Evaluation of Fiscal Policy on Agropolitan Development to Raise Sustainable Food Security (A Study Case in Bangli Regency, Kuningan Regency and Batu Municipality, Indonesia)

Haula Rosdiana*, Inayati, Murwendah

Department of Administrative Science, Faculty of Social and Political Sciences, Universitas Indonesia, Depok 16424, Indonesia

Abstract

This research examined the stagnant and even declining condition of the agropolitan program was implemented in Indonesia since 2002. Its progress was obstructed due to the national leadership restructuration. Worse of all, there is no Ministry to coordinate the implementation of this program, and minimal support from fiscal policies. The results of this research revealed how the fiscal policy implemented for the acceleration of agropolitan development has not been formulated in a comprehensive, integrative, and holistic manner yet. The current funding mechanism consists of different fiscal policies in each Regency/ City. This includes the different sources of funding, various agencies, and support from the community depending on the area. These differences also affect the success of the implementation of the agropolitan program in each area. In order to allow fiscal policy to accelerate the development of agropolitan areas, the Agropolitan Program Working Group must be more effective in coordinating the funding for the agropolitan program. The National Development Planning Agency must act as a coordinator so the agropolitan program will not overlap with other policies, or even become unnoticed. The Master Plan for the Acceleration and Expansion of Economic Development (MPAEED) program should be integrated with agropolitan program due to their many similarities. By integrating these two programs, the objective of opening more employment opportunities, increasing the people’s profit thus improving their welfare, and improving agricultural sustainability, can be reached. Also, the coordination and integration of these programs will result in a more effective and efficient funding system.

* Corresponding author. Tel.: +62-217-866-561/ +62-812-9022-3617; fax: +62-217-884-9125.
E-mail address: h.rosdiana@ui.ac.id; haurrosdiana71@gmail.com

© 2013 The Authors. Published by Elsevier B.V.
Selection and peer-review under responsibility of the SustaiN conference committee and supported by Kyoto University; (RISH), (OPIR), (GCOE-ARS) and (GSS) as co-hosts
Keywords: Agropolitan development; fiscal policy; growth center instrument; tax incentives; tax policy.

### Nomenclature

| Acronym | Description |
|---------|-------------|
| FEATI   | the Farmer Empowerment through Agricultural Technology and Information |
| IAARD   | the Indonesian Agency for Agricultural Research and Development |
| MARDI   | Model of Agriculture Rural Development through Innovation |
| MPAEED  | the Master Plan for the Acceleration and Expansion of Economic Development |
| NMTDP   | the National Medium-Term Development Plan |
| PCMU    | Project Coordination and Monitoring Unit |
| PCP ATI | the Pioneer Community Program in Agricultural Technology Innovation |
| RMTDP   | the Regional Medium-Term Development Plan |
| SFSH    | Sustainable Food Security Houses |

1. **Background**

The agropolitan concept can actually be applied as a growth pole instrument in order to achieve equal welfare for the people. Moreover, the development of the agropolitan program can also be a strategic move since it can become the nation’s backbone in boosting national sustainability. The sectors that were able to sustain, and even prosper, during the monetary crises included the agriculture and home industry. In the agricultural sector, plantation products and fishery products contributed to the national income during the crisis [1]. Unfortunately, the fiscal policy that was, and is currently, being applied by the government was often formulated in an incomprehensive and non-holistic manner. Viewed from government spending policies, funds allocated for agropolitan programs were less compared to the development of minapolitan programs. Unlike the agropolitan program, the matrix for Book II of the 2010-2014 National Medium-Term Development Plan (NMTDP) explained the minapolitan program in a specific and detailed manner. This has become an issue for the development of agropolitan because the government has targeted the management of 205 potential village until 2014.

The agropolitan program was implemented in 2002 and it seemed to experience a stagnant period after the turnover of two Ministers in the Mutual Assistance Cabinet, including the Minister of Settlement and Regional Infrastructure and the Minister of Agriculture, which was then followed up by the Agriculture Ministerial Decree Number 441/Kpts/KP.150/7/2002 about the formation of a Working Group on the Development of Agropolitan Areas. The agropolitan program slowly started to crumble due to the Minister turnover despite the fact that the Development of Agropolitan Areas Working Group was revised through the Agriculture Ministerial Decree Number 467/Kpts/OT.160/8/2006.

This was very unfortunate considering that the agropolitan program is extremely relevant with the four-pillar concept of Indonesia’s social-economic development strategy which includes pro-growth, pro-poor, pro-job and pro-environment in order to create a sustainable growth with equity. The agropolitan program was not even integrated with the MPAEED program for 2011 – 2025. The agropolitan program started to gain attention again due to the launch of the minapolitan program. In a number of areas, such as East Java, the agropolitan program was developed again, along with the minapolitan program. However, due to lack of meaningful attention, the progresses of the development of agropolitan programs in pioneering areas differ from one area to another.

Based on the above background, the main issue in this piece will be “why fiscal policy has a different impact on agropolitan development?” In relation to the issue, the elaboration of the research problem is: 1) How can expenditure policy overcome agropolitan development? and 2) What factors cause the fiscal policy to have different implications on the development of the agropolitan program?
2. Theoretical Framework

2.1. Definition of Agropolitan and Its Important Role

Nowadays, many countries realize how agriculture plays an extremely strategic role in strengthening national sustainability. By strengthening the agriculture sector, a nation can significantly expand employment opportunities, improve the people’s welfare, boost agricultural sustainability, and reduce dependency on imported goods. Even China, the newest world economy giant, also depends on agriculture as the foundation of its national economy [2]. In Indonesia, the agriculture sector proved to be the most resilient towards economical disasters and has become a crucial contributor in delaying the economy’s downfall, in addition to it being a contributor to the nation’s income during the crisis [3].

A nation’s tendency to develop its economy based on its geographical location has become a phenomenon, thus giving birth to various geo-economics theories and concepts meaning the economy that is increasingly being driven by, and dependent on, geospatial or geographic information – information that is tied to or linked to a geographic location. This location based information termed geospatial or geographic information or geo-information [4]. Before the concept of geo-economics came to light, Friedmann and Douglass introduced a new concept named agropolitan as a solution to not only form the flow of urbanization, but also to empower a village’s economy. Zhu et.al. cited Friedmann and Douglas’ opinion and stated how the agropolitan program will encourage the community in villages to continue to reside in their respective areas [5]. Therefore, agropolitan can be defined as an agriculture or location for the center of service or center of economic activities based on agriculture, where the agriculture sector will be able to grow and develop because it is able to serve, encourage, and haul the activity of developing agriculture (agribusiness) in central agricultural villages and its surrounding villages. An agropolitan area can also be defined as an agriculture region that consists of an agricultural city [6].

Stohr stated, as quoted by Mercado, that through an agropolitan program, a faster and more equal source of income can be obtained because this concept enables the possibility of a bottoms up approach [7]. Mercado also mentioned five characteristics of an agropolitan area, which include a) a relatively small geographical scale; b) a high degree of self-sufficiency and self-reliance in decision-making and planning, based on popular participation and cooperative action at local levels; c) diversification of rural employment to include both agricultural and non-agricultural activities, emphasizing the growth of small-scale rural industrialization; d) urban-rural industrial functions and their linkages to local resources and economic structures; and e) utilization and evaluation of local resources and technologies. Furthermore, Lapping believed that the agropolitan idea raised by Friedman will basically empower villages more because it does not only maximize local production and trade but also can add to social knowledge for a vast community, thus increasing an institution’s capacity to overcome issues that are more difficult and complex [8].

2.2. Revitalization of the Fiscal Policy

Agropolitan development should be supported by a suitable fiscal policy. A fiscal policy is an instrument that the government can utilize to influence the productivity of the community, inflation, and employment opportunities. However, fiscal policies are often not optimally used as an instrument to influence macro economy. Arestic and Sawyer stated that fiscal policies are more often ignored compared to monetary policies despite the fact that fiscal policies provide a wider opportunity for a nation to participate [9]. A quantitative argument put forth by Arestic and Sawyer concluded that as a whole, considering certain conditions, a fiscal policy is a strong instrument for macroeconomic policies.

In general, a fiscal policy as an instrument for agropolitan development consists of spending/expenditure policy and tax policy. The government’s support in the acceleration of agropolitan development can be seen by the amount of funds allocated by the government for the agropolitan program. This is not only included in the state budget and the regional budget but also in the NMTDP. The NMTDP is actually a reflection of the government’s initial commitment in the development of a program.

A tax policy in the form of an incentive can also help accelerate the development of the agropolitan program. A study by LeBlanc and Hrubovcak revealed that in an aggregated manner, tax incentives can increase investments in
the agriculture sector. Tax incentives in the form of tax credits have proven to be effective in stimulating investments compared to other forms of incentives such as accelerated depreciation [10]. The findings by LeBlanc and Hrubovcak are consistent with the findings of a previous researcher, Hall and Jorgenson. In a conceptual theoretical manner, this phenomena can be explained by the essential form of tax credits that directly influences tax burden or tax against tax, compared to other forms of incentives that only reduces a taxable income [11]. Therefore, the reduction only affects a layered percentage of the tax determined by the government.

3. Research Methodology

The paradigm of this research is constructivism with a mixed approach. This research is aimed at understanding social phenomena. The data analysis process was done with an inductive method, so the meaning and understanding from social phenomena can be understood in a comprehensive manner.

Literary research and field research techniques were used to gather data. In order to gain a better understanding of the topic, the data were also gathered through Focused Group Discussions involving those related to the agropolitan program including the Regional Development and Planning Agency, the Ministry of Agriculture, the Ministry of Public Works, the Farmers Group Alliance, the Regional Chamber of Commerce, the Forestry Department and the Environment Department. The observation and Focused Group Discussions were also conducted in agropolitan locations that were sites for the research, which included Kuningan Regency in West Java, Bangli Regency in Bali, and Batu Municipality in Central Java. Bangli Regency and Batu Municipality were both chosen due to their long term implementation of the agropolitan concept, and also because these areas were pioneers of the program. Kuningan Regency was chosen because its area mostly consists of mountains, has a protected forest, and has a recharge area, which is similar to the geographical condition in Batu Municipality and Bangli Regency. Environmental conservation in Bangli Regency, Kuningan Regency, and Batu Municipality will influence Regencies and Cities near the respective areas.

4. Analysis

4.1. Some Expenditure Policy Patterns Implemented for the Development of the Agropolitan Program

The development of agropolitan regions was designed as a program based on agribusiness to empower farmers through the approach of developing regions managed by the National Agropolitan Development Team, which consists of the Ministry of Public Works, the Ministry of Home Affairs, Ministry of Agriculture, and Regional Government. Due to having no regulatory Board to manage the agropolitan program, as a logical consequence, the financial aspect and funding for this program were affected. The mechanism for the management of the budget for the development of the agropolitan program can be seen in Figure 1.

![Fig. 1. Agropolitan program budget mechanism](image-url)
should involve more institutions aside from the four mentioned above. This is in accordance with the regulation for the Coordination of the Development of Agropolitan Regions (See Figure 2) that reveals the coordination should include the related Ministry/ institution, also businesses/ private sectors.

![Figure 2. Coordination of the Development of Agropolitan Regions](image)

Explicitly, the founder of the agropolitan policy in Indonesia, Soenarno, who is the former Minister of Settlement and Regional Infrastructure, explained that the funding for the agropolitan program should ideally be derived from the community, such as the farmers, agro-input dealers, produce managers, marketing managers, and service providers. The government should facilitate the program through stimulant funds to encourage the regional government and the community and guide them in financing public and strategic infrastructure and facilities.

The largest funding for the agropolitan program was from the Ministry of Public Works for infrastructure and facilities. Until now, the development of infrastructure has been a priority in the approach of the agropolitan program. There are even those who believe that by developing the infrastructure, the agropolitan program will be formed and developed, such as in Kalimantan where the agropolitan program managed to progress on its own after the Ministry of Public Works developed road in the area. In reality, the habit of prioritizing the funding for physical development is only effective in the beginning because the agropolitan program’s success is not only determined by the facilities and infrastructures but also by the quality of the human resources. This is the underlying cause of the agropolitan program’s main issue because the success of the program is strongly determined by the skills of its human resources (farmers, etc.) starting from production to post production. Without these skills, the goods produced will not provide a positive contribution to agricultural businesses.

In Kuningan Regency and Bangli Regency, a reason why the agropolitan program has not significantly improved the welfare of the farmers was because of the farmers’ limited skills in product innovation. In general, farmers sell raw goods. The farmers’ attempt at innovation did not always garner significant support from related institutions. For example, field research results showed that in Kuningan Regency, there were some attempts at innovations such as sweet potato flour, brownies, ice cream, instant noodles, cakes and other snacks. However, because they were unable to eliminate the ‘stale scent’ of the sweet potato, they could not develop these innovations as expected. This was an interesting phenomena to observe in Central Java, as farmers managed to eliminate the ‘stale scent’ of sweet potato flour. The case is different between the quality of food processed from purple sweet potatoes in Batu Municipality and Kuningan Regency. Therefore, it can be seen how the government lacks attention in the spread of knowledge and technology.

Aside from being highly nutritious, the government can also use sweet potato flour as an alternative to reduce the nation’s dependency on the import of wheat (as raw material for flour). It was ironic how the government decided to issue a tax subsidy in the form of State-Borne Value Added Tax for flour and the import of wheat when the cost of flour increased while local potential was ignored. The opportunity to export was not even optimally used.

For the Kuningan Regency case, the key informant revealed that the export quota for sweet potato paste to Japan and Korea from a company in Kuningan could not be fulfilled by its local farmers because the productivity of its farmers in producing a certain variety is still low. As a result, the company looks for supply from other regions such as Sukabumi and Pekalongan. This is definitely ironic considering the Kuningan Regency Agropolitan Area is the center for sweet potatoes. The Regional Development Planning Agency of Kuningan Regency stated that lack of innovation has resulted in the low competition value of sweet potatoes produced by farmers, and the slow development of Small and Medium Enterprises. Therefore, the Kuningan Regency allocated the funds for the development of the sweet potato agribusiness as follows:
The special attention given by the Kuningan Regency for sweet potatoes actually refers to a MPAEED that has already been made. The triangulation from the results of research revealed that out of four districts that developed the agropolitan program, Cilimus District, with sweet potato as is reliable commodity, was chosen as a priority district. Cilimus District was chosen as a Priority District based on its commodity export potential, competitiveness, amount of involved farmers, intensity of farming businesses, geographical location, accessibility to areas outside the district, and its suitability to the Regional Development Plan.

As an effort to improve the development of the agropolitan program, the Kuningan Regency Government, supported by the Provincial Government and Central Government, has attempted to add to the role of related institutions in the production process from beginning to end, from processing up until export the Regional Development Planning Agency stated that the Provincial Government will help through the Competition Funding Program – Community Development Index and grants. The Central Government will help the agropolitan program in Kuningan Regency through the Directorate General of Small to Medium Enterprise with the One Village One Product Program. The Directorate General of Small to Medium Enterprise has aided 20 small to medium industries at Bondorasa Wetan Village, Cilimus Subdistrict, in the form of 1) professional aid, 2) guidance and implementation of Good Manufacturing Practices, 3) packaging repair and facilitation, 4) certification facilitation (halal, quality product), and 5) the participation of local exhibitions.

Through the Counseling and Development of Agricultural Human Resources, the Ministry of Agriculture has given aid in the form of the Farmer Empowerment through Agricultural Technology and Information (FEATI) program. The FEATI is a program designed to empower farmers and farmer organizations in increasing their productivity, profit and welfare by improving accessibility for information, technology, and capital and production facilities, the development of agribusiness and partnerships. Aside from that, through the Assessment Institute for Agricultural Technology, the Ministry of Agriculture also helped agropolitan development in Kuningan District through the Pioneer Community Program in Agricultural Technology Innovation (PCP ATI) to socialize the innovations based on researches and developments in agriculture to the community in the form of an agribusiness laboratory at a location that is easily seen and known by the farmer community. PCP ATI’s main objective is to accelerating dissemination, increase the levels of production and expand the adoptive prevalence of innovative technology produced by the Indonesian Agency for Agricultural Research and Development (IAARD). Furthermore, it also aims at gathering feedback regarding the characteristics of correct technology specific to its users and location, which is essential in attempting to realize the research and development of user’s needs [12].

The various sources of funding for the agropolitan program in Kuningan Regency include 1) the regional budget, 2) the state budget, 3) investors, 4) the community, and 5) other sources. Meanwhile, implementers of the program include 1) Fish Hatcheries, 2) “Bina Marga”, 3) the Department of Forestry, 4) the Department of Cooperatives and Small to Medium Enterprise, 5) the Department of Irrigation and Natural Resources, 6) the Department of Industry and Trade, 7) the Department of Agriculture, Husbandry, and Plantation, and 8) the Department of Spatial Planning and Copyright. These various sources of funding demonstrate the vast support for agropolitan program has garnered in Kuningan Regency.

In Bangli Regency case, so as to increase competition among regions, Bangli Regency was made as a reference by the government. In an interview, Head of the Regional Development and Planning Agency of Bangli Regency stated that the development of the agropolitan program was created under creative economy. The Bangli Regency also has a Research and Regional Development Board that makes use of the skills of Bangli community from various professions such as doctors, entrepreneurs, and other professions. Then, according to their potential, these human resources are then deployed according to their respective fields. The interview also mentioned that up until now, with support from the Regional Research and Development Board, four activities have been run, which

Table 1. Funding plan for the development of sweet potato agribusiness in Kuningan regency.

| Source of Funding            | 2011     | 2012     |
|------------------------------|----------|----------|
| The Regional Budget of Regency | 380,000,000 | 220,000,000 |
| The Regional Budget of Province | 600,000,000 | 550,000,000 |
| The State Budget              | 630,000,000 | 425,000,000 |
included the following fields: 1) education, 2) health, 3) advanced technology, and 4) creative economy. The board was assigned to provide suggestions to the Regent and or Deputy Regent. These suggestions were conducted by the Regional Secretary as the daily executioner. The Regional Secretary was responsible for ensuring that the function of the local government and suggestions from the board can be realized.

The funding policy model for the agropolitan program at Bangli Regency can also be made as an example for other regencies/cities that have geographical locations and strategic positions similar to Bangli. Other Regional Governments surrounding Bangli have participated to support the conservation of the Bangli environment through Hotel Tax revenue sharing, also by providing aid in the form of funding. Head of the Regional Development and Planning Agency of Bangli Regency believed this compensation was given based on the Bangli Regency’s agreement to not build hotels in its region. This was done to prevent floods and landslides that can endanger areas near Bangli. The strategic location of Batu Municipality is actually similar to Bangli. The conservation of the Batu Municipality environment will influence its surrounding regional governments because Batu Municipality owns 1) a protected forest, 2) infiltration areas, 3) natural conservation and cultural preservation areas, and 4) the Brantas River as a source of water for the community in Central Java.

Batu Municipality, which was also nicknamed Little Switzerland in Indonesia, has a very high potential for agribusiness. Farming (cows and rabbits), agriculture (crops, fruit, and vegetables), fishery, and even decorative plants can be the main potentials for agropolitan in Batu Municipality. Ironically, the alteration of administrative regions from Regencies to Cities has been found to be disadvantageous for Batu Municipality because the Central Government, in this case, the Ministry of Agriculture, no longer provided aid in the form of Special Allocation Funds. It is known that the Ministry of Agriculture did not allocate funds to support the agropolitan program in Batu Municipality (view Table 2), while other agropolitan areas in the East Java Province received allocated funds. This is despite the fact that substantively, the areas surrounding the administrative of Batu Municipality consisted of villages. Batu Municipality consists of three sub-districts divided into 19 villages and five neighborhoods. The sub-districts in Batu Municipality include Batu, Bumiaji, and Junrejo.

Since no funds are allocated for agropolitan development, funding is extremely limited. This means that the efforts done to optimize the agropolitan program have become limited as well despite the fact that the Head of the Regional Development and Planning Agency of Batu Municipality had a significant breakthrough of involving various institutions in the development of the agropolitan program. In Batu Municipality, aside from directly involving technical institutions, the development of Agropolitan was also done by involving 1) Community, Women, and Family Planning Empowerment Boards, 2) Cooperatives, Small to Medium Enterprises, and Trade, 3) the Department of Tourism and Culture, and 4) Crop Sustainability Agencies. This means that the implementation of the agropolitan program was not only aimed at empowering farmers and increasing the productivity of agriculture, but also at maintaining food sustainability, community empowerment, up until tourism synergy. Therefore, the trickle-down effect of the implementation of the agropolitan program is vast and extensive. This actually goes beyond agropolitan pioneer Friedmann’s projection that a city may exist in a village.

In order to accelerate the development of the agropolitan program in Batu Municipality, the Head of the Regional Development and Planning Agency of Batu Municipality initiated a financing policy through Public Private Partnership, among others through Vertical Integrated Partnership. The Vertical Integrated Partnership run in Batu Municipality consists of three partnership models including local private group ownership, farmer group/ cooperative ownership, and individual ownership in collaboration with the Regional Government.

4.2. Factors that Cause Fiscal Policy to Have a Different Implication on the Development of Agropolitan in Bangli Regency, Kuningan Regency, and Batu Municipality

A previous discussion explained that the agropolitan program is a coordinative program that involves various central and regional government institutions. As often discovered during similar types of research, the issue of coordination often becomes a crucial problem when attempting to implement a policy. More often than not, lack of coordination will hinder a program from reaching its objectives, especially if the policy was run through a coordinative program, such as the agropolitan policy. The source of funds for the development of agropolitan areas finally depended on concerned related institutions and the community’s roles due to the urgency and existence of the
agropolitan program. This can be seen by the various institutions involved or was included by the Regional Development and Planning Agency and community involved in this program.

Although the agropolitan program has involved numerous related institutions, the development of the program in each agropolitan district in Kuningan Regency has not been integrated with food sustainability and tourism yet. This is despite the fact that the RMTDP states the second mission of Kuningan Regency is boosting the development of agropolitan and local tourism by creating stronger facilities and infrastructure, sector and area synergy, and productivity oriented on the empowerment of the community’s economy.

Aside from coordination during the formulation of the budget for the agropolitan program, funding support from the Central Government in the form of Special Allocation Funds given to agropolitan regions based on the names/differences in administrative areas (Regency/City) has become one of the reasons why there are different amounts of funds, depending on the area, handed over to optimize the development of agropolitan areas. The Special Allocation Funds should be given based on the potential and actual condition of the area. The development of the Batu Municipality Agropolitan area will be more optimal if the central government also allocates the Special Allocation Funds for this area because the majority of Batu Municipality consists of villages.

Central and Regional leadership factors could become a leverage for the success of the agropolitan program. On a central level, the agropolitan program, which was established in 2002, was driven by two Ministers who were interested in the agropolitan concept. This program managed to run despite the fact that it was only based on an agreement between two Ministers and was not a product of a higher and more binding law. However, due to changes in the national cabinet in Indonesia in 2004, the agropolitan program lacked attention. This can be viewed from the arrangement of the NMTDP Year 2004-2009. As a result, the development and the success of the agropolitan program in each area is determined by its local government leaders.

Creativity, ability, and the willingness of regional leaders to collaborate with private entities and other entities have contributed to the various types of success for the agropolitan program. For instance, Gorontalo is one of the areas that managed to successfully implement the agropolitan program, even open up a market all the way to South Korea. This was due to the Governor at that time, Fadel Muhammad, who adopted the agropolitan concept in the minropolitan concept and initiated it. Since then, attention toward the agropolitan program is included in the NMTDP Year 2010-2014.

Besides the supports from FEATI program and PCP ATI program, as previously explained, other programs have been issued by the Ministry of Agriculture to support the development of agropolitan areas, such as 1) Poor Farmer’s Income Improvement through Innovation Project, 2) Model of Agriculture Rural Development through Innovation (MARDI), and 3) the Model of Sustainable Food House Region.

Funding for the Poor Farmers Income Improvement through Innovation project was derived from a soft loan from the Asian Development Bank at 79%, the Indonesian Government at 10.1%, the Regional Government at 1.4%, and farmers at 9.5% in the form of service and local materials. In order to implement the project, the Department of Agriculture formed a National Steering Committee with the Secretary General of the Ministry of Agriculture consisting of members who are representatives from the Ministry of Agriculture, the National Development Planning Agency, the Ministry of Finance, and related institutions. NSC functions as the advisor and coordinator for the execution for the project. As for the Executing Agency, the Agency for Agricultural Research and Development is responsible for coordinating the whole execution of the project by forming a Project Coordination and Monitoring Unit (PCMU), in addition to being responsible for executing the development of information sources and agricultural innovation. The PCMU is led by the project leader instated by the Agriculture Minister Decree based on a suggestion by the Head of the IAARD. All requests from the Asian Development Bank regarding information and communication in relation to the execution of the project will be aimed at the PCMU.

The spirit of the MARDI was based on PCP ATI’s success at proving itself to be the main motivator of growth and development for agribusiness in various areas. MARDI is a form of disseminated activity conducted through a concrete example on the field. This activity is conducted to display technology innovations involving a Farmer Group or the Farmers Group Alliance. The display of innovations was done by covering technical and institutional aspects. Financing for MARDI is mainly derived from the IAARD’s National Government and Project Budget List. For the development of the model by the IAARD along with the Directorate General for the Ministry of Agriculture, the funding for this program is derived from the related National Government and Project Budget List institutions respectively [13].
The Ministry of Agriculture optimized the use of residential backyards by initiating the Sustainable Food Security Houses (SFSH) concept. The SFSH consists of residential homes that intensively and wisely use their yards as local resources, guaranteeing the continuous production of a variety of quality food. If the SFSH is developed on a larger scale, based on villages or other possible areas, the implementation of the Sustainable Food Security Housing Areas. In addition, the Sustainable Food Security Housing Areas can also cover the effort to increase the use of fences, village roads, and other public facilities (schools, places of worship, and others), open green fields, and the development of the process and marketing of crops.

Not all agropolitan areas received financial support from the Ministry of Agriculture’s budget. As previously explained, out of the three areas which are the objects of this research, only Batu Municipality did not receive funding from the Ministry of Agriculture to support the agropolitan program (See Table 2). This became one of the factors that contributed to the different progresses in the development of agropolitan program depending on each respective area.

Table 2. Ministry of Agriculture activity and budget matrix in supporting the agropolitan program in Bangli regency, Kuningan regency, and Batu municipality.

| Location          | Bangli Regency                  | Kuningan Regency                  | Batu Municipality |
|-------------------|--------------------------------|----------------------------------|------------------|
| Main commodity    | Catur (2002)                    | Sindang Jaya (2002)              | -                |
| Area              | Arabica coffee, orange, and cow fattening agent | Highland vegetables              | -                |
| Activity          | Activity administration         | Activity administration          | -                |
|                   | Monev                          | Monev                            | -                |
|                   | Identification of Farming Institutions | Identification of Farming Institutions | -                |
|                   | Operational Assistance Program Training of Farmer Civil Servants | Operational Assistance Program Training of Farmer Civil Servants | -                |
|                   | Simultaneous appreciation      | Simultaneous appreciation        | -                |
|                   | Farmer subscriptions           | Farmer subscriptions             | -                |
|                   | Distribution of farming materials | Distribution of farming materials | -                |
|                   | Counseling facilities          | Counseling facilities            | -                |
|                   | Integrated Development Counseling Centers model | Integrated Development Counseling Centers model | -                |
| Budget            | 467,324,000                    | 728,244,000                      | -                |
| Co-allocation of funds | School of Integrated Crop Management | School of Integrated Crop Management | -                |
|                   | Post-Harvest Facilities        | Post-Harvest Facilities          | -                |
|                   | Guidance, money control, and report | Guidance, money control, and report | -                |
| Budget            | 1,613,250,000                  | 4,529,043,000                    | -                |
| IAARD             | Model of Sustainable Food House Region | -                              | -                |
| Budget            | 200,000,000                    | -                               | -                |

5. Conclusion

There are differences in spending/expenditure policies implemented in Kuningan Regency, Bangli Regency, and Batu Municipality. These differences include sources of financing and funding, in addition to the various related institutions, and support from the community. These differences affect the success of the implementation of the agropolitan program in each of these areas respectively.

Overall, the fiscal policy has not managed to encourage the acceleration of development for the agropolitan program because it has not been done in a comprehensive, integrative, and holistic manner yet by involving all related institutions. These conditions are made more difficult by the declining budget allocated by the Ministry of
Agriculture. Moreover, national leaders cannot convince all parties that the agropolitan program is of national importance, and not just in the interest of its respective regions.

In the end, the commitment of national leaders, either from the central or regional government, and support from the community (farmers, agro-input dealers, production managers, marketing managers, and service providers) and other regional governments bordered with agropolitan areas have become the key factors to the success of the agropolitan program so as to see the level of commitment and support will be reflected through the fiscal policy for the chosen agropolitan programs.

6. Recommendation

In order to allow fiscal policy to accelerate the development of agropolitan areas, the Agropolitan Program Working Group must be more effective in coordinating the funding for the agropolitan program. The National Development Planning Agency must act as a coordinator, so the agropolitan program will not overlap with other policies, or even become unnoticed. The MPAEED program should be integrated with the agropolitan program due to their many similarities. By integrating these two programs, the objective of opening more employment opportunities, increasing the people’s profit thus improving their welfare, and improving agricultural sustainability, can be reached. Also, the coordination and integration of these programs will result in a more effective and efficient funding system.

Acknowledgement

This study is part of advanced research of Cluster Research of Department of Administrative Science Grant Year 2011, National Strategic Grant Year 2011, and Intermediate Research Grant Year 2012 of Directorate of Research and Community Service of Universitas Indonesia. We would like to thank the Directorate of Research and Community Service Universitas Indonesia and Department of Administrative Science, Faculty of Social and Political Sciences Universitas Indonesia of which has funded this research. Our gratitude to the entire team, especially Prof. Dr. Gunadi, Ak., M.Sc., Dr. Machfud Sidik, M.Sc., Dr. Edi Slamet Irianto, M.Si., Aisyah Farida Sari, S.Sos., Neni Susilawati, S.Sos., M.A., and Rani Fariha, S.I.A, for your cooperation.

References

1. Edi Slamet Irianto. Optimalisasi penerimaan keuangan negara guna meningkatkan kualitas sumber daya manusia dalam rangka pembangunan nasional. Jakarta: Lembaga Pertahanan Nasional; 2010.
2. Yanfang Wang, Shuqiang Zhang. Comparative analysis of agriculture industrialization: hebei province and shandong province. *International Journal of Business and Management*. December, 2010; 5(12): 173.
3. Robert Ryerson, Stan Aronoff. Why ‘where’ matters: understanding and profiting from GPS, GIS, and remote sensing. Kim Geometrics Corporation; 2011. http://www.seeconomy.com.
4. Yu Zhu, Xinhua Qi, Huaiyou Shao, Kaijing He. The evolution of china’s in situ urbanization and its planning and environmental implications: case studies from quanzhou municipality in china. China: Centre for Population and Development Research, Fujian Normal University; 2007.
5. Suwandi. Agropolitan: meretas jalan meniti harapan. Jakarta: PT Duta Karya Swasta; 2005.
6. Ruben G. Mercado. Regional development in the Philippines: a review of experience, state of the art and agenda for research and action. Philippine Institute for Development Studies Surian samga Pang-aaral Pangkaunlarang Pilipinas, February 2002. http://unpan1.un.org/intradoc/groups/public/documents/apcity/unpan005113.pdf
7. Mark B. Lapping. Rural policy and planning. Rural Development Paper No. 31. The Northeast Regional Centre for Rural Development, the Pennsylvania State University; 2005.
8. Philip Arastic, Malcolm Sawyer. Reinventing fiscal policy. *Journal of Post Keynesian Economics*. ; 2003; 26(1).
9. Michael LeBlanc, James Hruboveck. The effects of tax policy on aggregate agricultural investment. *American Journal of Agricultural Economics*. 1986; 68 (4): 391-414.
10. Robert E. Hall, Dale W. Jorgenson. Tax policy and investment behaviour. *American Economic Review*. 1967; 57. http://www.stanford.edu/~rehall/Tax-Policy-AER-June-1967.pdf
11. The Indonesian Agency for Agricultural Research and Development. Sustainable food house region. 2012. http://www.litbang.deptan.go.id/krpl/panduan.
12. The Indonesian Agency for Agricultural Research and Development. Handbook of model of agriculture rural development through innovation. 2011.