Poverty Alleviation Strategy and Public Expenditure in Aceh, Indonesia

Jeliteng Pribadi
Assistant Professor, Department of Management, Syiah Kuala University, Banda Aceh, Indonesia
adekjp@gmail.com

Jesse Yu-Chen Lan
Associate Professor, Department of Public Policy and Management, I-Shou University, Kaohsiung, Taiwan
Corresponding author
yclan@isu.edu.tw

Agussabti
Associate Professor, Socioeconomic Department, and the Vice-President of Administrative Affairs, Syiah Kuala University, Banda Aceh, Indonesia
agussabti@unsyiah.ac.id

Abstract

This study analyzes the factors that influence poverty alleviation in Aceh, Indonesia. It looks at the priority given to poverty reduction in the budget and the effectiveness with which it is addressed and disseminated. To determine good practices and lessons learnt from this process of poverty alleviation public expenditure, we examine the written material on poverty in Aceh, budget documents, focus group discussions, and interviews with stakeholders in the policy process in the government, community leaders, and the community. We also look at the structural and cultural problems believed to be at heart of Aceh’s high levels of poverty.

Keywords

Aceh – poverty alleviation – budget inefficiency – development – community economic independence
Background

Poverty – the lack of the ability to achieve the minimum living standard (World Bank 1990) – has been a serious concern of experts and policymakers around the world (Haushofer and Fehr 2014; Mani et al. 2013). For decades, scholars and policymakers have developed and implemented various strategies and policies to alleviate poverty. As the most populous developing country in the world, Indonesia suffers from weak economic foundations and unequal development. This has resulted in poverty in some of its provinces. Aceh, an Indonesian province that is rich in natural resources, has one of the highest poverty rates in Sumatra. While policymakers in Aceh have constantly sought to reduce poverty, the results are lackluster.

The province of Aceh suffered from 32 years of armed civil rebellion (1975-2007). The Human Development Index (HDI) of Aceh dropped from 17th place in 2009 to 27th in 2010. In 2011, Aceh was the province with the sixth highest number of poor people of the 34 provinces of Indonesia. There is a 19.48% poverty rate in Aceh, which is far above the national average of 12.49%. In March 2015, the number of poor people in Aceh rose to 851,000 (17.08%); this is an increase of 14,000 people from the 837,000 (16.98%) living below the poverty line in September 2014 (Aceh Central Statistics Agency, 2015). After the Free Aceh Movement and the Government of Indonesia (Goo) signed the Memorandum of Understanding (MoU), the Law of the Government of Aceh (LoGA) no. 11/2006 was enacted and the budget transferred to the province skyrocketed from US$39 million in 2001 to US$328 million in 2007 and US$966 million in 2013.

In the 2012-2017 Medium-Term Development Plan (RPJM) document, the government of Aceh aimed to reduce poverty from 19.48% in 2011 to 9.50% in 2017 so that the province would meet one of the country’s Millennium Development Goals (MDGs). Unfortunately, efforts to reduce poverty have not been fully effective. Statistics show that over the past three years, the government of Aceh was only able to reduce poverty levels by an average of 1.01% per year. While some change has been enacted, it is still far from the annual poverty reduction rate of 2%. This fact shows that the government of Aceh’s policy in overcoming poverty has not been fully effective. In order to achieve the poverty reduction target, innovative policies and strategies are needed.

This study aims to understand the factors that influence the priority given to poverty reduction in the budget and the effectiveness with which it is addressed. To determine good practices and lessons learnt from this process, we will review the written material on poverty in Aceh, budget documents,
focus group discussions (FGD), and interviews with stakeholders in the policy process in the government, community leaders, and the community.

**Literature Review**

At the beginning of the twentieth century, poverty was defined as “the inadequacy of income to obtain the minimum necessity for the maintenance of merely physical efficiency” (Rowntree 1901; Smith 1904 [1776]). In the modern-day, the World Bank (1981) defines poverty as a lack of opportunity for some groups that do not have sufficient resources to buy food, maintain decent living conditions, or participate in activities generally accepted by the community. The definition was later simplified to “lack of ability to achieve a minimum standard of living” (World Bank 1990). Haughton and Khandker (2009) define poverty as a term related to welfare and social position, and they group poverty according to three perspectives, namely: (i) conventional perspective, (ii) poverty line perspective, and (iii) social perspective. Handler and Hasenfeld (2007) proposed two approaches to looking at the concept of poverty, namely the economic approach and the social approach. The economic approach focuses on identifying the income needed to purchase a minimum basket of goods and services needed. The social approach is related not only to the fulfillment of material aspects but also the ability to be able to participate optimally as a member of the community.

According to the World Bank (2008), the basic causes of poverty are: (1) failure of ownership, especially land and capital; (2) limited availability of basic necessities, facilities and infrastructure; (3) development policies that are urban and sector biased; (4) differences in opportunities between members of the community and the less supportive system; (5) differences in human resources and differences between the economic sectors (traditional economy versus modern economy); (6) low productivity and level of capital formation in society; (7) cultural life that is associated with one’s ability to manage natural resources and their environment; (8) the absence of clean and good governance (good governance); (9) management of natural resources that are excessive and not environmentally sound. The World Bank (2008) also groups two vulnerable groups in Aceh that overlap but are different, namely the “structurally poor” group and the group “shaken by conflict and tsunami” that have lost personal property. The ones who are poor because they have been “shaken by the conflict and tsunami” have, in general, better productive capacity than those who are “structurally poor”.
This research will identify the causal factors of poverty as well as the ineffectiveness of poverty reduction efforts in Aceh by examining the program budget allocations and poverty alleviation activities between provinces and districts/cities.

**Research Methodology**

This study utilizes data on the poor or the poverty rate in Aceh from the 2014 Aceh Provincial Community Welfare Indicators document published by the Central Statistics Agency of Aceh Province. Development budget data for each district is obtained from budget documents compiled by the Regional Development Planning Agency. The province of Aceh consists of 18 districts and 5 cities. For purposes of efficiency, this study separates the province into three clusters of two districts each. These clusters will be representative of the east coast, west coast, and central district, respectively. The first cluster consists of Bener Meriah and Gayo Lues; the second cluster consists of Pidie Jaya and North Aceh; and the third cluster consists of Aceh Barat and Simeulue. Structured interviews with a number of policymakers were also conducted. Qualitative analysis will also be carried out to strengthen the quantitative narrative and analyze the poverty alleviation budgeting programs and strategies. The budget allocated to poverty alleviation, will be analyzed as four components: how much of the expenditure budget goes to poverty reduction, the expenditure gap, the relevance of the budget allocation, and the effectiveness of the budget vis-à-vis poverty reduction.

**Findings and Discussion**

*Aceh Poverty Rate following the December 2004 Tsunami and Armed Conflict*

Owing to the armed conflict in the province (1976-2005), Aceh's poverty rate has been high even before the 26 December 2004 tsunami devastated the province. Aceh had a 28.4% poverty rate in 2004, far above national poverty level of 16.7%. Following the disaster wrought by the tsunami, Aceh's poverty rate increased dramatically from 28.4% to 32.6% in 2005 (World Bank 2008). However, poverty was partially alleviated in the province when the Tsunami Reconstruction and Rehabilitation Board (BRR) in Aceh-Nias as well as various domestic and foreign humanitarian agencies carried out post-tsunami
rehabilitation and reconstruction work. This resulted in Aceh’s poverty rate declining to 26.5% in 2006, 24% in 2008, and 21% in 2009 as the rehabilitation and reconstruction program was declared complete. After the reconstruction program ended, poverty alleviation proceeded slowly. By 2010-2014, poverty reduction in Aceh only occurred at 0.59% per year due to weak development management and the behavior of the poor who had been spoiled by the various facilities provided by donor agencies.

Figure 1 shows that there are 13 districts/cities (56.52%) whose poverty rate is above the average provincial poverty rate and 22 districts/cities (95.65%) whose poverty rate is above the national average poverty rate. This phenomenon illustrates that the government’s poverty alleviation program has not been able to reduce poverty significantly.

There are several factors causing the high poverty rate in Aceh. First, local governments have limited capacity in managing poverty alleviation programs. The results of the study indicate that (a) the implemented programs have not addressed the main problem of poverty; (b) the program implemented was not in accordance with the planned procedures; and (c) substantial constraints in Aceh make it difficult to reduce the current level of structural poverty in the province. Second, the poor are dependent on external assistance and intervention to the point where the local community’s creativity and independence are reduced. Third, the development of basic infrastructure needed to support poverty alleviation efforts, such as irrigation; access to production centers, appropriate technology and educational facilities; public health in remote villages is still limited.

Although the effect of fiscal decentralization on regional economic growth is still debated (Jin and Rider 2020), the literature shows that good governance
has a positive effect on economic growth because it strengthens the "helping hand" of power. In addition, the success or failure of economic development is also determined by the management of local governments (Hammond and Tosun 2011) which can be measured from indicators of community welfare, such as income and monetary equivalent resources, the quality of health, education, employment, environment, housing, social level and poverty (Esping-Andersen 2000; Pyatt 1987).

Our study found that the highest poverty rates in Aceh were generally in the new districts that were formed after the decentralization policy was implemented in 2001. Poverty is greatly concentrated in rural areas where farming is the main source of income. Thus, efforts to alleviate poverty in Aceh should ideally be focused on rural agriculture development programs. So far, the government of Aceh has declared the development of the agricultural sector to be a top priority. Many agricultural programs have been launched to increase the production, productivity and welfare of farmers. An agribusiness system that integrates the upstream-downstream, marketing and support subsystems that are deemed essential to increasing productivity and competitiveness has also been implemented. As a result, agricultural production and productivity has been increasing annually, especially in rice yields.

However, the success of the agricultural development program does not occur in tandem with the efforts to reduce poverty. The number of poor in most of the agricultural villages did not decrease significantly; in fact, the number of poor among farmers increased in 2014 when compared to the previous year. Likewise, the Farmer Exchange Rate (FER) – which is used to measure the welfare levels of farmers – indicates that the farmers' subsistence levels in Aceh remain very volatile. In fact, the FER of the animal husbandry subsector in January 2012 was below 100 at 99.76, when measured against the base year of 2007. This means that the welfare of farmers in Aceh in early 2012 was no better than in 2007.

**Pro-Poor Budgeting**

**Budget Composition**

The Aceh Provincial Development Budget (APBA) and 23 districts/cities in Aceh (henceforth, APBk) in 2013 and 2014 had a significant increase of 13.5% and 31%, respectively. The total budget for the province of Aceh increased from Rp. 11.8 trillion in 2013 to Rp. 13.4 trillion in 2014. Meanwhile, the total districts/cities development budget in Aceh increased dramatically from Rp. 15.7 trillion in 2013 to Rp. 20.7 trillion in 2014. In 2013, only two districts in Aceh had budgets over Rp. 1 trillion, namely North Aceh (Rp. 1.36 trillion) and Bireuen (Rp. 1.03 trillion). However, in 2014, seven districts/cities had budgets of more
than Rp. 1 trillion, namely North Aceh (Rp. 1.75 trillion), East Aceh (Rp. 1.31 trillion), Bireuen (Rp. 1.26 trillion), Pidie (Rp. 1.25 trillion), Aceh Besar (Rp. 1.18 trillion), Banda Aceh (Rp. 1.11 trillion) and Central Aceh (Rp. 1.0 trillion). The city of Sabang received the smallest development budget (Rp. 567.8 billion); it was followed by the districts of Simeulue (Rp. 600.8 billion), Singkil (Rp. 632.8 billion) and Gayo Lues, (Rp. 701.6 billion). East Aceh Regency achieved the largest budget growth at 48%, followed by the districts of Pidie Jaya (46%), Bener Meriah (43%) and Southeast Aceh (41%). In contrast, Lhokseumawe City and Bireuen District recorded the lowest budget growth of 17.2% and 18.72%, respectively.

Despite a significant increase, the composition of the provincial and district budgets in Aceh remains unproportional. On average, the budget of the province of Aceh is dominated by the functions of public services, housing and public facilities, and the economy. The budgets of the districts/cities are dominated by the functions of education, public services, as well as housing and public facilities. In contrast, the proportions for social protection, tourism and cultural functions, and the environment are relatively similar across the provinces and districts/cities. These budget compositions indicate the difference in development priorities between the Aceh Provincial Government and the governments of the various districts/cities in Aceh. On the other hand, there are similarities in the lack of attention to the functions of social protection, tourism and culture, and the environment, which could indirectly help with the efforts to reduce poverty in Aceh.
The Aceh provincial and regional budget composition in Figure 3 illustrates the disparity in budget functions. It will ultimately have an effect on the effectiveness of achieving development goals. On average, the budget allocation for public services and housing and public facilities accounts for more than half of the regional development budget (66%). Meanwhile, the education and health budget, which is determined by law to be fixed at 20% and 10%, respectively, are only plotted at 8% each. On the other hand, the budgets for order and peace, the environment, tourism and culture, and social protection are only plotted at 3%. The disparity in budget allocations between sectors in Aceh also occurs at the national level. A study found that the performance-based budgeting system in Indonesia has yet to cover the basic needs of society, such as education, health, social services and welfare improvement – areas which are especially important to poverty alleviation (Mutiarin 2017). Therefore, in the future budgeting process, it is important to provide incentives for the wider community, especially budget observers, non-governmental organizations (NGOs), as well as practitioners of law and legislation so that they can provide input and facilitate the demands of citizens towards the fulfillment of basic services and ensure efficient use of resources.

In line with the provincial budget, the composition of the districts/cities budget is also dominated by a few sectors, namely education (34%), public services (25%), housing and public facilities (14%), health (12%) and the economy (10%). As a large proportion of the APBK budget goes to education, public services, and housing and public facilities, much less is left for the sectors of the environment, tourism and culture, and social protection. Aside from the relatively smaller gaps and budget allocations for education and health that have exceeded regulations, it can be said that the composition of district/city budgets is still better than the Aceh provincial budget (see Figure 3).
The increase in the development budget in Aceh in 2014 did not equalize the unevenness of the budget composition. The growth of the budget at both the provincial and regional in the last two years does not necessarily improve the existing budgetary composition. The largest increase in the Aceh provincial budget occurred in the education, social protection and public services sectors at 1.86%, 1.62% and 1.44%, respectively. However, this increase did not change the composition much because these sectors took up quite a large portion of the budget in the previous year. The same thing happened in the APBK where the greatest growth in the budget went to housing and public facilities (2.12%) and the economy (1.44%), with a 1.3% increase each in the sectors of order and peace, environment, and health (Figure 4).

The composition of the government budget is closely related to the achievement of development targets. Previous studies showed that the government’s policy objectives include quantitative or qualitative goals. They can be achieved through various instruments such as direct and indirect government spending. However, direct government spending is the most important instrument, and government budgets are a financial reflection of most government policies (Gupta et al. 2005; Tommasi 2013). Therefore, the composition of the budget should reflect the government’s targeted development policies. In other words, development policies implemented by the government should be described in the development budget allocation.

Figure 4 shows the convergent budget growth between provinces and districts/cities. The growth of the provincial budget is relatively greater for...
education, social security, and public services. In contrast, district budget growth lies in the sectors of housing and public works, economy, environment, and health facilities. Thus, Figure 4 clearly shows the differences in budget priorities between the provinces and districts. Knowledge of this condition will help to minimize disparities in budget functions that occur between the provinces and districts. Accordingly, the provincial government needs to improve its coordination, dissemination, and synchronization of development program priorities according to the vision and mission carried out by the Governor and each regional head. For this reason, agencies related to development budget planning, such as the Regional Development Planning Board (Bappeda) and the Office of Financial Management, need to increase capacity building for their planning staff.

Analysis of Relevance and Effectiveness of Achievement of Key Indicators

Our study shows that most of the 2013-2014 district/city and Aceh provincial budgets are still not aligned to regional priorities. This can be seen from the disparity in budget allocations, especially in the prioritization of the education and health sectors. For example, there are 9 districts/cities that have a school participation rate (APS) below the provincial average of 88.5 in 2011-2014. Three of them (North Aceh, East Aceh and Bireuen) actually have an education budget that is far greater than the average education budget of other districts/cities. In contrast, the remaining 6 districts/cities (West Aceh, Aceh Besar, Central Aceh, Gayo Lues, Sabang and Simeulue) have budgets below the average level, even though they have APS levels above the provincial average. The difference in budget allocation in the education sector in these 9 districts/cities clearly shows the gap in budget priorities between districts/cities. This also illustrates the ineffectiveness of the budget in the education sector. The details of this disparity can be seen in Figure 5.

To address this problem, Potter and Diamond (1999) argued that proper budget planning and preparation should be at the core of public expenditure management. To achieve budget effectiveness, public expenditure management systems require strict fiscal and financial discipline through measures such as control of aggregate expenditure to ensure affordability; consistency with macroeconomic constraints; introducing an effective means of achieving resource allocation that reflects spending policy priorities; efficient delivery of public services (productive efficiency); and minimizing the financial costs of budget management (i.e., efficient budget execution and sound money and debt management practices).
Districts/Cities Poverty Reduction Budget

On average each District/City allocates a budget of Rp. 179 billion per year. Langsa City has recorded the largest budget allocation in the last three years, amounting to Rp. 270.4 billion or Rp. 90.1 billion annually. Data shows that the trend of budget allocations for district/city poverty programs and activities generally increases from year to year. In contrast, the allocation of poverty programs and activities in Bireuen District actually declined in 2014. Details of this can be seen in Figure 6.

The study showed that districts/cities’ budget composition do not incentivize poverty alleviation efforts. This can be seen from the budget allocated to other sectors that do not pertain to poverty reduction. In addition, the budget is also not balanced among agencies or districts/cities. For example, for the past three years in Langsa City, the largest proportion of the poverty budget (a total of Rp 270.4 billion) has been placed in the Education Office and the Marine, Fisheries and Animal Husbandry Office at 49% (Rp. 128.4 billion) and 48% (Rp. 131 billion), respectively. The remaining 3% of the budget are given over to the Health Office, business process management (BPM), and Social Services for Manpower and Population Mobilization. Meanwhile, the offices in Langsa City that would directly be involved in poverty alleviation (e.g., the Department of Industry and Trade, the Office of Cooperatives and SMEs, and Baitul Mal) do not receive any budget at all. This will be more clearly illustrated in Figure 6.

Likewise, for the past three years in North Aceh, 58% (Rp. 142.8 billion) of the total Rp. 245 billion budget for poverty programs and activities was allocated
to Cut Meutia District Hospital. The remaining 42% was allocated to 13 other agencies and institutions. However, North Aceh District allocates its budget in a more proportionate manner vis-à-vis poverty alleviation because it has involved more agencies and institutions. Some agencies and institutions, such as Cipta Karya, BPM, Baitul Mal, Social Services, Disperindag, and Diskop and UKM, have budget allocations that are quite balanced with each other.

To ensure that the budget for poverty alleviation is fairly distributed, it is important to improve the coordination and synchronization of development program priorities between regions and institutions. Indeed, Hammond and Tosun (2011) suggest that sound budget planning and implementation needs to be applied in a disciplined manner in all development sectors.

**Poverty Alleviation Implementation Problem**

The FGDS showed that there were three fundamental problems that arose from the poverty alleviation efforts. First, the programs implemented are more political than strategic and economic. In fact, there are many programs that are designed to only benefit certain parties. The locations of the programs implemented and the program beneficiaries are more determined by their “special closeness” to certain groups within the bureaucracy and legislature. This makes it very difficult to assess the strategic and economic effectiveness of poverty alleviation programs. Because only certain locations and certain groups of beneficiaries benefit, this causes jealousy among the different farming communities. It also decreases trust in the government. Farming communities that
do not have any “special closeness” with policymakers are particularly resentful that they do not benefit from these poverty alleviation measures.

Second, the success of development programs is determined by their budget absorption. The introduction of the Governor’s budget acceleration unit (P2K-APBA), which supervises the activities carried out by government agencies at the provincial level, is believed to have boosted budget absorption. Most notably, the 2011 APBA realized 93.5% of its financial targets. But the success of development cannot be determined solely by the high and low absorption of the end of the year budget. Rather, the hallmark of true success is the amount of economic growth that occurs because of development.

Third, the lack of synergy among stakeholders and the ego of the management running each sector of the economy are also problems in Aceh’s poverty alleviation efforts. There is no synergy among the stakeholders in the agricultural sector. This has resulted in the lack of smooth implementation of policies, and hindered the achievement of various effective and efficient development goals. Likewise, the egos within the different sectors of development management (e.g., education vs. environment) often do clash. This is because each sector feels more superior to the other sectors. This has resulted in the lack of transparency in the tasks and functions of agricultural agencies, as well as overlapping policies. As a consequence, each independent sector finds it hard to develop to their full potential. Thus, agricultural programs carried out in Aceh must be supported by all related sectors.

The FGDs also found that various measures and social assistance programs carried out by the government to ease the burden on the poor are deemed to have been effective, while assistance aimed at empowering businesses tends to be ineffective. Poverty reduction programs from the Central Government include the National Community Empowerment Program (PNPM), Social Rehabilitation for Non-Habitable Homes (RTLH), family-based social assistance like Raskin, the Family Hope Program (PKH), the development of transmigration areas, and others. The Provincial and District Government programs are almost similar because they rely on Peumakmu Gampong Financial Assistance (BKPG); the Aceh People’s Health Insurance (JKRA); RTLH; scholarships for orphans; SME financing; aid for facilities; and infrastructure for farmers, animal breeders, fishermen and traders; community garden rehabilitation programs (seedling assistance), among others. Meanwhile, programs and assistance from NGOs are also diverse and aim to solve certain problems in the fields of health, education, agriculture, and so on. Programs by NGOs are generally considered more successful because they are focused and measured. Unfortunately, programs by NGOs are temporary and do not last in the long run.
Poverty alleviation programs from the Central, Provincial and District/City governments have varying degrees of effectiveness. While social assistance measures (such as Raskin, health insurance, scholarships, housing assistance, etc.) help to alleviate the burden of living for the poor and are deemed to be quite effective, the issue of data accuracy is a cause of bias for beneficiaries. On the other hand, assistance in the form of empowerment (e.g., capital assistance, aid of tools/facilities, seed assistance, etc.) has a low level of effectiveness. This is because of the absence of assistance among the lowest levels of the poor and some of the poor who do have access to these forms of assistance do not know how to take advantage of them. It is also believed that new programs, such as the Village Fund Allocation, will not succeed if villages lack the knowhow to manage these resources and offers of assistance are not strengthened.

In order to accelerate poverty reduction, many policies, strategies and program approaches are needed. These include improving data systems; focusing on budgets; improving business regulations; and bettering economic infrastructure, community empowerment, and rehabilitation of social values. Poverty alleviation programs are strongly linked to data. The wide range of sometimes contradictory data held by the different institutions can be quite confusing. Therefore, each district/city needs to equalize, integrate, centralize and update their poverty data. The coordination and cooperation between agencies is also very important. Criteria for the beneficiaries of various assistance programs from the Central, Provincial and District/City levels are needed. This will ensure that the programs truly target the people who are in real need. Poverty alleviation budgets also need to focus on increasing development, rather than employee spending, in order to reduce inefficiencies. A roadmap for the use of Otusus (special autonomy) funds for poverty alleviation is also needed to ensure that key problems in the sectors of infrastructure, social, cultural, health and education are resolved each year. Economic facilities as well as infrastructure and investment will have to be improved before poverty reduction programs can be accelerated. By improving the quality of roads to various isolated areas (especially in the central part of the province of Aceh), improving the basic infrastructure of districts/cities (electricity, clean water, reservoirs, ports, etc.), and improving economic regulations and business registration systems, investment security will be secured and extortion will be minimized. The inflow of investment accompanying improved infrastructure will go some way into alleviating poverty.

Various empowerment programs for the poor will be ineffective if their villages lack the capacity to manage various funds. To that end, it is important to strengthen the village-owned enterprise system (BUMG) as an economic institution for rural communities. Strong and ongoing assistance is likewise needed.
to foster business groups in the community. For this reason, highly knowledgeable and professional instructors in the areas of agriculture and fisheries are needed. Village facilitators must also receive training on the effective management of various village resources. The community has to be educated on the availability of the different programs. To foster business spirit and economic independence at the village level, educators and facilitators should tap into religious teachings and local traditions to reach out to the villagers. One example of how this can be done is to revive the local tradition of mutual cooperation and participation.

Conclusion

Cultural and structural problems are the most dominant factors causing poverty in Aceh. There are, of course, cases and places where poverty is caused by natural disasters. From a cultural perspective, the causes of community poverty are mainly due to laziness, dependence on government assistance and consumptive behavior by the poor, such as selling off assets rather than using them for productive things. The mindset that it is better to be a laborer than a businessman is also prevalent and needs to be changed. The loss of local traditions pertaining mutual cooperation and participation have also added to the increase of poverty. These various factors come together and instill a resigned attitude towards the conditions of poverty. When a community collectively feels resigned, they will lack the desire and willpower to try to improve their economic conditions. Some of the structural problems giving rise to poverty are the ineffectiveness of village government institutions, poorly functioning village economic institutions, government programs that are not on target, lack of efficiency on the part of the regional poverty alleviation team, post-harvest prices of various agricultural and fishery products arising from the lack of protection and regulations, and deteriorating public infrastructure such as access to water and electricity. Some of the natural factors causing poverty are natural disasters, isolated regions and high prices of basic necessities. This can be exacerbated by the poor having a high number of family members, low levels of low education, lack of expertise, and lack of permanent jobs.

The poor are unwittingly caught up in a cycle of poverty due to cultural, structural and natural causes. For instance, their low level of skills and education means they can only earn low incomes. Because of their low levels of education, the poor are unable to manage household finances and control themselves when they consume. The consumerist culture of the modern-day encourages them to consume more than they need. This behavior leads to
them spending more than they earn. Such consumptive attitudes may, in extreme cases, override more important needs, such as children’s education, meeting the nutritional needs of families, etc. By having this mindset, the poor will continue to be low quality human resources unable to meet the economic needs of their families and communities.

Although the districts/cities in Aceh have different perceptions of the main causes of poverty within their jurisdiction, they generally believe structural and cultural problems to be the root causes of Aceh’s high levels of poverty. Unequal development and budget inefficiency are considered the structural problems that have to be overcome if poverty alleviation is to be accelerated. More has to be done to revive the spirit of independence and mutual cooperation as part of local culture so that the poor can learn about social and economic independence at the community level. Unfortunately, there is still a very long way to go as the economic independence of the community is currently still very dependent on funds from the government.

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