

Poverty reduction policies in developing countries: How has decentralization worked in Indonesia and Malaysia?

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ABSTRACT

Poverty in developing countries is an unresolved problem. Poverty alleviation policy interventions have been carried out by various layers of government in each country. This study analyzes the practice of decentralization in poverty alleviation policies. This study focuses on two countries, Indonesia and Malaysia. The two neighboring countries are still classified as developing countries, but have different decentralization practices and poverty alleviation outcomes. This research used a qualitative approach, conducted by interviewing selected informants and reviewing government and official agency reports. The results showed that Indonesia and Malaysia have different approaches to decentralization practices that affect poverty alleviation policies. Indonesia is a unitary state that practices regional autonomy, including fiscal decentralization. In the issue of poverty, there are overlapping policies between ministries and local governments which have resulted in ineffective poverty alleviation policies. Moreover, the poverty alleviation policy also lacks coordination between the central and regional governments, sectoral ego, and incremental policies. The change from the practice of centralization to decentralization after the Suharto regime which did not work well was the main cause of this problem. Meanwhile, in Malaysia, which practices federalism, many poverty alleviation policies are carried out by the central government. This can be seen from the inequality reflected by enormous disparities of the budget size between federal and state level governments. Despite having a low poverty rate, the Malaysian government needs to improve fiscal decentralization and expansion of social agency in the state.

Kata Kunci: Decentralization, poverty, Indonesia, Malaysia