic institutions even the playing field for farmers in the political arena (Bates and Block, 2013), they still contain power inequalities that hinder rural participation (Van de Walle, 2003). In new democracies particularly, rural communities must fight for access to social power which have been traditionally reserved for political parties, government agencies, and unions (Ferrara and Bates, 2001; Marchetti, 2014). Their participation is thus hindered by bureaucratic systems of control and social exclusion, which fuels a more centralized and elite-based participation (Victor and Heller, 2007).

Another structural disadvantage rural producers face is the ability to act collectively. The conventional wisdom (Olson, 1965) is that collective action is difficult to achieve in a large diffused group such as rural producers. Additionally, market failures; information asymmetry; limited access to education, information, technology, and resources; and the isolated geographical condition of farmers result in them becoming underrepresented in politics (Omamo,

1998; Key et al., 2000; Minot, 2007; Barret, 2008). Public policies become dominated by small concentrated interest groups because they can better overcome collective action problems. Thus, rural participation and political agency face many challenges due to an unequal social structure, leading to policies that marginalize small agricultural producers and continue poverty and development problems of developing countries (Conray et.al, 1996).

Thus, the specific institutional features of democracy that promote broad civic participation are important. Kriesi (2004) argue that the openness of the political system creates formal access and more possible channels to influence politics, therefore increasing civic political participation. This study uses the characteristics of the state to measure the openness of the political system. It argues that states that are facilitative, cooperative, and rely on integrative strategies lead to a higher overall level of mobilization. Under an open system, states rely on cooperation with non-state actors and are open to public engagement. This contrasts with states that employ exclusive strategies that limit public engagement.

The deepening process of democratic institutions, particularly through decentralization, has been widely discussed to benefit rural populations and increase their engagement. Decentralization is considered to improve public service provision and better governance through the empowerment of citizens. Decentralization makes it is easier for citizens – especially marginalized groups – to take part in decision-making through local governments (Crook and Manor, 1998; Blair, 2000; Crook and Sverrisson, 2001). The most common practice within the decentralized system is participatory budgeting, where rural communities negotiate and criticize local budgeting. In India, for example, the village meetings, known as Gram Sabhas, and the panchayats system helped a marginalized group have a voice in local bodies. The group was able

to improve village health and sanitation (Joan Costa-Font and Divya Parmar, 2106). Additionally, those in rural areas have become more aware of the importance of participating in decision-making programs since public officials, particularly at the local level, have improved their responsiveness (Crook and Manor, 1998; Manor, 1999; Blair, 2000; Crook and Sverrisson, 2001).

1.3 Research Design

This dissertation adopts a mix-method approach using both qualitative and quantitative analyses in answering the research questions. An original survey and interviews were conducted as part of the qualitative strategy, with the main goal of obtaining key information for developing the theory and collecting original data that was not available elsewhere. Interviews have played an important part in developing the theory, where it can reveal the underlying rational choice and incentive of an action and help to differentiate among different potential causal mechanisms. To generate a causal explanation from the case, semi-structured interviews were conducted during my research field in the summer of 2017. The respondents consist of small farmers – both members and non-members – of RPOs, board members of RPOs, and people from related government agencies.

An original survey of 220 rural producers drawn from 30 villages across three districts of Indonesia – Keeron, Papua; Muara Banyu Asin, South Sumatera; and Semarang, Central Java – was conducted to obtain information on their membership in RPOs as well as their individual socio-economic and political information. The spread of the region can be seen in Figure 1.1 of Indonesia's states. The data collected from the survey were then used for quantitative empirical

analysis to: (1) identify the conditional factors that motivate farmers in joining an RPO and (2) see how membership in an RPO shape member political participation.

Figure 1.1. Map of Regions in Indonesia

Secondary data at the subnational level of Indonesia were also collected to see the correlation between the identified contextual factors with the level of rural participation. This helps us understand how the level of rural participation in RPOs varies considerably across regions of Indonesia. Panel data of Indonesian states during the period of 2010-2015 were collected, which consists of RPO membership, socio-economic and political context of the regions, and different governmental agricultural and welfare programs. Cross-country data on RPO activities appear to be non-existent. But even if the data did exist, comparison across cases might not be feasible since the nature and characteristics of rural organizations might differ

across countries. Since subnational data is more accessible and comparable, the subnational variation can provide similar insights in understanding rural civic participation in general.

However, a case should not be selected because it is interesting or has data available (George and Bennett, 2005). Its selection should be relevant to the research objective and be able to provide the kind of control and variation required by the research problem. Indonesia is a good case to understand rural civic participation for a number of reasons. Indonesia is a large and growing country and ran as the world's 10th largest economy. Its population is 252 million, with 28.6 million still living below the poverty line (World Bank, 2014). Indonesia is open to the world market, with a value of over 350 billion US dollars. It is engaged in numerous trade agreements, including the ASEAN Free Trade Agreements (AFTA) and World Trade Organization (WTO) agreements.

Most importantly, Indonesia is the third largest democracy according to the Freedom House Index, which emphasizes public participation. Indonesia is dominated by small scale producers where 99.79 percent of Indonesian producers are small scale, and only 0.01% of producers are large scale (Indonesia's State Ministry for Cooperatives Small and Medium Enterprises). Since 2004, Indonesia has decentralized its economy giving administrative and fiscal power to districts. Local governments are also responsible for many tasks, including management of natural resource sectors and the provision of social services, such as health and education. The local government is selected through local elections, known as the *pilkada*, that are separated from the national elections. Thus, given Indonesia's regime-type (democracy) and its economic relevance, studying rural civic participation in Indonesia can provide a better understanding of rural civic participation in general.

1.4 Structure of the Dissertation

This dissertation is divided into seven chapters. Chapter 1 provides an introduction, literature review, and an overview of the project. Chapter 2 and Chapter 3 provide a historical background of rural participation in Indonesia during two different political systems. Chapter 2 focuses on rural participation under the "New Order" authoritarian regime, while Chapter 3 focuses on rural participation under the democratic regime. The next three chapters will provide empirical analyses on rural civic participation in Indonesia.

Chapter 4 focuses on the following question: does membership in an RPO increase rural political participation? This chapter looks at the role of RPO membership on individual political participation by using quantitative analysis based on the survey data I collected on 220 farmers drawn from 30 villages across three districts of Indonesia. In this chapter, I discuss how RPOs can also function as a tool for its member to participate in political activities not just economic activities. The study focuses on two forms of political participation – elections and public policymaking. Past studies on the role of RPOs have mostly focused on how RPOs increase economic production and sales. Meanwhile, studies on RPOs' role in politics are scarce at best.

Chapter 5 focuses on the following question: what are the contextual factors explaining rural participation in RPOs? This chapter identifies the key contextual variables that explain rural participation in RPOs. Through interviews and the survey, I gathered information on the external factors that motivate respondents to join RPOs. Using panel data of Indonesian states from 2010 to 2015, I then conducted a quantitative analysis that tests the correlation between different contextual variables and the level of rural participation in RPOs. Studies explaining rural participation across the developing world have focused on *when* or *how* small rural agricultural producers organize. While most explanations reference internal aspects of an organization – the

characteristics of members and organizational features – the literature lacks explanations on the context in which the organization is placed. In other words, existing explanations do not answer why rural organizations are more prevalent in certain areas than others.

Chapter 6 focuses on the following question: does rural participation result in farmers obtaining their desired policy outcome? This chapter analyzes the effect of rural participation in RPOs in obtaining government support, both in the form of agricultural productivity programs and general social welfare programs. Quantitative analysis was conducted using the panel data of Indonesian state from 2010 to 2015 to test this. Additionally, given that these government programs were only provided to a specific group – farmers – this chapter tests whether political contextual variables influence this relationship between rural participation and government agricultural support.

And lastly, Chapter 7 provides a summary of the findings, a conclusion, avenues for future research, and the policy implications of this study.

CHAPTER 2

RURAL CIVIC PARTICIPATION UNDER INDONESIA'S "NEW ORDER" AUTHORITARIAN REGIME

2.1 Introduction

This chapter provides historical and institutional background on rural civic participation during the 32 years of Indonesia's authoritarian regime known as the "New Order" regime. Although rural civic participation in Indonesia has existed since the Dutch colonial era, it was formally institutionalized under the "New Order" regime which set the legal bases for many rural organizations in Indonesia today. Under the rule of President Suharto, agriculture became the leading sector in the economy. Substantial agricultural development programs were implemented, including programs that promoted rural civic participation and rural organizations. The regime achieved remarkable agricultural growth and economic outcomes. However, rural communities did not actively contribute to these economic outcomes since agricultural development occurred through oppressive top-down governance.

The chapter proceeds as follows: Section 2.2 discusses the early years of Indonesia's agricultural institutional development from the post-independence "Old Order" era to the "New Order" authoritarian regime. Section 2.3 discusses the extensive agricultural development programs adopted by President Suharto during the "New Order" regime. Section 2.4 focuses on how rural participation was developed and shaped by institutional and political forces. Section 2.5 concludes the chapter.

2.2 Institutional Shift from Post-Independence "Old Order" Regime to "New Order" Regime

The "New Order" regime (*Orde Baru*) refers to the administration of President Suharto that was established in 1966 to replace the post-independence "Old Order" regime (*Orde Lama*) administration under President Sukarno. The "Old Order" regime lasted from the beginning of Indonesia's independence in 1945 until the overthrow of President Sukarno in 1966 after a series of political and economic instability. Within the first year of independence, the Sukarno government established "Pancasila," the five basic principles of Indonesia (monotheism, nationalism, humanism, social justice, and democracy), and the national constitution known as the "UUD 1945" (*Undang-Undang Dasar 1945*). However, ideological conflict over the nation's political system, institutional infrastructure, and international relations emerged in the 1950s (Salim, 2001). Part of the reason for the conflict was Indonesia's multi-cultural society and dispersed population, as well as the deep ideological tension mainly occurred between four major groups in the country: (1) the military; (2) Communist Party; (3) Nationalist Party; and (4) Islamist organizations.

The military (Indonesian Army) held a significant role during Indonesia's independence and continue to be an important group in Indonesia's post-independence political activities. Indonesia's 1945 constitution, however, does not provide any political role for the military but instead provides important roles to civilians and the President (Said, 2001). But Indonesia's strong military force continued after the revolution, and the early years of Indonesia's independence were marked by a "dualism" of leadership between President Sukarno and the military. Many of Sukarno's instructions were disobeyed by the military, creating a hostile environment between them (Said, 1991). The tension escalated quickly, mainly due to the

development of the Indonesian Communist Party (*Partai Komunis Indonesia* or PKI) during the post-independence period. The Communist Party received support from President Sukarno, but part of the military were against the Party (Horowitz, 2013).

Communism in Indonesia, developed during the Dutch colonial era in 1924, grew rapidly during the "Old Order." Poverty increased during the post-independence period and concerns over the spread of capitalism were growing. The Communist Party's main goals were to fight for equality for disadvantaged people, such as peasants and rural labors, and promote the establishment of rural-based organizations, such as Indonesian Peasant's Front (*Barisan Tani Indonesia* or BTI) and workers unions (Aspinall, 2005). The Communist Party's members grew from less than 8,000 to fourteen million, making it one of Indonesia's most popular parties (Pauker, 1969). The Party developed close ties with the Indonesian National Party (*Partai Nasional Indonesia* or PNI), a revolutionary party established and led by Sukarno. The two parties aligned to counter the increasing strength of the military. This later developed into a conflict between two ideologies, capitalism – supported by a significant part of the military – and communism. All this was happening in the context of the Cold War. Thus, this international ideological conflict seeped into Indonesia and escalated the country's domestic conflict (Aspinall, 2005).

Meanwhile, a growing number of Islamist groups and parties were interested in making Islamic ideology the state's principle. However, these groups did not gain significant power over the state. They were rebuffed by the significant number of non-Muslim citizens in Indonesia and the country's desire to prevent a separatist movement (Said, 2001). Moreover, due to Indonesia's multicultural society and Sukarno's active nationalism campaign, Islamic political parties found few ideological supporters among the citizens (Yulianti, 2015).

Due to these ideological conflicts, the "Old Order" era experienced a series of economic and political instability. The country's multiparty electoral system created coalitions of groups that found it difficult to reach a common ground. The distribution of power was relatively equal among the political parties,[4] which created instability in Indonesia's early political life. Between the years 1950-1959, Indonesia experienced seven cabinet changes (Cribb, 1999). Indonesia's political system changed from a presidential system to a parliamentary sytem to a liberal democracy and, lastly, to a "guided democracy."

Indonesia's liberal democracy, implemented from 1949-1957, was the closest to a western democracy. However, it failed due to a lack of sufficient institutional support, low education rates and support for a democratic culture, and a lack of economic support (Hadiz and Robinon, 2013). To replace the liberal democracy and provide a fresh start to a polarized economy, President Sukarno adopted the "guided democracy." The administration, 1959-1965, was also known as a "systematic and planned democracy" or a "democracy with leadership." (Hadiz and Robinon, 2013). Although the goal was to achieve better national planning, the "guided democracy" was essentially an authoritarian regime. Most of the national decision-making processes were controlled by the presidency with limited political constraints. Under this system, Sukarno implemented populist economic policies and emphasized the importance of building a national culture to unify the different local cultures and reduce the influence of Western imperialist culture. His most popular policies were the nationalization of Dutch commercial companies and the adoption of a closed economy in which Indonesia cut all ties with the West, including the United Nations, IMF, and the World Bank (Glassburner, 1962).

[4] The first Indonesian election in 1955 was participated by 172 parties with four main parties and the results as follows: (1) Masyumi Party (Islamist) receive 20.9 percent of votes; (2) Indonesian National Party (PNI) received 20.3 percent; (3) Nahdatul Ulama (Islamist) received 18.4 percent; and (4) Indonesian Communist Party (PKI) received 16.4 percent (Tomsa, 2008).

However, this created an economic catastrophe. Indonesia no longer received any foreign aid money, and most of the plans to nationalize dutch companies failed due to unqualified bureaucratic officials (Said, 2001). Moreover, Sukarno spent much of his focus on political issues, both domestic and international, rather than on national economic problems. By 1966, Indonesia’s budget deficit reached 300 percent of government revenue, and hyperinflation reached 600 percent (Kingsbury, 2002).

In addition to this economic crisis, the 1960s was characterized by a growing tension between the Communist Party and the military. Sukarno supported redistribution of rural agricultural lands, which increased the strength of the Communist Party. Invigorated by the popularity of the Party, many rural communities participated in protests and demonstrations against western values. These values, they argued, affected their stability and security. Concerned by the radical demonstrations and riots across different parts of Indonesia, some military forces – those who were proponents of capitalism – raised concerns about the growth of the Communist Party and demanded the government abolish it. In an effort to ease these ideological tensions, Sukarno created a controversial policy aimed at combining three significant ideological fractions – Nationalist, Islamic, and Communism. This policy was known as *Nasionalis, Agama, dan Komunis* (NASAKOM). By combining these elements, Sukarno wanted Indonesia to honor each of the elements (Said, 2001). The implementation of Nasakom, however, led to a stronger polarization between the Communist Party and the military. The military itself was divided between those who supported Sukarno’s administration and those who were against it.

The polarization between the Indonesian Army and the Communist Party reached its peak in the mid-1960s. There were a series of massacres against communist members and a coup

against Sukarno in 1967 (Tomsa, 2008). Suharto, commander in chief of the Indonesian Land Army, used propaganda and subversive tactics against communists to overthrow President Sukarno and gain power. On February 22, 1967, Suharto became president and established the "New Order" regime to replace the "Old Order" regime. This represented a significant ideological shift in Indonesia.

The "New Order" regime restructured Indonesia's political and economic systems. Three development principles (*trilogi pembangunan*) were adopted. They emphasized: (1) equal development for all citizens to secure national stability, (2) increased economic growth, and (3) economic stability. A series of comprehensive economic stabilization and rehabilitation programs were developed to reverse many of the policies implemented during the "Old Order" regime. Two important policies were restoring Indonesia's ties with the West and enhancing developmental programs. In restoring ties with the West, Indonesia implemented an economic package to gain foreign aid and investment inflow returned to the country. The package focused on four policy approaches: (1) open up to foreign investment, (2) practice fiscal discipline and balance the budget, (3) practice monetary control through increased interest rates and stabilize the budget through exports and imports, and (4) decrease and control foreign debt.

Indonesia reintegrated into the international market and joined the IMF, UN, and World Bank as well as other international organizations such as the Organization of Petroleum Exporting Countries (OPEC), Asia Pacific Economic Partnership (APEC), and Consultative Group on Indonesia (CGI). This provided the Indonesian economy financial assistance and signaled to foreign investors that Indonesia had a conducive investment climate. Access to Indonesia's market improved significantly. Tariffs on imports declined from 59 percent in 1987 to 16 percent in 1995, and Non-Tariff Barriers (NTBs) dropped from 77 percent to 17 percent

(Bird et al., 2008). Indonesia established a foreign investment law in 1967 and repealed a domestic investment law in 1968 to simplify economic activity and encourage foreign investors to provide new private capital investments.

Another hallmark of the "New Order" regime was its emphasis on developmental programs, particularly those that targeted rural areas. This emphasis on rural development, along with other economic strategies, was part of the Indonesian Broad Guidelines of State Policy (Garis-garis Besar Haluan Negara or GBHN). This policy laid out Indonesia's key policy approaches. The vast majority of Indonesia's population live in rural areas. Therefore, their incorporation into the economy is vital to increasing the country's overall economic development and accelerating its modernization efforts. Due to this realization, the government implemented both short- and long-term development planning goals, known as the Five-Year Development Plan (Pembangunan Lima Tahun or PELITA). This plan emphasized the provision of basic needs, such as education, income, health, employment, entrepreneurial opportunities, and justice, for rural communities. To achieve these goals, the state deemed it necessary to be actively involved in the economy and to maintain strong links between its state bureaucrats and the business community.

Suharto's emphasis on improving the economic conditions of rural areas was not just an economic decision. It also served to maintain his political stability. The possibility of a communist resurgence was a main concern in the early years of the "New Order" regime since rural communities were in deep poverty. To hinder such resurgence, Suharto emphasized improving the agricultural sector, particularly rice production – Indonesia's main food staple. The target was to achieve rice self-sufficiency and lessen Indonesia's dependence on imports. Because the "New Order" regime had re-established ties to the West, it was able to finance these

programs from the foreign capital flowing into the country. As a result, the Indonesian economy grew at an average annual rate of over 6 percent. Because of the remarkable economic successes during the "New Order regime," Indonesia was referred to as one of the "Asian Tiger" economies. Additionally, Suharto was famously named the Father of Indonesian Development.

While Indonesia experienced economic liberalization during the "New Order" era, political liberalization, however, was limited. In order to strengthen Suharto's political power, the regime was highly centralized, patrimonial, and predatory (Slater, 2004; Aspinall, 2010). The state controlled state resources and extracted profits from these resources. The state also distributed patronage through rent-seeking practices. It used quotas, licenses, and monopolies to serve the interest of Suharto and his family, friends, and political allies (Malley 1999). Rosser et. al. (2005) highlight four main groups that benefited from the regime but served Suharto's interests: (1) the politico-bureaucrats, which included military officers and high level bureaucrats; (2) domestic conglomerates; (3) controllers of mobile capital, such as portfolio investors, international banks, and manufacturing investors; and (4) western governments.

The regime used different strategies to maintain their political power. One effective way was to limit the political parties allowed to contest elections. Although this strategy can be seen as a way to create a more stable political environment, it was essentially a tool for the government to consolidate power by having fewer people mobilized for elections (Hadiz and Robison, 2013). During the first Indonesian election in 1973, the government only allowed a few parties to participate and urged parties to collaborate. As a result, there were only three main parties during the election: (1) the United Development Party (*Partai Persatuan Pembangunan* or PPP), which consists mostly of Islamist parties such as Nahdatul Ulama (NU), the Muslim Party of Indonesia (Parmusi), the Islamic Association Party of Indonesia (PSII), and the Islamic

Educational Movement (Perti); (2) Indonesian Democratic Party (*Partai Demokrasi Indonesia* or PDI), which includes nationalist parties such as the Indonesian National Party (PNI), the League of Supporters of Indonesian Independence (IPKI), Murba Party (Partai Murba), the Indonesian Christian Party (Parkindo), and the Catholic Party (Partai Katolik); and (3) Functional Group Party (*Golongan Karya* or Golkar). Meanwhile, the Communist Party was completely banned from the system. The government essentially tried to depoliticize Indonesia.

The regime also created a hegemonic party system, where Golkar became the regime's leading political party. Golkar was Suharto's parliamentary and electoral vehicle to garner support for the government, thus the regime made efforts to ensure that Golkar kept winning elections (Gaffar, 1992). This was done by obligating civil servants to vote for Golkar through the establishment of the Indonesian Civil Servants Corps (*Korps Pegawai Republik Indonesia* or KORPI) (Emmerson, 1978). Other organizations such as labor unions, peasant groups, and business associations were also required to become members of Golkar and vote for the party. This limited overall civic mobilization since many civic organizations were affiliated with Golkar. This support, however, was not without its costs. In exchange for support, the regime had to maintain a close relationship with voters, for example, by funding their activities (Hadiz and Robison, 2013). As a result, Golkar won in all the elections during the "New Order," earning over 70 percent of votes each time. Golkar's supremacy allowed the government to control the parliament and easily approve government programs, including those that allowed the government to extract profits. Moreover, since the parliament appointed the President, Suharto was easily able to serve as President for six terms.

To have more control over the political system, the government formed an alliance with the military. They not only served as a security force but also functioned as political actors. In

doing so, the military typically had a seat in parliament and were involved in policymaking processes. This was known as the "double-function," or dwifungsi, of the military. At the same time, the regime had implemented regulations to limit civic mobilization. The regime limited the ability of civilians to conduct demonstrations or protests as well as having control the media. Thus, despite implementing strong developmental programs, Indonesia's "New Order" regime cannot be considered a developmental state (Maclntyre, 1994).

The next two sections provide the contradictory effect of "New Order" institutions for rural communities. On the one hand, the "New Order" regime provided government support for rural development. On the other hand, the regime's predatory nature limited the political development of rural communities.

2.3 Agriculture Development Programs under the "New Order" Regime

The agricultural sector has been the main driver of Indonesia's economy since its independence until today. It was also the central focus of the "New Order" regime for two reasons. First, the agricultural sector accounts for around three-quarters of total employment in Indonesia, making it a significant piece of the nation's overall economic performance (Timmer, 1998). Not only does the agricultural sector provide a source of livelihood for many Indonesians, it also reduces food shortages and the poverty rate. Moreover, an increase in food production also provides cheap products for consumers in urban societies (Fahmid, 2004). Second, a healthy agricultural sector was crucial in maintaining the political legitimacy of the regime. A poor performance in the agricultural sector can result in a high rate of poverty, increasing the risk of communist infiltration, political crises, and social conflicts.

The regime implemented four comprehensive policies to increase overall agricultural production and productivity: (1) agriculture intensification, which used techniques from the "Green Revolution;" (2) agriculture extensification, which extended agricultural production to other regions outside Java island – where most agricultural activities take place; (3) agriculture diversification, which increased agricultural production from a few commodities; and (4) agriculture rehabilitation, which increased agricultural production by rehabilitating land and commodities that were in crisis. Suharto, however, put his main priority in developing food crops, especially rice – the primary food staple for Indonesians. By having access to foreign aid, the regime had the resources to spend on agricultural and rural development programs, with agriculture receiving an average of 30 percent of the national budget (Booth, 1998).

Rice, in particular, received special attention, where 65 percent of the total population depends on rice (Timmer, 2005). Due to its significance, rice has become a political commodity. Several events in history have shown that when there is instability in either price or stocks of rice, civil unrest will increase. Moreover, because many farmers supported the Communist Party, government need to make sure to keep communism at bay and maintain political stability. Therefore, one of Suharto's prominent programs was to achieve rice self-sufficiency and lesson Indonesia's dependence on rice imports.

As part of the effort in achieving food self-sufficiency, Suharto implemented several strategies that intervened in food production and distribution. Suharto applied the "Green Revolution" strategy, where the agricultural production process adopted some agriculture technologies – chemical fertilizers, improvements in the irrigation system, new seeds, pesticides, and modernized farming techniques. The government managed access to fertilizers, seeds, and other production inputs and provided large subsidies for farmers to access these technologies.

National fertilizer factories such as Petro Kimia Gresik, Pupuk Sriwijaya, and Asian Aceh Fertilizer were established to ensure that agricultural inputs were within the national price range. The "Green Revolution" strategy also emphasized research and developmental programs and getting farmers access to capital.

The government also heavily invested in rural infrastructure, such as roads, irrigation systems, bridges, water supplies, and dams, as well as supported infrastructure such as schools, markets, and health centers. Within the national five-year development plan (*Rencana Pembangunan Lima Tahun* or Repelita), irrigation development had its own chapter. By 1978, rural infrastructure accounted for 12% of the national development budget. Moreover, research and development programs, as well as better financial access for farmers, have been an integral part of the green revolution.

The regime set up a number of institutions to support its agricultural programs. This included the agriculture extension body, village cooperatives, the National Logistic Body (*Badan Urusan Logistik* or BULOG), and research institutes such as the Agriculture Technology Development Body (*Badan Pengkajian Teknologi Pertanian* or BPTP). The agriculture extension body was established to assist farmers in implementing new technologies under the "Green Revolution." It was established by President Instruction No. 4 Year 1973 and assigned to the Ministry of Agriculture. The body instructs that agriculture extension officers be placed at the village level to work closely with farmers' organizations. It is part of the general "mass guidance" program, or *Bimbingan Masyarakat* (Bimas), in which farmers are trained and educated to use agricultural technology – seeds, fertilizers, and pesticides. Bimas was carried out in cooperation with foreign organizations, such as the International Rice Research Institute that promotes the use of high-yielding rice varieties (Bowen, 1986). At the same time, the

government established a mechanism for farmers to dialogue with other farmers, extension officers, government officials, and the President. This was known as "the group of listener, reader, and audience" (*Kelompok Pendengar Pembaca dan Pemirsa* or Kelompencapir). Other participatory programs included the farmers management system (*Panca Usaha Tani*), mass intensification (*Intensifikasi Massal* or Inmas), and Special Operation. These bottom-up institutional programs helped the "New Order" era successfully implement the "Green Revolution" since they provided support for farmers to participate in many different government programs (Suyatno, 2007).

As part of the effort to increase rural participation in government programs, the government established village cooperatives (*Koperasi Unit Desa* or KUD). Different forms of cooperatives − such as agricultural cooperatives, village cooperatives, and commodity cooperatives − have existed since the colonial era. However, Suharto incorporated them into the KUDs through President Instruction No. 4 Year 1973, which emphasized agricultural activities. The focus of KUDs was then shifted to rural village cooperatives through President Instruction No. 2 Year 1978. And through President Instruction No. 4 Year 1984, Suharto established more concrete programs to develop these village cooperatives.

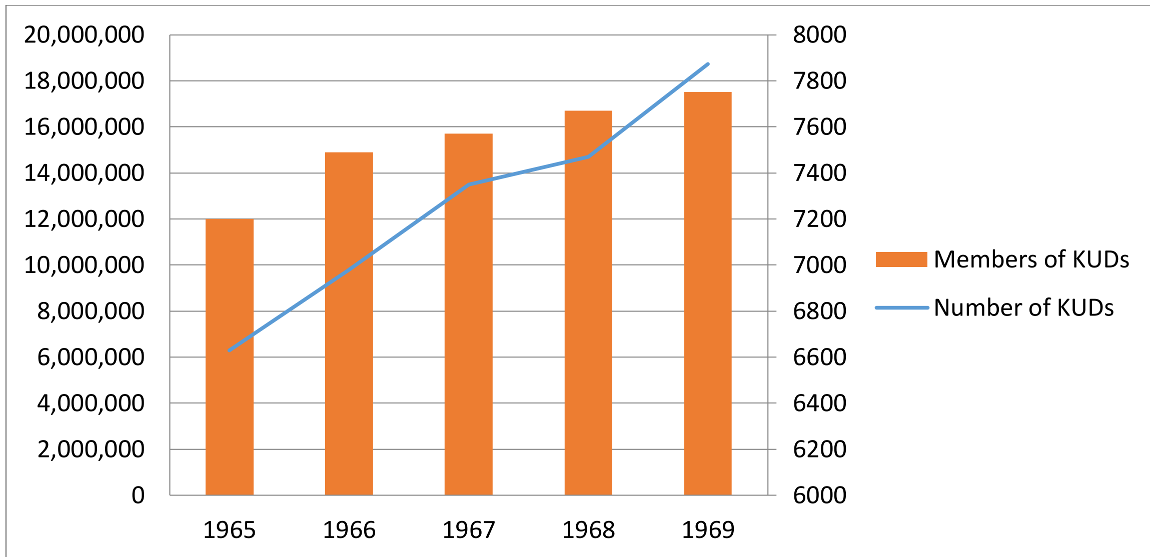
The purpose of village cooperatives is to organize agricultural activities among farmers and serve as a mechanism for the government to distribute agricultural inputs, facilitate production, and market its agricultural development programs. Through village cooperatives, farmers not only have access to production inputs but also bank credit and the government's farmer credit (*Kredit Usaha Tani* or KUT). However, village cooperatives are also a way for the government to control and monitor the agricultural production process and push for further production when the production targets are not met. While farmers' organizations existed in

colonial Indonesia, they were first institutionalized as agricultural cooperatives under the "New Order" era.

In 1988, the Minister of Cooperatives proclaimed Instruction No. 04/Ins/M/VI/1988, guidelines on how to develop village cooperatives. The program centered on how to increase the role of village cooperatives in the national economy. It also focused on increasing the welfare of KUD members by improving their economic and organizational skills, increasing their access to financial support, and supporting research and development. A Special Instruction (*Instruksi Khusus* or Insus) was also made available to farmers' organizations. It assigned a special group that developed a work plan, spread information, monitored organizational activity, coordinated cooperation among different farmers' organizations, and held communication with the government and related stakeholders. Several benchmarks were used to define successful village cooperatives. For example, village cooperatives were successful if they had at least 25% of eligible farmers as members. Success was also measured by a minimum level of funding.

As a result, the number of village cooperatives and its members increased during the "New Order" era, with KUDs experiencing an average growth of 6.28% and KUD membership experiencing a growth of about 13% (Graph 2.1).

Graph 2.1. Number of Village Cooperatives (KUD)



Source: Compiled from Indonesian Bureau Statistics (BPS) and Ministry of Cooperatives

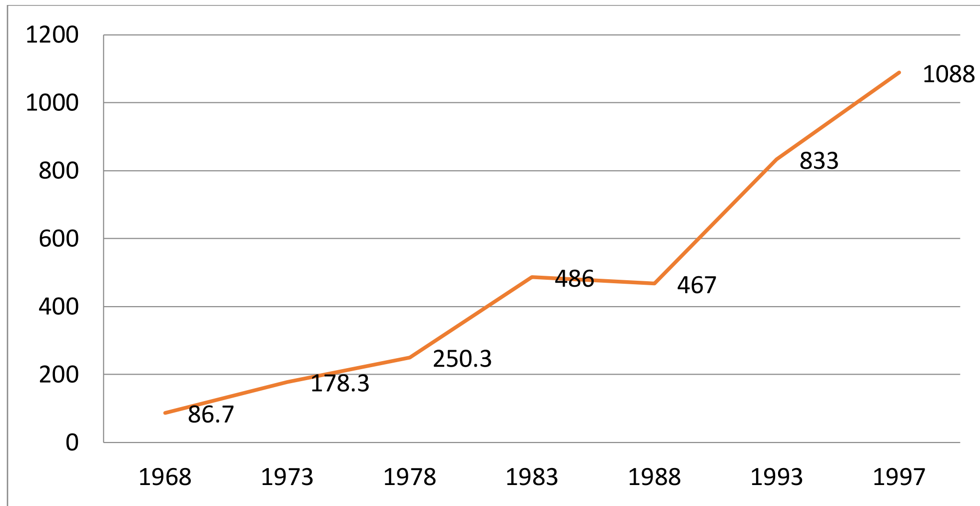
Another important development during the "New Order" era was the establishment of the National Logistics Agency (*Badan Logistik Nasional* or Bulog), which was a marketing board that functioned to control overall national production and food supply as well as the distribution of agricultural products to stabilize prices. Through Presidential Decree No. 272 Year 1967, Bulog was formed as the "single purchasing agency" for agricultural commodities. It is a non-ministerial body that reports directly to the President. The Presidential Decree established this monopolistic body to secure the nation's food supply, maintain price stability, and regulate the import and export of most agricultural commodities such as rice, sugar, soy, eggs, meat, and cooking oil – the primary staples in Indonesia (Saifullah, 2001). Bulog was given several instruments that allowed it to determine government buying price, ensure commodity procurement, and maintain market operation. It also worked closely with KUDs and set the base price of commodities so that farmers' incomes were protected. Bulog maintained a well-

coordinated warehouse network and transportation system to ensure distribution stability. It established multiple storages that were spread across 1,500 locations in Indonesia with a capacity of 3.5 million tons (Saifullah, 2001).

Additionally, to support these agricultural programs, the government invested in a research institute, the Agriculture Technology Development Body (*Badan Pengkajian Teknologi Pertanian* or BPTP), that provided innovation in agricultural production techniques and seed efficiency.

As a result of these programs, the agricultural sector in Indonesia developed rapidly. Food staple production increased from 12.2 million tons in 1969 to 25.8 million tons in 1984. By 1984, Indonesia had also become a rice self-sufficient country, shifting its position from the world's third largest importing economy to an exporting country the following years. The shift in the agricultural sector also impacted macro level economic growth due to an increase in farmers' incomes and other development outcomes. During the "New Order" era, poverty was reduced by half from 23 percent of Indonesia's total population to only 11 percent. Also, economic growth increased from 2.25 percent in 1963 to 12 percent in 1969, with an average annual rate of growth of over 6 percent (Graph 2.2). Inflation decreased drastically from 650 percent to 12 percent in three years during the "New Order" era (Table 2.1). Indonesia received recognition from the Food and Agriculture Organization (FAO) and the United Nations as one of the "Asian Tigers" due to its remarkable economic success. This was especially notable as Indonesia did not follow the "urban bias" pattern of industrialization. This means that instead of putting significant support in urban communities, the government gave the agricultural sector significant support (Timmer, 1998; Anderson et.al., 1986).

Graph 2.2 GDP per Capita (in US$) under the "New Order" regime



Source: Indonesian Bureau Statistics (BPS)

Table 2.1. Economic Indicators of Indonesia under the "New Order"

Year	Inflation	Economic Growth
1964	135.1	3.5
1965	594.3	1.1
1966	635.3	2.8
1967	112.2	1.4
1968	85.1	10.9
1969	12	12
1970	8.9	7.5
1971	2.5	7

Source: Boediono (2016), p.82

2.4 Rural Civic Participation During the "New Order" Era

The "New Order" regime supported rural civic participation mainly through the village cooperatives or the KUDs. However, government support of these KUDs was mainly political – development programs were provided in exchange for political support (Bhakti, 2004). The government monopolized almost all aspects of agriculture production, distribution, and

marketing using a top-down, supply-driven, and centralized command and control approach. Meanwhile, local governments only functioned as surveillance bodies and forms of social control when local farmers did not follow the federal government's instructions. The power held by Suharto and his small circle of elites allowed them to control state profits and secure rents in strategic sectors, such as agriculture, through quotas, license distribution, and monopolized institutional practices.

Clientelism and rent-seeking practices were also prevalent in Indonesia's "New Order" regime. New institutions, such as Bulog, were intentionally set up by the regime to maintain Suharto's power. The regime established a clientelistic relation between it and these institutions to extract profits. Bulog, for example, was allowed to monopolize many aspects of the agricultural sector, such as price setting, marketing, and regulating the import and export of the most important agricultural products – rice, sugar, coffee, palm oil, and cloves. This also includes the direct appointment of milling services and taking full decisions for most of the government procurement process. The agency was led by people who were close allies with Suharto and accountable to him only, thus it had limited legitimacy from the public. One of the major ways rent-seeking occurred was through exclusive licenses, where distribution opportunities and trade contracts were given to privileged groups that had a close relationship with Suharto or his allies.

Additionally, subsidies and government allocation grants were mainly given to private or state-owned plantations that could be controlled by the government (Barlow and Tomich, 1991). For example, the Clove Marketing and Buffer Stock Agency (BPPC) – controlled by Tommy Suharto, Suharto's youngest son – received exclusive rights over the clove trade (Borsuk 1999). Similarly, State Plantation Companies (*P.T. Perkebunan Negara* or PTPN) –which oversaw

estate crops – and PT Rajawali Nusantara Indonesia – which oversaw sugar distribution – were both state-owned trading companies. Often, the appointed person or agency in charge did not meet the standards and requirements to perform the tasks. They thus re-sold their contracts to legitimate companies that met the government's facilitiy, quality control, and legal requirements.

Similarly, the village cooperatives or the KUDs provided a source of extractive and rent-seeking opportunities for a small group of elites, typically through key village leaders or more prosperous farmers (Mackie and MacIntyre, 1994; Rock, 2003). They were closely linked to the government and had the power to organize farmers and supervise all their agricultural activities (Mackie and MacIntyre, 1994). The regime wanted to make certain that rural communities had a high appreciation for the government programs to ensure their continued political support. The role of rural elites was important to make sure that such government support was secured. A patron-client relationship was therefore established between the government and elites in rural organizations. These rural elites acted as monitoring agencies in the countryside by identifying loyal followers and ensuring support to the central government (Antlov 1995; Hellman, 2003). One way the government tried to gain support was by holding inauguration ceremonies every time the government provided agricultural development programs. The government needed this political support because it was really important for the "New Order" regime to be portrayed as a corrective force of the "Old Order regime." By gaining a lot of support from rural societies, the regime could claim some legitimacy.

Several approaches were implemented by the regime to establish a clientelistic relationship with rural communities. For example, a uniform village administrative structure was implemented across the country to control all village-level programs, with KUDs functioning as a coordinating body to implement government programs. Since government support was also

given to ensure that Golkar continued to be re-elected, the role of KUDs and local leaders was to monitor citizens and suppress political dissent. Thus, rather than functioning as a collective body and representative of farmers, the KUDs were intended to be a tool to implement orders from the central government (Bourgeois et.al., 2003). The promotion of rural participation did not empower farmers because they had very little recourse to challenge the state and were unable to mobilize freely.

Farmers' organizations were also banned during this era, with village cooperatives or KUDs being the only farmers' organizations allowed. The government's establishment of the KUDs was therefore more of a mechanism to supply governmental programs rather than a tool that responded to farmers' actual needs (Hermanto and Swastika, 2011). Even the largest farmers' organization, National Indonesian Farmers' Union (*Himpunan Kelompok Tani Indonesia* or HKTI), was a quasi-state corporatist union. It was affiliated with the ruling party Golkar, and leaders of the organization were always from Suharto's circle. Thus, farmers during this era were very passive, lacked technical and managerial skills, and had limited opportunities for political mobilization (Booth, 1992; Tabor, 1992; Tjondronegoro, 2017). Nevertheless, because of active government control and government incentives, there was still see a high participation rate of farmers in KUDs (Hermanto and Swastika, 2011).

Furthermore, farmers faced other barriers that hindered their political agency during the "New Order" era. First, rural elites used farmers' organizations for their rent-seeking activities. Small farmers, therefore, had less control over farmers' organizations and policy outcomes. This created a wealth disparity among farmers. As a result, farmers' political agency became limited, as collective action among farmers was difficult to achieve (Tabor, 1992). Second, the situation was made more complicated with the open economy. Foreign investment into the country was

increasing, and more land was needed to build infrastructure, factories, and buildings. Thus, the "New Order" era was characterized by land conflicts, as land was coercively taken from smallholder farmers with little to no compensation. Land grabbing became common since the government relied more and more on large investments for their rents. As a result, the lot size of farmers declined from 0.93 acres per family to 0.83 acres, and the number of landless farmers increased drastically (Booth, 2000). This affected the credit score of farmers, leaving them with no assets for mortgages. This entrapped farmers in a circle of poverty.

Lastly, farmers had less control over their income, as they became dependent on products and technology that were costly and cut into their profits. Although KUDs provided farmers with access to agricultural inputs, they set high prices for fertilizers, seeds, and pesticides. This suppressed the real income of farmers. Moreover, industrialization in the agricultural sector was unequal across farmers. The system disproportionately benefited wealthy farmers who were able to use the new technologies provided by the central government. Additionally, small farmers faced barriers to industrialization. Their traditional values were being replaced by modern technological values and adjustment towards a profit-oriented worldview from a communal one was costly for them.

2.5 Conclusion

This chapter described how the "New Order" regime implemented many agricultural and developmental programs that, on the surface, supported rural civic participation. One of these government programs was specifically aimed at establishing rural organizations known as village cooperatives or KUDs. In practice, however, such organizations lacked the ability to enhance rural political agency because they were constrained by clientelist and predatory practices that

benefited the small circle of elites surrounding the regime. Thus, despite the proliferation of KUDs and its large membership, small agricultural producers rs were passive, not mobilized, and could not escape poverty. The farmers' organizations that existed were more of an instrument of control and rent-seeking than a means for rural representation.

CHAPTER 3

RURAL CIVIC PARTICIPATIOIN UNDER INDONESIA'S DEMOCRATIC ERA

3.1 Introduction

This chapter continues the discussion on the historical and institutional background of rural civic participation in Indonesia's democratic era. Indonesia democratized in 1998 after the fall of the New Order authoritarian regime, following the Asian Financial Crisis in 1997-1998. The new democratic government removed many restrictive policies from the past regime, including monopolies, rent-seeking, and unfair economic and political practices. The chapter is structured as follows: Section 3.2 discusses the major institutional shifts during the democratic era. Section 3.3 discusses the ways in which these institutional shifts affected rural civic participation. Particularly, the removal of rural participation constraints has provided opportunities for farmers to participate and organize independently. Section 3.4 discusses the challenges faced by independent rural organizations, including under the current decentralized system. Section 3.5 concludes the chapter.

3.2 Institutional Shift from New Order Authoritarian Regime to Democratic Government

The democratic government in Indonesia started in 1998 after the fall of Soeharto's authoritarian regime. Following the Asian Financial Crises that occurred between 1997 to 1998, the Indonesian economy experienced an economic turmoil marked by currency depreciation of

Indonesian Rupiahs by 229% in relation to the US dollar. This led to inflation, capital flight, and macroeconomic instability. The economic situation was worsened by the weak regulatory body and legal framework under Soeharto's regime. Consequently, mass unemployment spread across Indonesia, and the poverty rate increased by a significant amount. By 1998, more than half of the Indonesian population lived below the poverty line, with an income of only $0.55 per day.

The Soeharto regime agreed to a bailout program by the International Monetary Fund (IMF) in 1997 to tackle the economic situation. However, these bailout programs came with strict conditionalities in the form of structural adjustment policies. The IMF imposed a series of macroeconomic stabilization and financial restructuring policies on the Indonesian economy, mainly on the banking sector. One policy sought to transform private debts into public debts through the issuance of state bonds. This, however, burdened the state's finances which resulted in a high national debt, amounting to over 90% of national GDP in 2000 (Sufian and Habibullah, 2010). A large portion of the state's budget today is still being allocated to repay this debt. In addition, the IMF also called for the elimination of subsidies on basic commodities, such as petroleum and electricity. This increased the price of many basic commodities by 70% (Hara, 2001). With no improvement in real wages, this economic situation precipitated huge national protests, which peaked in May 1998. The protestors demanded Soeharto's resignation and the country undergo a "reformation" process for a democratic transition. This was supported by Indonesian civil society, which at the time had become more educated due to the development that occurred under the New Order regime.

Led by the newly appointed President, B.J. Habibie, a number of significant institutional changes were adopted during this transition. The government deregulated many aspects of the economy. Most importantly, the state's power was decentralized, and monopolized state

practices were eliminated against rent-seeking practices (Wie, 2002). Additionally, an anti-competition law was implemented to regulate monopolistic, monopsonist, and collusive practices that were prominent in the authoritarian regime. In the agricultural sector, the law made it clear that the government no longer had authority over agricultural sales and prices. Soeharto's privileges in many agricultural products, including clove, were removed. As a result, Indonesians were able to enjoy freedom of expression and opinion, freedom of information, checks and balances between the executive and legislative branches of the government, free and fair elections, and a depoliticized military. These rights were not available to them in the previous regime.

In addition to the aforementioned internal institutional shifts, the government continued to pursue a more outward market approach through the removal of many import and export restrictions – both tariff and non-tariff barriers (NTBs) – and promoted international trade and investment cooperation in general. The efforts were also part of the IMF structural adjustment program attached to the previous bailout program during the New Order era. The Indonesian government committed to reducing tariffs to around 5% by 2010. In 2002, Indonesia, along with other Southeast Asian countries, signed the ASEAN Free Trade Agreement (AFTA), which implemented liberal tariffs of 0-5%. To further support market liberalization, Indonesia also adopted more transparent trade practices and open administrative trade procedures.

After the democratization process, Indonesia underwent decentralization in 1999. Power was diffused to a larger number of government units at the local level. Power was not only given to Indonesia's 30 provinces but also to more than 300 district governments, both regencies and municipalities. The goal was to strengthen regional autonomy and increase social welfare evenly across the country. Through Decentralization Law No.22 year 1999, separation of power

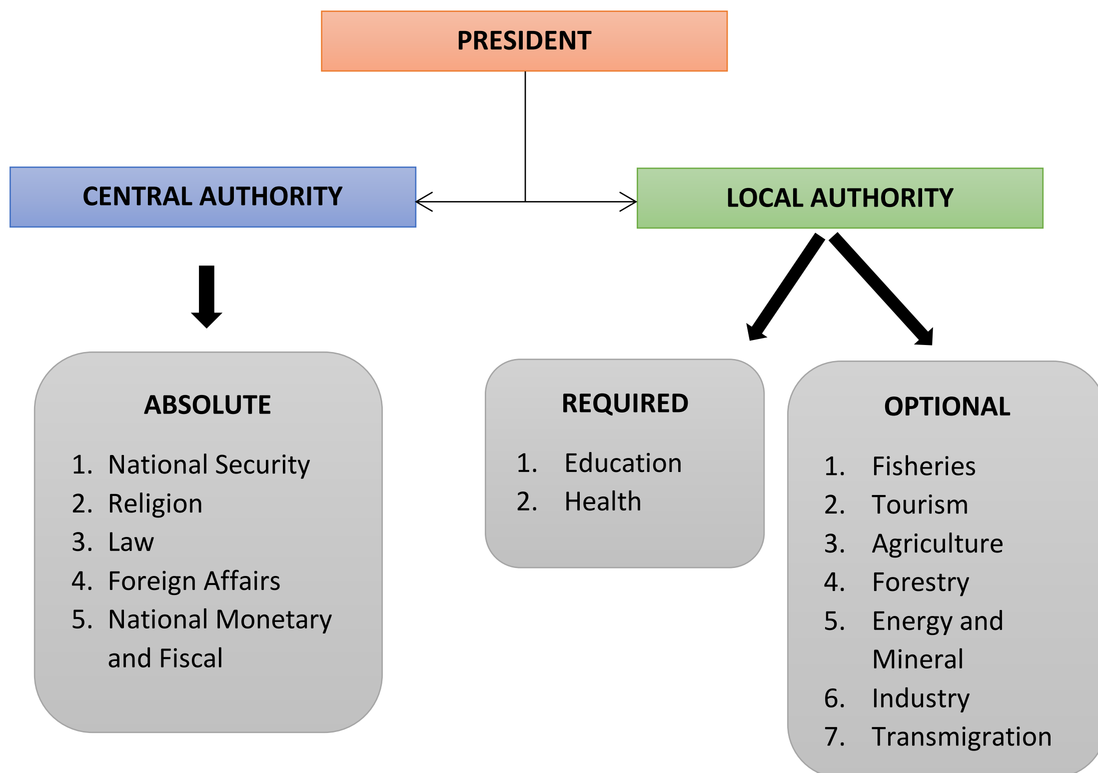
between the central and local governments was established along with the division of authorities for several national issues. While the central government has authority over foreign policy, defense and security, monetary policy, the legal system, and religious affairs, local governments were given more power in other areas such as agriculture development and social welfare programs.

After democratization and decentralization that followed in the agricultural sector, local governments were given more authority to provide agricultural services that were based on local needs, while the central government was responsible for designing and managing strategies of national policy (Chordhury et.al., 2009). Under the revised Law of Decentralization (Law No. 32 Year 2004 regarding Local Governance), local governments were given a larger share of fiscal revenue than the central government. The increased role of local governments in managing the agricultural sector is further codified through Government Regulation No. 38 Year 2007 regarding Separation of Local Government Authorities. According to this regulation, the agricultural sector is one of the 32 sectors whose budgets can be managed by both central and local authorities (Sumarto et.al., 2004). However, local governments are not required to take on this task, as not all regions have a strong agricultural sector. This differs from the education and health sectors, where all local governments are responsible for managing these budgets. Figure 3.1 below shows the way the state's budget is managed between the central and local governments.

Because of this arrangement, most of the government's agricultural fund is allocated to the local governments. Over 80% of the agriculture national budget has been given to local governments over the past years, and most government programs are operated by local governments (Sumarto et.al., 2004). The budget is used to fund different types of agricultural

development programs, such as agricultural fields, irrigation systems, infrastructure development, rehabilitation programs, subsidized fertilizers, warehouses, and technical assistance programs.

Figure 3.1 Division of Tasks between Central and Local Governments under Indonesia's Decentralization Law

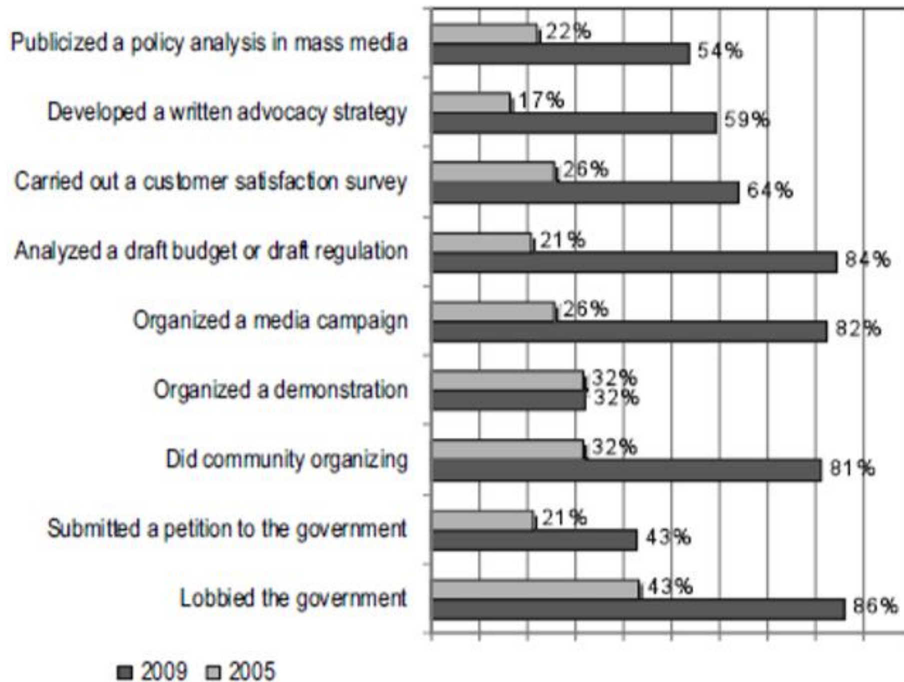


Democratization and decentralization in Indonesia created an open political system that allowed civic participation to flourish. With basic freedoms of expression and association being upheld, the number of civil society organizations increased significantly. These organizations

include non-governmental organizations, community associations, trade unions, religious groups, ethnic-based organizations, peasant organizations, and politically affiliated organizations. From 2004-2014, the number of civil society organizations throughout Indonesia grew dramatically. During the early period of democracy, there were around 40 national labor organizations, 300 local labor unions, hundreds of peasant organizations, and more than 10,000 labor associations. These figures continue to grow. Popular participation in associational life is the most common form of civic participation in Indonesia, with 80 percent of the population belonging to such an organization (Lussier and Fish, 2012).

Under the New Order regime, these organizations were not allowed to flourish, during which there was only one labor organization and one farmer union in the country. Civil society, once previously discouraged by the New Order regime, is now active participants of Indonesia's political life. Civil society has also participated in establishing government accountability rules and mechanisms by monitoring the democratic process and participating in the decision-making process itself. Lussier and Fish (2012) found that in recent years, there has been both an overall increase and change in the type of civil society organizations' engagement in Indonesia. The types of activities observed include demonstrating, publicizing a policy analysis in mass media, developing a written advocacy strategy, carrying out a customer satisfaction survey, organizing a media campaign, submitting a petition to the government, and lobbying the government. They found that almost all types of activities show a dramatic increase, with the notable exception of demonstrations. Further, they found that civil society engagement in government planning and decision-making processes, specifically, have become more common in recent years. Civil society organizations involved in public consultations and planning meetings (Musrenbang) grew from only around 35 percent in 2005 to more than 80 percent by 2009 (Graph 3.1).

Graph 3.1 Civil Society Participation in Indonesia



Source: Antlov and Wetterberg, 2011 , p.63

With governments being more accessible at the local level, decentralization has created new opportunities for civil society to further engage in public affairs. Under the decentralized system, many government programs were developed using a bottom-up approach, allowing people to participate in national planning and budgeting in public forums such as Musrembang. These bottom-up approaches were supported by donor-initiated programs such as the World Bank's Community Driven Development (CDD) program. The program focuses on poverty reduction, which results in community participation in planning, budget development, and the allocation of funds (Bebbington et al., 2004). This high level civic participation at the local level has improved the quality of Indonesia's democracy and has been a significant part of the democratic consolidation process in Indonesia until this day. The presence of strong civic

associations at the local level promotes trust and develops the capacity to engage politically, therefore building strong democratic institutions from the bottom-up (Putnam, 1993).

3.3. The rise of Independent Rural Producer Organizations (RPOs)

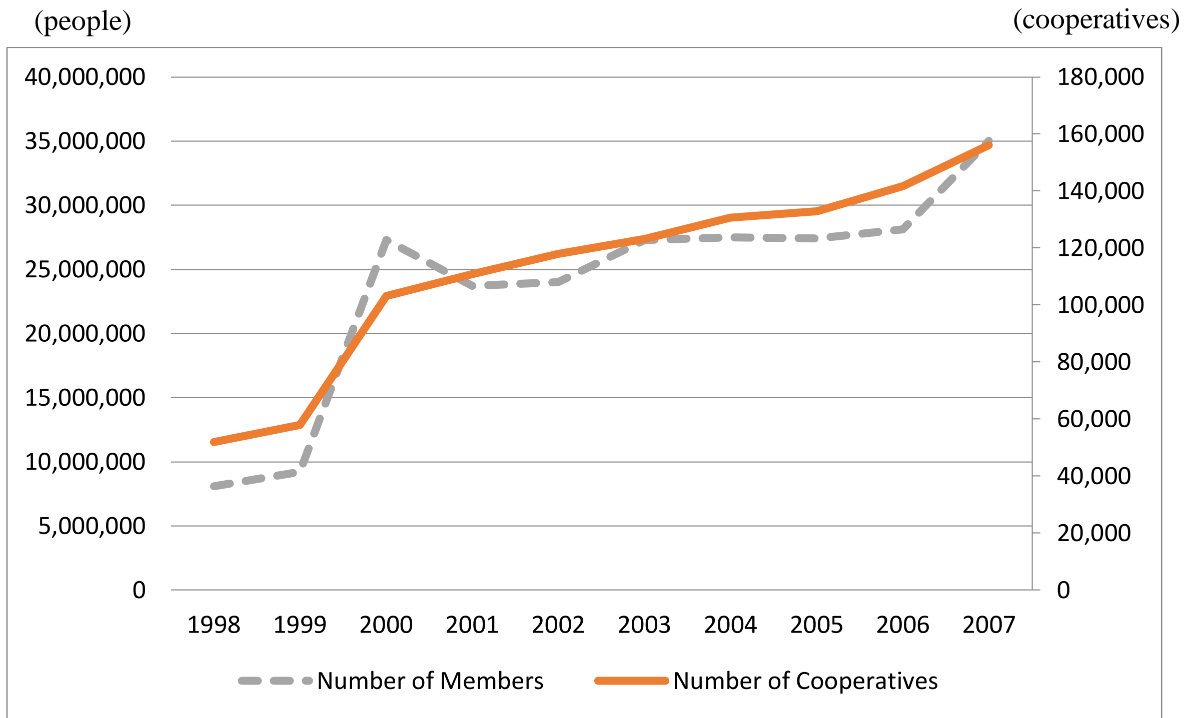
Democratization has also enabled civic participation in the agricultural sector by creating the opportunity for farmers to organize and advance their collective interests. The agricultural sector shifted from a tightly controlled and clientelist system to a competitive market-based one (Khudori, 2005). The government made reforms within the agricultural sector that loosened its control over the market. A notable improvement was the elimination of Bulog's monopoly over agricultural activities. This transformed the production, distribution, and marketing processes, as they became competitive for the public. Only certain strategic commodities such as rice and sugar remained under Bulog's control, as outlined by Law No 23 Year 1999. Another reform, enacted through President Instruction No 18 Year 1998, focused on Village Cooperatives known as *Koperasi Unit Desa* (KUDs). Many privileges from the government, such as fertilizer subsidies and other government support, were retracted. KUDs were no longer able to set the base price and selling price of commodities and such functions were transferred to the new reformed Bulog. This reform was outlined in two regulations, President Instruction No 32 Year 1998 and President instruction No 8 Year 2000. These new regulations resulted in the dismissal of many KUDs during the early years of democratization.

At the same time, the government also removed restrictions on establishing farmers' organizations. Exploitative agriculture farming through a top-down, monopolistic, and coercive approach was no longer allowed. It was replaced by a bottom-up grassroot process (Suarta and Swastika, 2004). Participation in a farmers' organization was no longer mandatory. Instead,

farmers could freely choose whether to participate in an organization or not. If they did, they could organize independently, choose any variety of commodities to plant, and decide how to sell and distribute the commodity and by how much. This allowed farmers to handle their activities and build market-based relationships with different stakeholders (Montgomery et al. 2002). Thus immediately after the democratic reform, there was a boom in sector-based farmers" associations and cooperatives, known as the RPOs (Suarta and Swastika, 2004). As shown previously in Graph 1.1 in Chapter 1, farmers' associations and cooperatives increased significantly, particularly the number of RPOs (both agricultural cooperatives and farmers' associations) and members (shown again in Graph 3.2).

Decentralization further allows farmers' organizations to flourish at the local level since they are closer to local authorities (Sumarto et.al., 2004). In addition, local governments tend to coordinate with RPOs in distributing government support and provide technical support through their extension officers (Saragih, 2002).

Graph 3.2. RPOs in Indonesia



Source: Ministry of Smallholders and Cooperatives Republic of Indonesia and Ministry of Agriculture Republic of Indonesia.

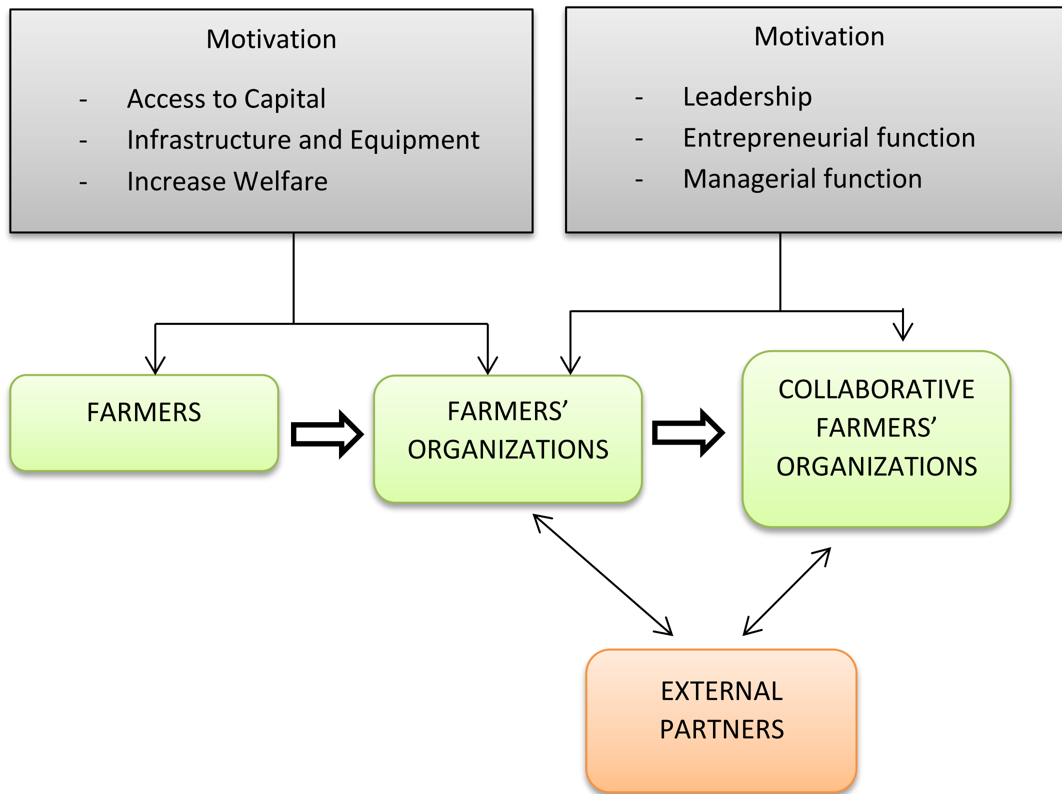
Agriculture has become one of the primary sectors that the government has focused on during the reformation era. The government views farmers' organizations mainly as a medium to communicate with geographically diverse farmers, which makes coordination less costly. Programs such as National Community Development Program (*Program Nasional Pemberdayaan Masyarakat* or PNPM) and Rural Agribusiness Development Program (*Program Usaha Agribisniss Pedesaan* or PUAP) are examples of national development programs in which the government works closely with farmers' organizations (Hansen, 2019). RPOs in Indonesia are also supported by several government regulations. The Minister of Agriculture Regulation No. 82 Year 2013 defines RPOs as groups of farmers that are built on similar interests, socio-

economic conditions, or common commodities to increase the welfare of all members. They function as cooperative platforms to increase production and create economies of scale that are more efficient and effective. They also serve as places where members can exchange information and develop new skills in agricultural farming, productivity, and production. Such organizations are not limited to cooperatives but also include other types of rural organizations that do not necessarily require regulation like the older KUDs (Syahyuti, 2007). This includes Farmers' organizations (*Kelompok Tani* or POKTAN) and Collaborative Farmers' organizations (*Gabungan Kelompok Tani* or GAPOKTAN).

While Farmers' Organizations (Poktan) are smaller in scale, Collaborative Farmers' Organizations (Gapoktan) involve several farmers' organizations working together. Like farmers' organizations, collaborative farmers' organizations can provide benefits to their members by increasing their access to financial support, facilitating collaborative production and marketing, utilizing their economies of scale, and increasing earnings and livelihood among others. Collaborative farmers' organizations, however, mostly emphasize their leadership, entrepreneurial, and managerial skills. The role of Gapoktan is to provide production facilities and farming units, which helps farmers increase their production on a larger scale (Nuryanti and Swastika, 2016). In practice, both forms of RPOs have worked closely with one another as well as with the government and partnered with different external actors such as business partners and NGOs. The dynamics of RPO activities in Indonesia are seen in Figure 3.2. Meanwhile, Stockbridge (2007) list several services the organizations provide, including marketing services (input supply, output marketing and processing, market information), facilitation of collective production activities, financial services (savings, loans, and other forms of credit), technological services (education, extension, research), educational services (business skills, health, general),

welfare services (health, safety nets), policy advocacy, and the managing common property resources (water, pasture, fisheries, forests).

Figure 3.2 The Relationship between Farmers' Organizations (Poktan) and Collaborative Farmers' Organizations (Gapoktan) in Indonesia



The government established laws and regulations to protect farmers and promote their development, among others through the enactment of (1) Law No. 16 Year 2006 on Counseling System; (2) Law No. 1 Year 2013 on Microfinance institutions; and (3) Minister of Agriculture Regulation No. 82 Year 2013 on Developing Farmers Organization and Farmers Network Organization (Syahyuti, 2014). Law No 16 Year 2006 focuses on agriculture, fisheries, and

forestry. The Minister of Agriculture Regulation No 67 Year 2016 provides clear guidance and support for farmers, including how farmers' organizations can better cooperate and develop. The government's agricultural extension programs, in particular, support the development of RPOs (Hansen, 2019). They provide technical assistance to help farmers develop their production and marketing skills as well as their organizational skills. The latter occurs through activities such as training, monitoring, information sharing, and evaluation. Training centers for extension officers are also built into all levels of government, including at the village level. They provide funding to support extension activities as well (Hansen, 2019).

Democratization has, therefore, increased the important role of RPOs in Indonesia's agricultural sector, as their political influence. New RPOs represent farmers' interests in the economy, as well as in the policymaking. The Sugarcane Farmers Association (*Asosiasi Petani Tebu Rakyat* or APTR), for example, is one of Indonesia's active farmers' associations and has successfully advocated for the end of sugar smuggling and a reduction of imports (Zulkarnaen, 2015). A ban on sugar imports was even imposed in response to their demands. Similarly, the Association of Indonesian Coffee Farmers (*Asosiasi Petani Kopi Indonesia* or APEKI), in collaboration with other RPOs such as the Gayo Organic Coffee Farmers Association (*Persatuan Petani Kopi Gayo Organik* or PPKGO), is actively involved in developing coffee certifications with the government (Mariyudi et.al., 2018). In some cases, strong organizations such as the Indonesian Cocoa Commission (*Komisi Kakao Indonesia* or KKI) have taken the lead in formulating national cocoa policy (Narulita et.al., 2014). Such influence is not only seen at the national level but also the local level. The relatively close access to local governments, due to decentralization, has made farmers interact more with local governments. Because local governments are now responsible for the income and welfare of farmers, promoting agricultural

development requires partnership with farmers. Thus, many farmers are invited to policy discussions and consultations on planning, implementation, control, and evaluation of different agricultural development programs (Jaya and Sarwopasodjo, 2017; Jalieli and Sadono, 2013). In many cases, national level organizations and local level organizations are affiliated with one another, with each focusing on different responsibilities and strategies. For example, the Indonesian Coffee Farmers Associations (APEKI) has its regional level organization, Gayo Coffee Farmers, in Aceh. National level organizations are more active in lobbying government officials and typically coordinate with different other organizations within the same subsector.

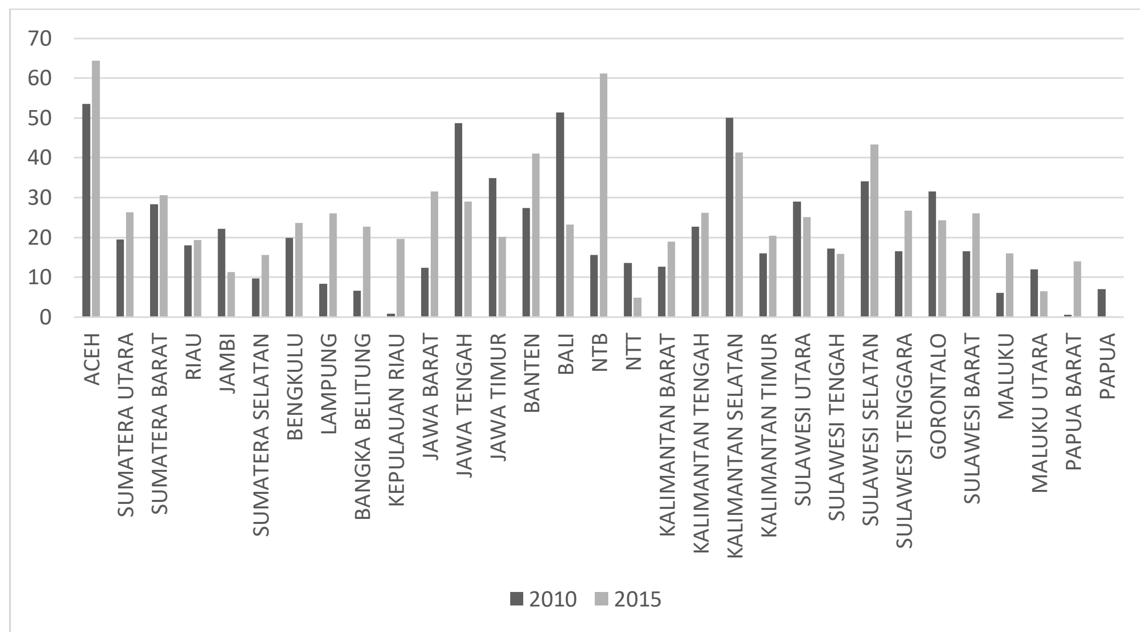
With more elections held at the local level, farmers' participation in politics has increased. Jaya and Sarwopasodjo (2017) argues that participation in farmers' organizations increases farmers' abilities to develop organizational and civic skills. Through activities such as group discussion, planning, adoption, monitoring, and evaluation, farmers increase their ability to make decisions on production inputs and techniques, exercise dialogue, and problem-solve. Such civic skills promote rural participation in political activities (Jaya and Sarwopasodjo, 2017; Jalieli and Sadono, 2013). Participation in politics particularly increases during election times, as political contracts between farmers' organizations and candidates commonly form during this time. To gain rural votes, legislative personnel at the local level pledge their support for agricultural programs through the media and face-to-face campaigns and discussions. RPOs also engage in politics by encouraging members to enter into the political system. This is done by helping members occupy political positions starting at the lowest administrative structure, such as the head of villages or a seat in the local parliament (Raya, 2016). In Garut district, for example, the Pasundan Federation of Farmers (SPP) holds 13 of the 45 parliament seats (Indonesian Observer, 2000). Thus, RPOs under Indonesia's democratic government have risen

significantly in number and prominence. Not only do they engage in economic activities, RPOs also engage in political activities as well.

3.4 Challenges of Rural Civic Participation under Democratic Era

Democratization has made a positive impact on rural civic participation in Indonesia. However, rural civic participation still faces many challenges that come from both within and outside of RPOs. Indeed, despite progressive institutional reforms and strong national commitments, many RPOs are still unable to develop. Additionally, most small producers in Indonesia are not members of an RPO (Syahyuti, 2014). Based on Indonesia's Ministry of Agriculture data, there are around 318 thousand farmers' organizations and 10 million members. Meanwhile, there are about 21 million other farmers that are not members of an RPO. Moreover, successful RPOs are unevenly distributed across Indonesia, as shown in Graph 1.3 of Chapter 1 (shown again in Graph 3.2).

Graph 3.2. Indonesia's RPO Membership across Provinces, 2010 and 2015 (% of agriculture workers)



Source: Ministry of Agriculture Republic of Indonesia and Ministry of Smallholders and Cooperatives Republic of Indonesia, 2015

Establishing viable organizations poses challenges and mainly depends on member commitment – their expected benefits and costs. As Olson (1968) argued, rational and self-interested individuals will have the incentive to free-ride if the conditions make it possible to do so. In this case, an individual will choose their personal interests rather than the group's interests based on their expected benefits and costs. Such collective action problems exist in all organizations including RPOs. The problem is more pervasive in larger groups, as individuals in these groups have greater incentives to shirk commitments. In larger groups, member contributions are more likely to be unequal (Booth, 2012). One way to avoid such collective action problems is monitor and enforce members' compliance with the agreed rules and develop a mechanism of punishment to prevent free-riding. This mechanism can include informal social

mechanisms such as norms, shared values, and conventions. However, RPOs typically are underdeveloped and do not have punishment mechanisms, making collective action problems difficult (Syahyuti, 2014). Although some RPOs have informal norms that can overcome such problems, the existence of such norms depends on the type of agricultural products managed. We can expect such norms to be upheld in RPOs that focus on rice commodities, for example, because rice farming requires cooperation among different farmers. On the other hand, products such as coffee require less cooperation and, therefore, coffee RPOs may not be able to uphold the informal norms needed to avoid collective action problems.

In many cases, RPOs are formed to obtain financial services and governmental support such as capital funding and subsidized fertilizer. This is because certain governmental programs are only distributed to verified RPOs. As soon such programs end, many RPO members leave these organizations, and the organizations become inactive (Syahyuti, 2007). This contributes to the rational calculation made by farmers on whether they are better off joining and establishing an RPO or not (Stockbridge et al., 2003). Thus, collective action can only be established if expected benefits are higher than transaction costs and capacity enhancement outweighs the costs of complying with collective rules and norms.

Furthermore, successful associations also require strong management and entrepreneurial skills, which most farmers with little education lack (Pingali et al., 2005). In fact, farmers do not have many characteristics for successful cooperation, such as education and financial capacity. This can result into weak organizations. Thus, many RPOs in Indonesia still do not have well-functioning organizational structures, and they have high member turnover. Some of these problems can be traced to practices to Indonesia's previous authoritarian regime, which resulted in passive members and weak and failing organizations that continue to this day (Bourgeois et

al., 2003; Syahyuti, 2014). Even large national institutions, such as Bulog, have struggled in the transition between the two regimes.

Contextual Factors

Despite Indonesia's significant progress and becoming the third-largest democracy worldwide, democratization is a work in progress and yet to be consolidated. The development of RPOs is no exception. Transitioning from an authoritarian regime to a democracy because of a deep crisis, rather than modern development, has created challenges in Indonesia's democratic identity and implementation (Hara, 2001). Indonesia lacks a strong political culture and ethics, that are needed for consolidating democracy. Moreover, many Indonesians today still face economic hardships. Despite the substantial reduction in poverty since the transition to democracy, the wealth gap in Indonesia is growing. Many Indonesians care less democracy than economic well-being and good governance. This has resulted in an electoral system that is marked by many vote-buying practices (Lussier and Fish, 2012).

Furthermore, Indonesia also faces problems of law enforcement and freedom of expression. In many cases, movement remains restricted by Indonesian authorities (Lussier and Fish, 2012). Journalists and publishers can face extra-judicial threats and violence from elites and even religious organizations. Many political and economic elites are linked to corrupt behavior, and to some extent, have the power to influence media and law enforcement. Many of these elites, including those with ties to the Indonesian military that benefited from the New Order era, succeed in maintaining their power after the reformation. They continue to influence political campaigns, party candidates, and elections (Hara, 2001).

Economic corruption is also a major problem in Indonesia and has made daily headlines. The pattern of corruption changed dramatically after regional decentralization was implemented. Due to proximity to local citizens, decentralization is said to promote active citizenship. This distribution of power improves community participation in the decision-making process (Ito, 2011; Beard, 2005; Greem, 2005). Local government is made more accountable and expected to provide public services that are more accessible, appropriate, and efficient to the public (Blair, 2000; Crook and Manor, 1998; Crook and Sverrisson, 2001; Manor, 1999). In contrast, such accountability is lacking in the central government, making it relatively unchecked and prone to rent-seeking behavior (Ostrom et.al., 1993). The political transitions and governance initiatives at the provincial and local level, however, have not resulted in the hoped for progress. Most of the corruption cases are found at the local level (Akhmadi, 2017). Because local governments started to produce regulations, more officials from multiple levels of government and other agencies were able to engage in corruption. Corrupt practices at the local level have resulted in a lack of political commitment to rural development (Crook and Sverrisson, 2001). Many agricultural programs are being used for political ends and subject to manipulation by corrupt leaders. This may result in the continuation of a top-down process of government programs that lead to public services not suitable for rural producers. Green (2005) have noted that local governments that are supportive of farmers are not too common in Indonesia.

Moreover, local authorities may have inadequate capacity to support farmers' participation in RPOs, in terms of personnel, capability, or financial resources. They may also have weak extension services, which suffer from limited funding, few human resources, a lack of coordination, and a lack of managerial skills (Purnomo and Lee, 2010; Dendi and Shivakoti, 2003). Agricultural extension programs have decreased since decentralization was implemented

since local governments have limited funding (Widodo, 2017). The lack of support of extension programs, including training programs, has resulted in a low number of extension officers who cannot keep up with the growth of farmers (Widodo, 2017). Extension programs in Indonesia are also prone to coordination problems. There are many cases of conflict in implementation between different government tiers or between executive and legislative branches (Dendi and Shivakoti, 2003). The frequent change of rules and management procedures by the central government has also made extension officers confused on how to operate the program (Akhmadi, 2017).

As the country democratized, Indonesia also underwent a series of economic liberalizations which affected rural activities. After implementing the structural adjustment programs suggested by the IMF, the WTO's Agreement on Agriculture, and the World Bank in 1997, Indonesia continued to reduced import tariffs significantly. This resulted in challenges for farmers. Foreign investment laws created greater competitive pressures for farmers and tightened export margins. New laws that initially limited ownership of foreign investors were changed to allow agricultural product exports from 100 foreign-owned companies rather than require foreign investors to create joint ventures with domestic companies. Within years after the reformation, large international traders and investors opened branches across Indonesia in different sectors. Some of the well-known foreign companies include Cargill, Andira, Bero, and Olam. These foreign companies have advantages in the production system, which created powerful competition and allow them to nearly dominate the agriculture sector. For example, foreign companies are estimated to control over 50 percent of the total volume of export in coffee products (Akhmadi, 2017).

Small agricultural producers, therefore, face a new set of challenges – increasing imports, market competition, and international standards. They had to compete with large international farms that were able to sell at a low price because these farms are heavily subsidized. At the same time, their access to efficient production is limited as fertilizer subsidies were eliminated, which increased the prices of agricultural production supplies. Additionally, the government focused more on the industrial and manufacturing sectors rather than the agriculture sector. This is reflected in the low share allocated to the agriculture budget (Breman and Wiradi, 2004; Khudori, 2005). A lot of agricultural land was also transformed into housing and used for industrial purposes. Within 30 years, land was mostly owned by large companies, housing, farms, and mining firms (Simamarta, 2002). As a result, Indonesia became a net food importer in many of Indonesia's main commodities. Rice imports increased by 64%, sugar increased by 57%, and shallots increased by 50%. At the same time, exports decreased from US$210 million to US$3 million, with profits from soybean exports decreasing from US$2.2 million to US$281 thousand (Khouduri, 2005).

Under this economic liberalization backdrop, the role of local governments became more significant. They became more accountable since they controlled many trade-related policies. Regional regulations, such as charges and taxes, proliferated in Indonesia. From 2001 to 2006, 13,520 regulations were enacted at the province and district levels (Bourgeois et.al., 2003). The empowerment of local authorities can, therefore, influence trade activities and encourage the public to become more involved in local governmental programs (Sumarto et.al, 2004). As the country became more liberal, local governments gained attention from international trade and development practitioners. This is because local governments gained a significant role in the policy-making process after the decentralization reforms. They acquired autonomy in many

trade-related issues. According to the Center for International Relations Studies (CIReS), local governments have become central actors in developing human resources, product competitiveness, infrastructure, and market information needed for trade activities and cooperation. Other roles for local governments include providing technical assistance, promoting local goods and services, maintaining quality control of products, stabilizing prices, facilitating investors, creating easier business conduct and licensing processes, developing infrastructure, and maintaining stable macroeconomic conditions. Local governments are expected to understand local resources and capacities in order to develop their regions further. Indonesia has repeatedly emphasized the role of local governments through its commitment with the ASEAN Economic Community (AEC).

The role of local governments in international affairs has also been mandated in Indonesian Law No.32 Year 2004 clause 42 point 1. It states that local governments can facilitate international cooperation on behalf of and regarding local jurisdictions as long as they are still protecting the national interest. For example, the Batam, Bintan, and Karimun regions of Indonesia have established special economic agreements with Singapore 2006. This cooperative agreement covers a duty-free area and trade facilitation issues.

The increasing role of local governments in the global context has, therefore, raised the importance of collaboration between local and central governments in Indonesia. However, this is unlikely to happen. There is a lack of central-local coordination and a clash of interests in Indonesia that has made many central regulations unable to be implemented at the local level (Chowdury et.al, 2009). In many instances, local regulations also contradict central regulations, which makes trade and investment programs difficult to conduct. One major problem that exists in Indonesia is the lack of coordination regarding fees that may be applied at the local level. As

stated in Law No.28 Year 2009, local governments can collect taxes to gain their own revenue. However, this has led to over-taxation and high business costs, with Indonesia ranking the highest among ASEAN countries (Tambunan, 2006).

Nevertheless, small agricultural producers have become part of a large production chain both at the national and international levels. This allows them to work closely with international actors such as international NGOs, donors, and organizations. These external actors, on many occasion, have facilitated and assisted farmers in different aspects of their lives (i.e., improved production, provided access to health care, transferred knowledge on sustainable resource management). However, farmers gain the most by being exposed to new information and technology that they did not have before. With foreign goods flowing rapidly into the market, farmers who are empowered to voice their concerns by becoming more politically active. Thus, despite the challenges of economic liberalization and democratization, several farmers' organizations were empowered (Montgomery et.al., 2002). Indonesian Sugar Association and Indonesian Cocoa Farmers (APKAI) are examples of the most powerful political groups in the agricultural sector. Within two years of the country's crisis-driven liberalization, these newly empowered sugar farmers allied themselves with the country's sugar mills to push for re-regulation of the sugar sector, including the reintroduction of a sugar import ban.

3.5 Conclusion

Democratization in Indonesia has paved the way for rural civic participation and RPOs to flourish. It provides a way for rural communities to participate in political activities since it removes a significant barrier to farmers' economic and political power – a ban on organizing. However, RPOs under the democratic regime still face challenges – both internal and external to

RPOs – that stymie their progress. RPOs are prone to collective action problems, which hinders their viability. Meanwhile, external factors such as the rise in democratic practices in Indonesia and economic liberalization, have further limited the progress of RPOs. Indeed, the data shows that there is still limited rural producers' participation in Indonesia, and it differs significantly across the country. Even decentralization does not guarantee higher rural participation in RPOs. Thus, democratization and decentralization can be considered necessary for rural civic participation in Indonesia but not sufficient.

CHAPTER 4

THE ROLE OF RPO MEMBERSHIP ON INDIVIDUAL POLITICAL PARTICIPATION

4.1 Introduction

As mentioned in Chapter 1, studies on RPOs have mostly focused on how RPOs affect small agricultural producers' livelihoods. Studies on how they function as political instruments that promote the political participation of members are scarce at best. Although the common understanding is that being a member of an organization can increase individual political participation, scholars who study collective action and organizations have suggested that not all organizations have the same influence on political participation. Some scholars even argue that an organization, depending on its characteristics or the contextual environment in which it is embedded,[5] can work in the opposite direction and hamper political participation (Hulme and Edwards 1996; Luciak and Gonzalez, 2001). Although many studies have investigated the different effects of organizations on political participation, there are no studies on rural organizations, particularly RPOs. The goal of this chapter is, therefore, to look at how RPOs shape member political participation.

Additionally, this chapter considers several conditional factors that might support or obstruct farmers' decisions to participate politically. These factors concern individual characteristics of farmers. This chapter thus considers that an organization does not bring the

[5] Hulme and Edwards (1996), for example, argues that organizations who are highly dependent on donors may undermine the strength of the organization and limits the independence of its members.

same effect to different individuals, as political participation may vary across individual attributes – such as gender and age – within the same organization. Factors considered in this chapter are an individual's structural position in the organization, land ownership status, educational level, gender, and age. These factors are based on the agricultural development literature and information gathered during fieldwork for this study.

To test whether participation in RPOs increases rural political participation, I conduct an original survey of 220 farmers that are drawn from 30 villages across three districts of Indonesia, namely Keeron, Papua; Muara Banyu Asin, South Sumatera; and Semarang, Central Java. I gather information about whether a farmer is a member in an RPO as well as his/her socio-economic and political information. This chapter focuses on two forms of political participation – voting and participating in policy discussions. Through quantitative analysis of the survey data, I found that members of an RPO are more likely to participate politically compared to non-member farmers.

The chapter proceeds as follows: The second section discusses the concept of political participation as the dependent variable of this analysis, the determinants of political participation, and how organizations can promote political participation. The third section presents my hypotheses. The fourth section, the empirical strategies section, explains the survey and quantitative strategies in more detail. The fifth section provides the empirical findings and analyses. The last section concludes the chapter.

4.2 Literature Review

Conceptualizing and Measuring Political Participation

To understand how RPOs influence member political participation, the concept of political participation must be clarified. Scholars have long discussed the importance of political participation. It is commonly understood that democracies will not survive without the political participation of their citizens (Almond and Verba 1963; Huntington and Nelson 1976; Verba et al. 1978; Dahl 1989; Leighley, 1996; Lijphart 1997; Diamond 1999; Tocqueville, 2003). According to past literature, four key components define political participation. They are: (1) actions, (2) by the citizens, (3) to influence, (4) policy decisions and government appointment (Bennett and Bennett, 1986; Dahl 1989; Verba et al. 1995; Brady, 1999). In this definition, the focus is less about a small group of elites using their power to make policies and more about the public's ability to influence policies. Citizens are considered political actors that can press the government to generate policies in their interests (Dahl 1989; Verba et al. 1995).

There are different views on what constitutes political participation (Norris, 2002). Political participation includes a broad spectrum of activities that, either directly or indirectly, influence the government. In general, political participation can be divided into electoral and non-electoral forms of participation. Voting is the most direct form of electoral participation that can affect the political landscape. Other forms of electoral participation include registering as a candidate, being a member of a political party, and campaigning. Non-electoral participation can influence the political landscape as well. This includes being a member of community groups or associations, participating in public meetings, providing feedback to government officials, being involved in a public decision-making process, monitoring government agencies, and volunteering (Putnam, 2000; Messner et al., 2006). This form of participation also includes

donating money and wearing symbols of support. Hooghe and Marien (2013) divide political participation into institutional and non-institutional forms of participation. Institutional participation is participation within the political system, such as voting and direct communication with the government. In contrast, non-institutional participation involves indirect participation outside formal institutional channels, such as demonstrating, signing petitions, or donating money.

Because of the numerous forms of political participation, scholars have used different ways to measure it. Some scholars have separated the different forms of political participation, and others have combined them into an index. Pollock (1982), for example, uses an index that is composed of three forms of political participation – voting, campaigning, and contacting politicians or public officials. Meanwhile, Dinesen et al. (2016) analyze the different types of political participation separately. Although previous analyses have mostly used voting as the primary indicator of political participation, other forms of participation are also being measured and analyzed. The selection and measurement of the variable depends on the purpose and focus of the study. If the goal is to understand the overall pattern of political participation, then building an index would be appropriate since it captures a wide range of activities. However, if the focus is to acknowledge the multidimensionality of political participation and understand the effects of different forms of political participation, then analyzing each form separately would be more appropriate.

Since the goal of this dissertation is to understand how rural producers participate in institutional forms of the political system, I focus on voting and participating in policy discussions. The former is an electoral form of participation, and the latter is a non-electoral form of participation. Although non-institutional political participation – such as protesting,

social movements, and solving community problems – are also able to influence policy change (Diamond 2008; Hagopian and Mainwaring 2005; Holzner 2010), such participation is still considered less effective when compared to institutional political participation (Hooghe and Marien, 2014). Moreover, institutional political participation has been made more available today through the deepening process of democracy and increasing economic liberalization.

Determinants of Political Participation

The determinants and processes that lead to political participation have been an extensive topic in the democracy literature. Political participation as the dependent variable is studied at both the micro- and macro-level. Micro-level analyses focus on the individual's attitudes and decisions that affect participation, while macro-level analyses focus on the aggregate level of political participation in a region. A series of different explanatory variables have been explored at both levels.

The socio-economic attributes of a person, particularly education, has been widely acknowledged to influence the level of a person's participatory behavior (see, e.g. Verba et al., 1995; Mayer, 2011; Schlozman et.al., 2012). The role of education in political participation even triumph the role of age (Turcotte, 2015). Education increases political participation because it allows people to develop an interest in politics, increases awareness of their civic duties, and helps them learn skills that are relevant to politics (Verba et al., 1995; Lewis-Beck et al., 2008). Outside of education, resource model of political participation focuses on other variables besides education such as time and income (Verba et.al., 1978; Nie et.al., 1996). Additionally, psychological factors also influence an individual's decision to participate politically. This includes whether an individual has an interest in politics, how optimistic an individual is about

politics, and how satisfied an individual is about their general civic life (Almond and Verba, 1963; Scheufele, & Moy, 1999). As for the latter point, people who have complaints about society and feel like they are being deprived, will have higher rates of political participation than those who are satisfied in life.

Meanwhile, macro-level analyses consider the relational and social contexts in which individual choices are being made. This is because a person's environment can influence their decisions. Studies on individual attitudes are inadequate to explain the different patterns of aggregate political participation across different contexts. They are also inadequate in explaining why participation in some cases remain low despite the high level of resources available to individuals. As we saw with the variation of farmer participation in RPOs, different patterns exist across places, including across sub-national states within a country. Contextual factors, which can include economic, social-structural, political, institutional, and cultural settings, can influence which citizens and how citizens participate. Thus, these factors shape opportunities as well as constraints for political participation.

The literature on political participation discusses several contextual variables. These include social networks, social inequality, political institutions, and democratic transitions. Social networks are referenced often in the literature, which claims that social networks often include people who share similar cultures and values, which can generate norms of reciprocity and trust amongst each other (Putnam, 2000; Krishna, 2008). Similar to the notion of social capital, social network promotes social interactions, cooperative behavior, information sharing, and community problem solving, which makes political participation possible (Mcclurg, 2003). Another contextual factor is social inequality which is argued to increase political participation because it provides certain groups with a sense of injustice and relative deprivation, motivating

them to participate politically (Lijphart 1997; Coffe and Bolzendahl 2010). Lastly, institutional contexts such as regimes, political institutions, and democratic institutions, are argued to shape opportunities for political participation (Molyneux 2001).

Political Participation through Organization

The studies mentioned above look at how different variables directly affect an individual's political behavior. However, there is a strand within the literature that looks at the role of organizations in fostering the political participation of members. Although an organization can be non-political, its activities can translate into political participation through activities such as voting, campaigning, and being involved in policy discussions with officials and politicians.

Many studies have examined how and through what mechanisms an organization shapes an individual's political participation. First, an organization is argued to develop civic skills in its members, which facilitate participatory activities (Verba et.al.,1978; Verba et al. 1995; Oxhorn 2006). For example, members of organizations can develop their communication, presentation, and decision-making skills. Second, an organization fosters social capital since members interact with one another and develop a sense of shared values, identities, and goals. This, in turn, can create motivations to participate politically, particularly in achieving collective goods (Putnam, 1993). Third, an organization can influence members' cognitive and emotional functions, which can motivate the members to participate politically. Organizations can create a sense of identity, self- worth, and, more importantly, political consciousness of civic duties and roles (Diamond 1999; Bayard de Volo 2006).

However, studies have also shown that not every organization leads to more members' political participation. Member political participation is conditional on the characteristics of the organization. Political organizations, such as political parties, have the highest chances of member political participation (Jennings, 1997). But, an organization does not necessarily have to be political to enhance participation. Scholars have argued that civil society organizations, despite not being political in nature, can also draw individuals into political life (Verba et al., 1978). Some civic organizations that have been discussed in the literature are trade associations, labor unions, occupational associations, and non-governmental organizations. Organizations, however, do need certain characteristics to promote political participation.

Having a strong managerial and administrative capability is one crucial aspect of promoting political participation. Although these are technical, they ensure that the organization is meets its objective. Many cases have shown that organizations fail to enhance political participation because they are weakly administrated. This is particularly acute in developing countries where managerial and organizational skills are relatively weak in comparison to developed countries (Boris et.al., 2002). Activities that deepen the nature and membership of the organization are also important in fostering political participation (Brady, 1999). Brady et al. (2012), for example, argue that activities that provide educational opportunities, such as problem-solving discussions, are important. Group discussions among members can translate into more awareness of societal and political issues (Mcclurg, 2003).

Since an organization consists of different individuals, relational networks among members can also promote political participation. When tolerance between members is achieved, crosscutting solidarity between different people in the organization is achieved. This leads to cooperation and, therefore, provides an opportunity for members to develop their civic skills

(Huckfeldt and Sprague, 1995; Mutz, 2002). However, this cooperation depends on the democratic nature of the organization, as democratic organizations provide a better opportunity for members to develop their civic skills (Verba et.al., 1995; Almond and Verba 1963). Additionally, whether an organization is voluntary is particularly important in promoting the political participation of members. Ayala (2000), for example, found that a person's political participation is higher in a more voluntary organization than in a less voluntary organization because there are fewer constraints and decisions are made more freely. Employment associations or labor unions, for example, are considered to be less voluntary because membership is contingent on the survival of member jobs. This makes the members less free to participate and develop civic skills needed for political participation outside the organization (Verba et al., 1995).

In addition, the purpose of the organization also matters. Wilson (1973) has noted that the level of political participation differs between three types of organizations: solidary organizations; purposive incentives organizations (ideology, collective interests); and material rewards organizations (tangible benefits, member services). Wilson argues that political participation is highest in purposive incentives groups because political participation goes beyond voting and involves more active participation, such as campaigning and contacting local politicians.

Thus, while is it the conventional wisdom that being a member of an organization fosters political participation, characteristics of the organization determine the outcome. Those that promote democratic values and activities are argued to push their members to participate politically outside the organization.

4.3 Hypotheses

Based on the discussion above, organizational characteristics play a vital role in delivering member political participation. Voluntariness and democratic values are two main features needed in the organization. In chapter 1, I explain that RPOs – particularly cooperatives and producer associations – meet both characteristics. The goal of RPOs is to increase the well-being of its members through activities that are independent and voluntary (Barton, 1989; van Dijk and Klep, 2005). This means that members can join the organization based on their own will and thus have a sense of ownership and control over the organization. Additionally, RPO activities are based on cooperation among members, particularly in production and marketing processes. This intensifies communication among members (Bijman, 2007; Wennink et al., 2007; Penrose-Buckley, 2007). RPOs are also categorized as purposive incentives organizations, which have the highest likelihood of increasing member participation (Wilson, 1973).

Due to these voluntary and democratic features, RPOs provide a function other than what they were designed to do. This function is to foster member political participation. Based on the fieldwork I conducted in Indonesia, there are three main channels in which RPOs successfully enhance member political participation. First, RPOs provide education that enhances members' civic skills. This results from members' activities in the organization, such as problem-solving, communicating, and cooperating. Second, RPOs provide a venue for information exchange, leading to more awareness of members' political role in society. Often, members share information regarding social and political issues that might concern them. Their contacts with external actors – such as extension officers, local governments, and traders – also make them exposed to different types of information. Third, RPOs build trust among their members and

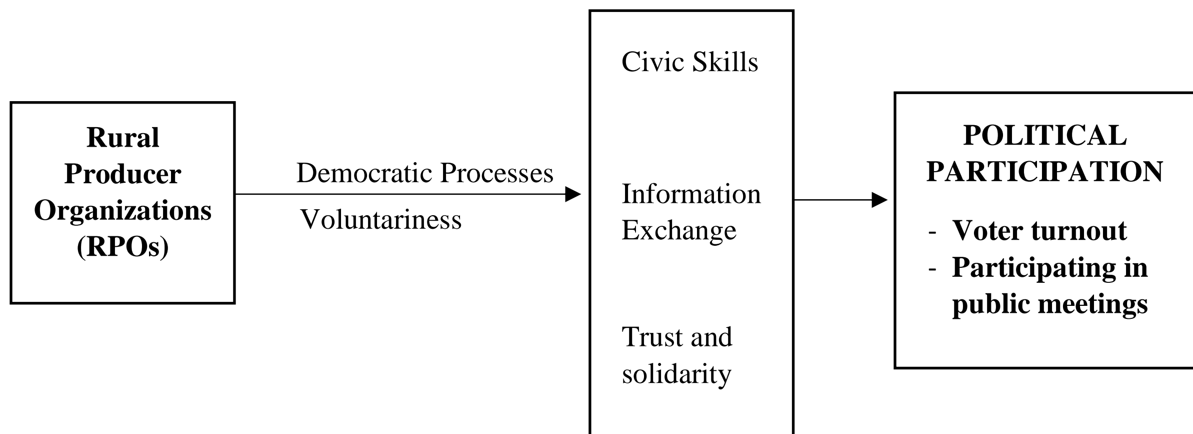
strengthen social capital within their organizations through cooperating to achieve a collective goal. Many of the RPOs I studied were founded because the members either shared the same commodities or land. Through collective action, RPOs strengthen solidarity among members.

These effects, in turn, enhance members' capacity and motivation to participate in the political realm. The analytical framework of this argument can be seen in Figure 4.1 below. Since the focus of this analysis is on institutional political participation, the framework tests two forms of political participation, voting and participating in policy discussions. The hypotheses are below:

H1: Smallholder producers, who are members of an RPO, are more likely to participate in electoral voting than non-members.

H2: Smallholder producers, who are members of an RPO, are more likely to participate in policy discussions than non-members.

Figure 4.1 Theoretical Framework on How RPOs Increases Members Political Participation



I expect that members of an RPO are more likely to participate politically. However, the literature has shown that the impact of an organization on member political participation may depend on other factors. The literature on organizations has focused on how the characteristics of the organization can play a role. Given that not all organizations are voluntary or promote democratic values, we would expect variation in the relationship between being a member of an organization and political participation. RPOs are not without exception; in fact, most of them are still weak (Bourgeois et al., 2003). Many RPOs in developing countries face problems, such as a lack of organizational skills (Markelova et al. 2009 and Poulton et al. 2010), dependency on external actors, lack of resources, and internal conflicts. These problems can influence the behavior of members. However, whether an organization is democratic is the most significant factor affecting member political participation, with democratic organizations more likely to increase member participation than non-democratic ones. When certain individual members have more power over the organization, organizations may have different effects on different members. This is supported by studies that show variations in political participation exist among members within the same organization. Guo (2007), for example, found that the leaders of an organization have a higher level of political participation than regular members. Fanny (2014) found more educated members of a female organization in the South West region of Cameroon were more likely to participate politically.

As with any social organization, RPOs have a political structure that distributes authority and power within the organization which may not be done unequally across members. Despite RPOs being member-based organizations at their core, not all members of RPOs contribute and benefit equally, especially in large settings (FAO, 2015). I argue that certain individual attributes can increase a person's position in the organization compared to other members. This hinders

certain members from acquiring the capacity and motivation to participate politically. Members who have more power or leverage have a better opportunity to develop civic skills. Because of this "structural inequality," the opportunity to develop such civic skills may not be equal across members and thus explain the different political participation patterns of RPO members.

In rural organizations, I argue that four factors can potentially provide such leverage for a member. They are (1) structural position in an organization, (2) land ownership, (3) education, and (4) age.

A person who holds a vital role in the organization, such as the leader, secretary, or council member, is more involved in bargaining with actors inside and outside the organization. Through this role, the member develops more knowledge about the organization and community and gets the opportunity to practice their communication and bargaining skills as a representative of the organization. Although a regular member could develop these same skills, those who hold a structural position in the organization are more likely to be involved these organizational activities (Guo, 2007).

A second factor is education. The role of education on political participation has been thoroughly discussed. A person with more education is more likely to develop cognitive skills that will allow them to be receptive towards new information (Nie et al., 1996). An educated individual is more likely to have an interest in politics and, therefore, a higher commitment to civic duties (Lewis-Beck et al., 2008). This can foster political participation. Education is also said to bring higher social status, which can result in a person holding a central position in society. This can also lead to political participation (Nie et al., 1996).

Third, land ownership also affects political participation. The agricultural development literature has shown its importance for farmers. In developing countries, there are about 100

million households who do not own any farmlands and are thus agricultural farm workers (Barrett et.al., 2008). Most farmlands are either state-owned lands or large farms. One common practice, however, is forming a communal land organization. In this practice, a community shares land use among members of the organization, but each member can independently cultivate their farm. In this case, even though farmers do not formally own land, they do have authority over parts of the land. This is in contrast to agricultural farm workers who do not get to cultivate for themselves. These landless farmers are dependent on their landowner and have no access to credit or have the ability to cultivate and market farm products. Those who own or have the authority over land, therefore, have leverage within an organization.

The last factor that can leverage one's position in an organization is age. Young people are argued to have difficulty accessing the services, opportunities, and benefits provided by RPOs as well as participating in decision-making processes (FAO, 2015). Because RPOs are rural-based organizations, traditional values – such as holding elders in high esteem – still apply in the community.

Based on the arguments above, the following four hypotheses will also be tested in the second part of the analysis:

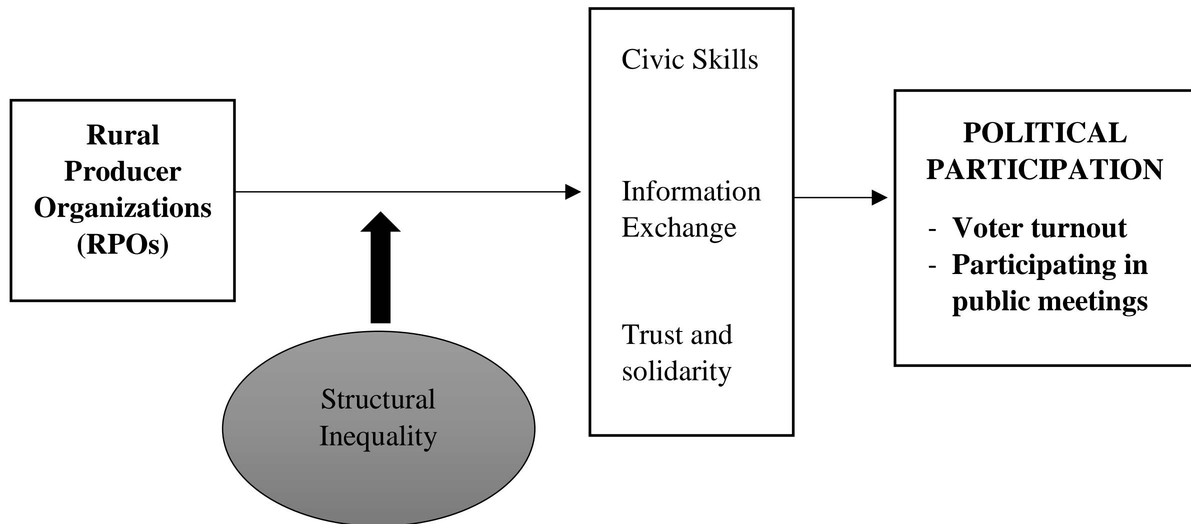
H3: Being a member of an RPO increases the likelihood of a person participating in elections/policy discussions if the person holds a structural position in the organization.

H4: Being a member of an RPO increases the likelihood of a person participating in elections/policy discussions if the person has higher education.

H5: Being a member of an RPO increases the likelihood of a person participating in elections/policy discussion if the person owns farmland.

H6: Being a member of an RPO increases the likelihood of a person participating in elections/policy discussion if the person is older.

Figure 4.2 Theoretical Framework on How RPOs Increases Members Political Participation



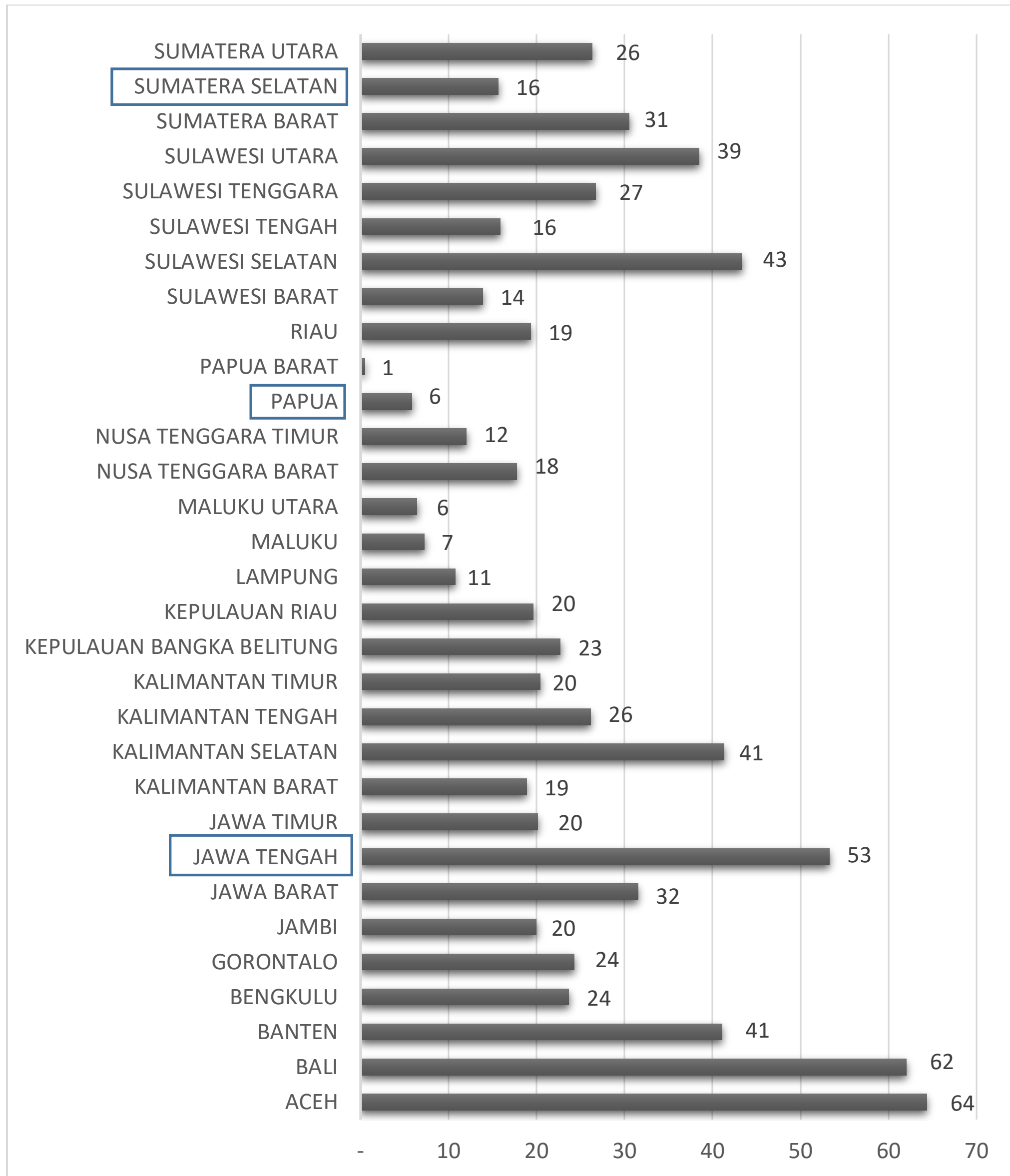
4.4 Data and Methodology

To test the abovementioned hypotheses, both quantitative and qualitative analyses are conducted. The quantitative analysis uses survey data to test the correlation between membership in RPOs and rural farmer political participation. Meanwhile, qualitative studies are conducted to complement the survey by providing more extensive information on RPO membership and how it can translate into political participation. The qualitative studies consist of a series of interviews with key informants – such as the head of an RPO, extension officers, and randomly selected farmers – to gain information on how RPOs function. The purpose is to understand RPO activities and how they shape member political participation. Insights from these interviews can be used to generate variables for quantitative analyses, i.e. examining how structural position might matter. Additionally, these interviews can also help understand the possible causal relationship between RPO membership and political participation.

Survey Strategies

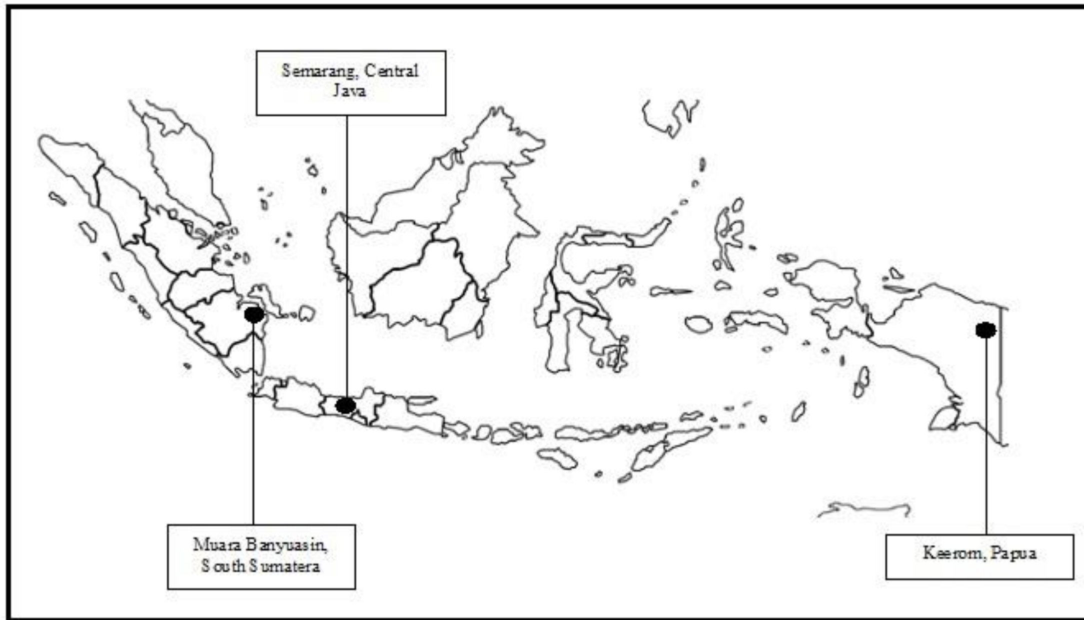
To gain the necessary data on rural farmer political participation, I conducted a survey from July-September of 2016 of 220 rural producers from 30 randomly selected villages in three districts of Indonesia: Keerom, Papua; Muara Banyu Asin, South Sumatera; and Semarang, Central Java. Each region is located in three provinces – Central Java, South Sumatera, and Papua – spanning western and eastern Indonesia (Figure 4.3). They represent a variety of geographical conditions, cultures, proximity to the central government, agricultural commodities, and level of RPO participation. Each region has different agricultural characteristics. Thus, obtaining a sample that consists of this variety can expand the external validity of the relationship by confirming that the relationship holds across different context (Cook and Campbell, 1979). Central Java is dominated by food crops – such as rice, wheat, and corn –while South Sumatra and Papua are dominated by estate crops – such as palm oil and cocoa (Agriculture Statistics, Ministry of Indonesia, 2016). RPO membership also varies across the three regions. Central Java has the highest rate of RPO membership among the three at 53%, followed by South Sumatera at 16%, and Papua at 6% (Graph 4.1).

Graph 4.1 RPO Membership in Provinces of Indonesia



Source: Ministry of Agriculture, Republic of Indonesia, 2015 data

Figure 4.3. Map of Selected Provinces



220 farmers from the three districts were then randomly selected and administered a survey questionnaire (Appendix A). In selecting the respondents and spreading the questionnaire, I was greatly supported by the Agriculture Extension and Human Resource Development Agency (AEHRD) in the Ministry of Agriculture Republic of Indonesia. AEHRD is an agency under the Ministry of Agriculture Republic of Indonesia that works closely with farmers on the ground and conducts agricultural extension programs. This consists of education, information sharing, trainings, and coordination of government-related regulations and programs. The agency is regulated under Indonesia's national Law Number 16 year 2006. Its purpose is to increase the productivity and livelihoods of Indonesian farmers through a participatory mechanism. Agricultural extension in Indonesia is conducted through regular and systematic programs where extension officers regularly visit different farmers within their jurisdiction and follow up on their progress. Since the agency has representatives in each district across Indonesia, the questionnaire

was distributed randomly to farmers from different villages within the representative's jurisdiction. This technique does not follow the stratified sample technique because an equal number of villages from each district were not selected. Rather, my technique selected farmers directly. 34 samples are drawn from 7 villages in Semarang, Central Java; 96 samples are drawn from 9 villages in Keeron, Papua; and 91 samples are drawn from 14 villages in Muara Banyu Asin, South Sumatera. To prevent biased answers, the respondents are asked to fill the questionnaire anonymously.

The survey questionnaire consists of information about the farmers' membership in RPOs, agricultural activities, socio-economic characteristics, and forms of political participation. Because this chapter seeks to understand institutional political participation, my analysis focuses on voting and participation in policy discussions with the government. Both forms of political participation are coded dichotomously. If a respondent answered they had participated in the activity during the past year, the act was coded as "1." If, on the other hand, they had not taken part in this act in the past year, the action was scored as "0." Since Indonesia is a decentralized country with local elections held independently, the question refers to both national and local level elections. On RPO membership, the survey asked whether farmers belong to either agricultural cooperatives or producer associations. RPO membership is also coded dichotomously. If a farmer is currently a member of an RPO, they are coded as "1." If they are not a member of an RPO, they are coded as "0." An alternative measure is to code the variable categorically and distinguish between non-member, regular member, and member that holds an important role in the organization. However, a separate measure on members having a structural role in the organization is also included. Thus, coding RPO membership categorically is not necessary. Sample descriptive statistics are provided below.

Official surveys and reports on farmers within Indonesia exist. However, available data does not include the questions needed for this study. Most of the surveys gather information on agricultural production and the socio-economic information of households. Meanwhile, information regarding organizational membership and political participation is almost non-existent. The largest national survey on farmers, PATANAS (National Farmers Panel), for example, provides information on farmer incomes, workforce participation, consumption habits, poverty indicators, production assets, technology used, and financial access. Additionally, surveys are done annually with a focus on different commodities each year. For example, the 2011 PATANAS focused on the vegetable subsector, while the 2012 PATANAS focused on estate crops.

Model Specification

To test whether membership in an RPO increases the likelihood of a farmer participating politically, I construct the following model and run the estimation by Probit regression model using the survey data collected.

$$PE_i = \beta_o + \beta_1 RPOMEMBER_i + \beta_2 POSITION_i + \beta_3 RPOMEMBERxPOSITION_i + \beta_4 X_i + \varepsilon_i \ldots (1)$$

$$PP_i = \beta_o + \beta_1 RPOMEMBER_i + \beta_2 POSITION_i + \beta_3 RPOMEMBERxPOSITION_i + \beta_4 X_i + \varepsilon_i \ldots (2)$$

PE_i is participation in an election (voting). PP_i is participation in a policy discussion. $POSITION_i$ are variables influencing a person's position in the organization. X_i is a set of control variables that can explain participation in elections and policy discussions.

As explained above, two forms of political participation – voting and participation in policy discussions with the government – are the dependent variables. RPO membership is the primary independent variable. However, other variables can determine individual behavior. To test whether an individual's position in the organization constrains the relationship between RPO membership and member political participation, I include the four variables that influence a farmer's position in the organization as the interaction variables in the model. The four main variables are whether the farmer holds a structural position in the organization, educational level, land ownership, and age. If farmers hold a structural position in the organization, such as the head of the organization, treasury, or secretary, they will take the value of "1." If they do not hold any structural positions (i.e. regular members), they will take the value of "0." Educational level is measured by an ordinal variable that goes from "1" for having no education at all, "2" for having elementary school education, "3" for having middle school education, "4" for having high school education, and "5" for having higher education. Land ownership is a binary variable, where a value of "1" represents those who own their own land or have the authority to cultivate land, either formal or informally. A value of "0" is given to those who do not own land or have authority over land. In other words, the "0" value is given to farmers who are solely agricultural workers. Meanwhile, age is a continuous variable dependent on the respondents' ages.

Other relevant variables are also introduced to control for alternative explanations for farmer political participation. One crucial factor that previous theories have suggested is the context in which the organization is located. In the case of RPOs, this may include the type of agricultural commodities (staple foods or estate crops) the RPO focuses on, whether the organization is in a region where agriculture holds a vital role in the economy, and the farmers' distance to markets. The theories suggest that an organization can increase member political

participation through enhancing their civic skills. Thus, it is important to look at how different agricultural subsectors – and their different production and marketing systems – can influence the development of these civic skills. For example, food staples (i.e. rice) are argued to have a more complex production process that requires more coordination during the irrigation and milling processes than estate crops (Talhelm et al., 2014). This creates closer collaboration between RPO members (Bray, 1986) and provides them with a greater opportunity to develop civic skills. The location of an organization also influences an organization's performance and its ability to provide civic skills to members. If the organization is located far from the market, it is harder for farmers to coordinate since economic activity becomes too costly. This makes it more difficult for the farmers to develop their civic skills (Alene et al., 2008). Similarly, if the organization is located in an agriculture dominant region, then farmers may be able obtain more substantial support from the government, i.e. infrastructure development, input access, and other support. This increases the opportunity for farmers to effectively participate in the organization and develop their civic skills.

Other control variables that I include are those that relate to a person's affiliation with external actors. This includes whether RPO members are affiliated with certain political parties; whether they have connections with other civic organization such as religious, youth, and women's organizations, among others; and whether they hold business contracts. This controls for the intrinsic characteristic of an individual – whether the person has an interest in politics and social activities in the first place (Leighley and Vedlitz, 1999). Summary statistics of all variables are presented in Table 4.1.

Table 4.1 Summary Statistics of All Variables in the Model

Variables	Obs	Mean	StdDev	Min	Max
Participation in Policy Discussion (1=participate)	220	0.74	0.44	0	1
Participation in Election (1=participate)	220	0.82	0.38	0	1
RPO Membership (1=member)	220	0.84	0.37	0	1
Education (1=no education, 2=elementary school, 3=middle school, 4=high school, 5=higher education)	220	2.35	1.22	1	5
Age	220	43.4	13.2	19	72
Structural Position in the Organization (1=hold structural position in the organization)	220	0.27	0.44	0	1
Land Ownership (1=own land)	220	0.81	0.39	0	1
Organization located in agriculture dominant sector (1=located in agriculture dominant sector district)	220	0.89	0.31	0	1
Staple Food as the main agriculture commodities (1=staple food)	220	0.61	0.51	0	1
Distance to market (km)	220	31.42	88.87	1	500
Member of a political party (1=member)	220	0.19	0.39	0	1
Member of other civic organization (1=member)	220	0.44	0.49	0	1
Hold economic contract (1=hold economic contract)	220	0.26	0.44	0	1

4.5 Empirical results and analysis

This section reports estimation results for the model presented above in equation 1 and 2. Two forms of farmer political participation – participation in an election (voting) and participation in policy discussions with the government – are predicted from membership in RPOs and a set of control variables that might be associated with political participation. The summary results of my analysis are reported in Table 4.3 – for participation in elections – and Table 4.4 – for participation in policy discussions. I estimate the model using different methods in which model 1 uses the bivariate probit analysis, model 2 uses the multivariate probit analysis, model 3 uses the multivariate logit analysis, model 4 uses the multivariate probit analysis using interaction variables, and model 5 uses the multivariate logit analysis using interaction variables. The results of my analyses demonstrate that being a member of an RPO increases the likelihood of a farmer participating in both forms of political activities. This supports previous theories that suggest organizations increase levels of political participation.

The first step of the analysis is to see whether there is an association between RPO membership and farmer political participation. A descriptive analysis of the data shows that 86.4% of farmers who are members of an RPO participated in an election, and 76% of farmers who are members of an RPO participated in a policy discussion (Table 4.2). However, individuals who are not members of RPOs also have a high participation rate in elections and policymaking. However, they have a lower rate of participation than RPO members do. 61.1% of non-members participated in an election, while 55.5% of non-members participated in policy discussions. This shows that RPO members have a higher participation rate in both elections and policymaking compared to non-members. Additionally, the Pearson Chi2 test for associations

shows a significant association between RPO membership and participation in an election. However, this does not hold for participation in policy discussions. A similar test is also conducted using bivariate probit analysis to see the independent effect of RPO membership on a person's participation in both voting and policy discussions. The results, shown in Model 1 of Table 4.3 and Table 4.4, demonstrate a positive correlation. However, they differ in significance. The results illustrate that there is a significant difference in the rates of participation in elections between members and non-members of RPOs but not for participation in policy discussions.

Table 4.2 Estimation Results in Explaining Participation in Policy Discussion

Political Participation	Member	Non-member
Participate in election Chi2 (1, N=220) = 13.22***	86.4%	61.1%
Does not participate in election	13.6%	38.9%
Participate in policy discussion Chi2 (1, N=220) = 2.338	76%	55.5%
Does not participate in policy discussion	24%	44.5%

*Notes: *p<.05, **p<.01, ***p<.001*

Table 4.3 Estimation Results in Explaining Participation in Policy Discussion

Independent Variables	Dependent Variable = Participation in Policy Discussion				
	1	**2**	**3**	**4**	**5**
	Probit Binary	Probit Multivariate	Logit Multivariate	Probit Interaction	Logit Interaction
RPO Member	0.3536	0.498	0.797	0.145	0.377
	(0.236)	(0.275)*	(0.469)*	(1.453)	(2.39)
Education		0.232	0.3876	0.263	0.448
		(0.0934)**	(0.1570)**	(0.255)	(0.4282)
Age		0.0003304	-0.0006	0.0055	0.00997
		(0.0082)	(0.0138)	(0.025)	(0.0404)
Land Ownership		0.166	0.297	-0.0186	-0.0287
		(0.255)	(0.428)	(0.613)	(0.995)
Hold Structural Position		0.112	0.261	-1.195	-2.021
		(0.236)	(0.413)	(0.706)*	(1.244)
Organization located in agriculture dominant sector		0.5979	1.0202	0.618	1.06315
		(0.322)*	(0.525)*	(0.333)*	(0.542)**
Market Distance		-0.002	-0.003	-0.002	-0.00305
		(0.001)	(0.002)	(0.001)*	(0.00197)
Member of Political Party		0.805	1.462	0.867	1.5146
		(0.3030)***	(0.563)***	(0.31813)***	(0.576)***
Member of Other Civic Organization		-0.009	0.029	0.048	0.119
		(0.207)	(0.354)	(0.211)	(0.362)
Hold Economic Contract		-0.182	-0.287	-0.0936	-0.202
		(0.233)	(0.405)	(0.2438)	(0.415)
Staple food as the main agriculture commodity		-0.0707	-0.1287	-0.0814	-0.158
		(0.202)	(0.7040	(0.207)	(0.35)
RPO*education				0.013	0.0108
				(0.273)	(0.457)
RPO*age				-0.0056	-0.0115
				(0.02654)	(0.0433)
RPO*land ownership				0.3087	0.5309
				(0.67063)	(1.01)
RPO*structural position				1.551	2.676
				(0.7544)**	(1.334)**
Constant	0..35549	0.962	-1.624	-0.92	-1.66
	(0.21373)***	(0.636)	(1.056)	(1.348)	(2.213)
Number of observation	N=220	N=220	N=220	N=220	N=220

* Significant at 10%; ** Significant at 5%; *** Significant at 1%

Table 4.4 Estimation Results in Explaining Participation in Election

Independent Variables	Dependent Variable = Participation in Election				
	1	2	3	4	5
	Probit Binary	Probit Multivariate	Logit Multivariate	Probit Interaction	Logit Interaction
RPO Member	0.8168	0.67	1.185	0.51	0.612
	(0.2415)***	(0.297)**	(0.52)**	(1.623)	(2.8)
Education		0.274	0.5267	0.4544	0.777
		(0.108)**	(0.21)**	(0.3021)	(0.514)
Age		0.192	0.03357	-0.0025	-0.007
		(0.0102)*	(0.0189)*	(0.028)	(0.048)
Land Ownership		-0.484	-0.805	0.045	0.07
		(0.342)	(0.615)	(0.688)	(1.178)
Hold Structural Position		-0.1946	-0.3314	-1.0718	-1.5403
		(0.274)	(0.52)	(0.7912)	(1.38)
Organization located in agriculture dominant sector		-0.46734	-0.871	-0.324	-0.652
		(0.474)	(0.924)	(0.48)	(0.925)
Market Distance		0.00073	0.00115	0.008	0.0013
		(0.0017)	(0.00296)	(0.0017)	(0.003)
Member of Political Party		1.098	1.915	1.09	1.943
		(0.262)***	(0.456)***	(0.268)***	(0.467)***
Member of Other Civic Organization		0.224	0.415	0.235	0.429
		(0.261)	(0.474)	(0.263)	(0.481)
Hold Economic Contract		0.52	0.999	0.553	1.0775
		(0.32)	(0.6303)	(0.3293)*	(0.673)
Staple food as the main agriculture commodity		-0.117	-0.244	-0.0876	-0.1811
		(0.247)	(0.46)	(0.2528)	(0.4701)
RPO*education				-0.238	-0.371
				(0.32626)	(0.568)
RPO*age				0.02617	0.0497
				(0.0306)	(0.0525)
RPO*land ownership				-0.6791	-1.135
				(0.806)	(1.428)
RPO*structural position				0.923	1.313
				(0.845)	(1.494)
Constant	0.282	0.023	-0.041	0.064	0.315
	(0.211)	(0.748)	(1.42)	(1.4985)	(2.55)
Number of observation	N=220	N=220	N=220	N=220	N=220

* Significant at 10%; ** Significant at 5%; *** Significant at 1%

To test whether RPO membership contributes to the different levels of political participation instead of other variables, I conduct a multivariate analysis to estimate the effect of RPO membership on farmer political participation. Multivariate analysis lets us control for other potential alternative explanations that can contribute to farmer political participation. Table 4.2 and Table 4.3 report the results. For participation in an election, both probit and logit models show a positive and statistically significant relationship. This means that members of RPOs are more likely to participate in an election. This relationship holds even after controlling for other alternative explanations. The inclusion of contextual variables, such as commodity type and geographical location, suggest that the relationship is generalizable across contexts.

Similarly, both probit and logit estimation show that after controlling for other alternative explanations, there is a positive and statistically significant relationship between RPO membership and participation in policy discussions. This result reaffirms many organizational theories that argue that being a member of an organization will increase the likelihood of a person participating politically. This result shows that the theories apply to a specific type of organization, RPOs (agricultural cooperatives and producer associations), in rural agricultural communities.

To determine the magnitude of the relationship, I calculate the marginal effect of the estimates. This is reported below in Table 4.5. Based on the results, we can see that farmers who are members of an RPO are 16.9% more likely to participate in policy discussions than farmers who are not members of an RPO. Similarly, farmers who are members of an RPO are 17% more likely to participate in an election than farmers who are not members of an RPO.

Table 4.5 Marginal Effect on Probabilities of Political Participation

Independent Variables	Marginal Effect on Participation in Policy Discussion	Marginal Effect on Participation inElection
RPO Membership	0.169 (0.01)	0.17 (0.025)
Education	0.07 (0.03)	0.05 (0.021)
Age	0.0001 (0.0025)	0.003 (0.002)
Land Ownership	0.053 (0.08)	-0.081 (0.046)
Structural Position in the Organization	0.034 (0.07)	-0.04 (0.06)
Staple	-0.021 (0.06)	-0.023 (0.05)
Agriculture Dominance	0.209 (0.123)	-0.07 (0.06)
Market Distance	-0.0005 (0.0003)	0.0001 (0.0003)
Political Party Affiliation	0.2 (0.06)	0.304 (0.089)
Membership in other Civic Organization	-0.003 (0.06)	0.0446 (0.05)
Hold economic contract	-0.057 (0.06)	0.09 (0.047)

Notes: Results report marginal predicted probabilities with standard errors in parentheses.

Since the position of a member in an organization can yield different levels of political participation, I also test whether the relationship between RPO membership and a person's political behavior is conditional on a person's position in the organization. Model 4 and 5 in both Table 4.3 and Table 4.4 show the results of the estimation. The general finding is that a person's position in the organization does not determine his/her political participation. For participation in elections, participation is not influenced by structural position in the organization, land ownership, age, or education. For participation in policy discussion, the estimations show that only holding a structural position in the organization influences the level of member participation. This is reasonable since most policy discussions with authorities may only involve representatives of the organizations instead of all members. However, participation in policy discussions does not differ by age, education, and land ownership.

Other findings also reaffirm several previous studies. First, education increases the likelihood of a person participating in both elections and policy discussions with the government. This confirms the education theory of political participation. Second, the significance of several variables that relate to the contextual factor of the organization is also confirmed. In particular, if the organization is located in an agriculture dominant sector, farmer participation in policy discussions increases. This shows that in an agriculture dominant region, governments are more inclined to support farmers by involving them in policy discussions than farmers who are in regions where agriculture is less significant to the economy. Third, having an affiliation to a political party increases the likelihood of a farmer participating in both elections and policy discussions. This is reasonable since political organizations can mobilize members to participate in elections and policy discussions more than organizations who do not have political party affiliations.

4.6 Conclusion

The goal of this chapter was to see whether being a member of a Rural Producer Organization increases the likelihood of farmers participating in two ways – voting in elections and participating in policy discussions with the government. This, in turn, is to see whether membership in RPOs represent one component of rural political agency, which is the focus of this dissertation. The empirical results show that farmers who are members of an RPO are indeed more likely to participate in both forms of political activities than farmers who are not members of an RPO. This relationship holds even after controlling for other alternative explanations gathered from past theories or fieldwork. The relationship in general also holds across all members of an RPO regardless of the position they hold in the organization, their age, their education, and their land ownership status. This suggests that RPOs, in general, are relatively democratic in that every member of the organization has the same opportunity to develop civic skills, receive information, and build trust with other members. Thus, these members can develop skills that enhance political participation. Additionally, membership in an RPO makes farmer political participation more likely than membership in other civic associations, such as religious, youth, and women's organizations.

CHAPTER 5

RURAL AGRICULTURE PARTICIPATION IN GLOBALIZED MARKET

5.1 Introduction

The previous chapter demonstrated the importance of RPOs in shaping rural political agency. Thus, the goal of this chapter is to understand the factors that explain rural RPO participation in Indonesia. As discussed previously, there is still a limited understanding of the contextual factors that contribute to the level of rural participation in a region. In the case of Indonesia, Chapter 2 and Chapter 3 show that a change in the political system from an authoritarian to a democratic regime has shaped how rural communities participate in these RPOs. However, the variation in rural participation under Indonesia's decentralized system indicates that there are other possible contextual explanations outside the political system. Using mixed-method qualitative and quantitative approaches, this chapter identifies these other contextual features and tests how they correlate with rural participation in RPOs. Through an interview I conducted on selected farmers, several contextual factors were identified – (1) exposure to trade liberalization, (2) existence of government support programs, and (3) existence of external supporting actors. Based on these factors, a survey was also conducted to see which of the variables were most common. A quantitative approach – a fixed-effect panel data regression on panel data of Indonesian states from 2010 to 2015 – was then used to test the correlation between these contextual factors and participation in RPOs. The period selection is based on the years Indonesia has been a decentralized system (after 2009) as well as data

availability of RPO membership. Data on RPO membership at the local level, both province and district levels, are only available since 2010 from the Ministry of Agriculture, the Republic of Indonesia. The empirical results show that regional exposure to international trade is the main factor that explains variation in rural participation in RPOs.

The chapter is structured as follows: Section 5.2 discuss the interviews and survey I conducted, which provide the bases for the variables I test in the quantitative analysis. In this section, I discuss how the survey and interviews demonstrate that exposure to trade liberalization is the primary reason small agricultural producers join RPOs. Section 5.3 discusses the analytical framework and hypotheses connecting trade liberalization to rural participation. Section 5.4 explains the empirical strategies, measurement, and data that are used. Section 5.5 discusses the empirical findings and analyses. Section 5.6 concludes the chapter.

5.2 Qualitative Research: Insights on Contextual Factors Explaining Rural Participation

To understand which contextual factors influence the level of rural participation in RPOs, I conducted interviews and a survey. Ten members of an RPO, where six hold important positions in the organization, were interviewed to identify key contextual factors that motivate farmers to join their organization. A semi-structured interview using a set of questions (Appendix B) was adopted during my research fieldwork in the summer of 2017. This allowed participants to provide information that is important to them but not necessarily reflected in the interview questions. The selected participants were active members of an RPO and represented each region under study as well as different agricultural products to obtain a diverse set of answers. The selection was done with the help of the Agriculture Extension and Human

Resource Development Agency (AEHRD), Ministry of Agriculture Republic of Indonesia that works closely with Indonesian RPOs.

The interview results show that several main conditional factors influence farmers' participation in RPOs: (1) the exposure to trade liberalization, (2) existence of government support programs, and (3) existence of supporting external actors. For the most part, farmers that were interviewed had a similar initial response when asked what motivated them to join an RPO. In other words, farmers were motivated to join an RPO to stay competitive in the market, as they are concerns over the fluctuating prices and the low selling price of agricultural products in Indonesia due to the effect of global market activities. A sugar farmer, for instance, said that he and his group were having a hard time selling their sugar products due to the increasing sugar imports coming into Indonesia. According to him, this has created a fall in sugar prices for local farmers, as they are not well equipped to compete in the growing market. Furthermore, he explained that farmers have limited resources, such as capital, inputs, and finances, making many of them feel excluded from the market. Similarly, a rubber farmer described that due to a more open market, the government has less control over agricultural prices, making it difficult for farmers to sell their products at a competitive price. With limited financial options and other resources, it is more challenging for farmers to keep up with global competition.

When asked whether being in an RPO helped, the rubber farmer responded that while farmers still struggle with a stiff competitive market, being members of an RPO have helped them connect to the government and important actors, such as distributors and business partners. "At least when the government understands that the commodity price is harming us, they will try to be in touch with rural organizations to make purchasing arrangements," he further responded. The sugar farmer also responded that, "one way for us to be able to stay competitive in the

market is by working together and finding the solution, either through making our productions more efficient or by raising the problems to relevant authorities." Palm oil farmers agreed with these statements and put much emphasis on the role of RPOs in increasing the collective bargaining position of farmers, mainly with the government and traders.

Exposure to trade has also brought other challenges for farmers, such as having to adhere to stricter regulations and standards in the global market. The agricultural market has become more complex due to more extended and sophisticated supply chains. This creates stricter regulations, higher food safety and quality standards, and changing consumption patterns (Narayanan and Gulati, 2002). Because farmers have limited access to information in the formal market as well as limited ways to share information amongst each other, they face high information asymmetry. Thus, it is difficult for them to meet market requirements (Gulati et al., 2007). Several participants talked about this problem and explained that on many occasions, their export sales were rejected because their products were deemed unqualified. Many of the participants explained that being a member of an RPO has allowed them to overcome these challenges because they have access to many governmental and non-governmental programs that help them meet the necessary requirements. This has allowed them to penetrate foreign markets. A palm oil farmer further emphasized, "[B]eing a member of an RPO is a mechanism for them [farmers] to connect with the government and related authorities so that concerns over the global market can be conveyed."

Indeed, access to governmental programs is also the main reason why farmers join RPOs, as indicated by my respondents. In Indonesia, most of the government's agricultural support is distributed through RPOs, although not necessarily. Farmers can also get support directly from the government. However, many more farmers benefit from this support when the government

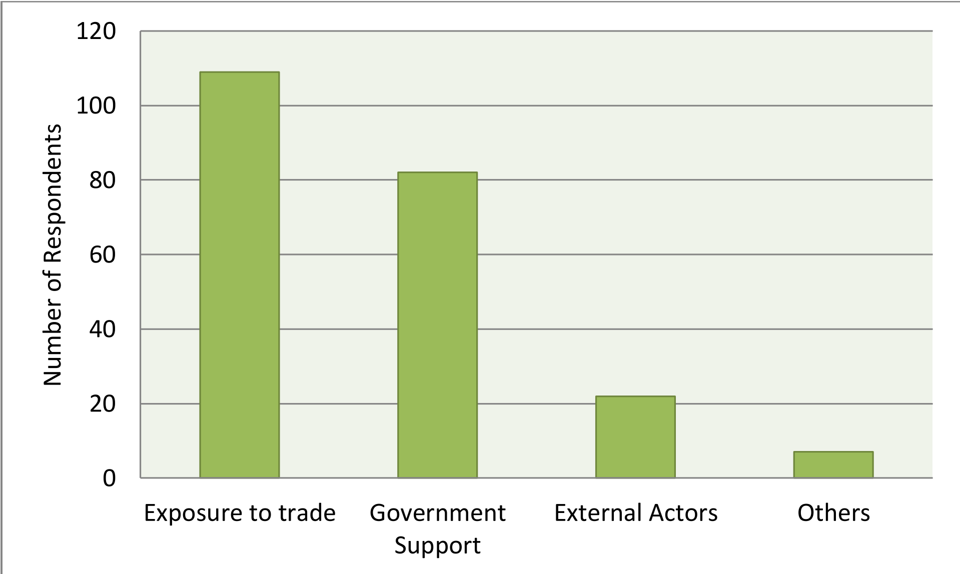
provides it through RPOs instead of sending it directly to farmers. When asked how often and through what means – through their RPO or directly – they receive government support, the answer varied among respondents. A rice farmer answered that she received much government support, i.e. seeds and equipment, through her organization and never directly from the government. However, the rubber and palm oil farmer experienced both. The rice farmer stated that the government tended to provide rice through RPOs because rice cultivation required farmers to coordinate their irrigation. This was not true for other products, such as palm oil. Either way, this accessibility to government agricultural support is one of the primary motivation for farmers to join RPOs.

Respondents also replied that the existence of active external supporting actors, the agriculture extension officers in particular, was another reason why they joined RPOs. When such external actors are actively available, farmers can benefit from their guidance and information, thus increasing their productivity and competitiveness. The rice farmer explained that many rice farmers in her area were enticed by extension officers to join an RPO because they offered guidance programs. Extension officers, however, are not the only external actors that can influence farmers' decisions to join an RPO. Non-governmental organizations (NGOs) and business partners looking to cooperate with farmers are also common. Collective action among farmers through RPOs can make such relations more effective. One farmer said: "...it is easier for them to work with us as a group rather than individually." Moreover, he explained that because they are now linked to global commodity chains and global food supplies, many farmers are motivated to join RPOs to increase their market access in the global market. Additionally, business partners commonly look for an established group rather than individual farmers. This is

because RPOs not only provide a mechanism for collective activities, but they also overcome fundamental issues, such as economies of scale and access to financial institutions.

A survey was then conducted towards the same group of farmers survey was conducted in Chapter 4 to see which of the identified factors were predominant. One of the questions asked on the survey was: "what motivates you to join rural organizations such as agriculture cooperatives or producers organization?" Results are shown in Graph 5.1. where we see exposure to trade liberalization as the main motivating factor for farmers to join an RPO, followed by government support incentives.

Graph 5.1 Survey Result on Farmers' Motivation to Participate in RPOs



Since exposure to trade has been identified as the main contextual factor driving farmers to join an RPO, the next section provides an analytical framework on the relationship between trade and rural participation.

5.3 Analytical Framework and Hypothesis

To complement the insights gained from the interviews and survey above, this section builds an analytical framework on the relationship between trade liberalization and rural civic participation. The literature indicates that there are three main channels in which trade liberalization can translate into higher rural civic participation: (1) distributional economic effect, (2) government accountability, and (3) information effect. The distributional economic effect relates to how trade distributes benefits differently across different actors, as the Stolper-Samuelson (SS) theory suggested. The SS theory is based on the Heckscher-Ohlin (H-O) model which argues that countries will produce goods based on their relative abundant factors or endowments. Take an example of two countries, where one has a capital-abundant factor and the other has a labor-abundant factor. The country with a capital-abundant factor will produce capital-intensive goods, and the country with a labor-abundant factor will produce labor-intensive goods. Both countries gain from trading with each other so they can both acquire what they lack.

The Stolper-Samuelson theorem is the extension of the H-O model, which states that a rise in the relative price of a good will lead to a rise in the return on the factor used most intensively in the production of the good. Conversely, it will lead to a fall in the return on the factor that is used less in the production. In a two-factor model, such as skilled and unskilled labor, trade will increase the income of those with abundant factors in the country and reduce the income of those with scarce factors. Thus, the theory suggests that the income of unskilled labor, the abundant factor, will increase in comparison to skilled labor in developing countries. The contrary also holds for skilled labor in developed countries. Based on this distributive effect

towards society, scholars have argued that trade can shape national coalitions, either based on class (Rogowski, 1989) or sector / industry (Gourevitch, 1986; Frieden, 1991).

Since the agricultural sector in developing countries is dominated by unskilled labor (i.e. small farmers) and is land intensive, the SS theory would then predict that trade liberalization will increase the livelihood of small farmers. When this is the case, the modernization theory of democracy suggests that this can promote civic activism in rural communities. This is because farmers gain more access to education and, therefore, become more receptive towards new ideas (Schumpeter, 1950; Lipset, 1959). The reality, however, shows that trade does not necessarily benefit farmers economically. Instead, my interviews show that trade poses income risks for farmers, as they face higher market competition and stricter regulations. Several studies have suggested that globalization, in general, has resulted in large corporations dominating the global agri-food system (Jussaume, 1998; Hendrickson and Heffernan, 2002). Many small farms are being replaced by these large multinational corporations, and the latter have more political influence to obtain benefits from the government and shape public policy (Roach, 2007). Likewise, a study by Paul (2013) suggests that current global production is dominated by a handful of companies that creates an oligopoly in the global agricultural market. For instance, three of the biggest seed producers dominate 90% of global sugar beets. A similar situation can be found for 57% of global maize production and 55% of global soya beans production.

However, risks from trade liberalization do not necessarily mean rural deprivation. In many cases, rural populations have revolted and created movements to fight these challenges. Moyo and Yeros (2005) review how rural movements arose in three continents – Africa, South America, and Asia. These popular resistances challenged the neoliberal state and the ways in which the state undermined rural labor through new land tenure arrangements and the

commodification of land policies. Van der Ploeg (2009) also reiterates this view. He argues that when confronted with increasing dependence on global market and depeasantization, rural populations can form resistances to the capitalist production logic and form counter movements of repeasantization. Bhavnani and Jha (2013) also test this close relationship between "trade shocks" and rural movements in India. They find that pro-democracy independence movements and parties in India are mostly active in regions that have experienced negative trade shocks. Thus, the first channel that links trade and rural civic participation aligns closely with the information obtained in the interviews – distributive economic effects of trade liberalization motivate rural civic activism.

The second channel is government accountability. Trade can improve governance since it requires institutions that are transparent, less corrupt, and able to provide equal opportunity for different stakeholders to increase their incomes and conduct efficient resource allocations (Bonaglia et.al, 2001; Aman, 2001; Chesterman, 2008). Through its potential benefits, trade can also increase a government's financial capacity. Governments can receive higher revenues from taxes, tariffs, and other fees associated with trade activities. To gain these benefits, governments have incentives to create stable economic and political conditions and enhance their responsiveness. Thus, trade creates a more accountable government that is more likely to be responsive to the need of its citizens. This allows RPOs to flourish, as government support is one important factor that contributes to the success of RPOs .

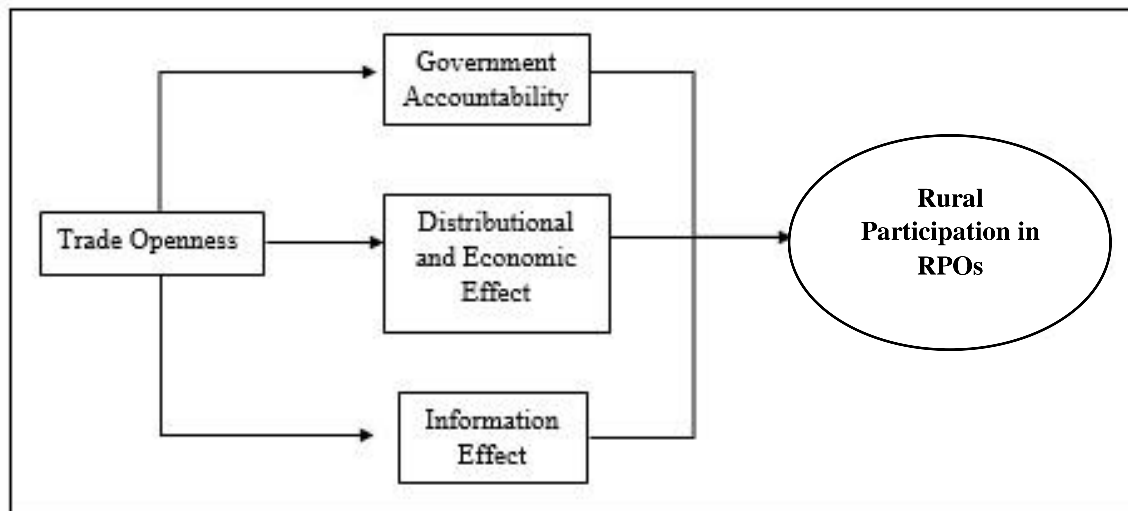
The last channel is the information effect of international trade. The basic argument is that trade will lead to higher interactions among small farmers as well as with other actors –such as traders, local governments, importers, investors, NGOs, and other international organizations. This will allow small farmers to be exposed to new information, technology, and ideas, including

democratic practices. Latynskiy (2016) argues that these external actors can help sustain successful RPOs. Since trade reduces information and traveling costs and intensifies the interactions among foreign countries and individuals, the transmission of new ideas is more attainable. This paves the way for more democratic practices to be implemented. Exposure to trade liberalization will therefore create incentives and awareness among farmers to mobilize and take part in new participatory acts such as joining rural organizations.

Figure 5.1 shows the summary of the analytical framework described above. Based on this argument, the following hypothesis is tested:

H1: Increase exposure to trade will increase rural participation in RPOs.

Figure 5.1 Theoretical Framework of Trade and Rural Participation in RPOs



Endowment Factor

The relationship between trade and rural participation in RPOs, however, is conditioned by agricultural landscape. Different regions vary in commodities and endowments. The literature on democracy has indicated that factor endowments play an important role in determining whether trade increases democratic processes. The focus is on the economic conflict between elites – who are equipped with high capital endowments – and citizens with high labor endowments (Robinson, 2006). In labor-abundant countries, trade will increase the income of labor and allow them greater de facto political power, resulting in more democratic practices. However, the same does not hold for capital-abundant countries, where trade widens income inequality and provides an avenue for elites to gain more power. This theory is further tested by Doces and Magee (2015) who argue that a higher level of trade in labor-abundant countries is associated with an increase in democratic processes. This is not true in capital-abundant countries.

Although the above theories are used to understand national level democracies, I argue that they can be applied to local level democratic practices as well. Within the agriculture sector, endowment factors vary. There are land-abundant regions – regions with high land-owning farmers – that are typically dominated by large agricultural lands. There are also labor-abundant regions – regions with high landless farmers. Based on the SS theory, trade liberalization will benefit areas based on their endowments factor. In a labor-abundant agricultural area, trade will benefit agricultural laborers more than it will benefit those with land-abundant factors. This increases the possibility of rural participation. In contrast, in a land- and capital-abundant area (i.e. dominated by large agriculture land ownership), trade will not benefit agricultural laborers more than capital owners. This results in less robust rural political participation.

As agricultural regions may vary in this regard, the effect of trade on rural civic participation can differ. I adopt the factor endowment theories in the trade and democracy literature and test whether trade increases rural civic participation only in regions that are labor-abundant. The following hypothesis is tested:

H2: Trade will increase rural participation in RPOs in areas with labor-abundant agricultural sectors.

5.4 Empirical Research Design

The Model

To test both hypotheses above, I develop a model that explains the level of rural participation in RPOs as follows:

$$\boldsymbol{RPO_{it} = \alpha_o + \alpha_1 TRADE_{it} + \alpha_2 ENDWMNT_{it} + \alpha_3 X_{it} + \alpha_4 \Lambda_{it} + \varepsilon_i}$$

RPO_{it} is rural participation in RPOs, $TRADE_{it}$ is the level of trade liberalization or trade exposure, $ENDWMNT_{it}$ is a variable that captures endowment factor, X_{it} is a list of control variables, and Λ is the interaction between trade liberalization and endowment factor. The main independent variable is trade exposure and its interaction with the endowment factor. The relevant control variables included are those that have the potential to explain rural participation in RPOs, such as demographic information, human development, and a state's economic characteristics.

I test the model on Indonesian state-level data between the period of 2010-2015. While, ideally, this theory should be tested across countries, data on rural organization membership at the national level are very limited. Moreover, such organizations may not be comparable since different countries might have different forms of organizations with different functions and roles.

Since the model is tested across Indonesian states, socio-political variations across states is required. The selection of the time period is therefore based on the period in which Indonesia has decentralized (2004 onward) as well as the availability of Indonesian RPO membership data (which starts in 2010). I ran the model by using both fixed effect and random effect regression for the panel data. This allows me to control for potential unobserved variables and differences across states and time since it contains information on both intertemporal dynamics and individual characteristics. The panel data is balanced and includes a total of 186 observations. The dataset is constructed using several data sources described in the following section.

List of Variables and Measurements

Dependent Variable: Rural Participation in RPOs

The dependent variable in this model is rural participation in RPOs, which measures RPO membership in a region. It is measured by calculating the total number of agricultural farmers belonging to RPOs divided by the total agricultural farmers in the state. It includes different types of RPOs, including agricultural cooperatives and producer associations. This measure, however, does not capture the magnitude of rural participation because high membership level does not necessarily mean more activities and high member engagement. For example, an organization may have a high rate of membership but low contribution from its members. However, scholars have argued that calculating RPO activities is a difficult task since there are different forms of RPOs with different activities, goals, and characteristics (Shiferaw et al, 2009; Fischer and Qaim, 2011; Ragasa and Golan, 2012). When this task is possible, it is typically done among a certain number of organizations. Thus, finding the aggregate state level of RPO

activities is almost impossible to do. Membership level is, therefore, a better proxy to determine the level of rural farmer engagement in an organization.

Moreover, I argue that because RPOs are voluntary organizations, being a member of an RPO is itself a form of rural farmer participation. Data on the number of farmers joining RPOs and total agricultural workers are obtained from the Ministry of Agriculture, the Republic of Indonesia. The data on RPO membership is obtained specifically from the Extension Program and Human Resource Development Department under the Ministry of Agriculture Republic of Indonesia (BPPSDMP).

Main Independent Variable: Trade Liberalization

The main independent variable is trade liberalization, which is defined by the level of market openness in a region. The literature on trade has used different ways to measure trade, which includes tariff levels and policies, trade volume, deviation measures, and subjective indexes (Spilimbergo et. al, 1999; Calderón et al, 2005). Scholars have argued that to measure the level of openness, we need to look at trade policy instead, i.e. tariff and non-tariff barriers. However, quantifying trade policies, particularly for non-tariff barriers, is difficult. In this study, trade policies are not relevant to use since I am conducting a within-country analysis. Trade policies tend to be made at the national level. Trade volume (ratio of export and import to GDP) is the simplest and most commonly used measure. The measure, however, is problematic because trade volume does not reflect actual trade policy because it captures the real level of trade openness. This level can be affected by other things, such as geographical conditions, income, and size of the economy. The second trade measure that is commonly used is whether the region is dominated by an import-competing subsector or an export-oriented subsector. In this case,

trade is measured not only by its density but also by its type. The classification that is commonly used is whether a region is a net importer or net exporter, and thus trade is measured by the trade balance. The trade balance is the difference between the value of goods exported and goods imported for a certain period of time. The code “1” represents net importer – where imports exceed exports – while “0” represents the opposite, a net exporter.

Since there are debates on how best to measure trade, I use both trade volume and trade balance to check the robustness of the theories. Moreover, since the interest of this study is rural agricultural communities, both measures are more relevant to the theory since they focus on the agricultural sector. Trade volume is measured by the ratio of total agricultural exports and imports per agriculture GDP of a region. Trade balance is measured by the difference between agricultural exports and imports. To check whether rural political participation in RPOs can be influenced by the general trade liberalization of a region, I also conduct an analysis using general trade volume. In this case, state level data on trade and GDP are used rather than agricultural sector data. All the dataset used here are obtained from the Indonesian Center Bureau Statistics (BPS).

Control Variable: Endowment Factor

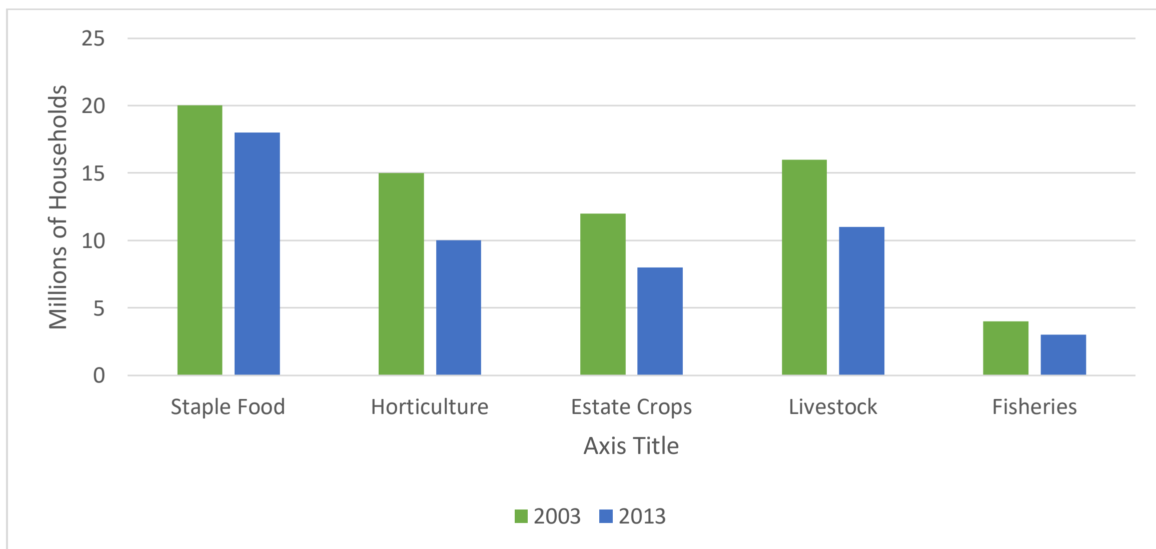
Endowment factor is defined by the production factor endowed in the region. Based on previous trade theories, endowment factor is divided into those that are endowed with labor and those that are endowed with capital owners. Within the agricultural sector, the division can be based upon agricultural landowners and those that are purely agricultural laborers. An ideal way to measure endowment factor is by looking at how many farmers own land. However, such data are not available at the aggregate level. Farmer survey data, such as the National Farmer Survey

Data (PATANAS), have explored the subject but are done at the individual level and typically concentrate in a specific area at different times. Thus, I cannot find state-level data that is comparable across cases.

An alternative measure is to look at the type of commodities dominating the region. The agriculture subsector consists of five main sub-sectors – staple foods, horticulture, livestock, fisheries, and estate crops. Based on the Indonesian National Farmer Survey Data (PATANAS), smallholder farmers dominate the staple foods subsector more than private plantations and national state-owned enterprises. In 2003, the number of smallholder farmers in the staple food subsector reached 18 million. In 2013, there was a slightly lower number of 17.7 million smallholder farmers. This represented around 60% of total smallholder farmers in Indonesia (PATANAS, 2014). Further data on smallholder farmers within the Indonesian agriculture subsector is shown in Graph 5.2 and Graph 5.3.

Based on this reasoning, I use a proxy for endowment factor by looking at the share of staple food commodities in the agriculture sector of a region. If a region's agriculture sector is dominated by staple foods, I assume that land ownership is low. Therefore, that region can be considered a labor-abundant region. On the contrary, a region in where non-staple food commodities dominate indicates high land ownership. Thus, this region can be considered a land-abundant region. The share of the commodity is calculated by the ratio of the total production of staple food to the overall agricultural GDP. All relevant data – state level commodity production and agriculture GDP – is obtained from the State Statistics Annual Report, which is provided by each state's representative of the Indonesian Center Bureau Statistics (BPS).

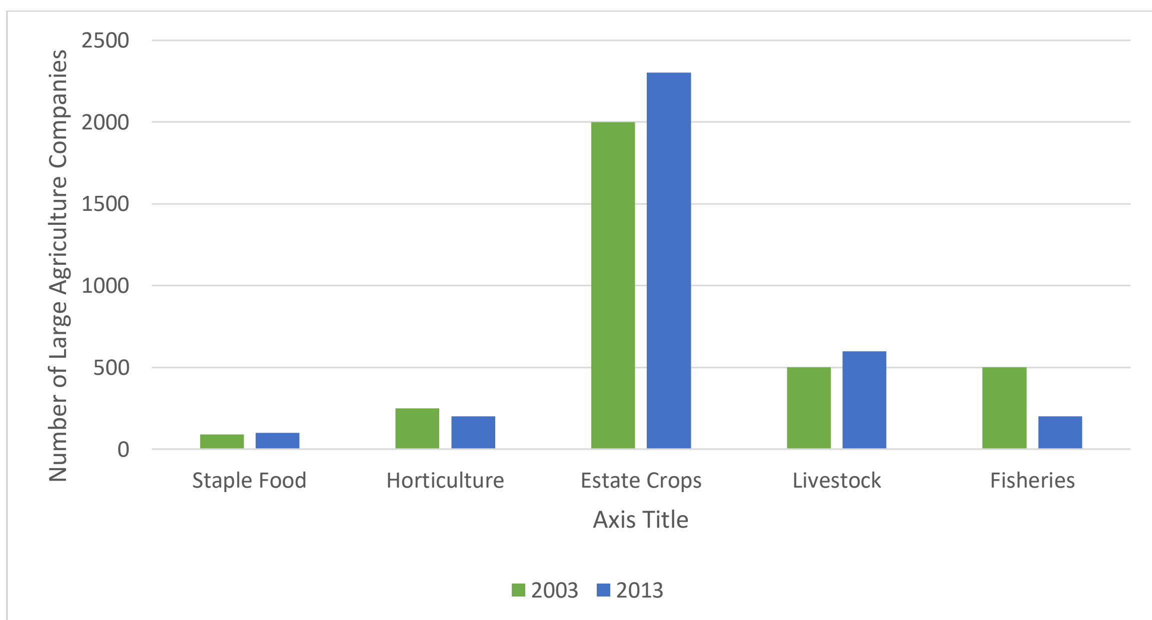
Graph 5.2 Number of Smallholder Households Based on Agriculture Subsector*



** A smallholder household can cultivate multiple agriculture commodities.*

Source: Indonesian National Farmer Survey (PATANAS, 2003, 2013)

Graph 5.3 Number of Large Agriculture Companies Based on Agriculture Subsector



Source: Indonesian National Farmer Survey (PATANAS, 2003, 2013)

Control Variables: Socio-political factors

Other variables are included in the model to control for alternative explanations of rural participation in RPOs. The variables include socio-economic and political factors as well as the structure of the agriculture sector in the state. Socio-economic factors measure the developmental level of the population in the state. This includes poverty level, inequality, share of rural population, and the human development index. Poverty and inequality are expected to have a negative correlation with rural participation in RPOs. This is because poorer rural populations will have less capacity and power to act in a collective manner. Meanwhile the human development index is expected to have a positive correlation with rural participation in RPOs. Scholars have long acknowledged the importance of high socio-economic standings for democratic practices, such as civic participation (Lipset, 1960; Diamond, 1999). Despite doubts about the ability of these theories to explain the recent wave of democracies, scholars and practitioners commonly agree that democratic practices will survive better in the presence of wealth and development. Data on poverty, inequality, and the human development index are obtained from the State Statistics Annual Report, which is provided by each state's representative of the Indonesian Center Bureau Statistics (BPS). The human development index data from the BPS consist of three elements: life expectancy, educational level, and income.

Another control variable that is included in the model is the structure of the agriculture sector in the state. This includes the share of the rural population in the state, agriculture share to GDP, whether the agriculture sector is the main sector of the state, and farmer access to agriculture credit. It is expected that a when the agriculture sector plays a large role in the economy – indicated by the population share, economic share, and its relative position in the economy – it will increase rural participation in RPOs. This is because collective action among

farmers will be more accessible. And when the agriculture sector is important in the economy, the government is also more likely to include rural participation in public affairs as well as encourage farmers to become members of RPOs. Additionally, access to agriculture credit is important for encouraging rural participation in RPOs since RPOs are economic-based and, therefore, require financial institutions. The data is obtained mostly from State Statistics Annual Report provided by each state's representative of the Indonesian Center Bureau Statistics (BPS) as well.

Data on whether agriculture is the main sector is obtained by calculating the share of agriculture GDP to the overall GDP. I then construct a measure where the agriculture sector in the region is considered the main sector when the agriculture share is over 50 percent of the overall GDP. I code the regions using a binary measure – "1" represents agriculture as the main sector of the region, and "0" stands for the reverse. Meanwhile, agriculture credit is calculated by the value of total credit given in the agriculture sector per agriculture GDP using the data obtained by the Ministry of Agriculture, Republic of Indonesia.

The last control variables are those that are related to political factors. These include the number of jurisdictions and the election period. The number of jurisdictions is the number of districts within the state based on the data obtained from the Ministry of National Affairs Republic of Indonesia. Since rural participation in RPOs often requires collective action and cooperation between different farmers across districts within a state, more jurisdictions in a state is expected to reduce rural participation in RPOs. In addition, rural participation in RPOs is expected to flourish during the election period because farmers in developing countries are a large share of voters. In Indonesia, farmers are included in the 65% of blue-collar voters, making them significant voters in regency areas in particular – districts that consist of large rural areas

(Mujani et. al, 2018). Moreover, agricultural issues are a sensitive election issue in Indonesia and other developing countries since many developmental problems lie within the agriculture sector. Thus, many vote-buying activities that deliver agriculture needs, such as fertilizer and loans, are mostly conducted through an organized body such as an RPO. In Indonesia, for example, supporting the Indonesian National Farmer Association (HKTI) is common for political candidates who want to gain support from farmers across the country.

A summary of all the variables, definitions, and measurements is displayed in Table 5.1 below. Descriptive statistics of each of the variables are presented in Table 5.2.

Table 5.1 List of Variables

Variable	Definition	Measurement	Data Source
RURAL PARTICIPATION IN RPOs	The level of Rural Producer Organizations (RPOs) membership in the state	Percentage of small agriculture producers belonging to RPO to total small agriculture producers in the state	*Extension Program and Human Resource Development Department, Ministry of Agriculture Republic of Indonesia* (BPPSDMP).
AGRICULTURE TRADE	Level of agriculture market openness	Total agriculture export and import per agriculture GDP	*Indonesian Center Bureau Statistics (BPS).*
GENERAL TRADE	Level of the overall market openness	Total export and import per agriculture GDP	*Indonesian Center Bureau Statistics (BPS).*
NET IMPORT	Trade balance shows higher import value than export	Trade balance is calculated by total export minus total import. The data is coded "1" when the state is net importer (import exceeds export), and "0" for net exporter (export exceeds import)	*Indonesian Center Bureau Statistics (BPS).*
ENDOWMENT	Main endowment factor of production in the state	Use proxy of staple food share from the state's total agriculture production	*Indonesian Center Bureau Statistics (BPS).*
POVERTY	The share of population living under the poverty line. Poverty line is calculated based on national standard of living, including both food and non-food needs.	Percentage of population living under the poverty line to total population of the state	*Indonesian Center Bureau Statistics (BPS).*
			(Continued)

Variable	Definition	Measurement	Data Source
INEQUALITY	The unequal income distribution within the population.	Calculated using the gini coefficients.	*Indonesian Center Bureau Statistics (BPS).*
HUMAN DEVELOPMENT INDEX	Development level of population in terms of education, health, and income.	Calculated by the *Indonesian Center Bureau Statistics (BPS)* using equation that captures the three development components.	*Indonesian Center Bureau Statistics (BPS).*
RURAL POPULATION SHARE	The relative size of rural population in the region.	The share of rural population to total population in the state.	*Indonesian Center Bureau Statistics (BPS).*
AGRICULTURE SHARE	The relative size of agriculture sector in the economy.	The share of agriculture GDP to total GDP of the state.	*Indonesian Center Bureau Statistics (BPS).*
MAIN SECTOR	Whether agriculture sector is the main sector in the state.	Binary data, where “1” holds for the condition where agriculture is the main sector in the economy, while “0” holds for the opposite. Agriculture is the main sector in the economy is when agriculture GDP share holds more than 50% of the total GDP.	*Indonesian Center Bureau Statistics (BPS).*
AGRICULTURE CREDIT	Access to agriculture credit.	Total of agriculture credit value per agriculture GDP.	*Ministry of Agriculture, Republic of Indonesia*
JURISDICTION	Number of districts within the state.	Number of districts within the state.	*Ministry of National Affairs, Republic of Indonesia*
ELECTION	Election period, either at national level or local level.	Binary variable where “1” holds when there are either national or local level election within that year, while “0” holds for the opposite. 0 is for the years under authoritarian regime (prior 1995)	*Ministry of National Affairs, Republic of Indonesia*

Table 5.2 Summary Statistics of All Variables in the Model

Variables	Obs	Mean	StdDev	Min	Max
RPO membership	186	23.13	14.56	3	65
General trade share	186	22.69	27.68	14	138
Agriculture trade share	186	22.69	27.68	7	90
Net import (1=net importer)	186	0.8	0.39	0	1
Agriculture credit	186	9.8	4.2	2	29
Poverty	186	12.87	6.8	4.18	36.8
Inequality	186	0.37	0.037	0.28	0.46
Rural Population	186	59.63	14.9	17	80.7
Human Development Index	186	66.45	3.6	54.5	74.17
Agriculture share	186	21.5	9.32	3.64	43.57
Agriculture as main sector (1=agriculture as main sector)	186	0.55	0.5	0	1
Endowment Factor (Share of staple food production)	186	63.15	29.8	0.814	99.62
Number of Jurisdiction	186	12.9	7.09	4	29
Election period (1= election held within the year)	186	0.17	0.37	0	1

5.5 Empirical Results

Seven models are conducted to test the hypotheses above, and the results are shown in Table 5.3 below. Model 1 shows the bivariate relationship between trade liberalization and RPO

membership. Based on the bivariate model, the empirical results show a positively significant relationship between the two variables at $p<0.05$. The following models then test the relationship using multivariate analysis to see whether rural participation in RPOs can be attributed to trade liberalization or socio-economic, agricultural, and political factors. Multivariate models allow us to test the effect of trade liberalization on rural participation in RPOs while simultaneously testing and controlling for alternative explanations. The estimation results in model 2 show that even after controlling for alternative factors, trade liberalization still has a positive and significant effect on rural participation in RPOs ($p<0.1$).

To test the robustness of the result, I conduct a similar model (model 3) in which I use overall trade liberalization instead of agriculture trade liberalization. I then test this relationship again using trade balance as the trade indicator (model 4). I also conduct the same model as model 2 but use a random effect method rather than a fixed effect method (model 6). The estimation results in model 3 show that overall trade has no significant effect on rural participation in RPOs. This indicates that farmers are reacting to the agriculture market only. This is predictable since the direct impact of trade on farmers comes mostly from the agriculture sector. The estimation in model 4, however, shows a negatively significant effect between net importers and rural participation in RPOs ($p<0.01$). This shows that net-importer regions have a lower rate of rural participation in RPOs. In other words, rural participation in RPOs is more likely to occur when the agriculture sector is benefiting from trade rather than in regions facing market competition from growing imports. The last model for robustness check is shown in model 6 where I estimate the multivariate relationship between agriculture trade liberalization on rural participation in RPOs using a random effect method. The estimation result shows a positively significant relationship between agriculture trade liberalization and rural participation

in RPOs ($p<0.05$). Despite showing similar results, the fixed effect method is the most suitable model for the estimation by using the Hausman Test.

The overall estimation results indicate that regions with higher exposure to trade have a higher rate of rural participation in RPOs. Specifically, regions that are net-exporters have a higher rate of rural participation in RPOs. This shows that trade exposure encourages rural political agency since it motivates farmers to join RPOs. RPOs can not only benefit farmers economically, but they can also increase farmers' political roles in the society. This also shows, as seen in the trade-democracy literature, that trade shocks can support deeper democracy by leveraging inclusivity of rural population,

To test whether the relationship between trade and rural participation is conditional on factor endowments, I take the existing model and include an interaction variable of factor endowment. This is measured by the share of staple food subsector in the agriculture sector, using both a fixed effect method in model 5 and a random effect method in model 7. I found that although the endowment factor significantly affects rural participation in RPOs, it does not affect the relationship between trade liberalization and rural participation in RPOs. The use of staple food share in the agriculture sector as a proxy indicates that a region with a high rate of landless farmers – which mostly exist in the staple food subsector – has a higher rate of rural participation in RPOs. Regions with high land-owner farmers, on the other hand, have a lower rate of rural participation in RPOs. Regions that are exposed to higher trade liberalization, however, are not affected by this factor endowment and, in general, show an increasing rate of rural participation in RPOs

Other interesting findings from the estimation show that different contextual variables are also important factors increasing rural participation in RPOs. A consistent result is shown for the

human development index, agriculture share, and rural population share. Human development index shows the most consistent findings. The results show the human development index positively and significantly affects the rate of rural participation in RPOs. Since education is a main element of the human development index, this finding supports the findings of previous theories that argue education is a predictor of civic participation. This finding shows that the theories hold even for marginalized populations such as rural agrarian communities. Other contextual variables that influence the rate of rural participation in RPOs are agriculture share and rural population. A higher agriculture share means that farmers are important to the economy. They thus have a higher willingness to act collectively and cooperate more with government officials. A similar logic applies to findings that show higher rural population results in an increase in rural participation in RPOs.

Table 5.3. Estimation Results in Explaining RPO Movement

	Dependent Variable = RPO membership						
Independent Variables	1	2	3	4	5	6	7
	FE	FE	FE	FE	Interaction (FE)	RE	Interaction (RE)
Agriculture Trade Share	**0.0903534**	**0.0793251**			0.0270803	**0.0788404**	0.0012196
	(0.0401144)**	**(0.0407962)***			(0.0936831)	**(0.03457)****	(0.081)
General Trade Share			-0.0425857				
			(0.0653305)				
Net import				**-5.215396**			
				(1.893098)***			
AgriTrade x Factor Endowment					0.0007253		0.0010827
					(0.0011701)		(0.0010245)
Socio agriculture aspect							
Poverty		0.07309	-0.0439836	0.1669389	0.0367698	-0.2685036	-0.2798519
		(0.433899)	(0.4381765)	(0.4311668)	(0.4387598)	(0.29604)	(0.2983)
Inequality		25.43636	29.56412	24.791	25.28238	28.34176	27.92303
		(24.1233)	(24.87765)	(23.82045)	(24.17632)	(22.3155)	(22.29971)
Rural Population		0.7188563	**0.8389254**	**1.028249**	0.6713029	0.0510631	0.0532612
		(0.4720877)	**(0.4731021)***	**(0.4664633)****	(0.4792811)	(0.2045006)	(0.20664)
Human Development Index		**2.28509**	**2.005856**	**2.52798**	**2.171397**	**1.54639**	**1.502262**
		(0.7830398)***	**(0.8731592)****	**(0.7796417)*****	**(0.8058734)*****	**(0.53536)*****	**(0.53826)****
Agriculture Share		**1.50425**	0.9908195	**1.224821**	**1.468488**	0.4094787	0.4525949
		(0.729896)**	(0.7945264)	**(0.7047196)***	**(0.7337339)****	(0.3309286)	(0.33637)

(Continnued)

	Dependent Variable = RPO membership						
Independent Variables	**1**	**2**	**3**	**4**	**5**	**6**	**7**
	FE	FE	FE	FE	Interaction (FE)	RE	Interaction (RE)
Agriculture as Main Sector		-6.506785	-5.764886	**-7.186175**	-6.481648	-3.867988	-4.16922
		(4.058758)	(4.125666)	**(4.021772)***	(4.067667)	(3.342126)	(3.36171)
Factor Endowment		0.07188563	**0.0872497**	**0.0772495**	0.0488408	**0.1029508**	0.0641581
		(0.0441371)	**(0.0447891)***	**(0.0432688)***	(0.0577756)	**(0.03901)*****	(0.0531264)
Agriculture Credit		0.04587	0.0678657	0.0501851	0.0610394	0.1912915	0.2071027
		(0.1886335)	(0.1934371)	(0.1862507)	(0.190614)	(0.1769812)	(0.1777417)
Political Variables							
Election Period		0.17083	.1253076	.1688971	0.0835103	0.2256993	0.0625116
		(1.254422)	(1.269127)	(1.238259)	(1.264983)	(1.212173)	(1.220104)
Number of Jurisdiction		0.9806289	0.7200955	0.9898309	0.9826986	0.3768642	0.3882331
		(0.7896433)	(0.7916544)	(0.7758424)	(0.7913443)	(0.2899869)	(0.2943002)
Constant		**-231.4707**	**-203.2286**	**-253.8555**	**-218.4083**	**-112.7465**	**-108.0984**
		(81.63) ***	**(88.47249)****	**(81.23295)****	**(84.47653)****	**(43.306)*****	**(43.686)****
Observations	N=186	N=186	N=186	N=186	N=186	N=186	N=186
R- squared	0.86	0.88	0.87	0.88	0.88	0.87	0.88

**Significant at 10%, **Significant at 5%, ***Significant at 1%*

Next, I address concerns regarding endogeneity, as the relationship between trade and rural participation may run in the reverse direction. Since this theory is heavily drawn from the trade and democracy literature, scholars in this literature have repeatedly raised the concern of reverse causality where democracies influence the level of trade openness (Eichengreen and Leblang, 2006; Grofman and Gray, 2000; Yu, 2007). Democracies are more conducive for open trade activities in contrast to authoritative regimes (Mansfield et al, 2000) because they have better rule of law (Barro, 1999), better enforcement of intellectual property rights, and better product safety standards (Rodrik, 1997). Democracies are also thought to produce more free trade policies since interest groups have more opportunities to shape trade policies and gain trade protections when needed (Grossman and Helpman, 1994; Rotemberg, 2003). In particular, labor groups in democracies can gain power that could further push for more democracy (O'Rourke and Taylor, 2006). Although no studies have been done to test whether civic participation, in general, can influence the level of trade openness, the possible relationship between democracy and trade could similarly apply to civic participation. As the democracy and trade literature suggest, the participation of labor groups can result in different trade policies. Active civic participation can also mean that citizens are more concerned with trade policies and thus obtain more information regarding the issues. Therefore, they participate more in trade activities which can lead to more trade policies.

Several strategies have been introduced to solve this endogeneity problem. A highly suggested solution is using an instrumental variable, which is a variable that measures trade but is not correlated with other variables that can influence democracy. Instrumental variables that are commonly used for trade include the following geographical and demographic variables: the distance from other nations, land area, population, and waterway access (Frankel and Romer,

1999; Wei, 2001; Cordova and Meissner, 2008). These instrumental variables, however, cannot be applied to rural participation because they can directly influence the interaction between citizens and, therefore, influence civic participation. Moreover, since I use a subnational level unit of analysis, some variables (i.e. distance to other nations) cannot be applied to predict the subnational level of trade openness. Meanwhile, the use of distance to other regions within the country does not link to the level of trade openness either. Finding a suitable instrumental variable is not an easy task. There is risk of generating weak findings when weak instrumental variables are used (Yogo, 2004).

Another plausible way to avoid the endogeneity problem is to use the lag identification or the use of one period lagged explanatory variables (Bellemare et al, 2017). This strategy is common across the social sciences. The idea is that the suspected independent variables occur in advance of the dependent variable (Antonakis et.al., 2014). In other words, the lagged value of the interest explanatory variable is unlikely to be endogenous to the dependent variable. The findings from the lagged independent variable estimation are reported in Table 5.4 below. The estimation results show a consistent outcome – that the relationship between trade exposure in the agriculture sector and RPO membership is positive and statistically significant.

Table 5.4. Estimation Results in Explaining RPO Movement Using Lagged Independent Variables

	Dependent Variable = RPO membership						
Independent Variables (lagged 1 year period)	**1**	**2**	**3**	**4**	**5**	**6**	**7**
	FE	**FE**	**FE**	**FE**	**Interaction (FE)**	**RE**	**Interaction (RE)**
Agriculture Trade Share	**0.0364**	**0.1154**			0.028	**0.0925**	-0.0092
	(0.0216)*	**(0.037)*****			(0.083)	**(0.0313)****	(0.066)
General Trade Share			0.000626				
			(0.063)				
Net import				**-2.23**			
				(1.283)*			
AgriTrade x Factor Endowment							0.0015
					0.0012		(0.0008)
					(0.001029)		
Socio agriculture aspect							
Poverty		-0.318	-0.343	**0.562**	-0.367	-0.24	-0.284
		(0.0446)	(0.48)	**(0.275)****	(0.45)	(0.3123)	(0.3133)
Inequality		0.9325	-0.553	12.822	0.367	1.0137	0.1823
		(1.45)	(1.5919)	(15.82)	(1.524)	(1.324)	(1.394)
Rural Population		-4.853	-1.04	-0.67	-3.045	-0.157	-0.152
		(4.0225)	(4.56)	(3.45)	(4.303)	(0.217)	(0.218)
Human Development Index		**1.564**	**1.467**	**2.067**	**1.296**	**1.327**	**1.118**
		(0.7034)**	**(0.822)***	**(0.53)*****	**(0.74)***	**(0.544)****	**(0.554)****
Agriculture Share		**1.567**	0.973	0.49	**1.4345**	0.506	0.497
		(0.729)**	(0.809)	(0.51)	**(0.7365)****	(0.319)	(0.321)

(Continued)

	Dependent Variable = RPO membership						
Independent Variables	**1**	**2**	**3**	**4**	**5**	**6**	**7**
	FE	**FE**	**FE**	**FE**	**Interaction (FE)**	**RE**	**Interaction (RE)**
Agriculture as Main Sector		**-2.516**	-0.276	-1.814	-1.467	-1.582	-0.688
		(1.368)*	(1.724)	(2.971)	(1.634)	(1.17)	(1.265)
Factor Endowment		0.0121	0.049	**0.063**	-0.02	0.05	0.001
		(0.045)	(0.045)	**(0.029)****	(0.05)	(0.039)	(0.05)
Agriculture Credit		0.086	0.054	-0.15	0.093	0.1917	0.1908
		(0.1717)	(0.183)	(0.115)	(0.171)	(0.165)	(0.163)
Political Variables							
Election Period		**1.828**	1.659	0.258	1.6325	1.477	1.297
		(1.0609)*	(1.106)	0.73	(1.072)	(1.05)	(1.043)
Number of Jurisdiction		0.74165	0.3763	0.355	0.7105	**0.535**	**0.514**
		(0.7408)	(0.768)	(0.498)	(0.74)	**(0.305)***	**(0.308)***
Constant	**21.96**	167.134	-35.671	-140	81.76	**-77.87**	-60.56
	(1.035)***	(244.61)	(264)	(44.75)	(254.9)	**(41.95)***	(42.9)
Observations	N=186	N=186	N=186	N=186	N=186	N=186	N=186
R- squared	0.88	0.89	0.89	0.95	0.89	0.85	0.86

* Significant at 10%; ** Significant at 5%; *** Significant at 1%

5.6 Conclusion

The main goal of this chapter was to understand the contextual factors that explain rural civic participation in RPOs. Through interviews and a survey I conducted on selected farmers, three contextual factors were identified: (1) exposure to trade liberalization, (2) existence of government support programs, and (3) existence of external supporting actors, with exposure to trade liberalization being the most common factor. The quantitative analysis confirmed the correlation between exposure to trade and rural participation in RPOs even after controlling for other relevant factors, including the existence of incentives such as government support programs. As the insights from the interview and the theory have suggested, exposure to trade poses several challenges for farmers, mainly through its distributive economic effect. This thus makes collective action through RPOs more likely. Collective action through RPOs not only helps farmers stay competitive on the market, but also allows them to relay their concerns to relevant authorities.

CHAPTER 6
POLICY EFFECT OF RURAL PARTICIPATION

6.1 Introduction

In the previous chapter, I showed that rural civic participation in RPOs builds rural political agency. RPO membership increases farmer participation in other civic activities, including participation in policy-making discussions. Indeed, the concept of rural political agency consists not only of the ability of rural communities to act collectively but also to have access to political decision-making processes and obtain favorable policies. The main objective of this chapter is to see how rural participation in RPOs influence the level of governmental support programs, measured by the level of spending. This chapter focuses on government productivity programs that specifically target agricultural development as well as general social welfare programs. The agricultural productivity programs include an array of government support such as agriculture infrastructure, irrigation systems, extension programs, and production inputs.

I argue that RPOs, due to the nature of their activities, will be more effective in influencing agricultural productivity programs than general welfare programs. Furthermore, because local governments have control over many productivity policies, this chapter argues that the effectiveness of rural participation is mostly at the local level compared to the central level. Thus, this chapter will mainly look at agricultural productivity programs that local governments provide.

By using quantitative analysis on subnational data of Indonesia from 2010 to 2015, I found that rural participation in RPOs is associated with a higher level of local agricultural support. However, this does not hold true for agricultural support provided by the central government as well as general welfare spending. This finding demonstrates that rural participation is most effective at the local level rather than at the national level.

In this chapter, I further argue that the effectiveness of rural participation in obtaining local agricultural supports is not inevitable. Instead, it depends on the local political environment which shapes the behaviors of local governments. Because local incumbents are also political actors interested in re-election, targeted spending such as agricultural support provides them an opportunity to engage in vote-buying with rural agrarian communities. This motive, in turn, provides a mechanism to solve free-riding problems inherent to RPOs.

Such vote-buying practices, I argue, are conditioned by three political contexts, namely (1) the level of political competition, (2) the level of state independence, and (3) the level of central-local political cohesion. The level of political competition represents the political value of farmers to politicians. Vote-buying practices are likely to occur when political competition is high, meaning the political value of farmers is high. The level of central-local political cohesion looks at the environment that enables local incumbents to engage in vote-buying without being constrained by their counterparts in the central government. Lastly, the level of state independence represents the capacity of local governments to generate revenue to finance vote-buying practices. The empirical findings generally support these claims, suggesting that further development of rural political agency depends on the political incentives of local governments.

The structure of this chapter is as follows: Section 6.2 provides background information on spending in decentralized Indonesia that are relevant to farmers. Section 6.3 discusses the

analytical framework that demonstrates the relationship between rural participation in RPOs and the level of agricultural productivity programs. By drawing from previous electoral literature, section 6.4 then discusses how local governments' electoral incentives promote vote-buying behavior, which further shapes the provision of agricultural productivity policies. I will then discuss the empirical methods and analysis in sections 6.5 and 6.6, along with insights from fieldwork. Section 6.7 concludes the chapter.

6.2 Related Government Support Programs under Decentralized System

Agriculture and Rural Development Support

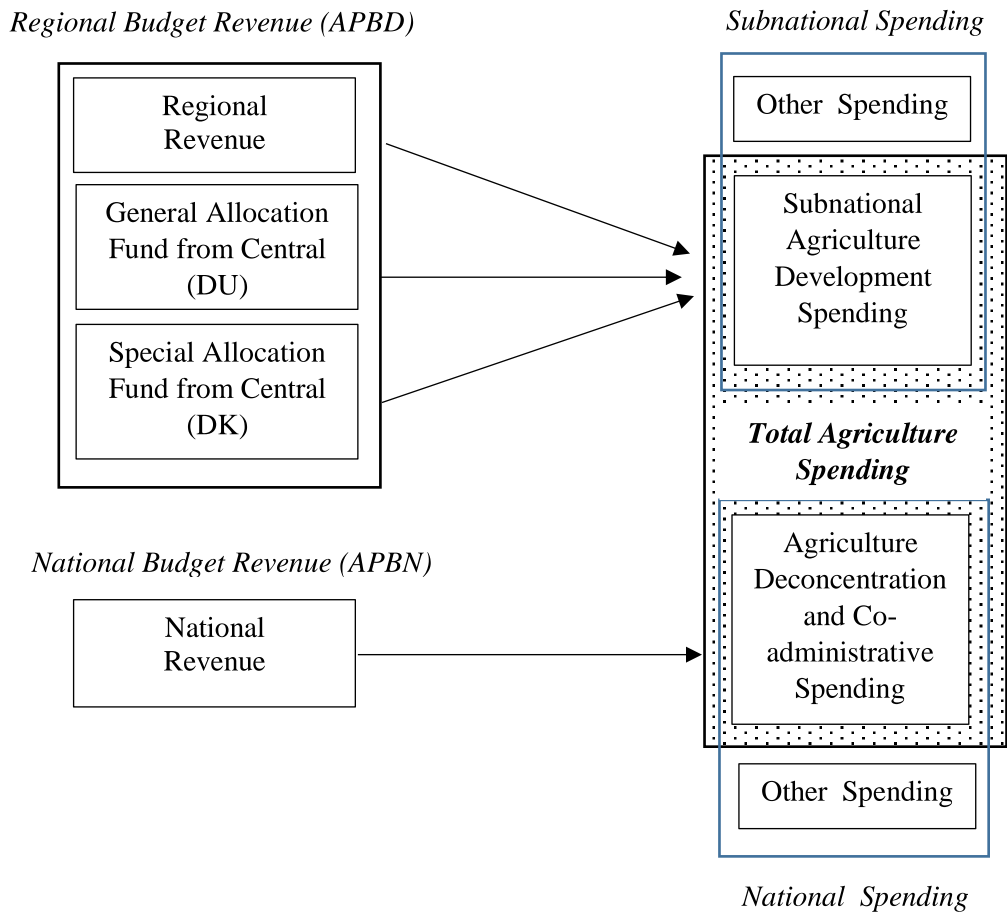
Since decentralization, agriculture affairs in Indonesia have mostly been handled by local authorities to reach more effective and efficient agricultural development outcomes. As explained previously, the decentralization law established two kinds of local responsibilities for different sectors. First, local governments have obligatory responsibilities that include state development, public facilities maintenance, health, education, government administration, the environment, census taking, local safety, and law enforcement. Second, local governments can take on optional tasks. These include agriculture, forestry, mineral resources, tourism, fisheries, trade, and industrial affairs. Since these sectors depend a lot on local environments, they prove difficult for the central government to legislate alone. Typically, local governments manage these optional tasks together with the central government. Therefore, agricultural spending in Indonesia comprises of both local and central government resources. Good coordination between central and local governments is therefore required to achieve better agricultural development.

While the central government focuses on agricultural policymaking, including legislating subsidies and agricultural trade policies, the implementation of these policies is facilitated by

local authorities. At the same time, local governments are also responsible for developing their own agricultural programs that are a better fit for regional needs. Two main sources of local agricultural development budgets are (1) the deconcentration and co-administration fund from the central authority's national budget (APBN) and (2) the regional subnational budget (APBD). The regional budget (APBD) consists of three components: (1) the region's own revenue, (2) general allocation fund from the central government (DAU), and (3) special allocation fund from the central government (DAK).[6] Since local government funding in the agricultural sector and in general are still limited, funding from the central government is an important source of funding for local agricultural development. The structure of local and central funding for the agricultural sector can be seen in Figure 6.1 below.

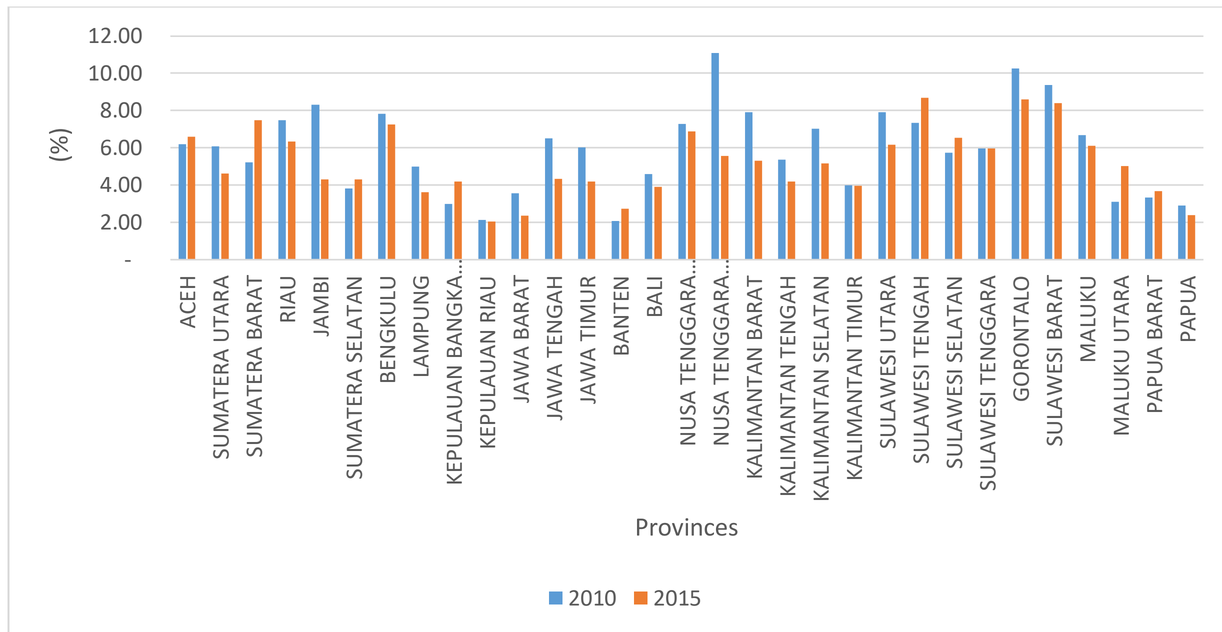
[6] Law Number 33 Year 2004 requires the central government to provide funding transfers to subnational governments based on the national income. Since decentralization has transferred a wide range of governmental tasks to subnational governments, the central government gives general allocation fund (DAU) to subnational governments – both at the province and district level – to support local governments in governing their jurisdictions. The DAU is provided in the form of a "block" grant in which there are no specific programs that are targeted. The calculations are based on the characteristics and needs of the subnational unit, with the population, GPD per capita, land area, construction price index, and fiscal capability taken into consideration. Meanwhile, special allocation fund (DAK) is provided from the central government to fund special tasks or programs, mainly infrastructure. Some examples of this are school infrastructure and road infrastructure. These programs are usually targeted towards underdeveloped and disaster-prone areas. Another criteria is whether the region has a sector important to the national economy such as tourism or food security.

Figure 6.1 Indonesia's Agricultural Spending Scheme



According to Sumedi et al. (2013), local agricultural spending at the subnational level is limited because half of the budget is used solely for administrative activities. The other half – development programs – includes spending for the general agricultural sector, food security, and rural development. Because local authorities having the authority to allocate local agricultural spending, there is a considerable amount of variation in agricultural expenditures across provinces in Indonesia, as shown in Graph 6.1 below.

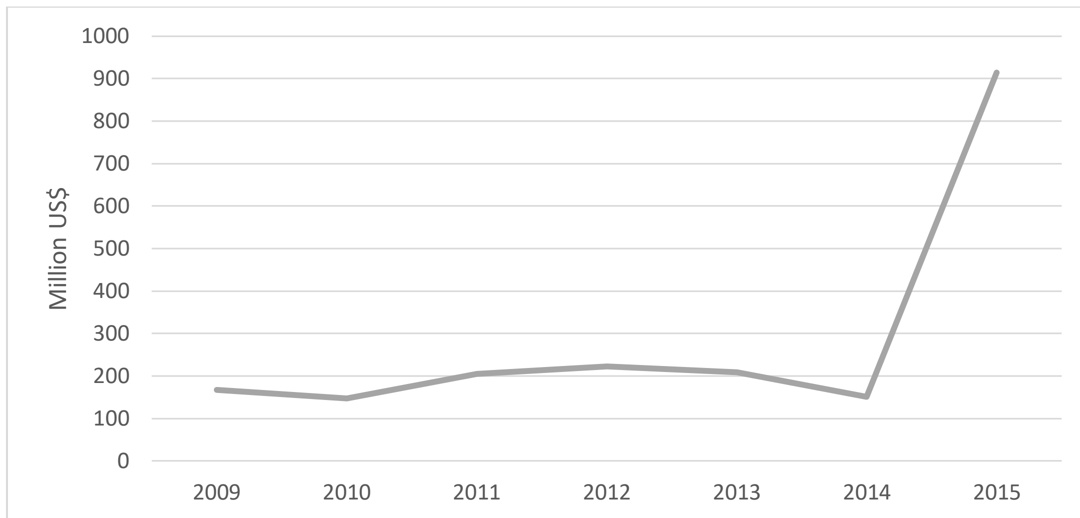
Graph 6.1 Agriculture Development Spending in Provinces of Indonesia*)



Source: Ministry of Finance Republic of Indonesia.
**) Agriculture Development Spending includes spending that is provided for agriculture sector, food security, and rural development*

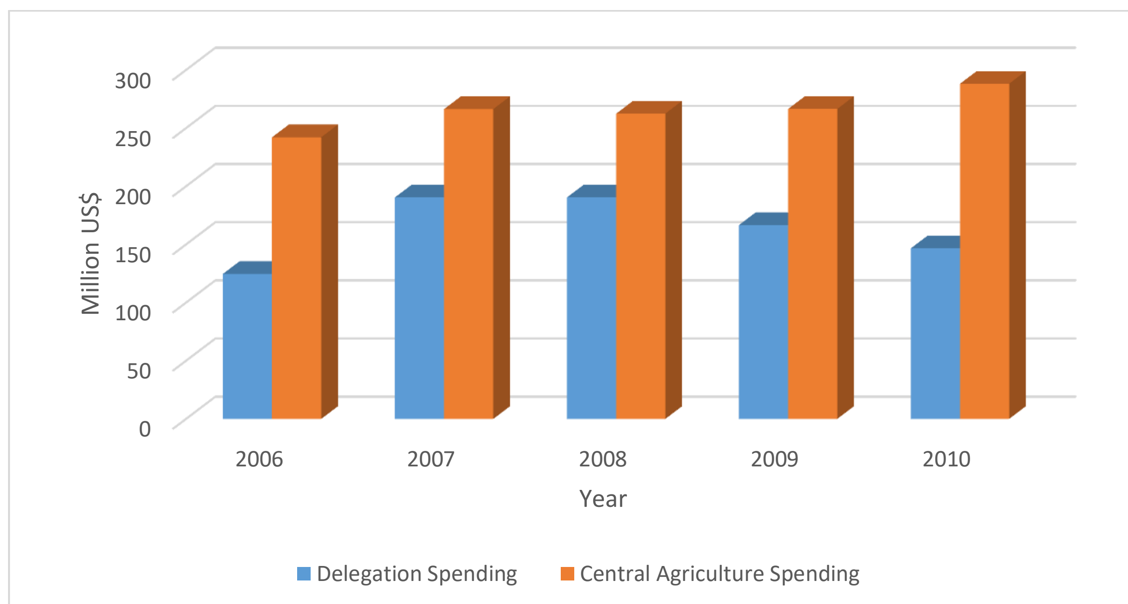
To supplement these agricultural programs, the central government has provided additional funding to local governments through their deconcentration and co-administration programs. This has also increased rapidly over the years (Graph 6.2). The source of this revenue is from the national budget for the Ministry of Agriculture Republic of Indonesia and, therefore, separate from the regional subnational budget (APBD). From 2005 to 2010, central agricultural spending grew 220 percent from about USD 130 million in 2000 to USD 250 million in 2006 and USD 495 million in 2010 (Sumedi et al., 2013). More than half of the spending is given to support local agricultural programs and activities through deconcentration spending. This includes, among others, research and development, quarantine programs, financial credits, extension and human development programs, agriculture infrastructure, agriculture tools and machines, and food security institutions (Graph 6.3)

Graph 6.2 Central Agriculture Spending through Deconcentration and Co-administration Spending



Source: Ministry of Agriculture Republic of Indonesia.

Graph 6.3 Deconcentration and Co-administration Spending in Compare to Central Agriculture Spending

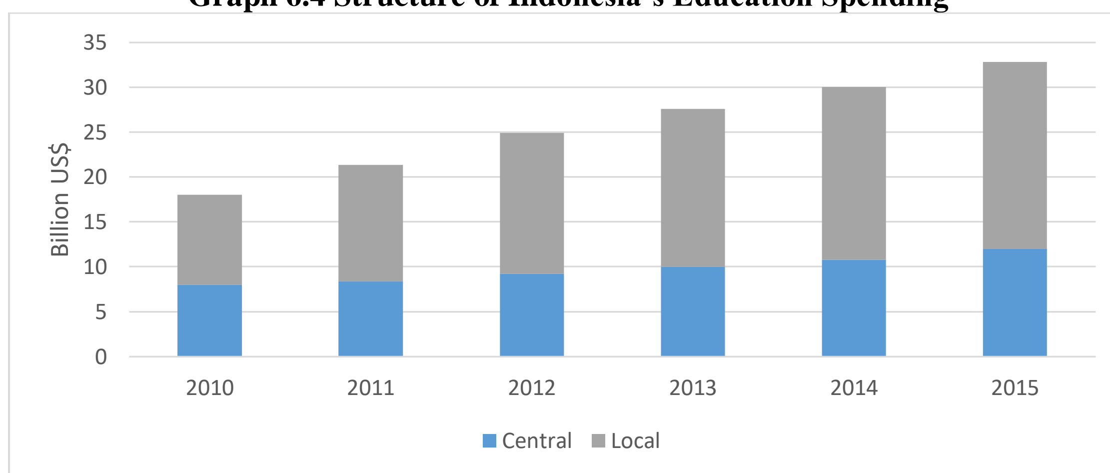


Source: Ministry of Agriculture Republic of Indonesia, taken from Sumedi et al (2013).

Welfare Spending

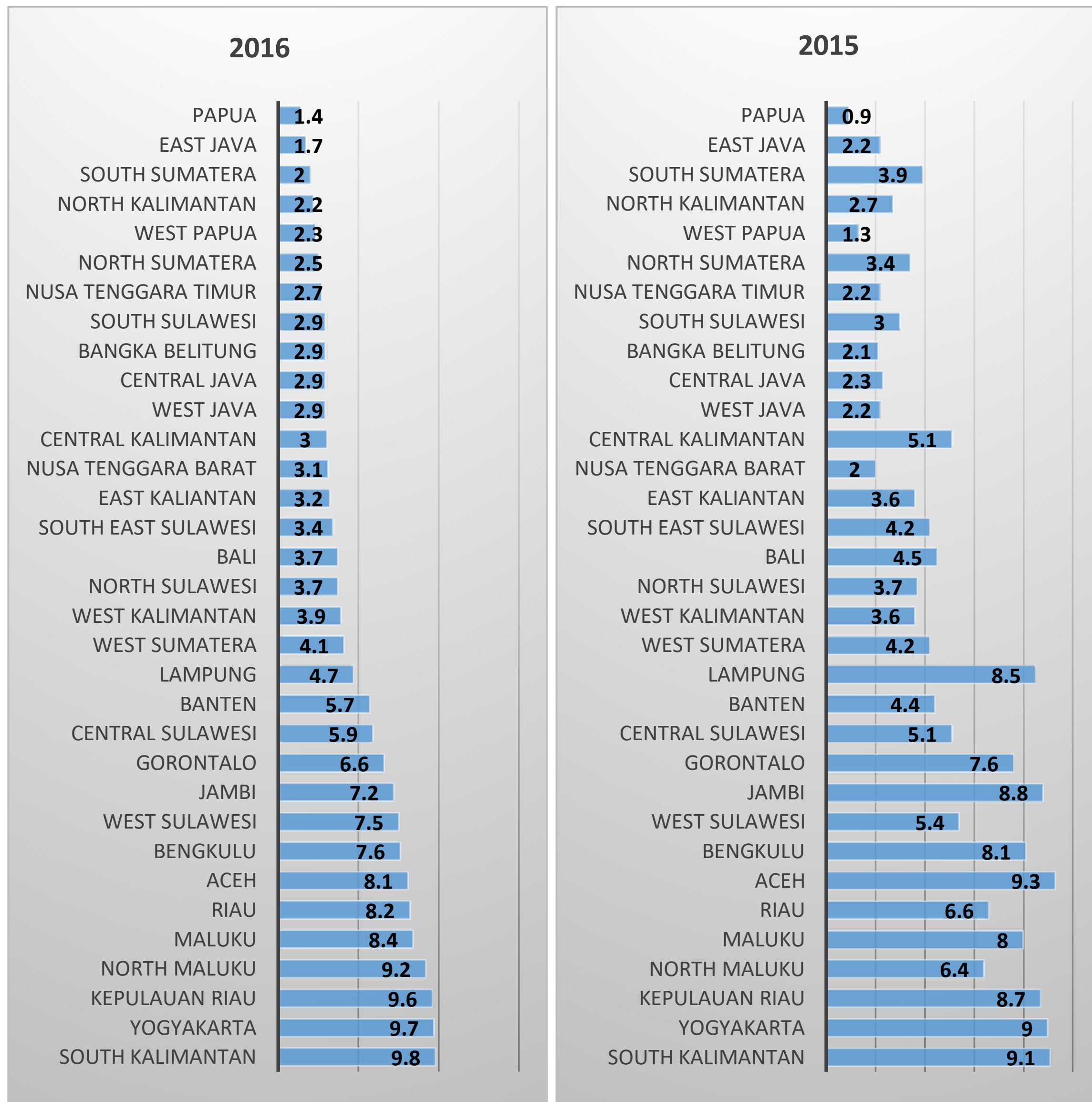
Social welfare assistance programs in Indonesia include a wide array of social spending in areas such as education, health, industry, and disaster relief (World Bank, 2015). Several popular programs that support the poor are cash transfer programs, scholarships, and subsidized rice. The two main sectors of social welfare programs, however, remain education and health. They are included in national development priorities (World Bank, 2015). Both social welfare programs are under the responsibility of local governments. This means that local governments are *required* to provide such welfare programs. Based on Indonesia's education Law number 20 Year 2003, local governments are required to provide at least 20 percent of its regional budget (APBD) towards education spending. The same requirement also applies to the central government, as 20 percent of the national budget (APBN) must be allocated towards education spending. Despite these requirements, the implementation of education spending resembles those in the agricultural sector. Local governments account for most of the overall education spending (Graph 6.4). How much of this education spending is distributed at the local level also varies across provinces in Indonesia (Graph 6.5). The 20 percent requirement has not been met in all regions.

Graph 6.4 Structure of Indonesia's Education Spending



Source: Ministry of Education and Culture Republic of Indonesia, 2016.

Graph 6.5 Education Spending in Provinces of Indonesia (%)

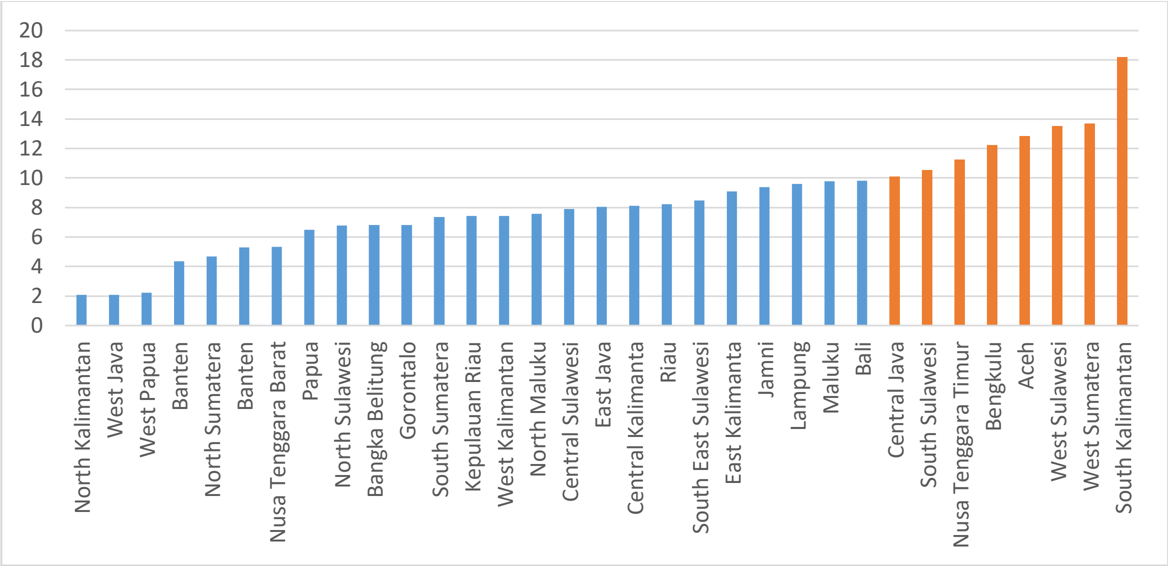


Source: Ministry of Education and Culture Republic of Indonesia, 2016.

Similar to education, health spending is one of the required sectors that local governments must provide. Based on Indonesian Health Law Number 36 Year 2009, local governments must allocate at least 10 percent of their subnational budget (APBD) towards the health sector. Local governments are required to provide different health needs, including access

to health care, health facilities, and insurance. They also need to ensure the identification of health beneficiaries. However, like the agricultural and education sectors, health spending across subnational Indonesia also varies, with the majority of provinces still not achieving the 10 percent requirement (Graph 6.6). This figure is slightly more positive when compared to education spending figures.

Graph 6.6 Health Spending in Provinces of Indonesia (%)

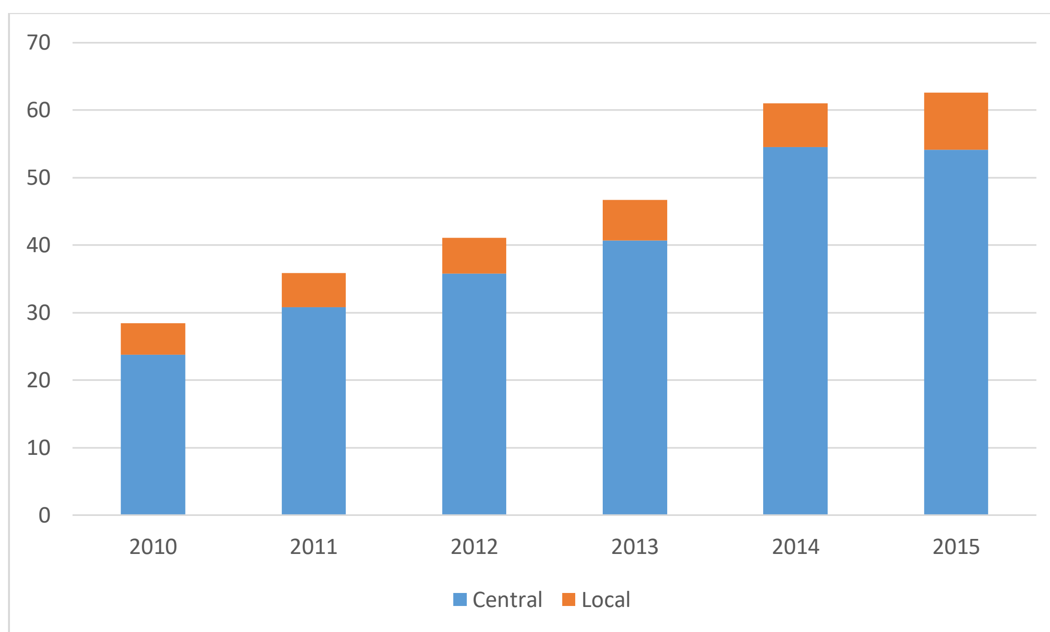


Source: Ministry of Health Republic of Indonesia, 2016.

Although local authorities are responsible for the health sector in their jurisdictions, the central government also plays a vital role in local health programs. While local governments provide basic health care and set fees for public health services, the central government is responsible for national health programs, including health insurance (Kruse et al., 2009). The structure of the overall health spending in Indonesia, therefore, comprises of central and local government spending. However, the central government holds a higher share of overall health

spending. In 2015, the total local government spending accounted for 24.2 Trillion Rupiahs, while the central government accounted for 62.4 Trillion Rupiahs (Ministry of Finance Republic of Indonesia, 2016). This figure shows that the central government accounts for around 70 percent of the total national health spending, a different picture compared to the agricultural and education sectors. The central government also provides health deconcentration spending to local governments, but that only accounts for a small percentage of the overall health spending (Graph 6.7).

Graph 6.7 Structure of Indonesia's Health Spending



Source: Ministry of Health Republic of Indonesia, 2016.

The discussion above shows that the role of local governments in providing support for rural development, either in the form of agricultural productivity programs or general welfare programs, became more significant in Indonesia as it decentralized. The significant role of local governments and the different forms of government support programs should therefore be considered in understanding rural political agency.

6.3 Rural Participation and Agricultural Productivity Program

Collective action studies have suggested groups that are better organized and able to solve collective action problems have a higher chance of demanding and obtaining their desired policy (Olson, 1965; Keefer, 2011). Groups that can manage their common interests through cooperation and coordination will have more bargaining power to influence a policy outcome. This condition explains why narrow special interests dominate public policy, as they have a greater ability to solve collective action problems compared to the general public (Olson, 1965). Similarly, Bates (1983) argues that the ability of large agricultural and industrial interest groups to organize themselves disadvantages small farmers. Small farmers are often large in number and scattered in different geographical locations. It is therefore difficult for them to overcome collective action problems such as free-riding, information asymmetry, and high transaction costs. As a result, one of the main problems developing countries face is that agricultural support is often given to large private firms at the expense of small farmers (Bates, 1983). These large firms and politicians, therefore, maintain a cozy relationship where they get continued access to agricultural support, while the politicians get political support.

To overcome collective action problems among larger groups of citizens, organizations – from political parties to civil society groups – are important (Keefer, 2011). Organizations can overcome "free rider" problems by forming smaller groups which lower the cost of participation and increase the benefits for potential participants (Lichbach, 1994). Policymakers and development practitioners have followed the same line by promoting collective action among farmers through RPOs. These RPOs not only overcome market access problems, but they also represent farmers in policymaking (Hellin et al., 2008). As shown in Chapter 5, farmers who are members of an RPO are more likely to participate in policy discussions. Therefore, when an

RPO collective action is successful, it can perform a similar function to small interest groups. In both cases, they allow members to coordinate and advocate for their common interests to the government.

The ability of RPOs to shape agricultural productivity support is shown in many cases in Indonesia. A study by Regaty (2017), for example, shows how "Tani Sekar Mulyo," a farmer organization based in Batu city, East Java, has successfully advocated for higher agricultural infrastructure during the years 2009-2016. The study indicates that coordination and cooperation among members of the organization are the main forces driving the successful lobbying of the local government. Another success case is "Kelompok Tani Maju 1." It is a farmer organization based in East Lampung which acquired support from the local government to expand its production fields and received other production support such as seeds and fertilizer.

Similar insights were also gained from my fieldwork in Indonesia. Based on the survey I conducted, 76% of farmers who are members of an RPO have participated in policy discussions with the local government. Their participation occurred in different forums, but it was through three main venues. First, farmers participate in *Participatory Development Planning,* known as "Musrembang." These are public forums held by local officials in different government levels, including village, county, city, and district. They are based on a principle of bottom-up planning in which different societal groups can participate. The results of these forums are then given to provincial governments to input into their development and budget planning. Discussions with respondents during fieldwork indicate that *musrembang* is one of the main venues for farmers to communicate with the government. A farmer I interviewed mentioned that, in many cases, agricultural support given by the government is based on their discussion in *musrembang* (Interviewed on September 20th, 2016).

The second venue farmers use to participate is through policy discussions with agriculture extension offices. These offices are spread across different regions and hold regular consultations with farmers. This program is held in coordination with the Regional Agriculture Office and the central government. The main objective of the program is to provide education and information related to different government programs and ensure that government national planning objectives are met. As they are typically close to farmers, extension offices are more accessible to farmers. Policy discussions through extension offices are more common than other venues. The office maintains registration information of farmers who participate in their programs to keep track of their development, and they also work closely with RPOs within their jurisdictions. This provides farmers with the opportunity to deliver their concerns and provide feedback for the government in a structured and consistent way. Although extension officers have limited authority in the policy decision-making process, many farmers I interviewed emphasized the important role these officers play in advocating for their needs.

The last venue farmers use to participate is through personal connections with local officials and local legislators who hold office. Regaty (2017) argues that the success case of the "Tani Sekar Mulyo" farmer group can be attributed to its connection with certain legislators. Specifically, the study revealed how the provision of agricultural support is based on a vote-buying relationship, where support is given in exchange for votes. Nevertheless, a common practice among local officials and legislators is to hold direct meetings with farmers and discuss relevant policy issues. Since the provision of agricultural support is typically given to certain groups and not individuals, direct public discussion is mainly held in coordination with RPOs.

The discussion above shows that participation in RPOs is an important way for farmers to deliver their concerns and gain agricultural support from the government. Because RPOs are

voluntary, we can assume that the rate of membership represents successful collective action. Therefore, we can expect that higher rural participation in RPOs is associated with higher agricultural compensation support. This points out to the first testable hypothesis of this chapter, which is:

H1: Higher rural participation increases local agricultural support.

Moreover, I argue that certain actors can have greater influence in obtaining productivity policies at the local level instead of the central or national level. By bringing political and administrative control to local governments, these governments not only have more authority over some policies but are more accessible to their citizens compared to the central government. Although the central government also has an important role in providing productivity programs, the role of local government is more significant. Productivity programs demanded by the citizens and provided by the government are not the same as general welfare programs. I argue that RPOs, due to the nature of their activities, will be more effective in delivering agricultural productivity programs than general welfare programs. Therefore, we would expect that rural participation in RPOs is not associated with general welfare programs. On the contrary, participation in labor institutions better guarantees general welfare policies, as suggested by previous studies.

To emphasize the two claims raised above, I test the following hypotheses:

H2: Rural Participation is not associated with central agricultural support
H3a: Rural Participation is not associated with general welfare policies
H3b: General welfare policies is associated with labor institutions

6.4 Vote-buying Practices in the Provision of Agricultural Productivity Programs

The effectiveness of rural civic participation in delivering agricultural productivity programs, however, is not a foregone conclusion. Rather it depends on local politicians' vote-maximizing behavior. The pluralist view of policy-making has suggested that successful collective action, even those that are formed by narrow and wealthy special interests, do not guarantee successful policy outcomes (Dahl, 1958). While the power structure of the society may provide some level of influence, the final policy outcome will largely depend on the strategic behavior and interests of policymakers, including their electoral strategy for re-election. With elections and policy decision-making processes devolving to the local level for many democracies, the electoral strategy of local incumbents has, therefore, become an important aspect in understanding agricultural productivity policies. The political relationship at the local level that was once between local and central politicians has shifted to local politicians and their local constituents.

I argue that local incumbents will only provide agricultural productivity programs when it provides them with a higher chance of winning elections. Through particularistic benefits such as agricultural support, such voting exchange is easier to control. This vote-buying practice, in which rents are provided in exchange for votes, has indeed been ubiquitous in developing countries (Schaeffer and Schedler, 2007; Finan and Schechter, 2012; Larreguy et al., 2016). Through political decentralization, local political actors are now prone to vote-buying practices, as many rent opportunities have shifted from the national to the local level (Schaeffer and Schedler, 2007). Indonesia experienced a similar situation, as elections at different government tiers are highly marked by vote-buying practices (Aspinall et.al, 2017; Kurniawan et. al., 2017). Agricultural support such as tractors, seeds, fertilizers, and finances are common practices for

patronage. They, therefore, have been argued to be highly susceptible to vote-buying in developing countries.

Why do politicians pursue vote-buying practices? One explanation that incentivizes such practice in developing countries is the weak mobility of political parties (Berenschot, 2018). Most political parties in developing countries are less stable and legitimized, causing political actors to build their connections with their constituents or local elites to develop their supporters. When politicians look for personal votes instead of party votes, particularistic benefits, such as agriculture support, are commonly given to secure votes. Non-excludable goods, on the other hand, are prone to free-rider problems.

In Indonesia, and several other developing countries, such an incentive is also shaped by the legislative electoral system. Indonesia has an open list Proportional Representation (PR) system in electing both national and regional parliaments. Under such a system, voters can vote either for individual candidates or a party. The number of seats that each party has is proportional to the combined votes for the party and the candidates. The candidate with the highest votes will obtain their party seat. Although voters can vote either for an individual or a party, this system promotes individualized electoral campaigns because individual votes is more effective than party votes. In many instances, candidates coming from the same party compete with one another. This has increased the motives for politicians to provide transactional goods, making voters seek benefits for themselves or their group and be less interested in party programs or national issues (Aspinall et.al., 2017). Considering that the electoral system is implemented in both national and local level elections, such conditions spur vote-buying practices across Indonesia at both tiers.

Providing agricultural productivity programs in developing countries is particularly beneficial for incumbents. Rural agrarian voters represent a large share of votes in developing countries (Varshney, 2000; Bates and Block, 2013). In many cases, they represent the median voters in the electorate. Based on the median voter model, politicians should, therefore, promote policies that are beneficial for rural agrarian communities as part of their effort to gain electoral votes. Due to their low turnout, farmers are targeted for vote-buying practices, which provide an even greater benefit for politicians (Gersbach, 2008). While changing voters' preferences has become the core discussion in the vote-buying literature, mobilizing voters by offering rents has become an important strategy for politicians .

Poor voters are also more risk-averse and, therefore, more receptive towards vote-buying rents (Kitschelt, 2000; Brusco et al., 2004). They tend to have low reservation prices and highly elastic voting behavior in which votes are relatively easier to buy in exchange for rents. Like other poor populations, farmers would prefer to receive short-term benefits from engaging in vote-buying practices because the marginal return is greater than future public goods. Moreover, their dependence on the government ensures their support since rents can be withdrawn when they do not comply (Varshney, 2000).

Vote exchange, however, is too expensive to provide when targeting large groups such as farmers individually. RPOs, in turn, can play an important role in obtaining larger agricultural support, as they can overcome free-rider problems by monitoring voter compliance (Bernard and Spielman, 2009). In this case, politicians focus on building networks with the head of the organization. The head distributes the benefits and influences the voting behavior of members. Through these "mediators," politicians can lower the monitoring cost and better control voter behavior. Consequently, the high rate of rural participation in RPOs can motivate local

incumbents to provide broader agricultural support since the incumbents have more control over voters. Agricultural productivity policies are therefore provided when rural participation is likely and politicians have motives to engage in vote-buying.

Local Political Contexts for Vote-Buying Practice

As explained above, political contexts, such as the electoral system and party mobilization, can shape the incentives of politicians in Indonesia to provide vote-buying rents. The national political context, however, does not explain the subnational variation of agriculture spending within Indonesia. I further argue that three local political variables condition vote-buying practice at the local level. They are: (1) the level of political competition; (2) the level of decentralization or state independence; and (3) central-local political cohesion.

Due to the lack of transparency in vote-buying, there is a lack of direct observation of the practice[7] (Antwi and Adams, 2003; Aidt and Jensen, 2017). One way to overcome this hurdle is to observe the political environment that facilitates such behavior.[8] Thus, looking at the political context of vote-buying practices can help us understand the underlying factors that explain agricultural productivity policies at the local level. I elaborate on each of the relevant political factors as follows:

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7 One strategy that could be used to observe vote-buying is to calculate the share of individual votes compared to the overall party votes. Allen (2014), for example, uses such a strategy to observe personal votes in Indonesian national elections. However, as the author mentioned, such data is not available at the local level.
8 Beck et al. (2001), for example, uses the Database of Political Institutions to measure the checks and balances of elections, which includes the number of parties and whether the president's party has a majority in the legislature. Knack and Keefer (1995, 2006) use the International County Risk Guide (ICRG) dataset to build an index of bureaucratic quality.

1. The level of Political Competition

Political competition, which is measured by the number of effective parties,[9] is widely discussed in the political science literature. Higher political competition is argued to provide political challenges for incumbent parties, as that can promote political accountability, discipline clientelism, and lessen corruption in the government (Medina and Stokes, 2002; Piattoni, 2001; Hale, 2007). When a small number of political parties control the local government budget, that lowers political competition. These parties will have more discretion to use the budget to their benefit which is conducive for vote-buying behaviors. In cases where extreme parties dominate moderate parties, vote-buying practices become more common, as the former can pursue their desired policy to a greater extent (Brusco, 2004). Because the decision to provide rents is based on whether incumbent politicians exploit their power, providing limits to this power through higher political competition will limit vote-buying practices. The increased competition will also lead citizens to compare across parties, which increases government accountability. As challengers exist and make promises, constituents will have the ability to punish corrupt incumbents by switching to other parties (Medina and Stokes, 2002).

The concept of vote-buying requires some level of competition, however. Indeed, recent studies have found many instances in which higher political competition is associated with vote-buying. When one party dominates, hence, low political competition, there is no incentive for politicians to provide rents to gain more votes. In other words, the political value of particular constituents like farmers is low when political competition is low. Under this condition, politicians are more likely to provide universal and non-excludable goods instead of particularistic benefits commonly associated with vote-buying. On the contrary, it is when

9 Since political parties aggregate their preferences of different issues in the society, political parties, therefore, reflect the different interests of politically relevant groups.

political competition is high do votes become valuable for politicians to buy (Keefer, 2002; Krishna, 2008).

As explained above, vote-buying practices that distribute agricultural productivity programs are dependent on the level of rural participation. Thus, expanding on Hypothesis 4, I test the following hypothesis:

H4: Rural participation will increase local agricultural support in areas with high political competition.

2. Central-Local Political Cohesion

The second relevant political context is central-local political cohesion, which shows party harmonization between the central and local governments. This variable shows the enabling environment for local incumbents to build vote-buying networks. The logic is that when the central and local government winning party is the same, vote-buying practices at the local level will be constrained. This happens either because there is more monitoring and disciplining from the central government or more electoral coordination from the central counterparts (Filippov et al., 2004; Ansolabehere & Snyder, 2006). Indeed, intergovernmental conflicts between central and local governments have been one of the most discussed problems under the decentralization system. Local governments become empowered to achieve their interests while the central government has less control over government policies. This conflicting interest is particularly common in resource allocation (Besley and Coate, 2003). Thus, without discipline from the central government, vote-buying and corruption become prevalent in subnational governments (Fisman and Gatti, 2002). On the contrary, when party harmonization exists between central-local governments, intergovernmental conflicts and vote-buying are less likely

(Filippov et al., 2004; Ansolabehere & Snyder, 2006). Based on this argument, I test the following hypothesis:

H5: Higher rural participation will increase local agricultural support in areas with low central-local political cohesion.

3. Level of Decentralization or State Independence

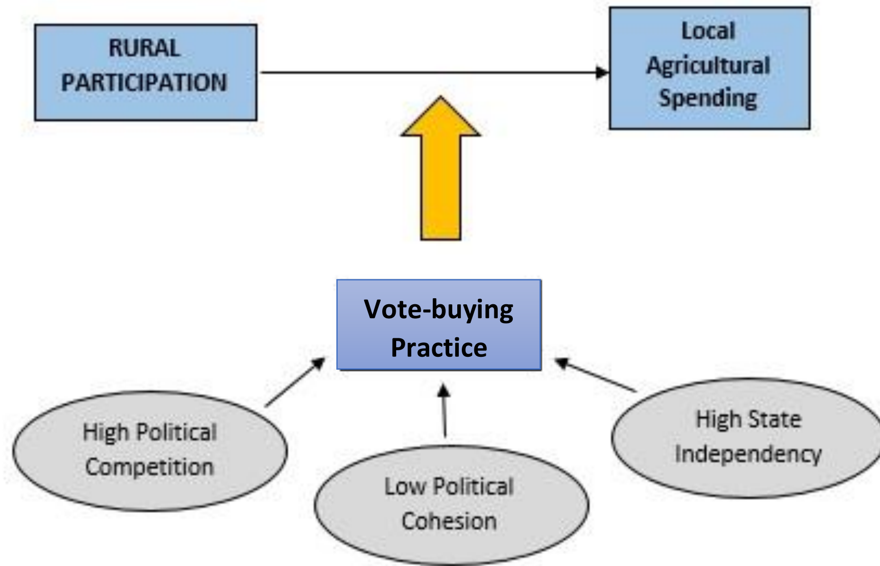
The last political context relates to local governments' capacity to finance vote-buying practices, which is the level of decentralization or state independence. It is measured by the percentage of states' own revenue from its total revenue.[10] Highly decentralized states mainly generate their own revenue by imposing taxes, which leads to a high-cost economy. More control over taxes, in turn, give states more authority over resources. This makes them more inclined to use such resources for vote-buying practices. Although it is expected that local governments' responsiveness is high in areas where tax is high, large local governments tend to be more exposed to vote-buying and corruption risks (Stokes et.al, 2013). Based on this argument, I test the following hypothesis:

H6: Higher rural participation will increase local agricultural support in areas with high independence (more decentralized).

Figure 6.2 below summarizes the arguments described in this chapter.

[10] Total revenue consists of both state revenue and central government transfers.

Figure 6.2 Theoretical Framework on Local Vote-buying Practice



6.5 Empirical Method

Model Specification

The first part of the analysis is to see whether rural participation in RPOs influences the level of local agricultural public spending as well as the central government's agricultural spending and local welfare spending. Political variables that might affect local government and central government's spending are also included in the model. The model is stated as follows:

$$LOC_AGRISPEND_{it} = \alpha_o + \alpha_1 RPO_{it} + \alpha_2 POLCOH_{it} + \alpha_3 POLCOMP_{it} + \alpha_4 INDP_{it} + \alpha_5 ELEC_{it} + \alpha_6 X_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots(1)$$

$$LOC_WELFSPEND_{it} = \alpha_o + \alpha_1 RPO_{it} + \alpha_2 POLCOH_{it} + \alpha_3 POLCOMP_{it} + \alpha_4 INDP_{it} + \alpha_5 ELEC_{it} + \alpha_6 X_{it} + \alpha_7 PLP_{it} + \varepsilon_{it} \ldots\ldots\ldots(2)$$

$$CENT_AGRISPEND_{it} = \alpha_o + \alpha_1 RPO_{it} + \alpha_2 POLCOH_{it} + \alpha_3 POLCOMP_{it} + \alpha_4 INDP_{it} + \alpha_5 ELEC_{it} + \alpha_6 X_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots(3)$$

where $LOC_AGRISPEND_{it}$ is the level of local agriculture spending; $LOC_WELFSPEND_{it}$ is the level of local welfare spending; $CENTGOVSUP_{it}$ is central agricultural support that is given from the national to the subnational government; RPO_{it} is rural participation in RPOs; $POLCOH_{it}$ is central-local political cohesion; $POLCOMP_{it}$ is political competition; $INDP_{it}$ is the level of state independence; $ELEC_{it}$ is the pre-election period; X_{it} is the list of control variables; and PLP_{it} is the labor institutions suggested by Rudra (2005). The PLP variable is included in the model of welfare spending based on Rudra's findings that government welfare programs depend on the strength of the general labor institutions.

Similar to the previous model on rural participation in RPOs, relevant control variables are also included in this model to account for alternative explanations for government spending on rural communities. The control variables used here are development indicators, which include poverty, inequality, and the human development index. It also includes the relative importance of rural agricultural communities in the population, such as the share of the rural population, the share of the agricultural sector in the economy, whether agriculture is the main sector in the economy, and the share of staple foods in the agriculture sector. These socio-economic conditions are included to show that the comparative disadvantage of the agriculture sector in the economy is the basis for government support.

As explained above, rural participation in RPOs does not automatically translate to higher agricultural support and depends on the electoral incentives of local incumbents. As agricultural support is targeted towards a specific group, such spending can provide a source of rents for vote-buying. To see how rural participation and vote-buying practices interact, I test whether the overall effect of rural participation in RPOs on local agriculture public spending is influenced by

the political context that supports vote-buying practices – i.e. political competition, central-local political cohesion, and state independence. This test is depicted in equation (4), where β3 indicates the extent to which the political context modifies the relationship between rural participation in RPOs and different government spending. The marginal effect of rural participation in RPOs is therefore presented in equation (5), which indicates that the effect of rural participation in RPOs on government spending is only partial.

$$Government\ Spending = \beta 0 + \beta 1\ RPO\ Participation + \beta 2\ Political\ Context + \beta 3\ RPO\ Participation \times Political\ Context + \varepsilon i \qquad ....(4)$$

$$\partial\ Government\ Spending / \partial\ RPO\ Participation = \beta 1 + \beta 3\ Political\ Context.....(5)$$

I test the model on the same dataset used in Chapter 4, which is the Indonesian state-level data between the period of 2010-2015. The panel data is balanced and includes a total of 186 observations. The dataset is constructed using several data sources described in the following section.

List of Variables and Measurements

<u>Dependent Variable: Government Spending</u>

1. Local Agricultural Spending

The variable of LOC_AGRISPEND shows the level of subnational government spending on agriculture-related sectors. This includes agricultural spending, food security spending, and rural development spending, which is sourced from the regional subnational budget (APBD). It is calculated by the share of this local agriculture-related spending to local development GDP.

Local development GDP is the total GDP excluding administrative spending, which includes mostly local administrative salaries and operational costs. It includes the overall agricultural spending in all tiers of government, including the province and district levels. According to the *Ministry of Finance of Republic of Indonesia*, this agricultural spending includes spending on different agricultural activities such as irrigation, agriculture infrastructure support, inputs facilities, agriculture tools, extension programs, financial access, and research and development. Data for local spending is obtained from the *Ministry of Finance, Republic of Indonesia,* data on agricultural spending is obtained from the *Ministry of Agriculture, Republic of Indonesia,* while data on GDP is obtained from the *Indonesian Center Bureau Statistics.*

2. Central Agriculture Deconcentration and Co-administration Spending

The variable of CENT_AGRISPEND shows the level of agricultural support given by the central government to each subnational province. It includes both deconcentration and co-administration spending, which is provided by the central government through the *Ministry of Agriculture Republic of Indonesia*. Explanations of this spending is provided in Chapter 3. It is calculated as the share of total deconcentration and co-administration spending given to the relevant province to overall deconcentration and co-administration spending. All data is obtained from the *Ministry of Agriculture Republic of Indonesia.*

3. Local Welfare Spending

LOC_WELFSPEND consists of both local education and health spending. Education and health spending are both calculated as the share of each local spending to local development

GDP. Data for local spending is obtained from the *Ministry of Finance, Republic of Indonesia*, while local development GDP is obtained from the *Indonesian Center Bureau Statistics.*

Main Independent Variables:

1. **Rural Participation in RPOs**

Rural participation in RPOs in this model will use the same measurement as in Chapter 4. Rural participation is defined as membership in an RPO and is calculated as the percentage of small producers belonging to RPOs divided by the total agricultural farmers in the state. Data on the number of farmers in RPOs and total agricultural workers are obtained from the *Ministry of Agriculture, Republic of Indonesia*. The data on RPO membership is specifically obtained from the *Extension Program and Human Resource Development Department* under the *Ministry of Agriculture Republic of Indonesia* (BPPSDMP).

2. **Interaction Variables Between Rural Participation in RPOs and Different Political Contexts**

Since there are three political contexts tested in this chapter, there are three interaction variables used. They are *Rural Participation x Political Competition; Rural Participation x Central Local Political Cohesion;* and *Rural Participation x State Independence.*

Political Context Variables:

1. Political Cohesion

Variable POLCOH measures the central-local political cohesion of the political parties. This is a binary variable where the value of "1" represents when the winning coalition of the local legislative is the same as the national legislative winning coalition. Otherwise, it is coded as "0." Data for party structures both in national and local legislatives is obtained from the *Ministry of National Affairs, Republic of Indonesia.*

2. Political Competition

The variable POLCOMP shows the level of political competition in the region which is measured by the number of effective parties in the legislative. It shows the relative proportion of political parties by taking into account the vote share (Laakso and Taagerpera, 1979). It is calculated using the Laakso-Taagepera (LT) Index with the following formula:

$$LT = 1 \,/ \sum_{n=1}^{n} (s_i{}^2)$$

where s_i is the proportion of votes of the i-th party. Data for party structure and electoral votes is obtained from the *Ministry of National Affairs, Republic of Indonesia.*

3. State Independence

The variable INDP shows the level of state independence from the central government. It is measured by the percentage of a state's own local revenue to the overall local revenue. As

mentioned above, a local government's revenue is sourced not only from its own revenue but also from the central government's. In Indonesia's case, local governments receive revenue from the central government from the general allocation fund (DAU) and the special allocation fund (DAK). All local related revenue information is obtained from the *Ministry of Finance, Republic of Indonesia.*

Control Variables

1. Pre-election Period

During the pre-election period, incumbent politicians are under scrutiny by their citizens regarding social and trade liberalization issues. With fiscal policies having immediate and noticeable effects on voter welfare, incumbents have the incentive to adopt socially beneficial policies that can maintain their legitimacy. Moreover, considering their immobility and large number, small agriculture producers are important in local Indonesian elections. Therefore, during the pre-election period, politicians try to gain their votes through targeted spending focused on the agricultural sector.

Pre-election period in this case means one year period before the election year. For local spending, I look at one period before the *local* election is held. For central spending, I look one period before the *national* election. Both central and local elections in Indonesia are held every 5 years. However, they are conducted during different times. Schedules of Indonesian elections are obtained from the *Ministry of National Affairs, Republic of Indonesia*.

2. Socio-economic Conditions

Since government support is likely to depend on the socio-economic conditions of the population, I included poverty level, inequality, share of rural population, and the human development index in my analysis. Since the government is likely to provide support and social assistance when development conditions are low, poverty, inequality, and the share of rural population is expected to have a positive correlation with all three forms of government support. Meanwhile the human development index is expected to have a negative correlation with all three forms of government support. Data on poverty, inequality, share of rural participation, and the human development index is obtained from the *State Statistics Annual Report* provided by each state's representative of the *Indonesian Center Bureau Statistics* (BPS). The human development index data from the BPS consist of three elements, life expectancy, educational level, and income.

3. GDP per Capita

Another control variable involves the local government's capacity to provide such spending to each province. The log of local GDP per capita and the number of jurisdictions within the province will therefore be included. Data on GDP and population are obtained from the *State Statistics Annual Report* provided by each state's representative of the *Indonesian Center Bureau Statistics* (BPS), while data on the number of jurisdictions is obtained from the *Ministry of National Affairs Republic of Indonesia*.

4. Structure of Agriculture Sector

Similar to the model in Chapter 4, the structure of the agricultural sector in the state will also be included in the model. This is because the government's decision to provide support to a sector will depend on its position relative to the other sectors in the economy. Local governments also face similar choices as the central government in choosing which sector to support. Since political context is included to capture the political reasons for government support, economic reasons should also be included. Like Chapter 4, this analysis included agricultural share of GDP and whether the agricultural sector is the main sector of the state. It is expected that a larger agriculture sector – indicated by the sector's economic share and its relative position in the economy – will increase government support, particularly agricultural support.

5. Labor Institution

The last control variable is the *Potential Labor Power* (PLP) suggested by Rudra (2002) which measures labor power as a predictor of social welfare programs. Because labor plays an important part in explaining the welfare state, Rudra attempts to calculate the strength of labor instead of the union density which has been used in previous literature. The PLP index captures two measures of labor strength, the ratio of skilled labor to unskilled labor[11] and the surplus labor – measured by the working age population minus the economically active population.[12] The formula of PLP is therefore as follows:

$$PLP = \frac{Number\ of\ Skilled\ Workers}{Number\ of\ Low\ Skilled\ Workers} \text{ x } \frac{1}{Surplus\ Labor\ as\ \%\ of\ working\ age\ population}$$

[11] Rudra argues that the political power of labor increases when skilled labor dominates the labor structure in the economy as they are more able to act collectively.
[12] Rudra also argues that strength of skilled labor will increase when surplus labor decreases.

Data on subnational labor structure in Indonesia is obtained from the *State Statistics Annual Report* provided by each state's representative of the *Indonesian Center Bureau Statistics* (BPS).

Summary of all the variables used in this analysis and its descriptive statistics are given in Table 6.1 and Table 6.2 below:

Table 6.1 List of Variables

Variable	Definition	Measurement	Data Source
LOCAL AGRICULTURAL SPENDING	The level of subnational government spending on agriculture related sector. This includes agriculture public spending, food security spending, and rural development spending, which is sourced from the regional subnational budget (APBD).	The share of local agriculture related spending to local development GDP. Local development GDP is the total GDP excluding administrative spending.	*Ministry of Agriculture Republic of Indonesia; Ministry of Finance Republic of Indonesia*
CENTRAL AGRICULTURAL SPENDING	Level of central government support in agriculture sector for each subnational province. Includes both deconcentration and co-administration spending.	It is calculated as the share of total deconcentration and co-administration spending given to the province to the overall deconcentration and co-administration spending.	*Ministry of Agriculture Republic of Indonesia.*
LOCAL EDUCATION SPENDING	The level of education spending provided at the subnational level.	The share of local education spending to local development GDP.	*Ministry of Finance, Republic of Indonesia*; *Indonesian Center Bureau Statistics.*
LOCAL HEALTH SPENDING	The level of health spending provided at the subnational level.	The share of local health spending to local development GDP.	*Ministry of Finance, Republic of Indonesia*; *Indonesian Center Bureau Statistics.*
RURAL PARTICIPATION IN RPOs	The level of Rural Producer Organizations (RPOs) membership in the state	Percentage of small agricultural producers belonging to RPOs of the total small agricultural producers in the state	*Extension Program and Human Resource Development Department*, *Ministry of Agriculture Republic of Indonesia* (BPPSDMP).
PRE-ELECTION PERIOD	One year before election period.	Binary variable where "1" holds when there is election in the following year, while "0" holds for the opposite.	*Ministry of National Affairs, Republic of Indonesia*

Variable	Definition	Measurement	Data Source
POLITICAL COMPETITION	The level of political competition in the region.	The number of effective parties in the legislative. Calculated using the Laakso-Taagepera (LT) Index.	*Ministry of National Affairs, Republic of Indonesia.*
CENTRAL-LOCAL POLITICAL COHESION	Central-local political cohesion of the political parties.	This is a binary variable, where "1" represents when the winning coalition of the local legislative is the same with the national legislative's winning coalition and "0" means otherwise.	*Ministry of National Affairs, Republic of Indonesia.*
STATE INDEPENDENCE	The level of state independence from the central government.	The percentage of the local government's own revenue to the overall local revenue.	*Ministry of Finance, Republic of Indonesia*
POVERTY	The share of population living under the poverty line. Poverty line is calculated based on the national standard of living, which includes both food and non-food needs.	Percentage of population living under the poverty line to total population of the state	*Indonesian Center Bureau Statistics (BPS).*
INEQUALITY	The unequal income distribution within the population.	Calculated using the gini coefficients.	*Indonesian Center Bureau Statistics (BPS).*
HUMAN DEVELOPMENT INDEX	Development level of population in terms of education, health, and income.	Calculated by the *Indonesian Center Bureau Statistics (BPS)* using an equation that captures the three development components.	*Indonesian Center Bureau Statistics (BPS).*
RURAL POPULATION SHARE	The relative size of rural population in the region.	The share of rural population to total population in the state.	*Indonesian Center Bureau Statistics (BPS).*
AGRICULTURE SHARE	The relative size of agricultural sector in the economy.	The share of agricultural GDP to total GDP of the state.	*Indonesian Center Bureau Statistics (BPS).*
MAIN SECTOR	Whether agricultural sector is the main sector in the state.	Binary data, where "1" means agriculture is the main sector in the economy, while "0" holds for the opposite. Agriculture is the main sector in the economy when agriculture GDP is more than 50% of the total GDP.	*Indonesian Center Bureau Statistics (BPS).*
PLP	*Potential Labor Power* (PLP) which explains the labor power.	Rudra (2002) PLP index.	*Indonesian Center Bureau Statistics* (BPS).

Table 6.2 Summary Statistics of All Variables in the Model

Variables	Obs	Mean	StdDev	Min	Max
RPO membership	186	23.13	14.56	3	65
General trade share	186	22.69	27.68	14	138
Agriculture trade share	186	22.69	27.68	7	90
Net import (1=net importer)	186	0.8	0.39	0	1
Agriculture credit	186	9.8	4.2	2	29
Poverty	186	12.87	6.8	4.18	36.8
Inequality	186	0.37	0.037	0.28	0.46
Rural Population	186	59.63	14.9	17	80.7
Human Development Index	186	66.45	3.6	54.5	74.17
Agriculture share	186	21.5	9.32	3.64	43.57
Agriculture as main sector (1=agriculture as main sector)	186	0.55	0.5	0	1
Endowment Factor (Share of staple food production)	186	63.15	29.8	0.814	99.62
Number of Jurisdiction	186	12.9	7.09	4	29
Election period (1= election held within the year)	186	0.17	0.37	0	1

6.6 Empirical Analysis

To test the abovementioned hypotheses, I conduct several quantitative analyses using a fixed-effect method for cross-case data. Table 6.4 reports the estimation results for equation (1), which explains the provision of local agricultural spending using subnational level data of

Indonesian provinces. Tables 6.5 and 6.6 report the estimation results for equation (2), which explains the provision of local social welfare spending. I test two main social welfare programs, education and health, which are reported in Table 6.5 and Table 6.6, respectively. Finally, Table 6.7 reports the estimation results for equation (3), which explains the provision of the central government's support for the agricultural sector. In each of the estimations, different models are conducted to test the validity of the results and test the hypotheses on the local political variables.

In testing the relationship between rural participation and local agricultural spending, seven models are used. Model 1 tests the bivariate relationship between the two variables. Model 2 tests the relationship between the two variables in a multivariate setting in which all relevant control variables are included. Model 3 tests the relationship between the two variables while including the interaction variable between rural participation and pre-election period. This is to see whether agricultural spending is associated with clientelism. Model 4 tests the relationship between the two variables while including the interaction variable between rural participation and state independence. Model 5 tests the relationship between the two variables while including the interaction variable between rural participation and central-local political cohesion. Model 6 test the relationship between the two variables while including the interaction variable between rural participation and local political competition. Model 7 tests the relationship between the two variables using a random effect method.

Based on the bivariate model, the estimation results show an insignificant relationship between rural participation and local agricultural spending. However, the relationship is the opposite under the multivariate models, as rural participation has a positive and statistically significant relationship with local agricultural spending ($p<0.1$). This result holds true in almost

all the models conducted, indicating that the role of rural participation in shaping local agricultural spending does not stand alone. Rather it holds true when other conditions are in place.[13] Based on the multivariate estimation in Model 2, these conditions are low human development index ($p<0.05$), high agriculture share in the economy ($p<0.05$), under pre-election period ($p<0.01$), high state independence ($p<0.05$), and low political competition ($p<0.1$). Two of the three expected political variables are significantly correlated with local agricultural spending – political competition and state independence. While state independence has the expected sign, political competition does not. The results indicate that agricultural support is given under low political competition, which supports the government control hypothesis. That is, when political competition is low, there is less government control since the opposition is weak. Therefore targeted spending, such as agricultural support, is higher.

The interaction variable between rural participation and local political contexts, however, is the focus of this chapter. Based on the estimation results, the interaction between rural participation and local political competition is the only interaction variable that is statistically significant with a positive sign. This means that these two variables, when taken together, reinforce the level of local agricultural spending (shown in Model 6). In other words, the role of rural participation in obtaining agricultural support increases when local political competition is high. While high rural participation indicates the ability of rural communities to demand their desired policy, the interaction between rural participation and political competition confirms that the provision of agricultural compensation programs is attached to vote-buying practices. Agricultural productivity programs will be given when local political competition is

[13] This is known as a *suppressive* variable. The variable will only be significant when other conditions hold, shown by its increasing significance and the overall variance explained in the model by increasing the adjusted R squared.

high, which increases the political value of farmers for politicians. Meanwhile, high rural participation provides a mechanism to control voting behavior.

In contrast to local agricultural spending, rural civic participation, in general, does not yield a significant relationship for local education spending, local health spending, and the central government's agricultural support. These findings indicate that rural participation is most effective at the local level, as farmers are closer to local authorities instead of central authorities. Meanwhile, the estimation results for both education and health spending indicate a more significant effect of labor power, as suggested by previous welfare state theories using the PLP measured suggested by Rudra (2002).

The role of labor power (PLP) in the bivariate model with education shows a positive and significant correlation ($p<0.01$) but an insignificant correlation with health spending. This relationship, however, changes when the interaction variable with local political variables are also in place. In both education and health spending, the interaction between labor power with state independence and pre-election period yields a significant effect but in different directions. For education spending, the role of labor power is increased under the pre-election period but decreased as the state becomes more independent. These findings reaffirm the vote-buying claim that the more independent a state is, the more it is prone to vote-buying practices that target agricultural support rather than general welfare support. However, during the pre-election period, both education and agricultural spending increases, indicating that broad policies such as education may not always be a substitute for more targeted spending. During this period, incumbents may increase their chances of winning by providing both types of policies.

A different result is shown for local health spending, where both the pre-election period and state independence yield a positive and significant effect in enhancing the role of labor

power. State independence shows a consistently positive and significant result across different models for local health spending. This weakens the argument for local government vote-buying practices. However, there are several possible explanations for why state independence has a positive effect on health spending but not education spending. First, the role of the central government in providing health services in Indonesia is dominant regardless of a state being more independent in terms of revenue. This indicates that the central government has more control than local authorities over the health sector. A more independent state brings scrutiny and may therefore be more obligated to provide such support and less likely to be influenced by its political incentives. Second, local governments are more committed to spending on health rather than education, as health was 20 percent of the subnational budget while education was 10 percent of the subnational budget. Despite these mixed findings in local social welfare programs, the provision of local agricultural spending is dependent on political variables that are conducive for vote-buying.

One interesting finding is how central-local political cohesion is not a significant factor in the provision of agricultural support from the local government or the central government. The estimation results show that despite other political variables having an influence on a local government's decision to provide agricultural support, the local government's decision is not influenced by its political relationship with the central government. Similarly, the central government's decision to provide agricultural support, such as deconcentration programs, is not influenced by either the political context at the local level or the level of central-local political cohesion. Instead, the central government's decision is mostly based on the socio-economic contexts of subnational units.

Table 6.3. Estimation Results in Explaining Local Agriculture Spending

	Dependent Variable = Local Agriculture Spending						
Independent Variables	**1**	**2**	**3**	**4**	**5**	**6**	**7**
	FE (Bivariate)	**FE (Multivariate)**	**FE (Interaction1)**	**FE (Interaction2)**	**FE (Interaction3)**	**FE (Interaction4)**	**RE**
Rural participation	**0.02**	**0.025**	**0.03**	**0.0404**	**0.0483**	**0.1185**	**0.03969**
	(0.014)	**(0.014)***	**(0.015)****	**(0.0303)**	**(0.0264)***	**(0.031341)**	**(0.014754)****
GDP per capita (log)		0.1358	0.124	0.1144	0.11365	0.1222	0.0012
		(0.1635)	(0.16)	(0.15884)	(0.15894)	(0.15721)	(0.1317)
Socio-economic aspect:							
Poverty		- 0.0825	-0.087	-0.11406	-0.1161516	-0.106378	-0.012501
		(0.074)	(0.0749)	(0.0763)	(0.0761)	(0.0754)	(0.04087)
Inequality		-3.82	-3.941	-3.617	-3.462189	-4.14299	-2.23505
		(4.22)	(4.228)	(4.207)	(4.30775)	(4.1743)	(3.53286)
Rural Population		-0.074	-0.07317	-0.03529	-0.0257	-0.06673	-0.0312839
		(0.08)	(0.0827)	(0.0869)	(0.08304)	(0.085203)	(0.0797)
Human Development Index		-0.33	-0.3392	-0.3577	-0.3585	-0.3813257	-0.169275
		(0.16)**	(0.16127)**	(0.162524)**	(0.1635)**	(0.16139)**	(0.09276)*
Agriculture Relative Position:							
Agriculture Share		0.294	0.2858	0.27833	0.2745	0.259763	0.22815
		(0.12)***	(0.1235)**	(0.1237)**	(0.1254)**	(0.12285)**	(0.043)***
Agriculture as Main Sector		-0.71	-0.6909	-0.79097	-0.8069	-0.61252	-0.41202
		(0.75)	(0.717)	(0.71499)	(0.71618)	(0.713716)	(0.4865)
Political Variables:							
Election Period		**0.62**	**0.819**	**0.5975**	**0.59147**	**0.61052**	**0.539345**
		(0.23)***	**(0.3698)****	**(0.2143)*****	**(0.2138)*****	**(0.21181)*****	**(0.2031)*****

(Continued)

	Dependent Variable = Local Agriculture Spending						
Independent Variables	**1**	**2**	**3**	**4**	**5**	**6**	**7**
	FE	**FE**	**FE**	**FE**	**Interaction (FE)**	**RE**	**Interaction (RE)**
Subnational independence		**0.043**	**0.04138**	**0.0405**	**0.04398**	**0.04359**	**0.01019**
		(0.02)**	**(0.0214)***	**(0.0228)***	**(0.02142)****	**(0.021126)****	**(0.013434)**
Political Cohesion		-0.008	-0.0031	-0.0904	-0.05781	-0.0277914	-0.0347086
		(0.23)	(0.2342)	(0.24716)	(0.432)	(0.24416)	(0.21092)
Political Competition		**-0.16**	**-0.1602**	**-0.16483**	**-0.1673**	**-0.278701**	**-0.139142**
		(0.0957)*	**(0.098)**	**(0.0978)***	**(0.0988)***	**(0.11601)****	**(0.080925)***
Interaction Variables:							
RPO x Election Period			-0.0082				
			(0.0125)				
RPO x Independence				0.002			
				(0.0037)			
RPO x Political Cohesion					-0.00217		
					(0.0149)		
RPO x Political Competition						**0.00403**	
						(0.0023)*	
Constant	5.16	24.75	25.2148	24.262	23.633	29.003	14.9
	(0.33)***	(15.4)	(15.45)	(15.379)	(15.2927)	(15.415)*	(7.02)**
Observations	N=186	N=186	N=186	N=186	N=186	N=186	N=186
R- squared	0.77	0.80	0.80	0.80	0.80	0.80	0.77

*Significant at 10%; ** Significant at 5%; *** Significant at 1%

Table 6.4. Estimation Results in Explaining Local Education Spending

	Dependent Variable = Local Education Spending						
Independent Variables	**1**	**2**	**3**	**4**	**5**	**6**	**7**
	FE (Bivariate)	**FE (Bivariate)**	**FE (Multivariate)**	**FE (Interaction1)**	**FE (Interaction2)**	**FE (Interaction3)**	**FE (Interaction4)**
Rural participation	-0.00877		0.03739	0.03739	0.039878	0.0344	0.03749
	(0.030807)		(0.028989)	(0.02934)	(0.028223)	(0.02934)	(0.029139)
Labor Institution:							
PLP		**23.29**	**6.0241**	**6.02437**	**30.723**	**-4.21396**	**-4.7189**
		(5.727)***	**(6.38951)**	**(6.8524)**	**(13.8365)****	**(6.89412)**	**(22.208)**
GDP per capita (log)			-0.3944	-0..39447	-0.515489	-0.383927	-0.39535
			(0.33475)	(0.33668)	(0.32829)	(0.33568)	(0.33625)
Socio-economic aspect							
Poverty			0.03249	0.03249	0.1887971	0.05364	0.03407
			(0.15385)	(0.15448)	(0.15868)	(0.157)	(0.1565)
Inequality			-9.0785	-9.078513	-8.84584	-8.79206	-9.12885
			(8,83263)	(8.89839)	(8.595655)	(8.857739)	(8.90197)
Rural Population			0.0099	0.0099	-0.017721	0.002714	0.010312
			(0.170488)	(0.17111)	(0.166167)	(0.171096)	(0.17123)
Human Development Index			-0.6048989	-0.60489	-0.35568	-0.59236	-0.60115
			(0.332397)*	(0.333876)*	(0.33415)	(0.33568)*	(0.339103)*
Agriculture Relative Position							
Agriculture Share			0.02652	0.02652	0.05589	0.0181387	0.02857
			(0.254529)	(0.2554566)	(0.247886)	(0.25526)	(0.25762)
Agriculture as Main Sector			-0.246744	-0.246744	-0.42717	-0.21591	-0.25774
			(1.473098)	(1.478402)	(1.434799)	(1.47638)	(1.48918)

(Continued)

	Dependent Variable = Local Education Spending						
Independent Variables	**1**	**2**	**3**	**4**	**5**	**6**	**7**
	FE	**FE**	**FE**	**FE**	**Interaction (FE)**	**RE**	**Interaction (RE)**
Political Variables:							
Election Period			-0.09191	-0.09198	-0.26306	-0.106461	-0.09454
			(0.44628)	(0.83004)	(0.43905)	(0.448557)	(0.45091)
Subnational independence			0.050146	0.050146	0.11945	0.051976	0.0498441
			(0.04487)	(0.04503)	(0.049499)	(0.045027)	(0.0453024)
Political Cohesion			-0.040412	-0.404086	0.1051449	0.43954	-0.04405
			(0.4812215)	(0.485079)	(0.47084)	(0.832671)	(0.486569)
Political Competition			-0.08928	-0.08928	-0.115006	-0.0930612	-0.073492
			(0.2016881)	(0.20242)	(0.196459)	(0.2021199)	(0.32738)
Interaction Variables:							
PLP x Election Period				**0.00052**			
				(5.61446)*			
PLP x Independence					**-0.8684208**		
					(0.2921089)***		
PLP x Political Cohesion						-3.85659	
						(5.4559)	
PLP x Political Competition							-0.17697
							(2.88291)
Constant	5.5596	7.9812	50.27	50.27	32.035	49.35232	49.827
	(0.7321)***	(0.6649) ***	(31.768)	(31.896)**	(31.5171)	(31.8516)	(32.6873)
Observations	N=186	N=186	N=186	N=186	N=186	N=186	N=186
R- squared	0.51	0.51	0.63	0.63	0.65	0.63	0.63

* Significant at 10%; ** Significant at 5%; *** Significant at 1%

Table 6.5. Estimation Results in Explaining Local Health Spending

	Dependent Variable = Local Health Spending						
Independent Variables	**1**	**2**	**3**	**4**	**5**	**6**	**7**
	FE (Bivariate)	**FE (Bivariate)**	**FE (Multivariate)**	**FE (Interaction1)**	**FE (Interaction2)**	**FE (Interaction3)**	**FE (Interaction4)**
Rural participation	-0.0111		0.0193145	0.0140411	0.0179399	0.016773	0.0205
	(0.022872)		(0.0231172)	(0.023157)	(0.0228744)	(0.0233977)	(0.0237)
Labor Institution:							
PLP		**6.04277**	**10.58881**	**7.296296**	**-9.73156**	**12.1262**	**25.9505**
		(4.4532)	**(5.095212)****	**(5.406646)**	**(11.21432)**	**(5.496282)****	**(17.65734)**
GDP per capita (log)			-0.251719	-0.2216154	-0.1858039	-0.2427566	-0.262045
			(0.266944)	(0.265645)	(0.26607)	(0.2676224)	(0.26735)
Socio-economic aspect							
Poverty			0.0177623	0.0111299	-0.68667	0.03572	0.036327
			(0.122687)	(0.1218876)	(0.128609)	(0.1251696)	(0.124452)
Inequality			2.37415	3.433961	2.245455	2.617499	1.78254
			(7.04344)	(7.0209)	(6.966678)	(7.061754)	(7.07784)
Rural Population			-0.058388	-0.0549144	-0.0431124	-0.0644936	-0.053486
			(0.135951)	(0.135015)	(0.1346765)	(0.136404)	(0.136145)
Human Development Index			-0.3709717	-0.3521775	-0.50877	-0.360326	-0.326958
			(0.265064)	(0.2634315)	(0.270825)*	(0.265852)	(0.26962)
Agriculture Relative Position							
Agriculture Share			-0.57564	-0.5720441	-0.59189	-0.582767	-0.551435
			(0.20297)***	(0.2015579)***	(0.2009)***	(0.203504)***	(0.20484)***
Agriculture as Main Sector			1.514212	1.523019	1.613983	1.5404	1.38476
			(1.17468)	(1.166474)	(1.162888)	(1.177032)	(1.18403)

(Continued)

	Dependent Variable = Local Health Spending						
Independent Variables	**1**	**2**	**3**	**4**	**5**	**6**	**7**
	FE (Bivariate)	**FE (Bivariate)**	**FE (Multivariate)**	**FE (Interaction1)**	**FE (Interaction2)**	**FE (Interaction3)**	**FE (Interaction4)**
Political Variables							
Election Period			**-0.298752**	**-1.250297**	**-0.2041122**	**-0.3111**	**-0.32967**
			(0.356679)	**(0.6549105)***	**(0.3558495)**	**(0.3576)**	**(0.35852)**
Subnational independence			**0.1070626**	**0.1063993**	**0.068739**	**0.10862**	**0.103499**
			(0.035783)***	**(0.0355342)*****	**(0.040119)***	**(0.03589)*****	**(0.03602)*****
Political Cohesion			-0.6277173	-0.5658301	-0.7082065	-0.2201	-0.67056
			(0.3837422)	(0.382732)	(0.381612)*	(0.663839)	(0.386865)
Political Competition			0.1408471	0.1433106	0.15506	0.137644	0.326753
			(0.1608329)	(0.1597118)	(0.1592278)	(0.161138)	(0.260296)
Interaction Variables:							
PLP x Election Period				**7.651841**			
				(4.429868)*			
PLP x Independence					**0.480211**		
					(0.2367509)**		
PLP x Political Cohesion						-3.27572	
						(4.34967)	
PLP x Political Competition							-2.08287
							(2.29216)
Constant	8.47706	7.539291	44.4458	43.14824	54.5289	43.6668	39.2357
	(0.543913)***	(0.6649) ***	(25.33308)*	(25.16671)*	(25.54431)	(25.39344)	(25.98921)
Observations	N=186	N=186	N=186	N=186	N=186	N=186	N=186
R- squared	0.74	0.74	0.77	0.78	0.78	0.78	0.78

* Significant at 10%; ** Significant at 5%; *** Significant at 1%

Table 6.6. Estimation Results in Explaining Central Deconcentration Spending

	Dependent Variable = Central Deconcentration Spending					
Independent Variables	**1**	**2**	**3**	**4**	**5**	**6**
	FE (Bivariate)	**FE (Multivariate)**	**FE (Interaction1)**	**FE (Interaction2)**	**FE (Interaction3)**	**FE (Interaction4)**
Rural participation	0.0409831	0.0443421	0.04956	-0.00462	0.0583445	0.152393
	(0.1235001)	(0.11249)	(0.11785)	(0.2604)	(0.124356)	(0.363805)
GDP per capita (log)		-0.606583	-0.610523	-0.61198	-0.589479	-0.601191
		(1.270175)	(1.274851)	(0.005534)	(1.275971)	(1.274376)
Socio-economic aspect						
Poverty		0.6123405	0.617298	0.602938	0.634558	0.6443
		(0.598218)	(0.60116)	(0.60194)	(0.60588)	(0.608798)
Inequality		7.52629	7.29372	8.17369	9.358277	7.670055
		(33.76577)	(33.9168)	(34.0226)	(34.5594)	(33.87746)
Rural Population		**-3.01017**	**-3.0093**	**-3.009217**	**-3.02806**	**-3.02698**
		(0.6616858)****	**(0.66401)******	**(0.663957)******	**(0.66721)******	**(0.6659908)******
Human Development Index		2.749646	2.745115	2.7536	2.715721	2.801734
		(1.28861)**	(1.2934)	(1.293139)	(1.299042)	(1.303455)
Agriculture Relative Position						
Agriculture Share		0.7224616	0.705765	0.7305	0.6859004	0.785046
		(0.981246)	(0.990603)	(0.985346)	(0.993888)	(1.00458)
Agriculture as Main Sector		-5.341416	-5.3063	-5.361321	-5.11227	-5.556635
		(5.726802)	(5.75124)	(5.747117)	(5.808937)	(5.78637)
Political Variables						
Election Period		-2.411664	-2.038223	-2.395984	-2.396916	-2.40801
		(1.70563)	(2.966613)	(1.71309)	(1.712156)	(1.71116)

(Continued)

	Dependent Variable = Central Deconcentration Spending					
Independent Variables	**1**	**2**	**3**	**4**	**5**	**6**
	FE (Bivariate)	**FE (Multivariate)**	**FE (Interaction1)**	**FE (Interaction2)**	**FE (Interaction3)**	**FE (Interaction4)**
Subnational independence		-0.09883	-0.101195	-0.12345	-0.095713	-0.098646
		(0.170676)	(0.17195)	(0.20807)	(0.1726346)	(0.171156)
Political Cohesion		-2.686857	-2.676967	-2.635207	-1.862007	-2.753301
		(1.87083)	(1.87844)	(1.893462)	(3.603476)	(1.88861)
Political Competition		-1.01409	-1.00738	-1.0002	-1.042889	-0.635702
		(0.78321)	(0.787112)	(0.788677)	(0.793145)	(1.4435)
Interaction Variables:						
RPO x Election Period			-0.01544			
			(0.10023)			
RPO x Independence				0.0011547		
				(0.0055344)		
RPO x Political Cohesion					-0.03263	
					(0.1216967)	
RPO x Political Competition						-0.141956
						(0.045439)
Constant	3.4687	-15.34399	-14.4685	-15.055	-12.456	-22.51524
	(2.934974)	(123.35)	(123.91)	(123.778)	(124.226)	(125.8582)
Observations	N=186	N=186	N=186	N=186	N=186	N=186
R- squared	0.22	0.49	0.49	0.49	0.49	0.49

* Significant at 10%; ** Significant at 5%; *** Significant at 1%

6.7 Conclusion

This chapter shows how rural participation influences the level of government productivity programs. Since the main livelihood of rural communities is in the agricultural sector, the analyses focus on government support programs that specifically target agricultural development in general, which include agriculture infrastructure development, irrigation systems, extension programs, access to production inputs, financial access, and research and development.

Based on the estimation results, the role of rural participation alone on local agriculture support is not statistically significant. However, the relationship becomes significant when other conditions are also in place. Based on the different models in this chapter, rural participation consistently shows a significant and positive effect on local agriculture spending when other relevant variables are added. Thus, I find that the effectiveness of rural participation in gaining local agricultural support is not inevitable. It depends on other variables. Because many compensation policies lie in the hands of local governments who are also political actors, the effectiveness of rural participation in obtaining local agricultural support depends on the electoral interests of local governments. Because local incumbents are interested in re-election, the provision of targeted and particularistic spending such as agricultural support is prone to vote-buying. Agricultural support provides an opportunity for local incumbents to gain higher political support from rural agrarian communities.

I further found that vote-buying at the local level is conditioned by certain political contexts. The strongest finding is that it is likely to occur when political competition is high, thus the political value of farmers is high. This suggests that although international trade empowers

rural participation, further development of rural political agency depends on the political incentives of local governments.

Another political factor that determines agricultural support at the local level is the level of state dependence. The estimation results in this chapter indicate that higher agricultural support is given to states where they are more financially dependent. In other words, the more decentralized a state is, the more they have control over their financial resources. This can provide the financial capacity and power to use state resources as rents to gain more electoral votes.

Meanwhile, the estimation results show an insignificant association between the level of central-local political cohesion and agricultural support. This has important implications for our overall understanding of trade and productivity policies in decentralized democracies. As productivity trade policy function as a way for governments to continue national liberalization policies, the lack of the central government's control over the policies weakens its ability to synchronize national trade policies with related policies. This finding suggests that further studies on productivity trade policies need to consider central-local coordination and its implication for the development of national trade policies.

The analyses also found that rural participation is only effective in local agricultural support but not in the central government's agricultural support or local welfare programs. This indeed indicates that rural participation is most effective at the local level since rural communities are closer to local authorities than central authorities.

CHAPTER 7
CONCLUSION

7.1 Summary of the Dissertation

This dissertation seeks to demonstrate civic activism among rural communities in Indonesia and how this activism shapes their political agency. It is defined here as the rural communities' capacity to participate in matters that concern their well-being and ability to access decision-making processes. A key feature of rural political agency is, therefore, rural participation, however, one that can translate into their policy of interest. Understanding civic participation in rural agrarian communities should be an integral part of understanding democracy in developing countries such as Indonesia, as nearly three-quarters of its population lives in rural areas and engaging in agricultural activities.

Since the dissertation focuses on Indonesia, Chapter 2 and Chapter 3 provide a historical background of rural participation in Indonesia during two different political systems, which are the "New Order" authoritarian regime (Chapter 2) and democratic regime (Chapter 3). The discussions highlighted that under the "New Order" regime, the government implemented many agricultural and developmental programs, including supporting rural civic participation, that was good on the surface. In practice, however, they were constrained by clientelist and predatory practices that made rural farmers passive and not mobilized. Farmers' organizations were more of an instrument of control and rent-seeking than a means for rural representation. Under the democratic regime, the discussions highlighted how the reformation provides a segway for rural communities to participate in political activities. However, there are challenges to the progress of

RPOs that comes from within the organization and the external context. They include collective action problems, unconsolidated democracy, and the weak decentralized system. Thus, democratization and decentralization can be considered as a perquisite in the development of rural civic participation in Indonesia, although not sufficient.

The next three chapters provide empirical findings to answer the research questions. It starts by looking at the role of RPO membership on individual political participation in Chapter 4 by using quantitative analysis based on an original survey of 220 farmers drawn from 30 villages across three districts of Indonesia – Keeron, Papua; Muara Banyu Asin, South Sumatera; and Semarang, Central Java. The empirical results suggest that farmers who are members of an RPO are more likely to participate in two political forms - voting in elections and participating in policy discussions with the government- compared to farmers who are not members of an RPO. The relationship, in general, also holds true across all members of an RPO regardless of the position they hold in the organization, age, education, and land ownership. In addition, the empirical results also show that membership in RPO is most significant for farmer's political participation in compare to other forms of civic associations such as religious, youth, and women organizations. Understanding rural agricultural producers participation in RPOs therefore can provide us an understanding of the overall rural civic participation.

Chapter 5 discusses the contextual factors explaining rural participation in RPOs across subnational Indonesia. Through the interviews, there were three main external factors identified, namely (1) exposure to trade liberalization, (2) existence of government support programs, and (3) the existence of external supporting actors. Further, through the survey, it is identified that exposure to trade liberalization is the most common reason why farmers join an RPO. Several farmers indicated in the interview that they join RPOs to stay competitive in the current

globalized market, as they have concerns over the fluctuating prices and the low selling price of agricultural products in Indonesia due to the market openness. A quantitative approach – a fixed-effect panel data regression on panel data of Indonesian states from 2010 to 2015 – was then used to test the correlation between these contextual factors and participation in RPOs. The empirical results indicate that regions with higher exposure to trade indeed have a higher rate of rural participation in RPOs, even after controlling for other relevant factors, such as the availability of government support programs. This finding shows that trade exposure encourages rural political agency since it motivates rural farmers to join RPOs.

Chapter 6 links back to the notion of rural political agency where the chapter discusses how rural participation results in rural farmers obtaining their desired policy outcomes. This chapter looks at how rural participation in RPOs correlates with government agricultural productivity programs, as well as general social welfare programs. The agricultural productivity programs include an array of government supports such as agriculture infrastructure development, irrigation systems, extension programs, and access to production inputs. By using quantitative analysis on subnational data of Indonesia from 2010 to 2015, the empirical results indicated that rural participation in RPOs is associated with a higher level of local agricultural support. However, this does not hold true for agricultural supports that are provided by the central government, as well as general welfare spending. This finding demonstrates that the development of rural political agency through their civic participation is most effective at the local level rather than at the national level.

In this chapter, I further argue that the effectiveness of rural participation in obtaining local agriculture supports is not automatic. Instead, it is constrained by the local political environment that shapes local governments' behavior. Because local incumbents are now

political actors who have their electoral interest for re-election, targeted spending such as agriculture support provides an opportunity for vote-buying practices from rural agrarian communities. Such vote-buying practice, I argue, is conditioned by three political contexts, namely (1) the level of political competition, (2) the level of state independence, and (3) the level of central-local political cohesion. The empirical findings show that rural civic participation translates into government support when political competition is high, as the value of rural communities' votes becomes high.

7.2 Main Conclusions

The findings in this dissertation show that contrary to the common view of rural communities being weak and unable to organize, there are growing rural civic participation in a society-based organization such as RPOs. This dissertation found that exposure to trade openness provides the primary motivation for rural farmers to join an RPO, as they desire to stay competitive in the market. The need to include contextual features of a region is promoted in this dissertation as data shows the variation of rural civic participation exists across places.

This dissertation further shows that high civic participation in RPOs promotes rural political agency, as it correlates with higher government support. This is because RPOs, on top of their economic function, also enhance the political participation of its members, mainly by participating in policymaking discussions. The findings further shows that government supports are mainly provided in the form of agricultural productivity programs given by the local government. Meanwhile, civic participation in RPOs does not correlate with government support provided by the central government and in the form of general welfare programs. This indicates that rural civic participation is most effective at the local level as they are closer to local

authorities rather than central authorities. Such correlation, however, holds true under certain political conditions as it is influenced by local incumbent's vote maximizing behavior. This suggests that further development of rural political agency will still depends on the political incentive of local government.

7.3 Future Research

This study talks to different fields of research and suggests that there are ample of opportunities for future research. In response to the literature on RPOs, I pointed out the possible ways in which RPOs can function in the political realm. Past studies on the role of RPOs have mostly focused on how RPOs increase economic production and sales, but less have been made on their participation in political activities. I propose that more studies need to be made using broader cases to obtain the transferability of the theory. Further research questions related to this can also be explored, such as Why do certain RPOs are more involved in politics?; What are the characteristics of RPOs that participate in political activities?; and In what forms do they participate?

Moreover, this dissertation finds that political context at the local level matters for the progression of rural political agency, as it links to the vote-maximizing motives of local incumbents. Part of the explanation for Indonesian is its electoral system. Because the electoral system is an open-list PR system that promotes a personal vote, we can expect that the provision of a particularistic benefit such as agriculture support is common. Further research questions to explore may include: Do agricultural productivity support always attached to vote-buying practices such as in the case of Indonesia?; If not, how would the argument be different?; Does local political context still matter then?.

On democracy in general, further studies can also be done in looking at how RPOs support the progression towards a consolidated democracy. How do RPOs interact with other Civil Society Organizations? How does modernization affect RPOs development? Does further exposure to trade mean a better quality of democracy?

7.4 Policy Implication

This dissertation pointed out the important role of local government in progressing rural political agency as many supporting policies related to agricultural and rural development are under the local government's authority. Considering that the provision of such spending is attached to the political motives of local incumbents, rural farmers have less control over their political agency. As the findings suggested, it is when such spending provides electoral benefit to incumbents do agricultural support is given. Such practice is not necessarily bad for rural producers because they gain agriculture support under such conditions. However, they do have less control over it. When such policies are constrained, it is difficult for them to exercise their political rights and well-being. Thus, decentralization poses another challenge for rural development and requires strengthening central-local coordination as well as local citizens-local government cooperation.

Appendix A. Survey Questions

QUESTIONNAIRE

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CONFIDENTIAL

LOCATION			
1.	Province		
2.	Regency/City		
3.	District		
4.	Village		
BACKGROUND			
5.	Education	1. Does not attend School 2. Primary School 3. Middle School 4. High School 5. Higher Education	*Additional Information:*
6.	Age		
7.	Main Occupation	1. Agriculture 2. Non-agriculture	*Additional Information:*
8.	Family Members		
9.	Marital Status	1. Married 2. Not Married	

10.	Position in the household	1. Head of household 2. Member of household	
FARMING ACTIVITIES			
11.	Type of commodities	(*List of commodities)*	
12.	Land Ownership	1. Land Owner 2. Farm labor	*Additional Information:*
13.	Currently or have been involved in agriculture training	1. Yes 2. No	*Additional Information:*
14.	Do you have other occupation?	1. Yes 2. No	*Additional Information:*
15.	Receive government support	1. Yes 2. No	*Additional Information (please list the type of government support received):*
16.	Access to the nearest market	………..Km	
17.	Access to the nearest city	……..… Km	
18.	Access to financial institution	a. Accessible b. Difficult	*Additional Information (please explain):*

19.	Business contracts	a. Contract with domestic companies or organization b. Contract with foreign companies or organization c. Does not have any business contract	*Additional Information (please explain):*
PARTICIPATION			
20.	Membership of Rural Producers Organization (RPO)	a. Yes b. No	*Additional Information (if yes, please list the name of the organization):*
21.	Reason to join an RPO	a. Challenges from exposure to trade liberalization, b. Obtain government support programs, c. Support from external actors d. Others	*Additional Information:*
22.	Position in the RPO	1. Head 2. Held structural Position 3. Member	*Additional Information:*
23.	Role of RPO	1. Cooperation in production activities. 2. Cooperation in sales 3. Representative for negotiation with buyers 4. Representative with government 5. Others (May choose more than one)	*Additional Information:*
24.	Involve in policy discussion with the government?	a. Yes b. No	*Additional Information (please list the type of policy discussion involved):*

25.	Affiliated to political parties	a. Yes b. No	
26.	Participate in election	a. Yes b. No	
27.	Member of other civic organization (e,g religious organization, youth organization, etc.)	a. Yes b. No	*Additional Information (please list the type of organization):*
INTERNATIONAL TRADE			
28.	Do you feel challenged by international trade?	a. Yes b. No	*Additional Information (please elaborate):*
29.	Challenges in production	*Please explain the challenges in production activities (if any):*	
30.	Challenges in Marketing	*Please explain the challenges in marketing activities (if any):*	
31.	Are you satisfied with the government's role in facing the challenges of international trade?	a. Yes b. No	*Please explain.*
32.	If not satisfied with the role of government above, please explain your expectation.		

END

Appendix B. Open Ended Interview Questions

General

- Are they expose to risk of trade?
- If yes, in what way? If no, what other challenges they are facing, or if they benefit, how?
- What policy do they hope for?
- How do they voice their demand?
- How has business or occupational organization helped small scale producers?
- Do they involve in different types of organizations as well? If yes, is professional organizations more effective as a venue to demand their interest?

Activities

- How often are their meetings in a month;
- How much range of activities does the organization cover (this might include accessing and managing the products; providing inputs like seeds and equipment; enabling access to markets; improving information and communication; identify risk and opportunities and to make improvements; provide access to credits; disaster relief);
- How much they trust the leader of the organization and each other.
- What explains a working organization?
- How do external organizations such as local and international NGOs help their organization?

Inclusiveness

- How much percentage is the small producers represented in the organization;
- How often they are involved in meetings;
- How often they are asked for feedback.

Policy-making

- How does the small producer involve in dialogue with the government and ability to express their concerns and preferences?
- How do they negotiate with the government?
- What explains successful outcomes?

END

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Biography

Ranitya Kusumadewi is from Indonesia, and was on leave from her role as a government official at the Ministry of Trade Republic of Indonesia when pursuing her PhD at the United States. She holds a B.A. from Padjajaran University Indonesia, majoring in Economics of Development (2004), and a B.S from Bandung Institute of Technology at Indonesia, majoring in mining economics (2005). She then earned her MA degree from The Institute of Social Studies – Erasmus University, at The Hague, Netherlands in 2008, majoring in Economics of Development. She received a scholarship from the StuNed foundation, an organization funded by the government of the Netherlands.

Ranitya is a Fulbright Scholar, in which she received the prestigious Fulbright Scholarship for her PhD at Maxwell School of Citizenship and Public Affairs, Syracuse University, USA. She joins the Department of Political Science, majoring in Comparative Politics and minoring in Public Policy. During her time at Maxwell, she has also taken the role of Teaching Assistant for several courses, such as US Public Policy, Media and Politics, and Environmental Policy.

Having a background in economics, public service, and international trade, her time in Syracuse has prompted her research interests in the field of political economic development, particularly in developing countries. In general, she is interested in the link between economic development and democracy. But more specifically, she is interested in the dynamics of democratic institutions under the current globalized economy. Within these topics, she is also interested in looking at how public policy, as well as political and economic institutions, enters into the equation.

At her home office, she handled multiple issues of international trade. She had been a trade analyst, with particular expertise in WTO rules since 2006, as well as a trade negotiator for broad issues of Free Trade Agreements (FTAs) Indonesia is participating. Recently, she has joined the negotiating team for the Association of Southeast Asia Nations (ASEAN), which not only covers the 10 (ten) ASEAN countries, but also their partners, such as China, Japan, and India.

Ranitya plans to pursue her professional career as a public officer, as well as doing more research in the field of political economic development.